COVER SHEET

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S.E.C. Registration Number

LBC EXPRESS HOLDINGS, INC, (formerly FEDERAL RESOURCES INVESTMENT GROUP INC.)

(Company's Full Name)

LBC HANGAR, GENERAL AVIATION CENTRE, DOMESTIC AIRPORT ROAD, PASAY CITY METRO MANILA

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

Mahleene G. Go

Contact Person

8880999

Company Telephone Number

Month Day

Fiscal Year

SEC FORM 20-IS

FORM TYPE

Month

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
JUN 13 2018
MARKET REGULATION DEPT.
BY: TIME: 1:20 p

1. Check the appropriate box:

   [ ] Preliminary Information Statement

   [✓] Definitive Information Statement

2. Name of Registrant as specified in its charter : **LBC EXPRESS HOLDINGS, INC. (Formerly Federal Resources Investment Group, Inc.) ("LBCEH" or the "Company")**

3. Province, country or other jurisdiction of incorporation or organization : **Philippines**

4. SEC Identification Number : **AS093-005277**

5. BIR Tax Identification Number : **002-648-099-000**

6. Address of Principal Office : **LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila**

   Postal Code : **1300**

7. Registrant's telephone number, including area code : **(632) 856 8510**

8. Date, time and place of the meeting of security holders : **09 July 2018**
   2:00 P.M.
   Marriott Grand Ballroom
   Executive Room 1&3
   Resorts World
   Newport, Pasay City, Metro Manila

9. Approximate date on which the Information Statement is first to be sent or given to security holders : **13 June 2018**

10. *In case of Proxy Solicitations:*
    Name of Person Filing the Statement/Solicitor: : **Not applicable**

    Address and Telephone No. : **Not applicable**

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of each class	Number of Common Stock Outstanding or Amount of Debt Outstanding (as of 30 June May 2017)
Common Shares	**1,425,865,471**

12. Are any or all of registrant's securities listed on a Stock Exchange?

Yes [✓]   No [ ]

If yes, disclose the name of such Stock Exchange and the class of securities listed therein.

The Common Shares of LBC Express Holdings, Inc. are listed on the Philippine Stock Exchange.

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

G R E E T I N G S:

Please take notice that the Annual Meeting of Stockholders of LBC EXPRESS HOLDINGS, INC. will be held on **09 July 2018**, **2:00 P.M.** at **Marriott Grand Ballroom Executive Room 1&3 at Resorts World, Newport, Pasay City, Metro Manila**, to discuss the following:

AGENDA

1. Call to Order
2. Proof of Service of Notice
3. Certification of Presence of Quorum
4. Approval of the Minutes of the Annual Stockholders' Meeting held on 29 August 2017
5. Ratification of all acts of the Board of Directors and Officers since the 2017 Annual Stockholders' Meeting adopted in the ordinary course of business
6. Approval of the Annual Report and Audited Financial Statements of the Company for the year ended 31 December 2017
7. Report of Management
8. Election of the Members of the Board of Directors including the Independent Directors for the Ensuing Year and the Directors for the Newly Created Board Seats
9. Appointment of the Company's External Auditors for Fiscal Year 2018
10. Approval of the Corporate Guaranty to the loans and obligations of LBC Express, Inc. from Rizal Commercial Banking Corporation and CTBC Bank (Philippines) Corp.
11. Other Matters

For purposes of the meeting, only stockholders of record as of **31 May 2018** are entitled to attend and vote in the said meeting.

For your convenience in registering your attendance, please have some form of identification such as a passport, driver's license or voter's I.D.

The Company is not soliciting proxies.

CRISTINA S. PALMA GIL-FERNANDEZ
Corporate Secretary

INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, Time, and Place of Meeting of Security Holders

Date	:	09 July 2018
Time	:	2:00 P.M.
Place	:	Marriott Grand Ballroom Executive Room 1&3 Resorts World Newport, Pasay City, Metro Manila
Complete mailing address of the principal office of the Company	:	LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila
Approximate date when the Information Statement is first to be sent out to stockholders of record:	:	13 June 2018

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

Other than the election to office to include the nomination and election of directors and independent directors, there are no matters to be acted upon in which any director or executive officer is involved or had a direct, indirect, or substantial interest. Furthermore, no director has informed the registrant, in writing or otherwise, that he/she intends to oppose any action to be taken by the registrant at the Meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

As of 30 April 2018, the number of shares outstanding of LBC Express Holdings, Inc. ("LBCEH" or the "Company") is 1,425,865,471 shares with par value of One Peso (Php1.00) per share.

All stockholders of record at the close of business hours on 31 May 2018 (the "Record Date") are entitled to notice and to vote at the Annual Stockholders' Meeting.

A common stockholder entitled to vote at the Meeting shall have the right to vote in person or by proxy the number of shares registered in his name in the stock and transfer book of the Company as of the Record Date. With respect to the election of directors, said stockholder may vote such number of shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

Security Ownership of Certain Record and Beneficial Owners as of 30 April 2018

The Company has no knowledge of any person who, as of 30 April 2018, was directly or indirectly the beneficial owner of more than five percent (5%) of the Company's outstanding shares of common stock or who has voting power of investment with respect to shares comprising more than five percent (5%) of the Company's outstanding shares of common stock except as stated below:

Title of Class	Name	Address	No. of Shares Held	Name of Beneficial Owner	Citizenship	%
Common Shares	LBC Development Corporation	LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City	1,206,178,232	The record owner is the beneficial owner of the shares indicated	Filipino	84.59%
		TOTAL	1,206,178,232			**84.59%**

Security Ownership of Directors and Management as of 30 April 2018

The following table shows the shareholdings beneficially held by the directors and executive officers of the Company as of 30 April 2018.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	% of Total Outstanding Shares
		Direct	Indirect		
Common	Rene E. Fuentes	1	N/A	Filipino	0.0
Common	Enrique V. Rey, Jr.	1	N/A	Filipino	0.0
Common	Augusto Gan	1	N/A	Filipino	0.0
Common	Miguel Angel A. Camahort	1	N/A	Filipino	0.0
Common	Jason Michael Rosenblatt	1	N/A	American	0.0
Common	Mark Werner J. Rosal	1,000	N/A	Filipino	0.0
Common	Solita V. Delantar	1	N/A	Filipino	0.0
Common	Luis N. Yu, Jr.	1	N/A	Filipino	0.0
Common	Anthony A. Abad	101	N/A	Filipino	
	TOTAL	**1,107**			**0.0**

Voting Trust Holders of 5% or More

As of 30 April 2018, the Company is not aware of any voting trust or similar agreements involving the securities of the Company or of any person who holds more than five percent (5%) of a class of securities under a voting trust or similar agreements.

Change in Control

On May 18, 2015, LBC Development Corporation subscribed to 59,101,000 common shares of the Company (equivalent to 59.10% of the total issued and outstanding capital stock of the Company as of said date) which resulted in LBC Development Corporation acquiring control of the Company.

On September 18, 2015, LBC Development Corporation subscribed to an additional 1,146,873,632 common shares which were issued on October 12, 2015 following the approval by the SEC of the Company's application to increase its authorized capital stock from ₱100,000,000.00 divided into 100,000,000 common shares with par value of ₱1.00 per share, to ₱2,000,000,000.00 divided into 2,000,000,000 common shares with par value of ₱1.00 per share. As of the date of this Report, LBC

Development Corporation holds a total of 1,206,178,232 common shares of the Company or 84.59%of the Company's total issued and outstanding capital stock of the Company.

Item 5. Directors and Executive Officers

The following served as Directors of the Company for the year 2017:

Name	Age	Nationality	Position
Miguel Angel A. Camahort	55	Filipino	Chairman of the Board
Enrique V. Rey, Jr.	47	Filipino	Director
Rene E. Fuentes	44	Filipino	Director
Mark Werner J. Rosal	43	Filipino	Director
Augusto Gan	55	Filipino	Director
Anthony A. Abad	54	Filipino	Independent Director
Jason Michael Rosenblatt	41	American	Director
Luis N. Yu, Jr.	62	Filipino	Independent Director
Solita V. Delantar	74	Filipino	Independent Director

The business experience of each of the directors is set forth below.

Miguel Angel A. Camahort
Chairman of the Board and President

Mr. Miguel Angel A. Camahort is a Director, Chairman of the Board and President of the Company. He is also the President of LBC Express Corporate Solutions, Inc., the subsidiary operating the "Print and Mail" business of LBC Express, Inc. Mr. Camahort concurrently serves on the Board of Directors of the United Football League. Prior to joining the LBC Group, Mr. Camahort was a Senior Vice President and the Chief Operating Officer of Aboitiz One, Inc. from 2007 to 2009 and Aboitiz Transport System Corporation (ATSC) Solutions Division from 2004 to 2007. He also served as a Senior Vice President and the Chief Operating Officer of Aboitiz Transport System Corp. (formerly, William, Gothong & Aboitiz, Inc.) in the Freight Division from 1999 to 2003, prior to which he was the President of Davao Integrated Stevedoring Services Corporation (DIPSCCOR) from 1999 to 2003. Mr. Camahort holds a Bachelor of Science degree in Business Administration and Economics from Notre Dame de Namur University (formerly, the College of Notre Dame) in California, U.S.A.

Enrique V. Rey, Jr.
Director

Mr. Enrique V. Rey Jr. assumed the position of Investor Relations Officer of the Company in September 2015. Mr. Rey, Jr. was also a director of LBC Systems, Inc. from 2008 to 2010 and LBC Mundial Inc. from 2005 to 2008. Prior to joining the Company, Mr. Rey, Jr. worked for Coca-Cola Phil ATS, where he was the Senior Head of Sales from 2003 to 2005 and the Associate Vice President for Institutional Sales from 2000 to 2003. Mr. Rey, attended De La Salle University and completed a Management program at the Ateneo Business School. Mr. Rey, Jr. has also received training in Finance. Since 2010, Mr. Rey, Jr. has been a member of the Institute of Internal Auditors.

Rene E. Fuentes
Director

Mr. Rene E. Fuentes is currently the Senior Vice President for Global Retail Operations of LBC Express, Inc. Prior to joining the Company, Mr. Fuentes served as President of Documents Plus, Inc. from 1996 to 2001, and as Regional Manager, Vice-President of EFC Food Corporation from 1996 to 2001. Mr. Fuentes attended De La Salle University and completed a Key Executive Program in November 2013 at the Harvard Business School.

Mark Werner J. Rosal
Director

Atty. Rosal became a director of the Company on 28 April 2015. Born in Cebu City, Atty. Rosal, prior to taking up law, has a Bachelor's Degree in Physical Therapy from Cebu Velez College and is a licensed

Physical Therapist. Atty. Rosal graduated in the top 5% of his law school batch at the University of San Carlos, Cebu City, in 2002 and was admitted to the Philippine Bar in 2003. He spent his early years in the practice of law at Balgos and Perez Law Offices and Angara Cruz Concepcion Regala and Abello (ACCRALAW). Currently, he is the Managing Partner of Rosal Diaz Bacalla and Fortuna Law Offices, a Cebu-based law firm. As part of his law practice as retained counsel of private corporations, he is a director (holding nominal shares) of Cebu Agaru Motors Inc., Wide Gain Property Holdings, Inc., and Sem-Ros Food Corp. (a non-operational corporation).

Augusto Gan
Director

Mr. Augusto G. Gan was appointed Director of the Company in November 2013. Mr. Gan concurrently serves as a Director of Atlantic Gulf and Pacific Company, Investment and Capital Corp of the Philippines, Pick Szeged ZRT, Sole-Mizo Zrt and Netvoice Inc. He is also the Managing Director of Ganesp Ventures and the Chairman of the Board of Anders Consulting Ltd. Previously, Mr. Gan was the President of the Delphi Group from 2001 to 2012 and the Chief Executive Officer of Novasage Incorporations (HK) from 2006 to 2007. He has also served as a Director of AFP Group Ltd. (HK) from 2005 to 2007 and ISM Communication from 2003 to 2004, as well as the Chairman of the Boards of Cambridge Holdings from 1995 to 2000 and Qualibrand Industries from 1988 to 2001. Mr. Gan holds a Master in Business Management degree from the Asian Institute of Management.

Anthony A. Abad
Independent Director

Atty. Anthony A. Abad is currently the CEO and Managing Director of TradeAdvisors, as well as a partner of Abad Alcantara & Associates. He graduated from the Harvard University – John F. Kennedy School of Government with a Master's Degree in Public Administration, and a Fellow in Public Policy and Management at the Harvard Institute for International Development. Atty. Abad graduated from the Ateneo de Manila School of Law with a Juris Doctor degree, and a Bachelor of Arts degree, Major in Economics (Honors). Other current engagements include: Bloomberg Philippines, Anchor; Ateneo Center for International Economic Law, Director; Ateneo de Manila University, Professor; World Trade Organization, Panelist. Previously, Atty. Abad was Key Expert, Trade Policy & Export Development Trade Assistant for the European Union, Chairman and Secretary's Technical Advisor at the Department of Agriculture, and President and CEO of the Philippine International Trading Corporation.

Jason Michael Rosenblatt
Director

Mr. Jason Rosenblatt was appointed Director of the Company on March 2, 2018. He is currently a Partner at Crescent Point, a private equity and investment firm based in Singapore. Mr. Rosenblatt assumed a director position at LBC Express Holdings, Inc. in March 2018. His previous positions include: Laurasia Capital Management, Director; Standard Bank, Global Head of Special Situations; DKR Oasis, Head of Principal Strategies; Ritchie Capital Management, Director; McKinsey Company, Associate; and Bank One, Associate.

Solita V. Delantar
Independent Director

Ms. Solita V. Delantar was appointed Director of the Company in March 2014. Previously, Ms. Delantar served as Vice-President, Human Resources Management & Development Administration (November 1999 - September 2003), Consultant (July 1997 - July 1998), Vice-President, Finance & Administration (May 1988 - June 1996) and various other positions at Honda Philippines, Inc. Ms. Delantar is a Certified Public Accountant, Fellow in Personal Management and professional business mediator. From September 1998 to March 2007, she served as a Member of the Professional Board of Accountancy, which administers licensure examinations for CPAs. Ms. Delantar received her Bachelor of Science degree in Commerce with a major in Accounting from Far Eastern University and participated in a Bachelor of Laws program at Ateneo de Manila University.

Luis N. Yu, Jr.

Independent Director

Mr. Luis Yu, Jr. is the Founder and Chairman Emeritus of the 8990 Holdings, Inc. Mr. Yu is also the Chairman Emeritus of IHoldings, Inc. (2012 to present). He is also the Chairman of 8990 Cebu Housing Development Corporation, 8990 Visayas Housing Development Corporation, 8990 Davao Housing Development Corporation, 8990 Mindanao Housing Development Corporation, 8990 Iloilo Housing Development Corporation and 8990 Luzon Housing Development Corporation (2009 to present), 8990 Housing Development Corporation (2006 to present), Ceres Homes, Inc. (2002 to present), N&S Homes, Inc. (1998 to present), L&D Realty Holdings, Inc. (1998 to present), and Fog Horn (1994 to present). Mr. Yu is currently the President of DECA Housing Corporation (1995 to present). Mr. Yu holds a Master in Business Management degree from the Asian Institute of Management. Mr. Yu has more than 30 years of experience managing and heading companies engaged in Mass Housing subdivision development.

The following served as Officers of the Company for the year 2017:

Name	Age	Nationality	Position
Miguel Angel A. Camahort	55	Filipino	Chief Executive Officer and President
Enrique V. Rey, Jr.	47	Filipino	Investor Relations Officer and Chief Finance Officer
Rosalie Infantado	42	Filipino	Treasurer
Cristina S. Palma Gil-Fernandez.	49	Filipino	Corporate Secretary
Mahleene G. Go.	37	Filipino	Assistant Corporate Secretary, Corporate Information Officer and Compliance Officer
Ma. Eloisa Imelda S. Singzon	31	Filipino	Assistant Corporate Information Officer

The business experience of each of the Company's officers is set forth below.

Miguel Angel A. Camahort
Chief Executive Officer and President

Please refer to the table of directors above.

Enrique V. Rey Jr.
Investor Relations Officer and Chief Finance Officer

Please refer to the table of directors above.

Rosalie Infantado
Treasurer

Ms. Infantado assumed the position of Treasurer of LBCEH in September 2017. She graduated with a Bachelor of Science degree, Major in Accountancy from the Polytechnic University of the Philippines in 1997. She is currently Vice-President - Financial Reporting and Analysis at LBC Express, Inc., and has been a Certified Public Accountant since 1998. With 20 years of experience in accounting, audit, and financial reporting, Ms. Infantado's previous professional experiences include employment at prestigious companies such as KPMG Philippines (Manabat Sanagustin & Co.), Concordia Advisors (Bermuda) Ltd., CITI Hedge Fund Services, Ltd. (Bermuda), and PriceWaterhouseCoopers Philippines.

Cristina S. Palma-Gil Fernandez
Corporate Secretary

Atty. Palma Gil-Fernandez assumed the position of Corporate Secretary of the Company in September 2015. Atty. Palma Gil-Fernandez graduated with a Bachelor of Arts degree, Major in History (Honors) from the University of San Francisco in 1989, and with a Juris Doctor degree, second honors, from the Ateneo de Manila University in 1995. She is currently a Partner at Picazo Buyco Tan Fider & Santos

Law Offices and has over 22 years of experience in corporate and commercial law, with emphasis on the practice areas of banking, securities and capital markets (equity and debt), corporate reorganizations and restructurings and real estate. She serves as corporate secretary to a number of Philippine corporation, including five (5) publicly-listed companies.

Mahleene G. Go
Assistant Corporate Secretary, Corporate Information Officer and Compliance Officer

Atty. Mahleene G. Go assumed the position of Assistant Corporate Secretary, Compliance Officer and Corporate Information Officer of the Company in September 2015. Born on 25 April 1980, Atty. Go graduated with the degree of Bachelor of Arts, Major in Political Science, from the University of the Philippines in 2001, and with the degree of Juris Doctor from Ateneo De Manila University-School of Law in 2005. She also received a Certificate of Mandarin Language Training for International Students from 2011 to 2012 in Peking University, Beijing, China. She served as a Junior Associate at Picazo Buyco Tan Fider & Santos Law Offices from 2007 to 2010 and 2012 and is currently a Partner at the same office. She currently serves as Trustee and Corporate Secretary for Center for Empowerment and Resource and Development, Inc.

Maria Eloisa Imelda S. Singzon
Alternate Corporate Information Officer

Atty. Singzon assumed the position of Alternate Corporate Information Officer of the Company in April 2015. Born on 18 September 1986, Atty. Singzon graduated cum laude with the degree of Bachelor of Science, Business Economics, from the University of the Philippines in 2008, and with the degree of Juris Doctor from Ateneo de Manila School of Law in 2012. She is a Senior Associate at Picazo Buyco Tan Fider & Santos Law Offices from 2013 to present.

	Audit Committee	**Nomination Committee**	**Remuneration Committee**
Miguel Angel A. Camahort	M	M	C
Rene E. Fuentes			
Enrique V. Rey, Jr.	M	M	M
Augusto G. Gan			
Mark Werner J. Rosal			
Solita V. Delantar	C	C	M
Luis N. Yu, Jr.			

<u>Information Required of Directors and Executive Officers</u>

Directors and Executive Officers

As of the date of this Information Statement, the following persons have been nominated to the Board for election at the Annual Stockholders' Meeting and have accepted their nomination:

MIGUEL ANGEL A. CAMAHORT
ENRIQUE V. REY, JR.
MARK WERNER J. ROSAL
LUIS N. YU, JR. as independent director
SOLITA V. DELANTAR as independent director
ANTHONY A. ABAD as independent director
RENE E. FUENTES
AUGUSTO G. GAN
JASON MICHAEL ROSENBLATT

The nominees were formally nominated to the Nomination Committee of the Board by a shareholder of the Company, LBC Development Corporation. Ms. Solita V. Delantar and Mr. Luis N. Yu, Jr. are being nominated as independent directors. Mr. Anthony A. Abad is also being nominated as an independent director but his term will be effective from the time the Securities and Exchange Commission approves the amendment to the by-laws of the Corporation providing for a third independent director. The nominated independent directors, having possessed the qualifications and none of the disqualifications of an independent director, were nominated by Klarence Tan Dy in accordance with the guidelines for the nomination and election of independent directors pursuant to Rule 38 of the Securities Regulation

Code (SRC). Klarence Tan Dy is not related to any of the nominees including Ms. Solita V. Delantar, Mr. Luis N. Yu, Jr., and Mr. Anthony A. Abad.

The qualifications of all nominated directors, including the nominated independent directors, have been pre-screened in accordance with the Corporate Governance Manual and By-Laws of the Company. Only the nominees whose names shall appear on the final list of candidates are eligible for election as directors (independent or otherwise), in accordance with the procedure set forth in the By-Laws of the Company. No other nominations will be entertained after the preparation of the final list of candidates and no further nominations shall be entertained or allowed during the Annual Stockholders' Meeting.

Certifications of Independent Directors are attached hereto as **Annexes "A", "A-1", and "A-2"**.

The Secretary's Certificate attesting to the fact that none of the directors and officers of the Corporation holds any position in any capacity in any government agency or instrumentality is hereto attached as **Annex "B"**.

Significant Employees

None at the moment. The intention, however, is to build a workforce to support the Company's intended expansion in operations or investment activity.

Family Relationships

None amongst the directors, executive officers and persons nominated to be directors and executive officers of the Company have family relationships up to the fourth civil degree either by consanguinity or affinity.

Involvement in Certain Legal Proceedings

The Company believes that, except as discussed below, none of the Company's directors, nominees for election as director, or executive officers have in the five-year period prior to the date of this Information Statement: (1) had any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time; (2) have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses; (3) have been the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or (4) have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, such judgment having not been reversed, suspended, or vacated.

On 9 September 2011, pursuant to Monetary Board Resolution No. 1354, the Monetary Board (MB) of the Bangko Sentral ng Pilipinas (BSP) prohibited LBC Bank (which is controlled by the Araneta Family) from doing business in the Philippines, ordered it closed, and placed it under the receivership of the Philippine Deposit Insurance Corporation (PDIC) based on the following:

1. LBC Bank has insufficient realizable assets to meet liabilities;

2. LBC Bank cannot continue in business without involving probable losses to its depositors and creditors; and

3. LBC Bank has willfully violated the Cease and Desist Order of the Monetary Board dated 12 March 2010 for acts or transactions which are considered unsafe and unsound banking practices and other acts or transactions constituting fraud or dissipation of the assets of the institution and considering the failure of the Board of Directors/management of LBC Bank to restore the bank's financial health and viability despite considerable time given to address the financial problems, and that the bank had been accorded due process.

The Philippine Deposit and Insurance Corp. (PDIC) thereafter stepped in as receiver and prepared its report on LBC Bank's status. Based on the Rehabilitation Report of PDIC, the conclusion/ recommendation was that LBC Bank could not be rehabilitated or otherwise placed in such a condition that it can be permitted to resume business with safety to its depositors, creditors, and the general public considering that:

1. the estimated realizable value of its assets (ERVA) as of 31 December 2011 in the amount of Php1.7 billion is deficient by Php4.96 billion to cover estimated liabilities aggregating to Php6.6 billion. Additional capital infusion of Php5.96 billion is needed to meet the Php1 billion minimum capital requirement for a thrift bank with head office located in Metro Manila; and

2. the rehabilitation proposal submitted by the LBC Group of Companies and the Rizal Commercial Banking Corporation via asset purchase agreement was found not viable.

On 5 July 2012, the MB of the BSP issued Resolution No. 1088 directing PDIC to proceed with the liquidation of LBC Bank on the basis of the Rehabilitation Report.

The PDIC has filed various criminal and administrative complaints against certain members of the Araneta Family in relation to the receivership of LBC Bank, which are described below:

- Mr. Juan Carlos Araneta, Mr. Santiago Araneta, Mr. Fernando Araneta and Ms. Ma. Monica G. Araneta (the "Araneta Siblings") were named as respondents in their capacity as stockholders and/or directors LBC Bank in a complaint for estafa, falsification of commercial documents and conducting business in an unsafe and unsound manner that was filed by the PDIC with the Department of Justice (the "DOJ"). PDIC alleged that the Araneta Siblings, in conspiracy with the other respondents, made it appear that they infused capital into LBC Bank in the amount of approximately Php39 Million to cover a capital deficiency as required by the BSP. The Araneta Siblings denied the allegations, stating that they actually paid for the subscription, as shown by PDIC's own evidence, that no evidence was presented to show conspiracy, and that as mere stockholders and/or directors, they are not involved with the day-to-day management of the bank and how the bank used the money subject of the case. On April 18, 2016, the complaint against all the respondents was dismissed by the investigating prosecutor. The PDIC filed a Petition for Review with the Secretary of Justice ("SOJ") on May 25, 2016. The appeal is currently pending with the SOJ.

- Mr. Juan Carlos Araneta, Mr. Santiago Araneta and Mr. Fernando Araneta were named as respondents in their capacity as stockholders and/or directors of LBC Bank in a complaint for syndicated estafa, falsification of commercial documents and conducting business in an unsafe and unsound manner that was filed by the PDIC with the DOJ. PDIC alleged, among others, that LBC Bank took out a Php30 Million loan from Chinabank "to generate funds for the purpose of remittance." The loan, however, was allegedly not recorded as "Bills Payable" nor as any other liability in LBC Bank's books. PDIC claims that the loan proceeds were transferred to LBC Development Corporation who used the funds to partially pay LBC Bank for advances of remittances. LBC Bank then allegedly paid the loan to Chinabank prior to maturity date using LBC Bank's own funds. The Aranetas denied the allegations, stating, among others, that the approval of the resolution granting the corporation the authority to obtain a loan was a regular action of the members of the board of directors in the normal and ordinary course of business, and they cannot be held liable individually as directors for the mere approval of a regular corporate action. The case was submitted for resolution of the investigating prosecutor on March 28, 2016 and is still currently pending.

- Mr. Juan Carlos Araneta, Mr. Santiago Araneta and Mr. Fernando Araneta were named as respondents in their capacity as stockholders and/or directors of LBC Bank in a complaint for syndicated estafa, falsification of commercial documents and conducting business in an unsafe and unsound manner that was filed by the PDIC with the DOJ. PDIC alleged that LBC Bank obtained three loans from Chinabank in the amount of approximately Php50 Million, which were secured by a Hold-Out Agreement on LBC's existing Foreign Currency Deposit Unit Time Deposits of various LBC affiliate companies with Chinabank. The loans all indicated that the proceeds were intended for LBC Bank's "working capital" and yet were not recorded as "Bills Payables" or liabilities in the books of LBC Bank. The proceeds from the loan were allegedly credited by Chinabank to LBC Bank's Current/Savings Bank Account, and then used as partial payment for "advance to affiliates". Thereafter, LBC Bank used the proceeds of the matured time deposits to pay the loans to Chinabank. The Aranetas denied the allegations, stating, among others, that the approval of the resolution granting the corporation the authority to obtain loans was a regular action of the members of the board of directors in the normal and ordinary course of business, and they cannot be held liable individually as directors for the mere approval of a regular corporate action. The case was submitted for resolution of the investigating prosecutor on May 25, 2016 and is still currently pending.

- Mr. Juan Carlos Araneta, Mr. Santiago Araneta and Mr. Fernando Araneta were named as respondents in their capacity as stockholders and/or directors of LBC Bank in a complaint for syndicated estafa, falsification of commercial documents and unsound business practices that was filed by the PDIC with the DOJ. PDIC alleged that Foreign Currency Remittances received by LBC Mabuhay were not deposited to LBC Bank's Dollar Account with CalBank resulting in funding gaps or "short remittances." Despite this, LBC Bank continued to pay the full amount of the remittance instructions resulting in Advances by LBC Bank in favor of LBC Mabuhay, supposedly in violation of the Memorandum of Understanding between LBC Bank and the BSP. The Aranetas denied the allegations, stating, among others, that as mere stockholders and/or directors, they are not involved in the day-to-day management and operations of the bank and thus could not have participated in the actions alleged in the complaint. The case was submitted for resolution of the investigating prosecutor on May 25, 2016 and is still currently pending.

- Mr. Juan Carlos Araneta, Mr. Santiago Araneta, Mr. Fernando Araneta and Mr. Carlos G. Araneta were named as respondents in their capacity as stockholders and/or directors of LBC Bank in a complaint for unsafe and unsound business practices that was filed by the PDIC with the prosecutor's office. PDIC alleged that the respondents committed acts or omissions constituting unsafe and unsound business practice by entering into Service Agreements with LBC Express, Inc., whose terms were supposedly manifestly and grossly disadvantageous to Bank. The respondents allegedly failed to enforce payment of service fees, thereby causing undue injury and/or unwarranted benefits, advantage, or preference to LBC Express, Inc. through manifest partiality and bad faith that resulted in a material loss or damage to the liquidity or solvency of LBC Bank and to the latter's depositors, creditors, and the general public. The Aranetas denied the allegations, stating, among others, that as mere stockholders and/or directors, they are not involved in the day-to-day management and operations of the bank and thus could not have participated in the actions alleged in the complaint. They further allege that the complaint does not actually impute any specific criminal action to each of them individually. The case was submitted for resolution of the investigating prosecutor on August 11, 2016 and is still currently pending.

- An administrative complaint was filed by the PDIC before the Office of the Special Investigation (OSI) BSP against Mr. Juan Carlos Araneta, Mr. Santiago Araneta, and Mr. Fernando Araneta, together with other respondents in their capacity as stockholders and/or directors of LBC Bank. The administrative complaint is based on the same complaint discussed in the preceding paragraph. The Aranetas adopted the same defences as discussed in the preceding paragraph. After a preliminary investigation, the OSI issued a Resolution dated September 14, 2017, finding a *prima facie* case of unsound banking practice against the Aranetas and the former LBC Bank president, while dismissing the case against the other respondents who were former employees of LBC Bank for lack of evidence. The OSI denied the Aranetas' motion for reconsideration in a Resolution dated March 6, 2018. The OSI filed formal charges against the Aranetas and the former LBC Bank president with the Supervised Banks Complaints Evaluation Group (SBCEG) of the BSP on or about March 12, 2018. The Aranetas intend to file their respective Answers to the formal charges and present their evidence when the case is set for trial. The Aranetas also intend to pursue other remedies against the resolutions of the OSI.

- Mr. Juan Carlos Araneta, Mr. Fernando Araneta, and Mr. Santiago Araneta were named as respondents in their capacity as directors of LBC Bank in a complaint for violation of Section 55.1 (a) of the General Banking Law and Subsection X306.3 of the Manual of Regulations for

Banks in relation to Section 36 of the New Central Bank Act that was filed by the BSP with the DOJ. The complaint alleged that the amortizations for certain loans by related parties were allegedly simulated and that the Bank did not receive actual payment. Furthermore, the same loans by such related parties were allowed to be renewed and restructured under terms favourable to the borrowers, to the prejudice of the bank. The case is currently undergoing preliminary investigation before the city prosecutor. The Aranetas have denied the accusations and emphasized that they were not aware of nor did they participate in any alleged simulation of payments. They also maintain that the evidence filed by the BSP does not show their knowledge or involvement. They also approved the renewal and restructuring terms only after the Credit Group of LBC Bank performed due diligence and made recommendations. The case was submitted for resolution of the investigating prosecutor on October 4, 2017 and is still currently pending.

Certain Relationships and Related Transactions

The Company and its subsidiaries in their ordinary course of business, engage in transactions with related parties and affiliates consisting of its parent company (LBC Development Corporation) and entities under common control. These transactions include royalty, service and management fee arrangements and loans and advances.

It is a policy of the Company that related party transactions are entered into on terms which are not more favorable to the related party than those generally available to third parties dealing at arm’s length basis and are not detrimental to unrelated shareholders. All related party transactions shall be reviewed by the appropriate approving authority, as may be determined by the board of directors. In the event of a related party transaction involving a director, the relevant director should make a full disclosure of any actual or potential conflict of interest and must abstain from participating in the deliberation and voting on the approval of the proposed transaction and any action to be taken to address the conflict.

Please refer to Note 15 (Related Party Disclosures) of the Notes to the 2017 Consolidated Financial Statements.

The Company has the following major transactions with related parties:

Royalty Fee and Licensing Agreement with Parent Company

LBC Express, Inc. and LBC Development Corporation have entered into a trademark licensing agreement dated November 29, 2007 under which LBC Development Corporation has granted the Company the full and exclusive right within the Philippines to use LBC Marks including the names “LBC Express, Inc.,” “LBC Express,” “LBC”, “Hari Ng Padala” (Tagalog for “King of Forwarding Services”), “We Like to Move It”, and “WWW.LBCEXPRESS.COM” as well as the “LBC” corporate logo, the “Team LBC Hari Ng Padala” logo, and the “We Like to Move It” logo.

Cash Advances to and from Related Parties

LBC Express, Inc. regularly makes advances to and from related parties to finance working capital requirements and as part of their cost reimbursements arrangement. These unsecured advances are non-interest bearing and payable on demand.

Fulfillment Fee

In the normal course of business, LBC Express, Inc. fulfills the delivery of balikbayan boxes, documents, parcels and money remittances, and performs certain administrative functions on behalf of its international affiliates. LBC Express Inc. charges delivery fees and service fees for the fulfillment of these services based on agreed rates.

Guarantee Fee

LBC Express, Inc. entered into a loan agreement with BDO which is secured with real estate mortgage on various real estate properties owned by the Group’s affiliate. In consideration of the affiliate's accommodation to the LBC Express, Inc. request to use these properties as loan collateral, the Group agreed to pay the affiliate, every April 1 of the year starting April 1, 2016, a guarantee fee of 1% of the outstanding loan and until said properties are released by the bank as loan collateral.

Dividends

The BOD of LBCEH approved the declaration of cash dividends amounting to ₱827.00 million or ₱0.58 for every issued and outstanding common share. On June 9, 2017 through a Memorandum of Agreement, LBCDC and LBCEH agreed to offset the dividends payable of LBCEH to LBCDC against LBCDC's payable to the Group amounting to ₱699.47 million. The ₱699.47 million pertains to the share in dividends of LBCDC while the ₱127.54 million pertains to the share of non-controlling interest.

Resignation of Directors

Except for Mr. Alexander Francis D. Deato who resigned as a director on 2 March 2018, no director has resigned from, or declined to stand for re-election to the Board since the date of the 2017 Annual Stockholders' Meeting due to any disagreement with the Company relative to its operations, policies and practices.

Item 6, Compensation of Directors and Executive Officers

EMPLOYMENT CONTRACTS

LBCEH has no special employment contracts with the named executive officers.

Standard Arrangements

Other than payment of reasonable *per diem* as may be determined by the board of directors for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or were compensated, directly or indirectly, for any services provided as a director and for their committee participation or special assignments for 2010 up to the present.

Other Arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or to be compensated, directly or indirectly, during 2017 for any service provided as a director.

Employment Contracts

The Company has no special employment contracts with the named executive officers.

Warrants and Options Outstanding

There are no outstanding warrants or options held by the President, the named executive officers, and all officers and directors as a group.

Item 7. Independent Public Accountants

The external auditor of the Company is the accounting firm of SyCip Gorres Velayo & Co. ("SGV & Co."). The Board, upon the recommendation of the Company's Audit Committee, approved the reappointment of SGV & Co. as the Company's independent auditor for 2017 based on their performance and qualifications.

The reappointment of SGV and Co. will be presented to the stockholders for their approval at the Annual Stockholders' Meeting.

Representatives of SGV & Co. for the current year and for the most recently completed fiscal year are expected to be present at the Annual Stockholders' Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The consolidated financial statements of the Company as of and for the year ended 31 December 2017, 2016, 2015 and 2014 were audited by SGV & Co., a member firm of Ernst & Young Global Limited. The consolidated financial statements as of and for the years ended 31 December 2012 and 2013 were audited by Isla Lipana & Co., the Philippine Member Firm of the PriceWaterhouseCoopers Global Network.

SGV & Co. has acted as the Company's independent auditor since fiscal year 2014. Cyril Jasmin B. Valencia is the current audit partner for the Company and has served as such since fiscal year 2014. The Company has not had any material disagreements on accounting and financial disclosures with its current independent auditor for the same periods or any subsequent interim period. SGV & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

Audit and Audit-related Fees

The following table sets forth the aggregate fees billed for each of the last two years for professional services rendered by SGV & Co.:

	2017	**2016**
In millions		
Audit and Audit-Related Fees[1]	₱3.45	₱2.20
Transaction Support Services-Related Fees[2]	1.45	–
Total	₱4.90	₱2.20

(1) Audit and Audit-Related Fees. This category includes the audit of annual financial statements, review of interim financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years

(2) Transaction Support Services - Related Fees. This category includes the due diligence performed in relation to the acquisition of ownership interest in another entity.

In relation to the audit of the Company's annual financial statements, the Company's Corporate Governance Manual, provides that the audit committee shall, among other activities, (i) review the reports submitted by the internal and external auditors; (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors; and (iii) coordinate, monitor and facilitate compliance with laws, rules and regulations.

The Audit Committee consists of at least three members of the board of directors, at least one of whom is an independent director, including the chairman of the committee. The Audit Committee, with respect to an external audit, shall:

(i) Perform oversight functions over the Company's external auditors. The Audit Committee should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.

(ii) Prior to the commencement of the audit, discuss with the external auditor the nature, scope, and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.

(iii) Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's annual report.

(iv) Review the reports submitted by the external auditors.

Item 8. Compensation Plans

During the Annual Stockholders' Meeting held on 13 August 2007, the stockholders owning or representing at least two thirds (2/3) of the outstanding capital stock approved the stock option for the Company's deserving employees, officers and board members to be derived from the Company's unissued authorized capital stock up to the extent of ten percent (10%) of the outstanding capital stock of the Company, subject for approval by the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE).

The terms and conditions governing the stock option plan still have to be determined and approved by the Board of Directors. The application for said stock option plan has not been filed yet with the SEC and PSE. There are no stock warrants or options outstanding.

While the Company currently does not have any intention of issuing stock option plans, it reserves the right to issue the same in the future subject to applicable regulations.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

There are no actions or matters to be discussed in the Annual Stockholders' Meeting with respect to the authorization or issuance of any securities.

Item 10. Modification or Exchange of Securities

There are no actions or matters to be discussed in the Annual Stockholders' Meeting with respect to the modification of any class of securities of the Company, or the issuance or authorization for issuance of one (1) class of securities of the Company in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

(i) Management's Discussion and Analysis of Financial Condition and Results of Operations are attached hereto as **Annex "C"**.

(ii) The Annual Report for the year ended 31 December 2017 are attached hereto as **Annex "D"**.

Item 12. Mergers, Consolidations, Acquisitions, and Similar Matters

There are no actions or matters to be discussed in the Annual Stockholders' Meeting with respect to mergers, consolidations, acquisitions, sales, or other transfers of all or any substantial part of the assets of the Company, liquidation or dissolution of the Company, and similar matters.

Description of the business of the registrant and its significant subsidiaries

Below is the list of the subsidiaries of LBC Express, Inc.:

	Country of incorporation	Principal activities
LBC Express, Inc.	Philippines	Logistics and money remittance
LBC Express - MM, Inc.	Philippines	Logistics and money remittance
LBC Express - CL, Inc.	Philippines	Logistics and money remittance
LBC Express - NL, Inc.	Philippines	Logistics and money remittance
LBC Express - VIS, Inc.	Philippines	Logistics and money remittance
LBC Express - SL, Inc.	Philippines	Logistics and money remittance
LBC Express - SCS, Inc.	Philippines	Logistics and money remittance
LBC Express Corporate Solutions, Inc.	Philippines	Logistics and money remittance
LBC Express - CMM, Inc.	Philippines	Logistics and money remittance
LBC Express - EMM, Inc.	Philippines	Logistics and money remittance
LBC Express - MIN, Inc.	Philippines	Logistics and money remittance
LBC Express - SMM, Inc.	Philippines	Logistics and money remittance
LBC Express - SEL, Inc.	Philippines	Logistics and money remittance
LBC Express - WVIS, Inc.	Philippines	Logistics and money remittance
LBC Express - SEM, Inc.	Philippines	Logistics and money remittance
LBC Express - SCC, Inc.	Philippines	Logistics and money remittance
South Mindanao Courier Co., Inc.	Philippines	Logistics and money remittance
LBC Express - NEMM, Inc.	Philippines	Logistics and money remittance
LBC Express - NWMM, Inc.	Philippines	Logistics and money remittance
LBC Systems, Inc.	Philippines	Logistics and money remittance
LBC Express Bahrain, LLC	Bahrain	Logistics
LBC Express WLL	Kuwait	Logistics
LBC Express LLC (1)	Qatar	Logistics

On March 19, 2018, the Board of Directors of the Company approved the following transactions:

1. Acquisition of thirty percent (30%) equity interest in Orient Freight International, Inc. ("OFI") by: (a) purchasing 1,150,000 common shares held by Rayomar Management, Inc. in OFI; and (b) subscribing to 3,285,714 unissued common shares of OFI; and

2. Acquisition of shares of QUADX INC. in order to diversify the Company's businesses by acquiring the QUADX INC.'s debt to LBC Express, Inc. and converting the same to equity in QUADX INC. QUADX Inc. owns, maintains and/or operates an e-Commerce website including but not limited to an online marketplace, online marketing services, and an online retail store.

On April 4, 2018, the Board of Directors approved the investment and acquisition of eighty six percent (86%) equity interest in QuadX Pte. Ltd. through the following: (a) the purchase of 862 ordinary shares of QuadX Pte. Ltd. held by Fernando Gonzalez Araneta; and (b) the subscription to 85,248 unissued ordinary shares of QuadX Pte. Ltd.

On March 7, 2018, the the Board of Directors approved the purchase of shares of some international affiliates in line with the conditions to the issuance of the convertible bond. The acquisition is expected to benefit the Company by contributing to its global revenue streams. On the same date, the share purchase agreements were executed by the Company and the international affiliates with a total share purchase price amounting to USD 8.55 million, subject to certain closing conditions.

Below is the list of entities that were acquired by the Company:

- LBC Mabuhay Saipan, Inc. which operates as a cargo and remittance company in Saipan. The Company purchased 120,000 shares or 100% of the total outstanding shares of the acquiree at purchase price of USD 207,000. The transfer of the ownership of the shares and all rights, titles and interest thereto shall take place following the payment of the consideration.
- LBC Mabuhay Hawaii Corporation which operates as a cargo and remittance company in Hawaii. LBC Mundial Corporation operates as a cargo and remittance company in California. The Company purchased 1,536,408 shares or 100% of the total outstanding shares from LBC Holdings USA Corporation.
- LBC Mabuhay North America Corporation which operates as a cargo and remittance company in New Jersey. The Company purchased 1,605,273 shares or 100% of the total outstanding shares from LBC Holdings USA Corporation.

Patents, Trademarks, Licenses, Franchises, Concessions, Royalty, Agreement or Labor contracts including duration

The Company uses a variety of registered names and marks, including the names "LBC Express, Inc.," "LBC Express," "LBC", "Hari Ng Padala" (Tagalog for "King of Forwarding Services") and "WWW.LBCEXPRESS.COM" as well as the traditional and the re-designed "LBC" corporate logos (including the new slogan "We like to move it"), the "Team LBC Hari Ng Padala" logo and "LBC Remit Express" logo in connection with its business. Except for the "LBC Remit Express" design and logo registered on July 26, 2012 and expires on July 26, 2022) and the LBC in rectangular box and Pesopak logo (registered on May 31, 2012 and expires on May 31, 2022), which are owned directly by the Company, these marks (collectively, the "LBC Marks") are owned and licensed to the Company by LBC Development Corporation, the Company's parent company, pursuant to a trademark licensing agreement entered into on November 9, 2007. Under the terms of this agreement, the Company has the full and exclusive right to utilize the LBC Marks in consideration for a fixed royalty fee of 3.5% of the Company's annual gross revenues (defined as all revenue from sales of products and services, direct and indirect, relating to the Company's business operations). Pursuant to an addendum signed on October 25, 2013, the fixed royalty fee was lowered to 2.5%, effective December 1, 2013. Under the agreement, the Company also has the right to extend the use of the LBC marks to its subsidiaries (defined as companies in which the Company holds at least 67% of the voting rights) within the Philippines, as well as to its remittance and cargo/courier/freight forwarding fulfillment service partners and agents in the Philippines and abroad, subject to certain terms and conditions. In practice, foreign agents of the Company are granted very limited use of the "LBC" brand and logos pursuant to the individual agency agreements entered into between them and the Company.

Governmental approval of principal products and services

Republic Act No. 776 ("RA 776") and Executive Order No. 514 ("EO 514") are the principal statutes that provide the regulatory framework for freight forwarding by air and sea, respectively.

Freight Forwarding by Air

Under RA 776, an air freight forwarder is defined as an indirect air carrier which, in the ordinary and usual course of its undertaking, assembles and consolidates or provides for assembling and consolidating such property or performs or provides for the performance of break-bulk and distributing operations with respect to consolidated shipments, and is responsible for the transportation of property from the point of receipt to point of destination and utilizes for the whole or any part of such transportation the services of a direct air carrier. As mandated by RA 776, an airfreight forwarder shall only be allowed to engage in its allowed activities as stated in the law if it has, in force, a permit or any other form of authorization issued by the Civil Aeronautics Board ("CAB"). RA 776 states that only "citizens of the Philippines" may engage in domestic air commerce or air transportation, which includes air freight forwarding. For this purpose, a "citizen of the Philippines" means (a) an individual who is a citizen of the Philippines, or (b) a partnership of which each member is such an individual, or (c) a corporation or association created or organized under the laws of the Philippines, of which the directing head and two-thirds or more of the Board of Directors and other managing officers are citizens of the Philippines, and in which 60% of the voting interest is owned or controlled by persons who are citizens of the Philippines.

Each permit/certificate issued by the CAB shall be effective from the date specified therein and shall continue in effect until suspended or revoked or until the CAB shall certify that operation thereunder has ceased. If any service authorized by a permit/certificate is not inaugurated within a period of 90 days after the date of authorization as shall be fixed by the CAB or after such other period as may be designated by the CAB, the CAB may by order or direct that such permit/certificate shall thereupon cease to be effective to the extent of such service. No permit/certificate shall be issued for a period of more than 25 years.

Freight Forwarding by Sea

Under EO 514, the Philippine Shippers' Council was converted into a regular agency of the Department of Trade and Industry ("DTI") known as Philippine Shippers' Bureau ("PSB").

Under the PSB Rules, an international freight forwarder ("IFF") is defined as a local entity that acts as a cargo intermediary and facilitates transport of goods on behalf of its client without assuming the role of a carrier. An IFF can also perform other forwarding services, such as booking cargo space, negotiating freight rates, preparing documents, advancing freight payments, providing packing/crating, trucking and warehousing, engaging as an agent/representative of a foreign Non-Vessel Operating Common Carrier ("NVOCC") cargo consolidator named in a Master Bill of Lading as consignee of a consolidated shipment, and other related undertakings. The required minimum paid up capital of an IFF is ₱2,000,000.00 while its required minimum insurance coverage is ₱500,000.00. In contrast, a domestic freight forwarder ("DFF") is defined as an entity that facilitates and provides the transport of cargo and distribution of goods within the Philippines on behalf of its client. The required minimum capital of a DFF is ₱250,000.00 while its required minimum insurance coverage is ₱250,000.00.

An IFF and DFF shall secure an accreditation with the PSB in order to conduct sea freight forwarding activities. The PSB issues a Certificate of Accreditation to a DFF and IFF to engage in the specific sea freight forwarding functions and/or category/ies it can operate. Every branch of a DFF and IFF must first be accredited before said branch can legally engage in the freight forwarding business. The Certificate of Accreditation has a life span of two years unless sooner cancelled under the PSB Rules. Its life span may also be cut short when it is automatically, or deemed revoked. The said Certificate shall not be transferred, alienated or inherited, in any manner. Official representatives of an accredited IFF or DFF firm are required to obtain PSB IDs. The life span of a PSB ID is co-terminus with the life span of the Certificate of Accreditation. Thus, the cancellation, suspension, expiration or automatic/deemed revocation of the Certificate of Accreditation shall result in the automatic cancellation, suspension, expiration or revocation of the PSB ID.

Regulation of Private Express and Messengerial Delivery Services in the Philippines

Under Republic Act No. 7354, otherwise known as the "Postal Service Act of 1992", the Department of Transportation and Communications (the "DOTC") was given the exclusive power and authority to regulate the postal delivery services industry or those engaged in domestic postal commerce, including the registration and prequalification of any natural or juridical person, other than freight forwarders, who engage in the business of letter and parcel messengerial services, door-to-door delivery, or the transporting of the property of others that are similar to mail or parcel. Pursuant to such authority, on January 23, 2001, the DOTC issued Department Circular No. 2001-01 known as the "Rules and Regulations in the Processing, Hearing and Adjudication of Applications for Authority to Operate Private Express and/or Messenger Delivery Service, and in Investigation of Complaints in connection with the Operation of such Services" (the "DOTC Rules").

The DOTC Rules provide that only Filipino citizens or corporations or partnerships duly registered with the Securities and Exchange Commission, at least 60% of whose capital stock or shares is owned by Filipino citizens may apply to operate private express and/or messenger delivery services in the Philippines. Further, the executive and managing officers of such applicant are also required to be citizens of the Philippines. If assessed favorably, and after complying with the substantive and procedural requirements under the DOTC Rules, the applicant may be granted an authority by the Secretary of the DOTC to operate private express and/or messenger delivery services, which authority may be renewed, upon application, on a graduated scale (i.e., 1 to 5 years) and shall be renewable thereafter every five years. A copy of the authority granted shall also be furnished to the Private Express and Messengerial Association of the Philippines. Moreover, the authority granted may be amended, suspended, or cancelled when the public interest so requires or whenever the holder thereof has violated any order, rule or regulation prescribed by the DOTC.

The Commission on Information and Communication Technology ("CICT") was created in 2004 and attached to the Office of the President by Executive Order No. 269. The CICT was the primary policy, implementing, and regulating entity for the promotion and development of integrated and strategic information and communications technology systems and communication facilities and services. Among the functions transferred to the CICT included the responsibilities of the DOTC relating to communications, and the authority to establish and prescribe rules and regulations for the operation and maintenance of a nationwide postal system that shall include mail processing, delivery services, and money order services.

In 2011, President Aquino issued Executive Order No. 47 renaming the CICT as the Information and Communications Technology Office ("ICTO"), transferring the former's functions to the latter, and placed the ICTO under the technical and administrative supervision of Department of Science and Technology ("DOST"). Among others, the ICTO is tasked with the implementation of the government's ICT-related initiatives.

Applications for authority or renewal of authority to operate private express and/or messengerial delivery entities as described earlier, are currently dealt with by the ICTO.

Regulation of Remittance Agents in the Philippines

Under BSP Circular No. 471, series of 2005, all qualified persons or non-bank institutions who intend to act as foreign exchange dealers/money changers and/or remittance agents are required to register with the BSP, before they can operate as such. Upon approval of the application of the foreign exchange dealer/money changer or remittance agent, a certificate of registration shall be issued by the BSP.

All foreign exchange dealers/money changers and/or remittance agents are likewise required to comply with the applicable provisions of Republic Act No. 7653 (The New Central Bank Act) and Republic Act No. 9160, as amended by Republic Act No. 9194, and further amended by Republic Act No. 10167, or the Philippine Anti-Money Laundering Act of 2001.

Effect of existing or probable government regulations on the business

The Company has been intently monitoring the effects of Republic Act No. 10963, otherwise known as the "Tax Reform for Acceleration and Inclusion" Act (the "TRAIN Act") on prices, focusing on utilities and oil as these have a direct and indirect effect on the Company's costs. As the Company continues to expand its branch network, warehouse & distribution network, an increase in utility and oil prices will affect the Company's costs which are directed to support increases in sales volumes. The Company is likewise preparing for the effects that an increase oil prices may have on its carriers and service partners (airlines, shipping lines, trucking companies).

Aside from the TRAIN Law, there are no existing or probable governmental regulation that are material to the business of the Company.

Major risks involved in each of the business of the company and subsidiaries.

A significant portion of the Company's business activities are conducted in the Philippines and a significant portion of its assets are located in the Philippines, which exposes the Company and its subsidiaries to risks associated with the Philippines, including the performance of, and impacts of global conditions on, the Philippine economy. Some of these risks include the following:

- Any political instability in the Philippines may adversely affect the Company's business, results of operations or financial condition.
- There is no guarantee that future events will not cause political instability in the Philippines. Such instability may disrupt the country and its economy, as well as commercial traffic into and out of the Philippines, which could materially and adversely affect the Company's business, financial condition and results of operations. Acts of terrorism, clashes with separatist groups and violent crimes could destabilize the country and could have a material adverse effect on the Company's business and financial condition.
- Territorial and other disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.
- Investors may face difficulties enforcing judgments against the Company.
- Corporate governance and disclosure standards in the Philippines may be less stringent than those in other countries.
- The sovereign credit ratings of the Philippines may adversely affect the Company's business.
- The occurrence of natural catastrophes could adversely affect the Company's business, financial condition or results of operations.
- Volatility in the value of the Peso against the U.S. dollar and other currencies could adversely affect the Company's business.

Legal Proceedings

Due to the nature of the Company's business, however, it is involved in various legal proceedings, both as plaintiff and defendant, from time to time. Such litigation involves, among others, claims against the Company for non-delivery, loss or theft of packages and documents, mis-release of remittances, labor disputes, as well as cases filed by the Company against employees and others for theft and similar offenses.

Except as disclosed below, neither the Company nor any of its subsidiaries have been or are involved in, or the subject of, any governmental, legal or arbitration proceedings which, if determined adversely to the Company or the relevant subsidiary's interests, would have a material effect on the business or financial position of the Company or any of its subsidiaries.

On November 2, 2015, LBC Bank, through its receiver/liquidator, the PDIC, filed a case against LBC Express, Inc. and LBC Development Corporation, together with other respondents, for a total collection of ₱1.82 billion. The PDIC seeks to collect allegedly unpaid service fees due from June 2006 to August 2011 and service charges on remittance transactions from January 2010 to September 2011. The case was raffled to Branch 143 of the Makati City Regional Trial Court.

On December 28, 2015, the summons, together with a copy of the Complaint of LBC Development Bank, Inc., and the writ of preliminary attachment were served on the former Corporate Secretary of LBC Express, Inc. The writ of preliminary attachment resulted in the (a) tagging of the 1,205,974,632 shares of LBC Express Holdings, Inc. owned by LBC Development Corporation and; (b) the attachment of various banks accounts of LBC Express, Inc. totalling ₱6.90 million. The tagging of the shares in the record of the stock transfer agent had the effect of preventing the registration or recording of any of the said shares in the records, unless the writ of attachment is lifted, quashed or discharged.

On January 12, 2016, LBC Express, Inc. and LBC Development Corporation filed with the court a Motion to Dismiss the Complaint for the collection of the sum of ₱1.82 billion. On January 21, 2016, they also filed an Urgent Motion to Dismiss the Complaint for the collection of the sum of ₱1.82 billion and on January 21, 2016, filed its Urgent Motion to Approve the Counterbond and Discharge the Writ of Attachment.

On February 17, 2016, the court issued an order to lifting and setting aside the writ of preliminary attachment. The said order directed the sheriff of the court to deliver to LBC Express Inc. and LBC Development Corporation all properties previously garnished pursuant to the writ of preliminary attachment. The counterbond delivered by LBC Express, Inc. and LBC Development Corporation, which is for an amount equal to ₱1.82 billion (the total amount of the claim) shall stand in place of the properties so released and shall serve as security to satisfy any final judgement against LBC Express, Inc. or LBC Development Corporation in the case. Furthermore, LBC Development Corporation has expressly undertaken to both the Company and LBC Express, Inc. to fund, through additional equity in LBC Express, Inc., any amount that the latter may be adjudged to pay in the case.

Pursuant to the said order setting aside the writ of preliminary attachment and garnishment, RCBC Stock Transfer Department has effected, as of July 13, 2016, the lifting of the (i) tagging of LBC Express Development Corporation's 1,205,974,632 shares in the Company and (ii) garnishment of PLDT preferred shares of LBC Development Corporation.

In a Joint Resolution dated June 28, 2016, the court resolved to deny the Motion to Dismiss filed by LBC Express, Inc., as well as the other defendants. On July 18, 2016, LBC Express, Inc., together with the other defendants, filed motions for reconsideration of the Joint Resolution. In its Resolution dated February 16, 2017, the court resolved to deny the defendants' Motion for Reconsideration and directed the defendants to file their respective Answers within the remaining period. On 24, April 2017, LBC Express Inc. and LBC Development Corporation filed a Petition for Certiorari with the Court of Appeals, assailing the Joint Resolution denying the motions to dismiss. The Petition for Certiorari is pending resolution with the Court of Appeals.

On April 10, 2017, the other defendants filed their respective Answers while LBC Express Inc. and LBCDC filed their Answer on April 11, 2017. Initially, the court issued a resolution dated June 15, 2017 declaring the LBC Express, Inc., LBC Development Corporation and the other defendants in default. On July 7, 2017, LBC Express, Inc., LBC Development Corporation and the other defendants filed their respective Verified Omnibus Motions for Reconsideration, to Lift the Order of Default, and to Suspend Proceedings, praying for the reversal of the order of default and the suspension of the proceedings pending such motion. The other defendants also filed an Urgent Motion for Inhibition. The court then issued a Joint Resolution dated July 20, 2017, lifting the order of default and admitting all of the Answers filed by the defendants, including LBC Express Inc. and LBCDC. The judge of Branch 143 also granted the urgent motion for inhibition and the case was re-raffled to Branch 142. The PDIC filed a Motion for Reconsideration dated August 7, 2017 of the Joint Resolution. The defendants, including LBC Express Inc. and LBCDC, have filed oppositions and the said motion is currently pending resolution.

The parties were then referred to mediation and Judicial Dispute Resolution (JDR) in order to discuss the possibility of amicable settlement. Although LBC Express Inc. is open to an amicable settlement, negotiations did not prosper and mediation was terminated on 8 December 2017, while JDR was terminated on January 19, 2018.

The case was re-raffled to Branch 134 of the Makati RTC. The Acting Presiding Judge issued an Order dated April 12, 2018, setting the case for preliminary conference on May 31, 2018. However, the counsels have agreed to file a joint motion to defer or suspend the preliminary conference, in order to continue the discussion of an amicable settlement. The counsels expect to file such motion before May 31, 2018.

Item 13. Acquisition or Disposition of Property

There are no actions or matters to be discussed in the Annual Stockholders' Meeting with respect to the acquisition or disposition of any significant Company property.

Item 14. Restatement of Accounts

There are no actions or matters to be discussed in the Annual Stockholders' Meeting with respect to the restatement of any asset, capital, or surplus account of the Company.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The following are to be submitted for approval during the Annual Stockholders' Meeting:

(i) Minutes of the Annual Stockholders' Meeting held on 29 August 2017;

(ii) President's Report based on the Annual Report and 2017 Audited Consolidated Financial Statements of the Company;

(iii) Approval of the Annual Report and Audited Financial Statements for the fiscal year ended 31 December 2017;

(iv) Election of Directors, including Independent Directors;

(v) Election/appointment of External Auditor;

(vi) General ratification of all the acts and proceedings of the incumbent Board of Directors and Management from the date following the last annual stockholders' meeting which are covered by resolutions duly adopted in the normal course of trade or business such as:

a. Approval of the minutes of previous meetings;

b. Approval of the audited financial statements;

c. Changing of bank account signatories; and

d. Approval of the schedule, venue, and agenda of the Annual Stockholders' Meeting.

Item 16. Matters Not Required to be Submitted

There is no action to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

Item 18. Other Proposed Actions

(i) Election of the members of the Board of Directors, including independent directors, for the ensuing calendar year

(ii) Reappointment of external auditors

(iii) Approval of the Corporate Guaranty in the form of suretyship in relation to: (a) Php1.314 Billion Revolving Credit Facility of the Company's wholly-owned subsidiary, LBC Express, Inc., with Rizal Commercial Banking Corporation; and (b) Php170 Million and US$1Million Revolving Credit Facilities of the Company's wholly-owned subsidiary, LBC Express, Inc., with CTBC Bank (Philippines) Corp. The loans from RCBC and CTBC will be used as working capital, for the refinancing of existing term loan with BDO Unibank, Inc., and management of foreign currency risks.

As a condition to the extension of the aforesaid facilities to LBC Express, Inc., the Company has been required to guarantee (in the form of suretyship) fulfillment of the above-listed loan obligations of LBC Express, Inc. Under Philippine law, a surety obligates himself to pay the creditors of a principal debtor in case the principal debtor fails to pay the secured obligations.

Under the secondary purpose set forth in the Articles of Incorporation of the Company, the Company may guarantee or secure, whether as surety or guarantor either on its general credit or on mortgage or pledge of any of its property, the whole or any part of the liabilities and obligations of any of its subsidiaries. Considering that the power to guarantee is part of the Company's secondary purposes, the Company seeks the approval of its stockholders to exercise and implement the same.

Item 19. Voting Procedures

Manner of Voting

In all items for approval, except in the election of directors, each share of stock entitles its registered owner to one vote.

For the purpose of electing directors, a stockholder may vote such number of his shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them in the same principle among as many candidates as he shall see fit.

Unless required by law, or demanded by a stockholder present or represented at the meeting and entitled to vote thereat, voting need not be by ballot and will be done by show of hands.

The Corporate Secretary will be responsible for counting votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies.

Vote Required

With respect to the election of directors, candidates who received the highest number of votes shall be declared elected.

With respect to the adoption of the Audited Financial Statements for the year ended 31 December 2017, approval of minutes of the annual stockholders' meeting held on 29 August 2017, the approval of the President's Report, election of the members of the Board of Directors, including independent directors, for the ensuing calendar year, and reappointment of external auditors, the approval or ratification of the other actions set forth under item no. (vi) above, as well as the approval of the corporate guaranty of the Corporation, the vote of majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve such matters.

Method

The Corporate Secretary will be responsible for counting votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies at the Annual Meeting of the stockholders.

Unless required by law, or demanded by a stockholder present or represented at the meeting and entitled to vote thereat, voting need not be by ballot and will be done by show of hands.

UNDERTAKING

UPON WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. SUCH WRITTEN REQUEST SHOULD BE ADDRESSED TO:

THE OFFICE OF THE CORPORATE SECRETARY
Penthouse, Liberty Center,
104 H.V. dela Costa Street,
Salcedo Village, Makati City

UNDERTAKING

WE UNDERTAKE TO FURNISH THE STOCKHOLDERS DURING THE ANNUAL STOCKHOLDERS' MEETING ON 9 JULY 2018 A COPY OF THE COMPANY'S QUARTERLY REPORT ON SEC FORM 17-Q FOR THE QUARTER ENDED 31 MARCH 2018.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on 11 June 2018.

LBC EXPRESS HOLDINGS, INC.

By:

MIGUEL ANGEL A. CAMAHORT
President

ANNEX A

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **SOLITA V. DELANTAR**, Filipino, of legal age, and a resident of 7818 Beachwood Street, Gemblock, Phase 2, Marcelo Green Village, Parañaque City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **LBC EXPRESS HOLDINGS, INC.** and have been its independent director since 2014.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
PICPA – Integrity Initiative Advocacy Committee	Member	July 2015 to July 2016
PMAP Council of Past Presidents	Member	1995 to present
Girl Scouts of the Philippines Foundation, Inc.	President	2010 to 2012
	Treasurer	2013 to 2015
Anchor Land Holdings, Inc.	Independent Director	2007 to 2015
Ponticelli, Inc.	Vice President	2006 to 2015

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **LBC EXPRESS HOLDINGS, INC.**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of **LBC EXPRESS HOLDINGS, INC.** and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of **LBC EXPRESS HOLDINGS, INC.** of any changes in the abovementioned information within five days from its occurrence.

Done, this _____ day of MAY 14 2018, at MAKATI CITY

SOLITA V. DELANTAR
Affiant

SUBSCRIBED AND SWORN to before me this 14 day of 2018 at MAKATI CITY, affiant personally appeared before me and exhibited to me his/her CCS NO. 03-1311104-2 issued at ______________ on ____________.

Doc No. 329;
Page No. 69;
Book No. II;
Series of 2018.

JAMIE KATRINA E. CHAN
Appointment No. M-223
Notary Public for Makati City
Until December 31, 2019
Liberty Center-Picazo Law
104 H.V. dela Costa Street, Makati City
Roll No. 70089
PTR No. 6619503/Makati City/01-05-2018
IBP No. 020684/PPLM/01-03-2018

ANNEX A-1

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **LUIS N. YU, JR.**, Filipino, of legal age, and a resident of the 2nd Floor, PGMC Building, 76 Calbayog Street, Mandaluyong City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **LBC EXPRESS HOLDINGS, INC.** and have been its independent director since 2014.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
8990 Holdings, Inc.	Chairman Emeritus and Director	2012 to present
IHoldings, Inc.	Chairman Emeritus and Director	2012 to present
8990 Cebu Housing Development Corporation	Chairman and Director	2009 to present
8990 Visayas Housing Development Corporation	Chairman and Director	2009 to present
8990 Davao Housing Development Corporation	Chairman and Director	2009 to present
8990 Mindanao Housing Development Corporation	Chairman and Director	2009 to present
8990 Iloilo Housing Development Corporation	Chairman and Director	2009 to present
8990 Luzon Housing Development Corporation	Chairman and Director	2009 to present
8990 Housing Development Corporation	Chairman and Director	2006 to present
Ceres Homes, Inc.	Chairman and Director	2002 to present
Fog Horn, Inc.	Chairman and Director	1994 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **LBC EXPRESS HOLDINGS, INC.**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of **LBC EXPRESS HOLDINGS, INC.** and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of **LBC EXPRESS HOLDINGS, INC.** of any changes in the abovementioned information within five days from its occurrence.

Done, this _____ day of MAY 0 9 2018, at MAKATI CITY.

LUIS N. YU, JR.
Affiant

SUBSCRIBED AND SWORN to before me this ____ day of MAY 0 9 ____ at MAKATI CITY, affiant personally appeared before me and exhibited to me his Philippine Passport No. EB6429803 issued by the Department of Foreign Affairs NCR East on 08 August 2017, and valid until 07 August 2022.

Doc No. 308 ;
Page No. 63 ;
Book No. II ;
Series of 2018.

ANNEX A-2

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ANTHONY A. ABAD**, Filipino, of legal age and a resident of 2 Balmori Street, San Lorenzo Village, Makati City, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for independent director of LBC EXPRESS HOLDINGS, INC.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
TRADEADVISORS	*CEO and Managing Director*	2005-present
ABAD | ALCANTARA | ASSOCIATES (TradeLawyers)	*Partner*	2014-present
WORLD TRADE ORGANIZATION (WTO/OMC)	*Panelist, Dispute Settlement Panel*	2011-present
BLOOMBERG TV PHILIPPINES	*Anchor/Host*	2015-present
ATENEO CENTER FOR INTERNATIONAL ECONOMIC LAW (ACIEL)	*Director*	2006-present
ATENEO DE MANILA UNIVERSITY	*Professor*	1998-present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of LBC EXPRESS HOLDINGS, INC., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of LBC EXPRESS HOLDINGS, INC. of any changes in the abovementioned information within five days from its occurrence.

Done this 8th day of May 2018 at Makati City.

ANTHONY A. ABAD
Director

SUBSCRIBED AND SWORN TO before me this MAY 1 6 2018 in Makati City, affiant exhibited to me her Philippine Passport No. P4211923A issued on 30 August 2017 by the DFA Manila.

Doc. No. 338;
Page No. 69;
Book No. II;
Series of 2018.

ANNEX "B"

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S

SECRETARY'S CERTIFICATE

I, **MAHLEENE G. GO**, Filipino, of legal age, with office address at the Penthouse, Liberty Center, 104 H. V. Dela Costa Street, Salcedo Village, Makati City, after being duly sworn in accordance with law, hereby depose and state that:

1. I am the incumbent Assistant Corporate Secretary of **LBC EXPRESS HOLDINGS, INC.** (hereinafter the "Corporation"), a corporation organized and existing under and by virtue of the laws of the Republic of the Philippines, with office located at LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila, Philippines.

2. Based on the respective certifications of the directors and officers of the Corporation, as well as the records of the Corporation presently in my custody, none of the directors or officers of the Corporation holds any position in any capacity in any government agency or instrumentality.

IN WITNESS WHEREOF, I have hereunto set my hand this ____________ in Makati City, Metro Manila.

MAHLEENE G. GO
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this ____ day of ____________ in Makati City, affiant exhibiting to me her Passport No. EC1941000 issued on 20 August 2014 by the DFA NCR East.

Doc. No. 312;
Page No. 64;
Book No. II;
Series of 2018.

ANNEX "C"

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

KEY PERFORMANCE INDICATORS

Financial Ratios:

		2017	2016	2015
Current ratio	Current Assets/Current Liabilities	2.51	1.67	1.18
Debt to equity ratio	Total Liabilities/Stockholders' Equity	2.98	1.74	2.66
Debt to total assets ratio	Total Liabilities/Total Assets	0.75	0.63	0.73
Return on average assets	Net income attributable to Parent Company/ Average assets	8.71%	14.52%	8.11%
Book value per share	Stockholders' Equity/ Total Number Shares	₱1.66	₱1.73	₱1.14
Basic and Diluted Earnings/(Loss) per share	Net Income/(Loss)/ Total Number Shares	₱0.49	₱0.65	₱0.29

RESULTS OF OPERATIONS

<u>For the year ended December 31, 2017 compared with the year ended December 31, 2016</u>

Service Revenues

The Company's service revenues increased by 15% to ₱10,020.1 million for the year ended December 31, 2017 from ₱8,695.4 million for the year ended December 31, 2016, primarily due to increase in revenues from the Logistics segment attributable to growth in both retail and corporate sales.

Logistics

Revenues from the Logistics segment grew by 19% to ₱8,981.2 million for the year ended December 31, 2017 from ₱7,521.9 million for the year ended December 31, 2016, primarily due to growth in retail and corporate revenue by 16% and 26%, respectively. The growth in volume of retail services was mainly attributable to the horizontal growth of the Company, evidenced by the addition of average 57 new branches in the Philippines. Corporate accounts' growth was contributed by both large and small-medium enterprise clients. There is also an incremental increase in the Company's volumes from cargo forwarding services during the year.

Cost of Services

Cost of services increased by 18% to ₱6,606.0 million for the year ended December 31, 2017 from ₱5,590.5 million for the year ended December 31, 2016 relative to growth in volume in logistic services. Moreover, truck rental rates are higher primarily due to increase in fuel prices in 2017.

Gross Profit

Gross profit increased by 10% to ₱3,414.1 million for the year ended December 31, 2017 from ₱3,104.9 million for the year ended December 31, 2016, primarily due to the increase in volume for logistic services.

Operating Expenses

Operating expenses increased by 10% to ₱2,066.6 million for the year ended December 31, 2017 from ₱1,872.8 million for the year ended December 31, 2016.

Professional fee is higher by 35% mainly related to acquired services of consultants for process improvement.

Rent expense increased by 21% primarily resulting from renewal of head office lease contract effective October 2016 with escalation on monthly fee and two new administrative warehouses contract which started mid-2016.

Taxes and licenses increased by 18% primarily related to additional branches and increase in gross receipts which are the basis for business permits.

Dues and subscription is increased to ₱31.3 million for the year ended December 31, 2017 from ₱3.8 million for the year ended December 31, 2016, related to the new cloud services acquired and the cost of support for migration.

Other Income, Net

Foreign exchange gain, net is lower by 36% which resulted from the foreign exchange trading, revaluation of time deposit denominated in US dollars and convertible instrument.

Loss on derivative amounting to ₱200.0 million is recognized as a result of higher estimated fair market value of derivative liability as at December 31, 2017 as compared to the value on inception date. This is primarily due to higher LBC stock price as compared to the stock price on the convertible instrument transaction date which generally increase the value of the derivative.

Interest expense is higher by 115% or ₱73.3 million primarily due to bond payable accretion and current period interest from notes payable, finance lease and other liabilities.

Income before Income Tax

Income before income tax decreased by 15% to ₱1,126.8 million for the year ended December 31, 2017 from ₱1,325.1 million for the year ended December 31, 2016, primarily due to the losses incurred related to convertible instrument during the year.

Income Tax Expense

Income tax expense increased by 2% to ₱418.9 million for the year ended December 31, 2017 from ₱411.2 million for the year ended December 31, 2016 because of lower amount of deferred income tax expenses resulting from temporary differences between cash and accounting method.

Net Income for the Year

The Company's profit for the year decreased by 23% to ₱707.9 million for the year ended December 31, 2017 from ₱913.9 million for the year ended December 31, 2016 as a result of the foregoing movements.

<u>For the year ended December 31, 2016 compared with the year ended December 31, 2015</u>

Service Revenues
The Company's service revenues increased by 13% to ₱8,695.4 million for the year ended December 31, 2016 from ₱7,686.5 million for the year ended December 31, 2015, primarily due to an increase in revenues from the Logistics segment attributable to growth in both retail and corporate sales.

Logistics

Revenues from the Logistics segment grew by 20% to ₱7,521.9 million for the year ended December 31, 2016 from ₱6,290.3 million for the year ended December 31, 2015, primarily due to a growth in the volume of courier services rendered. The growth in volume of services was mainly attributable to the horizontal growth of the Company, evidenced by the addition of 48 new branches in the Philippines. This growth also resulted in an incremental increase in the Company's volumes from cargo forwarding services during the year.

Price increase is also implemented at an average of 7% to 9% for Philippines, effective April, 2015, respectively, which resulted to higher price variance for the months of January to March.

Cost of Services

Cost of services increased by 9% to ₱5,590.5 million for the year ended December 31, 2016 from ₱5,119.5 million for the year ended December 31, 2015 mainly attributable to higher revenue by 13%. While the improvement in percentage to revenue to 64% in 2016 from 67% is primarily due to favorable cost ratio which resulted from the lower average freight rates of major carrier for the utilization of mid-day flights and maximizing the use of sea carrier with lower rates. Other fixed costs such as salaries and wages, rent, utilities and depreciation remain at a reasonable level with only 6% increment.

Gross Profit

Gross profit increased by 21% to ₱3,104.9 million for the year ended December 31, 2016 from ₱2,567.0 million for the year ended December 31, 2015, primarily due to the increase in volume and rate of air and courier services and improvement in costs of air and sea freight.

Operating Expenses

Operating expenses decreased by 4% to ₱1,872.8 million for the year ended December 31, 2016 from ₱1,947.8 million for the year ended December 31, 2015.

Significant reduction of advertising expense by 32% or ₱81.7 million is mainly attributable to non-incurrence of boxing sports sponsorship (Pacquiao) and decrease in media advertising and production related to brand awareness.

The Company had assessed a lower amount of provision for impairment losses on receivables at ₱15.8 million for 2016 while ₱31.5 million for 2015. Incidences that causes write-off of receivables also lowered resulting to another ₱23.4 million reduction in expenses.

The above decreases are offset by increase in professional fees by 21% or ₱26.8 million which is mainly related to acquired services of consultants for overall process improvement of the company.

Other Income, Net

Other income, net which comprise of foreign exchange gain, gain on sale of disposal of assets and other miscellaneous expense increased by 41% to ₱154.1 million for the year ended December 31, 2016 from ₱109.6 million for the year ended December 31, 2015 primarily resulted from earnings generated from foreign exchange trading.

Finance Costs, Net

Finance costs, net increased by 46% to ₱61.1 million for the year ended December 31, 2016 from ₱41.8 million for the year ended December 31, 2015, which is related to availment of long-term loans during the year.

Income before Income Tax

Income before income tax increased by 93% to ₱1,325.1 million for the year ended December 31, 2016 from ₱686.9 million for the year ended December 31, 2015, primarily due to improvement in revenue and costs.

Income Tax Expense

Income tax expense increased by 52% to ₱411.2 million for the year ended December 31, 2016 from ₱270.6 million for the year ended December 31, 2015 in line with the growth in operating income subject to income taxes.

Net Income for the Year

As a result of the foregoing, the Company's profit for the year increased by 120% to ₱913.9 million for the year ended December 31, 2016 from ₱416.3 million for the year ended December 31, 2015.

STATUS AND PLAN OF OPERATIONS

The Company plans to conduct capital raising activities to fund and support future plans for expansion of operations of LBC Express, Inc., investment in other enterprises, research and development, and investment in technology, among others.

As a result of the expected growth of the Philippine economy in the near term, increased sophistication of Philippine corporates, improved technology and increased emphasis on E-commerce, the Company anticipates many opportunities to expand into adjacent business segments by leveraging its established business platforms and brand equity. These adjacent businesses include, among others:

> *International Freight Forwarding.* The Company has entered into a partnership agreement with OHL, a global provider of air and sea freight forwarding services, effective August 1, 2013, to operate as a licensed non-vessel operating common carrier ("NVOCC"), whereby each party has mutually appointed the other to serve as a non-exclusive sales and handling agent for air and sea freight forwarding to and from the United States, China, Hong Kong, Taiwan, Singapore, Malaysia, Vietnam, Australia and the United Kingdom to Manila. Whereas in the past, the Company was required to operate through an international freight forwarder for international shipments, this agreement enables the Company to engage in the business of international freight forwarding, transacting directly with international shipping companies, through its partnership with OHL. This will enable the Company to lessen its own reliance on other international freight forwarders as well as provide international freight forwarding services to others as a new service offering. The Company intends to expand its international freight forwarding business in the future, exploring the possibility of forming partnerships with other NVOCCs and international freight forwarders.

> *E-commerce Fulfillment and Payment Solutions.* The Company also aims to take advantage of the growth in E-commerce in the Philippines, which it believes could translate into significant growth potential for both of its businesses. As E-commerce increases, the demand from online retailers for warehousing, packaging, delivery, billing, payment and other services that the Company provides will continue to grow. With its existing logistics and bills payment collection platforms, the Company believes it is well-positioned to be the integrated logistics and money services provider of choice for corporate E-commerce clients. The Company aims to target direct sellers, online resellers and buyers, with services such as same day delivery, SMS notifications, personalized packages and Send & Swipe options, among others. The Company recently created shippingcart.com to allow customers to shop anywhere in the world by providing a personal P.O. box and payment solutions such as cash, credit card, and bank transfer. The Company also intends to create a secure trade platform as an integrator of payments, including cash, credit card and bank transfer. As of the date of this Prospectus, the Company has already entered into contracts with certain E-commerce companies to provide fulfillment and delivery services.

Integrated Port and Logistics Services. In addition, the Company plans to leverage its experience in the logistics and sea cargo forwarding industries and intends to establish a Super Hub. The SuperHub is an integrated port and logistics facility that conducts warehousing activities customized to suit various customer needs. It can accommodate both air cargo and sea cargo requirements originating from or destined for Metro Manila that passes through the Port of Manila or through the NAIA international airports (Terminals 1, 2, and 3) and the domestic airport (Terminal 4). The Company seeks to capture the potential customized warehousing and logistics, and to provide a one (1)-stop hub to customers aimed to increase efficiency by reducing costs for customers by offering services such as (a) transportation, (b) storage (both regular and specialized temperature-controlled) facilities, (c) distribution facilities, and (d) customs and quarantine services, among others. As of March 31, 2018, the Company has two (2) facilities located in Alabang and Cupang, both in Muntinlupa, Metro Manila. These facilities have a combined floor space of approximately 10,000 sq.m. of pallet space. The Company currently servies various customers and offer cross–docking services, which minimizes the handling and storage for the distribution of the clients' products directly to their customers or retail chains. Moreover, the Company also provides warehousing solutions for goods, including product receipting and shipment, order requirements, and inventory management to ensure that stock management practices are in place. Lastly, the Company also provides pick-and-pack services for select customers, which involves sorting , assembly and disassembly, and repackaging of the clients' goods.

Cold Chain Supply. The Company also intends to expand its existing cold chain business. This refers to the uninterrupted series of pre-cooling, packaging, handling, transportation, storage and distribution of goods while maintaining a defined temperature range. Cold chain capabilities are typically required for high-value crops, fishery, poultry and livestock products, pharmaceuticals and other perishable goods. The Company believes that there is a significant growth potential in this industry, and intends to continuously develop a logistics infrastructure to support its cold-chain requirements by investing further into temperature-controlled warehouses, reefer vans and reefer trucks. Currently these services include containerized transfers using inter modal transport for the distribution of frozen and chilled products , as well as primary transport for both re supply and general trade deliveries. The service also includes central booking services and administrative temperature data recording.

The Company aims to continue evolving its services and capabilities to anticipate and meet the needs of corporate clients and capture value from the growth of the general Philippine economy.

The Company also has an extensive network of branches, affiliates and agents in over 20 countries and territories worldwide. The Company believes that several of its existing international markets are currently underserved in terms of both logistics and remittance services, particularly, the mid-western United States, the Greater Toronto Area in Canada and the Middle East. As part of the effort to capture market share in such underserved markets, the Company plans to improve and renovate its existing branches in order to more efficiently handle and process customer needs and provide service excellence. In addition, the Company continuously reviews opportunities to operate in markets where OFWs are deployed or where Filipinos are migrating, including Germany, Korea, Kuwait, Bahrain and Qatar, where the company recently opened branches. As a part of its strategy to broaden its international coverage, the Company will continue to prudently engage international remittance fulfillment agents internationally, leveraging their existing networks to expand efficiently into overseas markets.

In addition to its commitment to invest in organic growth, the Company also plans to augment its breadth of service offerings and depth of operations by selectively and strategically pursuing sound acquisition opportunities. In evaluating such opportunities, the Company will consider, among other factors, whether the potential target company has synergies with the Company's existing operational platform, whether the potential target will enable the Company to grow its customer base and market share in existing businesses, whether it will provide the Company with the platform or know-how to expand into new business areas, and whether it will provide synergies in terms of efficiencies and revenue generation. The Company believes that prudent investment in strategic acquisitions will bring attractive returns to its revenues, profit and growth over the medium to long term.

FINANCIAL CONDITION

As of December 31, 2017 compared to as of December 31, 2016

Assets

Current Assets

Cash and cash equivalents increased by 185% to ₱3,778.4 million as at December 31, 2017 from ₱1,327.8 million as at December 31, 2016. Refer to analysis of cash flows in "Liquidity" section below.

Trade and other receivables increased by 10% to ₱1,675.8 million as at December 31, 2017 from ₱1,526.7 million as at December 31, 2016, primarily due to growth of receivables from customers amounting to ₱166.0 million in relation to increase in revenue from corporate accounts.

Due from related parties decreased by 40% to ₱667.7 million as of December 31, 2017 from ₱1,108.0 million as at December 31, 2016, largely traceable to offsetting of dividend payment to existing receivable of LBC Development amounting to ₱699.0 million.

Available-for-sale investments (current and noncurrent) is higher by 25% to ₱885.5 million as at December 31, 2017 from ₱709.3 million as at December 31, 2016 which resulted from net placement UITF account during the year. LBCEH opened a dollar account and placed $4.0 million in December 2017. This is offset by loss resulting from lower market value of quoted shares.

Prepayments and other current assets increased by 15% to ₱446.1 million as at December 31, 2017 from ₱388.1 million as at December 31, 2016 mainly because of higher advance rental by P21.8 million resulting from additional Philippines branches (2017: 1,321 vs 2016: 1,249). Input VAT also increased by ₱23.9 million. These increases are offset by decrease in marketable securities by ₱11.0 million. This is classified as "other current assets" since the maturity is more than three months.

Non-current Assets

Property and equipment, net increased by 16% to ₱976.1 million as of December 31, 2017 from ₱840.5 million as at December 31, 2016, primarily due to business expansion which led to net acquisitions of transportation equipment, leasehold improvements and construction in progress resulting to an increase by 23%, 19% and 91%, respectively, based on net book value.

Intangibles, net increased by 34% to ₱356.9 million as at December 31, 2017, from ₱266.0 million as at December 31, 2016, mainly related to acquisition of new payroll and logistics system (RAMCO) and IT security tool. This is offset by the increase in amortization charges for the year amounting to ₱65.0 million.

Deferred tax assets, net increased by 6% to ₱289.5 million as at December 31, 2017, from ₱274.4 million as at December 31, 2016, resulted from higher non-deductible expenses from retirement benefit which are charged to other comprehensive income.

Security deposits, increased by 13% to ₱255.4 million as at December 31, 2017, from ₱226.3 million as at December 31, 2016, primarily due to additional branches.

Other noncurrent assets, increased by 31% to ₱92.2 million as at December 31, 2017, from ₱70.2 million as of December 31, 2016, which resulted from the increase in noncurrent portion of input tax on capital assets amounting to ₱5.6 million, higher prepaid rental amounting to ₱7.4 million advance payment for the development of Interblock software amounting to ₱9.0 million.

Liabilities

Accounts and other payables increased by 24% to ₱1,603.1 million as at December 31, 2017, from ₱1,295.1 million as at December 31, 2016. Trade payable from outside parties is higher by 14% mostly from increase in customer deposits and cash bonds. Accrued contracted jobs doubled as at year-end due to increase in headcount to cover the volume transacted during peak season. Taxes payable is higher by 27% which comprise of VAT payable, expanded withholding taxes and withholding taxes on compensation.

Notes payable (current and noncurrent) decreased by 23% to ₱1,041.3 million as at December 31, 2017, from ₱1,359.2 million as at December 31, 2016, primarily due to settlements of short and long-term notes during the year.

Transmission liability increased by 26% to ₱588.2 million as at December 31, 2017, from ₱467.3 million as at December 31, 2016, relative to higher volume of unremitted collection on delivery (COD) transactions this year.

Income tax payable decreased by 51% to ₱125.0 million as at December 31, 2017, from to ₱254.8 million as at December 31, 2016, resulting from payment of 2016 annual income tax.

Finance lease liabilities (current and noncurrent) decreased by 5% to ₱117.7 million as at December 31, 2017, from ₱124.1 million as of December 31, 2016, due to lease settlements in 2017 amounting to ₱45.9 million and offset by additional liability for service vehicles acquired through finance lease during the year amounting to ₱39.6 million.

Bond payable and derivative liability recognition amounting to ₱896.2 million and ₱1,860.4 million, respectively, as at December 31, 2017 is the result of issuance of a seven-year secured convertible instrument, in favor of CP Briks in the aggregate principal amount of US$50.0 million, convertible into 192,307,692 common shares of the Company at the option of the holder at ₱13.00 per share conversion price (using the US$1=₱50 exchange rate). The instrument is due in 2024 or the seventh anniversary from the issuance date. The proceeds from the issuance of the instrument shall be used to fund the growth of the business of the Company including capital expenditures and working capital. The convertible debt is a hybrid instrument containing host financial liability and derivative component for the conversion and redemption options.

Retirement benefit obligation decreased by 2% to ₱705.3 million as at December 31, 2017, from ₱721.0 million as at December 31, 2016 primarily due to contributions in the plan assets during the year and benefits paid directly by the Group.

Other liabilities account is higher by 243% or ₱83.8 million which comprise of IBM cloud subscription obligation, new payroll and logistics system of LBC and subscription of IT security software.

As of December 31, 2016 compared to as of December 31, 2015

Assets

Current Assets

Cash and cash equivalents increased by 36% to ₱1,327.8 million as December 31, 2016 from ₱979.1 million as of December 31, 2015.

Trade and other receivables increased by 4% to ₱1,526.7 million as of December 31, 2016 from ₱1,466.8 million as of December 31, 2015, primarily due to growth of receivables from affiliates for the company's fulfillment services. Amount of remittance and cargo service fees is higher by 4% to ₱400.3 million for 2016 and ₱386.4 million for 2015.

Due from related parties decreased by 16% to ₱1,108.0 million as of December 31, 2016 from ₱1,321.3 million as of December 31, 2015, primarily due to settlement amounting to ₱198.0 million before the end of the current year.

Available-for-sale investments amounting to ₱250.9 million represents the Company's investment in unquoted unit investment trust fund.

Prepayments and other current assets decreased by 12% to ₱388.1 million as of December 31, 2016 from ₱443.3 million as of December 31, 2015, primarily due to the restricted cash of ₱135.3 million representing cash deposit in bank in the name of the Company which was funded by a specific customer in relation to the money remittance service in behalf of the said specific customer. The Company availed of a loan from a bank specifically to service the said customer and the cash deposit served as a guarantee to the bank. The cash balance is being diminished as the loan balance gets repaid by the Company. This is fully settled during the current year.

Non-current Assets

Property and equipment, net increased by 10% to ₱840.5 million as of December 31, 2016 from ₱763.0 million as of December 31, 2015, primarily due to business expansion which led to net acquisitions of leasehold improvement and furniture and fixtures resulting to an increase by 24% and 26%, respectively, based on net book value.

Intangibles, net decreased by 4% to ₱266.0 million as of December 31, 2016, from ₱276.4 million as of December 31, 2015, primarily due to lower SAP related additions for this year.

Available for sale investment, higher by 116% to ₱458.4 million as of December 31, 2016, from ₱212.6 million as of December 31, 2015, as market price increased from ₱1.09/share to ₱2.35 share.

Deferred tax assets, net increased by 22% to ₱274.4 million as of December 31, 2016, from ₱225.7 million as of December 31, 2015, as a result of higher non-deductible expenses from retirement benefit and accrued bonus and leave credits.

Security deposits, increased by 8% to ₱226.3 million as of December 31, 2016, from ₱209.9 million as of December 31, 2015, primarily due to increase in branches.

Other noncurrent assets, increased by 14% to ₱70.2 million as of December 31, 2016, from ₱61.8 million as of December 31, 2015, which resulted from the increase in noncurrent portion of input tax on capital assets.

Liabilities

Accounts and other payables decreased by 29% to ₱1,295.1 million as of December 31, 2016, from ₱1,832.0 million as of December 31, 2015, primarily due to reduction in trade payable by 19%. This is mainly attributable to improvement of operating expenses.

Due to related parties increased by 1% to ₱18.3 million as of December 31, 2016, from ₱18.1 million as of December 31, 2015, primarily due to the revaluation of foreign denominated payable. There is no additional payable for the year.

Notes payable (current and noncurrent) increased by 31% to ₱1,359.2 million as at December 31, 2016, from ₱1,040.6 million as at December 31, 2015, primarily due to higher outstanding loan from BDO bank. The Company availed five-year term loan from the said bank during the year.

Transmission liability decreased by 8% to ₱467.3 million as of December 31, 2016, from ₱508.1 million as of December 31, 2015, primarily due to lower volume and amount of money remittance transactions on the last day of the operations of the year.

Income tax payable increased by 95% to ₱254.8 million as of December 31, 2016, from ₱130.7 million as of December 31, 2015, in line with the growth in operating income subject to income taxes.

Finance lease (current and noncurrent) increased by 6% to ₱124.1 million as at December 31, 2016, from ₱117.2 million as at December 31, 2015, mainly from additional vehicles acquired through finance lease during the year."

Retirement benefit liability increased by 12% to ₱721.0 million as of December 31, 2016, from ₱641.8 million as of December 31, 2015.

Other noncurrent liabilities decreased by 21% to ₱34.5 million as of December 31, 2016, from ₱43.6 million as of December 31, 2015, primarily due to the amortization of long-term liability related to IT infrastructure.

LIQUIDITY

Cash Flows

Years ended December 31, 2017 and December 31, 2016

Cash flow from operating activities

The Company's net cash from operating activities is primarily affected by income before income tax, depreciation and amortization, unrealized foreign exchange gain, retirement benefit expense, interest expense, loss on derivatives and changes in working capital. The Company's net cash from operating activities were ₱1,399.3 million, and ₱808.9 million for the year ended December 31, 2017 and 2016, respectively.

For the year ended December 31, 2017, cash flow from operating activities were derived from the normal operations.

Cash flows from investing activities

Cash flow used investing activities for the years ended December 31, 2017 and 2016 were ₱847.6 million and ₱611.3 million, respectively.

Cash used for acquisition of property and equipment and intangible assets during the year amounted to ₱354.9 million and ₱38.5 million, respectively. The Company also acquired available-for-sale investments amounting to ₱1,394.0 million, gross of redemptions amounting to ₱1,206.4 million during the year.

Cash flow from financing activities

Cash flow from financing activities for the years ended December 31, 2017 and 2016 were ₱1,922.97 million and ₱154.6 million, respectively.

For the year ended December 31, 2017, the inflow from financing activities is primarily from the issuance of convertible instrument that generated cash amounting to ₱2,505.7 million.

MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION

LBCEH common shares are listed with the PSE. As of the end of December 2017, the total number of shares held by the public was 219,686,131 common shares or 15.41% of the total issued and outstanding capital stock of the LBCEH.

The following table sets forth the share prices of LBCEH's common shares for each quarter of the years 2018, 2017 and 2016:

Quarter	High (₱)	Low (₱)
2018		
1ST	16.00	14.00
2017		
4TH	17.00	14.80
3RD	16.18	15.00

2ND	17.94	14.20
1ST	15.88	14.00
2016		
4TH	16.00	11.50
3RD	14.88	10.50
2ND	15.00	10.14
1ST	12.20	6.20

The stock price of each common share of LBCEH as of the close of the latest practicable trading date, June 6, 2018, is ₱15.04.

STOCKHOLDERS

As of end of March 31, 2018, LBCEH has 486 registered holders of common shares. The following are the top 20 registered holders of the common shares:

	Name of Stockholder	Nationality	Number Of Shares Held	Percentage
1	LBC Development Corporation	Filipino	1,205,974,632	84.58%
2	Lim, Vittorio Paulo P.	Filipino	59,663,948	4.18%
3	Martinez Jr., Mariano D.	Filipino	59,663,946	4.18%
4	Yu, Lowell L.	Filipino	59,663,946	4.18%
5	PCD Nominee Corporation	Filipino	37,052,695	2.60%
6	Pcd Nominee Corporation	Filipino	3,301,202	0.23%
7	Ko Mei Nga	Filipino	10,000	0.00%
8	Tia, Tommy Kin Hing	Filipino	10,000	0.00%
9	Santos, Ferdinand S.	Filipino	10,000	0.00%
10	Lantin, Andy	Filipino	5,000	0.00%
11	Leong, Jennifer H.	Filipino	3,000	0.06%
12	Cabual, Alfonso B.	Filipino	3,000	0.03%
13	Balo, Jimmy P.	Filipino	2,000	0.02%
14	Cabale, Roy V.	Filipino	2,000	0.01%
15	Batalla, Wilfredo P.	Filipino	2,000	0.01%
16	Bordios Norman S.	Filipino	2,000	0.01%
17	Abapo, Wilfredo M.	Filipino	2,000	0.01%
18	Amoncio, Juhjeh P.	Filipino	2,000	0.01%
19	Apal, Rommel	Filipino	2,000	0.01%
20	Aquino, Agapito U.	Filipino	2,000	0.01%

DIVIDENDS

Dividend Policy

The Company has adopted a dividend policy to distribute to its shareholders a portion of its funds that are surplus subject to the operating and expansion needs of the Company, as determined by the board of directors of the Company, in the form of stock and/or cash dividends, subject always to:

(a) All requirements of the Corporation Code of the Philippines as well as all other applicable laws, rules, regulations and/or orders;

(b) Any banking or other funding covenants by which the Company is bound from time to time; and

(c) The operating and expansion requirements of the Company as mentioned above.

The Company's subsidiary, LBC Express, Inc. has adopted the same dividend policy.

Cash dividends are subject to approval by the Company's board of directors without need of stockholders' approval. However, property dividends, such as stock dividends, are subject to the approval of the Company's board of directors and stockholders.

The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company.

Dividend History

On April 19, 2017, the BOD of LBCEH approved the declaration of cash dividends amounting to ₱827.00 million from unappropriated retained earnings as of March 31, 2017 amounting to ₱849.83 million.

On October 11, 2016, the BOD of LBCEH approved the declaration of cash dividends amounting to ₱313.69 million (nil in 2015).

The dividends attributable to LBCDC was settled through application against due from LBCDC.

RECENT SALE OF SECURITIES

Please refer to the discussion under "Corporate Reorganization" of item 1 ("Business") of this Report for a summary of recent issuances of shares by the Company.

ANNEX "D"

COVER SHEET
for
SEC FORM 17-A (ANNUAL REPORT)

SEC Registration Number

A S 0 9 3 0 0 5 2 7 7

COMPANY NAME

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

LBC HANGAR, GENERAL AVIATION CENTRE, DOMESTIC AIRPORT ROAD, PASAY CITY METRO MANILA

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	SEC	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	856-8510	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
486	2nd Monday of June	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Enrique V. Rey, Jr.	evrey@lbcexpress.com	856-8510	

CONTACT PERSON's ADDRESS

LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila

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

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

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 OF THE PHILIPPINES

1. For the fiscal year ended: December 31, 2017

2. SEC Identification Number: ASO93-005277

3. BIR Tax ID No.: 002-648-099-000

4. Exact Name of issuer as specified in its charter: LBC EXPRESS HOLDINGS, INC. (formerly Federal Resources Investment Group Inc.)

5. Province, country or other jurisdiction of incorporation or organization: Philippines

6. Industry Classification Code: __________ (SEC Use Only)

7. Address of principal office and postal code: LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila 1300

8. Issuer's telephone number, including area code: (632) 856-8510

9. Former name, former address, former fiscal year (if changed since last report):

   Federal Resources Investment Group Inc.
   No. 35 San Antonio Street, San Francisco Del Monte, Quezon City

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

    As at December 31, 2017:

Title of each class	Number of shares issued and outstanding
Common Shares	1,425,865,471[1]
Bond payable	896,185,059[2]
Derivative Liability	1,860,373,479[2]

11. Are any or all of these securities listed on a Stock Exchange? Yes (x) No ( )

    Name of Stock Exchange: Philippine Stock Exchange
    Class of securities listed: Common Shares[3]

[1] Inclusive of 1,388,357,471 common shares which are exempt from registration.
[2] Related to convertible instrument at an aggregate principal amount of $50 million.
[3] As of December 31, 2017, 40,899,000 common shares have been listed with the Philippine Stock Exchange. The remaining 1,384,966,471 are subject of listing applications filed with the 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 thereunder or 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 (x) No ( )

b) has been subject to such filing requirements for the past ninety (90) days.
Yes (x) No ( )

13. Aggregate marker value of voting stock held by non-affiliates is **₱3,251,354,739 as at April 4, 2018.**[4]

DOCUMENTS INCORPORATED BY REFERENCE

14. Briefly describe documents incorporated by reference and identify the part of the SEC Form 17-A into which the document is incorporated:

(a) **2017 Consolidated Audited Financial Statements** (incorporated as reference for items 6, 7 and 12 of SEC Form 17-A)

[4] Inclusive of common shares with pending listing applications.

Unless otherwise specified or the context otherwise requires, all references to the "Company" are to LBC Express Holdings, Inc. (**LBCEH**), its subsidiary LBC Express, Inc. (**LBC Express**) and the subsidiaries of the latter on a consolidated basis. However, references to the "Company", when used in the context prior to the corporate reorganization, are to Federal Resources Investment Group, Inc.

For purposes of presenting the financial condition of the Company, the Company has applied the reverse acquisition method of accounting in view of LBC Express Holdings, Inc.'s acquisition of LBC Express, Inc. whereby LBC Express Holdings, Inc. is treated as the accounting acquiree. Accordingly, the consolidated financial statements of LBC Express Holdings, Inc. have been prepared as a continuation of consolidated financial statements of LBC Express, Inc. and its subsidiaries.

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

BUSINESS DEVELOPMENT

CORPORATE REORGANIZATION

The Company was incorporated and registered with the Securities and Exchange Commission (SEC) as "Federal Chemicals, Inc." on July 12, 1993. At the time, the Company was principally engaged in the business of manufacturing various adhesives and sealants and other chemicals for hardware, construction, do-it-yourself and industrial applications. The Company has been a publicly-listed company since December 21, 2001, and was traded under the ticker symbol "FED" on the Philippine Stock Exchange (PSE).

On September 28, 2007, the change in corporate name from Federal Chemicals, Inc. to Federal Resources Investment Group, Inc. as well as the change in the primary purpose of the Company to that of a holding company was approved by the SEC.

On April 23, 2015, the Board of Directors of the Company approved the issuance of 59,101,000 common shares, at ₱1.00 per share, out of the unissued portion of the Company's authorized capital stock to LBC Development Corporation, subject to acceptable documentation being arrived at, as well as the fulfillment of such conditions agreed upon by the parties, including a mandatory tender offer, where required under relevant laws and regulations.

The Company needed to raise additional capital through the issuance of new shares out of the unissued portion of the Company's authorized capital stock for general corporate purposes. Further, such infusion was preparatory to a potential additional investment of LBC Development Corporation into the Company as a result of the ongoing due diligence on the Company.

On May 18, 2015, the Company and LBC Development Corporation entered into a Deed of Subscription, whereby LBC Development Corporation, subject to the completion of the mandatory tender offer, subscribed to 59,101,000 common shares out of the unissued authorized capital stock of the Company or 59.10% of the authorized capital stock of the Company. The consideration for the subscribed shares was ₱59,101,000 or ₱1.00 per share.

On May 22, 2015, LBC Development Corporation filed with the SEC its mandatory tender offer report for all the outstanding shares of the Company for a tender offer price of ₱1.00 per share. The mandatory tender offer period commenced on June 8, 2015 and ended on July 7, 2015. On July 14, 2015, LBC Development Corporation filed with the SEC its final tender offer report.

On July 22, 2015, the Company issued the stock certificates covering the subscribed shares to LBC Development Corporation.

On 29 July 2015 and in consonance with such change in control, the Board of Directors of the Company approved the acquisition by the Company of all the outstanding shares of stock of LBC Express, Inc., at the time a wholly-owned subsidiary of LBC Development Corporation, at the book value of not less than ₱1 billion. The Board also approved the following:

(i) increase in the authorized capital stock of the Company from ₱100 million to up to ₱3 billion in which subsequently approved by SEC on September 18, 2015 at ₱2 billion;
(ii) the issuance of shares out of the increase in authorized capital stock or out of the unissued capital stock to LBC Development Corporation and/or to other investors and/or third parties for the purpose of (a) funding the acquisition by the Company of all the outstanding shares of stock of LBC Express, Inc.; (b) funding the acquisition of other potential investments, whether or not related to the business of LBC Express, Inc.; and (c) ensuring compliance by the Company with the minimum public ownership requirements of the PSE;
(iii) the change in the name of the Company to "LBC Express Holdings, Inc."; and
(iv) the change of the trading symbol "FED" to "LBC".

On 4 September 2015, the stockholders of the Company approved all of the foregoing matters.

On 18 September 2015, pursuant to the authority to issue shares out of the increase in authorized capital stock or out of the unissued capital stock to LBC Development Corporation, the Company and LBC Development Corporation entered into Subscription Agreements, whereby LBC Development Corporation subscribed to, and the Company agreed to issue, 1,146,873,632 additional Common Shares at a subscription price of ₱1.00 per share or an aggregate subscription price of ₱1,146,873,632 (the **Additional Subscriptions**), consisting of 475,000,000 shares issued from the increase in the authorized capital stock of the Company and 671,873,632 shares issued out of the authorized and unissued capital stock of the Company, following the approval by the SEC of the increase in the authorized capital stock of the Company from ₱100,000,000.00 divided into 100,000,000 Common Shares with par value of ₱1.00 per Share, to ₱2,000,000,000.00 divided into 2,000,000,000 Common Shares with par value of ₱1.00 per Share. Notices of exemption for the Additional Subscriptions were filed with the SEC on October 13, 2015.

On September 24, 2015, the Company purchased from LBC Development Corporation a total of 1,041,180,493 shares of stock in LBC Express, Inc. for an aggregate purchase price of ₱1,384,670,966.

On 2 October 2015, the Company entered into Subscription Agreements with each of Vittorio P. Lim, Mariano D. Martinez, Jr., and Lowell L. Yu (collectively, the **Subscribers**), wherein subject to the approval by the SEC of the Capital Increase, the Subscribers agreed to subscribe, and the Company agreed to issue, a total of 178,991,839 Common Shares of the Company at the par value of ₱1.00 per share or an aggregate subscription price of ₱178,991,839.00 out of the authorized and unissued capital stock of the Company. The foregoing subscription was undertaken to ensure compliance by the Company with the PSE Minimum Public Ownership requirement of at least 10% of the outstanding capital stock of the Company. A notice of exemption for the subscription was filed with the SEC on October 13, 2015.

Involvement in Bankruptcy or Receivership Proceedings

As of the end of December 2017, the Company was not involved in any bankruptcy, receivership or any similar proceedings.

Material Reclassification, Merger, Consolidation or Purchase or Sale of a Significant Amount of Assets (not in the ordinary course of business)

On 24 September 2015, the LBCEH purchased from LBC Development Corporation (LBCDC) a total of 1,041,180,493 shares of stock in LBC Express for an aggregate purchase price of ₱1,384,670,966.

On June 20, 2017, the BOD approved the issuance of convertible bond. Accordingly, on August 04, 2017, LBCEH issued, in favor of CP Briks Pte. Ltd, a seven-year secured convertible instrument in the aggregate principal amount of US$50.0 million (₱2,518.25 million) convertible at any time into 192,307,692 common shares of LBCEH at the option of CP Bricks Pte. Ltd at ₱13.00 per share conversion price, subject to adjustments in accordance with the terms and conditions of the instrument. The instrument is also redeemable, at the option of CP Bricks Pte. Ltd, beginning on the 30th month from issuance date at the redemption price equal to the principal amount plus internal rate of return ranging from 10% to 13%.

The convertible bond is a hybrid instrument containing host financial liability and derivative components for the equity conversion and redemption options. The equity conversion and redemption options were identified as embedded derivatives and were separated from the host contract.

As at December 31, 2017, the carrying value of bond payable amounted to ₱896.19 million and the fair value of the derivative liability amounted to ₱1,860.37 million. The fair value changes of the derivative liability recognized as "Loss on derivative" amounted to ₱199.95 million in 2017. Interest expense arising from the accretion of interest on the bond payable amounted to ₱59.56 million in 2017.

The agreement related to the issuance of convertible bond indicated the following rights and obligations:

a) Within one month from August 4, 2017, the Company shall discontinue any royalty payments to LBCDC for all trademarks, brands and licenses. This was already terminated in September 2017;
b) Within three months from closing date, LBCDC shall procure that LBCEH enters into a binding sale and purchase agreement to acquire the equity interests of the 12 overseas entities. Also, within 12 months from closing date, LBCDC shall procure that LBCEH closes the acquisition of the equity interest of the overseas entities;
c) Within six months following the termination of royalty payments, the Company shall be permitted to make loans and advances to LBCDC and this shall not be considered a Reserved Matter. LBCDC already made an advances amounting to ₱100.00 million as of December 31, 2017.
d) Within six months from closing date, LBCDC shall procure a debt for equity swap between LBC Express and QUADX INC., a local affiliate; and
e) Within 3 months from closing of the acquisition of the equity interests of the overseas entity, LBCDC procure to settle all obligations to the Group.

The following board approvals and acquisitions occurred after the fiscal year ended December 31, 2017 but before the filing of this report:

On February 28, 2018, the BOD of LBCEH approved the incorporation of Diez Equiz Pte Ltd, a Singaporean private limited Company, through subscription of 862 shares or 86% of the total outstanding shares of the entity at USD 1.00 per share. On April 5, 2018, the BOD approved the sale of the same 86% equity interest of Diez Equiz Pte Ltd to Maleka, Inc. at the sale price of USD 1.00 per share.

On March 7, 2018, the BOD of LBCEH approved the purchase of shares of some international affiliates in line with the conditions to the issuance of convertible bond. The acquisition is expected to benefit the Company by contributing to its global revenue streams. On the same date, the share purchase agreements were executed by LBCEH and the international affiliates with a total share purchase price amounting to USD 8.55 million, subject to certain closing conditions.

Below is the list of entities that were acquired by LBCEH:

- LBC Mabuhay Saipan, Inc. which operates as a cargo and remittance company in Saipan. LBCEH purchased 120,000 shares or 100% of the total outstanding shares of the acquiree at purchase price of USD 207,652. The transfer of the ownership of the shares and all rights, titles and interest thereto shall take place following the payment of the consideration.
- LBC Mabuhay Hawaii Corporation which operates as a cargo and remittance company in Hawaii. LBCEH purchased 1,536,408 shares or 100% of the total outstanding shares from LBC Holdings USA Corporation
- LBC Mundial Corporation which operates as a cargo and remittance company in California. LBCEH purchased 4,192,546 shares or 100% or the total outstanding shares from LBC Holdings USA Corporation.
- LBC Mabuhay North America Corporation which operates as a cargo and remittance company in New Jersey. LBCEH purchased 1,605,273 shares or 100% or the total outstanding shares from LBC Holdings USA Corporation.

LBC Mabuhay Hawaii Corporation, LBC Mundial Corporation and LBC Mabuhay North America Corporation were purchased by LBC Express Holdings, Inc. at a purchase price of USD 8,432,000. The transfer of the ownership of the shares and all rights, title and interests thereto shall take place following the payment of the consideration defined and shall be subject to the necessary approvals of the US regulatory bodies that oversee and/or regulate the Companies.

On March 19, 2018, the BOD of LBCEH approved to invest and acquire 30% equity interest in Orient Freight International, Inc. (OFII) through the following: (a) by purchasing 1,150,000 common shares held by Rayomar Management, Inc. in OFII; and (b) by subscribing to 3,285,714 common shares out of the unissued capital stock of OFII. This is to diversify the Company's businesses and to realize returns on investments.

On March 19, 2018, the BOD of LBCEH approved the acquisition of 86.11% equity interest in QUADX Inc. in order to diversify the Corporation's businesses. LBCEH shall subscribe to 1,860,214 shares of stock at a subscription price of P100 per share The Board also approved the acquisition of the receivables due to LBC Express which is intended to be converted to equity in QUADX Inc. Correlatively, based on the objective of LBCEH to acquire shares in QUADX Inc., the latter has agreed to convert said debt to equity.

On April 4, 2018, the BOD of LBCEH approved the investment and acquisition of 86% equity interest on QuadX Pte. Ltd. through the following: (a) the purchase of 862 ordinary shares of QuadX Pte. Ltd. held by Fernando Gonzalez Araneta, at the sale price of USD1.00 per share; and (b) the subscription to 85,248 ordinary shares out of the unissued capital stock of QuadX Pte. Ltd. at the subscription price of USD1.00 per share.

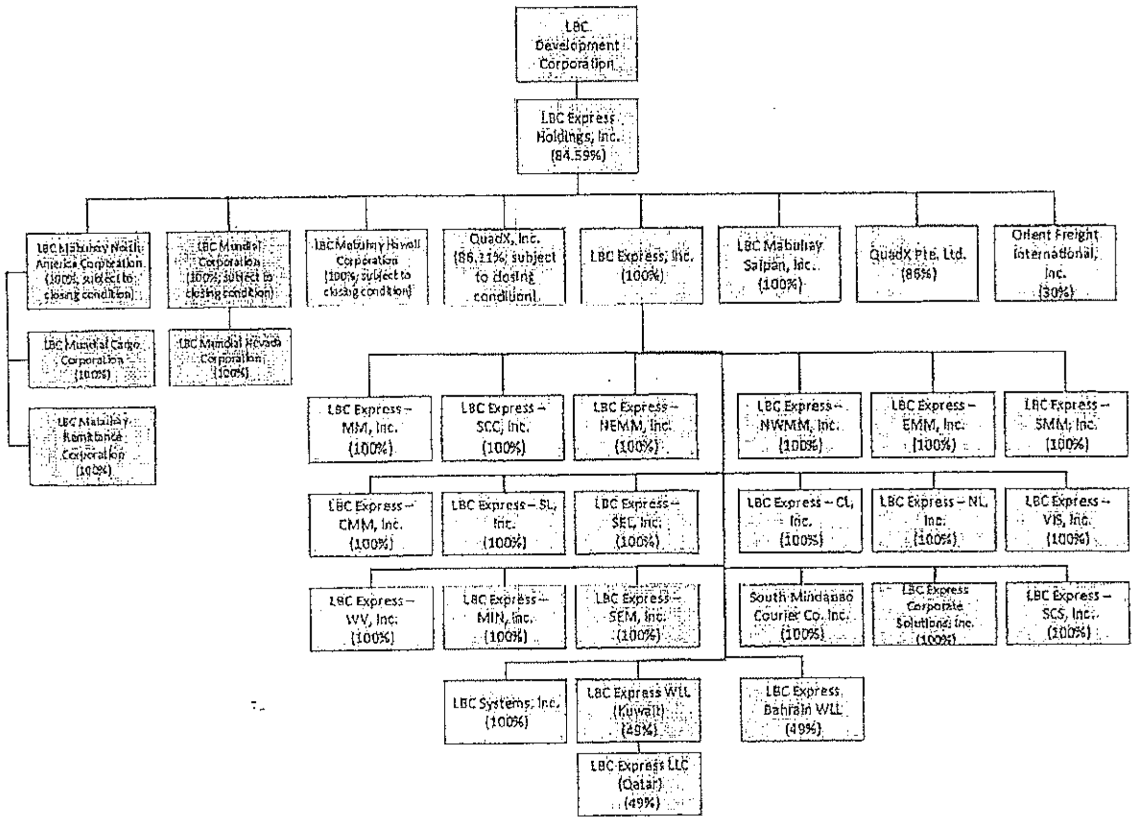
LBC HISTORY

LBC Express was initially founded in 1950s as "Luzon Brokerage Corporation." It subsequently changed its name to "LBC Air Cargo, Inc." and operated as a brokerage and air cargo agent. A few years after incorporation, LBC Express evolved into an express delivery service, becoming the first Filipino-owned private courier company to provide time-sensitive deliveries in the Philippines and offer customers an alternative to the Government-owned and operated postal service. In 1973, LBC Express pioneered 24-hour door-to-door express delivery and messengerial services in the Philippines, providing greater convenience to its existing customers and further expanding its market share. LBC Express' name was formally changed to "LBC Express, Inc." on April 26, 1988 to reflect the express delivery services that had come to form its hallmark business. In the 1990s, LBC Express adopted the slogan "Hari ng Padala", or Tagalog for "King of Forwarding Services." LBC Express has now become the market leader in the Philippine domestic air freight forwarding market and, for the year ended November 30, 2012, had a market share of 41.8% of the domestic air freight forwarding industry in terms of throughput by weight, according to data from the CAB. While LBC Express' logistics business still primarily comprises retail express courier and freight forwarding services, it has also expanded its product mix to offer services targeted at corporate customers, including full container load and less-than-container load sea freight forwarding and end-to-end logistics solutions.

In the early 1980s, LBC Express entered into the domestic remittance business, leveraging the existing branch network of its logistics business as customer contact points for remittance acceptance and fulfillment, growing this business at low marginal cost. Beginning in 1999, LBC Express expanded its money transfer services segment by offering bill payment collection services in the Philippines by serving as a third party collection agent for various vendors throughout the Philippines. In 2006, LBC Express also began providing corporate remittance fulfillment services, such as payouts of government Social Security System benefits, payroll and insurance benefits on behalf of third parties, as well as remittance encashments for customers of its local remittance partner, Palawan Pawnshop.

LBC Express commenced its international money transfer operations in 1987 by establishing relationships with agents and affiliates in the United States and steadily expanding its network elsewhere globally to provide fulfillment services for inbound international remittances. LBC Express later leveraged the network of its overseas affiliates to expand its Logistics business internationally as well. Today, LBC Express provides courier and freight forwarding services in 22 countries and territories outside of the Philippines and fulfillment services for inbound remittances originating from over 30 countries and territories outside the Philippines, including the United States, Canada, the Asia Pacific region, Europe and the Middle East.

The following diagram illustrates the operating ownership structure of the Company as of the date of this Report:



Below is the list of the subsidiaries of LBC Express, Inc.:

	Country of incorporation	Principal activities	Ownership Interest 2017	2016
LBC Express, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - MM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - CL, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - NL, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - VIS, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - SL, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - SCS, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express Corporate Solutions, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - CMM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - EMM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - MIN, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - SMM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - SEL, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - WVIS, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - SEM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - SCC, Inc.	Philippines	Logistics and money remittance	100%	100%
South Mindanao Courier Co., Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - NEMM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - NWMM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Systems, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express Bahrain, LLC	Bahrain	Logistics	49%	49%
LBC Express WLL	Kuwait	Logistics	49%	49%
LBC Express LLC [1]	Qatar	Logistics	49%	49%

Note:
1) This entity is a subsidiary of LBC Express WLL which has 49% ownership interest.

Except for South Mindanao Courier Co, Inc., the principal offices of the 18 other subsidiaries named above are located in the General Aviation Center, Domestic Road, Pasay City. The principal office of South Mindanao Courier Co., Inc. is located in Door No. 7, Yabon Building, Darimco Silawy, Dadiangas West, General Santos City.

The following entities were approved or acquired after the fiscal year ended December 31, 2017 but before the filing of this report:

Entities	Country of Incorporation	Principal Activities
LBC Mabuhay Saipan, Inc.	Saipan	Logistics and money remittance
LBC Mabuhay Hawaii Corporation	USA	Logistics and money remittance
LBC Mundial Corporation	USA	Logistics and money remittance
LBC Mabuhay North America Corporation	USA	Logistics and money remittance
Orient Freight International, Inc.	Philippines	Logistics
QuadX, Inc.	Philippines	Logistics
QuadX Pte. Ltd.	Singapore	Logistics

BUSINESS

SERVICES

The Company's business comprises two primary segments: (a) logistics; and (b) money transfer services.

The table below presents the components of the Company's revenue associated with its business segments for the years indicated.

	For the years ended December 31,		
	2017	2016	2015
		(₱ in millions)	
Logistics			
Retail	5,751.7	4,964.0	4,091.3
Corporate	3,229.5	2,557.9	2,199.0
	8,981.2	7,521.9	6,290.3
Money Transfer Services			
Domestic[1]	907.1	1,058.4	1,186.9
International Inbound[2]	131.8	115.1	209.3
	1,038.9	1,173.5	1,396.2
Total Service Revenue	10,020.1	8,695.4	7,686.5

Notes:
(1) Comprises fee income from domestic remittances and bills payment collection services.
(2) Comprises fee income from international inbound remittances.

As of December 31, 2017, the logistics business of the Company account for approximately 89.6% of its total revenues while money transfer services account for the remaining 10.4%.

Logistics

The logistics business is the Company's primary source of revenue. The Company serves two primary customer segments within the logistics business: (a) retail customers; and (b) corporate customers. The main services offered to retail customers include courier, air cargo forwarding and balikbayan boxes services. The main services offered to corporate clients include, in addition to courier and freight forwarding services, specialized corporate solutions, or corporate logistics services tailored to the specific needs of the client.

As of December 31, 2017, the Company has offered Logistics services at 1,321 Company-owned branches in the Philippines and 71 Company- and affiliate-owned branches in 22 other countries and territories worldwide.

Retail Logistics

Retail Logistics comprised 64%, 66% and 65%, respectively, of the Company's service revenue from Logistics for the years ended December 31, 2017, 2016 and 2015. The Company's primary retail logistics offerings are its "Express" products (comprising courier and air cargo forwarding) and balikbayan boxes.

Courier

Courier services are the Company's express messengerial services and refer to deliveries of parcels (i.e. letters and small packages typically weighing three kilograms or less) by land and/or air on a time-sensitive basis. The Company generally makes domestic courier deliveries within 24 hours of acceptance and international courier deliveries within one to three days of acceptance, depending on the origin and destination country. The Company is limited in liability for delays caused by certain *force majeure* and other events that may prevent it from making an on-time delivery. The fees for courier services are based on weight, dimensions and final destination, and the Company imposes add-on charges for extra services such as pick-up in certain areas outside of the National Capital Region of the Philippines, additional insurance and same-day delivery service.

Air Cargo

Cargo refers to larger packages and boxes (typically weighing over three kilograms). As with courier services, the Company generally makes express deliveries of domestic air cargo within 24 hours of acceptance, while international air cargo is generally delivered within one to three days of acceptance, depending on the destination country. The Company charges for air cargo forwarding and items delivered by ground based on volumetric weight (a function of both the actual weight and dimensions of the cargo) and final destination, as well as add-on charges for extra services such as pick-up in certain areas, additional insurance and same-day delivery service.

Balikbayan Boxes

The balikbayan box is a box shipment of personal effects cargo sent by retail customers to friends and family domestically and internationally. Balikbayan boxes are forwarded by the Company by way of sea transport and generally delivered within 35 days of acceptance from the sender, subject to *force majeure* and other unforeseen events. Because the Company charges for sea freight forwarding based on standard dimensions of the box rather than weight, balikbayan boxes provide a low cost option to customers making shipments of various items. They are also a means for customers to ship certain items that cannot be shipped by air, such as liquids and aerosols. Accordingly, balikbayan boxes are frequently used by overseas Filipino works to send large numbers or volumes of consumer products, such as clothing, home goods and personal care items, to recipients in the Philippines. Balikbayan boxes come in a variety of dimensions and typically weigh between 30 to 80 kilograms.

Corporate Logistics

The Company provides services to a varied portfolio of corporate clients, which include consumer goods manufacturers, food products producers, pharmaceutical companies, educational institutions, financial services companies and others, including several well-known multinational corporations. In addition to fulfilling the express delivery needs of corporate clients through courier and air cargo forwarding services, the Company also provides the following services:

Specialized Corporate Solutions (SCS)

SCS refers to the end-to-end tailored logistics services provided by the Company to corporate clients with specific requirements.

As part of SCS, the Company provides transportation of mail, parcels and cargo via air, land and sea. The Company offers sea freight forwarding services domestically for both full container load (**FCL**) and less-than-container load (**LCL**) shipments. LCL services are particularly attractive for small and medium-sized businesses with relatively lower volume shipping requirements. Corporate clients have the option of dropping off their shipments at the Company's container freight stations located near local ports or requesting a pick-up from the Company. The Company also offers flexible payments modes, including payment at origin, payment at destination, payment on account of shipper, and payment on account of consignee. Shipping times for sea freight are more protracted than for air freight, ranging from three to seven days for domestic shipments and seven to 35 days for international shipments. In recent years, the volume of sea freight forwarding services provided by the Company has increased due to the growth in its corporate client portfolio.

The Company also expanded SCS to include value-added services such as onsite operations, warehousing and print solutions. The palette of available onsite operations includes warehouse storage, cross-docking (the temporary storage of arriving order and subsequent breaking-down and reassembly for truck delivery), inventory management, reverse logistics, pick-up of pallets and containers, order fulfillment services at the customer's own warehouse, specialized packaging and re-packaging (such as ice gelling for pharmaceutical products), open-checking services, cash on delivery (collection of value of item from consignee upon delivery and remittance of value to shipper) and delivery and discrepancy reporting, among others, which are in addition to its customary courier and freight forwarding services.

The Company, through its wholly-owned subsidiary LBC Express Corporate Solutions, Inc., offers Print and Mail Solutions. This involves end-to-end solutions for clients' mailing and printing requirements, including the printing, envelope-stuffing and delivery of invoices, notices, advertisements, direct mail and other bulk mail as well as the issuance of proof-of-delivery reports. Other potential services include full color variable printing, transpromo printing (the combination of personalized materials with transactional printing to make use of transactional documents as a medium for advertisements), book printing, as well as the printing and delivery of documents, passports, visas, account statements and credit cards. Clients who make use of the Company's Print and Mail Solutions include financial institutions, retailers, utilities companies and others.

The Company performs services for corporate clients both pursuant to long-term contracts and on a per-transaction basis. Print and Mail and SCS contracts typically have terms of one to three years. The Company extends credit facilities to most of its corporate clients, following a standard credit check procedure when first engaging a new client.

In recent years, the Company has increased its focus on the corporate logistics business and aims to continue expanding its corporate client portfolio and service offerings going forward.

Money Transfer Services

Money transfer services are the Company's second primary business segment and comprise both domestic and international money transfer services. For the years ended December 31, 2017, 2016 and 2015, revenues from Money Transfer Services were ₱1,038.9 million, ₱1,173.5 million and ₱1,396.2 million, representing 10%, 13% and 18% respectively, of the Company's overall service revenue.

Domestic

Domestic money transfer services include (a) remittances and (b) bills payment collection and corporate remittance payout services. For the years ended December 31, 2017, 2016 and 2015, service fees from domestic Money Transfer Services were ₱907.1 million, ₱1,058.4 million and ₱1,186.9 million, representing 87%, 90% and 85%, respectively, of the Company's total service revenues from Money Transfer Services.

Remittances

Remittances are transfers of funds between customers from one location to another. The Company is licensed by the Bangko Sentral ng Pilipinas (BSP) to serve as a remittance agent in the Philippines for both domestic remittances (wherein both the sender and the beneficiary are located within the Philippines) and international inbound remittances (wherein the sender is located outside the Philippines and the beneficiary is located within the Philippines). Retail customers in the Philippines, particularly the unbanked population and others who are underserved by traditional banking institutions, account for the majority of the Company's domestic remittance customers. The Company offers domestic remittance services in the form of (a) branch retail remittance services; (b) pre-paid remittance cards; and (c) online and mobile remit.

- *Branch retail services* enable customers who make remittances at any Company-owned branch in the Philippines to choose among the following fulfillment options for their beneficiaries:
    - *Instant branch pick-up*, a real-time cash pick-up remittance facility in which funds become instantaneously available for pick-up by the remitter's beneficiary once the sending party has made the payment at a Company-owned branch; the sending party can designate any pick-up location or geographic zone within the Company's domestic network (including both Company-owned branches and branches of its partner, Palawan Pawnshop);
    - *Pesopak*, a service by which remittances are delivered directly to the beneficiary's doorstep, providing an attractive option for situations in which beneficiaries cannot or do not want to visit a branch; the Company offers next day delivery for Pesopak in almost all areas in the Philippines; and
    - *Remit-to-account*, a service by which funds accepted from a sender at a Company branch will be directly deposited to the designated local bank account of the beneficiary.

- *Prepaid remittance cards* are debit cards powered by VISA and issued by local banking institutions with whom the Company has agreements, including RCBC, Philippine Veterans Bank and Union Bank of the Philippines. Through pre-paid remittance cards, senders can purchase a card on behalf of the beneficiary and reload the card instantly at any of the Company's branches or agent-operated locations. The beneficiary is then able to use the funds at any location where VISA cards are accepted.

- *Mobile and online remit services* function in a similar manner as pre-paid phone cards. A customer can purchase a card with a confirmation code, which can then be texted to a beneficiary or entered online at the Company's website. For mobile remit, the beneficiary can then bring the code to the branch location to encash the funds. For online remit, the sender can choose any of the fulfillment options available through branch services (i.e. instant branch pick-up, Pesopak and remit-to-account) for the beneficiary. Mobile and online remit codes are sold in nearly 5,000 locations throughout the Philippines, including the Company's branches, supermarkets and other retailers.

The Company charges a service fee for processing domestic remittances according to a progressive schedule based on the value of the remittance. Fees may also vary depending on the chosen method of fulfillment. For example, remit-to-account and Pesopak deliveries may incur additional service charges. The significant majority of remittances made by customers of the Company are for sums equivalent to approximately ₱13,000 or less.

Bills Payment Collection and Corporate Remittance Payouts

The Company serves as a third party bills payment collection sub-agent for various creditors in the Philippines, including major utilities companies, insurance companies, certain Government agencies, telecom providers and publishers, among others, through its contract with CIS Bayad Center, Inc. (Bayad). Through the Company's bills payment collection service, customers of these merchants and other creditors can settle their accounts by submitting their payment along with the billing notice issued by the merchant to any Company-owned branch in the Philippines. The Company processes bills payment collections through the same integrated point-of-sale (POS) system used by the Company for acceptance of parcels, cargo and remittances.

The Company also provides payout services for various corporations and organizations. For example, beneficiaries of the Philippine Social Security System, as well as private insurance carriers with whom the Company has contracted, can collect their benefits at a Company-owned branch. Likewise, the Company provides payroll services for certain companies, whereby employees can collect salary checks at a branch office. As part of its reciprocal agreement with Palawan Pawnshop, the Company also provides encashment services for beneficiaries of senders who make a remittance at a Palawan Pawnshop branch.

International

The Company provides fulfillment services for international inbound remittances from over 14 countries and territories overseas to the Philippines through its overseas branches and affiliates and its network of international remittance agents.

To expand its international reach, LBC Express, Inc. has also entered into agreements with affiliates and remittance fulfillment agents in a dozen countries and territories outside of the Philippines. These agents include international remittance houses such as Money Exchange in Spain; Al Ghurair Exchange, Al Falah Exchange and Speed Remit in the United Arab Emirates; TML Remittance Center and Placid Express in Malaysia; Far East Express and RJ Mart in Taiwan; and Manila Trading in Australia, among others, as well as Philippine financial institutions with strong international presence such as Metrobank, Land Bank of the Philippines and RCBC. Through the extended networks of its agents, the Company provided fulfillment services for inbound remittances, although the it transacts only with its direct agents. Under the terms of the fulfillment partnership agreements that the Company enters into, direct agents are permitted only limited use of the "LBC" name, trademarks and other protected signs when transacting business on behalf of the Company and still carrying on business under their own corporate and trade names. The Company receives a fixed percentage of the agent's revenues in exchange for its services in relation to inbound international remittances. The Company requires most of its remittance agents to maintain a revolving fund for advance funding cover, which must be replenished when the balance falls beneath a set threshold. This is to ensure that the Company bears minimal credit risk when making payouts on behalf of international agents. In addition, most of the agreements have in place a maximum remittance value per transaction as a further risk mitigation tool, typically ranging from ₱75,000 to ₱100,000.

The basic process for domestic remittances is as follows:

- Remittances from origins are accepted via point-of-sale system. Encashment branch will check the possible match using the Auto-Scrubbing Process (Sender and Beneficiary names are checked against the International Sanctions List) and ensure the validity of transaction. Data processing will be performed as well as fund allocation. Payout, delivery, credit to bank et.al are the methods in fulfillment of the transactions.

- International BX Product. Associate from international branches will enter the transaction details and submit to partner bank (Bank of Commerce) for validation. Bank of Commerce will send reference number and institution confirmation number to the branch which accepted the transactions and the latter will collect payment and print the receipt.

As with domestic remittances, beneficiaries of international inbound remittances can avail of instant branch pick-up services at any location within the Company's domestic network as soon as the transaction is processed into the Company's POS system from its overseas branch or agent-operated location. Beneficiaries of inbound international remittances can also arrange for the money to be delivered to their door, have the sums credited to a pre-paid remittance card or have proceeds deposited directly into a bank account. The Company charges a service fee for processing international remittances according to a progressive schedule based on value of the remittance and pick-up destination of the remittance. Although mobile remit confirmation codes are not yet sold internationally, the Company does enable online remit services from the United States, in which the sender can remit funds to a Philippine beneficiary through the Company's website using a debit card.

The significant majority of remittances made by customers of the Company are for sums equivalent to approximately ₱10,000 to ₱15,000 or less.

As of the end of December 2017, the Company does not process outbound remittances from the Philippines. For the years ended December 31, 2017, 2016 and 2015, service fees from international inbound remittances were ₱131.8 million, ₱115.1 and ₱209.3 million, accounting for 13%, 10% and 15%, respectively, of the Company's total service revenues from Money Transfer Services.

OPERATIONS

Logistics

Logistics entails the management of the flow of goods from a point of origin to a specified destination, including any ancillary services that may be required to facilitate the process, such as storage and packaging. The Company's courier and freight forwarding services utilize transport by air, sea and land and a set of strategically located warehouses, distribution centers and delivery hubs to provide end-to-end delivery services for its retail and corporate clients.

Air Freight Forwarding

Domestic

The Company's end-to-end domestic air freight forwarding services involve the following steps: (1) acceptance (by pick-up or drop-off at a branch) (2) ground transport to a regional distribution center, (3) primary sorting, (4) loading to aircrafts (for air transport), (5) withdrawal by the receiving distribution center, (6) secondary sorting (if required) and (7) ground transport for delivery to final destination.

- Acceptance is the receipt by the Company of the customer's parcels and cargo, either through its pick-up service or at one of the Company's 1,321 customer contact points in the Philippines where customers can drop off parcels and cargo. All parcels and cargo must be accompanied by a waybill from the customer providing the recipient's name, shipping address, description of contents, estimated value and other pertinent information. Upon receipt of the customer's parcel or cargo, the receiving agent affixes a barcode onto the package and scans the package, beginning the tracking process. The parcel or package is rescanned at every subsequent touch point throughout the transport process until its final destination.

- At the close of business each day (approximately 7:00 p.m.), all packages are delivered by the Company's vehicle fleet to a regional distribution center. The primary distribution center is the Central Exchange, located at the Company's corporate headquarters in the General Aviation Center of the old domestic airport in Manila, where all packages collected from, passing through or destined for Metro Manila are aggregated. Packages collected in other areas are aggregated at one of 12 regional distribution centers located near airports throughout the country. Upon receipt, the exchange team scans in all packages and prints a manifest (i.e. an itemized inventory) listing all of the barcodes. The manifest is used to check the number of shipments scanned in against the number of shipments that are later scanned out.

- Throughout the night, the exchange team engages in primary sorting at the distribution centers and labels parcels and cargo bound for different destinations regionally in the Philippines to prepare them for onward transmission by air or land. All packages to be transported by air are scanned by X-ray machines for detection of illegal and contraband goods. In the Central Exchange, the Company houses its own X-ray machines which are located inside the Company's hangar and operated by independent airline employees. This bypasses the need to transport the cargo to the airline carriers' facilities for scanning, increasing the efficiency of the Company's sorting process.

- By morning, all packages bound for other provinces and cities are loaded onto the first and second flights of the day operated by Cebu Pacific Air and Philippine Airlines.

- When the planes arrive at the destination airport, a team of employees withdraws shipments and again scans the barcodes and sorts the items, segregating parcels and cargo destined for different zones. The items may also be sorted at the Company's regional hubs (secondary distribution centers) for more efficient distribution to smaller cities and municipalities.

- Packages are then loaded onto the Company's delivery vehicles, which either transport the items to a delivery hub for secondary sorting, or directly to the final destination if already within the zone of delivery.

International

The Company's international air freight forwarding and courier services involve a similar process as its domestic air freight forwarding and courier services, namely (1) acceptance (by pick-up or drop-off at an international LBC Express, Inc.-owned, or affiliate-owned branch or agent-operated location), (2) ground transport to a regional distribution center, (3) primary sorting, (4) loading to international aircraft, (5) withdrawal of cargo by Philippine associates at the Central Exchange in Manila, (6) secondary sorting, (7) further forwarding by air to regional destinations (if necessary) and (8) ground transport, via Company-owned and third party trucks, for delivery to final destination. In the case of shipments originating from overseas, LBC Express, Inc.'s overseas branch, affiliate or agent, as applicable, is responsible for all of the steps from acceptance of the parcel/cargo through loading of the parcel/cargo onto the Philippine-bound airline carrier.

In the case of shipments originating from the Philippines and sent overseas, the overseas branch, affiliate or agent, as applicable, is responsible for all of the steps from acceptance of the parcel/cargo at the international destination to secondary sorting and delivery of the item to its final destination by ground.

International shipments utilize the same, integrated barcoding and scanning system as domestic shipments, enabling a seamless exchange between the Company's domestic team and its overseas teams.

Ground Delivery Fleet

Ground transport forms a key component of nearly all forms of delivery and forwarding services offered by the Company. Motorcycles and trucks are used for door-to-door pickup and delivery of parcels, cargo and money remittances, as well as ground transport of items destined for onward forwarding by air or sea. The vehicle fleet is also an integral part of the Company's contingency planning in the event that air and/or sea transport become unavailable. The Company also from time to time engages third party trucking and transportation companies.

For items that are transported entirely by ground, parcels and packages undergo (1) acceptance (by pick-up or drop off at a branch), (2) ground transport to the regional distribution center, (3) primary sorting, (4) ground transport to a delivery hub for secondary sorting (if required) and (5) ground transport to the final destination.

As of December 31, 2017, the Company had a fleet of 1,417 vehicles (including 825 motorcycles and 592 vans), of which 305 were leased. The Company's drivers and couriers are trained in vehicle operation safety, customer service, cash handling and other procedures. Vehicles are acquired on a

lease-to-own basis pursuant to finance leases with a typical term of three to five years to ownership. The Company's vehicle fleet undergoes maintenance on a regularly scheduled basis, and vehicles are typically replaced every five to seven years. The Company began reflecting of most of its delivery trucks in 2014 and motorcycles in latter part of 2017. Comprehensive insurance is maintained for all of the vehicles.

Sea Cargo Forwarding

As of the end of December 2017, the Company's sea cargo forwarding services are available domestically in Manila, Cebu, Bacolod, Iloilo, Davao, Cagayan de Oro and General Santos, and internationally in 22 countries and territories outside the Philippines.

The Company does not own ships and contracts with third party shipping carriers for these services. Domestic sea transport is provided by Oceanic Container Lines, Inc., 2Go Freight, Lorenzo Shipping Lines, Gothong Southern and Asian Marine Transport Corporation, among others, while international sea transport is provided through Orient Freight International (an international freight forwarding agency which is acquired by LBCEH in 2018). The Company also entered into a partnership agreement with OHL effective August 1, 2013 to engage in international freight forwarding as an NVOCC. This allows the Company to contract directly with international shipping carriers rather than rely on another international freight forwarder. The Company's sea cargo forwarding services are separated into retail operations and corporate operations.

Retail

Retail sea cargo comprises balikbayan boxes, which are primarily international inbound shipments and intra-Philippine shipments.

The basic forwarding process for Balikbayan Boxes is as follows:

- Acceptance of Balikbayan Boxes is handled by the Company (in the case of domestic shipments) or the LBC Express, Inc.'s overseas branch, or affiliate (in the case of inbound international shipments). Balikbayan Boxes are typically picked up by delivery trucks, as they tend to be larger in terms of weight and volume.

- Upon acceptance, all cargo is input into the Company's INCA acceptance system by a delivery team, which produces a delivery dispatch report and cross checks each shipment for discrepancies when units are consigned to the international freight forwarder.

- Balikbayan Boxes are sorted and placed into containers at the local warehouse or distribution center of the LBC Express, Inc.'s branch or affiliate/agent. Once a container is full, the Company can arrange for pick-up from the international freight forwarder or local shipping partner, as applicable. Because the throughput of goods shipped by the Company is substantial, containers are usually filled within one to two days.

- The Company's international freight forwarder (in the case of inbound international shipments) or the Company's local shipping partners (in the case of domestic shipments) will then collect the cargo from the warehouse or distribution center and load the items onto a ship.

- International inbound Balikbayan Boxes are in transit for three to four days (for shipments within Asia) or 30 to 35 days (for shipments from Europe or North America) prior to arriving in Manila. All such Balikbayan Boxes are received by the international freight forwarder at the Port of Manila and consigned to the Company at the Vitas Harbor Center Warehouse. Intra-Philippine shipments, which generally take between two and five days to arrive at their destination, are received at regional warehouses and distribution centers. For international inbound shipments, the Company's customs brokers facilitate procedures necessary to be undertaken with the Philippine Bureau of Customs, while its international freight forwarder arranges for customs brokerage in the international jurisdictions.

- At Vitas Harbor Center Warehouse or regional warehouses and distribution centers, boxes are again scanned, inspected for any damage and sorted for further forwarding to their final destination by ground transport or re-directed to a domestic shipping company for further sea transport if necessary. International outbound Balikbayan Boxes are received by LBC Express, Inc.'s overseas branches and affiliates and sorted for final delivery. Balikbayan Boxes are randomly scanned in the United States and in the Philippines via X-ray machines to prevent entry of illegal goods and money laundering.

Corporate

For corporate sea cargo shipments, the Company provides forwarding services for both FCL and LCL shipments. The Company's corporate sea cargo forwarding services include, among others, pier-to-pier service (in which a customer's shipment is delivered to a receiving office at the destination pier for pickup by the receiving party) and pier-to-door service (in which the customer's shipment is delivered to the address of the receiving party). Corporate clients can either drop off their cargo at the Company's container freight stations or arrange for pick-up by the Company's delivery fleet.

For corporate customers who wish to make regular use of the Company's services, the Company assigns an account executive to be in charge of obtaining details of the shipments and advising the customer on the readiness process and approval of credit terms. In addition, after shipments are completed, an account coordinator reports a summary of the transactions and the billing and collection department bills and collects payment for the shipments.

All corporate shipments are aggregated and sorted at the Company's container freight stations located near the local ports. Container freight stations are separate from the receiving warehouse for the retail balikbayan boxes.

Specialized Corporate Solutions

Under SCS, the Company provides transportation of mail, parcels and cargo via air, land and sea for its corporate clients, as well as value-added services such as onsite operations, warehousing and print solutions. The transportation service operates in substantially the same manner as the general logistics operations described above.

Money Transfer Services

Remittances

Infrastructure
The Company leverages the branch network and vehicle fleet used for its Logistics services as a platform for its remittance services. The extensive geographic reach of its branch network, its large fleet of delivery vehicles, the existing workforce of trained employees and the availability of cash funds at each of the Company branches from its logistics operations enable the Company to offer remittance services at very low additional operating cost. As the remittance business has grown into a significant portion of its business, the Company has increased the number of customer contact points for its remittance services by entering into fulfillment partnership agreements with agents and affiliates domestically and internationally.

The Global Remittance Team is in charge of operating the Company's remittance business. With respect to domestic remittances, its primary duties include, among others, reviewing daily acceptance values; forecasting the daily funding needs of each branch to meet fulfillment obligations; ensuring the proper safeguarding of cash at branches; overseeing the transport and deposit of cash into the Company's regional bank accounts (from which local managers of the branch offices can withdraw the funds); establishing and training branch employees in cash acceptance, anti-money laundering, customer identification and other policies; and reporting covered transactions and suspicious transactions to the BSP. With respect to international remittances, its primary duties include monitoring balances of revolving accounts and settlement of payments. The Global Remittance Team uses data collected from the Company's front-end POS software to analyze end-of-day acceptance information at all of the branch locations. This enables the Global Remittance Team to estimate the funding requirements for each branch on a daily basis. The Company is in the process of transitioning its POS system into a more fully integrated system with the rest of its business operating software.

Domestic Partners

To expand its domestic network for remittance services, the Company and Eight Under Par, Inc. (a Philippine corporation doing business under the trade name "Palawan Pawnshop") entered into a non-exclusive agreement in June 2012 to serve as reciprocal fulfillment agents within the Philippines. Through the agreement, all of Palawan Pawnshop's branches in the Philippines are available to provide instant branch pick-up services for beneficiaries of the Company's remittance customers, and all of the Company's branches in the Philippines in turn provide the same service for Palawan Pawnshop's customers. Both partners collect a reciprocal percentage of the service fee for performing services on behalf the other.

The Company believes that its strategic partnership with Palawan Pawnshop has enabled it to greatly expand its geographical reach in the Philippines, particularly in areas where it has fewer Company-owned branches, at minimal expense. As of end of December 2017, Palawan Pawnshop is the Company's only domestic fulfillment agent, although the Company evaluates opportunities for other strategic partnerships as they arise from time to time.

The Company also has relationships with local financial institutions, including RCBC, Philippine Veterans Bank and Union Bank of the Philippines, which issue pre-paid remittance debit cards offered to the Company's customers. With these cards, customers can load the cards at any LBC branch and beneficiaries can withdraw cash from the remittance cards at any of the partner banks' ATMs and branch offices. These cards, which are powered by VISA, are also available for use at any location where VISA cards are accepted.

The basic process for domestic remittances is as follows:

- Branch Retail services enable customers who make remittances at any Company-owned branch in the Philippines to choose among the fulfillment options for their beneficiaries. Upon acceptance from the sender, there is an online facility that would process the request. Encashment alert is sent to the specified branch and the latter ensures fund availability to serve the consignee.
    - *Peso pak*, a service by which remittances are delivered directly to the beneficiary's doorstep.
    - *Instant branch pick-up*, a real-time cash pick-up remittance facility in which funds become instantaneously available for pick-up by the remitter's beneficiary once the sending party has made the payment at a Company-owned branch; the sending party can designate any pick-up location or geographic zone within the Company's

domestic network (including both Company-owned branches and branches of its partner, Palawan Pawnshop);

- *Remit-to-account*, a service by which funds accepted from a sender at a Company branch will be directly deposited to the designated local bank account of the beneficiary.

- Prepaid remittance cards are debit cards powered by VISA and issued by local banking institutions with whom the Company has agreements, including RCBC, Philippine Veterans Bank and Union Bank of the Philippines. Through pre-paid remittance cards, senders can purchase a card on behalf of the beneficiary and reload the card instantly at any of the Company's branches or agent-operated locations. The beneficiary is then able to use the funds at any location where VISA cards are accepted.

International Remittance Agents

To expand its international reach, LBC Express, Inc. has also entered into agreements with affiliates and remittance fulfillment agents in a dozen countries and territories outside of the Philippines. These agents include international remittance houses such as Money Exchange in Spain; Philrem in the United Kingdom; Al Ghurair Exchange, Al Falah Exchange and Speed Remit in the United Arab Emirates; TML Remittance Center and Placid Express in Malaysia; Far East Express and RJ Mart in Taiwan; and Manila Trading in Australia, among others, as well as Philippine financial institutions with strong international presence such as Metrobank, Land Bank of the Philippines and RCBC. Through the extended networks of its agents, the Company provides fulfillment services for inbound remittances originating from 14 other countries and territories, although the Company transacts only with its direct agents. Under the terms of the fulfillment partnership agreements that the Company enters into, direct agents are permitted only limited use of the "LBC" name, trademarks and other protected signs when transacting business on behalf of the Company and still carrying on business under their own corporate and trade names. The Company receives a fixed percentage of the agent's revenues in exchange for its services in relation to inbound international remittances. The Company requires most of its remittance agents to maintain a revolving fund for advance funding cover, which must be replenished when the balance falls beneath a set threshold. This is to ensure that the Company bears minimal credit risk when making payouts on behalf of international agents. In addition, most of the agreements have in place a maximum remittance value per transaction as a further risk mitigation tool, typically ranging from ₱75,000 to ₱100,000.

The basic process for domestic remittances is as follows:

- Remittances from origins are accepted via point-of-sale system. Encashment branch will check the possible match using the Auto-Scrubbing Process (Sender and Beneficiary names are checked against the International Sanctions List) and ensure the validity of transaction. Data processing will be performed as well as fund allocation. Payout, delivery, credit to bank et.al are the methods in fulfillment of the transactions.

- International BX Product. Associate from international branches will enter the transaction details and submit to partner bank (Bank of Commerce) for validation. Bank of Commerce will send reference number and institution confirmation number to the branch which accepted the transactions and the latter will collect payment and print the receipt.

Bills Payment Collection and Corporate Remittance Payouts

The majority of the Company's bills payment collection services are governed by an agreement with Bayad dated January 21, 2013, under which the Company subcontracts with Bayad to perform third-party bills collection services for a group of vendors, including utility companies, telecommunications companies and others, with whom Bayad has contracted. The term of the agreement is three years with a renewal option thereafter by mutual consent of the parties. The Company collects a service fee from Bayad each month based on the total number of valid transactions it has processed that month. At the close of each business day, a payment transaction report is generated for each vendor and transmitted to Bayad. The Company must then deposit the day's collections into a designated bank account of Bayad by the following day.

The Company also contracts directly with certain organizations, such as the Philippine Social Security System, private insurance companies and certain employers, to serve as a corporate payout agent.

The basic process for bills payment collection and corporate remittance payouts is as follows:

- **Bills payment.** The Company serves as a third party bills payment collection sub-agent for various creditors in the Philippines, including major utilities companies, insurance companies, certain Government agencies, telecom providers and publishers, among others, through its contract with CIS Bayad Center, Inc.

    - **Via POS.** The customer will fill out details necessary to the transaction, in which the branch associate will enter to the POS. Cash transaction amount and pass-on fee is collected from the customer, if applicable. The branch does the data sending (from local server to production server). LBC Backroom will perform all necessary validation procedures before closing of transaction

    - **Via PCS/Bayad Center.** The customer will fill out details necessary to the transaction, in which the branch associate will enter to the PCS. Cash transaction amount and pass-on fee is collected from the customer, if applicable. The transaction will be uploaded to CIS Bayad Center per PC/Terminal followed by data import and sending. CIS Bayad Center, in return, sends report and confirmation of the validity of transactions. LBC Backroom will perform all necessary validation procedures before closing of transaction.

- **Corporate transactions.** The Company also provides payout services for various corporations and organizations. The processor will acknowledge corporate transactions via email and validate payments by corporate client. LBC backroom will confirm fund allocation, assign tracking numbers and perform recording to complete the transaction processing.

MARKETING AND SALES

The Company believes that strategic marketing and targeted sales are crucial to maintaining its competitive advantage over competitors. The Company regularly advertises on television, radio and billboards, as well as in print and on the Internet. The Company also brands its ground fleet with the "LBC" logo. In addition, it has dedicated teams to promote the value of its brand among general consumers as well as to manage long-term corporate client relationships. It also engages in several community outreach initiatives in line with its commitment to corporate social responsibility.

Brand Equity

The Company considers the "LBC" brand, which has been cultivated over the Company's over 60-year operating history, to be an integral component of its operational success. The Company believes that the brand, the distinctive red and white "LBC" logo and the Company's key marketing slogans (formerly, "Hari ng Padala," and currently, "We like to move it") have become associated with its reputation for being a convenient, affordable and reliable provider of its services. As part of its marketing strategy, the Company outfits its delivery fleet, branch offices, advertisements and other marketing materials with the "LBC" logo and believes that its brand equity is one asset that puts it ahead of its competitors in gaining market share in a fierce competitive environment.

The "LBC" brand was one of Reader's Digest's Trusted Brand Winners - Philippine Airfreight/Courier Service Category in 2012 and one of Socialbakers' top Socially Devoted brands in 2012 and 2013. According to the LISBON Survey, a survey conducted by Market Research Solutions, Inc., an independent marketing and research firm, the Company was considered one of the Best-in-Class Companies in the Philippines for both the freight forwarding and remittance industries in 2012, the Company achieved 81% brand awareness/market reach for sea cargo, the highest in the segment, with the closest competitor achieving 47% recognition. Other prestigious awards bestowed upon the company include: Readers Digest Trusted Brand Platinum Award Airfreight and Courier Category 2017, Readers Digest Trusted Brand Gold Award Remittance Category 2017, The Filipino Times Preferred Freight Forwarding Company in the Middle East 2015-2016, The Filipino Times Preferred Remittance Service Provider in the Middle East 2015-2016, TFC Champion of the Filipino Consumer Award 2015, Silver Anvil Award for LBC "Moving Spaces" Public Relations Category 2015, Silver Anvil Award for LBC "#moveitformanny" Public Relations Tools Category 2015, Araw Values Bronze Award for #moveitformanny, branded communications category 2014.

In November 2013, the Company and LBC Development Corporation undertook a re-launch of the "LBC" brand name to emphasize the entrepreneurial and adaptive spirit of the Company that is complementary to its long heritage. The marketing campaign features a new formulation of the Company as not simply a mover of goods but also a mover of space ("space where people can reconnect and relate") with the aim of highlighting the human connection in the services provided by the Company to its customers. Pursuant to the same marketing campaign, the Company has also re-designed its logo and changed its corporate slogan to "We like to move it," highlighting the corporate logistics segment of its business.

In 2017, the Company launched "Totoo ang Ligaya," a global campaign particularly directed toward its millions of customers in various parts of the world. This was a follow-up to the widely successful 2016 campaign launched called "Aming Ligaya." Previous campaigns also included, in 2015, "Paulo", a sales & marketing campaign highlighting the remittance business, and 2014's Global Brand Ambassador Endorser Campaign "Everywhere," featuring mega endorser Kris Aquino.

Corporate Sales Force

The Company's corporate sales are conducted through its dedicated sales and marketing teams which, as of December 31, 2017, comprised 11 field account managers in charge of client relationship management. To better manage its corporate accounts, the Company has also invested in sales order management software designed by SAP that helps the Company maintain records on the processing of sales orders, accounts, inquiries, quotations, contracts, billing, returns processing, consignment, sales planning, sales reporting and customer analytics. In addition to automating several aspects of sales record keeping, this program is also expected to help the sales force gain marketing and business intelligence as well as improve customer retention.

Advertising

The Company regularly advertises over media channels such as TV, radio and print. The Company also sponsors community events such as the Ronda Pilipinas, the largest Philippine cycling race, and sporting events.

INFORMATION TECHNOLOGY

Operational

The Company has invested in technology in recent years. The Company is currently in the process of implementing an updated proprietary IT system that will integrate several components of its existing operational IT systems. The integrated system, VISTRA, will combine the POS system that the Company currently uses to manage its front-end acceptances for courier and cargo shipments. It would integrate seamlessly to its track and trace scanning system to allow for more efficient tracking of transactions, improve inventory control, and centralize customer management. In addition, the Company has outfitted each of its couriers with handheld scanners, which will increase efficiency and minimize human error in documenting daily pick-ups and deliveries. These handhelds will also utilize GPS technology to improve its delivery performance. The Company has also implemented a put-to-light sorting technology for its non-bulk mail, which will help automate some aspects of the parcel sorting process. The Company has also signed up with Interblocks to update its remittance platform by creating an e-wallet for its customers allowing access via any browser or mobile device.

The Company has also upgraded its current network infrastructure to allow for a more secure and reliable environment. This has enabled the Company to improve its network availability significantly.

Business Management

The Company uses a comprehensive suite of customized business management solutions software designed and licensed by SAP. The Company has utilized SAP's Financial Accounting and Controlling (SAP FICO), Sales and Distribution (SAP SD) and Materials Management (SAP MM) modules. RAMCO systems for Human Resources Systems was implemented in second quarter of 2017. It has recently signed another deal with RAMCO for a logistic system which will be implemented in the fourth quarter of 2018.

The Company has also embarked on its own digital transformation. The Company has utilized Data Analytics for both predictive and operational purposes. It has also utilized its GPS data to create a database for last meter deliveries. It has also allowed itself to do paperless transactions through its handheld devices. The Company is also maximizing the use of Power BI (Business Intelligence) for its operational and financial reports allowing it to be able to make well informed decisions based on real time data.

Online and Mobile Platform

To enhance the customer experience, the Company has developed a digital platform that enables online real-time transaction processing and customer service through its website (www.lbcexpress.com). Currently, the Company's website contains several interactive features for its customers, including package tracking, rate calculators and scheduling of pick-ups for parcels and cargo, as well as real-time customer service support through the "Live Talk" capability. The website is mobile responsive allowing the same functionality from any mobile device.

STATUS OF ANY PUBLICLY-ANNOUNCED NEW PRODUCT OR SERVICE

There are no new products or services announced to the public that were not yet launched as of December 31, 2017.

COMPETITION

Logistics

The Company believes that it is a leader in the retail logistics industry. In 2017, the Company was the leader in air freight forwarding in the Philippines, with 33.9% of domestic market share based on throughput by weight, according to the Civil Aeronautics Board. The Company believes that it has been the top importer of balikbayan boxes in terms of throughput for the past 20 years. Although the Company has a leading position and significant market share in the courier and air freight forwarding industry, the Company faces competition from AP Cargo Logistics Network Corporation, JRS Business Corporation, Airfreight 2100, Inc., Cargo Padala Express Forwarding Service Corporation, Libcap Super Express Corporation and 2Go Express, Inc. The Company's international competitors include DHL, FedEx and UPS. However, international freight forwarders have historically not been strong competitors of the Company in the Philippines due to certain restrictions on foreign ownership in the cargo industry in the Philippines, as well as the high barriers to entry created by the dispersed geography of the archipelagic nation.

In the corporate logistics industry, the large industry players in the Philippines are 2Go Freight and Fast Cargo, Inc. The main international competitors for the corporate sector are DHL, FedEx and UPS. Although the Company's market share is still relatively small in the corporate logistics industry, its corporate logistics segment has maintained strong growth since the Company first formally introduced these services as a separate business line in 2010. The Company seeks to increase its market share by leveraging its existing brand and network from its retail services.

Money Transfer Services

According to Ken Research, the Company is one of the top five non-bank providers of domestic remittance services by remittance volume as well as one of the top five non-bank providers of international inbound remittances in the Philippines by remittance volume in calendar year 2012. The Company competes against Philippine banks and various non-banks, such as pawnshops, for its international and domestic remittance services. Philippine banks, such as BDO Unibank, Inc., Bank of the Philippine Islands, Philippine National Bank, Metrobank and RCBC, account for the significant majority of market share in terms of volume for both domestic and international remittances. However, because the Company targets the unbanked population in the Philippines (which account for the majority of Filipinos), the Company believes its domestic remittance business has significant room for additional growth. The Company's main non-bank competitors in the remittance industry include M. Lhuillier, Cebuana Lhuillier, iRemit and Western Union. The Company believes that high barriers to entry, including regulatory licenses and a distribution network, make it unlikely that there will be additional material competitors in the future. For the bills payment segment, the Company's largest competitors are bills payment outlets owned and operated by the SM group of companies at its various malls, as well as various banks.

QUALITY ASSURANCE AND INTERNAL CONTROLS

Quality Assurance

The Company is committed to providing high quality service for customers in all areas of its business. To this end, it has in place standards and procedures to ensure a quality, reliable and seamless customer experience. The Company has in place the following procedures to monitor the quality of its services on a regular basis, as well as plan for contingencies that may otherwise cause an interruption in its business.

Discrepancy Reporting and Undeliverable Items

To ensure that loss and damage is minimal, the Company trains all relevant employees in the proper handling of parcels and cargo. It also has in place stringent procedures for scanning of shipments at all touch points. Upon withdrawal of an item at a distribution center, a manifest of all scanned barcodes is printed, which is later checked against outgoing shipments. Pursuant to the Company's standard operating procedures, all shipping discrepancies must be reported as they occur, with team leaders at the Central Exchange and regional distribution centers responsible for preparing preventive and corrective action, as well as compiling and providing discrepancy reports to the management on a regular basis. Discrepancies include damage, incomplete addresses, misrouted parcels and cargo, shipments to out-of-delivery-zone addresses, pilferage and improper acceptance.

When shipments are undeliverable because, for example, a recipient is unknown or not found at the destination address, or the destination address is not locatable, the Company will send out multiple notices to the sender, including initially an e-mail, followed up by a phone call and, as a last resort, a letter by registered mail. Shipments that remain unclaimed following these procedures (which typically take place over the course of six months to a year) are auctioned, with proceeds generally donated to charity after deducting costs incurred by the Company for storage and other related expenses.

Cash Collection and Management

The Company has implemented strict and comprehensive cash collection and management policies and procedures to minimize operational errors and promote customer trust. For example, every Company branch office is required to set up "cash sanctuaries" to minimize financial loss in the event of a robbery. In addition, the Company also sets strict limits on the amount of cash each branch is permitted to hold before the branch is required to make cash deposits at a bank, as well as value limits on cash deliveries of Pesopak.

Compliance with the Company's cash collection and management policies and procedures is monitored through random audits conducted by the Company's general accounting staff. Each branch has a team leader who is responsible for appointing two cash custodians, one primary cash custodian and one back-up cash custodian, maintaining a team resolution (which is signed by all branch associates and delineates the type of funds kept by the cash custodians) and producing readily-available documents showing proper cash turn-over among associates. The primary cash custodian is required to properly account for cash under safekeeping on a daily basis and ensure that there is no mingling of Company funds with customer funds. Every branch associate is required to undertake precautions to safeguard the cash within his or her branch office.

Business Continuity

The success of the Company's business is particularly dependent on the efficient and uninterrupted flow of its operations.

To safeguard against unanticipated interruptions in its business, the Company has instated the following business continuity plans and procedures:

- *Information Technology.* With respect to technology, the Company has back-up servers managed by its IT service provider with built-in redundancies for its various systems in which operational and customer data is stored. In the event of system downtimes, the Company has in place a back-up system whereby communication is maintained through mobile text messaging.

- *Transportation (Logistics).* Although the Company relies on airline and shipping carriers for its daily freight forwarding operations, it also has in place alternative procedures in the event that an airline or shipping carrier is unavailable. For example, when flights are grounded due to severe weather, the Company's vehicle fleet is capable of making deliveries by ground. Although ground deliveries may take longer than air cargo shipments, this enables the Company to continue its service even when other modes of transportation may be unavailable. When its usual shipping carriers are unavailable, the Company also makes use of its vehicle fleet. The vehicles can make deliveries to any region accessible by land, or can make use of RORO ("roll-on-roll-off") car ferries to reach locations that require sea transport.

- *Funding Insufficiencies (Remittances).* Although the Global Remittance Team monitors and makes daily estimates of the funding needs of each branch, on occasion, there may be insufficient funds at a given location to encash a remittance. In such a case, the Company has in place procedures for either nearby branches to deliver the necessary sums, or for authorized personnel to withdraw the cash from one of the Company's local bank accounts.

SUPPLIERS

The Company has a broad base of suppliers. The Company is not dependent on one or a limited number of suppliers.

CUSTOMERS

The Company has a broad market base, including local and foreign individual and institutional clients. The Company does not have a customer that will account for 20% or more of its revenues.

TRANSACTIONS WITH RELATED PARTIES

Please refer to item 12 ("Certain Relationships and Related Transactions") of this Report.

INTELLECTUAL PROPERTY

The Company uses a variety of registered names and marks, including the names "LBC Express, Inc.," "LBC Express," "LBC", "Hari Ng Padala" (Tagalog for "King of Forwarding Services") and "WWW.LBCEXPRESS.COM" as well as the traditional and the re-designed "LBC" corporate logos (including the new slogan "We like to move it"), the "Team LBC Hari Ng Padala" logo and "LBC Remit Express" logo in connection with its business. Except for the "LBC Remit Express" design and logo (registered on July 26, 2012 and expires on July 26, 2022) and the LBC in rectangular box and Pesopak logo (registered on May 31, 2012 and expires on May 31, 2022), which are owned directly by the Company, these marks (collectively, the "LBC Marks") are owned and licensed to the Company by LBC Development Corporation, the Company's parent company, pursuant to a trademark licensing agreement. Under the terms of this agreement, the Company has the full and exclusive right to utilize the LBC Marks in consideration for a fixed royalty fee of 3.5% of the Company's annual gross revenues (defined as all revenue from sales of products and services, direct and indirect, relating to the Company's business operations). Pursuant to an addendum signed October 25, 2013, the fixed royalty fee was lowered to 2.5%, effective December 1, 2013.

Under the agreement, the Company also has the right to extend the use of the LBC marks to its subsidiaries (defined as companies in which the Company holds at least 67% of the voting rights) within the Philippines, as well as to its remittance and cargo/courier/freight forwarding fulfillment service partners and agents in the Philippines and abroad, subject to certain terms and conditions. In practice, foreign agents of the Company are granted very limited use of the "LBC" brand and logos pursuant to the individual agency agreements entered into between them and the Company.

The LBC Marks have also been registered in each major jurisdiction in the Company's international network. LBC Development Corporation is currently in the process of registering the LBC Marks in the International Register pursuant to the Protocol Relating to the Madrid Agreement (the "Protocol"), which will grant the LBC Marks intellectual property protection in the jurisdictions of all Contracting Parties (as such term is defined in the Protocol). LBC Development Corporation is also currently in the process of registering the LBC Marks in jurisdictions within the Company's international network not covered by the Protocol.

On August 4, 2017, the trade licensing agreement was amended and both parties agreed to discontinue royalty payments for the use of LBC Marks in recognition of LBCE's own contribution to the value and goodwill of the trademark effective September 4, 2017.

GOVERNMENT PERMITS AND LICENSES

The Company secures various approvals, permits and licenses from the appropriate government agencies or authorities as part of the normal course of its business.

EMPLOYEES

As of December 31, 2017, the Company had, on a consolidated basis, 6,921 full-time employees, compared to 6,539 full-time employees as of December 31, 2016. The Company continues to add to its workforce on a regular basis in line with the growth of its business.

Under the Company's hiring policy, all branch employees must have at minimum a college degree, while exchange associates and drivers and couriers are generally required to have completed a two-year vocational course or the second year of college. Employees of the Company in the Philippines are primarily trained in-house.

The Company maintains a non-contributory defined benefit plan covering all qualified employees in the Philippines.

The following table sets out the number of employees of LBC Express, Inc. by job function as of December 31, 2017:

	Number of Employees
Management and Administrative Associates	170
Central Exchange and Regional Distribution Center Associates	249
Branch Associates	3,589
Drivers and Couriers	1,523
Other	1,390
Total	**6,921**

Note:

(1) Figures presented do not include probationary employees (i.e. individuals who had been employed by the Company for less than six-months as of the period indicated).

As of the end of December 2017, four Company subsidiaries in the Philippines have entered into collective bargaining agreements with their respective employees, with approximately 805 employee memberships. Approximately 400 of these employees in the Philippines belong to one of the six labor unions (for four subsidiaries) and the remaining approximately 131 employees belong to one of the other five labor unions. The Company believes that there is sufficient coverage by its other, non-unionized subsidiaries to provide back-up support in the event of a disruptive labor dispute at any given unionized subsidiary. In addition, because freight forwarding and messengerial services may be considered indispensable to national interest in the Philippines, the Secretary of the Department of Labor and Employment in the Philippines has the discretion to end strikes or certify the same to the National Labor Relations Commission for compulsory arbitration pursuant to Article 263(g) of the Philippine Labor Code, even in cases involving private providers of such services. Such cessation order or arbitration certification would have the effect of automatically enjoining an intended or impending strike or, if one has already taken place, of requiring all striking or locked out employees to immediately return to work and all employers to immediately resume operations. The Company has not experienced any disruptive labor disputes, strikes or threats of strikes for at least the past decade. Management believes that the Company's relationship with its employees in general is satisfactory.

The Company complies with minimum compensation and benefits standards as well as all other applicable labor and employment regulations in all of the jurisdictions in which it operates. The Company has in place internal control systems and risk management procedures, primarily overseen by its Corporate Compliance Group, Labor Department and Legal Department, to monitor its continued compliance with labor, employment and other applicable regulations.

In addition to full-time employees, the Company relies on contractors for the peak seasons, such as during the Easter and Christmas seasons, to satisfy increased demand for services.

RISKS

The Company is subject to certain operational, regulatory and financial risks as follows:

- A significant portion of the Company's business activities are conducted in the Philippines and a significant portion of its assets are located in the Philippines, which exposes the Company to risks associated with the Philippines, including the performance of, and impacts of global conditions on, the Philippine economy.
- The Company's business is particularly dependent on the quality as well as the efficient and uninterrupted operation of its IT and computer network systems, and disruptions to these systems could adversely affect its business, financial condition and results of operations.
- The Company may not be able to expand its domestic branch network and its product offerings and expand into new geographical markets or develop its existing international operations successfully, which could limit the Company's ability to grow and increase its profitability.
- If consumer confidence in the Company and the "LBC" brand deteriorates, the Company's business, financial condition and results of operations could be adversely affected.
- The Company relies on third party contractors to provide various services, and unsatisfactory or faulty performance of these contractors could have a material adverse effect on the Company's business.
- The Company faces risks from increases in freight and transportation costs.
- The Company operates in competitive industries, which could limit its ability to maintain or increase its market share and maintain profitability.
- Any deterioration in the Company's employee relations, or any significant increases in the cost of labor, could materially and adversely affect the Company's operations.
- The Company does not own any real property and the Company may be unable to renew leases at the end of their lease periods or obtain new leases on acceptable terms.
- The Company may encounter difficulties in managing the operations of its agents and affiliates effectively.
- The Company's businesses are subject to regulation in the Philippines, and any changes in Government policies could adversely affect the Company's operations and profitability.
- The Company is subject to numerous U.S. and international laws and regulations intended to help detect and prevent money laundering, terrorist financing, fraud and other illicit activity. Failure by the Company, its agents and affiliates to comply with these laws and regulations and increased

costs or loss of business associated with compliance with these laws and regulations could have a material adverse effect on the Company's business, financial condition and results of operations.

- The Company faces risks from trade restrictions.
- Any inability of the Company to secure renewals or new licenses for its money transfer operations may have a material adverse effect on its business, prospects, financial condition and results of operations.
- Risks associated with the Company's money transfer operations outside the Philippines could adversely affect the Company's business, financial condition and results of operations.

Item 2. PROPERTIES

REAL PROPERTY

As of the end of December 2017, the Company does not own any real property.

The Company's registered office is located at the LBC Hangar at the General Aviation Center in the Old Domestic Airport, Pasay City pursuant to a lease with the Manila International Airport Authority. The LBC Hangar houses the Central Exchange, as well as the Company's Information Technology Team and Global Remittance Team. The aggregate floor space of the LBC Hangar is approximately 2,160 sq. m.

In addition, the Company leases the spaces for all of its 1,321 Company-owned branches in the Philippines, as well as its regional distribution centers, delivery hubs, container freight stations and warehouses. The average term of these leases is three to seven years, with renewal options under most of the lease agreements. Branch offices are refurbished approximately every five to seven years, and the Company considers strategic relocation of branch offices from time to time to meet changing market demands.

For its general and administrative activities, the Company leases 2,600 sq. m. of office space in the Star Cruises Centre in Pasay City, Manila, located near its registered office at the LBC Hangar.

For the years ended December 31, 2017, 2016 and 2015, the Company's total rental expense were ₱831.6 million, ₱711.0 million and ₱659.2 million, respectively.

EQUIPMENT

Other property and equipment owned by the Company in the Philippines primarily comprises its fleet of 1,226 delivery vehicles (excluding those acquired through operating lease), servers, computers and peripheral equipment, software, vaults, handheld scanners, X-ray scanners and its bulk mail sorting machine.

Item 3. LEGAL PROCEEDINGS

Due to the nature of the Company's business, it is involved in various legal proceedings, both as plaintiff and defendant, from time to time. Such litigation involves, among others, claims against the Company for non-delivery, loss or theft of packages and documents, mis-release of remittances, labor disputes, as well as cases filed by the Company against employees and others for theft and similar offenses.

Except as disclosed below, neither the Company nor any of its subsidiaries have been or are involved in, or the subject of, any governmental, legal or arbitration proceedings which, if determined adversely to the Company or the relevant subsidiary's interests, would have a material effect on the business or financial position of the Company or any of its subsidiaries.

On September 9, 2011, the BSP, through Monetary Board Resolution No. 1354, resolved to close and place LBC Development Bank Inc.'s (the "Bank") assets and affairs under receivership.

On December 8, 2011, the Philippine Deposit Insurance Company (PDIC), as the official receiver and liquidator of closed banks, demanded on behalf of the Bank that LBC Holdings USA Corporation (LBC US) pay for its alleged outstanding obligations to LBC Bank amounting to approximately ₱1.00 billion, a claim that LBC US has denied as being baseless and unfounded. No further demand on this matter has been made by the PDIC since then, although there are no assurances that the claim has been waived or abandoned in whole or in part, or that the PDIC will not institute relevant proceedings in court or serve another demand letter to LBC US.

In relation to the Bank's closure and receivership, the receivables amounting to ₱295.00 million were written-off in 2011.

On March 17 and 29, 2014, the PDIC's external counsel sent letters to LBCE, demanding collection of the alleged amounts totaling ₱1.79 billion. On March 24 and 29, 2014, July 29, 2014, June 17, 2015 and June 26, 2015, the same legal counsel sent collection letters addressed to LBC Systems, Inc. [Formerly LBC Mundial Inc.] [Formerly LBC Mabuhay USA Corporation], demanding the payment of amounts aggregating to ₱911.59 million, all on behalf of the Bank.

On November 2, 2015, the Bank, represented by the PDIC, filed a case against LBC Express, Inc. (LBCE) and LBC Development Corporation (LBCDC), together with other respondents, before the Makati City Regional Trial Court (RTC) for a total collection of ₱1.82 billion. The case is in relation to the March 17, 2014 demand letter representing collection of unpaid service fees due from June 2006 to August 2011 and service charges on remittance transactions from January 2010 to September 2011. In the Complaint, the PDIC justified the increase in the amount from the demand letter to the amount claimed in the case due to their discovery that the supposed payments of LBCE were allegedly unsupported by actual cash inflow to the Bank.

On December 28, 2015, the summons, together with a copy of the Complaint of LBC Development Bank, Inc., and the writ of preliminary attachment were served on the former Corporate Secretary of LBCE. The writ of preliminary attachment resulted to the (a) attachment of the 1,205,974,632 shares of LBC Express Holdings, Inc. owned by LBCDC and (b) attachment of various bank accounts of LBCE totalling ₱6.90 million. The attachment of the shares in the record of the stock transfer agent had the effect of preventing the registration or recording of any transfers of shares in the records, until the writ of attachment is discharged.

LBCE and LBCDC, the ultimate Parent Company, together with other defendants, filed motions to dismiss the Complaint on January 12, 2016 for the collection of the sum of ₱1.82 billion. On January 21, 2016, LBCE and LBCDC filed its Urgent Motion to Approve the Counterbond and Discharge the Writ of Attachment.

On February 17, 2016, the RTC issued the order to lift and set aside the writ of preliminary attachment. The order to lift and set aside the preliminary attachment directed the sheriff of the court to deliver to LBCE and LBCDC all properties previously garnished pursuant to the writ. The counterbond delivered by LBCE and LBCDC stands as security for all properties previously attached and to satisfy any final judgment in the case.

In a Joint Resolution dated June 28, 2016, the RTC denied the motions to dismiss filed by all the defendants, including LBCE and LBCDC. Motions for reconsideration filed by the defendants were subsequently denied by the RTC in the Resolution dated February 16, 2017.

After filing motions for extension of time, LBCE and LBCDC filed their Answer with Counterclaims on April 10, 2017. In the Resolution dated June 15, 2017, the RTC denied the third motion for extension, declared all of the defendants including LBCE in default and ordered PDIC to present evidence ex-parte. LBCE and LBCDC filed a Verified Omnibus Motion for reconsideration and to lift the order of default. The other defendants filed similar motions, including a motion for inhibition. On July 21, 2017, LBCE received the Joint Resolution dated July 20, 2017, granting the Verified Omnibus Motions and the Motion for Inhibition, thereby lifting the order of default and admitting the Answers filed by all defendants.

The PDIC filed a Motion for Reconsideration dated August 7, 2017, seeking to reconsider the Joint Resolution dated July 20, 2017. The defendants, including LBCE and LBCDC have filed their respective comments thereto and the motion is currently pending resolution.

From August 10, 2017 to January 19, 2018, LBCE, LBCDC, the other defendants and PDIC were referred to mediation and Judicial Dispute Resolution (JDR) but were unable to reach a compromise agreement. The RTC ordered the mediation and JDR terminated and the case raffled to a new judge who will preside over the trial. To date, the parties are still awaiting the case to be raffled to another branch of the Makati RTC.

On April 24, 2017, LBCE and LBCDC filed a Petition for Certiorari with the Court of Appeals, challenging the RTC's June 28, 2016 Joint Resolution. The PDIC, LBCE, and LBCDC have filed their respective Comment, Reply, and Memoranda. The Petition for Certiorari was deemed submitted for resolution as of October 26, 2017 and is still pending. The ultimate outcome of the case cannot presently be determined.

In relation to the above case, in the opinion of management and in concurrence with its legal counsel, any liability of LBCE is not probable and estimable at this point in time.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Except for matters taken up during the annual meeting of the stockholders of LBCEH held on August 29, 2017, there was no other matter submitted to a vote of security holders during the period covered by this Report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION

LBCEH common shares are listed with the PSE. As of the end of December 2017, the total number of shares held by the public was 219,686,131 common shares or 15.41% of the total issued and outstanding capital stock of the LBCEH.

The following table sets forth the share prices of LBCEH's common shares for each quarter of the years 2017, 2016 and 2015:

Quarter	High (₱)	Low (₱)
2017		
4TH	17.00	14.80
3RD	16.18	15.00
2ND	17.94	14.20
1ST	15.88	14.00
2016		
4TH	16.00	11.50
3RD	14.88	10.50
2ND	15.00	10.14
1ST	12.20	6.20
2015		
4TH	14.50	11.50
3RD	16.98	11.32
2ND	24.80	11.32
1ST	27.55	15.02

The stock price of each common share of LBCEH as of the close of the latest practicable trading date, April 4, 2018, is ₱14.80.

STOCKHOLDERS

As of end of December 2017, LBCEH has 486 registered holders of common shares. The following are the top 20 registered holders of the common shares:

	Name of Stockholder	Nationality	Number Of Shares Held	Percentage
1	LBC Development Corporatio	Filipino	1,205,974,632	84.58%
2	Lim, Vittorio Paulo P.	Filipino	59,663,948	4.18%
3	Martinez Jr., Mariano D.	Filipino	59,663,946	4.18%
4	Yu, Lowell L.	Filipino	59,663,946	4.18%
5	Pcd Nominee Corporation	Filipino	37,233,295	1.24%
6	Pcd Nominee Corporation	Filipino	3,120,602	0.34%
7	Ko Mei Nga	Filipino	10,000	0.34%
8	Tia, Tommy Kin Hing	Filipino	10,000	0.18%
9	Santos, Ferdinand S.	Filipino	10,000	0.12%
10	Lantin, Andy	Filipino	5,000	0.09%
11	Leong, Jennifer H.	Filipino	3,000	0.06%

	Name of Stockholder	Nationality	Number Of Shares Held	Percentage
12	Cabual, Alfonso B.	Filipino	3,000	0.03%
13	Virtudes, Marites M.	Filipino	2,000	0.02%
14	Balo, Jimmy P.	Filipino	2,000	0.01%
15	Batalla, Wilfredo P.	Filipino	2,000	0.01%
16	Simbajon, Gliceria	Filipino	2,000	0.01%
17	Garcia, Janet G.	Filipino	2,000	0.01%
18	Solis, Edward A.	Filipino	2,000	0.01%
19	Villanueva, Erwin L.	Filipino	2,000	0.01%
20	Nombre, Ramil C.	Filipino	2,000	0.01%

DIVIDENDS

Dividend Policy

The Company has adopted a dividend policy to distribute to its shareholders a portion of its funds that are surplus subject to the operating and expansion needs of the Company, as determined by the board of directors of the Company, in the form of stock and/or cash dividends, subject always to:

(a) All requirements of the Corporation Code of the Philippines as well as all other applicable laws, rules, regulations and/or orders;

(b) Any banking or other funding covenants by which the Company is bound from time to time; and

(c) The operating and expansion requirements of the Company as mentioned above.

The Company's subsidiary, LBC Express, Inc. has adopted the same dividend policy.

Cash dividends are subject to approval by the Company's board of directors without need of stockholders' approval. However, property dividends, such as stock dividends, are subject to the approval of the Company's board of directors and stockholders.

The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company.

Dividend History

On April 19, 2017, the BOD of LBCEH approved the declaration of cash dividends amounting to P,=827.00 million from unappropriated retained earnings as of March 31, 2017 amounting to P,=849.83 million.

On October 11, 2016, the BOD of LBCEH approved the declaration of cash dividends amounting to P,=313.69 million (nil in 2015).

The dividends attributable to LBCDC was settled through application against due from LBCDC.

RECENT SALE OF SECURITIES

Please refer to the discussion under "Corporate Reorganization" of item 1 ("Business") of this Report for a summary of recent issuances of shares by the Company.

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

KEY PERFORMANCE INDICATORS

Financial Ratios:

		2017	2016
Current ratio	Current Assets/Current Liabilities	2.51	1.67
Debt to equity ratio	Total Liabilities/Stockholders' Equity	2.98	1.74
Debt to total assets ratio	Total Liabilities/Total Assets	0.75	0.63
Return on average assets	Net income attributable to Parent Company/ Average assets	8.71%	14.52%
Book value per share	Stockholders' Equity/ Total Number Shares	₱1.66	₱1.73
Basic and Diluted Earnings/(Loss) per share	Net Income/(Loss)/ Total Number Shares	₱0.49	₱0.65

RESULTS OF OPERATIONS

Year ended December 31, 2017 compared to the year ended December 31, 2016

Service Revenues

The Company's service revenues increased by 15% to ₱10,020.1 million for the year ended December 31, 2017 from ₱8,695.4 million for the year ended December 31, 2016, primarily due to increase in revenues from the Logistics segment attributable to growth in both retail and corporate sales.

Logistics

Revenues from the Logistics segment grew by 19% to ₱8,981.2 million for the year ended December 31, 2017 from ₱7,521.9 million for the year ended December 31, 2016, primarily due to growth in retail and corporate revenue by 16% and 26%, respectively. The growth in volume of retail services was mainly attributable to the horizontal growth of the Company, evidenced by the addition of average 57 new branches in the Philippines. Corporate accounts' growth was contributed by both large and small-medium enterprise clients. There is also an incremental increase in the Company's volumes from cargo forwarding services during the year.

Cost of Services

Cost of services increased by 18% to ₱6,606.0 million for the year ended December 31, 2017 from ₱5,590.5 million for the year ended December 31, 2016 relative to growth in volume in logistic services. Moreover, truck rental rates are higher primarily due to increase in fuel prices in 2017.

Gross Profit

Gross profit increased by 10% to ₱3,414.1 million for the year ended December 31, 2017 from ₱3,104.9 million for the year ended December 31, 2016, primarily due to the increase in volume for logistic services.

Operating Expenses

Operating expenses increased by 10% to ₱2,066.6 million for the year ended December 31, 2017 from ₱1,872.8 million for the year ended December 31, 2016.

Professional fee is higher by 35% mainly related to acquired services of consultants for process improvement.

Rent expense increased by 21% primarily resulting from renewal of head office lease contract effective October 2016 with escalation on monthly fee and two new administrative warehouses contract which started mid-2016.

Taxes and licenses increased by 18% primarily related to additional branches and increase in gross receipts which are the basis for business permits.

Dues and subscription is increased to ₱31.3 million for the year ended December 31, 2017 from ₱3.8 million for the year ended December 31, 2016, related to the new cloud services acquired and the cost of support for migration.

Other Income, Net

Foreign exchange gain, net is lower by 36% which resulted from the foreign exchange trading, revaluation of time deposit denominated in US dollars and convertible instrument.

Loss on derivative amounting to ₱200.0 million is recognized as a result of higher estimated fair market value of derivative liability as at December 31, 2017 as compared to the value on inception date. This is primarily due to higher LBC stock price as compared to the stock price on the convertible instrument transaction date which generally increase the value of the derivative.

Interest expense is higher by 115% or ₱73.3 million primarily due to bond payable accretion and current period interest from notes payable, finance lease and other liabilities.

Income before Income Tax

Income before income tax decreased by 15% to ₱1,126.8 million for the year ended December 31, 2017 from ₱1,325.1 million for the year ended December 31, 2016, primarily due to the losses incurred related to convertible instrument during the year.

Income Tax Expense

Income tax expense increased by 2% to ₱418.9 million for the year ended December 31, 2017 from ₱411.2 million for the year ended December 31, 2016 because of lower amount of deferred income tax expenses resulting from temporary differences between cash and accounting method.

Net Income for the Year

The Company's profit for the year decreased by 23% to ₱707.9 million for the year ended December 31, 2017 from ₱913.9 million for the year ended December 31, 2016 as a result of the foregoing movements.

FINANCIAL CONDITION

As of December 31, 2017, compared to as of December 31, 2016

Assets

Current Assets

Cash and cash equivalents increased by 185% to ₱3,778.4 million as at December 31, 2017 from ₱1,327.8 million as at December 31, 2016. Refer to analysis of cash flows in "Liquidity" section below.

Trade and other receivables increased by 10% to ₱1,675.8 million as at December 31, 2017 from ₱1,526.7 million as at December 31, 2016, primarily due to growth of receivables from customers amounting to ₱166.0 million in relation to increase in revenue from corporate accounts.

Due from related parties decreased by 40% to ₱667.7 million as of December 31, 2017 from ₱1,108.0 million as at December 31, 2016, largely traceable to offsetting of dividend payment to existing receivable of LBC Development amounting to ₱699.0 million.

Available-for-sale investments (current and noncurrent) is higher by 24.8% to ₱885.5 million as at December 31, 2017 from ₱709.3 million as at December 31, 2016 which resulted from net placement UITF account during the year. LBCEH opened a dollar account and placed $4.0 million in December 2017. This is offset by loss resulting from lower market value of quoted shares.

Prepayments and other current assets increased by 15% to ₱446.1 million as at December 31, 2017 from ₱388.1 million as at December 31, 2016 mainly because of higher advance rental by P21.8 million resulting from additional Philippines branches (2017: 1,321 vs 2016: 1,249). Input VAT also increased by P23.9 million. These increases are offset by decrease in marketable securities by P11.0 million. This is classified as "other current assets" since the maturity is more than three months.

Non-current Assets

Property and equipment, net increased by 16% to ₱976.1 million as of December 31, 2017 from ₱840.5 million as at December 31, 2016, primarily due to business expansion which led to net acquisitions of transportation equipment, leasehold improvements and construction in progress resulting to an increase by 23%, 19% and 91%, respectively, based on net book value.

Intangibles, net increased by 34% to ₱356.9 million as at December 31, 2017, from ₱266.0 million as at December 31, 2016, mainly related to acquisition of new payroll and logistics system (RAMCO) and IT security tool. This is offset by the increase in amortization charges for the year amounting to ₱65.0 million.

Deferred tax assets, net increased by 6% to ₱289.5 million as at December 31, 2017, from ₱274.4 million as at December 31, 2016, resulted from higher non-deductible expenses from retirement benefit which are charged to other comprehensive income.

Security deposits, increased by 13% to ₱255.4 million as at December 31, 2017, from ₱226.3 million as at December 31, 2016, primarily due to additional branches.

Other noncurrent assets, increased by 31% to ₱92.2 million as at December 31, 2017, from ₱70.2 million as of December 31, 2016, which resulted from the increase in noncurrent portion of input tax on capital assets amounting to ₱5.6 million, higher prepaid rental amounting to ₱7.4 million advance payment for the development of Interblock software amounting to ₱9.0 million.

Liabilities

Accounts and other payables increased by 24% to ₱1,603.1 million as at December 31, 2017, from ₱1,295.1 million as at December 31, 2016. Trade payable from outside parties is higher by 34% mostly from increase in customer deposits and cash bonds. Accrued contracted jobs doubled as at year-end due to increase in headcount to cover the volume transacted during peak season. In addition, payable related to taxes is higher by 63% which comprise of VAT payable, expanded withholding taxes and withholding taxes on compensation.

Notes payable (current and noncurrent) decreased by 23% to ₱1,041.3 million as at December 31, 2017, from ₱1,359.2 million as at December 31, 2016, primarily due to settlements of short and long-term notes during the year.

Transmission liability increased by 26% to ₱588.2 million as at December 31, 2017, from ₱467.3 million as at December 31, 2016, relative to higher volume of unremitted collection on delivery (COD) transactions this year.

Income tax payable decreased by 51% to ₱125.0 million as at December 31, 2017, from to ₱254.8 million as at December 31, 2016, resulting from payment of 2016 annual income tax.

Finance lease liabilities (current and noncurrent) decreased by 5% to ₱117.7 million as atDecember 31, 2017, from ₱124.1 million as of December 31, 2016, due to lease settlements in 2017 amounting to ₱45.9 million and offset by additional liability for service vehicles acquired through finance lease during the year amounting to ₱39.6 million.

Bond payable and derivative liability recognition amounting to ₱896.2 million and ₱1,860.4 million, respectively, as at December 31, 2017 is the result of issuance of a seven-year secured convertible instrument, in favor of CP Briks Pte. Ltd. in the aggregate principal amount of US$50.0 million, convertible into 192,307,692 common shares of the Company at the option of the holder at ₱13.00 per share conversion price (using the US$1=₱50 exchange rate). The instrument is due in 2024 or the seventh anniversary from the issuance date. The proceeds from the issuance of the instrument shall be used to fund the growth of the business of the Group including capital expenditures and working capital. The convertible debt is a hybrid instrument containing host financial liability and derivative component for the conversion and redemption options.

Retirement benefit obligation decreased by 2% to ₱705.3 million as at December 31, 2017, from ₱721.0 million as at December 31, 2016 primarily due to contributions in the plan assets during the year and benefits paid directly by the Group.

Other liabilities account is higher by 243% or ₱83.8 million which comprise of IBM cloud subscription obligation, new payroll and logistics system of LBC and subscription of IT security software.

LIQUIDITY

Cash Flows

Years ended December 31, 2017 and December 31, 2016

Cash flow from operating activities

The Company's net cash from operating activities is primarily affected by income before income tax, depreciation and amortization, unrealized foreign exchange gain, retirement benefit expense, interest expense, loss on derivatives and changes in working capital. The Company's net cash from operating activities were ₱1,399.3 million, and ₱808.9 million for the year ended December 31, 2017 and 2016, respectively.

For the year ended December 31, 2017, cash flow from operating activities were derived from the normal operations.

Cash flows from investing activities

Cash flow used investing activities for the years ended December 31, 2017 and 2016 were ₱847.6 million and ₱611.3 million, respectively.

Cash used for acquisition of property and equipment and intangible assets during the year amounted to ₱354.9 million and ₱38.5 million, respectively. The Company also acquired available-for-sale investments amounting to ₱1,394.0 million, gross of redemptions amounting to ₱1,206.4 million during the year.

Cash flow from financing activities

Cash flow from financing activities for the years ended December 31, 2017 and 2016 were ₱1,922.97 million and ₱154.6 million, respectively.

For the year ended December 31, 2017, the inflow from financing activities is primarily from the issuance of convertible instrument that generated cash amounting to ₱2,505.7 million.

Item 7. **FINANCIAL STATEMENTS**

The 2017 consolidated financial statements of the Company are incorporated herein the accompanying index to exhibits.

Item 8. **CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

The consolidated financial statements of the Company as at and for the year ended December 31, 2017 and 2016 were audited by SGV & Co., a member firm of Ernst & Young Global Limited.

SGV & Co. has acted as the Company's independent auditor since fiscal year 2014. Cyril Jasmin B. Valencia is the current audit partner for the Company and has served as such since fiscal year 2014. The Company has not had any material disagreements on accounting and financial disclosures with its current independent auditor for the same periods or any subsequent interim period. SGV & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The following table sets forth the aggregate fees billed for each of the last two years for professional services rendered by SGV & Co.

	2017	2016
In millions (₱)		
Audit and Audit-Related Fees(1)	₱8,173,340	₱7,987,500
Total	₱8,173,340	₱7,987,500

(1) Audit and Audit-Related Fees. This category includes the audit of annual financial statements, review of interim financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years.

SGV & Co. did not provide services for tax accounting, compliance, advice, planning and any other form of tax services to the Company in the last two fiscal years. Other than the audit of the annual financial statements and the review of the interim financial statements, SGV & Co. did not provide any other services to the Company in the last two fiscal years.

In relation to the audit of the Company's annual financial statements, the Company's Corporate Governance Manual, provides that the audit committee shall, among other activities (i) review the reports submitted by the internal and external auditors; (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors; and (iii) coordinate, monitor and facilitate compliance with laws, rules and regulations.

The audit committee consists of at least three members of the board of directors, at least one of whom is an independent director, including the chairman of the committee. The audit committee, with respect to an external audit:

- Perform oversight functions over the Company's external auditors; the Audit Committee should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.

- Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.

- Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's annual report.

- Review the reports submitted by the external auditors.

The following are the members of the Company's audit committee:

(a) Solita V. Delantar - Chairman
(b) Miguel Angel A. Camahort - Member
(c) Enrique V. Rey, Jr. - Member

PART II - CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND EXECUTIVE OFFICERS

DIRECTORS

LBCEH's by-laws and articles of incorporation provide for the election of nine directors, two of whom shall be independent directors. The board of directors is responsible for the direction and control of the business affairs, and management of the company, and the preservation of its assets and properties. No person can be elected as a director of the company unless he is pre-screened by the nomination committee and is a registered owner of at least one common share of the capital of LBCEH.

The Company's nomination committee is composed of the following:

(a) Solita V. Delantar - Chairman
(b) Miguel Angel A. Camahort - Member
(c) Enrique V. Rey, Jr. - Member

The table below sets forth each member of the LBCEH's board of directors:

Name	Nationality	Age	Position
Miguel Angel A. Camahort	Filipino	55	Chairman of the Board
Rene E. Fuentes	Filipino	44	Director
Enrique V. Rey, Jr.	Filipino	47	Director
Augusto G. Gan	Filipino	55	Director
Mark Werner J. Rosal	Filipino	43	Director
Anthony A. Abad	Filipino	54	Independent Director
Jason Michael Rosenblatt	Filipino	41	Director
Solita V. Delantar	Filipino	74	Independent Director
Luis N. Yu, Jr.	Filipino	62	Independent Director

The business experience of each of the directors is set forth below.

Miguel Angel A. Camahort
Chairman of the Board, Chief Executive Officer and President

Mr. Miguel Angel A. Camahort is a Director, Chairman of the Board, and President of LBCEH. He is also the President of LBC Express Corporate Solutions, Inc, the subsidiary operating the "Print and Mail" business of LBC Express, Inc. Mr. Camahort concurrently serves on the Board of Directors of the United Football League. Prior to joining the LBC Group, Mr. Camahort was a Senior Vice President and the Chief Operating Officer of Aboitiz One, Inc. from 2007 to 2009 and Aboitiz Transport System Corporation (ATSC) Solutions Division from 2004 to 2007. He also served as a Senior Vice President and the Chief Operating Officer of Aboitiz Transport System Corp. (formerly, William, Gothong & Aboitiz, Inc.) in the Freight Division from 1999 to 2003, prior to which he was the President of Davao Integrated Stevedoring Services Corporation (DIPSCCOR) from 1999 to 2003. Mr. Camahort holds a Bachelor of Science degree in Business Administration and Economics from Notre Dame de Namur University (formerly, the College of Notre Dame) in California, U.S.A.

Rene E. Fuentes
Director

Mr. Rene E. Fuentes is currently the Senior Vice President for Global Retail Operations of LBC Express, Inc. Prior to joining the Company, Mr. Fuentes served as President of Documents Plus, Inc. from 1996 to 2001, and as Regional Manager, Vice-President of EFC Food Corporation from 1996 to 2001. Mr. Fuentes attended De La Salle University and completed a Key Executive Program in November 2013 at the Harvard Business School.

Enrique V. Rey, Jr.
Director
Chief Finance Officer and Investor Relations Officer

Mr. Enrique V. Rey Jr. assumed the position of Investor Relations Officer of the Company on September 2015 and elected as the Chief Finance Officer of LBCEH on September 2017 after being an officer-in-charge for the same position since December 2015. Mr. Rey, Jr. was also a director of LBC Systems, Inc. from 2008 to 2010 and LBC Mundial Inc. from 2005 to 2008. Prior to joining the Company, Mr. Rey, Jr. worked for Coca-Cola Phil ATS, where he was the Senior Head of Sales from 2003 to 2005 and the Associate Vice President for Institutional Sales from 2000 to 2003. Mr. Rey, Jr. attended De La Salle University and completed a Management program at the Ateneo Business School. Mr. Rey, Jr. has also received training in Finance. Since 2010, Mr. Rey, Jr. has been a member of the Institute of Internal Auditors.

Augusto G. Gan
Director

Mr. Augusto G. Gan was appointed Director of LBCEH in September 2015. Mr. Gan concurrently serves as a Director of Atlantic Gulf and Pacific Company, Investment and Capital Corp of the Philippines, Pick Szeged ZRT and Sole-Mizo Zrt. He is also the Managing Director of Ganesp Ventures and the Chairman of the Board of Anders Consulting Ltd. Previously, Mr. Gan was the President of the Delphi Group from 2001 to 2012 and the Chief Executive Officer of Novasage Incorporations (HK) from 2006 to 2007. He has also served as a Director of AFP Group Ltd. (HK) from 2005 to 2007 and ISM Communication from 2003 to 2004, as well as the Chairman of the Boards of Cambridge Holdings from 1995 to 2000 and Qualibrand Industries from 1988 to 2001. Mr. Gan holds a Master in Business Management degree from the Asian Institute of Management.

Mark Werner J. Rosal
Director

Atty. Rosal became a director of LBCEH on April 28, 2015. Born in Cebu City, Atty. Rosal, prior to taking up law, has a Bachelor's Degree in Physical Therapy from Cebu Velez College and is a licensed Physical Therapist. Atty. Rosal graduated in the top 5% of his law school batch at the University of San Carlos, Cebu City, in 2002 and was admitted to the Philippine Bar in 2003. He spent his early years in the practice of law at Balgos and Perez Law Offices and Angara Cruz Concepcion Regala and Abello (ACCRALAW). Currently, he is the Managing Partner of Rosal Diaz Bacalla and Fortuna Law Offices, a Cebu-based law firm. As part of his law practice as retained counsel of private corporations, he is a director (holding nominal shares) of Cebu Agaru Motors Inc., Wide Gain Property Holdings, Inc., and Sem-Ros Food Corp. (a non- operational corporation).

Anthony A. Abad
Independent Director

Atty. Anthony A. Abad is currently the CEO and Managing Director of TradeAdvisors, as well as a partner of Abad Alcantara & Associates. He graduated from the Harvard University – John F. Kennedy School of Government with a Master's Degree in Public Administration, and a Fellow in Public Policy and Management at the Harvard Institute for International Development. Atty. Abad graduated from the Ateneo de Manila School of Law with a Juris Doctor degree, and a Bachelor of Arts degree, Major in Economics (Honors). Other current engagements include: Bloomberg Philippines, Anchor; Ateneo Center for International Economic Law, Director; Ateneo de Manila University, Professor; World Trade Organization, Panelist. Previously, Atty. Abad was Key Expert, Trade Policy & Export Development

Trade Assistant for the European Union, Chairman and Secretary's Technical Advisor at the Department of Agriculture, and President and CEO of the Philippine International Trading Corporation.

Jason Michael Rosenblatt
Director

Mr. Jason Rosenblatt is currently a Partner at Crescent Point, a private equity and investment firm based in Singapore. Mr. Rosenblatt assumed a director position at LBC Express Holdings, Inc. in March 2018. His previous positions include: Laurasia Capital Management, Director; Standard Bank, Global Head of Special Situations; DKR Oasis, Head of Principal Strategies; Ritchie Capital Management, Director; McKinsey Company, Associate; and Bank One, Associate.

Solita V. Delantar
Independent Director

Ms. Solita V. Delantar was appointed Director of LBCEH in March 2014. She concurrently serves as Independent Director on the Board of Directors at Anchor Land Holdings, Inc., Executive Director at PMAP Human Resources Management Foundation (since July 2013) and Vice President at PONTICELLI, Inc. (since 2006). Previously, Ms. Delantar served as Vice-President, Human Resources Management & Development Administration (November 1999 - September 2003), Consultant (July 1997 - July 1998), Vice-President, Finance & Administration (May 1988 - June 1996) and various other positions at Honda Philippines, Inc. Ms. Delantar is a Certified Public Accountant, Fellow in Personal Management and professional business mediator. From September 1998 to March 2007, she served as a Member of the Professional Board of Accountancy, which administers licensure examinations for CPAs. Ms. Delantar received her Bachelor of Science degree in Commerce with a major in Accounting from Far Eastern University and participated in a Bachelor of Laws program at Ateneo de Manila University.

Luis N. Yu, Jr.
Independent Director

Mr. Luis Yu, Jr. is the Founder and Chairman Emeritus of the 8990 Holdings, Inc. Mr. Yu is also the Chairman Emeritus of IHoldings, Inc. (2012 to present). He is also the Chairman of 8990 Cebu Housing Development Corporation, 8990 Visayas Housing Development Corporation, 8990 Davao Housing Development Corporation, 8990 Mindanao Housing Development Corporation, 8990 Iloilo Housing Development Corporation and 8990 Luzon Housing Development Corporation (2009 to present), 8990 Housing Development Corporation (2006 to present), Ceres Homes, Inc. (2002 to present), N&S Homes, Inc. (1998 to present), L&D Realty Holdings, Inc. (1998 to present), and Fog Horn (1994 to present). Mr. Yu is currently the President of DECA Housing Corporation (1995 to present). Mr. Yu holds a Master in Business Management degree from the Asian Institute of Management. Mr. Yu has more than 30 years of experience managing and heading companies engaged in Mass Housing subdivision development.

MANAGEMENT AND OFFICERS

LBCEH's executive officers and management team cooperate with its Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review. The table below sets forth each member of the LBCEH's management:

Name	Nationality	Age	Position
Miguel Angel A. Camahort	Filipino	55	Chief Executive Officer and President
Enrique V. Rey, Jr.	Filipino	47	Chief Finance Officer and Investor Relations Officer
Cristina S. Palma Gil-Fernandez	Filipino	49	Corporate Secretary
Rosalie H. Infantado	Filipino	42	Treasurer
Mahleene G. Go	Filipino	37	Assistant Corporate Secretary, Corporate Information Officer and Compliance Officer
Maria Eloisa Imelda S. Singzon	Filipino	31	Assistant Corporate Information Officer

The business experience of each of the LBCEH's officers is set forth below.

Miguel Angel A. Camahort
Chief Executive Officer and President

Please refer to the table of directors above.

Enrique V. Rey Jr.
Investor Relations Officer, Chief Finance Officer

Please refer to the table of directors above.

Cristina S. Palma-Gil Fernandez
Corporate Secretary

Atty. Palma Gil-Fernandez assumed the position of Corporate Secretary of LBCEH in September 2015. Atty. Palma Gil-Fernandez graduated with a Bachelor of Arts degree, Major in History (Honors) from the University of San Francisco in 1989, and with a Juris Doctor degree, second honors, from the Ateneo de Manila University in 1995. She is currently a Partner at Picazo Buyco Tan Fider & Santos Law Offices and has more than 20 years of experience in corporate and commercial law, with emphasis on the practice areas of banking, securities and capital markets (equity and debt), corporate reorganizations and restructurings and real estate.

Rosalie H. Infantado
Treasurer

Ms. Infantado assumed the position of Treasurer of LBCEH in September 2017. She graduated with a Bachelor of Science degree, Major in Accountancy from the Polytechnic University of the Philippines in 1997. She is currently Vice-President - Financial Reporting and Analysis at LBC Express, Inc., and has been a Certified Public Accountant since 1998. With 20 years of experience in accounting, audit, and financial reporting, Ms. Infantado's previous professional experiences include employment at prestigious companies such as KPMG Philippines (Manabat SanAgustin & Co.), Concordia Advisors (Bermuda) Ltd., CITI Hedge Fund Services, Ltd. (Bermuda), and PriceWaterhouseCooper Philippines.

Mahleene G. Go
Assistant Corporate Secretary, Corporate Information Officer and Compliance Officer

Atty. Mahleene G. Go assumed the position of Assistant Corporate Secretary, Compliance Officer and Corporate Information Officer of LBCEH in September 2015. Born on April 25, 1980, Atty. Go graduated with the degree of Bachelor of Arts, Major in Political Science, from the University of the Philippines in 2001, and with the degree of Juris Doctor from Ateneo De Manila University-School of Law in 2005. She also received a Certificate of Mandarin Language Training for International Students from 2011 to 2012 in Peking University, Beijing, China. She served as a Junior Associate at Picazo Buyco Tan Fider & Santos Law Offices from 2007 to 2010 and 2012 and is currently a Senior Associate at the same office. She currently serves as Trustee and Corporate Secretary for Center for Empowerment and Resource and Development, Inc.

Maria Eloisa Imelda S. Singzon
Alternate Corporate Information Officer

Atty. Maria Eloisa Imelda S. Singzon assumed the position of Alternate Corporate Information Officer of LBCEH in April 2015. Born on September 18, 1986, Atty. Singzon graduated cum laude with the degree of Bachelor of Science, Business Economics, from the University of the Philippines in 2008, and with the degree of Juris Doctor from Ateneo de Manila School of Law in 2012. She is a Junior Associate at Picazo Buyco Tan Fider & Santos Law Offices from 2013 to present.

The Board has established committees to assist in exercising its authority in monitoring the performance of the business of the Company. The committees, as detailed below, provide specific and focused means for the Board to address relevant issues including those related to corporate governance.

SIGNIFICANT EMPLOYEES

The Company considers its entire work force as significant employees. Everyone is expected to work together as a team to achieve the Company's goals and objectives.

FAMILY RELATIONSHIPS

As of the date of this Report, there are no family relationships between Directors and members of the Company's senior management known to the Company.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

The Company believes that none of the Company's directors, nominees for election as director, or executive officers have in the five-year period prior to the date of this Report: (1) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time; (2) have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses; (3) have been the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or (4) have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, such judgment having not been reversed, suspended, or vacated.

On 9 September 2011, pursuant to Monetary Board Resolution No. 1354, the Monetary Board prohibited LBC Bank (which is controlled by the Araneta Family) from doing business in the Philippines, ordered it closed, and placed it under the receivership of the PDIC based on the following:

1. LBC Bank has insufficient realizable assets to meet liabilities;

2. LBC Bank cannot continue in business without involving probable losses to its depositors and creditors; and

3. LBC Bank has willfully violated the Cease and Desist Order of the Monetary Board dated 12 March 2010 for acts or transactions which are considered unsafe and unsound banking practices and other acts or transactions constituting fraud or dissipation of the assets of the institution and considering the failure of the Board of Directors/management of LBC Bank to restore the bank's financial health and viability despite considerable time given to address the financial problems, and that the bank had been accorded due process.

The PDIC thereafter stepped in as receiver and prepared its report on LBC Bank's status. Based on the Rehabilitation Report of PDIC, the conclusion/ recommendation was that LBC Bank could not be rehabilitated or otherwise placed in such a condition that it can be permitted to resume business with safety to its depositors, creditors, and the general public considering that:

1. the estimated realizable value of its assets (ERVA) as of 31 December 2011 in the amount of Php1.7 billion is deficient by Php4.96 billion to cover estimated liabilities aggregating to Php6.6 billion. Additional capital infusion of Php5.96 billion is needed to meet the Php1 billion minimum capital requirement for a thrift bank with head office located in Metro Manila; and

2. the rehabilitation proposal submitted by the LBC Group of Companies and the Rizal Banking Corporation via asset purchase agreement was found not viable.

On 5 July 2012, the MB of the BSP issued Resolution No. 1088 directing PDIC to proceed with the liquidation of LBC Bank on the basis of the Rehabilitation Report.

The PDIC has filed various criminal and administrative complaints against certain members of the Araneta Family in relation to the receivership of LBC Bank, which are described below:

- Mr. Juan Carlos Araneta, Mr. Santiago Araneta, Mr. Fernando Araneta and Ms. Ma. Monica G. Araneta (the "Araneta Siblings") were named as respondents in their capacity as stockholders and/or directors LBC Bank in a complaint for estafa, falsification of commercial documents and conducting business in an unsafe and unsound manner that was filed by the PDIC with the Department of Justice (DOJ). PDIC alleged that the Araneta Siblings, in conspiracy with the other respondents, made it appear that they infused capital into LBC Bank in the amount of approximately 39 Million Pesos to cover a capital deficiency as required by the BSP. The Araneta Siblings denied the allegations, stating that they actually paid for the subscription, as shown by PDIC's own evidence, that no evidence was presented to show conspiracy, and that as mere stockholders and/or directors, they are not involved with the day-to-day management of the bank and how the bank used the money subject of the case. On 18 April 2016, the complaint against all the respondents was dismissed by the investigating prosecutor. The PDIC filed a Petition for Review with the Secretary of Justice (SOJ) on 25 May 2016. The appeal is currently pending with the SOJ.

- Mr. Juan Carlos Araneta, Mr. Santiago Araneta, and Mr. Fernando Araneta were named as respondents in their capacity as stockholders and/or directors of LBC Bank in a complaint for syndicated estafa, falsification of commercial documents and conducting business in an unsafe and unsound manner that was filed by the PDIC with the DOJ. PDIC alleged, among others, that LBC Bank took out a 30 Million Peso loan from Chinabank "to generate funds for the purpose of remittance." The loan, however, was allegedly not recorded as "Bills Payable" nor as any other liability in LBC Bank's books. PDIC claims that the loan proceeds were transferred to LBCDC who used the funds to partially pay LBC Bank for advances of remittances. LBC Bank then allegedly paid the loan to Chinabank prior to maturity date using LBC Bank's own funds. The Aranetas denied the allegations, stating, among others, that the approval of the resolution granting the corporation the authority to obtain a loan was a regular action of the members of the board of directors in the normal and ordinary course of business, and they cannot be held liable individually as directors for the mere approval of a regular corporate action. The case was submitted for resolution of the investigating prosecutor on 28 March 2016 and is still currently pending.

- Mr. Juan Carlos Araneta, Mr. Santiago Araneta and Mr. Fernando Araneta were named as respondents in their capacity as stockholders and/or directors of LBC Bank in a complaint for syndicated estafa, falsification of commercial documents and conducting business in an unsafe and unsound manner that was filed by the PDIC with the DOJ. PDIC alleged that LBC Bank obtained three loans from Chinabank in the amount of approximately 50 Million Pesos, which were secured by a Hold-Put Agreement on Foreign Currency Deposit Unit Time Deposits of various LBC affiliate companies with Chinabank. The loans all indicated that the proceeds were intended for LBC Bank's "working capital" and yet were not recorded as "Bills Payables" or liabilities in the books of LBC Bank. The proceeds from the loan were allegedly credited by Chinabank to LBC Bank's Current/Savings Bank Account, and then used as partial payment for "advances to affiliates". Thereafter, LBC Bank used the proceeds of the matured time deposits to pay the loans to Chinabank. The Aranetas denied the allegations, stating, among others, that the approval of the resolution granting the corporation the authority to obtain loans was a regular action of the members of the board of directors in the normal and ordinary course of business, and they cannot be held liable individually as directors for the mere approval of a regular corporate action. The case was submitted for resolution of the investigating prosecutor on 25 May 2016 and is still currently pending.

- Mr. Juan Carlos Araneta, Mr. Santiago Araneta and Mr. Fernando Araneta were named as respondents in their capacity as stockholders and/or directors of LBC Bank in a complaint for syndicated estafa, falsification of commercial documents and unsound business practices that was filed by the PDIC with the DOJ. PDIC alleged that Foreign Currency Remittances received by LBC Mabuhay were not deposited to LBC Bank's Dollar Account with CalBank resulting in funding gaps or "short remittances." Despite this, LBC Bank continued to pay the full amount of the remittance instructions resulting in advances by LBC Bank in favor of LBC Mabuhay, supposedly in violation of the Memorandum of Understanding between LBC Bank and the BSP The Aranetas denied the allegations, stating, among others, that as mere stockholders and/or directors, they are not involved in the day-to-day management and operations of the bank and thus could not have participated in the actions alleged in the complaint. The case was submitted for resolution of the investigating prosecutor on 25 May 2016 and is still currently pending.

- Mr. Juan Carlos Araneta, Mr. Santiago Araneta, Mr. Fernando Araneta and Mr. Carlos G. Araneta were named as respondents in their capacity as stockholders and/or directors of LBC Bank in a complaint for unsafe and unsound business practices that was filed by the PDIC with the prosecutor's office. PDIC alleged that the respondents committed acts or omissions constituting unsafe and unsound business practice by entering into Service Agreements with LBC Express, Inc., whose terms were supposedly manifestly and grossly disadvantageous to Bank. The respondents allegedly failed to enforce payment of service fees, thereby causing undue injury and/or unwarranted benefits, advantage, or preference to LBC Express, Inc. through manifest partiality and bad faith that resulted in a material loss or damage to the liquidity or solvency of LBC Bank and to the latter's depositors, creditors, and the general public. The Aranetas denied the allegations, stating, among others, that as mere stockholders and/or directors, they are not involved in the day-to-day management and operations of the bank and thus could not have participated in the actions alleged in the complaint. They further allege that the complaint does not actually impute any specific criminal action to each of them individually. The case was submitted for resolution of the investigating prosecutor on 11 August 2016 and is still currently pending.

- An administrative complaint was filed by the PDIC before the Office of Special Investigation (OSI) of the *Bangko Sentral ng Pilipinas* (BSP) against Mr. Juan Carlos Araneta, Mr. Santiago Araneta, and Mr. Fernando Araneta, together with other respondents in their capacity as stockholders and/or directors of LBC Bank. The administrative complaint is based on the same complaint discussed in the preceding paragraph. The Aranetas adopted the same defences as discussed in the preceding paragraph. After a preliminary investigation, the OSI issued a Resolution dated 14 September 2017, finding a *prima facie* case of unsound banking practice against the Aranetas and the former LBC Bank president, while dismissing the case against the other respondents who were former employees of LBC Bank for lack of evidence. The OSI denied the Aranetas' motion for reconsideration in a Resolution dated 6 March 2018. The OSI filed formal charges against the Aranetas and the former LBC Bank president with the Supervised Banks Complaints Evaluation Group (SBCEG) of the BSP on or about 12 March 2018. The Aranetas intend to file their respective Answers to the formal charges and present their evidence when the case is set for trial. The Aranetas also intend to pursue other remedies against the resolutions of the OSI.

- Mr. Juan Carlos Araneta, Mr. Fernando Araneta, and Mr. Santiago Araneta were named as respondents in their capacity as directors of LBC Bank in a complaint for violation of Section 55.1 (a) of the General Banking Law and Subsection X306.3 of the Manual of Regulations for Banks in relation to Section 36 of the New Central Bank Act that was filed by the BSP with the DOJ. The complaint alleged that the amortizations for certain loans by related parties were allegedly simulated and that the Bank did not receive actual payment. Furthermore, the same loans by such related parties were allowed to be renewed and restructured under terms favourable to the borrowers, to the prejudice of the bank. The Aranetas have denied the accusations and emphasized that they were not aware of nor did they participate in any alleged simulation of payments. They also maintain that the evidence filed by the BSP does not show their knowledge or involvement. They also approved the renewal and restructuring terms only after the Credit Group of LBC Bank performed due diligence and made recommendations. The case was submitted for resolution of the investigating prosecutor on 4 October 2017 and is still currently pending.

Item 10. EXECUTIVE COMPENSATION

COMPENSATION

There are no employees under LBCEH.

Standard Arrangements

Other than payment of reasonable per diem as may be determined by the board of directors for every meeting, there are no standard arrangements pursuant to which directors of LBCEH are compensated, or were compensated, directly or indirectly, for any services provided as a director and for their committee participation or special assignments for 2010 up to the present.

Other Arrangements

There are no other arrangements pursuant to which any director of LBCEH was compensated, or to be compensated, directly or indirectly, during 2017 for any service provided as a director.

EMPLOYMENT CONTRACTS

LBCEH has no special employment contracts with the named executive officers.

WARRANTS AND OPTIONS OUTSTANDING

There are no outstanding warrants or options held by the President, the named executive officers, and all officers and directors as a group.

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Record and Beneficial Owners of more than 5% of the LBCEH's voting securities as of 31 December 2017.

Title of Class	Name and Address of Record Owner and Relationship to Issuer	Name of Beneficial Owner	Citizenship	No. of Common Shares Held in LBCEH	% of Total Outstanding Shares of LBCEH
Common	LBC Development Corporation General Aviation Center, Domestic Airport Compound, Pasay City (stockholder)	The record owner is the beneficial owner of the shares indicated	Filipino	1,206,178,232	84.59%

Security Ownership of Directors and Officers as of 31 December 2017

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common	Rene E. Fuentes	1- direct	Filipino	0.0%
Common	Enrique V. Rey, Jr.	1- direct	Filipino	0.0%
Common	Augusto G. Gan	1- direct	Filipino	0.0%
Common	Miguel Angel A. Camahort	1- direct	Filipino	0.0%
Common	Mark Werner J. Rosal	1,000 - direct	Filipino	0.0%
Common	Solita V. Delantar	1- direct	Filipino	0.0%
Common	Luis N. Yu, Jr.	1- direct	Filipino	0.0%
Common	Antonio A. Abad	101-direct	Filipino	0.0%
Common	Jason Michael Rosenblatt	1-direct	Filipino	0.0%

Voting Trust Holders of five percent or More

There were no persons holding more than five percent of a class of shares of LBCEH under a voting trust or similar agreement as of the date of this Prospectus.

CHANGE IN CONTROL

On May 18, 2015, LBC Development Corporation subscribed to 59,101,000 common shares of the Company (equivalent to 59.10% of the total issued and outstanding capital stock of the Company as of said date) which resulted in LBC Development Corporation acquiring control of the Company.

On September 18, 2015, LBC Development Corporation subscribed to an additional 1,146,873,632 common shares which were issued on October 12, 2015 following the approval by the SEC of the Company's application to increase its authorized capital stock from ₱100,000,000.00 divided into 100,000,000 common shares with par value of ₱1.00 per share, to ₱2,000,000,000.00 divided into 2,000,000,000 common shares with par value of ₱1.00 per share. As of the date of this Report, LBC Development Corporation holds a total of 1,205,974,632 common shares of the Company or 84.58% of the Company's total issued and outstanding capital stock of the Company.

As of December 31, 2017, there are no arrangements which would delay, defer or prevent a change in control of the Company.

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

RELATED PARTY TRANSACTIONS

The Company and its subsidiaries in their ordinary course of business, engage in transactions with related parties and affiliates consisting of its parent company (LBC Development Corporation) and entities under common control. These transactions include royalty, service and management fee arrangements and loans and advances.

It is a policy of the Company that related party transactions are entered into on terms which are not more favorable to the related party than those generally available to third parties dealing at arm's length basis and are not detrimental to unrelated shareholders. All related party transactions shall be reviewed by the appropriate approving authority, as may be determined by the board of directors. In the event of a related party transaction involving a director, the relevant director should make a full disclosure of any actual or potential conflict of interest and must abstain from participating in the deliberation and voting on the approval of the proposed transaction and any action to be taken to address the conflict.

Please refer to Note 15 ("Related Party Transactions") to the notes to the 2017 consolidated financial statements of the Company which is incorporated herein in the accompanying index to exhibits.

The Company has the following major transactions with related parties:

Royalty Fee and Licensing Agreement with Parent Company

LBC Express, Inc. and LBC Development Corporation have entered into a trademark licensing agreement dated November 29, 2007 under which LBC Development Corporation has granted the Company the full and exclusive right within the Philippines to use LBC Marks including the names "LBC Express, Inc.," "LBC Express," "LBC", "Hari Ng Padala" (Tagalog for "King of Forwarding Services") and "WWW.LBCEXPRESS.COM" as well as the "LBC" corporate logo and the "Team LBC Hari Ng Padala" logo.

On August 4, 2017, LBC Express, Inc. and LBCDC entered into a trademark licensing agreement, which amended and restated the trademark licensing agreement entered by the same parties on November 9, 2007. Both parties agreed to discontinue royalty payments for the use of LBC Marks in recognition of LBCE's own contribution to the value and goodwill of the trademark effective September 4, 2017.

Cash Advances to and from Related Parties

The Company regularly makes advances to and from related parties to finance working capital requirements and as part of their cost reimbursements arrangement. These unsecured advances are non-interest bearing and payable on demand.

Fulfillment Fee

In the normal course of business, the Company fulfills the delivery of balikbayan boxes and money remittances, and performs certain administrative functions on behalf of its international affiliates. The Company charges delivery fees and service fees for the fulfillment of these services based on agreed rates.

Guarantee Fee

LBCE entered into a loan agreement with BDO which is secured with real estate mortgage on various real estate properties owned by the Group's affiliate. In consideration of the affiliate's accommodation to the Company's request to use these properties as loan collateral, the Group agreed to pay the affiliate, every April 1 of the year starting April 1, 2016, a guarantee fee of 1% of the outstanding loan and until said properties are released by the bank as loan collateral.

Dividends

The BOD of LBCEH approved the declaration of cash dividends amounting to ₱827.00 million or ₱0.58 for every issued and outstanding common share. On June 9, 2017 through a Memorandum of Agreement, LBCDC and LBCEH agreed to offset the dividends payable of LBCEH to LBCDC against LBCDC's payable to the Group amounting to ₱699.47 million. The ₱699.47 million pertains to the share in dividends of LBCDC while the ₱127.54 million pertains to the share of non-controlling interest.

PARENT COMPANY/MAJOR HOLDERS

As of the date of this Report, LBC Development Corporation owns 84.59% of the total issued and outstanding capital stock of the Company.

PART IV - CORPORATE GOVERNANCE

Item 13. CORPORATE GOVERNANCE

Please refer to the Revised Manual on Corporate Governance submitted on May 29, 2017.

PART V - EXHIBITS AND SCHEDULES

Item 14. REPORTS ON SEC FORM 17-C

(a) Exhibits - Please accompanying index to exhibits

(b) Reports on SEC Form 17-C

The following current reports have been reported by LBC Express Holdings, Inc. during the year 2017:

	Disclosure	Date of Report
1	SEC 17-C (Material Information/Transaction) (Declaration of cash dividends by the Company's subsidiary, LBC Express, Inc.)	08 March 2017
2	SEC 17-C (Clarification of News Report) (Clarification on the news article entitled "SEC rejects LBC Express share sale" posted in Manila Standard.net on April 11, 2017)	12 April 2017
3	SEC 17-C (Material Information/Transactions) (SEC Order)	18 April 2017
4	SEC 17-C (Declaration of Cash Dividends)	19 April 2017
5	SEC 17-C (Press Release) (Press release on the Company's performance for 2016)	20 April 2017
6	SEC 17-C (Notice of Annual or Special Stockholders' Meeting) (Rescheduling of the Annual Stockholders' Meeting)	10 May 2017
7	SEC 17-C (Material Information/Transactions) (Listing Applications of LBC Express Holdings, Inc.)	08 June 2017
8	SEC 17-C (Material Information/Transactions) (Board approval on the issuance of a secured Convertible Instrument due 2024 (the "LBC Convertible Instrument") and the execution of an Omnibus Agreement pursuant thereto)	20 June 2017
9	SEC 17-C (Notice of Annual or Special Stockholders' Meeting) (Further rescheduling of the Annual Stockholders' Meeting)	04 July 2017
10	SEC 17-C (Legal Proceedings) (Further update on Civil Case No. 15-1258 against, among others, LBC Development Corporation and LBC Express, Inc.)	06 July 2017
11	SEC 17-C (Material Information/Transactions) (Re-filing of the Registration Statement in relation to the public offering by the Company (the "Follow-on Offering") of up to 69,101,000 common shares (the "Offer Shares"))	10 July 2017
12	SEC 17-C (Legal Proceedings) (Further update on Civil Case No. 15-1258 against, among others, LBC Development Corporation and LBC Express, Inc.)	24 July 2017
13	SEC 17-C (Notice of Annual or Special Stockholders' Meeting) (Further rescheduling of the Annual Stockholders' Meeting)	24 July 2017
14	SEC 17-C ((Notice of Annual or Special Stockholders' Meeting) (Amendment of Record Date)	03 August 2017
15	SEC 17-C (Issuance of Debt Securities) (Issuance by LBC Express Holdings, Inc. (the "Company") of a US$50.0 million convertible instrument)	04 August 2017
16	SEC 17-C (Material Information/Transactions) (Amended and Restated Trademark Licensing Agreement dated 4 August 2017)	04 August 2017
17	SEC 17-C (Amend) (Issuance of Debt Securities) (Issuance by LBC Express Holdings, Inc. (the "Company") of a US$50.0 million convertible instrument)	04 August 2017
18	SEC 17-C (Material Information/Transactions) (Issuance by the Company of a US$50,000,000 Convertible Instrument due 2024 (the "Instrument") on 4 August 2017.)	07 August 2017
19	SEC 17-C (Comprehensive Corporate Disclosure on Issuance of Shares ((Private Placements, Share Swaps, Property-for-Share Swaps	14 August 2017

	Disclosure	Date of Report
	or Conversion of Liabilities/Debt into Equity)) (Issuance by LBC Express Holdings, Inc. (the "Company") of a US$50.0 million convertible instrument)	
20	SEC 17-C (Amendments to By-Laws) (Amendment of the By-Laws of the LBC Express Holdings, Inc. (the "Company"))	29 August 2017
21	SEC 17-C (Results of Annual or Special Stockholders' Meeting)	29 August 2017
22	SEC 17-C (Clarification of News Reports) (Clarification on the news article entitled "LBC Express on track to exceed core profit target for this year" published in the August 30, 2017 issue of BusinessWorld)	30 August 2017
23	SEC 17-C (Amend) (Results of the Annual Stockholders' Meeting of LBC Express Holdings, Inc.)	29 August 2017
24	SEC 17-C (Results of the Organizational Meeting of the Board of Directors)	28 September 2017
25	SEC 17-C (Update on Corporate Actions/ Material Transactions/Agreements) (Replacement security for the USD50 million Convertible Instrument due 2024 (the "Instrument") issued by the Company on 4 August 2017)	04 October 2017

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 thereunto duly authorized, in the City of ________________ on APR 1 2 2018.

LBC EXPRESS HOLDINGS, INC.

By:

Miguel Angel A. Camahort
President and Chief Executive Officer

APR 1 2 2018

SUBSCRIBED AND SWORN to before me this ____ day of __________ 2018, affiants exhibiting to me their respective competent evidence of identities, as follows:

Name	Competent ID	Date and Place of Issue
Miguel Angel A. Camahort	Passport No. P3510481A	June 27, 2022 / DFA Manila

Doc. No. 413;
Book No. 7;
Page No. 94;
Series of 2018.

[illegible]
Appointment No. M-[illegible]
Notary Public for Makati City
Until December 31, 2019
Liberty Center-[illegible] Law
104 H.V. dela Costa Street, Makati City
Roll No. [illegible]
PTR No. 6619[illegible]/Makati City/01-05-2018
IBP No. 020[illegible]/PPLM/[illegible]-2018

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 thereunto duly authorized, in the City of Pasay on April 5, 2018.

LBC EXPRESS HOLDINGS, INC.

By:

Enrique V. Rey, Jr.
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this ____ day of APR 1 2 2018 2018, affiants exhibiting to me their respective competent evidence of identities, as follows:

Name	Competent ID	Date and Place of Issue
Enrique V. Rey, Jr.	Passport No. P3355001A	09 June 2017 / DFA Manila

Doc. No. 465;
Book No. I;
Page No. 94;
Series of 2018.

[illegible]
Appointment No. M-[illegible]
Notary Public for Makati City
Until December 31, 2019
Liberty Center-Picazo Law
104 H.V. dela Costa Street, Makati City
Roll No. [illegible]
PTR No. 6619503/Makati City/01-05-2018
IBP No. 020684/PPLM/01-03-2018

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 thereunto duly authorized, in the City of ________________ on APR 1 2 2018

LBC EXPRESS HOLDINGS, INC.

By:

Rosalie H. Infantado
Treasurer

SUBSCRIBED AND SWORN to before me this ____ day of APR 1 2 2018 2018, affiants exhibiting to me their respective competent evidence of identities, as follows:

Name	**Competent ID**	**Date and Place of Issue**
Rosalie H. Infantado	Passport No. EC2893626	03 December 2014 / DFA Manila

Doc. No. 446;
Book No. 7;
Page No. 91;
Series of 2018.

JAMIE KATRINA E. CHAN
Appointment No. M-223
Notary Public for Makati City
Until December 31, 2019
Liberty Center-Picazo Law
104 H.V. dela Costa Street, Makati City
Roll No. 70089
PTR No. 6619503/Makati City/01-05-2018
IBP No. 020684/PPLM/01-03-2018

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 thereunto duly authorized, in the City of ________________ on APR 1 2 2018.

LBC EXPRESS HOLDINGS, INC.

By:

Mahleene G. Go
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this ____ day of APR 1 2 2018 2018, affiants exhibiting to me their respective competent evidence of identities, as follows:

Name	Competent ID	Date and Place of Issue
Mahleene G. Go	Philippine Passport No. EC1941000	20 August 2014 DFA NCR East

Doc. No. 464;
Book No. I;
Page No. 94;
Series of 2018.

[illegible] E. [illegible]
[illegible] No. M-[illegible]
Notary Public for Makati City
Until December 31, 2019
Liberty [illegible] Law
104 H.V. dela Costa Street, Makati City
Roll No. 70[illegible]
PTR No. 6619503/Makati City/01-03-2018
IBP No. 02068[illegible]/[illegible]/01-03-2018

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	O	9	3	0	0	5	2	7	7

COMPANY NAME

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

LBC HANGAR, GENERAL AVIATION CENTRE, DOMESTIC AIRPORT ROAD, PASAY CITY, METRO MANILA

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	SEC	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	856-8522	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
486	2nd Monday of June	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Enrique V. Rey, Jr.	evrey@lbcexpress.com	856-8510	

CONTACT PERSON's ADDRESS

LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila

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

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

LBC Express Holdings, Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of LBC Express Holdings, Inc. and its subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

SGV & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature: ____________________
MIGUEL ANGEL A. CAMAHORT
Chairman of the Board, President, and Chief Executive Officer

Signature: ____________________
ENRIQUE V. REY, JR.
Chief Finance Officer

Signed this MAR 2 6 day of 2018 2018.

SUBSCRIBED AND SWORN to before me in City of Pasay on MAR 2 6 2018 affiants personally appeared before me and exhibited to me their Tax Identification Nos.

NAME	TIN
Miguel Angel A. Camahort	101-292-392
Enrique V. Rey, Jr.	172-264-046

NOEL [illegible]QUE
NOTARY PUBLIC
Until December 31, 2018 Comm. 17-02
100 Andrews Ave., Pasay City
IBP No. 1082684 / 1-3-18 / PPLM
PTR No. 5826875 / 1-3-18 , PC
Roll No. 488[illegible] / MCLE [illegible] / [illegible]-5-16

Doc. No.__________;
Page No.__________;
Book No.__________;
Series of 2018.

LBC Express Holdings, Inc.

A CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant who performed the compilation services related to the preparation and presentation of financial information of **LBC Express Holdings, Inc. and Subsidiaries (the "Group")** in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for the Group for the year ended **December 31, 2017.**

In discharging this responsibility, I hereby declare that I am the **Treasurer** of **LBC Express Holdings, Inc.**

Furthermore, in my compilation services for preparation of the Financial Statements and notes to the Financial Statements, I was not assisted by or did not avail of the services of **SGV & Co.**, who is the external auditor who rendered the audit opinion for the said Financial Statements and notes to the Financial Statements.

I hereby declare, under penalties of perjury and violation of the Revised Accountancy Law, that my statements are true and correct.

ROSALIE H. INFANTADO
PRC License No.: 0096620
Valid until: April 3, 2022
Accreditation No.: 3683
Valid until: April 3, 2020

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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
LBC Express Holdings, Inc. and Subsidiaries
LBC Hangar, General Aviation Centre,
Domestic Airport Road
Pasay City, Metro Manila

Opinion

We have audited the consolidated financial statements of LBC Express Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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APR 12 2018

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 26 of the financial statements which describes the uncertainty related to the outcome of the case filed against LBC Express, Inc. (LBCE), among other respondents, by LBC Development Bank, Inc., as represented by its receiver and liquidator, the Philippine Deposit Insurance Corporation (PDIC) for collection of an alleged amount of ₱1.82 billion. The claim pertains to allegedly unpaid service fees from June 2006 to August 2011 and unpaid service charges on remittance transactions from January 2010 to September 2011.

LBCE and LBC Development Corporation (LBCDC), the ultimate parent company, together with other defendants, filed motions to dismiss the Complaint on January 12, 2016. In a Joint Resolution dated June 28, 2016, the Regional Trial Court (RTC) denied the motions to dismiss filed by all the defendants, including LBCE. Motions for reconsideration filed by the defendants were subsequently denied by the RTC in the Resolution dated February 16, 2017.

After filing motions for extension of time, LBCE and LBCDC filed their Answer with Counterclaims on April 10, 2017. In the Resolution dated June 15, 2017, the RTC denied the third motion for extension, declared all of the defendants including LBCE in default and ordered PDIC to present evidence ex-parte. LBCE and LBCDE filed a Verified Omnibus Motion for reconsideration and to lift the order of default. The other defendants filed similar motions, including a motion for inhibition. On July 21, 2017, LBCE received the Joint Resolution dated July 20, 2017, granting the Verified Omnibus Motions and the Motion for Inhibition, thereby lifting the order of default and admitting the Answers filed by all defendants.

The PDIC filed a Motion for Reconsideration dated August 7, 2017, seeking to reconsider the Joint Resolution dated July 20, 2017. The defendants, including LBCE and LBCDC have filed their respective comments thereto and the motion is currently pending resolution.

From August 10, 2017 to January 19, 2018, LBCE, LBCDC, the other defendants and PDIC were referred to mediation and Judicial Dispute Resolution (JDR) but were unable to reach a compromise agreement. The RTC ordered the mediation and JDR terminated and the case raffled to a new judge who will preside over the trial. To date, the parties are still awaiting the case to be raffled to another branch of the Makati RTC.

On April 24, 2017, LBCE and LBCDC filed a Petition for Certiorari with the Court of Appeals, challenging the RTC's June 28, 2016 Joint Resolution. The PDIC, LBCE, and LBCDC have filed their respective Comment, Reply, and Memoranda. The Petition for Certiorari was deemed submitted for resolution as of October 26, 2017 and is still pending.

The ultimate outcome of the case cannot presently be determined. In the opinion of management and in concurrence with its legal counsel, any liability of LBCE arising from the case is not probable and estimable at this point in time.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Assessment of potential liability in relation to the closure of LBC Development Bank, Inc.

The Parent Company's subsidiary, LBC Express, Inc. (LBCE), among other respondents, is involved in a case filed by LBC Development Bank, Inc., as represented by its receiver and liquidator, the Philippine Deposit Insurance Corporation (PDIC), for collection of an alleged amount of ₱1.82 billion. This is significant to our audit because the estimation of potential liability resulting from this case requires significant judgment by the management given the inherent uncertainty over its outcome. The Group's disclosures about the case and basis of management's assessments are included in Note 26 to the consolidated financial statements.

Audit Response

Our audit procedures focused on the evaluation of the management's assessment on whether any provision for potential liability should be recognized and the estimation of such amount. We held discussions with and obtained the written reply of the Group's external legal counsel on the status of the case and their assessment of any potential liability. We also sent a confirmation letter to PDIC and obtained their reply which we provided to the Group for them to reconcile with their records.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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

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

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

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

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cyril Jasmin B. Valencia.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia
Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 1229-AR-1 (Group A),
May 12, 2015, valid until May 11, 2018
Tax Identification No. 162-410-623
BIR Accreditation No. 08-001998-74-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 6621337, January 9, 2018, Makati City

March 15, 2018

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cyril Jasmin B. Valencia.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 1229-AR-1 (Group A),
May 12, 2015, valid until May 11, 2018
Tax Identification No. 162-410-623
BIR Accreditation No. 08-001998-74-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 6621337, January 9, 2018, Makati City

March 15, 2018

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31 2017	December 31 2016
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 21 and 22)	₱3,778,408,492	₱1,327,790,727
Trade and other receivables (Notes 5, 15, 21 and 22)	1,675,801,822	1,526,719,330
Due from related parties (Notes 15, 21 and 22)	667,717,635	1,107,999,329
Available-for-sale investments (Notes 9, 21 and 22)	440,763,495	250,937,154
Prepayments and other current assets (Notes 6, 21 and 22)	446,131,160	388,089,197
Total Current Assets	7,008,822,604	4,601,535,737
Noncurrent Assets		
Property and equipment (Note 7)	976,053,401	840,476,927
Intangible assets (Note 8)	356,850,071	266,047,661
Available-for-sale investments (Notes 9, 21 and 22)	444,736,869	458,391,174
Deferred tax assets - net (Note 18)	289,524,039	274,380,370
Security deposits (Note 19)	255,426,919	226,255,209
Other noncurrent assets (Note 6)	92,164,97[illegible]	70,150,604
Total Noncurrent Assets	2,414,756,316	2,135,701,945
	₱9,423,578,920	₱6,737,237,682
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 10, 15, 21 and 22)	₱1,603,110,735	₱1,295,158,893
Due to related parties (Notes 15, 21 and 22)	2,542,585	18,254,029
Current portion of notes payable (Notes 12, 21 and 22)	440,050,000	666,715,500
Transmissions liability (Notes 11, 21 and 22)	588,203,656	467,284,795
Income tax payable	125,020,186	254,758,265
Current portion of lease liabilities (Notes 19, 21 and 22)	30,691,524	50,826,683
Total Current Liabilities	2,789,618,686	2,752,998,165
Noncurrent Liabilities		
Derivative liability (Notes 13, 21 and 22)	1,860,373,479	–
Bond payable (Notes 13, 21 and 22)	896,185,059	–
Retirement benefit liability (Note 20)	705,325,767	721,026,661
Notes payable - net of current portion (Notes 12, 21 and 22)	601,250,000	692,500,000
Lease liabilities - net of current portion (Notes 19, 21 and 22)	87,031,857	73,242,401
Other noncurrent liabilities (Notes 7, 8, 21 and 22)	118,327,055	34,477,440
Total Noncurrent Liabilities	4,268,493,217	1,521,246,502
	7,058,111,903	4,274,244,667
Equity (Note 14)		
Equity attributable to shareholders of the Parent Company		
Capital stock	1,425,865,471	1,425,865,471
Retained earnings	659,288,179	782,414,079
Accumulated comprehensive income	326,920,319	305,677,402
	2,412,073,969	2,513,956,952
Non-controlling interests	(46,606,952)	(50,963,937)
Total Equity	2,365,467,017	2,462,993,015
	₱9,423,578,920	₱6,737,237,682

See accompanying Notes to Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2017	2016	2015
SERVICE REVENUE (Note 23)	₱10,020,116,486	₱8,695,402,622	₱7,686,474,464
COST OF SERVICES (Note 16)	6,606,032,273	5,590,513,089	5,119,531,467
GROSS PROFIT	3,414,084,213	3,104,889,533	2,566,942,997
OPERATING EXPENSES (Note 17)	2,066,636,094	1,872,805,197	1,947,792,990
OTHER INCOME (CHARGES)			
Foreign exchange gains - net (Note 21)	91,981,180	143,233,568	108,110,678
Interest income (Notes 4 and 6)	16,169,689	2,365,500	1,539,555
Interest expense (Notes 12, 13, 15 and 19)	(136,816,952)	(63,493,537)	(43,314,537)
Loss on derivative (Note 13)	(199,950,820)	–	–
Others - net (Note 9)	7,938,629	10,900,924	1,447,367
	(220,678,274)	93,006,455	67,783,063
INCOME BEFORE INCOME TAX	1,126,769,845	1,325,090,791	686,933,070
PROVISION FOR INCOME TAX (Note 18)	418,854,463	411,150,046	270,632,174
NET INCOME	707,915,382	913,940,745	416,300,896
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement gains (losses) on retirement benefit plan - net of tax (Notes 14 and 20)	37,895,818	(11,989,538)	(42,898,526)
Items that may be reclassified to profit or loss in subsequent periods			
Unrealized fair value gain (loss) on available-for-sale investments (Notes 9 and 14)	(13,473,623)	246,305,907	(64,364,214)
Currency translation gain (loss) - net (Note 14)	(2,861,602)	725,098	9,394,034
	21,560,593	235,041,467	(97,868,706)
TOTAL COMPREHENSIVE INCOME	₱729,475,975	₱1,148,982,212	₱318,432,190
NET INCOME ATTRIBUTABLE TO:			
Shareholders of the Parent Company	₱703,876,073	₱921,605,612	₱439,811,552
Non-controlling interests	4,039,309	(7,664,867)	(23,510,656)
NET INCOME	₱707,915,382	₱913,940,745	₱416,300,896
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Shareholders of the Parent Company (Note 25)	₱725,118,990	₱1,158,871,864	₱343,474,642
Non-controlling interests	4,356,985	(9,889,652)	(25,042,452)
TOTAL COMPREHENSIVE INCOME	₱729,475,975	₱1,148,982,212	₱318,432,190
EARNINGS PER SHARE (Note 25)			
Basic/Diluted	₱0.49	₱0.65	₱0.31

See accompanying Notes to Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Notes 1 and 14)	Retained Earnings (Note 14)	Accumulated Comprehensive Income (Note 14)	Total	Non-controlling Interests	Total Equity
	For the Year Ended December 31, 2017					
Balances as of January 1, 2017	₱1,425,865,471	₱782,414,079	₱305,677,402	₱2,513,956,952	(₱50,963,937)	₱2,462,993,015
Comprehensive income:						
Net income	–	703,876,073	–	703,876,073	4,039,309	707,915,382
Other comprehensive income	–	–	21,242,917	21,242,917	317,676	21,560,593
Total comprehensive income	–	703,876,073	21,242,917	725,118,990	4,356,985	729,475,975
Dividends declared	–	(827,001,973)	–	(827,001,973)	–	(827,001,973)
Balances as of December 31, 2017	₱1,425,865,471	₱659,288,179	₱326,920,319	₱2,412,073,969	(₱46,606,952)	₱2,365,467,017

	Capital Stock (Notes 1 and 14)	Retained Earnings (Note 14)	Accumulated Comprehensive Income (Note 14)	Total	Non-controlling Interests	Total Equity
	For the Year Ended December 31, 2016					
Balances as of January 1, 2016	₱1,425,865,471	₱174,498,871	₱68,411,150	₱ 1,668,775,492	(₱41,074,285)	₱1,627,701,207
Comprehensive income:						
Net income (loss)	–	921,605,612	–	921,605,612	(7,664,867)	913,940,745
Other comprehensive income (loss)	–	–	237,266,252	237,266,252	(2,224,785)	235,041,467
Total comprehensive income (loss)	–	921,605,612	237,266,252	1,158,871,864	(9,889,652)	1,148,982,212
Dividends declared	–	(313,690,404)	–	(313,690,404)	–	(313,690,404)
Balances as of December 31, 2016	₱1,425,865,471	₱782,414,079	₱305,677,402	₱2,513,956,952	(₱50,963,937)	₱2,462,993,015

	Capital Stock (Notes 1 and 14)	Additional Paid-In-Capital (Notes 2 and 14)	Retained Earnings (Notes 2 and 14)	Accumulated Comprehensive Income (Loss) (Note 14)	Equity Reserve (Note 2)	Total	Non-controlling Interests	Total Equity
	For the Year Ended December 31, 2015							
Balances as of January 1, 2015	₱40,899,000	₱71,081,190	₱133,861,985	₱164,748,060	₱929,200,314	₱1,339,790,549	(₱13,925,063)	₱1,325,865,486
Issuance of capital stocks	1,384,966,471	–	–	–	–	1,384,966,471	–	1,384,966,471
Share issuance cost	–	(15,660,863)	–	–	–	(15,660,863)	–	(15,660,863)
Effect of pooling-of-interest	–	–	–	–	(1,383,795,307)	(1,383,795,307)	–	(1,383,795,307)
Equity reserve closed to additional paid-in-capital and retained earnings	–	(55,420,327)	(399,174,666)	–	454,594,993	–	–	–
Comprehensive income:								
Net income (loss)	–	–	439,811,552	–	–	439,811,552	(23,510,656)	416,300,896
Other comprehensive loss	–	–	–	(96,336,910)	–	(96,336,910)	(1,531,796)	(97,868,706)
Total comprehensive income (loss)	–	–	439,811,552	(96,336,910)	–	343,474,642	(25,042,452)	318,432,190
Decrease in non-controlling interest	–	–	–	–	–	–	(2,106,770)	(2,106,770)
Balances as of December 31, 2015	₱1,425,865,471	₱–	₱174,498,871	₱68,411,150	₱–	₱1,668,775,492	(₱41,074,285)	₱1,627,701,207

See accompanying Notes to Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,126,769,845	₱1,325,090,791	₱686,933,070
Adjustments for:			
Depreciation and amortization (Notes 7, 8, 16 and 17)	320,756,856	295,345,105	259,384,441
Loss on derivative (Note 13)	199,950,820	–	–
Interest expense (Notes 12, 13, 15 and 19)	136,816,952	63,493,537	43,314,537
Retirement expense, net of benefits paid and contribution to retirement plan (Notes 16, 17 and 20)	38,435,988	62,086,673	38,622,205
Unrealized foreign exchange gain (loss) - net	14,975,028	(3,949,023)	(170,476)
Gain on disposal of property and equipment and intangible assets (Notes 7 and 8)	(2,145,151)	(443,662)	(1,736,918)
Realized gain on redemption/sale of available-for-sale investments	(4,361,295)	(579,059)	–
Interest income (Notes 4 and 6)	(16,169,689)	(2,365,500)	(1,539,555)
Operating income before changes in working capital	1,815,029,354	1,738,678,862	1,024,807,304
Changes in working capital:			
Decrease (increase) in:			
Trade and other receivables	(146,353,368)	(59,959,808)	(17,585,364)
Prepayments and other current assets	(58,041,963)	55,215,242	(173,309,862)
Security deposits	(29,171,710)	(16,324,275)	(37,118,892)
Increase (decrease) in:			
Accounts and other payables (Notes 7, 8 and 24)	263,449,497	(538,852,457)	85,268,161
Transmissions liability	120,918,861	(40,854,962)	149,181,428
Net cash generated from operations	1,965,830,671	1,137,902,602	1,031,242,775
Interest received	13,440,565	2,365,500	1,539,555
Income tax paid	(579,977,276)	(331,353,486)	(99,689,702)
Net cash provided by operating activities	1,399,293,960	808,914,616	933,092,628
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Redemption of investments in UITF classified as available-for-sale investments (Note 9)	1,206,361,295	150,000,000	–
Disposal of property and equipment and intangible assets	5,639,892	13,454,663	17,707,641
Sale of available-for-sale investments	–	991,525	–
Acquisitions of:			
Intangible assets (Notes 8 and 24)	(38,449,650)	(20,471,368)	(36,693,506)
Property and equipment (Notes 7 and 24)	(354,905,072)	(294,255,624)	(312,060,184)
Available-for-sale investments (Note 9)	(1,394,016,400)	(400,757,920)	–
Increase in other noncurrent assets (Note 6)	(13,014,373)	(8,344,513)	(6,445,494)
Increase in due from related parties (Note 24)	(259,183,593)	(51,967,085)	(523,484,110)
Advances to a stockholder (Note 1)	–	–	(58,805,165)
Payment of cash to effect reverse acquisition	–	–	(1,325,865,801)
Net cash used in investing activities	(₱847,567,901)	(₱611,350,322)	(₱2,245,646,619)

(Forward)

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of convertible bond (Notes 13 and 24)	₱2,505,658,750	₱–	₱–
Proceeds from notes payable	369,899,521	1,423,701,286	1,791,790,300
Proceeds from issuance of stocks (net of stock issuance cost)	–	–	1,369,305,608
Decrease in due to related parties (Note 24)	(15,711,444)	371,346	187,200,107
Payments of lease and other noncurrent liabilities (Note 24)	(45,924,991)	(53,894,808)	(84,858,055)
Interest paid (Note 24)	(75,601,767)	(61,773,899)	(43,314,537)
Dividends paid (Note 24)	(127,536,686)	(48,375,985)	–
Payments of notes payable (Notes 12 and 24)	(687,815,021)	(1,105,103,619)	(1,465,952,467)
Net cash provided by financing activities	1,922,968,362	154,924,321	1,754,170,956
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,474,694,421	352,488,615	441,616,965
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(24,076,656)	(3,800,377)	9,570,984
CASH OF THE PARENT COMPANY UPON OBTAINING CONTROL	–	–	23,120
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,327,790,727	979,102,489	527,891,420
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱3,778,408,492	₱1,327,790,727	₱979,102,489

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

LBC Express Holdings, Inc. (referred to as the "Parent Company" or "LBCH"), formerly Federal Resources Investment Group Inc. (FED), was registered with the Securities and Exchange Commission (SEC) on July 12, 1993 with a corporate life of 50 years.

The ultimate parent of the Parent Company is LBC Development Corporation (LBCDC).

The Parent Company undertook an Initial Public Offering and on December 21, 2001, LBCH's shares were listed on the Philippine Stock Exchange (PSE).

The Parent Company invests, purchases or disposes real and personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation, association, domestic and foreign.

The Parent Company is a public holding company with investments in businesses of messengerial either by sea, air or land of letters, parcels, cargoes, wares, and merchandise; acceptance and remittance of money, bills payment and the like; and performance of other allied general services from one place of destination to another within and outside of the Philippines.

The Parent Company's registered office address is at LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila, Philippines.

On April 22, 2015, the Parent Company received deposits for future stocks subscription from LBCDC amounting to ₱59,100,000.

On April 23, 2015, the Board of Directors (BOD) of the Parent Company approved the issuance of 59,101,000 common shares, at ₱1.00 per share, out of the unissued portion of the Parent Company's authorized capital stock to LBCDC.

On May 18, 2015, the Parent Company and LBCDC entered into a Deed of Subscription, whereby LBCDC, subject to the completion of the mandatory tender offer, subscribed to 59,101,000 common shares out of the unissued authorized capital stock of the Parent Company or approximately 59.10% of the total authorized capital stock of the Parent Company by applying the deposits for future stocks subscription received on April 22, 2015 as the consideration for the subscribed shares at one peso (₱1.00) per share. Accordingly, on the same date, the Parent Company's previous officers and directors resigned from their respective positions and majority were replaced by the representatives from LBCDC.

On May 18, 2015, a former stockholder entered into a Deed of Assumption of Advances with LBCDC; wherein, LBCDC agreed to assume the cash advances from the Parent Company by a former stockholder which transpired on April 28, 2015 amounting to ₱58,805,165. Accordingly, the Parent Company agreed to such assumption.

On May 22, 2015, LBCDC filed with the SEC its mandatory tender offer report for all the outstanding shares of the Company for a tender offer price of one peso (₱1.00) per share. The mandatory tender offer period commenced on June 8, 2015 and ended on July 7, 2015, during which period, none of the Tender Offer Shares were tendered by the shareholders of the Parent Company.

On July 14, 2015, LBCDC filed with the SEC its final tender offer report. With the completion of the Tender Offer, LBCDC now owns 59,101,000 common shares representing approximately 59.10% of the issued and outstanding and authorized capital stock of the Parent Company.

On July 22, 2015, the Parent Company issued the stock certificates to LBCDC covering the 59,101,000 common shares subject of the said subscription.

On July 29, 2015 and September 4, 2015, the BOD and stockholders, respectively, approved the following resolutions on the amendment to Charter, By-Laws and other documents:

- The change in the name of Parent Company to "LBC Express Holdings, Inc.";
- The amendment of the secondary purpose of Parent Company which is primarily to align the purpose to that of a holding company;
- The transfer of Parent Company's principal office address to LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila, Philippines;
- The increase in the number of directors of Parent Company from seven to nine;
- The increase in the authorized capital stock of Parent Company from ₱100,000,000 divided into 100,000,000 shares with par value of ₱1.00 per share up to ₱3,000,000,000 divided into 3,000,000,000 shares with par value of ₱1.00 per share;
- The change in the fiscal year of Parent Company from calendar year to first day of December of each year to the last day of November of the succeeding year; and
- The definition of dividends.

On July 29, 2015, the BOD approved the change of the trading symbol of the Parent Company's shares in the PSE from "FED" to "LBC".

On September 18, 2015, the BOD determined and fixed the amount of the increase in authorized capital stock of Parent Company from ₱100,000,000 divided into 100,000,000 shares with par value of ₱1.00 per share to ₱2,000,000,000 divided into 2,000,000,000 with par value of ₱1.00 per share, and authorized the filing of the increase in authorized capital stock with the SEC.

Moreover, the BOD of Parent Company, in meetings held on July 29, 2015, September 18, 2015 and October 2, 2015, as relevant, and the stockholders of LBCH in the annual general meeting held on September 4, 2015, also approved among others the following transactions:

- The acquisition by the Parent Company of 1,041,180,493 issued and outstanding shares of LBC Express, Inc. (LBCE) at a book value as reflected in the consolidated audited financial statements of LBCE as of November 30, 2014, which book value shall not be less than ₱1,000,000,000 or such other consideration and under such terms and conditions as management may deem beneficial to the interest of the Parent Company;
- The issuance of 475,000,000 new Parent Company shares to LBCDC at the subscription price of ₱1.00 per share out of the increase in authorized capital stock from ₱100,000,000 to ₱2,000,000,000;
- The issuance of 671,873,632 new Parent Company shares to LBCDC out of the increase in authorized capital stock, immediately following the approval by the SEC of the increase in authorized capital stock at the subscription price of ₱1.00 per share, under such terms and conditions as management may deem beneficial;

- The issuance of (i) 59,663,947 shares to Vittorio Lim, (ii) 59,663,946 shares to Mariano D. Martinez, Jr. and (iii) 59,663,946 shares to Lowell L. Yu, or an aggregate of 178,991,839 common shares, from the unissued authorized capital stock of the Parent Company, immediately following the approval by the SEC of the increase in authorized capital stock at the subscription price of ₱1.00 per share, under such terms and conditions as management may deem beneficial.

The foregoing issuances of stocks to LBCDC and/or other investors and/or third parties (with reference to LBCDC or LBCE) was for the purpose of:

- Primarily funding the acquisition by Parent Company of LBCE;
- Funding the acquisition of other potential investments, whether or not related to the business of LBCE; and
- Ensuring compliance by the Parent Company with the minimum public ownership requirements of the PSE.

On September 18, 2015, LBCDC subscribed to 25% of 1,900,000,000 increase in authorized capital stock or equivalent to 475,000,000 common shares at the subscription price of ₱1.00 per share, ₱177,555,495 of which, is immediately paid in cash, conditioned upon and effective immediately following the approval by the SEC of the increase in authorized capital stock.

On the same date, LBCDC subscribed to additional 671,873,632 common shares out of the unissued capital stock of the Parent Company at the subscription price of ₱1.00 per share, in exchange for cash, conditioned upon and effective immediately following the approval by the SEC of the increase in authorized capital stock.

On September 22, 2015, the Parent Company submitted an application for the increase in authorized capital stock from one hundred million pesos (₱100,000,000) divided into one hundred million (100,000,000) shares with par value of one peso (₱1.00) per share to two billion pesos (₱2,000,000,000) divided into two billion number of shares with par value of one peso (₱1.00) per share. On the same date, the amendments to the Articles of Incorporation and By-Laws, except for the change in fiscal year, were likewise submitted to the SEC.

In a Deed of Transfer dated September 24, 2015, the Parent Company purchased from LBCDC the shares of stock of LBCE at a total cash consideration of ₱1,384,670,966. It was also previously agreed that the Parent Company's advances payable by LBCDC amounting to ₱58,805,495 will be offset against the remaining unpaid balance.

On October 2, 2015, certain individuals subscribed to a total of 178,991,839 common shares out of the unissued capital stock of LBCH at the subscription price of ₱1.00 per share, in exchange for cash, conditioned upon and effective immediately following the approval by the SEC of the increase in authorized capital stock.

On October 12, 2015, SEC approved the increase in authorized capital stock of the Parent Company. On the same date, SEC issued a certificate of filing of the Parent Company's amended Articles of Incorporation and amended By-Laws.

On October 16, 2015, the Parent Company issued the stock certificates to LBCDC covering the 1,146,873,632 common shares while on October 21, 2015 the Parent Company issued the stock certificates to certain individuals covering 178,991,839 common shares.

The accompanying consolidated financial statements of the Parent Company and its subsidiaries have been approved and authorized for issue by the Group's BOD on March 15, 2018.

2. Summary of Significant Accounting and Financial Reporting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been constantly applied to all years presented, unless otherwise stated.

Basis of Preparation
The consolidated financial statements of the Group have been prepared using the historical cost basis except for available-for-sale (AFS) investments and derivatives that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is also the Group's functional currency. All amounts are rounded off to the nearest peso unit unless otherwise indicated.

Difference in accounting periods
The Group consolidated the non-coterminous financial statements of its subsidiaries using their November 30 fiscal year end financial statements since it is impracticable for the said subsidiaries to prepare financial statements as of the same date as the reporting date of the Parent Company.

Management exercised judgment in determining whether adjustments should be made in the consolidated financial statements of the Group pertaining to the effects of significant transactions or events of its subsidiaries that occur between December 1, 2017 and the year-end date of the Parent Company's financial statements which is December 31, 2017. The consolidated financial statements were adjusted to effect LBCE's additional availment and settlement of bank loans in December 2017 amounting to ₱150.00 million and ₱161.25 million, respectively; the additional placement and termination of unquoted AFS investment in December 2017 amounting to ₱100.12 million and ₱40.07 million, respectively, the adjustment to reflect the increase in fair value of quoted AFS investment by ₱27.31 million for the period December 1 to December 31, 2017, and the recognition of marketable securities and other short-term investment under 'Prepaid and other current assets' in December 2017 amounting to ₱4.02 million and ₱0.40 million, respectively.

In December 2016, the consolidated financial statements were adjusted to effect LBCE's additional availment and settlement of bank loans amounting to ₱136.72 million and ₱246.24 million, respectively; the adjustment to reflect the increase in fair value of quoted AFS investment by ₱50.72 million for the period December 1 to December 31, 2016, and the settlement of advances to an affiliate on December 21, 2016 amounting to ₱198.00 million.

Aside from these, there were no other significant transactions that transpired between December 1, 2017 to December 31, 2017, and between December 1, 2016 to December 31, 2016.

Reverse acquisition
On September 24, 2015, the Parent Company completed the acquisition of LBCE through a cash transaction (see Note 1). For accounting purposes, the transaction was accounted for similar to a reverse acquisition following Philippine Financial Reporting Standard (PFRS) 3, *Business Combination*. LBCE was deemed to be the accounting acquirer under the principles of PFRS 3. In a reverse acquisition, the legal acquirer is identified as the acquiree for accounting purposes because based on the substance of the transaction, the legal acquiree is adjudged to be the entity that gained control over the legal acquirer. Accordingly, the consolidated financial statements of the Group have been prepared as a continuation of the consolidated financial statements of LBCE. The comparative December 31, 2015 information presented in the consolidated statements of comprehensive income

are those of LBCE from December 1, 2014 to November 30, 2015 and the Parent Company from July 22, 2015 to November 30, 2015. Because the consolidated financial statements represent a continuation of the consolidated financial statements of LBCE, except for their capital structure, the consolidation will reflect the following:

Before the asset purchase transaction (as at and for the year ended December 31, 2014)

a) the assets and liabilities of LBCE recognized and measured at their carrying amounts, not at their acquisition-date fair values;
b) the retained earnings and other equity balances are that of LBCE;
c) the total equity is that of LBCE but the legal capital (common shares and additional paid-in capital) would be that of the Parent Company;
d) the resulting equity reserve represents (1) the difference between the legal capital of LBCE and the legal capital of the Parent Company; and (2) and the subsequent movement in legal capital of LBCE; and
e) the consolidated statement of comprehensive income reflects that of LBCE for the full period and that of LBCH from the date of incorporation.

After the asset purchase transaction (as at and for the year ended December 31, 2015)

a) the transferred assets and liabilities of LBCE recognized and measured at the pre-combination carrying amounts, not at acquisition-date fair values;
b) legal capital of the Parent Company;
c) the retained earnings of LBCE as of December 1, 2014 and accumulated comprehensive income of the Parent Company from July 22, 2015 to December 31, 2015 and LBCE from December 1, 2014 to November 30, 2015;
d) the comparative consolidated statement of comprehensive income reflected that of LBCE from December 1, 2014 to November 30, 2015, and the statement of comprehensive income of the Parent Company from July 22, 2015 to December 31, 2015.

Impact of the share purchase agreement which was executed on September 24, 2015 to the consolidated financial statements

The effect of the execution of the deed of transfer was reflected in the consolidated financial statements as movement in equity, as follows:

Investment recognized by the Parent Company	₱1,384,670,966
Net assets of the Parent Company	875,659
	₱1,383,795,307

The effect of pooling of interest of ₱1,383.80 million is applied against net available APIC of ₱55.42 million, and the remaining amount of ₱399.17 million is applied against retained earnings.

The rollforward analysis of Equity Reserve are as follows:

As of January 1, 2014	₱57,794,310
Movement in legal capital of LBCE arising from dividends declared closed to equity reserve	871,406,004
As of December 31, 2014	929,200,314
Effect of pooling-of-interest	(1,383,795,307)
Total	(454,594,993)
Closed to APIC	55,420,327
Closed to retained earnings	399,174,666
As of December 31, 2015	₱–

The accounting similar to a reverse acquisition applies only to the consolidated financial statements. The Parent Company financial statements will continue to represent LBC Express Holdings, Inc. as a stand-alone entity.

Basis of Consolidation

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions, including income, expenses and dividends, are eliminated in full. The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31, 2017, 2017 and 2016. Control is achieved when the Group 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 Group controls an investee if and only if the Group 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 Group 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 consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Non-controlling interests (NCI) represent the portion of profit or loss and net assets in subsidiaries not owned by the Group and are presented separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from the Parent Company's equity.

Any equity instruments issued by a subsidiary that are not owned by LBCH are non-controlling interests including preferred shares and options under share-based transactions.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of LBCH 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 in 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 LBCH'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

The consolidated financial statements include the financial statements of LBCH and the following subsidiaries:

	Country of incorporation	Principal activities	Ownership Interest	
			2017	2016
LBC Express, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - MM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - CL, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - NL, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - VIS, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - SL, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - SCS, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express Corporate Solutions, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - CMM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - EMM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - MIN, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - SMM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - SEL, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - WVIS, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - SEM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - SCC, Inc.	Philippines	Logistics and money remittance	100%	100%
South Mindanao Courier Co., Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - NEMM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - NWMM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Systems, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express Bahrain, LLC	Bahrain	Logistics	49%	49%
LBC Express WLL	Kuwait	Logistics	49%	49%
LBC Express LLC [1]	Qatar	Logistics	49%	49%

Note:
1) This entity is a subsidiary of LBC Express WLL which has 49% ownership interest.

There were no changes in the Parent Company's ownership interests in its subsidiaries from January 1, 2014 to December 31, 2017.

Non-Controlling Interests
As at November 30, 2017, the Group has subsidiaries with non-controlling interests. Percentage of equity held by non-controlling interests in 2017 and 2016 are as follows:

	Country of incorporation	2017	2016
LBC Express Bahrain, LLC	Bahrain	51%	51%
LBC Express WLL	Kuwait	51%	51%
LBC Express LLC	Qatar	26%	26%

Business Combination and Goodwill
Business combinations are accounted for using the acquisition method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any noncontrolling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed in the consolidated statement of comprehensive income.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units.

Each unit or group of units to which the goodwill is allocated:
- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with PFRS 8, *Operating Segment*.

Where goodwill forms part of a cash-generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill or profit or loss is recognized as a result.

Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended standards and improvements to PFRS which the Group has adopted starting January 1, 2017.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

  The adoption of these amendments did not have any impact on the Group's consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

  The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

  The Group has provided the required information in Note 24 to the consolidated financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the years ended December 31, 2016 and 2015.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. These amendments do not have any impact on the Group's financial statements.

Standards issued but not yet effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its interim condensed consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  The Group has assessed that the adoption of these amendments will not have impact to its consolidated financial statements because it does not have share-based payment arrangements.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Group plans to adopt the new standard on the mandatory effective date.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption is expected to impact the assessment of the Group's credit losses amount.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

  The Group is currently assessing the impact of this Standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

  These amendments are not expected to have any impact to the Group.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

  These amendments are not expected to have any impact to the Group.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  The Group is currently assessing the impact of the adoption of the interpretation in its consolidated financial statements.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

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

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group plans to adopt the new standard ~~on the required effective~~ date once adopted locally. This standard is expected to significantly impact its leasing arrangements as lessee for its branches which are currently accounted for as operating leases, as the Group is already required to recognize the right of use assets and liabilities in its statements of financial position. It will also increase disclosures in the financial statements. The Standard does not have significant impact as a lessor.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  These amendments are not expected to have any impact to the Group.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - whether an entity considers uncertain tax treatments separately
  - the assumptions an entity makes about the examination of tax treatments by taxation authorities
  - how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - how an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

  These amendments are not expected to have any impact to the Group.

Significant Accounting Policies and Disclosures

Cash and Cash Equivalents
Cash and cash equivalents are stated at face value. Cash includes cash on hand and cash 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 the dates of placement and that are subject to an insignificant risk of changes in value. Cash in banks and cash equivalents earn interest at prevailing bank deposit rates.

Fair Value Measurement
The Group measures financial instruments at fair value at each reporting date.

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 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 nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset on the 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 consolidated 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
- 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 consolidated 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 the end of each reporting period.

Financial Assets and Financial 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. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, which is the date when the Group commits to purchase or sell the asset.

Initial recognition of financial assets and financial liabilities
All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets within the scope of PAS 39 in the following categories: financial assets at FVPL, held-to-maturity (HTM) financial assets, AFS financial assets and loans and receivables. Financial liabilities are classified into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the financial assets were acquired or financial liabilities incurred and whether they are quoted in an active market.

The Group determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As of December 31, 2017 and 2016, the Group's financial assets and financial liabilities are of the nature of loans and receivables, AFS financial assets and derivative liability, bond payable and other financial liabilities, respectively.

Determination of fair value
The fair value of financial assets and financial liabilities traded in active markets is based on quoted market price at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily of listed equity investments as AFS.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

'Day 1' difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income 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 and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. The amortization is included in the interest income in the consolidated statement of comprehensive income. The losses arising from impairment of such loans and receivables are recognized as provision for impairment losses in the Group's consolidated statement of comprehensive income.
Loans and receivables are included in current assets if maturity is within twelve months from the reporting date. Otherwise, these are classified as noncurrent assets.

As of December 31, 2017 and 2016, the Group's loans and receivables include cash and cash equivalents, trade and other receivables (except advances to officers and employees), due from related parties, and short-term investments under prepayments and other current assets.

Available-for-sale financial assets
AFS financial assets pertain to equity investments. Equity instruments classified as AFS are those that are neither classified as held for trading nor designated as FVPL.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited to unrealized gain (loss) on AFS financial assets account until the investment is derecognized, at which time the cumulative gain or loss is recognized in other income, or the investment is determined to be impaired, when the cumulative loss is reclassified from unrealized gain (loss) on AFS financial assets account to the consolidated statement of profit or loss in other expenses. Dividend earned whilst holding AFS financial assets is reported as dividend income.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of comprehensive income.

Embedded derivatives
An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group first becomes a party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives are bifurcated from their host contracts, when the following conditions are met:
(a) the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial assets and liabilities at FVPL;
(b) when their economic risks and characteristics are not closely related to those of their respective host contracts; and
(c) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. Changes in fair values are included in profit or loss. The embedded derivatives of the Group pertains to the equity conversion and redemption options components of the issued convertible debt instrument (see Note 13).

Other financial liabilities
Other financial liabilities pertain to financial liabilities not classified or designated as financial liabilities at FVPL where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash.

After initial measurement, other financial 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 integral parts of the effective interest rate.

As of December 31, 2017 and 2016, the Group's other financial liabilities include accounts and other payables (excluding statutory liabilities), due to related parties, notes payable, transmissions liability, finance lease liabilities, other noncurrent liabilities and bond payable.

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of similar financial assets is impaired. A financial asset or a group of similar financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of similar financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of similar financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for group of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. 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 for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of estimated cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the consolidated statement of comprehensive income. Interest income continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of 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 consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as customer type, payment history, past-due status and term.

Future cash flows in a group of similar financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

Available-for-sale financial assets
The Group assesses at each reporting date whether there is objective evidence that investment is impaired. In the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Generally, the Group treats 'significant' as 20% or more and 'prolonged' as greater than twelve months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss is removed from equity and recognized in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss, but its increases in the fair value after impairment are recognized directly in other comprehensive income.

Derecognition of Financial Assets and Financial Liabilities
Financial asset
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:
a) the rights to receive cash flows from the asset have expired, or
b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay,

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Group's consolidated statement of comprehensive income.

Offsetting of Financial Assets and Financial Liabilities
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Prepayments and Other Assets
Prepayments substantially consisting of rent and advertising are recognized in the event that payment has substantially been made in advance for the purchase of goods or services for which delivery or performance has not yet occurred. Prepayments are measured at undiscounted amounts and derecognized in the consolidated statement of financial position as they expire with the passage of time, or through use and consumption.

Materials and supplies consist of the supplies, inks, packing materials and receipt used in the Group's operations. Materials and supplies are initially measured at the cost of purchase, which comprise the purchase price less trade discounts, rebates and other similar deductions. Materials and supplies are subsequently measured at the lower of cost and net realizable value. Cost is determined using average cost formula. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Materials and supplies are derecognized when consumed.

Other assets in the form of input value-added tax and creditable withholding tax are recognized as assets to the extent it is probable that the benefit will flow to the Group. These are derecognized when there is a legally enforceable right to apply the recognized amounts against the related tax liability within the period prescribed by the relevant tax laws.

Input Value-Added Taxes (VAT)
Input tax represents the VAT due or paid on purchases of goods and services subjected to VAT that the Group can claim against any future liability to the Bureau of Internal Revenue (BIR) for output VAT on sale of goods and services subjected to VAT. The input tax can also be recovered as tax credit under certain circumstances against future income tax liability of the Group upon approval of the BIR and/or Bureau of Customs. Input tax is stated at its estimated net realizable values. A valuation allowance is provided for any portion of the input tax that cannot be claimed against output tax or recovered as tax credit against future income tax liability. Input tax is recorded under current and noncurrent assets in the statement of financial position.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position up to the extent of the recoverable amount.

Creditable withholding taxes
Creditable withholding taxes (CWTs) are amounts withheld from income, which are applied as credit against income taxes, subject to documentary requirements. Creditable withholding taxes that are expected to be utilized as payment for income taxes within 12 months are classified as current asset.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price, taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization is calculated on a straight-line method over the following estimated useful lives of the property and equipment:

	Years
Computer hardware	3 to 5
Furniture, fixtures and office equipment	3 to 5
Transportation equipment	3 to 10
Leasehold improvements	2 to 8 or lease term (whichever is shorter)

Construction in progress is stated at cost. Construction in progress is not depreciated until such time as the relevant assets are completed and available for use.

The assets' residual value, estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment. The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

When property and equipment 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 (calculated as the difference between the net disposal proceeds and the carrying amount of the property and equipment) is credited to or charged against profit or loss in the year the property and equipment is derecognized.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the consolidated statement of comprehensive income in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category that is consistent with the function of the intangible assets. The useful life of the Group's software is three to five years.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in operating expenses. During the period of development, the asset is tested for impairment annually.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Employee Benefits

The Group has a noncontributory defined retirement benefit plan. The net defined retirement benefit liability or asset is the aggregate of the present value of the defined retirement benefit liability at the end of 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 plan is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- service costs
- 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 an independent qualified actuary.

Net interest on the net defined retirement benefit liability or asset is the change during the period in the net defined retirement 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 retirement benefit liability or asset. Net interest on the net defined retirement benefit liability or asset is recognized as expense or income in profit or loss.

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 retirement benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements recognized in OCI account, "Remeasurement gains (losses) on retirement benefit plan", are not reclassified to 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 liabilities). If the fair value of the plan assets is higher than the present value of the defined retirement benefit liability, the measurement of the resulting defined retirement 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.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit retirement liability is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefits
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either the Group's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave credits in excess of 45 days is expected to be settled wholly within twelve months after the end of the annual reporting date. Earned leave credits of 45 days is recognized as a liability and settled when the employee leaves the Group subject to certain conditions.

Equity
The Group considers the underlying substance and economic reality of its own equity instruments and not merely its legal form in determining its proper classification.

Capital stock
The Group records common stocks at par value and the amount of the contribution in excess of par value is accounted for as an additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds.

Retained earnings
Retained earnings represent accumulated earnings of the Group less dividends declared, and any adjustments arising from application of new accounting standards, policies or corrections of errors applied retrospectively. Dividends on common stocks are recognized as a liability and deducted from equity when declared.

Equity reserve
Equity reserve is the result of the application of similar to a pooling-of-interest which represents the difference between the legal capital of the legal acquiree/accounting acquirer as against the legal capital of the legal acquirer/accounting acquiree.

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 regardless when the payment is being made. Revenue is measured at the fair value of the consideration received, excluding discounts, returns, rebates and sales tax. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent.

The following specific recognition criteria must also be met before revenue is recognized:

Service fees
The Group recognizes revenue from inbound and outbound courier, cargo and money transfer facilities when services are rendered and delivered, risk and rewards are transferred to customers and collection of amounts billed to customers are reasonably assured.

Service arising from money transfer is considered to have been rendered when the principal amount of money has been transferred to the intended branch and the same is ready for withdrawal by the intended beneficiary.

Interest income
Interest income is recognized on a time-proportion basis using the effective interest method. Interest income from bank deposits is presented net of applicable tax withheld by the banks.

Other income
Other income is recognized when earned.

Cost and Expense Recognition

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

Cost and expenses are recognized in the consolidated statement of comprehensive income:

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

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 the 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 specific 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 gives 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
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date, the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognized as an operating expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Income Taxes
The tax expense for the period comprises of current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity.

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 have been enacted or substantively enacted at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided using the balance sheet liability method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and net operating losses carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from MCIT and NOLCO can be utilized.

Deferred tax assets are not recognized when they arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting income nor taxable income or loss. Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures.

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 future taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Movements in the deferred tax assets and liabilities arising from changes in tax rates are credited to or charged against income for the period.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

Foreign Currency-Denominated Transactions and Translations

Foreign currency transactions are recorded in Philippine Peso at prevailing exchange rates at the time of the transactions. Exchange gains or losses resulting from foreign currency transactions are credited or charged to current operations. Foreign currency-denominated monetary assets and liabilities of the Group are translated to Philippine Peso using the Philippine Dealing and Exchange Corporation closing rate at the reporting date. Foreign exchange differences arising from foreign currency translation are also credited or charged to consolidated statement of comprehensive income.

The results and financial position of all the Group's branches outside the Philippines (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
(ii) income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
(iii) all resulting exchange differences are recognized in other comprehensive income.

Earnings Per Share ("EPS")

Basic EPS is calculated by dividing income applicable to common shares by the weighted average number of common shares outstanding during the year with retroactive adjustments for stock dividends. Diluted EPS is computed in the same manner as basic EPS, however, net income attributable to common shares and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

Segment Reporting

The Executive Committee is the Group's chief operating decision-maker. Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee. The Executive Committee, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

Provisions

Provisions are recognized 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. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of comprehensive income net of any reimbursement. Provisions are included in current liabilities, except for those with maturities greater than 12 months after the reporting period, which are then classified as noncurrent liabilities. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is recognized in profit or loss.

Contingencies

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

Events after the Reporting Date

Post year-end events up to the date when the consolidated financial statements are authorized for issue that provide additional information about the Group's position at each reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements, when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Management believes the following represent a summary of these significant judgments, estimates and assumptions:

Judgments

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

Consolidation of entities in which the Group holds less than 50% ownership

LBCE has assessed that it controls the entities in Bahrain, Kuwait and Qatar even at 49% ownership due to the following reasons:

(a) it has the power to direct the relevant activities (e.g. operations, hiring of people, setting up of rates) of the entities. It has the full discretion on its day to day operations and decides on major transactions these entities enter into.
(b) it is exposed to variable returns of the entities.
(c) given its participation in the relevant activities of the entities, it is able to affect the returns of the entities.

Determining functional currency
LBCH and its subsidiaries have determined that their functional currency is the Philippine Peso, except for LBC Express WLL, LBC Express Bahrain WLL and LBC Express LLC which are in Kuwaiti Dinar, Bahraini Dinar and Qatari Riyal, respectively. It is the currency of the primary economic environment in which the entities operate.

Lease commitments - Group as lessee
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.

Management exercises judgment in determining whether substantially all the significant risks and rewards of ownership of the leased assets are transferred to the Group. Lease contracts, which transfer to the Group substantially all the significant risks and rewards incidental to ownership of the leased items, are classified as finance lease. Otherwise, these are considered as operating leases.

The Group has entered into various lease arrangements for its business operations (see Note 19). In determining whether the lease is cancellable or not, the Group considered, among others, the significance of the lease term as compared with the estimated useful life of the related asset. The Group has determined, based on an evaluation of the terms and conditions of the arrangement, that the lessor retains all the significant risks and rewards of ownership of the leased property and so accounts for the contract as operating lease.

For leases involving transportation equipment, the Group has determined that it retains all significant risks and rewards of ownership of the leased properties and so accounts for the contracts as finance lease.

Determining provisions and contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolutions of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

No provision for probable losses arising from legal contingencies was recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016 (see Note 26).

Estimates and Assumptions
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 described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Estimating allowance for doubtful accounts
The Group reviews its loans and receivables, including unbilled receivables, at each financial reporting date to assess whether an allowance for impairment should be recorded in the consolidated statement of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance

required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes in the allowance.

The Group evaluates specific balances where management has information that certain amounts may not be collectible. In these cases, the Group uses judgment, based on available facts and circumstances, and a review of the factors that affect the collectability of the accounts including, but not limited to, the age and status of the receivables, collection experience and past loss experience. The review is made by management on a continuing basis to identify accounts to be provided with allowance. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies. An increase in allowance for doubtful accounts would increase the recorded operating expenses and decrease current assets.

Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱1,675.80 million and ₱1,526.72 million as of December 31, 2017 and 2016, respectively (see Note 5).

Estimating useful lives of property and equipment
The Group estimates the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property and equipment based on expected asset utilization and historical experience. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property and equipment would increase the recorded depreciation and decrease the carrying value of property and equipment.

The carrying amount of property and equipment amounted to ₱976.05 million and ₱840.48 million as of December 31, 2017 and 2016, respectively (see Note 7).

Estimating pension cost
The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and attrition. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rate of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation adjusted based on the manner of cash outflow of settling the pension liability.

The mortality rate is based on publicly available mortality tables in the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increases is based on expected salary rate increase over the duration of the obligation. Attrition rate is based on historical experiences. Further details about the assumptions used are provided in Note 20.

The carrying amount of pension liabilities, net of plan assets, amounted to ₱705.33 million and ₱721.03 million as of December 31, 2017 and 2016, respectively (see Note 20).

Recognizing deferred tax assets
The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to 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.

Realization of future tax benefit related to deferred tax assets is dependent on the Group's ability to generate future taxable income during the periods in which they are expected to be recovered. The Group has considered factors in reaching a conclusion as to the amount of deferred tax assets recognized as at December 31, 2017 and 2016. Management believes that the Group will be able to generate future taxable income to allow for the realization of deferred tax assets.

Based on management's assessment, the Group recognized net deferred tax assets amounting to ₱289.52 million and ₱274.38 million as of December 31, 2017 and 2016, respectively (see Note 18).

Estimating fair value of embedded derivatives
The fair value of embedded derivatives, related to the issuance of convertible bond recorded in the consolidated statement of financial position as derivative liability, is measured using binomial pyramid model. The inputs to this model are taken from a combination of observable markets and unobservable market data. Changes in inputs about these factors could affect the reported fair value of the embedded derivatives and impact profit or loss (see Note 22).

The carrying value of the derivative liability amounted to ₱1,860.37 million as at December 31, 2017.

4. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand	₱264,057,974	₱174,890,603
Cash in banks	1,103,336,745	939,534,180
Cash equivalents	2,411,013,773	213,365,944
	₱3,778,408,492	₱1,327,790,727

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

Cash in banks and cash equivalents earn interest ranging from 0.25% to 2.00% and 0.25% to 2.25% per annum in 2017 and 2016, respectively. Interest income earned from cash and cash equivalents amounted to ₱16.04 million, ₱1.91 million and ₱1.54 million in 2017, 2016 and 2015, respectively.

5. Trade and Other Receivables

This account consists of:

	2017	2016
Trade receivables - outside parties	₱1,189,394,150	₱1,023,354,253
Trade receivables - related parties (Note 15)	495,476,881	518,466,319
	1,684,871,031	1,541,820,572
Less allowance for impairment losses	57,252,950	55,694,985
	1,627,618,081	1,486,125,587
Other receivables:		
Advances to officers and employees	29,587,715	26,117,789
Others	18,596,026	14,475,954
	₱1,675,801,822	₱1,526,719,330

Trade receivables arise from sale of services related to inbound and outbound courier services, handling and consolidation services with normal credit terms of 30 to 90 days.

Advances to officers and employees consist mainly of noninterest-bearing advances which are subject to liquidation upon completion of the business transaction and personal advances subject to salary deductions.

Others mainly consist of SSS benefit receivable to be reimbursed within a year and accrual of interest income which is expected to be collected upon maturity of the short-term placements.

The Group performed reassessment of the collectability of its receivables and as a result, recognized additional provision for impairment losses. These were recognized under operating expenses in profit or loss.

Allowance for impairment losses pertains to results of collectability assessment of specifically identified trade receivables from outside parties.

Portion of trade receivable - outside parties as at December 31, 2016 amounting to ₱40.79 million was assigned in relation to a bank loan availed in 2016 (nil as of December 31, 2017) (see Note 12).

The amount of ₱11.62 million was written off in 2017 as these are deemed uncollectible. The accounts were previously provided with allowance.

The movements in allowance for impairment losses of trade receivables follow:

	2017	2016
January 1	₱55,694,985	₱39,891,364
Provisions (Note 17)	13,179,997	15,803,621
Write-off	(11,622,032)	–
December 31	₱57,252,950	₱55,694,985

The Group has directly written-off trade and other receivables amounting to ₱3.22 million and ₱26.64 million in 2016 and 2015, respectively (nil in 2017), where probability of collection has been determined to be remote. These were recognized under operating expenses in the consolidated statements of comprehensive income (see Note 17).

6. Prepayments and Other Assets

This account consists of:

	2017	2016
Input value-added tax (VAT)	₱215,215,636	₱185,641,285
Materials and supplies	100,572,680	104,972,605
Prepayments:		
Rent	70,238,209	41,012,242
Employee benefits	20,616,772	9,272,691
Insurance	12,489,234	11,576,755
Taxes	7,418,431	4,911,428
Advertising	7,111,383	11,995,164
Software maintenance	7,049,524	4,854,547
Company events	4,889,415	169,464
Dues and subscriptions	4,404,153	299,989
Others	8,752,146	6,215,625
Creditable withholding taxes (CWTs)	51,010,831	46,767,004
Short-term cash investments	11,326,492	27,340,771
Restricted cash in bank	9,000,000	4,000,000
Advance payment to a supplier	9,000,000	–
	539,094,906	459,029,570
Less allowance for impairment losses	798,769	789,769
	538,296,137	458,239,801
Less noncurrent portion of:		
VAT on capital goods	60,574,886	54,943,647
Prepaid rent	22,590,091	15,206,957
Advance payment to a supplier (Note 8)	9,000,000	–
Total noncurrent portion	₱92,164,977	₱70,150,604
Total current portion	₱446,131,160	₱388,089,197

Input VAT is applied against output VAT. Management believes that the remaining balance is recoverable in future periods.

Materials and supplies carried at cost consist of office supplies, packing materials and official receipts to be used in the Group's operations. Materials and supplies recognized under cost of services in profit or loss for the years ended December 31, 2017, 2016 and 2015 amounted to ₱334.17 million, ₱293.38 million and ₱242.11 million, respectively (see Note 16).

Prepaid advertising consists of advances for billboards and multimedia endorsements.

Other prepayments pertain to unamortized licenses and prepaid interests.

CWTs are attributable to taxes withheld by the withholding agents which are creditable against income tax payable.

Short-term cash investments are time deposits with maturity of more than three months from the date of acquisition but not exceeding one year. The interest income earned amounted to ₱0.13 million and ₱0.46 million for the year ended December 31, 2017 and 2016, respectively.

Restricted cash in bank represents time deposit, in the name of LBCE, with a maturity of one year and assigned to a specific customer as a performance guarantee.

Advance payment to a supplier pertains for the intended purchase of a software. This amount was reclassified from development in progress to other noncurrent assets.

7. Property and Equipment

The rollforward analysis of this account follows:

2017	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures, Machinery and Office Equipment	Computer Hardware	Construction in Progress	Total
Costs						
At beginning of year	₱516,312,044	₱1,387,570,739	₱604,044,494	₱549,377,766	₱9,067,555	₱3,066,372,598
Additions	65,217,309	37,627,429	45,222,628	66,283,784	180,133,211	394,484,361
Reclassifications	2,156,919	155,553,817	8,905,950	5,282,446	(171,899,132)	–
Disposals	(84,207,204)	(6,173,295)	(716,673)	(424,696)	–	(91,521,868)
At end of year	499,479,068	1,574,578,690	657,456,399	620,519,300	17,301,634	3,369,335,091
Accumulated Depreciation and Amortization						
At beginning of year	384,704,082	897,410,297	515,934,644	427,846,648	–	2,225,895,671
Depreciation (Notes 16 and 17)	37,458,352	97,534,449	52,236,428	68,503,817	–	255,733,046
Disposals	(84,207,204)	(3,820,635)	(135,099)	(184,089)	–	(88,347,027)
At end of year	337,955,230	991,124,111	568,035,973	496,166,376	–	2,393,281,690
Net Book Value	₱161,523,838	₱583,454,579	₱89,420,426	₱124,352,924	₱17,301,634	₱976,053,401

2016	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures, Machinery and Office Equipment	Computer Hardware	Construction in Progress	Total
Costs						
At beginning of year	₱493,700,641	₱1,193,415,823	₱536,162,284	₱497,378,871	₱26,897,204	₱2,747,554,823
Additions	46,621,479	50,327,150	33,655,196	49,923,302	174,478,510	355,005,637
Reclassifications	5,773,437	145,597,503	34,227,014	6,710,205	(192,308,159)	–
Disposals	(29,783,513)	(1,769,737)	–	(4,634,612)	–	(36,187,862)
At end of year	516,312,044	1,387,570,739	604,044,494	549,377,766	9,067,555	3,066,372,598
Accumulated Depreciation and Amortization						
At beginning of year	357,426,671	798,498,426	466,384,919	362,222,603	–	1,984,532,619
Depreciation (Notes 16 and 17)	46,918,944	100,592,013	49,549,725	67,505,204	–	264,565,886
Disposals	(19,641,533)	(1,680,142)	–	(1,881,159)	–	(23,202,834)
At end of year	384,704,082	897,410,297	515,934,644	427,846,648	–	2,225,895,671
Net Book Value	₱131,607,962	₱490,160,442	₱88,109,850	₱121,531,118	₱9,067,555	₱840,476,927

The cost of fully depreciated assets that are still in use amounted to ₱1,160.00 million and ₱1,110.00 million as of December 31, 2017 and 2016, respectively.

Depreciation charges were recognized as follows:

	2017	2016	2015
Cost of services (Note 16)	₱218,336,609	₱196,497,941	₱191,503,976
Operating expenses (Note 17)	37,396,437	68,067,945	51,006,138
	₱255,733,046	₱264,565,886	₱242,510,114

The Group leases transportation, service and office equipment that are included in the property and equipment and under various finance arrangements ranging for a period of 24 to 60 months (see Note 19).

In 2015, the Group purchased a computer hardware on a long-term payment arrangement. The liability is noninterest bearing and payable over 60 months. As of December 31, 2017, the outstanding liability amounted to ₱34.48 million, ₱24.29 million of which is reported under 'other noncurrent liabilities' in the consolidated statements of financial position.

8. Intangible Assets

The rollforward analysis of this account follows:

	2017		
	Software	Development in Progress	Total
Costs			
At beginning of year	₱335,393,881	₱63,140,574	₱398,534,455
Additions	156,491,950	8,654,110	165,146,060
Reclassification	58,254,684	(67,254,684)	(9,000,000)
Disposal	(319,900)	–	(319,900)
At end of year	549,820,615	4,540,000	554,360,615
Accumulated Amortization			
At beginning of year	132,486,794	–	132,486,794
Amortization (Note 17)	65,023,810	–	65,023,810
At end of year	197,510,604	–	197,510,604
Net Book Value	₱352,310,011	₱4,540,000	₱356,850,011

	2016		
	Software	Development in Progress	Total
Costs			
At beginning of year	₱134,430,313	₱243,687,774	₱378,118,087
Additions	2,157,464	18,313,904	20,471,368
Reclassification	198,861,104	(198,861,104)	–
Disposal	(55,000)	–	(55,000)
At end of year	335,393,881	63,140,574	398,534,455
Accumulated Amortization			
At beginning of year	101,736,602	–	101,736,602
Amortization (Note 17)	30,779,219	–	30,779,219
Disposal	(29,027)	–	(29,027)
At end of year	132,486,794	–	132,486,794
Net Book Value	₱202,907,087	₱63,140,574	₱266,047,661

In 2017, the Group purchased an IT security tool, a new payroll system and a logistics software on a non-interest bearing long-term payment arrangement payable over 36 months, 60 months and 60 months, respectively. As at December 31, 2017, the outstanding liability related to the purchase of these intangible assets amounted to P126.70 million, of which P94.04 million is presented under "other noncurrent liabilities" in the consolidated statement of financial position.

Development in progress pertains to costs related to ongoing development of software, user license and implementation costs.

There were no capitalized borrowing costs in 2017 and 2016.

9. Available-for-Sale Investments

AFS investments consist of the Group's investment in unquoted unit investment trust fund and investment in the quoted shares of stock of Araneta Properties, Inc. The major categories of the Group's investment in unquoted unit investment trust fund comprise primarily of Overnight Deposit Facility and Term Deposit Facility in the Bangko Sentral ng Pilipinas.

Movement of the AFS investments follow:

	2017	2016
Unquoted:		
Balance at beginning of year	₱250,937,154	₱–
Additions	1,394,016,400	400,000,000
Redemption	(1,206,361,295)	(150,000,000)
Fair value gain during the year	4,541,877	937,154
Unrealized foreign exchange loss	(2,370,641)	–
	440,763,495	250,937,154
Quoted:		
Balance at beginning of year	458,391,174	212,596,951
Additions	–	757,920
Sale of shares	–	(332,450)
Fair value gain (loss) during the year	(13,654,205)	245,368,753
	444,736,969	458,391,174
	885,500,464	709,328,328
Less current portion	₱440,763,495	₱250,937,154
Total noncurrent portion	₱444,736,969	₱458,391,174

Movement in unrealized gain on AFS investments follow:

	2017	2016
Balance at beginning of year	₱195,216,568	(₱51,169,355)
Reclassification to profit or loss arising from redemption and sale of AFS investments	(4,361,295)	80,016
Changes in fair value during the year of:		
Quoted	(13,654,205)	245,368,753
Unquoted	4,541,877	937,154
Balance at end of year (Note 14)	₱181,742,945	₱195,216,568

The AFS investments redeemed in 2017 amounting to ₱1,202.94 million includes unrealized gain of ₱0.94 million coming from accumulated comprehensive income in prior year, which was recycled to profit or loss in 2017. Realized fair value gain on redemption of AFS investments during the year amounting to ₱3.42 million was recognized directly in profit or loss. Total charges to profit or loss of ₱4.36 million is presented under "Others - net" of "Other income (charges)" in the consolidated statement of comprehensive income.

10. Accounts and Other Payables

This account consists of:

	2017	2016
Trade payable - outside parties	₱656,868,942	₱573,961,146
Trade payable - related parties (Note 15)	376,412	10,239,262
Accruals:		
Salaries and wages	248,425,003	187,053,321
Contracted jobs	121,825,685	61,027,104
Rent and utilities	90,793,364	91,142,838
Software maintenance	27,169,568	6,638,397
Claims and losses	26,539,218	55,388,469
Advertising	20,750,779	21,393,676
Professional fees	12,917,417	6,980,356
Outside services	10,968,979	7,086,121
Taxes	10,933,230	8,509,450
Others	46,508,025	36,274,840
Deferred output VAT	225,681,729	127,417,798
Taxes payable	61,810,736	48,496,736
Government agencies contributions payables	23,013,633	21,971,215
Others (Note 15)	18,528,015	31,578,164
	₱1,603,110,735	₱1,295,158,893

Trade payable and accrued expenses arise from regular transactions with suppliers and service providers. These are noninterest-bearing and are normally settled on one to 60-day term.

Accrued salaries and wages pertain to unpaid salaries and provision for employee's allowances and benefits.

Other accruals mainly include repairs and maintenance, training costs, accrual for interest expense and purchases of motor vehicles and materials and supplies.

Deferred output VAT arises from the uncollected receivables from vatable sales.

Taxes payable includes output VAT payable and withholding taxes on payment to suppliers and employees' compensation which are settled on a monthly basis.

Government agencies contribution payable pertains to monthly required remittances to government agencies such as SSS, Pag-ibig and Philhealth.

Other payables include employees' salary loan deductions payable to third parties, guarantee fee payable to a related party and payables arising from expenses incurred in relation to transactions with nontrade suppliers.

11. Transmissions Liability

Transmissions liability represents money transfer remittances by clients that are still outstanding, and not yet claimed by the beneficiaries as at reporting date. These are due and demandable.

Transmissions liability amounted to ₱588.20 million (₱77.38 million of which is payable to an affiliate) and ₱467.28 million (₱8.94 million of which is payable to an affiliate) as at December 31, 2017 and 2016, respectively (see Note 15).

12. Notes Payable

The Group has outstanding notes payable to various local banks. The details of these notes as at December 31, 2017 and 2016 are described below:

2017					
Bank	Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
Banco de Oro	September 2017	₱85,800,000	March 2018	Fixed rate, 4.00%	Clean; Interest payable every month, principal to be paid on maturity date
Banco de Oro	Various availments in 2016	692,500,000	Various maturities in 2017 to 2021	Fixed rate, 4.00%	With mortgage; Interest payable every month, principal payable quarterly
Unionbank of the Philippines (UBP)	August 2017	50,000,000	February 2018	Fixed rate, 6.00%	Clean; Interest payable every month, principal to be paid on maturity date
Rizal Commercial Banking Corporation (RCBC)	Various availments in 2017	213,000,000	Various maturities in 2018	Fixed rate, 4.00%	Clean; Interest payable every month, principal to be paid on maturity date
Total		₱1,041,300,000			
Current portion		₱440,050,000			
Noncurrent portion		₱601,250,000			

2016					
Bank	Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
Banco de Oro	Various availments in 2016	₱100,000,000	March 2017	Fixed rate, 4.00%	Clean; Interest payable every month, principal to be paid on maturity date
Banco de Oro	Various availments in 2016	772,500,000	Various maturities in 2016 to 2021	Fixed rate, 4.00%	With mortgage; Interest payable every month, principal payable quarterly
Unionbank of the Philippines (UBP)	Various availments in 2016	250,000,000	Various maturities in 2017	Fixed rate, 6.00%	Clean; Interest payable every month, principal to be paid on maturity date
Rizal Commercial Banking Corporation (RCBC)	Various availment in 2015	136,715,500	Various maturities in 2017	Fixed rate, 6.00%	Clean; Interest payable every month, principal to be paid on maturity date
China Trust Banking Corporation (CTBC)	December 20, 2016	100,000,000	January 10, 2017	Fixed rate 5.50%	With AR assignment; Interest payable every month, principal to be paid on maturity date
Total		₱1,359,215,500			
Current portion		₱666,715,500			
Noncurrent portion		₱692,500,000			

The Notes Facility Agreement entered by the Group with Banco De Oro (BDO) in May 2016 is with a credit line facility amounting to ₱800.00 million. The loan is secured with real estate mortgage on land owned by the Group's affiliate (see Note 15).

Upon loan availment in 2016, the Group, under a Deed of Assignment of Receivables, agreed to sell, assign and transfer, on a with recourse basis, unto RCBC, certain receivables under 'Trade receivables - outside parties. Total receivables assigned as at December 31, 2016 amounted to ₱40.79 million (nil as of December 31, 2017) (see Note 5).

Various short-term loans availed in 2016 with RCBC and UBP totaling to ₱223.00 million were rolled over in 2017.

Interest expense amounted to ₱55.08 million, ₱40.10 million, and ₱18.86 million in 2017, 2016 and 2015, respectively.

The loans were used primarily for working capital requirements and are not subject to any loan covenants.

13. Convertible Instrument

On June 20, 2017, the BOD approved the issuance of convertible bond. Accordingly, on August 04, 2017, the Parent Company issued, in favor of CP Briks Pte. Ltd, a seven-year secured convertible instrument in the aggregate principal amount of US$50.0 million (₱2,518.25 million) convertible at any time into 192,307,692 common shares of the Parent Company at the option of CP Bricks Pte. Ltd at ₱13.00 per share conversion price, subject to adjustments in accordance with the terms and conditions of the instrument. The instrument is also redeemable, at the option of CP Bricks Pte. Ltd, beginning on the 30th month from issuance date at the redemption price equal to the principal amount plus internal rate of return ranging from 10% to 13%.

The convertible bond is a hybrid instrument containing host financial liability and derivative components for the equity conversion and redemption options. The equity conversion and redemption options were identified as embedded derivatives and were separated from the host contract.

As at December 31, 2017, the carrying value of bond payable amounted to ₱896.19 million and the fair value of the derivative liability amounted to ₱1,860.37 million. The fair value changes of the derivative liability recognized as "Loss on derivative" amounted to ₱199.95 million in 2017. Interest expense arising from the accretion of interest on the bond payable amounted to ₱59.56 million in 2017.

The agreement related to the issuance of convertible bond indicated the following rights and obligations:

a. Within one month from August 4, 2017, the Parent Company shall discontinue any royalty payments to LBCDC for all trademarks, brands and licenses. This was already terminated in September 2017;
b. Within three months from closing date, LBCDC shall procure that the Parent Company enters into a binding sale and purchase agreement to acquire the equity interests of the 12 overseas entities. Also, within 12 months from closing date, LBCDC shall procure that the Parent Company closes the acquisition of the equity interest of the overseas entities (see Note 27);

c. Within six months following the termination of royalty payments, the Parent Company shall be permitted to make loans and advances to LBCDC and this shall not be considered a Reserved Matter. LBCDC already made an advances amounting to ₱100.00 million;
d. Within six months from closing date, LBCDC shall procure a debt for equity swap between LBCE and QUADX INC., a local affiliate; and
e. Within 3 months from closing of the acquisition of the equity interests of the overseas entity, LBCDC procure to settle all obligations to the Group.

Failure to comply with the above agreements constitute an Event of Default which results to the redemption of the convertible bond at par plus an IRR of 16%. As at December 31, 2017, the Group has complied with the above agreement.

14. Equity

Capital Stock
As of December 31, 2017, 2016 and 2015, the details of the Parent Company's capital stock follow:

	2017	
	Number of Shares of Stocks	Amount
Capital stock - ₱1 par value		
Authorized	2,000,000,000	₱2,000,000,000
Issued and outstanding	1,425,865,471	1,425,865,471

	2016	
	Number of Shares of Stocks	Amount
Capital stock - ₱1 par value		
Authorized	2,000,000,000	₱2,000,000,000
Issued and outstanding	1,425,865,471	1,425,865,471

	2015	
	Number of Shares of Stocks	Amount
Capital stock - ₱1 par value		
Authorized shares:		
Beginning of year	100,000,000	₱100,000,000
Increase in authorized capital stock	1,900,000,000	1,900,000,000
Balance at end of year	2,000,000,000	₱2,000,000,000
Issued and outstanding shares		
Balance at beginning of year	40,899,000	₱40,899,000
Issuances of shares	1,384,966,471	1,384,966,471
Balance at end of year	1,425,865,471	₱1,425,865,471

Increase in Authorized Capital Stock
On October 12, 2015, SEC approved the increase of the Parent Company's common stock from ₱100.00 million, divided into 100.00 million shares with par value of ₱1.00 per share to ₱2.00 billion, divided into 2.00 billion shares with par value of ₱1.00 per share.

Issuances of New Shares
- On May 18, 2015, LBCDC subscribed to 59,101,000 common shares out of the unissued authorized capital stock of the LBCH or approximately 59.10% of the total authorized capital stock of LBCH, before the approval of the increase in authorized capital stock by applying the deposits for future stocks subscription made by LBCDC amounting to ₱59,101,000 on April 22, 2015, as the consideration for the subscribed shares at one peso (₱1.00) per share. As discussed in Note 1, subsequently, on July 22, 2015, the Parent Company issued the stock certificates to LBCDC covering the 59,101,000 common shares.

- On September 18, 2015, LBCDC subscribed to 25% of 1,900,000,000 increase in authorized capital stock or equivalent to 475,000,000 common shares at the subscription price of ₱1.00 per share, in exchange for cash.

  On the same date, LBCDC subscribed to additional 671,873,632 common shares out of the unissued capital stock of the Parent Company at the subscription price of ₱1.00 per share, in exchange for cash.

- On October 2, 2015, certain individuals subscribed to a total of 178,991,839 common shares out of the unissued capital stock of the Parent Company at the subscription price of ₱1.00 per share, in exchange for cash, conditioned upon and effective immediately following the approval by the SEC of the increase in authorized capital stock.

On October 16, 2015, the Parent Company issued the stock certificates to LBCDC covering the 1,146,873,632 common shares while on October 21, 2015 the Parent Company issued the stock certificates to certain individuals covering 178,991,839 common shares.

The Parent Company's track record of capital stock is as follows:

	Number of shares registered	Issue/offer price	Date of approval	Number of holders as of yearend
At January 1, 2015	40,899,000	₱1/share		
Add: Additional issuance	1,384,966,471	₱1/share	July 22, October 16 and October 21, 2015	
December 31, 2015	1,425,865,471			485
Add: Movement	–			–
December 31, 2016	1,425,865,471			485
Add: Movement	–			1
December 31, 2017	1,425,865,471			486

Retained earnings
The unappropriated retained earnings include accumulated equity in undistributed net earnings of the consolidated subsidiaries of ₱909.03 million and ₱774.14 million as of December 31, 2017 and 2016, respectively. These are not available for dividend declaration until declared by the BOD of the respective subsidiaries.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2017 is nil.

Cash dividends
On April 19, 2017, the BOD of LBCH approved the declaration of cash dividends amounting to ₱827.00 million from unappropriated retained earnings as of March 31, 2017 amounting to ₱849.83 million.

On October 11, 2016, the BOD of LBCH approved the declaration of cash dividends amounting to ₱313.69 million (nil in 2015).

The dividends attributable to LBCDC was settled through application against due from LBCDC as disclosed in Note 15.

Accumulated comprehensive income
Details of accumulated comprehensive income as at December 31 follow:

	2017	2016	2015
Remeasurement gain on retirement benefit plan - net of tax (Note 20)	₱145,282,651	₱107,386,833	₱119,376,370
Unrealized fair value gain (loss) on AFS investments	181,742,945	195,216,568	(51,169,355)
Currency translation gain - net	212,399	3,074,001	204,135
	327,237,995	305,677,402	68,411,150
Accumulated comprehensive income (loss) attributable to:			
Shareholders of the Parent Company	₱326,920,319	₱309,059,077	₱69,568,040
Non-controlling interest	₱317,676	(₱3,381,675)	(₱1,156,890)

15. Related Party Transactions

In the normal course of business, the Group transacts with related parties consisting of its ultimate parent, LBCDC and affiliates. Affiliates include those entities in which the owners of the Group have ownership interests outside the Group. These transactions include royalty, delivery, service and management fees and loans and cash advances. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

Details of related party transactions and balances as at and for the years ended December 31 are as follow:

	2017			
	Amount/Volume	Receivable (Payable)	Terms	Conditions
Due from related parties (Trade receivables)				
Affiliates - under common control				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 5 and 23)	₱658,034,091	₱495,476,881	Noninterest-bearing; due and demandable	Unsecured, no impairment
Due from related parties (Non-trade receivables)				
Ultimate parent company				
b.) Advances	₱192,251,895	₱415,144,205	Noninterest-bearing; due and demandable	Unsecured, no impairment
Affiliates - under common control				
b.) Advances	57,857,821	243,289,035	Noninterest-bearing; due and demandable	Unsecured, no impairment
Officer				
b.) Advances	–	9,284,395	Noninterest-bearing; due and demandable	Unsecured, no impairment
		₱667,717,635		
Due to related parties (Trade payables)				
Ultimate Parent Company				
c.) Royalty fee (Notes 10 and 17)	₱176,443,696	(₱376,412)	Noninterest-bearing; due and demandable	Unsecured
d.) Guarantee fee (Notes 10 and 12)	9,523,809	–	Noninterest-bearing; due and demandable	Unsecured
		(₱376,412)		
Due to a related party (Transmissions liability)				
Affiliate - under common control				
a.) Transmissions liability (Note 11)	₱2,295,868,178	(₱77,384,306)	Noninterest-bearing; due and demandable	Unsecured
Due to a related party (Non-trade payables)				
Affiliate - under common control				
b.) Advances	₱–	(₱2,542,585)	Noninterest-bearing; due and demandable	Unsecured
Ultimate Parent Company				
e.) Dividends declared and payables	699,465,287	–	Noninterest-bearing; due and demandable	Unsecured
		(₱2,542,585)		

	2016			
	Amount/Volume	Receivable (Payable)	Terms	Conditions
Due from related parties (Trade receivables)				
Affiliates - under common control				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 5 and 23)	₱400,293,543	₱518,466,319	Noninterest-bearing; due and demandable	Unsecured, no impairment

	2016			
	Amount/Volume	Receivable (Payable)	Terms	Conditions
Due from related parties (Non-trade receivables)				
Ultimate parent company				
b.) Advances	₱256,403,424	₱913,895,352	Noninterest-bearing; due and demandable	Unsecured, no impairment
Affiliates - under common control				
b.) Advances	61,550,192	184,806,983	Noninterest-bearing; due and demandable	Unsecured, no impairment
Officer				
b.) Advances	12,599	9,296,994	Noninterest-bearing; due and demandable	Unsecured, no impairment
		₱1,107,999,329		
Due to related parties (Trade and other payables)				
Ultimate Parent Company				
c.) Royalty fee (Notes 10 and 17)	₱195,497,630	(₱10,239,262)	Noninterest-bearing; due and demandable	Unsecured
d.) Guarantee fee (Notes 10 and 12)	4,761,985	(4,671,229)	Noninterest-bearing; due and demandable	Unsecured
		(₱14,910,491)		
Due to a related party (Transmissions liability)				
Affiliate - under common control				
a.) Transmissions liability (Note 11)	₱302,011,617	(₱8,936,433)	Noninterest-bearing; due and demandable	Unsecured
Due to related parties (Non-trade payables)				
Ultimate Parent Company				
b.) Advances	₱–	(₱15,694,463)	Noninterest-bearing; due and demandable	Unsecured
e.) Dividends declared and payables	265,314,419	–	Noninterest-bearing; due and demandable	Unsecured
Affiliate - under common control				
b.) Advances	371,346	(2,559,566)	Noninterest-bearing; due and demandable	Unsecured
		(₱18,254,029)		

Compensation of Key Management Personnel:

	For the years ended December 31	
	2017	2016
Salaries and wages	₱116,879,294	₱72,217,112
Retirement benefits (Note 20)	21,063,735	16,791,107
Other short-term employee benefits	18,372,497	11,250,445
	₱156,315,526	₱100,258,664

a.) In the normal course of business, the Group fulfills the delivery of balikbayan boxes, fulfillment of money remittances and performs certain administrative functions on behalf of its affiliates. The Group charges delivery fees and service fees for the fulfillment of these services based on agreed rates.

b.) The Group regularly makes advances to and from related parties to finance working capital requirements and as part of their cost reimbursements arrangement. These unsecured advances are non-interest bearing and payable on demand.

In prior years, the Group has outstanding advances of ₱295.00 million to LBC Development Bank, an entity under common control of LBCDC. In 2011, management assessed that these advances are not recoverable. Accordingly, the said asset was written-off from the books in 2011 (see Note 26).

c.) LBCDC (Licensor), the Ultimate Parent Company, granted to the LBCE (Licensee) the full and exclusive right to use the LBC Marks within the Philippines in consideration for a continuing royalty rate of two point five percent (2.5%) for 2017 and 2016 of Licensee's Gross Revenues which is defined as any and all revenue from all sales of products and services, including all other income of every kind and nature directly and/or indirectly arising from, related to and/or connected with Licensee's business operations (including, without limitation, any proceeds from business interruption insurance, if any), whether for cash or credit, wherever made, earned, realized or accrued, excluding any sales discounts and/or rebates, value added tax.

On August 4, 2017, the LBCE and LBCDC entered into a trademark licensing agreement, which amended and restated the trademark licensing agreement entered by the same parties on November 9, 2007. Both parties agreed to discontinue royalty payment for the use of LBC Marks in recognition of LBCE's own contribution to the value and goodwill of the trademark effective September 4, 2017.

d.) As discussed in Note 12, the Group entered into a loan agreement with BDO which is secured with real estate mortgage on various real estate properties owned by the Group's affiliate. In consideration of the affiliate's accommodation to the Group's request to use these properties as loan collateral, the Group agreed to pay the affiliate, every April 1 of the year starting April 1, 2016, a guarantee fee of 1% of the face value of loan and until said properties are released by the bank as loan collateral. The guarantee fee is reported as part of interest expense in the statements of comprehensive income.

e.) On March 8, 2017 and September 30, 2016, the BOD of LBCE approved the declaration of cash dividends amounting to ₱843.36 million and ₱441.71 million, respectively. On June 09, 2017 and November 29, 2016, through a Memorandum of Agreement, LBCDC assigned to LBCH a portion of its payable to the LBCE amounting to ₱699.47 million and ₱265.31 million, respectively. The same amount was offset against the dividends payable of the Company to LBCH.

In 2016, the Group directly wrote off ₱3.09 million due from an affiliate recorded as Trade receivables - related parties under 'Trade and other receivables' in the consolidated statements of financial position.

16. Cost of Services

This account consists of:

	2017	2016	2015
Cost of delivery and remittance	₱2,791,389,663	₱2,202,333,121	₱1,945,639,263
Salaries and benefits	1,971,535,268	1,763,779,517	1,706,004,942
Utilities and supplies	741,527,993	661,848,568	589,283,155
Rent (Note 19)	592,537,376	513,079,995	481,018,056
Depreciation and amortization (Notes 7 and 8)	218,336,609	196,497,941	191,503,976
Repairs and maintenance	104,274,720	94,986,163	73,753,014
Retirement benefit expense (Note 20)	97,492,614	82,137,951	63,699,862
Transportation and travel	59,625,803	46,464,561	51,297,338
Insurance	23,123,645	22,953,471	14,517,977
Others	6,188,582	6,431,801	2,813,884
	₱6,606,032,273	₱5,590,513,089	₱5,119,531,467

17. Operating Expenses

This account consists of:

	2017	2016	2015
Salaries and wages	₱498,926,061	₱407,292,079	₱391,920,328
Rent (Note 19)	239,070,492	197,940,252	178,146,664
Professional fees	212,871,262	157,451,239	130,648,982
Royalty	176,443,696	195,497,630	183,522,384
Advertising and promotion	169,158,792	175,801,246	257,545,289
Utilities and supplies	146,510,196	150,384,187	146,961,164
Travel and representation	137,903,579	101,185,071	200,330,445
Taxes and licenses	115,012,736	97,586,343	87,375,167
Depreciation and amortization (Notes 7 and 8)	102,420,247	98,847,164	67,880,465
Software maintenance costs	59,376,627	54,359,104	53,603,820
Claims and losses	47,785,607	89,125,719	80,616,758
Dues and subscriptions	31,281,219	3,788,386	32,915,703
Retirement benefit expense (Note 20)	30,313,927	27,778,715	27,870,055
Commission expense	23,213,721	20,042,764	8,844,906
Insurance	22,448,728	22,927,207	9,779,212
Provision for impairment losses (Note 5)	13,179,997	15,803,621	31,461,519
Repairs and maintenance	4,878,630	5,987,934	4,567,371
Write-off of receivables (Note 5)	–	3,215,599	26,642,572
Others	35,840,577	47,790,937	27,160,186
	₱2,066,636,094	₱1,872,805,197	₱1,947,792,990

Others comprise mainly of bank and finance charges, penalties and other administrative expenses.

18. Income Taxes

Provision for income tax consists of:

	2017	2016	2015
Current	₱450,239,197	₱455,428,586	₱221,037,708
Deferred	(31,384,734)	(44,278,540)	49,594,466
	₱418,854,463	₱411,150,046	₱270,632,174

Details of the Group's net deferred tax assets as at December 31 follow:

	2017	2016	2015
Retirement benefit liability	₱215,948,504	₱212,833,851	₱192,543,624
Accrued employee benefits	42,241,773	34,764,344	–
Allowance for impairment losses	17,127,718	16,708,496	11,967,409
Deferred lease liability (Note 19)	12,900,573	11,062,231	11,898,523
Unrealized foreign exchange losses (gains)	450,104	(1,868,793)	3,756,635
NOLCO	236,165	209,623	5,699,047
MCIT	110,558	255,394	826,517
Capitalized borrowing costs	(418,668)	(628,002)	(1,046,671)
Others	927,312	1,043,226	–
	₱289,524,039	₱274,380,370	₱225,645,084

The movements in net deferred tax asset for the years ended December 31 are as follows:

	2017	2016	2015
December 1	₱274,380,370	₱225,645,084	₱256,860,938
Charged to profit or loss	31,384,734	44,278,540	(49,594,466)
Excess MCIT over RCIT	–	–	276,504
Applied MCIT against income tax due	–	(681,629)	(282,975)
Charged to other comprehensive income	(16,241,065)	5,138,375	18,385,083
	₱289,524,039	₱274,380,370	₱225,645,084

Details of the amount of deductible/taxable temporary differences for which no deferred tax asset/liability is recognized in the statement of financial position as at December 31 are as follows:

	2017	2016
NOLCO	₱40,243,027	₱15,352,593
Unrealized foreign exchange loss - net	1,362,947	–
Allowance for impairment losses on:		
Property and equipment	11,699,127	11,699,127
Inventories	7,145,937	7,145,937
Receivables	1,890,260	1,890,260
MCIT	11,575	2,970
Other current assets	798,769	798,769
	₱63,151,642	₱36,889,656

Deferred tax asset on unrealized foreign exchange loss was recognized to the extent of the deferred tax liability arising from unamortized bond transaction cost.
All unrecognized deferred tax assets arise from the standalone balances of LBCH.

As of December 31, 2017 and 2016, the NOLCO that can be claimed as deductions from future taxable income and excess MCIT over RCIT that can be credited against future tax liability follow. These NOLCO and excess of MCIT over RCIT came from LBCH and other subsidiaries.

NOLCO

2017

Year incurred	Amount	Used	Expired	Balance	Year of expiry
2017	P26,242,165	P–	P–	P26,242,165	2020
2016	6,244,919	–	–	6,244,919	2019
2015	8,543,160	–	–	8,543,160	2018
2014	1,263,257	–	1,263,257	–	2017
	P42,293,501	P–	P1,263,257	P41,030,244	

2016

Year incurred	Amount	Used	Expired	Balance	Year of expiry
2016	P6,244,919	P–	P–	P6,244,919	2019
2015	8,543,160	–	–	8,543,160	2018
2014	1,809,334	546,077	–	1,263,257	2017
2013	19,120,429	5,000,461	14,119,968	–	2016
	P35,717,842	P5,546,538	P14,119,968	P16,051,336	

2015

Year incurred	Amount	Used	Expired	Balance	Year of expiry
2015	P8,543,160	P–	P–	P8,543,160	2018
2014	41,324,735	39,515,401	–	1,809,334	2017
2013	19,120,429	–	–	19,120,429	2016
2012	75,395,901	22,665,151	52,730,750	–	2015
	P144,384,225	P62,180,552	P52,730,750	P29,472,923	

MCIT

2017

Year Incurred	Amount	Used	Expired	Balance	Expiry Date
2017	P11,627	P–	P–	P11,627	2020
2016	110,506	–	–	110,506	2019
2014	147,858	–	147,858	–	2017
	P269,991	P–	P147,858	P122,133	

2016

Year Incurred	Amount	Used	Expired	Balance	Expiry Date
2016	P110,506	P–	P–	P110,506	2019
2015	276,505	276,505	–	–	2018
2014	447,430	299,572	–	147,858	2017
2013	105,552	105,552	–	–	2016
	P939,993	P681,629	P–	P258,364	

2015

Year Incurred	Amount	Used	Expired	Balance	Expiry Date
2015	₱276,505	₱–	₱–	₱276,505	2018
2014	447,430	–	–	447,430	2017
2013	168,562	63,010	–	105,552	2016
2012	453,027	219,965	233,062	–	2015
	₱1,345,524	₱282,975	₱233,062	₱829,487	

The reconciliation between income tax expense at the statutory rate and the actual income tax expense presented in the consolidated statements of comprehensive income for the years ended December 31 follows:

	2017	2016	2015
Income tax at the statutory income tax rate	₱338,030,954	₱397,527,237	₱206,079,921
Tax effects of items not subject to statutory rate:			
Nondeductible expense	78,770,504	8,804,269	47,074,574
Movement in unrecognized deferred tax assets	7,884,619	1,465,918	1,850,435
Expired MCIT	144,888	–	233,062
Expired NOLCO	–	4,235,990	15,819,225
Nontaxable income	(5,976,502)	(883,368)	(425,043)
	₱418,854,463	₱411,150,046	₱270,632,174

Republic Act (RA) No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the consolidated financial statement balances as of the reporting date.

19. Lease Commitments

(a) Operating lease

The following are the operating lease agreements entered into by the Group:

1. Operating lease agreement covering its current corporate office space for a period of five years from October 20, 2016. The lease agreement is nonrenewable and includes rental rate escalations during term of the lease. The lease agreement also requires the Group to pay additional security deposits.

2. Operating lease agreements covering various service centers and service points within the Philippines for a period of one to five years, renewable at the Group's option at such terms and conditions which may be agreed upon by both parties. These lease agreements include provision for rental rate escalations including payment of security deposits and advance rentals.

3. Operating lease agreement with a local bank covering transportation equipment for a period of three to four years. The lease agreement does not include escalation rates on monthly payments.

There are no contingent rents for the above lease agreements.

Rent expense was recognized as follows:

	2017	2016	2015
Cost of services (Note 16)	₱592,537,376	₱513,079,995	₱481,018,056
Operating expenses (Note 17)	239,070,492	197,940,252	178,146,664
	₱831,607,868	₱711,020,247	₱659,164,720

The Group maintains security deposits arising from the said operating lease agreements amounting to ₱255.43 million and ₱226.26 million as of December 31, 2017 and 2016, respectively.

The future minimum lease payments from the foregoing noncancellable operating lease agreements follow:

	2017	2016
Not later than 1 year	₱874,762,535	₱761,315,955
Later than 1 year but not later than 5 years	3,894,459,968	3,346,283,230

Deferred lease liability arising from straight line recognition of lease payments amounting to ₱43.00 million and ₱36.87 million as of December 31, 2017 and 2016, respectively, are included in the non-current portion of lease liabilities account in the consolidated statements of financial position.

(b) Finance lease

These involve leases of transportation equipment which were accounted for as finance leases.

The components of the finance lease obligation as at December 31 arising from this lease are as follows:

	2017	2016
Gross finance lease obligations		
Not later than one year	₱37,331,796	₱62,083,010
Later than 1 year but not later than 5 years	50,764,603	44,422,597
	88,096,399	106,505,607
Future finance lease charges on the finance lease		
Not later than one year	(6,640,272)	(11,256,327)
Later than 1 year but not later than 5 years	(6,734,655)	(8,054,301)
	(13,374,927)	(19,310,628)
	₱74,721,472	₱87,194,979

The present value of minimum lease payments is as follows:

	2017	2016
Not later than 1 year	₱30,691,524	₱50,826,683
Later than 1 year but not later than 5 years	44,029,948	36,368,296
	₱74,721,472	₱87,194,979

Interest expense on the above finance lease obligation charged to finance costs amounted to ₱12.65 million, ₱23.40 million and ₱24.45 million in 2017, 2016 and 2015, respectively.

20. Retirement Benefits

The Group has a funded, noncontributory defined benefit retirement plan covering all qualified employees. The retirement plan is intended to provide for benefit payments to employees equivalent to 100% to 130% of the employee's final monthly basic salary for every year of credited service. Benefits are paid in lump sum upon retirement or separation in accordance with the terms of the Plan. Any qualified employee who voluntarily resigns from the service of the Group after completing at least 10 years of service, shall receive a benefit equal to a percentage of his accrued retirement benefits. The Group updates the actuarial valuation every year by hiring the services of a third party qualified actuary. The latest actuarial valuation report was as of reporting date.

The Retirement Plan Trustee, as appointed by the Group in the Trust Agreement executed between the Group and the duly appointed Retirement Plan Trustee, is responsible for the general administration of the Retirement Plan and the management of the Retirement Fund. The Retirement Plan Trustee may seek the advice of a counsel and appoint an investment manager or managers to manage the Retirement Fund, an independent accountant to audit the Fund and an actuary to value the Retirement Fund. The Group has no transaction either directly or indirectly through its subsidiaries or with its employees' retirement benefit fund.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The Group's retirement plan meets the minimum retirement benefit specified under Republic Act 7641.

Changes in net defined benefit liability in 2017 and 2016 are as follow:

	2017												
		Net benefit cost in statements of comprehensive income					Remeasurements in other comprehensive income						
	January 1, 2017	Current service cost	Net interest	Subtotal	Benefits paid from plan assets	Benefits paid by the Group	Return on plan assets	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Subtotal	Contributions	December 31, 2017
Present value of defined benefit obligation	₱743,821,499	₱83,223,807	₱47,677,570	₱130,901,377	(₱11,094,950)	(₱46,996,553)	₱–	₱17,706,715	₱–	(₱74,134,354)	(₱56,427,639)	₱–	₱760,203,734
Fair value of plan assets	(22,794,838)	–	(3,094,836)	(3,094,836)	11,094,950	–	2,290,757	–	–	–	2,290,757	(42,374,000)	(54,377,967)
Net defined benefit liability	₱721,026,661	₱83,223,807	₱44,582,734	₱127,806,541	₱–	(₱46,996,553)	₱2,290,757	₱17,706,715	₱–	(₱74,134,354)	(₱54,136,882)	(₱42,374,000)	₱705,325,767

	2016												
		Net benefit cost in statements of comprehensive income					Remeasurements in other comprehensive income						
	January 1, 2016	Current service cost	Net interest	Subtotal	Benefits paid from plan assets	Benefits paid by the Group	Return on plan assets	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Subtotal	Contributions	December 31, 2016
Present value of defined benefit obligation	₱655,439,842	₱77,208,449	₱33,905,162	₱111,113,611	(₱39,100,905)	₱–	₱–	(₱12,687,351)	(₱130,324,876)	₱159,381,178	₱16,368,951	₱–	₱743,821,499
Fair value of plan assets	(13,627,763)	–	(1,196,945)	(1,196,945)	39,100,905	–	758,958	–	–	–	758,958	(47,829,993)	(22,794,838)
Net defined benefit liability	₱641,812,079	₱77,208,449	₱32,708,217	₱109,916,666	₱–	₱–	₱758,958	(₱12,687,351)	(₱130,324,876)	₱159,381,178	₱17,127,909	(₱47,829,993)	₱721,026,661

The major categories of the Group's plan assets follow:

	2017	2016
Cash and cash equivalents	₱25,101,182	₱10,968,876
Equity instruments	2,277,436	1,431,516
Debt instruments:		
Government bonds	26,736,546	9,348,163
Other bonds	1,421,339	893,558
Others	(658,536)	152,725
	₱54,877,967	₱22,794,838

All equity and debt instruments held have quoted prices in active market.

The equity instruments are investment in stocks of a holding company of a conglomerate listed in the Philippines stock market engaged in various businesses.

The Retirement Trust Fund assets are valued by the fund manager at fair value using the mark-to-market valuation.

The Group is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the Group's discretion. However, in the event a benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable by the Group to the Retirement Fund.

The Retirement Plan Trustee monitors regularly the status of the plan assets and liabilities to ensure availability of funds upon retirement of personnel.

The Group expects to contribute ₱73.95 million to the retirement plan in 2018. The retirement plan does not have a formal funding policy. The funding requirement is mainly driven by the availability of excess fund from the Group's operations.

The movement in actuarial gain recognized in other comprehensive income follows:

	2017	2016	2015
Beginning of year	(₱153,409,762)	(₱170,537,671)	(₱231,821,281)
Actuarial loss (gain) from defined benefit obligation	(56,427,639)	16,368,951	59,937,337
Plan asset remeasurement loss	2,290,757	758,958	1,346,273
End of year, gross	(207,546,644)	(153,409,762)	(170,537,671)
Deferred tax liability	62,263,993	46,022,929	51,161,301
	(₱145,282,651)	(₱107,386,833)	(₱119,376,370)

The principal assumptions used in determining retirement for the defined benefit plans are shown below:

	2017	2016	2015
Discount rate	5.86% to 5.99%	5.77% to 6.20%	4.71% to 6.12%
Salary increase	5.00%	5.00%	5.00%
Attrition rate	22.20%	14.31%	22.81%

Discount rate
The discount rate is determined by reference to market yields at the end of the reporting period based on high quality bonds with currency and term similar to the estimated term of the benefit obligation. There is no deep market in high quality corporate bonds in the Philippines and therefore, the Group used as reference the yields in long-term Philippine Treasury Bonds and adjusted to reflect the term similar to the estimated term of the benefit obligation as determined by the actuary.

Salary increase
This is the expected long-term average rate of salary increase taking into account inflation, seniority, promotion and other market factors. Salary increase comprises of the general inflationary increases plus a further increase for individual productivity, merit and promotion. The future salary increase rates are set by reference over the period over which benefits are expected to be paid.

Attrition rate
The attrition rate is determined based on historical experience of the Group.

Demographic assumptions
Assumptions regarding mortality experience are set based on published statistics and experience in the Philippines.

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

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which change other than those assumed may be deemed to be more reasonable.

		2017	2016
	Increase (decrease)	Net defined benefit liability	Net defined benefit liability
Discount rate	+1.00%	(₱80,215,705)	(₱85,375,618)
	-1.00%	94,741,834	101,845,033
Salary increase	+1.00%	86,389,537	97,741,926
	-1.00%	(74,820,303)	(83,780,167)

The weighted average duration of the defined benefit obligation at the end of the reporting period is 11.82 years.

Shown below is the maturity analysis of retirement benefit payments up to ten years:

	2017	2016
Less than 1 year	₱54,235,190	₱34,032,237
More than 1 year to 5 years	255,728,891	191,385,358
More than 5 years to 10 years	440,294,461	474,100,134
	₱750,258,542	₱699,517,729

21. Financial Risk Management Objectives and Policies

The Group has various financial assets such as cash and cash equivalents, trade and other receivables (excluding advances to employees), due from related parties, available-for-sale investments and 'short-term investments' under other current assets.

The Group's financial liabilities comprise of accounts and other payables (excluding statutory liabilities), due to related parties, notes payable, transmissions liability, finance lease liabilities, other noncurrent liabilities, derivative liability and bond payable. The main purpose of these financial liabilities is to finance the Group's operations.

The use of derivative financial instruments, if any, is solely for management of the Group's financial risk exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

The main risks arising from the Group's financial instruments are price risk, interest rate risk, liquidity risk, foreign currency risk and credit risk. The BOD reviews and approves policies for managing each of these risks which are summarized below.

Price risk
The Group closely monitors the prices of its equity securities as well as macroeconomic and entity-specific factors which could directly or indirectly affect the prices of these instruments. In case of an expected decline in its portfolio of equity securities, the Group readily disposes or trades the securities for replacement with more viable and less risky investments.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers, or factors affecting all instruments traded in the market.

The following table shows the effect on OCI should the change in the close share price of quoted equity securities and change in the net asset value (NAV) of the unquoted unit investment trust fund occur as of December 31, 2017 and 2016 with all other variables held constant.

	Effect on OCI	
	2017	2016
Change in share price		
+5.00%	₱22,236,848	₱22,919,559
-5.00%	(22,236,848)	(22,919,559)
Change in NAV		
+5.00%	₱22,038,175	₱12,565,750
-5.00%	(22,038,175)	(12,565,750)

The Group is also exposed to equity price risk in the fair valuation of the derivative liability due to the embedded equity conversion feature. The following table shows the effect on net income should the change in the close share price of the underlying equity security in the convertible instrument occur as at December 31, 2017 with all other variables held constant.

	Effect on net income
	December 31, 2017
Change in share price	
Increase by 5%	₱106,563,899
Decrease by 5%	217,826,174

Interest rate risk and credit spread sensitivity analysis
Except for the credit spread used in the valuation of the convertible redeemable bond, the Group is not significantly exposed to interest rate risk as the Group's interest rate on its cash and cash equivalents and notes payable are fixed and none of the Group's financial assets and liabilities is measured at fair value. Further, the impact of fluctuation on interest rates on the Group's finance leases will not significantly impact the results of operations.

The value of the Group's convertible redeemable bond is driven primarily by two risk factors: underlying stock prices and interest rates. Interest rates are driven by using risk-free rate, which is a market observable input, and credit spread, which is not based on observable market data. The following table demonstrates the sensitivity to a reasonably possible change in credit spread, with all other variables held constant, on the fair value of the Group's embedded conversion option of the convertible redeemable bond.

	Credit spread +1%	Credit spread -1%
Effect in fair value	(₱2,616,426)	(₱8,033,086)

Liquidity risk
Liquidity risk is the risk from inability to meet obligations when they become due because of failure to liquidate assets or obtain adequate funding. The Group ensures that sufficient liquid assets are available to meet short-term funding and regulatory capital requirements.

The Group has a policy of regularly monitoring its cash position to ensure that maturing liabilities will be adequately met.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Management believes that cash generated from operations is sufficient to meet daily working capital requirements.

Surplus cash is invested into a range of short-dated money time deposits and unit investment trust fund which seek to ensure the security and liquidity of investment while optimizing yield.

The following summarizes the maturity profile of the Group's financial assets based on remaining contractual undiscounted collections:

	2017		
	Due in less than one year	Due in more than one year	Total
Cash and cash equivalents			
Cash on hand	₱264,057,974	₱–	₱264,057,974
Cash in bank	1,103,336,745	–	1,103,336,745
Cash equivalents	2,411,013,773	–	2,411,013,773
Receivables			
Trade	1,684,871,031	–	1,684,871,031
Others	18,596,026	–	18,596,026
Due from related parties	667,717,635	–	667,717,635
Available-for-sale investments			
Quoted	–	444,736,969	444,736,969
Unquoted	440,763,495	–	440,763,495
Short-term investments	11,326,492	–	11,326,492
	₱6,601,683,171	₱444,736,969	₱7,046,420,140

	2016		
	Due in less than one year	Due in more than one year	Total
Cash and cash equivalents			
Cash on hand	₱174,890,603	₱–	₱174,890,603
Cash in bank	939,534,180	–	939,534,180
Cash equivalents	213,365,944	–	213,365,944
Receivables			
Trade	1,541,820,572	–	1,541,820,572
Others	14,475,954	–	14,475,954
Due from related parties	1,107,999,329		1,107,999,329
Available-for-sale investments			
Quoted	–	458,391,174	458,391,174
Unquoted	250,937,154	–	250,937,154
Short-term investments	27,340,771	–	27,340,771
	₱4,270,364,507	₱458,391,174	₱4,728,755,681

Except as indicated, the Group's financial liabilities based on undiscounted cash flows as shown below are due and expected to be paid within 12 months after the reporting period, which is the earlier of the contractual maturity date or the expected settlement date:

	2017		
	Due in less than one year	Due in more than one year	Total
Accounts payable and accrued expenses			
Trade payable	₱657,245,354	₱–	₱657,245,354
Accruals	605,898,038	–	605,898,038
Others	18,528,015	–	18,528,015
Due to a related party	2,542,585	–	2,542,585
Notes payable	441,705,549	614,513,699	1,056,219,248
Transmissions liability	588,203,656	–	588,203,656
Derivative liability	–	1,860,373,479	1,860,373,479
Bond payable	–	896,185,059	896,185,059
Lease liabilities	37,331,796	50,764,603	88,096,399
Other noncurrent liabilities	–	118,327,055	118,327,055
	₱2,351,454,993	₱3,540,163,895	₱5,891,618,888

	2016		
	Due in less than one year	Due in more than one year	Total
Accounts payable and accrued expenses			
Trade payable	₱584,200,408	₱–	₱584,200,408
Accruals	472,985,122	–	472,985,122
Others	31,578,164	–	31,578,164
Due to related parties	18,254,029	–	18,254,029
Notes payable	705,273,544	796,882,740	1,502,156,284
Transmissions liability	467,284,795	–	467,284,795
Lease liabilities	62,083,010	44,422,596	106,505,606
Other noncurrent liabilities	–	34,477,440	34,477,440
	₱2,341,659,072	₱875,782,776	₱3,217,441,848

Notes payable and lease liabilities include future interest payments.

Payable to government agencies amounting to ₱321.43 million and ₱206.40 million as at December 31, 2017 and 2016, respectively, are considered nonfinancial liabilities (see Note 10).

The Group expects to generate cash flows from its operating activities mainly on sale of services. The Group also has sufficient cash and adequate amount of credit facilities with banks and its ultimate parent company to meet any unexpected obligations.

Foreign currency risk
Foreign currency risk is the risk that the future cash flows of financial assets and financial liabilities will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates to the Group's operating activities when revenue or expenses are denominated in a different currency from the Group's functional currency.

The Group operates internationally through its various international affiliates by fulfilling the money remittance and cargo delivery services of these related parties. This exposes the Group to foreign exchange risk primarily with respect to Euro (EUR), Hongkong Dollar (HKD), Australian Dollar (AUD) Taiwanese Dollar (TWD), US Dollar (USD) and Great British Pound (GBP). Foreign exchange risk arises from future commercial transactions, foreign currency denominated assets and liabilities and net investments in foreign operations.

The Group enters into short-term foreign currency forwards, if needed, to manage its foreign currency risk from foreign currency denominated transactions.

Information on the Group's foreign currency-denominated monetary assets and liability recorded under 'trade and other receivables' and 'bond payable', respectively, assets and liabilities related to convertible instrument in the consolidated statements of financial position and their Philippine Peso equivalents follow:

	2017	
Assets:	Foreign currency	Peso equivalent
Euro	3,001,837	₱178,939,504
Hongkong Dollars	15,118,598	96,607,841
Australian Dollars	1,234,425	48,031,477
Taiwanese Dollars	56,818,370	95,454,862
US Dollars	577,108	28,809,231
Great British Pound	33,453	2,260,419
Liabilities:		
US Dollars	(18,189,640)	(908,026,829)

The translation exchange rates used were ₱59.61 to EUR 1, ₱6.39 to HKD 1, ₱38.91 to AUD 1, ₱1.68 to TWD 1, ₱49.92 to USD 1 and ₱67.57 to GBP 1 in 2017.

	2016	
Assets:	Foreign currency	Peso equivalent
Euro	2,851,734	₱150,600,073
Hongkong Dollars	17,813,579	114,363,177
Australian Dollars	2,768,961	103,033,039
Taiwanese Dollars	59,719,397	93,759,453
US Dollars	1,249,172	62,171,290
Great British Pound	194,844	12,039,411

The translation exchange rates used were ₱52.81 to EUR 1, ₱6.42 to HKD 1, ₱37.21 to AUD 1, ₱1.57 to TWD 1, ₱49.77 to USD 1 and ₱61.79 to GBP 1 in 2016

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before tax (due to changes in the fair value of monetary assets and liabilities) as at December 31, 2017 and 2016.

Reasonably possible change in foreign exchange rate for every two units of Philippine Peso	Increase (decrease) in income before tax	
	2017	2016
₱2	₱116,945,908	₱169,195,374
(2)	(116,945,908)	(169,195,374)

There is no impact on the Group's equity other than those already affecting profit or loss. The movement in sensitivity analysis is derived from current observations on fluctuations in dollar average exchange rates.

The Group recognized ₱91.98 million, ₱143.23 million and ₱108.11 million foreign exchange gains - net, for the years ended December 31, 2017, 2016 and 2015, respectively, arising from settled transactions and translation of the Group's cash and cash equivalents, trade receivables, trade and other payables and bond payable.

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 a financial loss.

Credit risk is monitored and actively managed by way of strict requirements relating to the creditworthiness of the counterparty at the point at which the transactions are concluded and also throughout the entire life of the transactions, and also by way of defining risk limits.

The maximum credit risk exposure of the Group's financial assets is equal to the carrying amounts in the consolidated statements of financial position.

There are no collaterals held as security or other credit enhancements attached to the Group's financial assets.

As of December 31, 2017 and 2016, the credit quality per class of financial assets is as follows:

	2017				
	Neither Past Due nor Impaired			Past dueand/or Individually Impaired	Total
	High Grade	Standard	Substandard Grade		
Cash in banks and cash equivalents	₱3,514,350,518	₱–	₱–	₱–	₱3,514,350,518
Trade and other receivables	1,555,860,432	–	–	147,606,625	1,703,467,057
Due from related parties	667,717,635	–	–	–	667,717,635
Short-term investment	11,326,492	–	–	–	11,326,492
	₱5,749,255,077	₱–	₱–	₱147,606,625	₱5,896,861,702

	2016				
	Neither Past Due nor Impaired			Past dueand/or Individually Impaired	Total
	High Grade	Standard	Substandard Grade		
Cash in banks and cash equivalents	₱1,152,900,124	₱–	₱–	₱–	₱1,152,900,124
Trade and other receivables	1,431,015,515	–	–	125,281,011	1,556,296,526
Due from related parties	1,107,999,329	–	–	–	1,107,999,329
Short-term investment	27,340,771	–	–	–	27,340,771
	₱3,719,255,739	₱–	₱–	₱125,281,011	₱3,844,536,750

The Group's basis in grading its receivables are as follow:

High grade - these are receivables which have a high probability of collection (i.e., the counterparty has the apparent ability to satisfy its obligation and the security on receivables readily enforceable).

Standard - these are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but have been outstanding for a certain period of time.

Substandard - these are receivables that can be collected provided the Group makes persistent effort to collect them.

Cash in banks and cash equivalents are deposited/placed in banks that are stable as they qualify either as universal or commercial banks. Universal and commercial banks represent the largest single group, resource-wide, of financial institutions in the country the Group is operating. They offer the widest variety of banking services among financial institutions. These financial assets are classified as high grade due to the counterparties' low probability of insolvency.

As of December 31, 2017 and 2016, the aging analyses of the Group's past due and/or impaired receivables are as follows:

	2017				
	Past Due but not Impaired			Impaired Financial	
	1 to 30 days	31 to 90 days	Over 90 days	Assets	Total
Trade and other receivables	₱64,705,065	₱16,556,165	₱9,092,445	₱57,252,950	₱147,606,625

	2016				
	Past Due but not Impaired			Impaired Financial	
	1 to 30 days	31 to 90 days	Over 90 days	Assets	Total
Trade and other receivables	₱32,384,030	₱8,880,741	₱28,321,255	₱55,694,985	₱125,281,011

There are no collaterals held by the Group with respect to trade receivables that have been identified as past due but not impaired.

Capital Management

The Group's objectives in managing capital are to safeguard the Group's ability to continue as a going concern so that it can continue to provide shareholder returns and to maintain an optimal capital structure to reduce the cost of capital and thus, increase the value of shareholder investment.

In order to maintain a healthy capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts. Management has assessed that the Group is self-sufficient based on historical and current operating results.

The capital that the Group manages is equal to the total equity as shown in the consolidated statements of financial position at December 31, 2017 and 2016 amounting to ₱2,365.47 million and ₱2,462.99 million, respectively.

22. Fair Values and Offsetting Arrangements

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

The carrying amounts of cash and cash equivalents, trade and other receivables, due from/to related parties, short-term cash investments, accounts and other payables, transmissions liability, and the current portion of notes payable and lease liabilities approximate their fair value. These financial instruments are relatively short-term in nature.

The fair value of quoted AFS investment is the current closing price while the unquoted AFS investment is based on the published net asset value per unit as of reporting date.

The estimated fair value of long-term portion of notes payable is based on the discounted value of future cash flow using applicable interest rates ranging from 4.14% to 4.20% for 2017 and 2016.

The fair value of the long-term portion of lease liabilities is based on the discounted value of future cash flow using applicable interest rates ranging from 7.50% to 9.91% for 2017 and 2016.

The estimated fair value of derivative liability as at December 31, 2017 is based on an indirect method of valuing multiple embedded derivatives. This valuation technique using binomial pyramid model uses stock prices and stock price volatility. This valuation method compares the fair value of the option-free instrument against the fair value of the hybrid convertible instrument. The difference of the fair values is assigned as the value of the embedded derivatives. The significant unobservable input in the fair value is the stock price volatility of 42.16% in 2017. A 5% increase (5% decrease) in the stock price volatility would increase by ₱5.04 million (decrease by ₱153.42 million) the fair value of the derivative liability.

The estimated fair value of bond payable as at December 31, 2017 is based on the discounted value of future cash flow using applicable rate of 17%.

The estimated fair value of other noncurrent liabilities is based on the discounted value of future cash flow using applicable rate of 3.85% to 12.28%.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

For Level 3, inputs used in discounted cash flows include cash flows, discount rates and other market data. The fair values of quoted AFS investments are classified as Level 1 and the unquoted AFS investments are classified as Level 2.

The quantitative disclosures on fair value measurement hierarchy for assets as of December 31, 2017 and 2016 follow:

	2017				
		Fair value measurements using			
	Carrying values	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Quoted equity securities	₱444,736,969	₱444,736,969	₱444,736,969	₱–	₱–
Unquoted unit investment trust fund	440,763,495	440,763,495	–	440,763,495	–
Liability measured at fair value					
Derivative liability	1,860,373,479	1,860,373,479	–	–	1,860,373,479
Liabilities for which fair value are disclosed					
Bond payable	896,185,059	896,185,059	–	–	896,185,059
Long-term notes payable	601,250,000	614,312,040	–	–	614,312,040
Non-current lease liabilities	87,031,857	93,766,512	–	–	93,766,512
Other noncurrent liabilities	118,327,055	136,075,877	–	–	136,075,877

	2016				
		Fair value measurements using			
	Carrying values	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Quoted equity securities	₱458,391,174	₱458,391,174	₱458,391,174	₱–	₱–
Unquoted unit investment trust fund	250,937,154	250,937,154	–	250,937,154	–
Liabilities for which fair value are disclosed					
Long-term notes payable	692,500,000	695,225,295	–	–	695,225,295
Non-current lease liabilities	73,242,401	77,401,097	–	–	77,401,097
Other noncurrent liabilities	34,477,440	36,807,633	–	–	36,807,633

For the years ended December 31, 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where the Group currently has a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the net asset settles the liability simultaneously.

The following table represents the recognized financial instruments that are offset as of December 31, 2017 and December 31, 2016, and shows in the 'Net' column what the net impact would be on the Group's consolidated statements of financial position as a result of the offsetting rights.

	December 31, 2017		
	Gross Amount	Offsetting	Net Amount
Due from related parties	₱1,367,182,922	₱–	₱1,367,182,922
Dividends payable	–	(699,465,287)	(699,465,287)
	₱1,367,182,922	(₱699,465,287)	₱667,717,635

	December 31, 2016		
	Gross Amount	Offsetting	Net Amount
Due from related parties	₱1,373,313,748	₱–	₱1,373,313,748
Dividends payable	–	(265,314,419)	(265,314,419)
	₱1,373,313,748	(₱265,314,419)	₱1,107,999,329

The Parent Company's dividends payable to LBCDC has been offset against due from LBCDC. The Parent Company and LBCDC have the intention of settling on a net basis.

23. Segment Reporting

Management has determined the operating segments based on the information reviewed by the executive committee for purposes of allocating resources and assessing performance.

The Group's two main operating segments comprise of logistics and money transfer services. The executive committee considers the business from product perspective.

The Group's logistics products are geared toward both retail and corporate clients. The main services offered under the Group's logistics business are domestic and international courier and freight forwarding services (by way of air, sea and ground transport).

Money transfer services comprise remittance services (including branch retail services, prepaid remittance cards and online and mobile remit) and bills payment collection and corporate remittance payout services. Money transfer services include international presence through its branches which comprises international inbound remittance services.

The Group only reports revenue line item for this segmentation. Assets and liabilities and cost and expenses are shared together by these two segments and, as such, cannot be reliably separated.

The Group has no significant customer which contributes 10.00% or more to the revenue of the Group.

The following table presents the amount of revenues generated from these segments:

	2017	2016	2015
Logistics			
Retail	₱5,751,655,749	₱4,964,000,749	₱4,091,284,562
Corporate	3,229,513,847	2,557,865,998	2,199,007,266
	8,981,169,596	7,521,866,747	6,290,291,828
Money transfer services			
Domestic	907,122,704	1,058,448,930	1,186,850,428
International inbound	131,824,186	115,086,945	209,332,208
	1,038,946,890	1,173,535,875	1,396,182,636
	₱10,020,116,486	₱8,695,402,622	₱7,686,474,464

The revenue of the Group consists mainly of sales to external customers. Revenue arising from service fees charged to affiliates amounted to ₱658.03 million and ₱400.29 million in 2017 and 2016, respectively.

Seasonality of Operation
The Group's operation experiences increased volume in remittance transmission as well as cargo throughout the second quarter and fourth quarter of the year, particularly during the start of the school year and during the holiday season.

24. Note to Consolidated Statement of Cash Flows

In 2017, the Group has the following non-cash transactions under:

Investing activities
a.) Unpaid acquisitions of property and equipment and intangibles amounting to ₱39.58 million and ₱126.70 million.

b.) Offsetting of due from LBCDC against dividends payable amounting to ₱699.47 million recorded under "Due from related parties".

Details of the movement in cash flows from financing activities are as follow:

	December 31, 2016	Cash Flows	Leasing arrangements	Interest	Dividends declared	Offsetting of dividends	Foreign exchange movement	Fair value changes	December 31, 2017
Notes payable	₱1,359,215,500	(₱317,915,500)	₱–	₱–	₱–	₱–	₱–	₱–	₱1,041,300,000
Lease and other non-current liabilities	158,546,524	(45,924,991)	123,428,903	–	–	–	–	–	236,050,436
Convertible bond (bond and derivative liability)	–	2,505,658,750	–	59,559,636	–	–	(3,610,668)	199,950,820*	2,736,558,338
Payments of dividends	–	(127,536,686)	–	–	827,001,973	(699,465,287)	–	–	–
Interest paid	–	(75,601,767)	–	77,257,316	–	–	–	–	1,655,549
Due to related parties	18,254,029	(15,711,444)	–	–	–	–	–	–	2,542,585
Total liabilities from financing activities	₱1,536,016,053	₱1,922,968,362	₱123,428,903	₱136,816,952	₱827,001,973	(₱699,465,287)	(₱3,610,668)	₱199,950,820	₱4,018,107,108

*Relates to fair value changes of derivative liability

In 2016, the Group has the following non-cash transactions under;

Investing activities
a.) Unpaid acquisitions of property and equipment amounting to ₱60.75 million during the year.

b.) Offsetting of due from LBCDC against dividends payable amounting to ₱265.31 million recorded under 'Due from related parties'.

Financing activities
a.) Accrued interest amounting to ₱1.72 million.

The Group made certain reclassifications to the consolidated statements of cash flows for 2016 and 2015 to align with 2017 classification. Movements in due from related parties were transferred to investing activities from operating activities while movements in due to related parties were moved to financing activities from operating activities. Below is the summary of movements:

	December 31, 2016		
	Previous balance	Reclassification	Revised balance
Net cash flows provided by (used in):			
Operating activities	₱757,318,877	₱51,595,739	₱808,914,616
Investing activities	(559,383,236)	(51,967,086)	(611,350,322)
Financing activities	154,552,975	371,346	154,924,321

	December 31, 2015		
	Previous balance	Reclassification	Revised balance
Net cash flows provided by (used in):			
Operating activities	₱596,808,625	₱336,284,003	₱993,092,628
Investing activities	(1,722,162,509)	(523,484,110)	(2,245,646,619)
Financing activities	1,566,970,849	187,200,107	1,754,170,956

25. Basic/Diluted Earnings Per Share

The following table presents information necessary to calculate earnings per share (EPS) on net income attributable to owners of the Parent Company:

	Years Ended December 31		
	2017	2016	2015
Net income attributable to equity holders of the Parent Company	₱703,876,073	₱921,605,612	₱439,811,552
Divided by the weighted average number of common stocks outstanding	1,425,865,471	1,425,865,471	1,425,865,471
Basic/diluted earnings per share	₱0.49	₱0.65	₱0.31

The basic and dilutive earnings per share are the same due to the absence of dilutive potential common shares.

26. Other Matters

Closure of LBC Development Bank, Inc.

On September 9, 2011, the BSP, through Monetary Board Resolution No. 1354, resolved to close and place LBC Development Bank Inc.'s (the "Bank") assets and affairs under receivership.

On December 8, 2011, the Philippine Deposit Insurance Company (PDIC), as the official receiver and liquidator of closed banks, demanded on behalf of the Bank that LBC Holdings USA Corporation (LBC US) pay for its alleged outstanding obligations to LBC Bank amounting to approximately ₱1.00 billion, a claim that LBC US has denied as being baseless and unfounded. No further demand on this matter has been made by the PDIC since then, although there are no assurances that the claim has been waived or abandoned in whole or in part, or that the PDIC will not institute relevant proceedings in court or serve another demand letter to LBC US.

In relation to the Bank's closure and receivership, the receivables amounting to ₱295.00 million were written-off in 2011.

On March 17 and 29, 2014, the PDIC's external counsel sent letters to LBCE, demanding collection of the alleged amounts totaling ₱1.79 billion. On March 24 and 29, 2014, July 29, 2014, June 17, 2015 and June 26, 2015, the same legal counsel sent collection letters addressed to LBC Systems, Inc. [Formerly LBC Mundial Inc.] [Formerly LBC Mabuhay USA Corporation], demanding the payment of amounts aggregating to ₱911.59 million, all on behalf of the Bank.

On November 2, 2015, the Bank, represented by the PDIC, filed a case against LBC Express, Inc. (LBCE) and LBC Development Corporation (LBCDC), together with other respondents, before the Makati City Regional Trial Court (RTC) for a total collection of ₱1.82 billion. The case is in relation to the March 17, 2014 demand letter representing collection of unpaid service fees due from June 2006 to August 2011 and service charges on remittance transactions from January 2010 to September 2011. In the Complaint, the PDIC justified the increase in the amount from the demand letter to the amount claimed in the case due to their discovery that the supposed payments of LBCE were allegedly unsupported by actual cash inflow to the Bank.

On December 28, 2015, the summons, together with a copy of the Complaint of LBC Development Bank, Inc., and the writ of preliminary attachment were served on the former Corporate Secretary of LBCE. The writ of preliminary attachment resulted to the (a) attachment of the 1,205,974,632 shares of LBC Express Holdings, Inc. owned by LBCDC and (b) attachment of various bank accounts of LBCE totaling ₱6.90 million. The attachment of the shares in the record of the stock transfer agent had the effect of preventing the registration or recording of any transfers of shares in the records, until the writ of attachment is discharged.

LBCE and LBCDC, the ultimate Parent Company, together with other defendants, filed motions to dismiss the Complaint on January 12, 2016. On January 21, 2016, LBCE and LBCDC filed its Urgent Motion to Approve the Counterbond and Discharge the Writ of Attachment.

On February 17, 2016, the RTC issued the order to lift and set aside the writ of preliminary attachment. The order to lift and set aside the preliminary attachment directed the sheriff of the court to deliver to LBCE and LBCDC all properties previously garnished pursuant to the writ. The counterbond delivered by LBCE and LBCDC stands as security for all properties previously attached and to satisfy any final judgment in the case.

In a Joint Resolution dated June 28, 2016, the RTC denied the motions to dismiss filed by all the defendants, including LBCE and LBCDC. Motions for reconsideration filed by the defendants were subsequently denied by the RTC in the Resolution dated February 16, 2017.

After filing motions for extension of time, LBCE and LBCDC filed their Answer with Counterclaims on April 10, 2017. In the Resolution dated June 15, 2017, the RTC denied the third motion for extension, declared all of the defendants including LBCE in default and ordered PDIC to present evidence ex-parte. LBCE and LBCDC filed a Verified Omnibus Motion for reconsideration and to lift the order of default. The other defendants filed similar motions, including a motion for inhibition. On July 21, 2017, LBCE received the Joint Resolution dated July 20, 2017, granting the Verified Omnibus Motions and the Motion for Inhibition, thereby lifting the order of default and admitting the Answers filed by all defendants.

The PDIC filed a Motion for Reconsideration dated August 7, 2017, seeking to reconsider the Joint Resolution dated July 20, 2017. The defendants, including LBCE and LBCDC have filed their respective comments thereto and the motion is currently pending resolution.

From August 10, 2017 to January 19, 2018, LBCE, LBCDC, the other defendants and PDIC were referred to mediation and Judicial Dispute Resolution (JDR) but were unable to reach a compromise agreement. The RTC ordered the mediation and JDR terminated and the case raffled to a new judge who will preside over the trial. To date, the parties are still awaiting the case to be raffled to another branch of the Makati RTC.

On April 24, 2017, LBCE and LBCDC filed a Petition for Certiorari with the Court of Appeals, challenging the RTC's June 28, 2016 Joint Resolution. The PDIC, LBCE, and LBCDC have filed their respective Comment, Reply, and Memoranda. The Petition for Certiorari was deemed submitted for resolution as of October 26, 2017 and is still pending. The ultimate outcome of the case cannot presently be determined.

In relation to the above case, in the opinion of management and in concurrence with its legal counsel, any liability of LBCE is not probable and estimable at this point in time.

27. Subsequent Events

On February 28, 2018, the BOD of the Group approved the incorporation of Diez Equiz Pte. Ltd. (the Company), a Singaporean private limited Company, through subscription of 862 shares or 86% of the total outstanding shares of Diez Equiz Pte. Ltd. at USD 1.00 per share. This is to diversify the businesses of the Group and to house possible or future investment opportunities. The Group has control over Diez Equiz Pte. Ltd. in accordance with PFRS 3, Business Combination.

On March 7, 2018, the BOD of the Group approved the purchase of shares of some international affiliates in line with the conditions to the issuance of convertible bond as discussed in Note 10. The acquisition is expected to benefit the Group by contributing to its global revenue streams. On the same date, the share purchase agreements were executed by LBCH and the international affiliates with a total share purchase price amounting to USD 8.55 million, subject to certain closing conditions.

Below is the list of entities that were acquired by the Group:

a. LBC Mabuhay Saipan, Inc. which operates as a cargo and remittance Company in Saipan. LBCH purchased 120,000 shares or 100% of the total outstanding shares of the acquiree at purchase price of USD 207,652. The transfer of the ownership of the shares and all rights, titles and interest thereto shall take place following the payment of the consideration.
b. LBC Mabuhay Hawaii Corporation which operates as a cargo and remittance Company in Hawaii. LBCH purchased 1,536,408 shares or 100% of the total outstanding shares from LBC Holdings USA Corporation
c. LBC Mundial Corporation which operates as a cargo and remittance Company in California. LBCH purchased 4,192,546 shares or 100% or the total outstanding shares from LBC Holdings USA Corporation.
d. LBC Mabuhay North America Corporation which operates as a cargo and remittance Company in New Jersey. LBCH purchased 1,605,273 shares or 100% or the total outstanding shares from LBC Holdings USA Corporation.

LBC Mabuhay Hawaii Corporation, LBC Mundial Corporation and LBC Mabuhay North America Corporation (the Companies) were purchased by LBC Express Holdings, Inc. at a purchase price of USD 8,342,000. The transfer of the ownership of the shares and all rights, titles and interests thereto shall take place following the payment of the consideration defined and shall be subject to the necessary approvals of the US regulatory bodies that oversee and/or regulate the Companies.

SGV
Building a better working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
LBC Express Holdings, Inc. and Subsidiaries
LBC Hangar, General Aviation Centre,
Domestic Airport Road
Pasay City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of LBC Express Holdings, Inc. and its Subsidiaries (the Group) as at and for the years ended December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, included in this Form 17-A, and have issued our report thereon dated March 15, 2018. Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule No. 68, As Amended (2011) and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 1229-AR-1 (Group A),
May 12, 2015, valid until May 11, 2018
Tax Identification No. 162-410-623
BIR Accreditation No. 08-001998-74-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 6621337, January 9, 2018, Makati City

March 15, 2018

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

- Report of Independent Auditors' on supplementary schedules
- Supplementary schedules required by Annex 68-E

  Schedule A: Financial Assets

  Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholder (Other Than Related Parties)

  Schedule C: Amounts Receivables/Payables from/to Related Parties Which are Eliminated During the Consolidation of Financial Statements

  Schedule D: Intangible Assets

  Schedule E: Long Term Debt

  Schedule F: Indebtedness to Related Parties

  Schedule G: Guarantees of Securities of other Issuers

  Schedule H: Capital Stock

- Map of the relationships of the companies within the Group
- Reconciliation of retained earnings available for dividend declaration
- Schedule of financial soundness indicators
- Schedule of all the effective standards and interpretations

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS

DECEMBER 31, 2017

Name of issuing entity and association of each issue	Number of shares	Amount shown in the balance sheet	Income received and accrued
Available-for-sale investments			
Quoted - Araneta Properties, Inc.	195,060,074	₱444,736,969	₱–
Unquoted	–	440,763,495	–
Loans and receivables			
Cash in bank and cash equivalents	–	3,514,350,518	2,729,124
Trade and other receivables	–	1,646,214,107	–
Due from related parties	–	667,717,635	–
Short term investments	–	11,326,492	–
	–	5,839,608,752	2,729,124
		₱6,725,109,216	₱2,729,124

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDER (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2017

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Non-current	Balance at end of period
Fernando G. Araneta, *Chief Strategy Officer*	₱9,284,395	₱–	₱–	₱–	₱9,284,395	₱–	₱9,284,395
Solita S. Delantar *Independent Director*	12,599	–	(12,599)	–	–	–	–
	₱9,296,994	₱–	(₱12,599)	₱–	₱9,284,395		₱9,284,395

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE C: AMOUNTS RECEIVABLES/PAYABLES FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2017

Name of Subsidiaries	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Amounts offset*	Current	Not current	Balance at end of period
LBC Express, Inc.	₱118,999,179	₱882,565,790	(₱340,587,344)	₱–	(₱699,465,287)	(₱38,487,662)	₱–	(₱38,487,662)
LBC Express, Inc. - MM	119,317,773	240,142,430	(226,137,886)	–	–	133,322,317	–	133,322,317
LBC Express, Inc. - SCC	15,767,573	171,375,494	(164,649,705)	–	–	22,493,362	–	22,493,362
LBC Express, Inc. - NEMM	27,196,848	135,453,389	(127,671,096)	–	–	34,979,141	–	34,979,141
LBC Express, Inc. - NWMM	41,129,349	133,034,911	(126,731,492)	–	–	47,432,768	–	47,432,768
LBC Express, Inc. - EMM	23,596,382	81,498,239	(78,633,577)	–	–	26,461,044	–	26,461,044
LBC Express, Inc. - SMM	23,003,835	138,472,768	(133,960,271)	–	–	27,516,332	–	27,516,332
LBC Express, Inc. - CMM	25,769,450	118,511,630	(117,698,829)	–	–	26,582,251	–	26,582,251
LBC Express, Inc. - SL	67,917,354	235,473,647	(222,139,590)	–	–	81,251,411	–	81,251,411
LBC Express, Inc. - SEL	51,213,377	155,011,380	(147,365,559)	–	–	58,859,198	–	58,859,198
LBC Express, Inc. - CL	35,572,579	169,033,643	(164,713,512)	–	–	39,892,710	–	39,892,710
LBC Express, Inc. - NL	38,664,706	161,314,760	(152,013,249)	–	–	47,966,217	–	47,966,217
LBC Express, Inc. - VIS	76,627,883	233,070,651	(222,906,023)	–	–	86,792,511	–	86,792,511
LBC Express, Inc. - WVIS	44,867,317	159,122,293	(149,329,677)	–	–	54,659,933	–	54,659,933
LBC Express, Inc. - MIN	53,469,352	179,046,102	(167,949,314)	–	–	64,566,140	–	64,566,140
LBC Express, Inc. - SEM	41,759,845	118,809,581	(112,574,871)	–	–	47,994,555	–	47,994,555
South Mindanao Courier Co. Inc.	14,327,899	(15,342,064)	(35,725,879)	–	–	(36,740,044)	–	(36,740,044)
LBC Express Corporate Solutions, Inc.	(6,943,532)	16,020,044	(13,029,139)	–	–	(3,952,627)	–	(3,952,627)
LBC Express, Inc. - SCS	13,366,812	168,501,981	(182,204,302)	–	–	(335,509)	–	(335,509)
LBC Systems, Inc.	(59,455,316)	13,499,351	(18,533,285)	–	–	(64,489,250)	–	(64,489,250)
LBC Express WLL	(19,187,139)	(49,451,474)	71,234,724	–	–	2,596,111	–	2,596,111
LBC Express Bahrain WLL	(36,911,391)	(5,330,276)	294,497	–	–	(41,947,170)	–	(41,947,170)
LBC Express LLC	(60,481,564)	(10,269,798)	4,756,112	–	–	(65,995,250)	–	(65,995,250)
	₱649,588,571	₱3,429,564,472	(₱2,828,269,267)	₱–	(₱699,465,287)	₱551,418,489	₱–	₱551,418,489

*On June 9, 2017 through a Memorandum of Agreement, LBCDC and LBCH agreed to offset the dividends payable of LBCH to LBCDC against LBCDC's payable to the Group amounting to ₱699.47 million.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE D: INTANGIBLE ASSETS

DECEMBER 31, 2017

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Disposals	Reclassifications	Ending balance
Software	₱335,393,881	₱156,491,950	(₱65,023,810)	(₱319,900)	₱58,254,684	₱352,310,011
Development in progress	63,140,574	8,654,110	–	–	(67,254,684)	4,540,000
	₱398,534,455	₱165,146,060	(₱65,023,810)	(₱319,900)	(₱9,000,000)	₱356,850,011

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE E: LONG TERM DEBT

DECEMBER 31, 2017

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current liabilities" in related balance sheet	Amount shown under caption "Noncurrent liabilities" in related balance sheet
Notes payable	₱1,041,300,000	₱440,050,000	₱601,250,000
Obligation under finance lease	74,721,472	30,691,524	44,029,948
Bond payable	896,185,059	–	896,185,059
Derivative liability	1,860,373,479	–	1,860,373,479
Other liabilities	161,173,851	42,846,796	118,327,055
	₱4,033,753,861	₱513,588,320	₱3,520,165,541

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES

DECEMBER 31, 2017

Name of related party	Balance at beginning of period	Balance at end of period
LBC Development Corporation	₱15,694,463	₱–
Others	2,559,566	2,542,585
	₱18,254,029	₱2,542,585

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2017

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

NOT APPLICABLE

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE H: CAPITAL STOCK

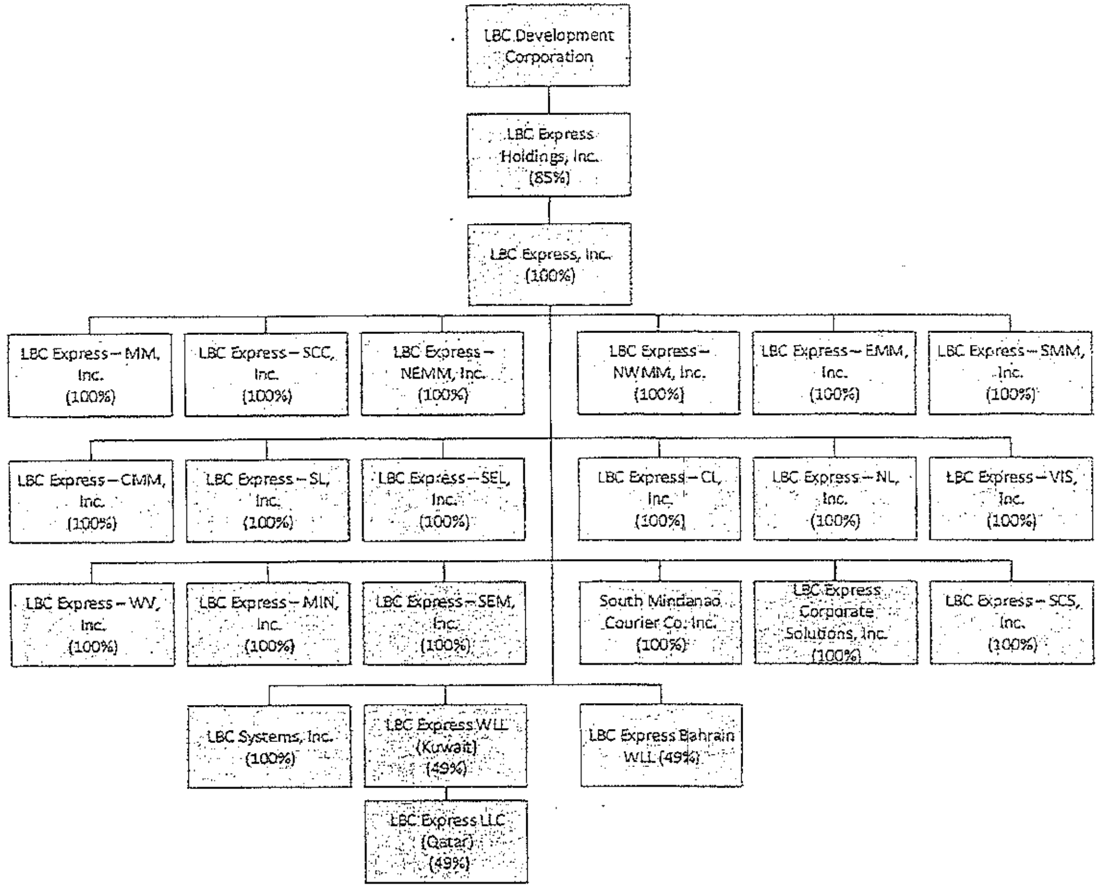
DECEMBER 31, 2017

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - ₱1 par value	2,000,000,000	1,425,865,471	–	1,206,178,232	1,108	219,686,131

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2017



LBC EXPRESS HOLDINGS, INC.

SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2017

Unappropriated Retained Earnings, beginning		₱8,270,395
Adjustments:		
Deferred tax asset that reduced the amount of income tax expense of prior periods		–
Unappropriated retained earnings, as adjusted to available for dividend distribution, as at December 31, 2016		8,270,395
Net income actually earned/realized during the period:	₱568,988,164	
Net income during the period closed to retained earnings		
Less: Non actual/unrealized income net of tax		
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain	(8,610,668)	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of Investment Property resulting to gain Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP-loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Net income actually earned during the period	560,377,496	
Add (Less):		
Dividend declarations during the period	(827,001,973)	
Appropriations of retained earnings during the period	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	(266,624,477)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION		(₱258,354,082)

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

Financial Soundness Indicators

Below are the financial ratios that are relevant to the Group for the years ended December 31:

Financial ratios		**2017**	**2016**
Current ratio	Current assets / Current liabilities	**2.51:1**	1.67:1
Debt to equity ratio	Total liabilities / Stockholders' Equity	**2.98:1**	1.74:1
Debt to total assets ratio	Total liabilities / Total assets	**0.75:1**	0.63:1
Return on average assets	Net income attributable to Parent Company / Average assets	**8.71%**	14.52%
Book value per share	Stockholders' equity / Total number of shares	**₱1.66**	₱1.73
Basic earnings per share	Net income attributable to Parent Company / Weighted average number of common shares outstanding	**₱0.49**	₱0.65
Diluted earnings per share	Net income attributable to Parent Company / Adjusted weighted average number of common shares for diluted EPS	**₱0.49**	₱0.65

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional schedule requirements for large entities showing a list of all effective standards and interpretations under Philippine Financial Reporting Standards (PFRS).

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2017:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1:Borrowing Cost			✓
	Amendments to PFRS 1:Meaning of "Effective PFRS"			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Definition of Vesting Condition			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 3	Business Combinations	✓		
	Accounting for Contingent Consideration in a Business Combination			✓
	Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Servicing Contracts	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *		✓	
	Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	✓		
	Amendments to PFRS 7: Hedge Accounting (2013 version) *		✓	
PFRS 8	Operating Segments	✓		
	Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments *		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures *		✓	
	Financial Instruments: Classification and Measurement (2010 version) *		✓	
	Amendments to PFRS 9: Hedge Accounting (2013 version) *		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13:Short Term Receivable and Payable	✓		
	Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 16	Leases *		✓	
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1:Clarification of the Requirements for Comparative Information	✓		
	Amendments to PAS 1: Presentation of financial statements - disclosure initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendment to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses *		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
	Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Regional Market Issue Regarding Discount Rate			✓
	Amendments to PAS 19:Defined Benefit Plan: Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24	Related Party Disclosures - Key Management Personnel	✓		
	Related Party Disclosures - Key Management Personnel (Amended)	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Separate Financial Statements	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements		✓	
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures			✓
	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PAS 28: Investment Entities			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendment to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Disclosure of Information 'Elsewhere in the Interim Financial Report'	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets			✓
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property			✓
	Amendments to PAS 40: Clarification on Ancillary Services			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate *			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs	✓		

** These standards are not yet effective as of December 31, 2017.*

In addition, the IASB has issued the following new standards that have not yet been adopted locally by the SEC and FRSC. The Group is currently assessing the impact of these new standards and plans to adopt them on their required effective dates once adopted locally.

- IFRS 15, *Revenue from Contracts with Customers* (effective January 1, 2018)

Standards tagged as "Not applicable" have been adopted by the Group but have no significant covered transactions for the year ended December 31, 2017.

Standards tagged as "Not adopted' are standards issued but not yet effective as of December 31, 2017. The Group will adopt the Standards and Interpretations when these become effective.

FOR FILING WITH SEC

AFTER THE BIR HAS DULY STAMPED "RECEIVED."

COVER SHEET
for
AUDITED FINANCIAL STATEMENT

SEC Registration Number

AS093-005277

COMPANY NAME

LBC EXPRESS HOLDINGS, INC. (FORMERLY FEDERAL RESOURCES INVESTMENT GROUP INC.)

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

LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	856-8522	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
486	2nd Monday of June	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Enrique V. Rey, Jr.	evrey@lbcexpress.com	856-8510	N/A

CONTACT PERSON's ADDRESS

LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila

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

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

LBC Express Holdings, Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of LBC Express Holdings, Inc. (formerly Federal Resources Investment Group) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.
The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SGV & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature: ______________________
MIGUEL ANGEL A. CAMAHORT
Chairman of the Board, President and Chief Executive Officer

Signature: ______________________
ENRIQUE V. REY, JR.
Chief Finance Officer

MAR 26 2018
Signed this ____ day of __________ 2018.

SUBSCRIBED AND SWORN to before me in City of Pasay on MAR 2 6 2018 affiants personally appeared before me and exhibited to me their Tax Identification Nos.

NAME	TIN
Miguel Angel A. Camahort	101-292-392
Enrique V. Rey, Jr.	172-264-046

Doc. No. 02 ;
Page No. 02 ;
Book No. VI ;
Series of 2018.

NOEL [illegible]
NOTARY PUBLIC
Until December 31, 2018 Comm. 17-0[illegible]
100 Andrews Ave., Pasay City
IBP No. 1062684 / 1-3-18 / PPLM
PTR No. 5826675 / 1-3-18, PC
Roll No. [illegible]

Express
Holdings, Inc.

A CERTIFICATE ON THE COMPILATION SERVICES
FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND
NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant who performed the compilation services related to the preparation and presentation of financial information of **LBC Express Holdings, Inc.** (the "Company") in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for the Company for the year ended **December 31, 2017**.

In discharging this responsibility, I hereby declare that I am the **Treasurer** of **LBC Express Holdings, Inc.**

Furthermore, in my compilation services for preparation of the Financial Statements and notes to the Financial Statements, I was not assisted by or did not avail of the services of **SGV & Co.**, who is the external auditor who rendered the audit opinion for the said Financial Statements and notes to the Financial Statements.

I hereby declare, under penalties of perjury and violation of the Revised Accountancy Law, that my statements are true and correct.

ROSALIE H. INFANTADO
PRC License No.: 0096620
Valid until: April 3, 2022
Accreditation No.: 3683
Valid until: April 3, 2020

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
LBC Express Holdings, Inc.
LBC Hangar, General Aviation Center,
Domestic Airport Road
Pasay City, Metro Manila

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of LBC Express Holdings, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2017 and 2016, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

The supplementary information required under Revenue Regulations 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of LBC Express Holdings, Inc. in a separate schedule. Revenue Regulations 15-2010 requires the information to be presented in the notes to financial statements. Such information is not a required part of the basic financial statements. The information is also not required by Securities Regulation Code Rule 68, as Amended (2011). Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

The engagement partner on the audit resulting in this independent auditor's report is Cyril Jasmin B. Valencia.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia
Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 1229-AR-1 (Group A),
May 12, 2015, valid until May 11, 2018
Tax Identification No. 162-410-623
BIR Accreditation No. 08-001998-74-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 6621337, January 9, 2018, Makati City

March 15, 2018

APR 12 2018

BUREAU OF INTERNAL REVENUE
REVENUE REGION No. 8 - MAKATI
Revenue District Office No. 51
RECEIVED

LBC EXPRESS HOLDINGS, INC.
(Formerly Federal Resources Investment Group Inc.)

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 15)	₱2,284,358,298	₱564,340
Receivables (Notes 5, 11, 12 and 15)	3,681,105	118,999,179
Due from a related party (Notes 12 and 15)	38,487,662	12,599
Available-for-sale investments (Notes 7, 15 and 16)	290,177,777	–
Prepayments and other current assets (Note 6)	2,982,858	1,394,509
Total Current Assets	2,619,687,700	120,970,627
Noncurrent Assets		
Investment in a subsidiary (Note 8)	1,384,670,966	1,384,670,966
	₱4,004,358,666	₱1,505,641,593
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 9 and 15)	₱15,771,967	₱390,937
Due to related parties (Notes 12 and 15)	–	15,694,463
Total Current Liabilities	15,771,967	16,085,400
Noncurrent Liabilities		
Derivative liability (Notes 10, 15 and 16)	1,860,373,479	–
Bond payable (Notes 10, 15 and 16)	896,185,059	–
Total Noncurrent Liabilities	2,756,558,538	–
	2,772,330,505	16,085,400
Equity		
Capital stock (Note 11)	1,425,865,471	1,425,865,471
Additional paid in capital	55,420,327	55,420,327
Retained earnings (deficit)	(249,743,414)	8,270,395
Accumulated comprehensive income (Note 7)	485,777	–
Total Equity	1,232,028,161	1,489,556,193
	₱4,004,358,666	₱1,505,641,593

See accompanying Notes to Parent Company Financial Statements.

LBC EXPRESS HOLDINGS, INC.
(Formerly Federal Resources Investment Group Inc.)

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2017	2016
INCOME		
Dividends (Notes 8 and 12)	₱843,356,203	₱447,707,612
Service fees (Note 12)	12,090,534	–
Interest (Note 4)	11,154,572	10,808
Others	–	2,993
	866,601,309	447,721,413
OPERATING EXPENSES (Note 13)	25,687,984	6,247,913
OTHER INCOME (EXPENSE)		
Loss on derivative (Note 10)	(199,950,820)	–
Interest expense (Note 10)	(59,559,636)	–
Foreign exchange loss - net	(13,204,715)	–
Others (Note 7)	801,585	–
	(271,913,586)	–
INCOME BEFORE INCOME TAX	568,999,739	441,473,500
PROVISION FOR INCOME TAX (Note 14)	11,575	–
NET INCOME	568,988,164	441,473,500
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified to profit or loss in subsequent periods		
Unrealized fair value gain on available-for-sale investments (Note 7)	485,777	–
TOTAL COMPREHENSIVE INCOME	₱569,473,941	₱441,473,500

See accompanying Notes to Parent Company Financial Statements.

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BUREAU OF INTERNAL REVENUE
RECEIVED

LBC EXPRESS HOLDINGS, INC.
(Formerly Federal Resources Investment Group Inc.)

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	For the year ended December 31, 2017				
	Share Capital (Note 11)	Share Premium	Retained Earnings (Deficit) (Note 11)	Accumulated Comprehensive Income (Note 7)	Total
Balances as of January 1, 2017	₱1,425,865,471	₱55,420,327	₱8,270,395	₱–	₱1,489,556,193
Comprehensive income					
Net income	–	–	568,988,164	–	568,988,164
Other comprehensive income	–	–	–	485,777	485,777
Total comprehensive income	–	–	568,988,164	485,777	569,473,941
Dividends declared	–	–	(827,001,973)	–	(827,001,973)
Balances as of December 31, 2017	₱1,425,865,471	₱55,420,327	(₱249,743,414)	₱485,777	₱1,232,028,161
	For the year ended December 31, 2016				
Balances as of January 1, 2016	₱1,425,865,471	₱55,420,327	(₱119,512,701)	₱–	₱1,361,773,097
Total comprehensive income	–	–	441,473,500	–	441,473,500
Dividends declared	–	–	(313,690,404)	–	(313,690,404)
Balances as of December 31, 2016	₱1,425,865,471	₱55,420,327	₱8,270,395	₱–	₱1,489,556,193

See accompanying Notes to Parent Company Financial Statements.

LBC EXPRESS HOLDINGS, INC.
(Formerly Federal Resources Investment Group Inc.)

PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱568,999,739	₱441,473,500
Adjustments for:		
Loss on derivative (Note 10)	199,950,820	–
Interest expense (Note 10)	59,559,636	–
Unrealized foreign exchange loss - net	13,204,715	–
Realized gain on redemption of UITF classified as available-for-sale investments	(801,585)	–
Interest income (Note 4)	(11,154,572)	(10,808)
Dividend income (Notes 8 and 12)	(843,356,203)	(447,707,612)
Operating loss before changes in working capital	(13,597,450)	(6,244,920)
Changes in working capital:		
Increase in:		
Receivables	(951,981)	–
Prepayments and other current assets	(1,599,924)	(842,963)
Increase in accounts and other payables	15,381,030	(751,191)
Net cash used in operations	(768,325)	(7,839,074)
Interest received	8,425,448	10,808
Net cash provided by (used in) operating activities	7,657,123	(7,828,266)
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of investments in UITF classified as available-for-sale investments (Note 7)	265,801,585	–
Dividends received (Note 11)	262,890,095	63,394,014
Decrease in due from a related party (Note 12)	(38,475,063)	(12,599)
Acquisitions of available-for-sale investments (Note 7)	(556,900,000)	–
Net cash provided by (used in) investing activities	(66,683,383)	63,381,415
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of convertible instrument, net of issuance costs (Notes 10 and 17)	2,505,658,750	–
Decrease in due to related parties (Note 12)	(15,694,463)	(6,863,559)
Dividends paid (Notes 11 and 12)	(127,536,686)	(48,375,985)
Net cash provided by (used in) financing activities	2,362,427,601	(55,239,544)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,303,401,341	313,605
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(19,607,383)	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	564,340	250,735
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱2,284,358,298	₱564,340

See accompanying Notes to Parent Company Financial Statements.

LBC EXPRESS HOLDINGS, INC.
(Formerly Federal Resources Investment Group Inc.)
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

LBC Express Holdings, Inc. (referred to as the "Company" or "LBCH"), formerly Federal Resources Investment Group Inc. (FED), was registered with the Securities and Exchange Commission (SEC) on July 12, 1993. The corporate life of the Company is 50 years.

The ultimate parent of the Company is LBC Development Corporation (LBCDC).

The Company undertook an Initial Public Offering on December 21, 2001. LBCH's shares are listed on the Philippine Stock Exchange (PSE).

The Company invests, purchases or disposes real and personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation, association, domestic and foreign.

The Company is a public holding company with investments in businesses of messengerial either by sea, air or land of letters, parcels, cargoes, wares, and merchandise; acceptance and remittance of money, bills payment and the like; and performance of other allied general services from one place of destination to another within and outside of the Philippines.

The Company's registered office address is at LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila, Philippines.

The accompanying financial statements of the Company has been approved and authorized for issue by the Company's BOD on March 15, 2018.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements is set out below. These policies have been constantly applied to all years presented, unless otherwise stated.

Basis of Preparation
The financial statements of the Company have been prepared using the historical cost basis, except for available-for-sale (AFS) investments and derivatives that have been measured at fair value. The financial statements are presented in Philippine Peso (₱), which is also the Company's functional currency. All amounts are rounded off to the nearest peso unit unless otherwise indicated.

Statement of Compliance
The accompanying financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are amended standards and improvements to PFRS which the Company has adopted starting January 1, 2017.

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014–2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

  Adoption of these amendments did not have any impact on the Company's financial statements.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
  The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

  The Company has provided the required information in Note 17 to the financial statements. As allowed under the transition provisions of the Standard, the Company did not present comparative information for the year ended December 31, 2017.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

  These amendments do not have any impact on the Company's financial statements.

Standards issued but not yet effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements to have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  The Company has assessed that the adoption of these amendments will not have any impact on the Company's financial statements.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Company plans to adopt the new standard on the mandatory effective date and will not restate comparative information.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities. The adoption will also have an effect on the amount of its credit losses.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard.
  The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The amendments are not applicable to the Company since there are no activities that are connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of this Standard although it does not expect significant impact to its current revenue streams which are dividends, services fees and interest as the performance obligations are distinct with separate identifiable prices. The current revenue recognition policy on these revenue are already consistent with PFRS 15.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014–2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments should be applied retrospectively, with earlier application permitted.

  These amendments are not expected to have any impact to the Company.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

  These amendments are not expected to have any impact to the Company.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Company is currently assessing the impact of this Standard.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  The amendments will have no significant impact on the Company's financial position or performance.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

This Standard has no significant impact to the Company.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  These amendments are not expected to have any impact to the Company.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - whether an entity considers uncertain tax treatments separately
  - the assumptions an entity makes about the examination of tax treatments by taxation authorities
  - how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - how an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Company is currently assessing the impact of adopting this interpretation.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures

These amendments are not expected to have any impact to the Company.

Cash and Cash Equivalents
Cash and cash equivalents are stated at face value. Cash includes cash in banks and other short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the dates of placement and that are subject to an insignificant risk of changes in value. Cash in banks and cash equivalents earn interest at prevailing bank deposit rates.

Fair Value Measurement
The Company measures financial instruments at fair value at each reporting date.

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 the Company.

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 nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset on the highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company 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
- 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 Company 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 the end of each reporting period, which is the date when the Company commits to purchase or sell the asset.

Financial Assets and Financial Liabilities

Date of recognition

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, which is the date when the Company commits to purchase or sell the asset.

Initial recognition of financial assets and financial liabilities

All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets within the scope of PAS 39 in the following categories: financial assets at FVPL, held-to-maturity (HTM) financial assets, AFS financial assets and loans and receivables. Financial liabilities are classified into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the financial assets were acquired or financial liabilities incurred and whether they are quoted in an active market. The Company determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of December 31, 2017 and 2016, the Company's financial assets and financial liabilities are of the nature of loans and receivables, AFS financial assets and other financial liabilities, respectively.

Determination of fair value

The fair value of financial assets and financial liabilities traded in active markets is based on quoted market price at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

'Day 1' difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company 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 and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. The amortization is included in the interest income in the statement of comprehensive income. The losses arising from impairment of such loans and receivables are recognized as provision for impairment losses in the Company statement of comprehensive income.

Loans and receivables are included in current assets if maturity is within twelve months from the reporting date. Otherwise, these are classified as noncurrent assets.

As of December 31, 2017 and 2016, the Company's loans and receivables include cash and cash equivalents, receivables and due from a related party.

Available-for-sale financial assets
AFS financial assets pertain to equity investments. Equity instruments classified as AFS are those that are neither classified as held for trading nor designated as FVPL.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited to unrealized gain (loss) on AFS financial assets account until the investment is derecognized, at which time the cumulative gain or loss is recognized in other income, or the investment is determined to be impaired, when the cumulative loss is reclassified from unrealized gain (loss) on AFS financial assets account to the statement of profit or loss in other expenses. Dividend earned whilst holding AFS financial assets is reported as dividend income.

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Other financial liabilities
Other financial liabilities pertain to financial liabilities not classified or designated as financial liabilities at FVPL where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash.

After initial measurement, other financial 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 integral parts of the effective interest rate.

As of December 31, 2017 and 2016, the Company's other financial liabilities include accounts and other payables (excluding withholding taxes payable and deferred output VAT payable), due to related parties, bond payable and derivative liability.

Impairment of Financial Assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of similar financial assets is impaired. A financial asset or a group of similar financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of similar financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For loans and receivables carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of similar financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for group of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. 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 for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of estimated cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of comprehensive income. Interest income continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of 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 statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as customer type, payment history, past-due status and term.

Future cash flows in a group of similar financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

Derecognition of Financial Assets and Financial Liabilities

Financial asset
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

a) the rights to receive cash flows from the asset have expired, or
b) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Company statement of comprehensive income.

Offsetting of Financial Assets and Financial Liabilities
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Prepayments and Other Current Assets
Prepayments and other current assets in the form of input value-added tax and creditable withholding tax are recognized as assets to the extent it is probable that the benefit will flow to the Company. These are derecognized when there is a legally enforceable right to apply the recognized amounts against the related tax liability within the period prescribed by the relevant tax laws.

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely

independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. Impairment losses of continuing operations are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Investment in Subsidiary
Investment in subsidiary is accounted for using the cost method less any accumulated impairment in value, in the financial statements of the Company in accordance with PAS 27. On acquisition date of the investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is included in the carrying amount of the investment and not amortized.

The Company controls an investee when it 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.

The Company controls an investee if and only if the Company has all the following:

- 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.

The Company recognizes income from the investment only to the extent that the Company receives distributions from accumulated income of the subsidiary arising after the date of acquisition. Distribution received in excess of such income is regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Embedded Derivatives
An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

The Company assesses whether embedded derivatives are required to be separated from the host contracts when the Company first becomes a party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives are bifurcated from their host contracts, when the following conditions are met:

(a) the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial assets and liabilities at FVPL;
(b) when their economic risks and characteristics are not closely related to those of their respective host contracts; and
(c) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. Changes in fair values are included in the statement of comprehensive income. The embedded derivatives of the Company pertains to the equity conversion and redemption options components of the issued convertible debt instrument (see Note 10).

Equity
The Company considers the underlying substance and economic reality of its own equity instruments and not merely its legal form in determining its proper classification.

Capital stock
The Company records common stocks at par value and the amount of the contribution in excess of par value is accounted for as share premium presented as additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds.

Retained earnings (deficit)
Retained earnings (deficit) represent net accumulated earnings (losses) of the Company, net of dividends declared, less any adjustments arising from application of new accounting standards, policies or corrections of errors applied retrospectively.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably regardless when the payment is being made. Revenue is measured at the fair value of the consideration received, excluding discounts, returns, rebates and sales tax. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

Dividend income
Dividend income is recognized when the Company's right to receive payment is established, which is generally when shareholders approve the dividend. This is recognized as dividend income in the statement of comprehensive income

Interest income
Interest income is recognized on a time-proportion basis using the effective interest method. Interest income from bank deposits is presented net of applicable tax withheld by the banks.

Service fees
Service revenue is recognized when services are rendered.

Other income
Other income is recognized when earned.

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

Expenses are recognized in the statement of comprehensive income:

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

Income Taxes
The tax expense for the period comprises of current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity.

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 have been enacted or substantively enacted at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided using the balance sheet liability method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are not recognized when they arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting income nor taxable income or loss. Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures.

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 future taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Movements in the deferred tax assets and liabilities arising from changes in tax rates are credited to or charged against income for the period.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

Foreign Currency-Denominated Transactions and Translations

Foreign currency transactions are recorded in Philippine Peso at prevailing exchange rates at the time of the transactions. Exchange gains or losses resulting from foreign currency transactions are credited or charged to current operations. Foreign currency-denominated monetary assets and liabilities of the Company are translated to Philippine Peso using the Philippine Dealing and Exchange Corporation closing rate at the reporting date. Foreign exchange differences arising from foreign currency translation are also credited or charged to statement of comprehensive income.

Provisions

Provisions are recognized when the Company 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. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Contingencies

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

Events after the Reporting Date

Post year-end events up to the date when the financial statements are authorized for issue that provide additional information about the Company's position at each reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements, when material.

3. Significant Accounting Judgments and Estimates

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Recognition of deferred tax assets
As of December 31, 2017 and 2016, the Company did not recognize deferred tax assets on deductible temporary differences and carry forward benefit of NOLCO and MCIT amounting to ₱63.15 million and ₱36.89 million, respectively, as management assessed that there will be no future available taxable income against which the deferred tax assets can be utilized (see Note 14).

Provision for impairment losses of financial assets
The Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management based on collection experience and other factors that affect the collectability of the accounts. Management assessed that ₱1.87 million receivables from officers and stockholders were impaired as of December 31, 2017 and 2016 (see Note 12).

Provision for impairment losses of nonfinancial assets
The Company assesses impairment on nonfinancial assets (i.e. inventory, property and equipment and other assets) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Company considers important which could trigger an impairment review include the following:

- 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.

If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value-in-use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that can materially affect the financial statements. Management assessed that inventories and property and equipment amounting to ₱7.15 million and ₱11.70 million were fully impaired, while other current assets amounting to ₱0.80 million were impaired as at December 31, 2017 and 2016 (see Note 14).

Estimating fair value of embedded derivatives
The fair value of embedded derivatives, related to the issuance of convertible bond recorded in the statement of financial position as derivative liability, is measured using binomial pyramid model. The inputs to this model are taken from a combination of observable markets and unobservable market data. Changes in inputs about these factors could affect the reported fair value of the embedded derivatives and impact profit or loss (see Note 16).

The carrying value of the derivative liability amounted to ₱1,860.37 million as at December 31, 2017.

4. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash in banks	₱37,823,298	₱564,340
Cash equivalents	2,246,535,000	–
	₱2,284,358,298	₱564,340

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents include short-term placements made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the prevailing short-term placements rates.

Cash in banks earn interest at the prevailing bank deposit rates ranging from 0.25% to 1.80% and 0.25% to 1.13% in 2017 and 2016, respectively. Interest income earned from bank deposits amounted to ₱11.15 million and ₱10,808 in 2017 and 2016, respectively.

5. Receivables

This account consists of

	2017	2016
Accrued interest receivable	₱2,729,124	₱–
Dividends receivable	–	118,999,179
Other receivable	951,981	–
	₱3,681,105	₱118,999,179

Accrued interest receivable pertains to the accrual of interest from cash equivalents. These are expected to be collected upon maturity of the short-term placements.

Dividends receivable pertains to unpaid cash dividends from a subsidiary of the Company.

Other receivable pertains to a refund from a government agency for the unprocessed filing fees paid by the Company.

The Company's receivables are expected to be realized and fall due within one year after the reporting period.

6. Prepayments and Other Current Assets

This account consists of:

	2017	2016
Input value-added tax (VAT)	₱3,482,709	₱2,187,028
Creditable withholding taxes (CWTs)	230,236	–
Prepaid expenses	68,682	6,250
	3,781,627	2,193,278
Less allowance for impairment losses	798,769	798,769
	₱2,982,858	₱1,394,509

Input VAT arises from domestic purchases of goods and services and may be offset against output tax.

CWTs are attributable to taxes withheld by the withholding agents which are creditable against the income tax payable.

7. Available-for-Sale Investments

Starting 2017, the Company made investments in unquoted unit investment trust fund classified as AFS investments. The major categories of the Company's investment in unquoted unit investment trust fund comprise primarily of Overnight Deposit Facility and Term Deposit Facility in the Bangko Sentral ng Pilipinas.

Movement of the AFS investments follows:

	2017
Balance at beginning of year	₱–
Additions	556,900,000
Redemption	(265,801,585)
Fair value gain during the year	1,287,362
Unrealized foreign exchange loss	(2,208,000)
	₱290,177,777

Movement in unrealized gain on AFS investments follow:

	2017
Balance at beginning of year	₱–
Changes in fair value during the year	1,287,362
Reclassification to profit or loss arising from redemption and sale of AFS investments	(801,585)
Balance at end of year	₱485,777

8. Investment in a Subsidiary

This account pertains to the Company's acquisition of 100% ownership interest in LBC Express, Inc. (LBCE). In a Deed of Transfer dated September 24, 2015, the Company purchased from LBCDC the shares of stock of LBCE at a total cash consideration of ₱1,384.67 million. It was also previously agreed that the Company's advances to LBCDC amounting to ₱58.81 million will be set-off against the remaining unpaid balance.

Dividend Declarations of a Subsidiary

On March 8, 2017 and September 30, 2016, the BOD of LBCE approved the declaration of cash dividends amounting to ₱843.36 million and ₱447.71 million, respectively. On June 9, 2017 and November 29, 2016, through a Memorandum of Agreement, LBCDC assigned to LBCH a portion of its payable to LBCE amounting to ₱699.47 million and ₱265.31 million, respectively. The same amounts were offset against the dividends payable of LBCE to LBCH. LBCE settled in cash all the outstanding dividends payable to the Company as at December 31, 2017 (see Note 12).

9. Accounts and Other Payables

This account consists of:

	2017	2016
Accounts payable	₱808,031	₱131,745
Accruals:		
Dues and subscriptions	11,514,794	–
Professional fees	1,704,550	–
Deferred output VAT	1,450,864	–
Withholding tax payable	38,425	3,889
Other payable	255,303	255,303
	₱15,771,967	₱390,937

Accounts payable arises from regular transactions with suppliers and service providers. These are noninterest-bearing and are normally settled on one to 60-day term.

Accrued dues and subscriptions pertain to the monthly accrual of data cloud subscription. Accrued expenses are non-interest bearing and are normally settled within one year.

Withholding tax payable pertains to taxes withheld on payment to suppliers which are settled on a monthly basis.

10. Convertible Instrument

On June 20, 2017, the BOD approved the issuance of convertible bond. Accordingly, on August 04, 2017, the Company issued, in favor of CP Briks Pte. Ltd, a seven-year secured convertible instrument in the aggregate principal amount of US$50.0 million (₱2,518.25 million) convertible at any time into 192,307,692 common shares of LBCH at the option of CP Bricks Pte. Ltd at ₱13.00 per share conversion price, subject to adjustments in accordance with the terms and conditions of the instrument. The instrument is also redeemable, at the option of CP Bricks Pte. Ltd, beginning on the 30th month from issuance date at the redemption price equal to the principal amount plus internal rate of return ranging from 10% to 13%.

The convertible bond is a hybrid instrument containing host financial liability and derivative components for the equity conversion and redemption options. The equity conversion and redemption options were identified as embedded derivatives and were separated from the host contract.

As at December 31, 2017, the carrying value of bond payable amounted to ₱896.19 million and the fair value of the derivative liability amounted to ₱1,860.37 million. The fair value changes of the derivative liability recognized as "Loss on derivative" amounted to ₱199.95 million in 2017. Interest expense arising from the accretion of interest on the bond payable amounted to ₱59.56 million in 2017.

The agreement related to the issuance of convertible bond indicated the following rights and obligations:

a. Within one month from August 4, 2017, the Company shall discontinue any royalty payments to LBCDC for all trademarks, brands and licenses. This was already terminated in September 2017;

b. Within three months from closing date, LBCDC shall procure that the Company enters into a binding sale and purchase agreement to acquire the equity interests of the 12 overseas entities. Also, within 12 months from closing date, LBCDC shall procure that the Company closes the acquisition of the equity interest of the overseas entities;
c. Within six months following the termination of royalty payments, LBCH shall be permitted to make loans and advances to LBCDC and this shall not be considered a Reserved Matter. LBCDC already made an advances amounting to ₱100.00 million;
d. Within six months from closing date, LBCDC shall procure a debt for equity swap between LBCE and QUADX INC.; and
e. Within 3 months from closing of the acquisition of the equity interests of the overseas entity, LBCDC procure to settle all obligations to the Company and its subsidiaries.

Failure to comply with the above agreements constitute an Event of Default which results to the redemption of the convertible bond at par plus an IRR of 16%. As at December 31, 2017, the Company has complied with the above agreement.

11. Equity

Capital Stock
As at December 31, 2017 and 2016, the details of the Company's common shares follow:

	Number of Shares of Stocks	Amount
Capital stock - ₱1 par value		
Authorized	2,000,000,000	₱2,000,000,000
Issued and outstanding	1,425,865,471	1,425,865,471

Retained Earnings
On April 19, 2017, the BOD of LBCH approved the declaration of cash dividends amounting to ₱827.00 million from unappropriated retained earnings as of March 31, 2017 amounting to ₱849.83 million.

On October 11, 2016, the BOD of LBCH approved the declaration of cash dividends amounting to ₱313.69 million.

The dividends attributable to LBCDC was settled through application against due from LBCDC as disclosed in Note 12.

12. Related Party Transactions

In the normal course of business, the Company transacts with related parties consisting of its ultimate parent company, its subsidiary and its stockholder and officer. Affiliates include those entities in which the owners of the Company have ownership interests. These transactions include loans, cash advances, dividends and dues and subscription. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

Details of related party transactions and balances as at and for the years ended December 31, 2017 and 2016 are as follow:

	2017			
	Amount/Volume	Receivable	Terms	Conditions
Due from a related party				
Subsidiary				
a.) Advances	₱25,188,074	₱25,188,074	Non-interest bearing; due and demandable	Unsecured, no impairment
b.) Service fee	12,090,534	13,299,588	Non-interest bearing; due and demandable	Unsecured, no impairment
c.) Dividends earned and receivable	843,356,203	–	Non-interest bearing; due and demandable	Unsecured, no impairment
f) Advances	–	1,865,563	Non-interest bearing; due and demandable	Unsecured, with full provision for impairment
Allowance for impairment	–	(1,865,563)		
		₱38,487,662		

	2017			
	Amount/Volume	Payable	Terms	Conditions
Due to related parties				
Ultimate parent				
d) Dividends declared	₱699,465,287	₱–	Non-interest bearing; due and demandable	Unsecured
Minority interest				
d) Dividends declared	127,536,686	–		
		₱–		

	2016			
	Amount/Volume	Receivable	Terms	Conditions
Due from a related party				
Officer and stockholder				
a) Advances	₱–	₱12,599	Non-interest bearing; due and demandable	Unsecured, no impairment
Receivables				
Subsidiary				
c) Dividends earned and receivable	₱447,707,612	₱118,999,179	Non-interest bearing; due and demandable	Unsecured, no impairment
Officers and stockholders				
f) Advances	–	1,865,563	Non-interest bearing; due and demandable	Unsecured, with full provision for impairment
Allowance for impairment	–	(1,865,563)		
		₱118,999,179		

	2016			
	Amount/Volume	Payable	Terms	Conditions
Due to related parties				
Ultimate parent				
e) Advances	₱–	₱15,694,463	Non-interest bearing; due and demandable	Unsecured
d) Dividends declared	265,314,419	–	Non-interest bearing; due and demandable	Unsecured
Minority interest				
d) Dividends declared	48,375,985	–		
Subsidiary				
e) Advances	15,018,029	–	Non-interest bearing; due and demandable	Unsecured
		₱15,694,463		

a.) These are expenses paid by the Company on behalf of its officer, Subsidiary and stockholder.

b.) On June 30, 2017, LBCH signed an agreement with SAP Philippines, Inc. to acquire cloud services named HANA Enterprise Cloud for Production with Subscription Software ("HEC Subscription") for 60 months commencing on August 1, 2017 and ending on July 31, 2022. Subsequently, in a Memorandum of Agreement, LBCH gave LBCE the right to use the HEC Subscription and in turn shall pay LBCH a service fee equivalent to cost plus margin of five percent (5%). The service fee shall be paid at the beginning of each quarter. The mark-up will also be applied for any cost of consultancy services that will arise during the period of the subscription.

c.) LBCH recognized dividend income from LBCE amounting to ₱843.36 million in 2017 and ₱447.71 million in 2016.

d.) On April 19, 2017 and October 11, 2016, the BOD of LBCH approved the declaration of cash dividends amounting to ₱827.00 million and ₱313.69 million, respectively, ₱127.54 million and ₱48.38 million, respectively, of which has been paid in cash to minority shareholders. The dividends attributable to LBCDC was settled through application against due from LBCDC.

e.) This mainly consists of advances for the costs directly attributable to the amendment of Articles of Incorporation and By-Laws and increase in authorized capital stock and documentary stamp taxes related to issuance of new shares.

f.) In previous years, the Company granted noninterest-bearing loans to its previous officers and stockholders. These loans have no fixed term of repayment. The balance of such loans as at December 31, 2017 and 2016 amounted to ₱1.87 million, which were fully impaired.

13. Operating Expenses

This account consists of:

	2017	2016
Professional fees	₱13,253,625	₱4,110,893
Dues and subscriptions	11,514,794	–
Taxes and licenses	308,284	617,689
Entertainment and representation	–	369,780
Dividends issuance expense	–	44,654
Others	611,281	1,104,897
	₱25,687,984	₱6,247,913

14. Income Taxes

The provision for current tax represents MCIT amounting to ₱11,575 in 2017 (nil in 2016).

The reconciliation of the income tax on pretax income computed at the statutory rate to income tax expense attributable to operations is as follows:

	2017	2016
Income tax at the statutory income tax rate	₱170,699,922	₱132,442,050
Tax effects of the items not subject to statutory rate:		
Nontaxable income	(253,247,336)	(134,312,284)
Movement in unrecognized deferred tax asset	7,884,619	1,465,918
Expired - NOLCO	378,977	410,528
Nondeductible expense	77,638,795	–
Expired MCIT	2,970	(2,970)
Interest income subject to final tax	(3,346,372)	(3,242)
	₱11,575	₱–

The Company did not recognize any deferred tax assets as at December 31, 2017 and 2016 since it does not expect to have sufficient future taxable income against which the deferred tax assets can be utilized.

Details of the amount of deductible/taxable temporary differences for which no deferred tax asset/liability is recognized in the statement of financial position as at December 31 are as follows:

	2017	2016
NOLCO	₱40,243,027	₱15,352,593
Unrealized foreign exchange loss	1,362,947	–
Allowance for impairment losses on:		
Property and equipment	11,699,127	11,699,127
Inventories	7,145,937	7,145,937
Receivables	1,890,260	1,890,260
MCIT	11,575	2,970
Other current assets	798,769	798,769
	₱63,151,642	₱36,889,656

Deferred tax asset on unrealized foreign exchange loss was recognized to the extent of the deferred tax liability arising from unamortized bond transaction cost.

As of December 31, 2017 and 2016, the NOLCO that can be claimed as deductions from future taxable income and excess MCIT over RCIT that can be credited against future tax liability follow:

NOLCO

2017

Year Incurred	Amount	Used	Expired	Balance	Expiry Date
2017	₱26,153,692	₱–	₱–	₱26,153,692	2020
2016	6,244,919	–	–	6,244,919	2019
2015	7,844,416	–	–	7,844,416	2018
2014	1,263,257	–	1,263,257	–	2017
	₱41,506,284	₱–	₱1,263,257	₱40,243,027	

2016

Year Incurred	Amount	Used	Expired	Balance	Expiry Date
2016	₱6,244,919	₱–	₱–	₱6,244,919	2019
2015	7,844,416	–	–	7,844,416	2018
2014	1,263,257	–	–	1,263,257	2017
2013	1,368,426	–	1,368,426	–	2016
	₱16,721,018	₱–	₱1,368,426	₱15,352,592	

MCIT

2017

Year Incurred	Amount	Used	Expired	Balance	Expiry Date
2017	₱11,575	₱–	₱–	₱11,575	2020
2014	2,970	–	2,970	–	2017
	₱14,545	₱–	₱2,970	₱11,575	

2016

Year Incurred	Amount	Used	Expired	Balance	Expiry Date
2014	₱2,970	₱–	₱–	₱2,970	2017

15. Financial Risk Management Objectives and Policies

The Company has various financial assets such as cash and cash equivalents, trade and other receivables, due from a related party and available-for-sale investments.

The Company's financial liabilities comprise of accounts and other payables, due to related parties, derivative liability and bond payable. The main purpose of these financial liabilities is to finance the Company's operations.

The use of derivative financial instruments, if any, is solely for management of the Company's financial risk exposures. It is the Company's policy not to enter into derivative transactions for speculative purposes.

The main risks arising from the Company's financial instruments are price risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The BOD reviews and approves policies for managing each of these risks which are summarized as follows:

Price risk
The Company closely monitors the prices of its equity securities as well as macroeconomic and entity specific factors which could directly or indirectly affect the prices of these instruments. In case of an expected decline in its portfolio of equity securities, the Company readily disposes or trades the securities for replacement with more viable and less risky investments. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers, or factors affecting all instruments traded in the market.

The following table shows the effect on other comprehensive income should the change in the net asset value (NAV) of the unquoted unit investment trust fund occur as at December 31, 2017 with all other variables held constant.

Change in NAV	Effect on other comprehensive income 2017
+5.00%	₱14,508,889
-5.00%	(14,508,889)

The Company is also exposed to equity price risk in the fair valuation of the derivative liability due to the embedded equity conversion feature. The following table shows the effect on net income should the change in the close share price of the underlying equity security in the convertible instrument occur as at December 31, 2017 with all other variables held constant.

Change in share price	Effect on net income 2017
+5.00%	₱106,563,899
-5.00%	217,826,174

Interest rate risk and credit spread sensitivity analysis
Except for the credit spread used in the valuation of the convertible redeemable bond, the Company is not significantly exposed to interest rate risk as the Company's interest rate on its cash and cash equivalents is fixed. The Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

The value of the Company's convertible redeemable bond is driven primarily by two risk factors: underlying stock prices and interest rates. Interest rates are driven by using risk-free rate, which is a market observable input, and credit spread, which is not based on observable market data. The following table demonstrates the sensitivity to a reasonably possible change in credit spread, with all other variables held constant, on the fair value of the Company's embedded conversion option of the convertible redeemable bond.

	Credit spread +1%	Credit spread -1%
Effect in fair value	(₱2,616,426)	(₱8,033,086)

Foreign currency risk
Foreign currency risk is the risk that the future cash flows of financial assets and financial liabilities will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates to the bond payable denominated in US Dollar.

Information of the Company's foreign currency-denominated monetary liability recorded under bond payable in the statements of financial position and its Philippine Peso equivalents as at December 31, 2017 follow:

	2017	
	Foreign currency	Peso equivalent
Liability:		
US Dollars	(18,189,640)	(908,026,829)

The translation exchange rate used was ₱49.92 to USD 1 as at December 31, 2017.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Company's income before tax (due to changes in the fair value of monetary liability).

Reasonably possible change in foreign exchange rate for every two units of Philippine Peso	Increase (decrease) in income before tax December 31, 2017
₱2	(₱36,379,280)
(2)	36,379,280

There is no impact on the Company's equity other than those already affecting profit or loss. The movement in sensitivity analysis is derived from current observations on fluctuations in US Dollar closing exchange rates.

The Company enters into short-term foreign currency forwards, if needed, to manage its foreign currency risk from foreign currency denominated transactions.

Credit risk
Credit risk is the risk that counterparty will not meet its obligation under a financial asset or financial liability or customer contract, leading to a financial loss.

Receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

As for the cash in banks and cash equivalents, the maximum exposure to credit risk from this financial assets arise from the default of the counterparty with a maximum exposure equal to their carrying amounts.

Aging analysis of loans and receivables

As at December 31, 2017 and 2016, the aging analysis of loans and receivables follow:

	2017					
			Past due but not impaired			
	Total	Neither past due nor impaired	30-60 days	60-90 days	Over 90 days	Impaired
Cash and cash equivalents	₱2,284,358,298	₱2,284,358,298	₱–	₱–	₱–	₱–
Receivables	3,681,105	3,681,105	–	–	–	–
Due from related parties	40,353,225	38,487,662	–	–	–	1,865,563
	₱2,328,392,628	₱2,326,527,065	₱–	₱–	₱–	₱1,865,563

	2016					
			Past due but not impaired			
	Total	Neither past due nor impaired	30-60 days	60-90 days	Over 90 days	Impaired
Cash in banks	₱564,340	₱564,340	₱–	₱–	₱–	₱–
Dividends receivable	118,999,179	118,999,179	–	–	–	–
Due from related parties	1,878,162	12,599	–	–	–	1,865,563
	₱121,441,681	₱119,576,118	₱–	₱–	₱–	₱1,865,563

The credit quality of the financial assets was determined as follows:

Cash in banks and short-term time deposits are deposited/placed in banks that are stable as they qualify either as universal or commercial banks. Universal and commercial banks represent the largest single group, resource-wide, of financial institutions in the country the Company is operating. They offer the widest variety of banking services among financial institutions. These financial assets are classified as high grade due to the counterparties' low probability of insolvency.

Except for those receivables provided with allowance in previous years, presented as impaired, receivables are considered high grade due to the Company's positive collection experience.

High grade accounts are considered to be of high credit rating value. The counterparties have a very remote likelihood of default.

Medium grade accounts are active accounts with minimal instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to the Company's collection efforts and update payments accordingly.

Low grade accounts pertain to accounts which have impairment based on historical trend or customer's unfavorable operating conditions. Accounts under this group show possible or actual loss to the Company as a result of default in payment of the counterparty despite the regular follow-up actions and extended payment terms.

The tables below show the credit quality of the Company's financial assets:

	2017			
	High Grade	Medium Grade	Low Grade	Total
Cash in banks and cash equivalents	₱2,284,358,298	₱–	₱–	₱2,284,358,298
Receivables	3,681,105	–	–	3,681,105
Due from related parties	36,622,099	–	1,865,563	38,487,662
Available-for-sale investments	290,177,777	–	–	290,177,777
	₱2,614,839,279	₱–	₱1,865,563	₱2,616,704,842

	2016			
	High Grade	Medium Grade	Low Grade	Total
Cash in banks	₱564,340	₱–	₱–	₱564,340
Dividends receivable	118,999,179	–	–	118,999,179
Due from related parties	12,599	–	1,865,563	1,878,162
	₱119,576,118	₱–	₱1,865,563	₱121,441,681

Liquidity risk

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

The Company has a policy of regularly monitoring its cash position to ensure that maturing liabilities will be adequately met.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Management believes that cash generated from operations is sufficient to meet daily working capital requirements.

The following table summarizes the maturity profile of the Company's financial assets and financial liabilities as at December 31, 2017 and 2016 based on remaining contractual undiscounted collections and payments:

	2017		
	Due in less than one year	Due in more than one year	Total
Financial assets			
Cash and cash equivalents			
Cash in banks	₱37,823,298	₱–	₱37,823,298
Cash equivalents	2,246,535,000	–	2,246,535,000
Receivables	3,681,105	–	3,681,105
Due from a related party	38,487,662	–	38,487,662
Available-for-sale investments	290,177,777	–	290,177,777
	₱2,616,704,842	₱–	₱2,616,704,842
Financial liabilities			
Accounts and other payables	₱14,282,678	₱–	₱14,282,678
Derivative liability	–	1,860,373,479	1,860,373,479
Bond payable	–	896,185,059	896,185,059
	₱14,282,678	₱2,756,558,538	₱2,770,841,216

	2016		
	Due in less than one year	Due in more than one year	Total
Financial assets			
Cash in banks	₱564,340	₱–	₱564,340
Dividends receivable	118,999,179	–	118,999,179
Due from a related party	12,599	–	12,599
	₱119,576,118	₱–	₱119,576,118
Financial liabilities			
Accounts and other payables	₱387,048	₱–	₱387,048
Due to related parties	15,694,463	–	15,694,463
	₱16,081,511	₱–	₱16,081,511

Capital Management

Generally, the primary objective of the Company's capital management is to ensure that it continuously strives and maintains a strong credit standing and healthy capital ratios in order to support its business and maximize shareholders' value.

The Company manages its capital structure and makes adjustments as may be necessary in light of changes in the business and general economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the Company's objectives, policies or processes as at December 31, 2017 and 2016. The Company is not subject to externally imposed capital requirements.

16. Fair Values and Offsetting Arrangements

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

The carrying amounts of cash and cash equivalents, trade and other receivables, due from/to related parties and accounts and other payables approximate their fair value. These financial instruments are relatively short-term in nature.

The fair value of the unquoted unit investment trust fund is based on the published net asset value per unit as of reporting date and is under the Level 2 category.

The estimated fair value of derivative liability as at December 31, 2017 is based on an indirect method of valuing multiple embedded derivatives. This valuation technique using binomial pyramid model uses stock prices and stock price volatility. This valuation method compares the fair value of the option-free instrument against the fair value of the hybrid convertible instrument. The significant unobservable input in the fair value is the stock price volatility of 42.16% in 2017. A (+/-) 5% in the stock price volatility would increase by ₱5.04 million (decrease by ₱153.42 million) the fair value of the derivative liability. The estimated fair value of bond payable as at December 31, 2017 is based on the discounted value of future cash flow using applicable rate of 17%.

Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The quantitative disclosures on fair value measurement hierarchy for assets and liabilities as at December 31, 2017 follow:

		2017			
		Fair value measurements using			
	Carrying values	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Unquoted unit investment trust fund	₱290,177,777	₱290,177,777	₱–	₱290,177,777	₱–
Liabilities measured at fair value					
Derivative liability	1,860,373,479	1,860,373,479	–	–	1,860,373,479
Liabilities for which fair value are disclosed					
Bond Payable	896,185,059	896,185,059	–	–	896,185,059

During the years ended December 31, 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position where the Company currently has a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the net asset settles the liability simultaneously.

The table represents the recognized financial instruments that are offset as at December 31, 2017 and 2016 and shows in the 'Net' column what the net impact would be on the Company's statements of financial position as a result of the offsetting rights.

December 31, 2017

	Gross amount	Offsetting	Cash paid	Net amount
Dividends receivable	₱843,356,203	₱–	₱–	₱843,356,203
Dividends payable	–	(699,465,287)	–	(699,465,287)
Cash settlements	–	–	(143,890,916)	(143,890,916)
	₱843,356,203	(₱699,465,287)	(₱143,890,916)	₱–

December 31, 2016

	Gross amount	Offsetting	Cash paid	Net amount
Dividends receivable	₱384,313,598	₱–	₱–	₱384,313,598
Dividends payable	–	(265,314,419)	–	(265,314,419)
Cash settlements	–	–	–	–
	₱384,313,598	(₱265,314,419)	₱–	₱118,999,179

The Company's dividends payable to LBCDC has been offset against the dividends receivable from LBCE.

17. Note to Statement of Cash Flows

Details of the movement in cash flows from financing activities are as follows:

	December 31 2016	Cash Flows	Interest	Dividends declared	Offsetting of dividends	Foreign exchange movement	Fair value changes	December 31, 2017
Convertible bond (bond and derivative liability)	₱–	₱2,505,658,750	₱59,559,636	₱–	₱–	(₱8,610,668)	₱199,950,820	₱2,756,558,538
Due to related parties	15,694,463	(15,694,463)	–	–	–	–	–	–
Payment of dividends	–	(127,536,686)		827,001,973	(699,465,287)	–	–	–
Total liabilities from financing activities	₱15,694,463	₱2,362,427,601	₱59,559,636	₱827,001,973	(₱699,465,287)	(₱8,610,668)	₱199,950,820	₱2,756,558,538

18. Subsequent Events

On February 28, 2018, the LBCH BOD approved the incorporation of Diez Equiz Pte. Ltd. (the Company), a Singaporean private limited Company, through subscription of 862 shares or 86% of the total outstanding shares of Diez Equiz Pte. Ltd. at USD 1.00 per share. This is to diversify the businesses of LBCH and to house possible or future investment opportunities. The Company has control over Diez Equiz Pte. Ltd. in accordance with PFRS 3, Business Combination.

On March 7, 2018, the BOD of LBCH approved the purchase of shares of some international affiliates in line with the conditions to the issuance of convertible bond as discussed in Note 10. The acquisition is expected to benefit the Company by contributing to its global revenue streams. On the same date, the share purchase agreements were executed by LBCH and the international affiliates with a total share purchase price amounting to USD 8.55 million, subject to certain closing conditions.

Below is the list of entities that were acquired by LBCH:

a. LBC Mabuhay Saipan, Inc. which operates as a cargo and remittance Company in Saipan. LBCH purchased 120,000 shares or 100% of the total outstanding shares of the acquiree at purchase price of USD 207,652. The transfer of the ownership of the shares and all rights, titles and interest thereto shall take place following the payment of the consideration.
b. LBC Mabuhay Hawaii Corporation which operates as a cargo and remittance Company in Hawaii. LBCH purchased 1,536,408 shares or 100% of the total outstanding shares from LBC Holdings USA Corporation
c. LBC Mundial Corporation which operates as a cargo and remittance Company in California. LBCH purchased 4,192,546 shares or 100% or the total outstanding shares from LBC Holdings USA Corporation.
d. LBC Mabuhay North America Corporation which operates as a cargo and remittance Company in New Jersey. LBCH purchased 1,605,273 shares or 100% or the total outstanding shares from LBC Holdings USA Corporation.

LBC Mabuhay Hawaii Corporation, LBC Mundial Corporation and LBC Mabuhay North America Corporation (the Companies) were purchased by LBC Express Holdings, Inc. at a purchase price of USD 8,432,000. The transfer of the ownership of the shares and all rights, title and interests thereto shall take place following the payment of the consideration defined and shall be subject to the necessary approvals of the US regulatory bodies that oversee and/or regulate the Companies.

COVER SHEET

SEC Registration Number

A S O 9 3 0 0 5 2 7 7

COMPANY NAME

L B C E X P R E S S H O L D I N G S , I N C .

(F o r m e r l y F E D E R A L R E S O U R C E S

I N V E S T M E N T G R O U P I N C .)

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

L B C H A N G A R , G E N E R A L A V I A T I O N

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	SEC	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	856-8510	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
486	2nd Monday of June	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Enrique V. Rey, Jr.	evrey@lbcexpress.com	856-8510	

CONTACT PERSON's ADDRESS

LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila

NOTE1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended: March 31, 2018

2. SEC Identification Number: ASO93-005277

3. BIR Taxpayer Identification Number: 002-648-099-000

Securities and Exchange Commission
Electronic Records Management Division
MAY 15 2018
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

4. Exact name of issuer as specified in its charter: LBC EXPRESS HOLDINGS, INC. (formerly FEDERAL RESOURCES INVESTMENT GROUP INC.)

5. Province, country or other jurisdiction of incorporation or organization: Philippines

6. Industry Classification Code: __________(SEC Use Only)

7. Address of issuer's principal office: LBC Hangar, General Aviation Center, Domestic Airport Road, Pasay City 1300

8. Issuer's telephone number, including area code: (632) 856 8510

9. Former name, former address and former fiscal year, if changed since last report

   Federal Resources Investment Group Inc.
   No. 35 San Antonio Street, San Francisco del Monte, Quezon City 1105

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

As at March 31, 2018:

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON SHARES	1,425,865,471[1]
BOND PAYABLE	974,641,761[2]
DERIVATIVE LIABILITY	1,681,418,326[2]

11. Are any or all of the securities listed on a Stock Exchange?
    Yes [X] No [ ]

    Name of Stock Exchange: Philippine Stock Exchange
    Class of securities listed: Common shares[3]

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

    Yes [X] No [ ]

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

    Yes[X] No [ ]

[1] Inclusive of 1,388,357,471 common shares which are exempt from registration.

[2] Related to convertible instrument at an aggregate principal amount of $50 million.

[3] As at March 31, 2018, 40,899,000 common shares have been listed with Philippine Stock Exchange. The remaining 1,384,966,471 are subject to listing applications filed with the Philippine Stock Exchange.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The Unaudited Interim Financial Statements of the Company as at and for the period ended March 31, 2018 and Notes to Financial Statements are hereto attached as Annex "A".

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

The analyses of consolidated Financial Result of Operations are focused mainly on the result of operation of the subsidiary, LBC Express, Inc.

Quarter ended March 31, 2018 compared to the quarter ended March 31, 2017

Service Revenues

The Company's service revenues increased by 12% to ₱2,751 million for the quarter ended March 31, 2018 from ₱2,458 million for the quarter ended March 31, 2017, primarily due to the increase in revenues from the Logistics segment attributable to growth in both retail and corporate sales by 14% and 18%, respectively.

Logistics

Revenues from logistics segment grew by 16% to ₱2,523 million for the quarter ended March 31, 2018 from ₱2,181 million for the quarter ended March 31, 2017 mostly associated to growth in volume of by 34%. The increase in volume of services was mainly attributable to the horizontal growth of the Company, evidenced by the net addition of 72 branches in the Philippines and continuous growth of small-medium-entity clients. In addition, the branches in Middle East introduced their local courier services which gained a positive customer response and contributed to the increase in sales.

Cost of Services

Cost of services is higher by 13% to ₱1,818 million for the quarter ended March 31, 2018 from ₱1,612 million for the quarter ended March 31, 2017, relative to growth of volume in logistics services which resulted to increase in cost of delivery and remittance by 17%. Moreover, there is higher organic headcount to cover the additional branches and volume growth during the quarter which contributed to the increase in salaries and benefits by 8%. Consequently, rentals and utilities and supplies also spike by 15% and 10%, respectively.

Gross Profit

Gross profit increased by 10% to ₱933 million for the quarter ended March 31, 2018 from ₱846 million for the quarter ended March 31, 2017, which is primarily volume driven.

Operating Expenses

Operating expenses is lower by 9% to ₱477 million for the quarter ended March 31, 2018 from ₱522 million for the quarter ended March 31, 2017, caused by the following:

Royalty fee was discontinued effective September 4, 2017 based on the trademark licensing agreement entered between LBC Express, Inc. and LBC Development Corporation. For the quarter ended March 31, 2017, royalty fee amounted to ₱59 million.

Professional fee declined by 40% or ₱21 million mostly attributable to consultancy fees related to process improvement which ended last Sept 2017.

The mentioned decreases above were offset by higher salaries and wages expenses by 18% or ₱21 million relative to annual appraisal resulting from inflation and higher organic headcount as compared to prior period.

Other Income, Net

Other income, net increased to ₱244 million for the quarter ended March 31, 2018 from ₱4 million for the quarter ended March 31, 2017, because of:

Foreign exchange gain, net is higher by 355% or ₱85 million which is from the foreign exchange trading, valuation of cash and cash equivalents denominated in US dollars and bond payable valuation.

Gain on derivative amounting to ₱179 million is recognized as a result of lower estimated fair value of derivative liability as at March 31, 2018 as compared to the value as at December 31, 2017.

Others include gain on bargain purchase resulting from business combination with LBC Mabuhay Saipan, Inc. amounting to ₱2.75 million and equity in net earnings of an associate amounting to ₱0.56 million.

Interest expense is up by 141% or ₱31 million primarily due to interest expense related to bond payable.

Net income before tax

Net income before tax increased by 148% to ₱564 million for the period ended March 31, 2018 from ₱228 million for the period ended March 31, 2017 mainly due to the following reasons:

- Growth in gross profit by 10% resulted from the increase in volume;
- Reduction in operating expense by 9%;
- Gain on derivative amounting to ₱179 million;
- Increase in unrealized foreign exchange gain related to valuation of dollar denominated cash and cash equivalents and bond payable valuation.

FINANCIAL CONDITION

As at March 31, 2018 compared to as at December 31, 2017

Assets

Current Asset:

Cash and cash equivalents increased by 5% to ₱3,950 million as at March 31, 2018 from ₱3,778 million as at December 31, 2017. Refer to analysis of cash flows in "Liquidity" section below.

Trade and other receivables, net decreased by 7% to ₱1,552 million as at March 31, 2018 from ₱1,677 million as at December 31, 2017, resulted from collection efficiency and improvement in average days sales outstanding.

Due from related parties is higher by 10% to ₱738 million as at March 31, 2018 from ₱668 million as at December 31, 2017, mainly attributable to monthly advances made to stockholder.

Available-for-sale investment (current) is lower by 18% to ₱361 million as at March 31, 2018 from ₱441 million as at December 31, 2017, primarily attributable to redemption of investment amounting to ₱141 million during the quarter, offset by placement of ₱50 million for working capital requirement. There is also gain from foreign currency translation and fair value valuation of ₱9 million and ₱1 million, respectively.

Prepayments and other current assets increased by 30% to ₱580 million as at March 31, 2018 from ₱446 million as at December 31, 2017, due to higher materials and supplies inventory by ₱20 million and prepaid taxes by ₱59 million which includes renewal of business permits. Further, marketable securities with maturity of more than three months is also up by ₱45 million due to acquisition in January 2018 amounting to ₱50 million.

Non-current Assets

Property and equipment, net increased by 3% to ₱1,008 million as at March 31, 2018 from ₱976 million as at December 31, 2017, primarily due to additions to leasehold improvement and motor vehicles which resulted to an increase in net book value by 2% and 14%, respectively.

Intangibles, net is higher by 4% to ₱371 million as at March 31, 2018 from ₱357 million as at December 31, 2017, mainly traceable to acquisition amounting to ₱31 million, offset by amortization of ₱16 million during the quarter.

Available-for-sale investment (noncurrent), declined by 5% to ₱421 million as at March 31, 2018 from ₱445 million as at December 31, 2017, relative to movement in market price from ₱2.28/share to ₱2.16/share.

Investment in associate amounting to ₱228 million is the result of acquisition of 30% equity interest of Orient Freight International, Inc. on March 19, 2018.

Liabilities

Accounts payable and accrued expenses is up by 3% to ₱1,655 million as at March 31, 2018 from ₱1,603 million as at December 31. 2017, primarily due to increase in accrued salaries and contracted job by ₱12 million and ₱26 million, respectively as a result of increase in manpower requirements.

Notes payable (current and noncurrent) decreased by 9% to ₱953 million as at March 31, 2018 from ₱1,041 million as at December 31, 2017, primarily attributable to settlement of notes payable during the quarter amounting to ₱89 million.

Transmissions liability dropped by 6% to ₱554 million as at March 31, 2018 from ₱588 million as at December 31, 2017, mainly attributable to lower amount of merchant liability (from bills payment).

Income tax payable increased by 10% to ₱138 million as at March 31, 2018 from ₱125 million as at December 31, 2017, resulting from higher taxable net income for the quarter ended March 31, 2018.

Lease liabilities (current and noncurrent) is down by 7% to ₱110 million as at March 31, 2018 from ₱118 million as at December 31, 2017 due to settlements during the quarter amounting to ₱9 million, offset by additional liability for service vehicles acquired through finance lease amounting to ₱0.7 million.

Retirement benefit liability is higher by 6% to ₱744 million as at March 31, 2018 from ₱705 million as at December 31, 2017 due to the net retirement benefit expense recognized for the period.

Bond payable increased by 9% to ₱975 million as at March 31, 2018 from ₱896 million as at December 31, 2017 as a result of accretion of interest and impact of higher exchange rate amounting to ₱37 million and ₱42 million, respectively.

Derivative liability declined by 10% to ₱1,681 million as at March 31, 2018 from ₱1,860 million as at December 31, 2017 relative to fair value gain resulting from lower share price and volatility based on PSE index.

Other liabilities dropped by 7% to ₱110 million as at March 31, 2018 from ₱118 million as at December 31, 2017 mainly from amortization of existing liabilities related to computer infrastructure, payroll and Logistic systems and IT security tool.

LIQUIDITY

Cash Flows

Quarter ended March 31, 2018 compared to the quarter ended March 31, 2017

Cash flows from operating activities

The Company's net cash from operating activities is primarily affected by income before income tax, depreciation and amortization, retirement benefit expense, interest expense, unrealized foreign exchange gain, gain on derivative, equity in net earnings of an associate and changes in working capital. The Company's net cash from operating activities were ₱484 million and ₱88 million for the quarter ended March 31, 2018 and 2017, respectively. For the quarter ended March 31, 2018, inflow from operating activities were generally from normal operations.

Cash flows from investing activities

Cash used in and generated from investing activities for the quarter ended March 31, 2018 and 2017 amounted to ₱318 million and ₱53 million, respectively. In 2018, the acquisition of an associate amounting to ₱209 million and redemption of investments in UITF classified as available-for-sale of ₱141 million have the largest impact on cash flow from investing activities.

Cash flow from financing activities

Net cash used in financing activities for the quarter ended March 31, 2018 and 2017 amounted to ₱113 million and ₱152 million, respectively. The decline is mainly due to settlement of notes payable amounting to ₱88 million for the current period ended as compared to ₱257 million in same period last year.

PART II - OTHER INFORMATION

There is no other information not previously reported in SEC Form 17-C that needs to be reported in this section.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

LBC EXPRESS HOLDINGS, INC.

ENRIQUE V. REY, JR.
Chief Finance Officer

May 15, 2018

LBC Express Holdings, Inc.
and Subsidiaries
Unaudited Interim Condensed Consolidated
Financial Statements
As at March 31, 2018 and
for the Three Months Ended
March 31, 2018 and 2017
*(With Comparative Audited Consolidated Statement
of Financial Position as at
December 31, 2017)*

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(With Comparative Audited Figures as at December 31, 2017)

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 3 and 21)	₱3,950,018,224	₱3,778,408,492
Trade and other receivables (Notes 4 and 21)	1,551,601,886	1,675,801,822
Due from related parties (Notes 15 and 21)	737,539,490	667,717,635
Available-for-sale investments (Notes 8 and 22)	360,590,940	440,763,495
Prepayments and other current assets (Note 5)	580,483,292	446,131,160
Total Current Assets	7,180,233,832	7,008,822,604
Noncurrent Assets		
Property and equipment (Note 6)	1,007,666,435	976,053,401
Intangible assets (Note 7)	371,278,259	356,850,011
Available-for-sale investments (Notes 8 and 22)	421,329,760	444,736,969
Deferred tax assets (Note 18)	295,717,156	289,524,039
Security deposits (Note 19)	257,880,897	255,426,919
Investment in associate (Note 9)	228,442,387	–
Other noncurrent assets (Note 5)	90,223,491	92,164,977
Total Noncurrent Assets	2,672,538,385	2,414,756,316
	₱9,852,772,217	₱9,423,578,920
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 10 and 21)	₱1,655,260,613	₱1,603,110,735
Due to related parties (Notes 15 and 21)	23,096,410	2,542,585
Current portion of notes payable (Notes 12 and 22)	360,000,000	440,050,000
Transmissions liability (Notes 11 and 21)	554,247,997	588,203,656
Income tax payable	137,595,140	125,020,186
Current portion of lease liabilities (Notes 19 and 22)	21,385,121	30,691,524
Total Current Liabilities	2,751,585,281	2,789,618,686
Noncurrent Liabilities		
Derivative liability (Note 13)	1,681,418,326	1,860,373,479
Bond payable (Note 13)	974,641,761	896,185,059
Retirement benefit liability (Note 20)	744,351,065	705,325,767
Notes payable - net of current portion (Notes 12 and 22)	592,500,000	601,250,000
Lease liabilities - net of current portion (Notes 19 and 22)	88,180,748	87,031,857
Other noncurrent liabilities (Notes 6 and 7)	110,191,478	118,327,055
Total Noncurrent Liabilities	4,191,283,378	4,268,493,217
	6,942,868,659	7,058,111,903
Equity		
Equity attributable to shareholders of the Parent Company (Note 14)		
Capital stock	1,425,865,471	1,425,865,471
Retained earnings	1,219,057,823	659,288,179
Accumulated comprehensive income	308,509,303	326,920,319
	2,953,432,597	2,412,073,969
Non-controlling interests	(43,529,039)	(46,606,952)
Total Equity	2,909,903,558	2,365,467,017
	₱9,852,772,217	₱9,423,578,920

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31	
	2018 (Unaudited)	2017 (Unaudited)
SERVICE REVENUE (Note 23)	₱2,750,700,536	₱2,458,185,460
COST OF SERVICES (Note 16)	1,818,035,459	1,612,082,623
GROSS PROFIT	932,665,077	846,102,837
OPERATING EXPENSES (Note 17)	476,833,551	522,447,111
OTHER INCOME (CHARGES)		
Foreign exchange gains - net	108,528,070	23,837,630
Gain on derivative (Note 13)	178,955,153	–
Interest income	6,131,914	1,498,793
Interest expense (Notes 12, 13 and 19)	(53,240,278)	(22,069,731)
Others - net (Note 9)	3,379,654	1,107,997
	243,754,513	4,374,689
INCOME BEFORE INCOME TAX	699,586,039	328,030,415
PROVISION FOR INCOME TAX (Note 18)	135,764,687	100,104,099
NET INCOME FOR THE PERIOD	563,821,352	227,926,316
OTHER COMPREHENSIVE LOSS		
Items not to be reclassified to profit or loss subsequent periods		
Remeasurement loss on retirement benefit plan - net of tax	266,635	(219,476)
Items that may be reclassified to profit or loss in subsequent periods		
Unrealized fair value loss on available-for-sale investments (Note 8)	(22,341,702)	(8,526,191)
Currency translation gain (loss) - net	2,690,256	(336,110)
	(19,384,811)	(9,081,777)
TOTAL COMPREHENSIVE INCOME	₱544,436,541	₱218,844,539
NET INCOME ATTRIBUTABLE TO:		
Shareholders of the Parent Company	₱559,769,644	229,491,376
Non-controlling interests	4,051,708	(1,565,060)
NET INCOME FOR THE PERIOD	₱563,821,352	227,926,316
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Shareholders of the Parent Company	₱541,358,628	₱220,908,237
Non-controlling interests	3,077,913	(2,063,698)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	₱544,436,541	₱218,844,539
EARNINGS PER SHARE (Note 24)		
Basic	₱0.39	₱0.16
Diluted	₱0.28	₱0.16

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	For the Three Months Ended March 31, 2018 (Unaudited)					
	Capital Stock (Note 14)	Retained Earnings	Accumulated Comprehensive Income	Total	Non-controlling Interests	Total Equity
Balances as at January 1, 2018	₱1,425,865,471	₱659,288,179	₱326,920,319	₱2,412,073,969	(₱46,606,952)	₱2,365,467,017
Comprehensive income:						
Net income	–	559,769,644	–	559,769,644	4,051,708	563,821,352
Other comprehensive loss	–	–	(18,411,016)	(18,411,016)	(973,795)	(19,384,811)
Total comprehensive income (loss)	–	559,769,644	(18,411,016)	541,358,628	3,077,913	544,436,541
Balances as at March 31, 2018	₱1,425,865,471	₱1,219,057,823	₱308,509,303	₱2,953,432,597	(₱43,529,039)	₱2,909,903,558

	For the Three Months s Ended March 31, 2017 (Unaudited)					
	Capital Stock (Note 14)	Retained Earnings	Accumulated Comprehensive Income	Total	Non-controlling Interests	Total Equity
Balances as at January 1, 2017	₱1,425,865,471	₱782,414,079	₱305,677,402	₱2,513,956,952	(₱50,963,937)	₱2,462,993,015
Comprehensive income:						
Net income (loss)	–	229,491,376	–	229,491,376	(1,565,060)	227,926,316
Other comprehensive loss	–	–	(8,583,139)	(8,583,139)	(498,638)	(9,081,777)
Total comprehensive income (loss)	–	229,491,376	(8,583,139)	220,908,237	(2,063,698)	218,844,539
Balances as at March 31, 2017	₱1,425,865,471	₱1,011,905,455	₱297,094,263	₱2,734,865,189	(₱53,027,635)	₱2,681,837,554

See accompanying Notes to Interim Condensed Consolidated Financial Statements

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31 (Unaudited)	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱699,586,039	₱328,030,415
Adjustments for:		
Depreciation and amortization (Notes 6, 7, 16 and 17)	86,034,602	72,623,560
Interest expense (Notes 12, 13, 15 and 19)	53,240,277	22,069,731
Retirement expense, net of benefits paid and contribution to retirement plan	39,406,205	7,378,403
Gain on disposal of property and equipment (Note 6)	(1,946)	(8,000)
Realized gain on redemption of available-for-sale	(60,044)	–
Equity in net earnings of an associate (Note 9)	(525,935)	–
Gain on bargain purchase	(2,750,043)	–
Interest income (Note 3)	(6,131,914)	(1,498,793)
Unrealized foreign exchange gains - net	(83,391,118)	(2,500,387)
Gain on derivative (Note 13)	(178,955,153)	–
Operating income before changes in working capital	606,450,970	426,094,929
Changes in working capital:		
Decrease (increase) in:		
Trade and other receivables	125,059,487	54,658,437
Prepayments and other assets	(134,352,132)	(35,505,786)
Security deposits	(2,453,978)	(6,182,861)
Increase (decrease) in:		
Accounts and other payables	47,311,648	34,432,917
Transmissions liability	(33,955,659)	(106,136,070)
Net cash generated from operations	608,060,336	367,361,566
Interest received	5,272,363	1,498,793
Income tax paid	(129,497,122)	(280,416,372)
Net cash provided by operating activities	483,835,577	88,443,987
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Redemption of investment in UITF classified as available-for-sale (Note 8)	140,545,550	312,126,151
Disposal of property and equipment and intangible assets	1,946	8,000
Decrease (increase) in noncurrent assets	1,941,486	(8,722,748)
Acquisitions of:		
Intangible assets	(30,700,480)	(4,140,440)
Property and equipment	(100,648,129)	(71,900,912)
Available-for-sale investments	(50,000,000)	(130,000,000)
Associate	(209,265,077)	–
Increase in due from related parties	(69,821,855)	(44,661,613)
Net cash (used in) generated from investing activities	(317,946,559)	52,708,438
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	–	136,835,341
Payments of lease liabilities and movement of other noncurrent liabilities	(8,884,786)	(13,484,086)
Interest paid (Notes 12 and 19)	(15,302,136)	(18,923,714)
Payments of notes payable	(88,800,000)	(256,715,500)
Increase (decrease) in due to related parties	–	(38,780)
Net cash used in financing activities	(112,986,922)	(152,326,739)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	52,902,096	(11,174,314)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	118,707,636	2,164,277
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,778,408,492	1,327,790,727
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 3)	₱3,950,018,224	₱1,318,780,690

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

1. Corporate Information

LBC Express Holdings, Inc. (referred to as the "Parent Company" or "LBCH"), formerly Federal Resources Investment Group Inc. (FED), was registered with the Securities and Exchange Commission (SEC) on July 12, 1993.

The ultimate parent of the Parent Company is LBC Development Corporation (LBCDC).

The Parent Company undertook an Initial Public Offering and on December 21, 2001, LBCH's shares were listed on the Philippine Stock Exchange (PSE).

The Parent Company invests, purchases or disposes real and personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation, association, domestic and foreign.

The Parent Company is a public holding company that has investments in businesses of messengerial either by sea, air or land of letters, parcels, cargoes, wares, and merchandise; acceptance and remittance of money, bills payment and the like; and performance of other allied general services from one place of destination to another within and outside of the Philippines.

On February 28, 2018, the BOD of the Parent Company approved the incorporation of Diez Equiz Pte Ltd, a Singaporean private limited Company, through subscription of 862 shares or 86% of the total outstanding shares of the entity at USD 1.00 per share. This is to diversify the businesses of the Group and to house possible or future investment opportunities. On April 5, 2018, the BOD approved the sale of the same 86% equity interest of Diez Equiz Pte Ltd to Maleka, Inc. at the sale price of USD 1.00 per share.

On March 7, 2018, the BOD of the Parent Company approved the purchase of shares of some international affiliates in line with the conditions to the issuance of convertible bond (Note 13). The acquisition is expected to benefit the Company by contributing to its global revenue streams. On the same date, the share purchase agreements were executed by LBCH and the international affiliates with a total share purchase price amounting to USD 8.55 million, subject to certain closing conditions.

Below is the list of entities that were acquired by the Group:

- LBC Mabuhay Saipan, Inc. which operates as a cargo and remittance Company in Saipan. The Parent Company purchased 120,000 shares or 100% of the total outstanding shares of the acquiree at purchase price of USD 207,652. The transfer of the ownership of the shares and all rights, titles and interest thereto shall take place following the payment of the consideration.
- LBC Mabuhay Hawaii Corporation which operates as a cargo and remittance company in Hawaii. The Parent Company purchased 1,536,408 shares or 100% of the total outstanding shares from LBC Holdings USA Corporation.
- LBC Mundial Corporation which operates as a cargo and remittance company in California. The Parent Company purchased 4,192,546 shares or 100% or the total outstanding shares from LBC Holdings USA Corporation.
- LBC Mabuhay North America Corporation which operates as a cargo and remittance company in New Jersey. The Parent Company purchased 1,605,273 shares or 100% or the total outstanding shares from LBC Holdings USA Corporation.

LBC Mabuhay Hawaii Corporation, LBC Mundial Corporation and LBC Mabuhay North America Corporation (the Companies) were purchased by LBC Express Holdings, Inc. at a purchase price of USD 8,342,000. The transfer of the ownership of the shares and all rights, titles and interests thereto shall take place following the payment of the consideration defined and shall be subject to the necessary approvals of the US regulatory bodies that oversee and/or regulate the Companies.

On March 19, 2018, the BOD of the Parent Company approved to invest and acquire 30% equity interest in Orient Freight International, Inc. (OFII) through the following: (a) by purchasing 1,150,000 common shares held by Rayomar Management, Inc. at ₱63.43 per share ; and (b) by subscribing to 3,285,714 common shares out of the unissued capital stock of OFII at ₱44.40 per share. This is to diversify the Company's businesses and to realize returns on investments.

On March 19, 2018, LBC Express, Inc. (LBCE) assigned its receivables from QUADX INC. (QUADX) to the Parent Company amounting to ₱186.02 million. QUADX, is in the process of increasing its authorized capital stock and the Parent Company wishes to subscribe to a total of 1,860,214 shares out of the said increase in authorized capital stock of QUADX.

In the Deed of Assignment, also dated March 19, 2018, the Parent Company and QUADX agreed that the assigned receivable be the full and complete settlement of the subscription of shares of stock of QUADX, once the increase in authorized capital stock is approved by SEC.

The Parent Company's registered office address is at LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila, Philippines.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these interim condensed consolidated financial statements are set out below. These policies have been constantly applied to all the periods presented, unless otherwise stated.

Basis of Preparation
The accompanying interim condensed consolidated financial statements of the Group have been prepared using the historical cost basis, except for available-for-sale (AFS) investment that has been measured at fair value. The interim condensed consolidated financial statements are presented in Philippine Peso (₱). All amounts are rounded off to the nearest peso, except when otherwise indicated.

The Group's interim condensed consolidated financial statements were prepared for inclusion in an offering circular in relation to a planned capital raising activity.

Difference in accounting periods
The Group consolidated the non-coterminous financial statements of its subsidiaries using their November 30 fiscal year end and the three months ended February 28 first quarter end financial statements since it is impracticable for the said subsidiaries to prepare financial statements as of the same date as the reporting date of the Parent Company.

Management exercised judgment in determining whether adjustments should be made in the interim condensed consolidated financial statements of the Group pertaining to the effects of significant transactions or events of its subsidiaries that occur between March 1, 2018 and 2017 and the date of the Parent Company's financial statements which is March 31, 2018 and 2017 and between December 1, 2017 and the comparative date of the Parent Company's financial position which is December 31, 2017.

The interim condensed consolidated financial statements were adjusted to effect LBCE's availment of bank loans in amounting to ₱46.84 million in March 2017 (nil in March 2018); settlement of bank loans in March 2018 and 2017 amounting to ₱30.05 million and ₱57.97 million, respectively; additional investment of unquoted AFS investment in March 2018 and 2017 amounting to ₱50.00 million and ₱130.00 million, respectively; additional redemption of unquoted AFS investment in March 2018 and 2017 amounting to ₱50.30 million and ₱312.13 million, respectively; payment of annual income taxes in March 2018 and 2017 amounting to ₱112.59 million and ₱254.76 million, respectively; the adjustment to reflect the increase and decrease of fair value of quoted AFS investment by ₱21.46 million and ₱56.57 million for the period March 1 to March 31, 2018 and 2017, respectively.

The consolidated financial statements as of December 31, 2017 were adjusted to effect LBCE's additional availment and settlement of bank loans in December 2017 amounting to ₱150.00 million and ₱161.25 million, respectively; the additional placement and termination of unquoted AFS investment in December 2017 amounting to ₱100.12 million and ₱40.07 million, respectively, the adjustment to reflect the increase in fair value of quoted AFS investment by ₱27.31 million for the period December 1 to December 31, 2017, and the recognition of marketable securities and other short-term investment under 'Prepaid and other current assets' in December 2017 amounting to ₱ 4.02 million and ₱0.40 million, respectively.

There were no other significant transactions that transpired between March 1, 2018 to March 31, 2018, December 1, 2017 to December 31, 2017 and March 1, 2017 to March 31, 2017.

Statement of Compliance

The accompanying interim condensed consolidated financial statements of the Group have been prepared in accordance with the Philippine Accounting Standard 34, *Interim Financial Reporting*. Accordingly, the interim condensed consolidated financial statements do not include all the information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's annual audited financial statement as at and for the year ended December 31, 2017, which have been prepared in accordance with PFRS.

Basis of Consolidation

The interim condensed consolidated financial statements include the accounts of the Parent Company and all of its subsidiaries where the Parent Company has control. Control is achieved when the Group 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 Group controls an investee if and only if the Group 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 Group 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.

All significant intercompany balances and transactions, including income, expenses and dividends, are eliminated in full. Profit and losses resulting from intercompany transactions that are recognized in assets are eliminated in full.

In 2018, the Parent Company acquired the following entities:

Entity Name	Country of Incorporation	Principal Activities	% Ownership
LBC Mabuhay Saipan Inc.	Philippines	Logistics	100%
Orient Freight International, Inc. (OFII)	Philippines	Logistics	30%

On March 7, 2018, the Parent Company purchased 120,000 shares or 100% of the total outstanding shares of the acquiree at purchase price of USD 207,652. Total net assets as at acquisition date is USD 260,380. Gain on bargain purchase amounting to USD 52,728 or ₱2.75 million in equivalent is recognized and presented under "Other Income (expense)" in the interim condensed consolidated financial statements.

On March 19, 2018, the Parent Company acquired 30% equity interest in OFII through the following: (a) by purchasing 1,150,000 common shares held by Rayomar Management, Inc. at ₱63.43 per share; and (b) by subscribing to 3,285,714 common shares out of the unissued capital stock of OFII at ₱44.40 per share. The equity interest in OFII is classified as Investment in Associate and accounted using the equity method (Note 9).

Except for the acquisitions mentioned, there were no changes in the Parent Company's ownership interests in its subsidiaries from January 1, 2018 to March 31, 2018.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as at and for the year ended December 31, 2017, except for the following amendments which the Group adopted starting January 1, 2018.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The Group has assessed that the adoption of these amendments will not have impact to its interim condensed consolidated financial statements because it does not have share-based payment arrangements.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 has an impact on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but there is no impact on the classification and measurement of the Group's financial liabilities. The adoption will also affect the assessment of the Group's credit losses amount. The Group is currently assessing the impact of the adoption of this standard.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The amendments are not applicable to the Group since none of the entities within the Group have activities that relate to insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group is currently assessing the impact of the adoption of this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

  These amendments have no significant impact to the Group's financial position and performance.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

  These amendments are not expected to have any impact to the Group.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- *Amendments to PFRS 9, Prepayment Features with Negative Compensation*

  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

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

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, Leases. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-ofuse asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group plans to adopt the new standard on the required effective date once adopted locally.

  This standard is expected to significantly impact its leasing arrangements as lessee for its branches which are currently accounted for as operating leases, as the Group is already required to recognize the right of use assets and liabilities in its interim condensed consolidated statements of financial position. It will also increase disclosures in the financial statements. The Standard does not have significant impact as a lessor.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  These amendments are not expected to have any impact to the Group.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - whether an entity considers uncertain tax treatments separately
  - the assumptions an entity makes about the examination of tax treatments by taxation authorities
  - how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - how an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

  These amendments are not expected to have any impact to the Group.

Investment in Associate
An associate is an entity in which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investment in the associate is accounted for under the equity method of accounting.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date.

The interim condensed consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the interim condensed consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the interim condensed consolidated statement of income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in an associate. At each reporting date, the Group determines whether there is objective evidence that the investment in associates is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss as 'Equity in net earnings of associate in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

Significant Accounting Judgments, Estimates and Assumptions
The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Except as otherwise stated, the significant accounting judgments, estimates and assumptions used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements as at and for the year ended December 31, 2017.

Acquisition method
On March 7, 2018, LBCH acquired 100% ownership of LBC Mabuhay Saipan, Inc. (LBC Saipan) for a total purchase price of USD 207,652 or ₱10.80 million. LBC Saipan operates as a cargo and remittance company in Saipan and the Parent Company accounted the business combination under the acquisition method.

PFRS 3, *Business Combinations*, provides that if the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date. The comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting had been completed from the acquisition date.

The provisional values of the identifiable assets and liabilities acquired as at the date of acquisition follows:

Assets	
Cash and cash equivalents	₱25,762,682
Trade receivables	1,560
Receivable from a related party	16,951,251
Property and equipment	412,196
Security deposit	265,007
Other assets	123,051
	43,515,747
Liabilities	
Accounts and other payables	3,021,253
Payable to a related party	26,946,132
	29,967,385
Net assets	13,548,362
Gain on bargain purchase	2,750,043
Acquisition cost	₱10,798,319

The purchase price allocation for the acquisition of LBC Saipan has been prepared on a preliminary basis due to unavailability of information to facilitate fair value computation. This includes information necessary for the valuation of other intangible assets, if any. Reasonable changes are expected as additional information becomes available. The accounts that are subject to provisional accounting are property and equipment, intangible assets and goodwill or bargain purchase gain.

The cost of acquisition is determined as follows:

Purchase consideration	₱10,798,319
Fair value of equity interest in LBC Saipan held before business combination	–
	₱10,798,319

Cash on acquisition follows:

Cash paid	₱–
Cash acquired from LBC Saipan	25,762,682
Net cash inflow	₱25,762,682

The purchase consideration is unpaid as of March 31, 2018. Acquisition-related cost, which includes documentary stamp tax amounting to ₱0.05 million was recognized as expense in 2018.

Determination of significant influence on an investee company
If an investor holds, directly or indirectly, less than 20% of the voting power of the investee company, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.

3. Cash and Cash Equivalents

This account consists of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)	March 31, 2017 (Unaudited)
Cash on hand	**₱287,661,062**	₱264,057,974	₱186,976,995
Cash in banks	**1,924,023,774**	1,103,336,745	682,964,912
Cash equivalents	**1,738,333,388**	2,411,013,773	448,838,783
	₱3,950,018,224	₱3,778,408,492	₱1,318,780,690

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from cash and cash equivalents amounted to ₱6.13 million and ₱1.50 million for the three months ended March 31, 2018 and 2017, respectively.

Cash equivalents include short-term placements made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term placements rates.

4. Trade and Other Receivables

This account consists of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Trade receivables - outside parties	**₱1,013,237,893**	₱1,189,394,150
Trade receivables - related parties (Note 15)	**557,704,427**	495,476,881
	1,570,942,320	1,684,871,031
Less allowance for impairment losses	**68,282,406**	57,252,950
	1,502,659,914	1,627,618,081
Other receivables:		
Advances to officers and employees	**36,171,817**	29,587,715
Others	**12,770,155**	18,596,026
	₱1,551,601,886	₱1,675,801,822

Trade receivables arise from sale of services related to inbound and outbound courier services, handling and consolidation services with normal credit terms of 30 to 90 days.

Advances to officers and employees consist mainly of noninterest-bearing advances which are subject to liquidation upon completion of the business transaction and personal advances subject to salary deductions.

Others mainly consist of SSS benefit receivable to be reimbursed within a year and accrual of interest income which is expected to be collected upon maturity of the short-term placements.

The Group performed reassessment of the collectability of its receivables and as a result, recognized additional provision for impairment losses. These were recognized under operating expenses in the interim consolidated statements of comprehensive income.

Allowance for impairment losses were specifically identified as impaired. These pertains to trade receivables from outside parties.

The movements in allowance for impairment losses of trade receivables follow:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at beginning of period	**₱57,252,950**	₱55,694,985
Provisions (Note 17)	**11,029,456**	13,179,997
Write-off	**–**	(11,622,032)
	₱68,282,406	₱57,252,950

5. Prepayments and Other Assets

This account consists of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Input value-added tax (VAT)	₱215,455,620	₱215,215,636
Materials and supplies	120,138,003	100,572,680
Prepayments:		
Taxes	66,735,335	7,418,431
Rent	63,289,570	70,238,209
Insurance	27,892,157	12,489,234
Software maintenance cost	23,970,122	7,049,524
Employee benefits	5,062,249	20,616,772
Advertising	4,921,300	7,111,383
Dues and subscriptions	3,857,611	4,404,153
Others	8,822,124	13,641,561
Creditable withholding taxes (CWT)	56,980,835	51,010,831
Short-term cash investments	51,154,691	11,326,492
Restricted cash in bank	14,225,935	9,000,000
Advance payment to a supplier	9,000,000	9,000,000
	671,505,552	539,094,906
Less allowance for impairment losses	798,769	798,769
	670,706,783	538,296,137
Less noncurrent portion of:		
VAT on capital goods	65,705,330	60,574,886
Prepaid rent	15,518,161	22,590,091
Other assets	9,000,000	9,000,000
Total noncurrent portion	₱90,223,491	₱92,164,977
Total current portion	₱580,483,292	₱446,131,160

Input VAT is applied against output VAT. Management believes that the remaining balance is recoverable in future periods.

Materials and supplies consist of office supplies and packing materials to be used in the Group's operations. Materials and supplies recognized as part of cost of services in the interim consolidated statements of comprehensive income for the three months ended March 31, 2018 and 2017 amounted to ₱88.97 million and ₱81.50 million, respectively (see Note 16).

Prepaid advertising consists of advances for billboards and multimedia endorsements.

Other prepayments pertain to unamortized licenses, prepaid utilities and prepaid interests.

CWTs are attributable to taxes withheld by the withholding agents which are creditable against the income tax payable.

Short-term cash investments are time deposits with maturity of more than three months from the date of acquisition but not exceeding one year.

Restricted cash in bank represents time deposit, in the name of LBCE, with a maturity of one year and assigned to a specific customer as a performance guarantee.

Advance payment to a supplier pertains for the intended purchase of a software. This amount was reclassified from development in progress to other noncurrent assets in 2017.

6. Property and Equipment

The rollforward analysis of this account follows:

	For the three months ended March 31, 2018 (Unaudited)					
	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Construction in Progress	Total
Costs						
At beginning of period	₱499,479,068	₱1,574,578,690	₱657,456,399	₱620,519,300	₱17,301,634	₱3,369,335,091
Additions	5,206,493	9,079,762	8,745,550	21,240,859	61,790,776	106,063,440
Reclassifications	30,187,415	32,975,388	1,321,072	848,214	(65,332,089)	–
Disposals	(64,732)	–	–	–	–	(64,732)
At end of period	534,808,244	1,616,633,840	667,523,021	642,608,373	13,760,321	3,475,333,799
Accumulated Depreciation and Amortization						
At beginning of period	337,955,230	991,124,111	568,035,973	496,166,376	–	2,393,281,690
Depreciation and amortization (Notes 16 and 17)	11,434,891	26,831,685	13,252,909	18,242,885	–	69,762,370
Adjustment related to business combination	1,732,420	2,244,944	–	710,672	–	4,688,036
Disposals	(64,732)	–	–	–	–	(64,732)
At end of period	351,057,809	1,020,200,740	581,288,882	515,119,933	–	2,467,667,364
Net Book Value	₱183,750,435	₱596,433,100	₱86,234,139	₱127,488,440	₱13,760,321	₱1,007,666,435

	For the year ended December 31, 2017 (Audited)					
	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Construction in Progress	Total
Costs						
At beginning of year	₱516,312,044	₱1,387,570,739	₱604,044,494	₱549,377,766	₱9,067,555	₱3,066,372,598
Additions	65,217,309	37,627,429	45,222,628	66,283,784	180,133,211	394,484,361
Reclassifications	2,156,919	155,553,817	8,905,950	5,282,446	(171,899,132)	–
Disposals	(84,207,204)	(6,173,295)	(716,673)	(424,696)	–	(91,521,868)
At end of year	499,479,068	1,574,578,690	657,456,399	620,519,300	17,301,634	3,369,335,091
Accumulated Depreciation and Amortization						
At beginning of year	384,704,082	897,410,297	515,934,644	427,846,648	–	2,225,895,671
Depreciation and amortization (Notes 16 and 17)	37,458,352	97,534,449	52,236,428	68,503,817	–	255,733,046
Disposals	(84,207,204)	(3,820,635)	(135,099)	(184,089)	–	(88,347,027)
At end of year	337,955,230	991,124,111	568,035,973	496,166,376	–	2,393,281,690
Net Book Value	₱161,523,838	₱583,454,579	₱89,420,426	₱124,352,924	₱17,301,634	₱976,053,401

In 2015, the Group purchased a computer hardware on a long-term payment arrangement. The liability is noninterest bearing and payable over 60 months. As at March 31, 2018, the outstanding liability amounted to ₱32.04 million, ₱21.55 million of which is reported under 'other noncurrent liabilities' in the interim condensed consolidated statements of financial position.

7. Intangible Assets

The rollforward analysis of this account follows:

	For the three months ended March 31, 2018 (Unaudited)		
	Software	Development in Progress	Total
Costs			
At beginning of period	₱549,820,615	₱4,540,000	₱554,360,615
Additions	–	30,700,480	30,700,480
At end of period	549,820,615	35,240,480	585,061,095
Accumulated Amortization			
At beginning of period	197,510,604	–	197,510,604
Amortization (Note 17)	16,272,232	–	16,272,232
At end of period	213,782,836	–	213,782,836
Net Book Value	₱336,037,779	₱35,240,480	₱371,278,259

	For the year ended December 31, 2017 (Audited)		
	Software	Development in Progress	Total
Costs			
At beginning of year	₱335,393,881	₱63,140,574	₱398,534,455
Reclassification	156,491,950	8,654,110	165,146,060
Additions	58,254,684	(67,254,684)	(9,000,000)
Disposal	(319,900)	–	(319,900)
At end of year	549,820,615	4,540,000	554,360,615
Accumulated Amortization			
At beginning of year	132,486,794	–	132,486,794
Amortization (Note 17)	65,023,810	–	65,023,810
At end of year	197,510,604	–	197,510,604
Net Book Value	₱352,310,011	₱4,540,000	₱356,850,011

In 2017, the Group purchased IT security tool, a new payroll system and a logistic software on a non-interest bearing long-term payment arrangement payable over 36 months, 60 months and 60 months, respectively. As at March 31, 2018, the outstanding liability related to the purchase of these intangible assets amounted to ₱121.65 million, of which ₱88.64 million is presented under 'other noncurrent liabilities' in the interim condensed consolidated statement of financial position.

Development in progress pertains to costs related to ongoing development of software, user license and implementation costs.

8. Available-for-sale investments

AFS investments consists of the Group's investment in unquoted unit investment trust fund and investment in quoted shares of stock of Araneta Properties, Inc. The major categories of the Group's investment in unquoted unit investment trust fund comprise primarily of Overnight Deposit Facility and Term Deposit Facility in the Bangko Sentral ng Pilipinas.

Movement of the investments follows:

	For the three months ended March 31, 2018 (Unaudited)	For the year Ended December 31, 2017 (Audited)
Unquoted:		
Balance at beginning of period	**₱440,763,495**	₱250,937,154
Additions	**50,000,000**	1,394,016,400
Redemption	**(140,545,550)**	(1,206,361,295)
Unrealized foreign exchange gain (loss)	**9,307,488**	(2,370,641)
Fair value gain during the period	**1,065,507**	4,541,877
	360,590,940	440,763,495
Quoted:		
Balance at beginning of year	**444,736,969**	458,391,174
Unrealized fair value gain (loss)	**(23,407,209)**	(13,654,205)
	421,329,760	444,736,969
	₱781,920,700	₱885,500,464
Less current portion	**₱360,590,940**	₱440,763,495
Total noncurrent portion	**₱421,329,760**	₱444,736,969

9. Investment in Associate

On March 19, 2018, the Parent Company invested in OFII, a company involved in freight forwarding, warehousing and customs brokerage businesses.

The Parent Company subscribed to 3,285,714 common shares out of the unissued capital stock of OFII at a subscription price of ₱44.40 or ₱145.89 million. On the same date, the Parent Company purchased 1,150,000 secondary shares at ₱63.43 per share for a total consideration of ₱72.94 million from Rayomar Management, Inc. (RMI), an investment and management company and former stockholder of OFII. These acquisitions contribute a total ownership of 30% on OFII.

As of March 31, 2018, the investment in associate amounted to ₱228.44 million, including cost directly attributable to the purchase and subscription of shares. As at March 31, 2018, equity in net earnings of an associate amounted to ₱0.53 million. No impairment loss was recognized for the investment in an associate in 2018.

As at March 31, 2018, the statements of financial position of the investment in associate is as follows:

Current assets	₱499,483,690
Noncurrent assets	92,469,818
Total assets	₱591,953,508
Current liabilities	₱206,145,900
Noncurrent liabilities	32,441,740
Equity	353,365,868
Total liabilities and equity	₱591,953,508

The statements of comprehensive income of the investment in associate from March 19-31, 2018 is as follows:

Revenue	₱26,727,552
Cost and expenses	24,974,434
Net income	₱1,753,118
Other comprehensive income	–
Total comprehensive income	₱1,753,118

10. Accounts Payable and Other Payables

This account consists of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Trade payable - outside parties	₱656,221,817	₱656,868,942
Trade payable - related parties (Note 15)	2,701,615	376,412
Accruals:		
Salaries and wages	260,432,463	248,425,003
Contracted jobs	147,679,792	121,825,685
Rent and utilities	88,591,001	90,793,364
Claims and losses	41,769,005	26,539,218
Advertising	16,712,892	20,750,779
Software maintenance	15,386,156	27,169,568
Outside services	14,901,071	10,968,979
Taxes	12,371,060	10,933,230
Professional fees	11,518,249	12,917,417
Others	56,569,452	46,508,026
Deferred output VAT	209,668,635	225,681,729
Taxes payable	67,409,968	61,810,735
Government agencies contributions payables	21,850,879	23,013,633
Others	31,476,558	18,528,015
	₱1,655,260,613	₱1,603,110,735

Trade payable and accrued expenses arise from regular transactions with suppliers and service providers. These are noninterest-bearing and are normally settled on one to 60-day term.

Accrued salaries and wages pertain to unpaid salaries and provision for employee's allowances and benefits.

Other accruals mainly include repairs and maintenance, training costs, accrual for interest expense and purchases of motor vehicles and materials and supplies.

Deferred output VAT arises from the uncollected receivables from vatable sales.

Taxes payable includes output VAT payable and withholding taxes on payment to suppliers and employees' compensation which are settled on a monthly basis.

Government agencies contribution payable pertains to monthly required remittances to government agencies such as SSS, Pag-ibig and Philhealth.

Other payables include employees' salary loan deductions payable to third parties, and payables arising from expenses incurred in relation to transactions with nontrade suppliers.

11. Transmissions Liability

Transmissions liability represents money transfer remittances by clients that are still outstanding, and not yet claimed by the beneficiaries as at reporting date. These are due and demandable.

Transmissions liability amounted to ₱554.25 million, (₱107.77 million of which is payable to an affiliate) and ₱588.20 million (₱77.38 million of which is payable to an affiliate) as at March 31, 2018 and December 31, 2017, respectively (see Note 15).

12. Notes Payable

The Group has outstanding notes payable to various local banks. The details of these notes as at March 31, 2018 and December 31, 2017 are described below:

		March 31, 2018 (Unaudited)			
Bank/Related Party	Date of Availment	Outstanding Balance	Maturity	Interest Rate	Payment Terms
Banco de Oro	March 2018	₱67,000,000	September 2018	Fixed rate, 4.00%	Clean; Interest payable every month, principal to be paid on maturity date
Banco de Oro	Various availments in 2016	672,500,000	May 2021	Fixed rate, 4.00%	With mortgage; Interest payable every month, principal payable quarterly
Rizal Commercial Banking Corporation (RCBC)	Various availments in 2017	213,000,000	April and Dec 2018	Fixed rate, 4.50%	Clean; Interest payable every month, principal to be paid on maturity date
Total		₱952,500,000			
Current Portion		₱360,000,000			
Noncurrent portion		₱592,500,000			

December 31, 2017 (Audited)					
Bank	Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
Banco de Oro	September 2017	₱85,800,000	March 2018	Fixed rate, 4.00%	Clean; Interest payable every month, principal to be paid on maturity date
Banco de Oro	Various availments in 2016	692,500,000	May 2021	Fixed rate, 4.00%	With mortgage; Interest payable every month, principal payable quarterly
Unionbank of the Philippines (UBP)	August 2017	50,000,000	February 2018	Fixed rate, 6.00%	Clean; Interest payable every month, principal to be paid on maturity date
Rizal Commercial Banking Corporation (RCBC)	Various Availments in 2017	213,000,000	April 2018	Fixed rate, 4.00%	Clean; Interest payable every month, principal to be paid on maturity date
Total		₱1,041,300,000			
Current portion		₱440,050,000			
Noncurrent portion		₱601,250,000			

The Notes Facility Agreement entered by the Group with Banco De Oro (BDO) in May 2016 is with a credit line facility amounting to ₱800.00 million. The loan is secured with real estate mortgage on land owned by the Group's affiliates (see Note 15).

Various short-term loans availed in 2016 with BDO, UBP and RCBC totaling ₱67.50 million were rolled over and still existing as of March 31, 2018.

Interest expense amounted to ₱13.98 million and ₱19.00 million for the three months ended March 31, 2018 and 2017, respectively.

The loans were used primarily for working capital requirements and are not subject to any loan covenants.

13. Convertible Instrument

On June 20, 2017, the BOD approved the issuance of convertible bond. Accordingly, on August 04, 2017, the Parent Company issued, in favor of CP Briks Pte. Ltd, a seven-year secured convertible instrument in the aggregate principal amount of US$50.0 million (₱2,518.25 million) convertible at any time into 192,307,692 common shares of the Parent Company at the option of CP Bricks Pte. Ltd at ₱13.00 per share conversion price, subject to adjustments in accordance with the terms and conditions of the instrument. The instrument is also redeemable, at the option of CP Bricks Pte. Ltd, beginning on the 30th month from issuance date at the redemption price equal to the principal amount plus internal rate of return ranging from 10% to 13%.

The convertible bond is a hybrid instrument containing host financial liability and derivative components for the equity conversion and redemption options. The equity conversion and redemption options were identified as embedded derivatives and were separated from the host contract.

As at March 31, 2018, the carrying value of bond payable is ₱974.64 million and the fair value of the derivative liability is ₱1,681.42 million. The fair value changes of the derivative liability recognized as "Gain on derivative" amounted to ₱178.96 million in 2018. Interest expense arising from the accretion of interest on the bond payable amounted to ₱36.69 million in 2018.

The agreement related to the issuance of convertible bonds indicated the following rights and obligations:

a. Within one month from August 4, 2017, the Parent Company shall discontinue any royalty payments to LBCDC for all trademarks, brands and licenses. This was already terminated in September 2017;
b. Within three months from closing date, LBCDC shall procure that the Parent Company enters into a binding sale and purchase agreement to acquire the equity interests of the 12 overseas entities. Also, within 12 months from closing date, LBCDC shall procure that the Parent Company closes the acquisition of the equity interest of the overseas entities;
c. Within six months following the termination of royalty payments, the Parent Company shall be permitted to make loans and advances to LBCDC and this shall not be considered a Reserved Matter. LBCDC already made an advances amounting to ₱150.00 million;
d. Within six months from closing date, LBCDC shall procure a debt for equity swap between LBCE and QUADX INC., a local affiliate; and
e. Within 3 months from closing of the acquisition of the equity interests of the overseas entity, LBCDC procure to settle all obligations to the Group.

Several extensions were made to the initial agreement. The fourth extension amendment was on April 18, 2018 stating the following changes:

i. Within thirty (30) calendar days from April 18, 2018, LBCDC shall procure that the Company shall enter into a binding sale and purchase agreement to acquire each of the Equity Interests for their respective purchase price. LBCDC shall use commercially reasonable endeavors to procure that the Company shall acquire any remaining portion of the equity interests in the Overseas Entities, unless such acquisition would result in a violation or breach of Applicable Law.
ii. Within thirty (30) calendar days from April 18, 2018, LBCDC shall procure (in accordance with applicable law and regulation) that QUADX, INC. and LBC Express, Inc. shall, in full and final settlement of all and any intercompany balances owed by QUADX INC. to LBC Express, Inc. as of such date (such amount being the "Intercompany Balance"), convert the Intercompany Balance into common shares in the capital of QUADX such that after the conversion, LBC Express, Inc. shall hold and own 86.11% of the resulting issued and outstanding common shares in QUADX, equal to the value of the Intercompany Balance. In the event that LBC Express, Inc., in its reasonable discretion, assigns and transfers the Intercompany Balance to LBC Express Holdings, Inc., all references to LBC Express, Inc. in this paragraph shall instead be read as reference to LBC Express Holdings, Inc.

Failure to comply with the above agreements constitute an Event of Default which results to the redemption of the convertible bond at par plus an IRR of 16%. As at March 31, 2018, the Group has complied with the above agreement.

14. **Equity**

Capital stock

As at March 31, 2018 and December 31, 2017, the details of the Parent Company's common shares follow:

	Number of Shares of Stocks	Amount
Capital stock - ₱1 par value		
Authorized	**2,000,000,000**	**₱2,000,000,000**
Issued and outstanding	1,425,865,471	1,425,865,471

Retained earnings
On April 19, 2017, the BOD of LBCH approved the declaration of cash dividends amounting to ₱827.00 million from unappropriated retained earnings as of March 31, 2017 amounting to ₱849.83 million.

The dividends attributable to LBCDC was settled through application against due from LBCDC as disclosed in Note 15.

15. Related Party Transactions

In the normal course of business, the Group transacts with related parties consisting of its ultimate parent, LBCDC and affiliates. Affiliates include those entities in which the owners of the Group have ownership interests. These transactions include royalty, delivery, service and management fees and loans and cash advances. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

Details of related party transactions and balances for the three months ended March 31, 2018 and for the year ended December 31, 2017 are as follows:

	Transaction amounts for the three months ended March 31, 2018 (Unaudited)	Outstanding Receivable balance as at March 31, 2018 (Unaudited)	Terms	Conditions
Due from related parties (Trade receivables)				
Affiliates				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 4 and 23)	₱220,646,276	₱557,704,427	Noninterest-bearing; due and demandable	Unsecured, no impairment
Due from related parties (Non-trade receivables)				
Ultimate parent company				
b.) Advances	₱76,355,917	₱491,046,581	Noninterest-bearing; due and demandable	Unsecured, no impairment
Affiliates - under common control				
b.) Advances	25,583	51,187,114	Noninterest-bearing; due and demandable	Unsecured, no impairment
c.) Subscription advances	–	186,021,400	Noninterest-bearing; for settlement of the subscription of shares	Unsecured, no impairment
Officer				
b.) Advances	–	9,284,395	Noninterest-bearing; due and demandable	Unsecured, no impairment
		₱737,539,490		

	Transaction amounts for the three months ended March 31, 2017 (Unaudited)	Outstanding Receivable balance as at December 31, 2017 (Unaudited)	Terms	Conditions
Due from related parties (Trade receivables)				
Affiliates				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 4 and 23)	₱124,625,323	₱495,476,881	Noninterest-bearing; due and demandable	Unsecured, no impairment
Due from related parties (Non-trade receivables)				
Ultimate parent company				
b.) Advances	₱8,663,189	₱415,144,205	Noninterest-bearing; due and demandable	Unsecured, no impairment
Affiliates - under common control				
b.) Advances	68,309,017	243,289,035	Noninterest-bearing; due and demandable	Unsecured, no impairment
Officer				
b.) Advances	1,500,000	9,284,395	Noninterest-bearing; due and demandable	Unsecured, no impairment
		₱667,717,635		

	Transaction amounts for the three months ended March 31, 2018 (Unaudited)	Outstanding Payable balance as at March 31, 2018 (Unaudited)	Terms	Conditions
Due to related parties (Trade payables)				
Ultimate Parent Company				
d.) Royalty fee (Notes 10 and 17)	₱–	₱240,120	Noninterest-bearing; due and demandable	Unsecured
Associate				
f.) Sea freight and brokerage	44,761,846	2,461,495	Noninterest-bearing; due and demandable	Unsecured
Affiliate				
g.) Guarantee fee (Notes 10 and 12)	1,785,714	–	Noninterest-bearing; due and demandable	Unsecured
		₱2,701,615		
Due to a related party (Transmissions liability)				
Affiliate				
a.) Money remittance payable (Note 11)	₱1,523,467,79	₱107,766,160	Noninterest-bearing; due and demandable	Unsecured
Due to related parties (Non-trade payables)				
Affiliate - under common control				
b.) Advances	₱–	₱2,646,716	Noninterest-bearing; due and demandable	Unsecured
c.) Payable related to purchase of shares (Note 9)	229,628,521	20,449,695	Noninterest-bearing; due and demandable	Unsecured
		₱23,096,411		

	Transaction amounts for the three months ended March 31, 2017 (Unaudited)	Outstanding Payable balance as at December 31, 2017 (Unaudited)	Terms	Conditions
Due to related parties (Trade payables)				
Ultimate Parent Company				
d.) Royalty fee (Note 10)	₱58,796,287	₱376,412	Noninterest-bearing; due and demandable	Unsecured
Affiliate				
g.) Guarantee fee (Note 10)	4,166,667	–	Noninterest-bearing; due and demandable	Unsecured
		₱376,412		
Due to a related party (Transmissions liability)				
Affiliate				
a.) Money remittance payable (Note 11)	₱333,055.01	₱77,384,306	Noninterest-bearing; due and demandable	Unsecured
Due to related parties (Non-trade payables)				
Affiliate - under common control				
b.) Advances	₱–	₱2,542,585	Noninterest-bearing; due and demandable	Unsecured
		₱2,542,585		

Compensation of Key Management Personnel:

	For the three months ended	
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
Salaries and wages	**₱25,682,792**	₱23,544,220
Retirement benefits (Note 20)	**5,529,230**	3,923,914
Other short-term employee benefits	**4,783,439**	3,173,493
	₱35,995,461	₱30,641,627

a. In the normal course of business, the Group fulfills the delivery of balikbayan boxes, fulfillment of money remittances and performs certain administrative functions on behalf of its affiliates. The Group charges delivery fees and service fees for the fulfillment of these services based on agreed rates.

b. The Group regularly makes advances to and from related parties to finance working capital requirements and as part of their cost reimbursements arrangement. These unsecured advances are non-interest bearing and payable on demand.

   In prior years, the Group has outstanding advances of ₱295.00 million to LBC Development Bank, an entity under common control of LBCDC. In 2011, management assessed that these advances are not recoverable. Accordingly, the said asset was written off from the books in 2011 (Note 26).

c. On March 19, 2018, LBC Express, Inc. (LBCE) assigned its receivables from QUADX INC. (QUADX) to the Parent Company amounting to ₱186.02 million. QUADX, is in the process of increasing its authorized capital stock and the Parent Company wishes to subscribe to a total of 1,860,214 shares out of the said increase in authorized capital stock of QUADX. In the Deed of Assignment, also dated March 19, 2018, the Parent Company and QUADX agreed that the assigned receivable be the full and complete settlement of the subscription of shares of stock of QUADX, once the increase in authorized capital stock is approved by SEC.

d. LBCDC (Licensor), the Ultimate Parent Company, granted to the Group (Licensee) the full and exclusive right to use the LBC Marks within the Philippines, in consideration for a continuing royalty rate of two point five percent (2.5%) for 2017 and 2016 of Licensee's Gross Revenues which is defined as any and all revenue from all sales of products and services, including all other income of every kind and nature directly and/or indirectly arising from, related to and/or connected with Licensee's business operations (including, without limitation, any proceeds from business interruption insurance, if any), whether for cash or credit, wherever made, earned, realized or accrued, excluding any sales discounts and/or rebates, value added tax.

   On August 4, 2017, LBCE and LBCDC entered into a trademark licensing agreement, which amended and restated the trademark licensing agreement entered by the same parties on November 9, 2007. Both parties agreed to discontinue royalty payments for the use of LBC Marks in recognition of LBCE's own contribution to the value and goodwill of the trademark effective September 4, 2017.

e. On March 19, 2018, LBCH subscribed to 3,285,714 common shares out of the unissued capital stock of OFII at a subscription price of ₱44.40 or ₱145.89 million. On the same date, LBCH purchased 1,150,000 secondary shares at ₱63.43 per share for a total consideration of ₱72.94 million from RMI. These acquisitions contribute a total ownership of 30% (see Note 9). Total outstanding payable to RMI related to the purchase of shares amounted to ₱9.65 million.

   On March 7, 2018, the Parent Company acquired 120,000 shares or 100% of the total outstanding shares of LBC Mabuhay Saipan, Inc. at a purchase price of USD 207,652 or ₱10.80 million in peso equivalent. Gain on bargain purchase recognized under "Other income (expense) as a result of business combination amounted to ₱2.75 million.

f. In the normal course of business, LBCE acquires services from OFII which include sea freight and brokerage mainly for the cargoes coming from international origins. These expenses are billed to the origins at cost.

g. The Group entered into a loan agreement with BDO which is secured with real estate mortgage on various real estate properties owned by the Group's affiliate. In consideration of the affiliate's accommodation to the Group's request to use these properties as loan collateral, the Group agreed to pay the affiliate, every April 1 of the year starting April 1, 2016, a guarantee fee of 1% of the outstanding loan and until said properties are released by the bank as loan collateral. The guarantee fee is reported as part of interest expense in the interim condensed consolidated statements of comprehensive income.

16. Cost of Services

This account consists of:

	For the three months ended	
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
Cost of delivery and remittance	**₱806,563,628**	₱689,813,694
Salaries and benefits	**522,215,084**	482,507,267
Utilities and supplies	**198,539,378**	180,317,106
Rent (Note 19)	**161,136,777**	140,180,660
Depreciation and amortization (Notes 6 and 7)	**61,094,956**	50,568,441
Retirement benefit expense	**24,051,096**	24,975,970
Repairs	**19,610,456**	21,069,434
Transportation and travel	**16,188,084**	12,859,927
Insurance	**6,503,029**	8,344,927
Others	**2,132,971**	1,445,197
	₱1,818,035,459	₱1,612,082,623

17. Operating Expenses

This account consists of:

	For the three months ended	
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
Salaries and benefits	**₱135,479,667**	₱114,435,076
Rent (Note 19)	**60,020,196**	56,823,258
Advertising and promotion	**41,661,077**	33,888,556
Utilities and supplies	**36,449,154**	40,666,519
Travel and representation	**32,780,378**	35,895,921
Taxes and licenses	**30,899,939**	34,373,613
Professional fees	**30,840,008**	51,544,279
Depreciation and amortization	**24,939,646**	22,055,119
Claims and losses	**18,732,634**	19,968,393
Software maintenance costs	**13,010,605**	11,196,200
Provision for impairment loss (Note 4)	**11,029,456**	12,106,337
Dues and subscriptions	**8,773,209**	3,894,122
Retirement benefit expense	**7,271,234**	7,419,680
Insurance	**5,916,393**	5,742,071
Commission expense	**5,676,122**	6,095,361
Repairs and maintenance	**1,046,760**	2,086,502
Royalty	**–**	58,796,287
Others	**12,307,073**	5,459,817
	₱476,833,551	₱522,447,111

Others comprise mainly of bank and finance charges, penalties and other administrative expenses.

18. Income Taxes

Provision for income tax consists of:

	For the three months ended	
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
Current	**₱142,072,076**	₱105,804,046
Deferred	**(6,307,389)**	(5,699,947)
	₱135,764,687	₱100,104,099

Details of the Group's deferred income tax assets as at March 31, 2018 and December 31, 2017 follow:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Retirement benefit liability	**₱222,209,970**	₱215,948,504
Accrued employee benefits	**42,829,379**	42,241,773
Allowance for impairment loss	**20,351,240**	17,127,718
Deferred lease liability	**13,482,349**	12,900,573
NOLCO	**167,069**	236,165
Past service cost	**898,334**	927,312
MCIT	**115,630**	110,558
Capitalized borrowing costs	**(366,335)**	(418,668)
Unrealized foreign exchange losses	**(3,970,480)**	450,104
	₱295,717,156	₱289,524,039

On December 18, 2018, the Bureau of Internal Revenue issued Revenue Regulation No. 16-2008 which implemented the provisions of Republic Act (R.A.) No. 9504, as amended by R.A. 10963 or the Tax Reform Acceleration and Inclusion Act (TRAIN), on Optional Standard Deduction (OSD). This regulation allows individuals and corporate taxpayers to use OSD in computing their taxable income. For corporate taxpayers, they may elect a standard deduction in the amount equivalent to 40% gross income in lieu of the itemized deductions.

For the quarter ended March 31, 2018, eighteen (18) of LBCH's subsidiaries opted to use OSD in computing their current provision for income tax.

19. Lease Commitments

(a) Operating Lease

The following are the operating lease agreements entered into by the Group:

1. Operating lease agreement covering its current corporate office space for a period of five years from October 20, 2016. The lease agreement is renewable at the Group's option at such terms and conditions which may be agreed upon by both parties. The lease agreement includes rental rate escalations during the term of the lease. The lease agreement also requires the Group to pay security deposits.

2. Operating lease agreements covering various service centers and service points within the Philippines for a period of one to five years, renewable at the Group's option at such terms and conditions which may be agreed upon by both parties. These lease agreements include provision for rental rate escalations including payment of security deposits and advance rentals.

3. Operating lease agreement with a local bank covering transportation equipment for a period of three to four years. The lease agreement does not include escalation rates on monthly payments.

There are no contingent rents for the above lease agreements.

Rent expense was recognized as follows:

	For the three months ended	
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
Cost of services	**₱161,136,777**	₱140,180,660
Operating expenses	**60,020,196**	56,823,258
	₱221,156,973	₱197,003,918

The Group maintains security deposits arising from the said operating lease agreements amounting to ₱257.88 million and ₱255.43 million as at March 31, 2018 and December 31, 2017, respectively.

The future minimum lease payments from the non-cancellable operating lease agreements follow:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Not later than 1 year	**₱884,997,626**	₱874,762,535
Later than 1 year but not later than 5 years	**3,906,807,524**	3,894,459,968

Deferred lease liability arising from straight line recognition of lease payments amounting to ₱44.94 million and ₱43.00 million as at March 31, 2018 and December 31, 2017, respectively, are included in the non-current portion of lease liabilities account in the interim condensed consolidated statements of financial position.

(b) Finance lease

These involve leases of transportation equipment which were accounted for as finance leases. The components of the finance lease obligation as at March 31, 2018 and December 31, 2017 arising from these leases are as follows:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Gross finance lease obligations		
Not later than one year	**₱26,947,652**	₱37,331,796
Later than 1 year but not later than 5 years	**49,412,472**	50,764,603
	76,360,124	88,096,399
Future finance lease charges on the finance lease		
Not later than one year	**(5,562,531)**	(6,640,272)
Later than 1 year but not later than 5 years	**(6,172,888)**	(6,734,655)
	(11,735,419)	(13,374,927)
	₱64,624,705	₱74,721,472

The present value of minimum lease payments is as follows:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Not later than 1 year	**₱21,385,121**	₱30,691,524
Later than 1 year but not later than 5 years	**43,239,584**	44,029,948
	₱64,624,705	₱74,721,472

Interest expense on the above finance lease obligation charged to finance costs amounted to ₱2.57 million and ₱3.07 million for the three months ended March 31, 2018 and 2017, respectively.

20. **Retirement Benefits**

The components of liability recognized in the interim consolidated statements of financial position for the existing retirement plan is as follows:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Present value of defined benefit obligation	**₱800,431,737**	₱760,203,734
Fair value of plan assets	**(56,080,672)**	(54,877,967)
	₱744,351,065	₱705,325,767

The group has no existing transaction either directly or indirectly through its subsidiaries, with its employees' retirement benefit fund.

The pension cost for the interim period and the present value of the defined benefit obligation as at March 31, 2018 were calculated by extrapolating the latest actuarial valuation report for the year ended December 31, 2017.

21. Financial Risk Management Objectives and Policies

The Group has various financial assets such as cash and cash equivalents, trade and other receivables (excluding advances to employees), due from related parties, AFS investments and 'short-term investments' under other current assets.

The Group's financial liabilities comprise of accounts and other payables (excluding statutory liabilities), due to related parties, notes payable, transmissions liability, finance lease liabilities, other noncurrent liabilities, derivative liability and bond payable. The main purpose of these financial liabilities is to finance the Group's operations.

The use of derivative financial instruments, if any, is solely for management of the Group's financial risk exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

The main risks arising from the Group's financial instruments are price risk, interest rate risk, liquidity risk, foreign currency risk and credit risk. The BOD reviews and approves policies for managing each of these risks which are summarized below.

Price risk

The Group closely monitors the prices of its equity securities as well as macroeconomic and entity specific factors which could directly or indirectly affect the prices of these instruments. In case of an expected decline in its portfolio of equity securities, the Group readily disposes or trades the securities for replacement with more viable and less risky investments.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers, or factors affecting all instruments traded in the market.

The following table shows the effect on comprehensive income should the change in the close share price of quoted and unquoted equity securities occur as at March 31, 2018 and 2017 with all other variables held constant.

	Effect on comprehensive income	
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
Change in share price		
Increase by 5%	**₱21,066,488**	₱22,431,909
Decrease by 5%	**(₱21,066,488)**	(₱22,431,909)
Change in NAV		
Increase by 5%	**₱18,029,547**	₱3,501,891
Decrease by 5%	**(₱18,029,547)**	(₱3,501,891)

The Group is also exposed to equity price risk in the fair value of the derivative liability due to the embedded equity conversion feature. The following table shows the effect on net income should the change in the close share price of the underlying equity security in the convertible instrument occur as at March 31, 2018 and 2017 with all other variables held constant.

	Effect on net income
	March 31, 2018 (Unaudited)
Change in share price	
Increase by 5%	**₱132,309,927**
Decrease by 5%	**(₱132,309,927)**

Interest rate risk and credit spread sensitivity analysis
Except for the credit spread used in the valuation of the convertible redeemable bond, the Group is not significantly exposed to interest rate risk as the Group's interest rate on its cash and cash equivalents and notes payable are fixed and none of the Group's financial assets and liabilities is measured at fair value. Further, the impact of fluctuation on interest rates on the Group's finance leases will not significantly impact the results of operations.

The value of the Group's convertible redeemable bond is driven primarily by two risk factors: underlying stock prices and interest rates. Interest rates are driven by using risk-free rate, which is a market observable input, and credit spread, which is not based on observable market data. The following table demonstrates the sensitivity to a reasonably possible change in credit spread, with all other variables held constant, on the fair value of the Group's embedded conversion option of the convertible redeemable bond.

Change in share price	Credit spread +1%	Credit spread -1%
+5.00%	₱59,014,644	(₱62,899,345)

Liquidity risk
Liquidity risk is the risk from inability to meet obligations when they become due, because of failure to liquidate assets or obtain adequate funding. The Group ensures that sufficient liquid assets are available to meet short-term funding and regulatory capital requirements.

The Group has a policy of regularly monitoring its cash position to ensure that maturing liabilities will be adequately met.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Management believes that cash generated from operations is sufficient to meet daily working capital requirements.

Surplus cash is invested into a range of short-dated money time deposits, which seek to ensure the security and liquidity of investment while optimizing yield.

The Group expects to generate cash flows from its operating activities mainly on sale of services. The Group also has sufficient cash and adequate amount of credit facilities with banks to meet any unexpected obligations.

Foreign currency risk
Foreign currency risk is the risk that the future cash flows of financial assets and financial liabilities will fluctuate because of changes in foreign exchange rates. The Group's exposure

to the risk of changes in foreign exchange rates relates to the Group's operating activities when revenue or expenses are denominated in a different currency from the Group's functional currency.

The Group operates internationally through its various international affiliates by fulfilling the money remittance and cargo delivery services of these related parties. This exposes the Group to foreign exchange risk primarily with respect to Euro (EUR), Hongkong Dollar (HKD), Australian Dollar (AUD) Taiwanese Dollar (TWD), US Dollar (USD), Great British Pound (GBP) and Canadian Dollar (CAD). Foreign exchange risk arises from future commercial transactions, foreign currency denominated assets and liabilities and net investments in foreign operations.

The Group enters into short-term foreign currency forwards, if needed, to manage its foreign currency risk from foreign currency denominated transactions.

Information on the Group's foreign currency-denominated monetary assets and liability recorded under 'trade and other receivables' and 'bonds payable', respectively, assets and liabilities related to convertible instrument in the interim condensed consolidated statements of financial position and their Philippine Peso equivalents follow:

	March 31, 2018 (Unaudited)	
	Foreign currency	Peso equivalent
Assets:		
Euro	3,042,291	₱193,611,399
Taiwanese Dollars	59,305,301	105,563,436
Hongkong Dollars	15,702,258	104,420,016
Australian Dollars	588,060	23,822,311
Great British Pound	6,590	476,918
US Dollars	380,106	19,776,915
Liability:		
US Dollars	(18,887,004)	(982,690,818)

The translation exchange rates used were ₱63.64 to EUR 1, ₱6.65 to HKD 1, ₱40.51 to AUD 1, ₱1.78 to TWD 1, ₱52.03 to USD 1 and ₱72.37 to GBP 1 in 2018.

	December 31, 2017 (Audited)	
	Foreign currency	Peso equivalent
Assets:		
Euro	3,001,837	₱178,939,504
Hongkong Dollars	15,118,598	96,607,841
Australian Dollars	1,234,425	48,031,477
Taiwanese Dollars	56,818,370	95,454,862
US Dollars	577,108	28,809,231
Great British Pound	33,453	2,260,419
		2,260,419
Liability:		
US Dollars	(17,441,443)	(908,026,829)

The translation exchange rates used were ₱60.05 to EUR 1, ₱6.41 to HKD 1, ₱39.11 to AUD 1, ₱1.68 to TWD 1, ₱50.04 to USD 1 and ₱67.57 to GBP 1 in 2017.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before tax (due to changes in the fair value of monetary assets and liabilities) as at March 31, 2018 and December 31, 2017.

Reasonably possible change in foreign exchange rate for every two units of Philippine Peso	Increase (decrease) in income before tax	
	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
₱2	**₱120,275,204**	₱169,195,374
(2)	**(₱120,275,204)**	(169,195,374)

There is no impact on the Group's equity other than those already affecting profit or loss. The movement in sensitivity analysis is derived from current observations on fluctuations in dollar average exchange rates.

The Group recognized ₱108.53 million and ₱23.84 million foreign exchange gains - net, for the three months period ended March 31, 2018 and 2017, respectively, arising from settled transactions and translation of the Group's cash and cash equivalents, trade receivables, trade and convertible instrument and other payables.

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 a financial loss.

Credit risk is monitored and actively managed by way of strict requirements relating to the creditworthiness of the counterparty at the point at which the transactions are concluded and also throughout the entire life of the transactions, and also by way of defining risk limits.

The maximum credit risk exposure of the Group's financial assets is equal to the carrying amounts in the consolidated statements of financial position.

There are no collaterals held as security or other credit enhancements attached to the Group's financial assets.

The Group has ₱1,551.60 million and ₱1,675.80 million trade receivables, ₱164.45 million and ₱147.61 million of which are past due and/or impaired, as at March 31, 2018 and December 31, 2017, respectively.

As at March 31, 2018 and December 31, 2017, the aging analyses of the Group's past due and/or impaired trade receivables are as follows:

	March 31, 2018				
	Past Due but not Impaired			Impaired Financial	
	1 to 30 days	31 to 90 days	Over 90 days	Assets	Total
Trade and other receivables	₱54,853,294	₱27,902,348	₱13,408,565	₱68,282,406	₱164,446,613

	December 31, 2017				
	Past Due but not Impaired			Impaired Financial	
	1 to 30 days	31 to 90 days	Over 90 days	Assets	Total
Trade and other receivables	₱64,705,065	₱16,556,165	₱9,092,445	₱57,252,950	₱147,606,625

All other financial assets of the Group are neither past due nor impaired.

Capital Management
The Group's objectives in managing capital are to safeguard the Group's ability to continue as a going concern so that it can continue to provide shareholder returns and to maintain an optimal capital structure to reduce the cost of capital and thus, increase the value of shareholder investment.

In order to maintain a healthy capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts. Management has assessed that the Group is self-sufficient based on historical and current operating results.

The capital that the Group manages is equal to the total equity as shown in the interim condensed consolidated statements of financial position at March 31, 2018 and December 31, 2017 amounting to ₱2,909.90 million and ₱2,365.47 million, respectively.

22. Fair Values

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

The carrying amounts of cash and cash equivalents, trade and other receivables, due from/to related parties, short-term cash investments, accounts and other payables, transmissions liability, and the current portion of notes payable and lease liabilities approximate their fair value. These financial instruments are relatively short-term in nature.

The fair value of quoted AFS investment is the current closing price while the unquoted AFS investment is based on the published net asset value per unit as of reporting date.

The estimated fair value of long-term portion of notes payable as at March 31, 2018 is based on the discounted value of future cash flow using applicable rates ranging from 4.14% to 4.20%.

The fair value of the long-term portion of lease liabilities as at March 31, 2018 is based on the discounted value of future cash flow using applicable interest rates ranging from 7.50% to 9.91% for 2018 and 2017.

The estimated fair value of derivative liability as at March 31, 2018 is based on an indirect method of valuing multiple embedded derivatives. This valuation technique using binomial pyramid model using stock prices and stock price volatility. This valuation method compares the fair value of the option-free instrument against the fair value of the hybrid convertible instrument. The difference of the fair values is assigned as the value of the embedded derivatives.

The significant unobservable input in the fair value is the stock price volatility of 16.33% in

2017. A 5% increase (5% decrease) in the stock price volatility would decrease by ₱2,030 (increase by ₱817) the fair value of the derivative liability.

The estimated fair value of bond payable as at March 31, 2018 is based on the discounted value of future cash flow using applicable rate of 17%.

The estimated fair value of other noncurrent liabilities as at March 31, 2018 is based on the discounted value of future cash flow using applicable rate of 3.85% to 12.28%.

The discounting used Level 3 inputs such as projected cash flows and other market data.

Except for the fair values of quoted AFS investment, the discounting used inputs such as cash flows, discount rates and other market data, hence are classified as Level 3.

The unquoted AFS investment is under the Level 2 category while the quoted investment is under the Level 1 category.

The quantitative disclosures on fair value measurement hierarchy for assets and liabilities as at March 31, 2018 and December 31, 2017 follow:

		March 31, 2018			
		Fair value measurements using			
	Carrying values	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Quoted equity securities	₱421,329,760	₱421,329,760	₱421,329,760	₱–	₱–
Unquoted unit investment trust fund	360,590,940	360,590,940	–	360,590,940	–
Liability measured at fair value					
Derivative liability	1,681,418,326	1,681,418,326	–	–	1,681,418,326
Liabilities for which fair value are disclosed					
Long-term notes payable	592,500,000	594,134,259	–	–	594,134,259
Bond payable	974,641,761	974,641,761	–	–	974,641,761
Non-current lease liabilities	88,180,748	94,353,636	–	–	94,353,636
Other noncurrent liabilities	110,191,478	126,653,235	–	–	126,653,235

		December 31, 2017			
		Fair value measurements using			
	Carrying values	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Quoted equity securities	₱444,736,969	₱444,736,969	₱444,736,969	₱–	₱–
Unquoted unit investment trust fund	440,763,495	440,763,495	–	440,763,495	–
Liability measured at fair value					
Derivative liability	1,860,373,479	1,860,373,479	–	–	1,860,373,479
Liabilities for which fair value are disclosed					
Bond payable	896,185,059	896,185,059	–	–	896,185,059
Long-term notes payable	601,250,000	601,250,000	–	–	601,250,000
Non-current lease liabilities	87,031,857	87,031,857	–	–	87,031,857
Other noncurrent liabilities	118,327,055	118,327,055	–	–	118,327,055

During the three months ended March 31, 2018 and year ended December 31, 2017, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

23. Segment Reporting

Management has determined the operating segments based on the information reviewed by the executive committee for purposes of allocating resources and assessing performance.

The Group's two main operating segments comprise of logistics and money transfer services. The executive committee considers the business from product perspective.

The Group's logistics products are geared toward both retail and corporate clients. The main services offered under the Group's logistics business are domestic and international courier and freight forwarding services (by way of air, sea and ground transport).

Money transfer services comprise of remittance services (including branch retail services, prepaid remittance cards and online and mobile remit) and bills payment collection and corporate remittance payout services. Money transfer services include international presence through its branches which comprises international inbound remittance services.

The Group only reports revenue line item for this segmentation. Assets and liabilities and cost and expenses are shared together by these two segments and, as such, cannot be reliably separated.

The following table presents the amount of revenues generated from these segments:

	For the three months ended	
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
Logistics		
Retail	₱1,585,439,159	₱1,385,623,012
Corporate	937,102,132	795,382,896
	2,522,541,291	2,181,005,908
Money transfer services		
Domestic	197,691,360	257,187,945
International inbound	30,467,885	19,991,607
	228,159,245	277,179,552
	₱2,750,700,536	₱2,458,185,460

The revenue of the Group consists mainly of sales to external customers. Revenue arising from service fees charged to affiliates amounted to ₱220.65 million and ₱124.63 million in March 31, 2018 and 2017, respectively.

Seasonality of Operations

The Group's operation tends to experience increased volume in remittance transmission as well as cargo throughout the second quarter and fourth quarter of the year, particularly during the start of the school year and during the holiday season.

24. Basic/Diluted Earnings Per Share

The following table presents information necessary to calculate earnings per share (EPS) on net income attributable to owners of the Parent Company:

	For the three months ended	
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
Net income attributable to equity holder of the Parent Company	**₱559,769,644**	₱229,491,376
Less profit impact of assumed conversion of bonds payable	**(113,029,323)**	-
	₱446,740,321	₱229,491,376

	For the three months ended	
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
Weighted average number of common shares outstanding	**1,425,865,471**	1,425,865,471
Dilutive shares arising from convertible debt	**193,053,846**	
Adjusted weighted average number of common shares for diluted EPS	**1,618,919,317**	1,425,865,471
Basic EPS	**₱0.39**	₱0.16
Diluted EPS	**₱0.28**	₱0.16

25. Note to Consolidated Statement of Cash Flows

In 2018, the Group has the following non-cash transactions under:

Operating activities
a) Accrued interest income from time deposit amounting to ₱0.86 million.

Investing activities
a.) Unpaid acquisitions of property and equipment amounted to ₱0.73 million.

Details of the movement in cash flows from financing activities are as follows:

	December 31, 2017	Cash Flows	Leasing arrangements	Interest	March 31, 2018
Notes payable	₱1,041,300,000	(₱88,800,000)	₱–	₱–	₱952,500,000
Lease liabilities	117,723,381	(8,884,788)	727,276	–	109,565,869
Interest paid		(15,302,136)	–	16,553,145	1,251,009
Total liabilities from financing activities	₱1,159,023,381	(₱112,986,924)	(₱727,276)	₱16,553,145	₱1,063,316,878

26. Other Matters

Closure of LBC Development Bank, Inc.

On September 9, 2011, the BSP, through Monetary Board Resolution No. 1354, resolved to close and place LBC Development Bank Inc.'s (the "Bank") assets and affairs under receivership.

On December 8, 2011, the Philippine Deposit Insurance Company (PDIC), as the official receiver and liquidator of closed banks, demanded on behalf of the Bank that LBC Holdings USA Corporation (LBC US) pay for its alleged outstanding obligations to LBC Bank amounting to approximately ₱1.00 billion, a claim that LBC US has denied as being baseless and unfounded. No further demand on this matter has been made by the PDIC since then, although there are no assurances that the claim has been waived or abandoned in whole or in part, or that the PDIC will not institute relevant proceedings in court or serve another demand letter to LBC US.

In relation to the Bank's closure and receivership, the receivables amounting to ₱295.00 million were written-off in 2011.

On March 17 and 29, 2014, the PDIC's external counsel sent letters to LBCE, demanding collection of the alleged amounts totaling ₱1.79 billion. On March 24 and 29, 2014, July 29, 2014, June 17, 2015 and June 26, 2015, the same legal counsel sent collection letters addressed to LBC Systems, Inc. [Formerly LBC Mundial Inc.] [Formerly LBC Mabuhay USA Corporation], demanding the payment of amounts aggregating to ₱911.59 million, all on behalf of the Bank.

On November 2, 2015, the Bank, represented by the PDIC, filed a case against LBC Express, Inc. (LBCE) and LBC Development Corporation (LBCDC), together with other respondents, before the Makati City Regional Trial Court (RTC) for a total collection of ₱1.82 billion. The case is in relation to the March 17, 2014 demand letter representing collection of unpaid service fees due from June 2006 to August 2011 and service charges on remittance transactions from January 2010 to September 2011. In the Complaint, the PDIC justified the increase in the amount from the demand letter to the amount claimed in the case due to their discovery that the supposed payments of LBCE were allegedly unsupported by actual cash inflow to the Bank.

On December 28, 2015, the summons, together with a copy of the Complaint of LBC Development Bank, Inc., and the writ of preliminary attachment were served on the former Corporate Secretary of LBCE. The writ of preliminary attachment resulted to the (a) attachment of the 1,205,974,632 shares of LBC Express Holdings, Inc. owned by LBCDC and (b) attachment of various bank accounts of LBCE totaling ₱6.90 million. The attachment of the shares in the record of the stock transfer agent had the effect of preventing the registration or recording of any transfers of shares in the records, until the writ of attachment is discharged.

LBCE and LBCDC, the ultimate Parent Company, together with other defendants, filed motions to dismiss the Complaint on January 12, 2016. On January 21, 2016, LBCE and LBCDC filed its Urgent Motion to Approve the Counterbond and Discharge the Writ of Attachment.

On February 17, 2016, the RTC issued the order to lift and set aside the writ of preliminary attachment. The order to lift and set aside the preliminary attachment directed the sheriff of the court to deliver to LBCE and LBCDC all properties previously garnished pursuant to the writ. The counterbond delivered by LBCE and LBCDC stands as security for all properties previously attached and to satisfy any final judgment in the case.

In a Joint Resolution dated June 28, 2016, the RTC denied the motions to dismiss filed by all the defendants, including LBCE and LBCDC. Motions for reconsideration filed by the defendants were subsequently denied by the RTC in the Resolution dated February 16, 2017.

After filing motions for extension of time, LBCE and LBCDC filed their Answer with Counterclaims on April 10, 2017. In the Resolution dated June 15, 2017, the RTC denied the third motion for extension, declared all of the defendants including LBCE in default and ordered PDIC to present evidence ex-parte. LBCE and LBCDC filed a Verified Omnibus Motion for reconsideration and to lift the order of default. The other defendants filed similar motions, including a motion for inhibition. On July 21, 2017, LBCE received the Joint Resolution dated July 20, 2017, granting the Verified Omnibus Motions and the Motion for Inhibition, thereby lifting the order of default and admitting the Answers filed by all defendants.

The PDIC filed a Motion for Reconsideration dated August 7, 2017, seeking to reconsider the Joint Resolution dated July 20, 2017. The defendants, including LBCE and LBCDC have filed their respective comments thereto and the motion is currently pending resolution.

From August 10, 2017 to January 19, 2018, LBCE, LBCDC, the other defendants and PDIC were referred to mediation and Judicial Dispute Resolution (JDR) but were unable to reach a compromise agreement. The RTC ordered the mediation and JDR terminated and the case was raffled to a new branch of the Makati RTC under a new presiding judge.

On April 24, 2017, LBCE and LBCDC filed a Petition for Certiorari with the Court of Appeals, challenging the RTC's June 28, 2016 Joint Resolution. The PDIC, LBCE, and LBCDC have filed their respective Comment, Reply, and Memoranda. The Petition for Certiorari was deemed submitted for resolution as of October 26, 2017 and is still pending. The ultimate outcome of the case cannot presently be determined.

In relation to the above case, in the opinion of management and in concurrence with its legal counsel, any liability of LBCE is not probable and estimable at this point in time.

27. Subsequent Events

On April 4, 2018, the BOD of the Parent Company approved the investment and acquisition of 86% equity interest on QuadX Pte. Ltd. through the following: (a) the purchase of 862 ordinary shares of QuadX Pte. Ltd. held by Fernando Gonzalez Araneta, at the sale price of USD1.00 per share; and (b) the subscription to 85,248 ordinary shares out of the unissued capital stock of QuadX Pte. Ltd. at the subscription price of USD1.00 per share.

On April 5, 2018, the BOD of the Parent Company approved to dispose the 86% equity interest in Diez Equiz Pte. Ltd. to Maleka, Inc. at a sale price of USD 1.00 per share.

On April 18, 2018, several extensions were made to the initial agreement between LBCDC and CP Briks, Pte. Ltd. (see Note 13).

On April 23, 2018, the BOD of the Parent Company approved the infusion of additional capital in the amount of ₱31.86 million in its subsidiary, QuadX Pte. Ltd., for the purpose of partially financing the purchase by the latter of Software Assets in the amount of ₱37.00 million from QUADX INC.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS

MARCH 31, 2018

Name of issuing entity and association of each issue	Number of shares	Amount shown in the balance sheet	Income received and accrued
Available-for-sale			
Quoted - Araneta Properties, Inc.	195,060,074	₱421,329,760	₱–
Unquoted	–	360,590,940	60,044
Loans and receivables			
Cash in bank and cash equivalents	–	3,662,357,162	859,551
Trade and other receivables	–	1,515,430,069	–
Due from related parties	–	737,539,490	–
Short term investments	–	51,154,691	–
	–	5,966,481,412	859,551
		₱6,748,402,112	₱919,595

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDER (OTHER THAN RELATED PARTIES)

MARCH 31, 2018

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Non-current	Balance at end of period
Fernando G. Araneta, *Chief Strategy Officer*	₱9,284,395	₱–	₱–	₱–	₱9,284,395	₱–	₱9,284,395
	₱9,284,395	₱–	₱–	₱–	₱9,284,395	₱–	₱9,284,395

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE C: AMOUNTS RECEIVABLES/PAYABLES FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

MARCH 31, 2018

Name of Subsidiaries	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
LBC Express, Inc.	₱38,487,662	(₱178,041,647)	(₱60,539)		(₱139,614,524)	–	(₱139,614,524)
LBC Express, Inc. - MM	128,609,241	61,871,170	(53,633,615)	–	136,846,796	–	136,846,796
LBC Express, Inc. - SCC	19,129,917	45,377,388	(40,258,958)	–	24,248,347	–	24,248,347
LBC Express, Inc. - NEMM	32,320,712	37,084,460	(30,668,098)	–	38,737,074	–	38,737,074
LBC Express, Inc. - NWMM	44,821,804	35,993,856	(29,153,118)	–	51,662,542	–	51,662,542
LBC Express, Inc. - EMM	24,861,548	21,685,112	(18,655,860)	–	27,890,800	–	27,890,800
LBC Express, Inc. - SMM	24,798,642	34,927,687	(29,884,430)	–	29,841,899	–	29,841,899
LBC Express, Inc. - CMM	24,256,322	31,852,484	(27,606,674)	–	28,502,132	–	28,502,132
LBC Express, Inc. - SL	76,629,968	61,734,583	(58,366,011)	–	79,998,540	–	79,998,540
LBC Express, Inc. - SEL	55,816,918	42,483,309	(35,586,279)	–	62,713,948	–	62,713,948
LBC Express, Inc. - CL	36,575,228	43,809,043	(40,886,394)	–	39,497,877	–	39,497,877
LBC Express, Inc. - NL	44,800,227	44,085,966	(39,164,750)	–	49,721,443	–	49,721,443
LBC Express, Inc. - VIS	82,257,503	57,352,251	(51,608,436)	–	88,001,318	–	88,001,318
LBC Express, Inc. - WVIS	51,536,971	40,898,508	(35,426,356)	–	57,009,123	–	57,009,123
LBC Express, Inc. - MIN	61,052,152	47,104,432	(39,199,269)	–	68,957,315	–	68,957,315
LBC Express, Inc. - SEM	45,662,778	29,869,110	(24,911,596)	–	50,620,292	–	50,620,292
South Mindanao Courier Co. Inc.	(37,420,209)	(41,122,911)	42,820,137	–	(35,722,983)	–	(35,722,983)
LBC Express Corporate Solutions, Inc.	(3,952,627)	4,033,244	(4,223,537)	–	(4,142,920)	–	(4,142,920)
LBC Express, Inc. - SCS	(207,463)	47,857,291	(41,516,637)	–	6,133,191	–	6,133,191
LBC Systems, Inc.	(64,489,250)	3,327,295	(4,668,469)	–	(65,830,424)	–	(65,830,424)
LBC Express WLL	2,596,111	(13,623,868)	22,133,455	–	11,105,698	–	11,105,698
LBC Express Bahrain WLL	(41,947,170)	(909,529)	(2,975,809)	–	(45,832,508)	–	(45,832,508)
LBC Express LLC	(65,995,250)	(2,930,047)	(5,885,845)	–	(74,811,142)	–	(74,811,142)
LBC Mabuhay Saipan, Inc.	–	9,994,881	–	–	9,994,881	–	9,994,881
	₱580,201,735	₱464,714,068	(₱549,387,088)	-	₱495,528,715	-	₱495,528,715

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE D: INTANGIBLE ASSETS
MARCH 31, 2018

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Disposals	Reclassifications	Ending balance
Software	₱352,310,011	₱–	(₱16,272,232)	₱–	₱–	₱336,037,779
Development in Progress	4,540,000	30,700,480	–	–	–	35,240,480
	₱356,850,011	₱30,700,480	(₱16,272,232)	₱–	₱–	₱371,278,259

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE E: LONG TERM DEBT

MARCH 31, 2018

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current liabilities" in related balance sheet	Amount shown under caption "Noncurrent liabilities" in related balance sheet
Notes payable	₱952,500,000	₱360,000,000	₱592,500,000
Obligation under finance lease	64,624,705	21,385,121	43,239,584
Bond payable	974,641,761	–	974,641,761
Derivative liability	1,681,418,326	–	1,681,418,326
Other liabilities	153,689,108	43,497,630	110,191,478
	₱3,826,873,900	₱424,882,751	₱3,401,991,149

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES

MARCH 31, 2018

Name of related party	Balance at beginning of period	Balance at end of period
Others	₱2,542,585	₱2,646,716
	₱2,542,585	₱2,646,716

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS

MARCH 31, 2018

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 of owned by person for which statement is filed	Nature of guarantee

NOT APPLICABLE

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE H: CAPITAL STOCK

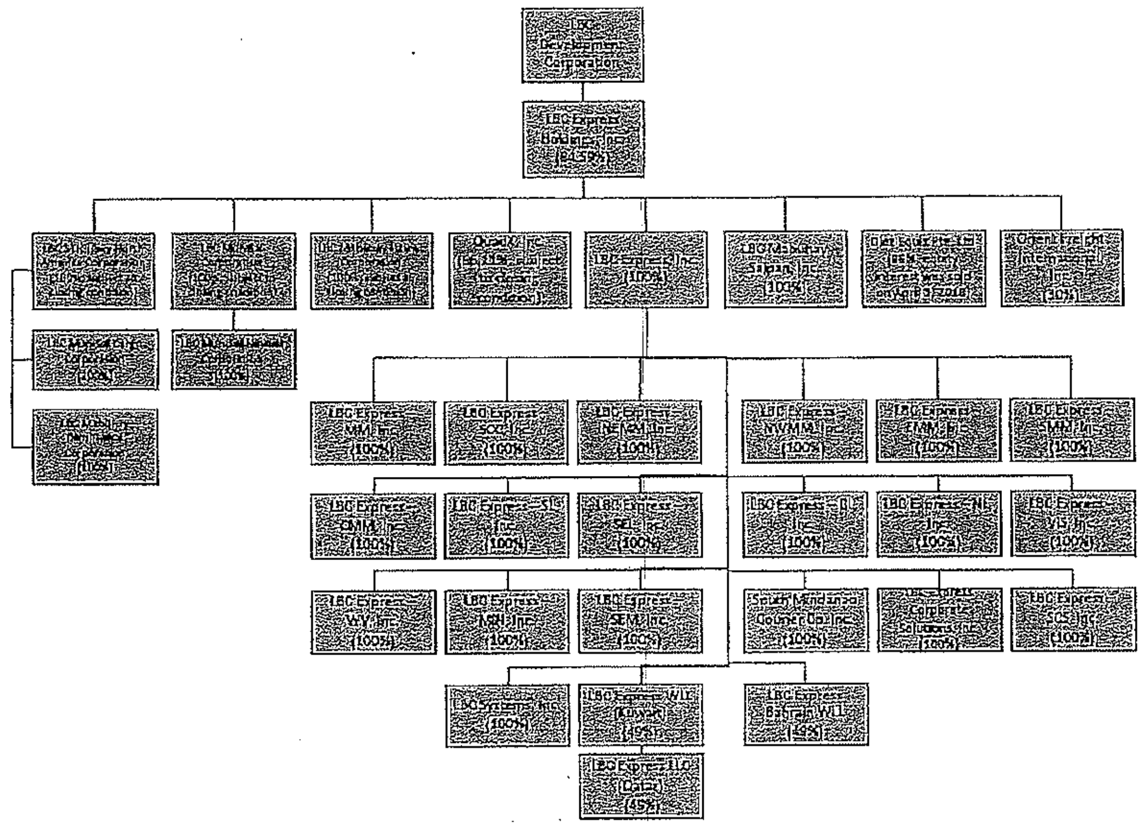
MARCH 31, 2018

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - ₱1 par value	2,000,000,000	1,425,865,471	–	1,206,178,232	1,108	219,686,131

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

MARCH 31, 2018



RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
As of March 31, 2018

LBC EXPRESS HOLDINGS, INC.
LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	(₱249,743,415)
Add: Net Income actually earned/realized during the period	
Net income during the period closed to Retained Earnings	218,451,449
Less:	
Equity in net income of associate/joint venture	–
Unrealized foreign exchange gain (loss)- net (except those attributable to cash and cash equivalents); Unrealized actuarial gain	(41,769,570)
Fair value adjustment (M2M gains)	–
Fair value adjustment of investment property resulting to gain	–
Adjustment due to deviation from PFRS/GAAP gain	–
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–
Deferred tax assets	–
Subtotal	–
Add: Non actual losses	
Depreciation on revaluation increment (after tax)	–
Adjustment due to deviation from PFRS / GAAP – loss	–
Loss on fair value adjustment of investment property (after tax)	–
Add(Less):	
Dividend declarations during the period	–
Appropriations of Retained Earnings during the period	–
Reversals of appropriations	–
Effects of prior period adjustments	–
Treasury shares	–
Effect of pooling-of-interest method	–
Total Retained Earnings, end Available for dividend declaration	**₱10,477,604**

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE QUARTER AND YEAR ENDED MARCH 31, 2018 AND DECEMBER 31, 2017

Financial Soundness Indicators

Below are the financial ratios that are relevant to the Group for the quarter ended March 31, 2018 and year ended December 31, 2017:

Financial ratios		2018	2017
Current ratio	Current assets / Current liabilities	2.61:1	2.51:1
Debt to equity ratio	Total liabilities / Stockholders' Equity	2.39:1	2.98:1
Debt to total assets ratio	Total liabilities / Total assets	0.70:1	0.75:1
Return on average assets	Net income attributable to Parent Company / Average assets	5.81%	8.71%
Book value per share	Stockholders' equity / Total number of shares	₱2.04	₱1.66
Basic earnings per share	Net income attributable to Parent Company / Weighted average number of common shares outstanding	₱0.39	₱0.49
Diluted earnings per share	Net income attributable to Parent Company / Adjusted weighted average number of common shares for diluted EPS	₱0.28	₱0.49

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional schedule requirements for large entities showing a list of all effective standards and interpretations under Philippine Financial Reporting Standards (PFRS).

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of March 31, 2018:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1:Borrowing Cost			✓
	Amendments to PFRS 1:Meaning of "Effective PFRS"			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Definition of Vesting Condition			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of [illegible]		Adopted	Not Adopted	Not Applicable
PFRS 3	Business Combinations	✓		
	Accounting for Contingent Consideration in a Business Combination			✓
	Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Servicing Contracts	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *		✓	
	Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	✓		
	Amendments to PFRS 7: Hedge Accounting (2013 version) *		✓	
PFRS 8	Operating Segments	✓		
	Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments *	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures *	✓		
	Financial Instruments: Classification and Measurement (2010 version) *	✓		
	Amendments to PFRS 9: Hedge Accounting (2013 version) *			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of January 1, [illegible]		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13:Short Term Receivable and Payable	✓		
	Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases *		✓	
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1:Clarification of the Requirements for Comparative Information	✓		
	Amendments to PAS 1: Presentation of financial statements - disclosure initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendment to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses *		✓	
PAS 16	Property, Plant and Equipment	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
	Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Regional Market Issue Regarding Discount Rate			✓
	Amendments to PAS 19:Defined Benefit Plan: Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24	Related Party Disclosures - Key Management Personnel	✓		
	Related Party Disclosures - Key Management Personnel (Amended)	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Separate Financial Statements	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements		✓	
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures	✓		
	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	✓		
	Amendments to PAS 28: Investment Entities			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendment to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Disclosure of Information 'Elsewhere in the Interim Financial Report'	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets			✓
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property			✓
	Amendments to PAS 40: Clarification on Ancillary Services			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate *			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs	✓		

** These standards are not yet effective as of March 31, 2018.*

In addition, the IASB has issued the following new standards that have not yet been adopted locally by the SEC and FRSC. The Group is currently assessing the impact of these new standards and plans to adopt them on their required effective dates once adopted locally.

- IFRS 15, *Revenue from Contracts with Customers* (effective January 1, 2018)

Standards tagged as "Not applicable" have been adopted by the Group but have no significant covered transactions for the quarter ended March 31, 2018.

Standards tagged as "Not adopted" are standards issued but not yet effective as of March 31, 2018. The Group will adopt the Standards and Interpretations when these become effective.