108142019003965

SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	AS93005277
Company Name	LBC EXPRESS HOLDINGS, INC.
Industry Classification	Real Estate Activities
Company Type	Stock Corporation

Document Information

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COVER SHEET

SEC Registration Number

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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
1 7 - Q	S E C	

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)
487	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-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: **June 30, 2019**

2. SEC Identification Number: **ASO93-005277**

3. BIR Taxpayer Identification Number: **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 issuer's principal office: **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 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 June 30, 2019:

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	1,164,478,010[2]
DERIVATIVE LIABILITY	1,377,673,609[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 [ ]

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[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 June 30, 2019, 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 June 30, 2019 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

Six months period ended June 30, 2019 compared to the six months period ended June 30, 2018

Service Revenues

The Company's service revenues increased by 36% to ₱7,847.47 million for the period ended June 30, 2019 from ₱5,782.75 million for the quarter ended June 30, 2018. This growth was principally due to the increase in revenues from both the logistics and remittance segment by 27% and 11%, respectively.

There is a growth in Company's domestic business mainly from the opening of 76 retail branches, introduction of new products mid-2018 and price increase effective October 2018.

Contributed revenue for the six-month period of the businesses acquired from July 2018 onwards is approximately around ₱1.92 billion.

Cost of Services

Cost of services is higher by 39% to ₱5,302.18 million for the period ended June 30, 2019 from ₱3,818.85 million for the period ended June 30, 2018, relative to growth of volume in logistics and remittance services, thus, a 36% increase in cost of delivery and remittance.

Salaries and wages related to operations is up by 51% largely from increase in headcount and business combination.

Depreciation and amortization surged by 102% mainly from the construction and improvements of new branches and capitalization of equipment in earlier part of 2019. Also, a factor of the increase in this account is the adoption of PFRS16 wherein right-of-use assets were recognized and amortized through time, and this was partially offset by the decline in rent expense in compliance with the said standard.

Utilities and supplies increased by 41% resulting from the operations of new warehouses and branches.

Gross Profit

Gross profit is favorable by 30% to ₱2,545.29 million for the period ended June 30, 2019 from ₱1,963.91 million for the period ended June 30, 2018, primarily due to the increase in revenue amounts for domestic logistics services and the impact of business combination.

Operating Expenses

Operating expenses is higher by 70% to ₱1,698.36 million for the period ended June 30, 2019 from ₱996.38 million for the period ended June 30, 2018, caused by the following:

Higher depreciation and amortization expense by ₱279.62 million are attributable to additional office, property and equipment during the period. This account also includes the amortization of the right-of-use of assets which resulted from the adoption of new standard for leases, PFRS 16. The relative decline in rent expense offset this impact by ₱79.99 million.

Claims and losses were up by ₱115.03 million mainly resulted from losses assumed relative to the business combination of a domestic entity.

Advertising and promotion expenses also contributed to the operating expense increase, as it grew by 79% or ₱70.24 million, mainly from parallel increases in production costs, television and radio advertisements, as well as costs for digital/online campaigns.

Dues and subscriptions were also higher by ₱17.51 million, primarily attributable to the rate increase for one of the major IT service providers.

Commission expense, which is mostly related to agents from international subsidiaries, increased by ₱79.12 million during the period.

Other Income, Net

Other expense, net of ₱71.24 million resulted for the period ended June 30, 2019 as compared with an income of ₱505.69 million for the same period in 2018. Net decrease is mainly attributable to:

There is a lower gain on derivatives amounting to ₱28.50 million for the period ended June 30, 2019 as compared to the ₱439.44 million gain for the same period last year, mainly from the movement of the Company's share price.

Foreign exchange gain, net is lower by 86% or ₱125.80 million which resulted from the foreign exchange trading, and a revaluation of US dollar denominated time deposit accounts.

Interest expense went up by ₱68.95 million mostly from the adoption of PFRS16 which requires recognizing of interest from lease liabilities.

Net Income after tax

Net income after tax was at ₱548.95 million for the six-month period ended June 30, 2019 from ₱1,195.84 million for the same period ended June 30, 2018, primarily due to the following:

- Lower gain on derivative attributable to the convertible instrument as compared to same period in 2018 by ₱410.94 million;
- Net loss from one of the acquired entities in 2018 amounted to ₱206.61 million;
- Lower foreign exchange gain by ₱125.80 million;
- First time adoption of PFRS16 resulted to higher depreciation and interest expense, partially offset by the decline in rentals; and
- Net income from operation stand at ₱798.71 million which is 10% higher compared to ₱728.69 million as of six-month period June 30, 2018.

Quarter ended June 30, 2019 compared to the quarter ended June 30, 2018

Service Revenues

The Company's service revenues increased by 35% to ₱4,092.41 million for the quarter ended June 30, 2019 from ₱3,033.37 million for the quarter ended June 30, 2018. This growth was principally due to the increase in revenues from the Logistics segment, attributable to escalation in both retail and corporate sales by 9% and 2%, respectively. The Company's domestic business also contributed to growth mainly from additional 76 branches and price increase effective October 2018. Moreover, acquisitions made in 2018 contributed net revenue amounting to ₱995.26 million.

Cost of Services

Cost of services is higher by 33% to ₱2,664.03 million for the quarter ended June 30, 2019 from ₱1,999.66 million for the quarter ended June 30, 2018, relative to growth of volume in logistics services. This resulted with a 32% increase in cost of delivery and remittance. Salaries and wages grew by 57% due to increase in headcount relative to business combination.

Gross Profit

Gross profit increased by 38% to ₱1,428.38 million for the quarter ended June 30, 2019 from ₱1,033.72 million for the quarter ended June 30, 2018, primarily due to the increase in revenue amounts for logistics services.

Operating Expenses

Operating expenses is higher by 83% to ₱970.29 million for the quarter ended June 30, 2019 from ₱530.23 million for the quarter ended June 30, 2018, caused by the following:

Higher depreciation and amortization expense by ₱230.88 million are attributable to additional leasehold improvements and motor vehicle. This account also includes the depreciation of the right of use of assets which resulted from the adoption of new standard for leases, PFRS 16. Decline in related rental expense by 68% is noted.

Similar to the matters discussed in comparative six-month period, claims and losses were up by ₱33.83 million mainly resulted from losses assumed relative to the business combination of a domestic entity.

Advertising and promotion expenses also contributed to the operating expense increase, as it grew by 66% or ₱31.10 million, mainly from parallel increases in production costs, television and radio advertisements, as well as costs for digital/online campaigns.

Commission expense, which is mostly related to agents from international subsidiaries, increased by ₱47.81 million during the quarter.

Other Income, Net

Other income, net decreased to ₱151.84 million for the quarter ended June 30, 2019 from ₱262.09 million in the same quarter in 2018. Net decreased is mainly attributable to:

Gain on derivative attributable to the convertible instrument amounting to ₱197.51 million is recognized as a result of lower estimated fair value of derivative liability as of quarter ended June 30, 2019. For the quarter ended June 30, 2018, the Company recognized gain on derivative amounting to ₱260.48 million. This is mostly from decreased of share price from ₱15.00 to ₱14.90 per share and is a noncash entry primarily from the effect of convertible instrument.

million. This is mostly from decreased of share price from ₱15.00 to ₱14.90 per share and is a noncash entry primarily from the effect of convertible instrument.

Foreign exchange gain, net is lower by 74% or ₱28.42 million which resulted from the foreign exchange trading, and a revaluation of US dollar denominated time deposit accounts.

Interest expense went up by ₱33.08 million mostly from the adoption of PFRS16 which requires recognizing of interest from lease liabilities.

Net Income after tax

Net income after tax was at ₱541.38 million for the quarter ended June 30, 2019 from ₱625.28 million for the quarter ended June 30, 2018, primarily due to the following:

- Lower other income, net by 42% which is a factor of the decline in foreign exchange gain and gain on derivatives;
- Net loss from one of the acquired entities in 2018 amounted to ₱36.88 million;
- First time adoption of PFRS16 resulted to higher depreciation and interest expense, partially offset by the decline in rentals; and
- Net income from operation stand at ₱417.06 million which is 11% higher compared to ₱376.13 million as of six-month period June 30, 2018.

FINANCIAL CONDITION

As at June 30, 2019 compared to as at December 31, 2018

Assets

Current Asset:

Cash and cash equivalents increased by 12% to ₱4,653.26 million as at June 30, 2019 from ₱4,137.44 million as at December 31, 2018. Refer to analysis of cash flows in "Liquidity" section below.

Trade and other receivable, net is higher by 13% at ₱1,850.05 million as at June 30, 2019 from ₱1,642.13 million as at December 31, 2018 mainly from largely from new clients acquired in 2019 and new services for existing client e.g. trucking revenue.

Due from related parties is lower by 25% to ₱418.26 million as of June 30, 2019 from ₱557.96 million as of December 31, 2018, mainly from the agreement entered with LBC Development to offset a portion of its payable to LBCE against the dividend payable from LBCH.

Investment at fair value through profit or loss is lower by 84% to ₱21.09 million as of June 30, 2019 from ₱131.29 million as of December 31, 2018, primarily from redemption of investments amounting to ₱261.09 million during the period. This was offset by placement of ₱151.00 million for working capital requirement.

Prepayments and other current assets increased by 39% to ₱898.06 million as of June 30, 2019 from ₱647.52 million as of December 31, 2018, mainly traceable to higher prepaid taxes, materials and supplies, prepaid insurance, prepaid software maintenance cost and short-term cash investments.

- Increase in prepaid taxes amounting to ₱47.75 million is due to renewal of business permits of existing branches in January 2019.
- Higher materials and supplies and prepaid insurance amounting to ₱37.45 million and ₱13.34 million, respectively, were resulted from the business combination.
- Short-term cash investments from LBC Mundial Corp. amounting to ₱132.32 million as a result of business combination.

Non-current Assets

Property and equipment, net increased by 73% to ₱2,480.87 million as at June 30, 2019 from ₱1,436.08 million as at December 31, 2018, primarily due to the purchase of parcels of land during the quarter.

Right of use of assets amounting to ₱1,769.03 million resulted from the adoption of PFRS 16, which requires the recognition of an identifiable asset for the right to directly use the asset being leased in its operating leases. The application of this new standard has an impact also to the security deposit which went down by 24% to ₱238.37 million as at June 30, 2019 from ₱312.43 million as at December 31, 2018

Intangibles, net is higher by 1% to ₱563.21 million as at June 30, 2019 from ₱555.37 million as at December 31, 2018, from the additional cost of software mainly under the subsidiaries with online logistics operations; offset by the amortization for the period.

Investment at fair value through other comprehensive income, up by 20% to ₱405.72 million as at June 30, 2019 from ₱337.45 million as at December 31, 2018, relative to movement in market price from ₱1.73/share to ₱2.08/share.

Deferred tax assets - net increased by 2% to ₱308.63 million as of June 30, 2019 from ₱302.28 million as of December 31, 2018 mainly attributable to the deferred tax recognized accrual of leave credits.

Advances for future investment in shares represent the acquisition of shares of LBC Mabuhay Hawaii Corporation, wherein the approval was granted effective July 1, 2019. Regulatory approvals were granted on the purchase of LBC Mundial and LBC NAM during the period, thus, classified as investment where provisional goodwill of ₱4.16 million was recognized.

Notes receivable resulted from the purchase of LBC Mundial which includes to the promissory note from an employee and LBC Holdings USA Corporation (LBC Holdings USA). Notes receivable from LBC Holdings USA is with interest rate at 4% and payable in 180 equal monthly installments while notes receivable from an employee is payable through salary deduction in monthly installments.

Liabilities

Accounts and other payables were up by 37% to ₱3,839.36 million as at June 30, 2019 from ₱2,806.17 million as of December 31, 2018, primarily due to the following:

- Unpaid acquisitions of property and equipment as of June 30 is higher by ₱737.00 million, mainly from purchase of land;
- Higher trade payables to outside parties by 19% or ₱254.72 million which is mainly comprised of delivery and freight related payables.

Due to related parties amounting to ₱222.87 million as at June 30, 2019 was largely comprised of accounts acquired during business combination. The Group regularly makes advances to and from related parties to finance working capital requirements.

Dividends payable amounting to ₱285.17 million as at December 31, 2018 represents the amount declared by LBCH's Board of Directors on December 20, 2018.

Notes payable (current and noncurrent) increased by 13% to ₱939.50 million as of June 30, 2019 from ₱829.50 million as of December 31, 2018, primarily attributable to additional notes payable availed during the period.

Transmissions liability dropped by 17% to ₱453.88 million as of June 30, 2019 from ₱543.90 million as of December 31, 2018, mainly attributable to a lower amount of merchant liability (from bills payment).

Lease liabilities (current and noncurrent) is significantly higher by ₱1,697.65 million to ₱1,837.72 million as at June 30, 2019 from ₱140.07 million as of December 31, 2018, driven by the adoption of PFRS 16 which requires recognition of lease liability related to the operating leases.

Bond payable increased by 5% to ₱1,164.48 million as of June 30, 2019 from ₱1,108.42 million as at December 31, 2018, mainly from the accretion of interest amounting to ₱86.34 million, offset by the loss on foreign exchange translation by ₱30.28 million.

Derivative liability decreased by 2% to ₱1,377.67 million as of June 30, 2019 from ₱1,406.18 million as of December 31, 2018, related to lower share price.

LIQUIDITY

Cash Flows

Six months period ended June 30, 2019 compared to the six months period ended June 30, 2018

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 ₱825.51 million and ₱763.53 million for the period ended June 30, 2019 and 2018, respectively. The inflow from operating activities were generally from normal operations.

Cash flows from investing activities

Cash generated used in investing activities for the period ended June 30, 2019 and 2018 amounted to ₱40.71 million and ₱625.64 million. Major investing activities for the period includes acquisition of land and business combination.

Cash flow from financing activities

Net cash used in financing activities for the six-month period ended June 30, 2019 and 2018 amounted to ₱257.53 million and ₱213.59 million primarily for settlement of notes and payment of dividends.

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

August 14, 2019

LBC Express Holdings, Inc.
and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
As at June 30, 2019 and
for the Six Months Ended
June 30, 2019 and 2018
(With Comparative Audited Consolidated Statement of Financial Position as at December 31, 2018)

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(With Comparative Audited Figures as at December 31, 2018)

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 22 and 23)	₱4,653,259,223	₱4,137,439,144
Trade and other receivables (Notes 5, 16, 22 and 23)	1,850,053,205	1,642,133,769
Due from related parties (Notes 16, 22 and 23)	418,258,377	557,958,095
Investments at fair value through profit or loss (Notes 9, 22 and 23)	21,089,070	131,294,744
Prepayments and other current assets (Notes 6, 22 and 23)	898,062,948	647,518,135
Total Current Assets	7,840,722,823	7,116,343,887
Noncurrent Assets		
Property and equipment (Note 7)	2,480,868,797	1,436,080,000
Right-of-use assets (Notes 2 and 20)	1,769,031,938	–
Intangible assets (Note 8)	563,212,034	555,369,656
Investment at fair value through other comprehensive income (Notes 9, 22 and 23)	405,724,954	337,453,928
Deferred tax assets - net (Notes 2 and 19)	308,634,308	302,277,269
Security deposits (Note 20)	238,373,323	312,431,108
Investment in an associate (Note 10)	235,480,631	239,019,848
Advances for future investment in shares (Note 16)	17,564,436	439,823,608
Notes receivable - noncurrent portion (Note 16)	29,860,954	–
Goodwill (Note 3)	496,606,377	492,446,084
Other noncurrent assets (Note 6)	129,116,871	138,929,366
Total Noncurrent Assets	6,674,474,623	4,253,830,867
	₱14,515,197,446	₱11,370,174,754
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 11, 16, 22 and 23)	₱3,839,363,984	₱2,806,169,280
Due to related parties (Notes 16, 22 and 23)	222,871,041	93,992,129
Dividends payable (Notes 16, 22 and 23)	–	285,173,094
Current portion of notes payable (Notes 13, 22 and 23)	367,000,000	297,000,000
Transmissions liability (Notes 12, 22 and 23)	453,875,827	543,895,836
Income tax payable	104,497,326	126,565,090
Current portion of lease liabilities (Notes 20, 22 and 23)	610,468,776	20,271,292
Total Current Liabilities	5,598,076,954	4,173,066,721
Noncurrent Liabilities		
Derivative liability (Notes 14, 22 and 23)	1,377,673,609	1,406,175,427
Bond payable (Notes 14, 22 and 23)	1,164,478,010	1,108,417,074
Retirement benefit liability - net (Note 21)	654,938,864	672,265,144
Notes payable - net of current portion (Notes 13, 22 and 23)	572,500,000	532,500,000
Lease liabilities - net of current portion (Notes 20, 22 and 23)	1,227,253,812	119,797,742
Other noncurrent liabilities (Notes 7, 8, 22 and 23)	57,784,581	79,986,182
Total Noncurrent Liabilities	5,054,628,876	3,919,141,569
	10,652,705,830	8,092,208,290
Equity (Note 15)		
Equity attributable to shareholders of the Parent Company		
Capital stock	1,425,865,471	1,425,865,471
Retained earnings (Note 2)	2,171,306,300	1,625,483,991
Accumulated comprehensive income	311,783,762	241,328,367
	3,908,955,533	3,292,677,829
Non-controlling interests (Note 2)	(46,463,917)	(14,711,365)
Total Equity	3,862,491,616	3,277,966,464
	₱14,515,197,446	₱11,370,174,754

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six Months Ended June 30		Three Months Period Ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
SERVICE REVENUE (Note 24)	₱7,847,468,380	₱5,782,753,922	₱4,092,413,471	₱3,033,374,701
COST OF SERVICES (Note 17)	5,302,178,906	3,818,848,839	2,664,029,983	1,999,657,510
GROSS PROFIT	2,545,289,474	1,963,905,083	1,428,383,488	1,033,717,191
OPERATING EXPENSES (Note 18)	1,698,362,304	996,382,666	970,285,974	530,229,466
OTHER INCOME (CHARGES)				
Gain (loss) on derivative (Note 14))	28,501,818	439,437,483	197,506,216	260,482,330
Foreign exchange gains - net (Notes 18 and 22)	20,978,490	146,779,373	9,834,097	38,251,303
Interest income (Notes 4, 6 and 16)	20,095,156	15,104,354	8,815,190	8,972,440
Equity in net earnings of an associate (Note 10)	10,996,420	–	6,043,730	–
Fair value gain on investment at fair value through profit or loss (Note 9)	394,832	–	145,401	–
Interest expense (Notes 7, 8, 13, 14, 16 and 20)	(175,246,779)	(106,299,415)	(86,135,838)	(53,059,137)
Others - net	23,038,038	11,884,890	15,635,261	7,439,729
	(71,242,025)	506,906,685	151,844,057	262,086,665
INCOME BEFORE INCOME TAX	775,685,145	1,474,429,102	609,941,571	765,574,390
PROVISION FOR INCOME TAX (Note 20)	226,736,110	278,586,134	68,564,553	140,294,433
NET INCOME FOR THE PERIOD	548,949,035	1,195,842,968	541,377,018	625,279,957
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 16 and 21)	(264,528)	282,777	(23,463)	16,142
Share in other comprehensive income of an associate (Note 10)	464,363	–	–	–
Unrealized fair value loss on investment at fair value through other comprehensive income (Note 9)	68,271,026	(62,419,224)	29,259,011	(39,012,018)
Items that may be reclassified to profit or loss in subsequent periods				
Currency translation gain (loss) - net	(307,293)	2,868,393	(2,432,232)	178,140
	68,163,568	(59,268,054)	26,803,316	(38,817,736)
TOTAL COMPREHENSIVE INCOME	₱617,112,603	₱1,136,574,914	₱568,180,334	₱586,462,221
NET INCOME ATTRIBUTABLE TO:				
Shareholders of the Parent Company	₱561,876,923	₱1,185,825,717	₱536,873,107	₱619,314,414
Non-controlling interests	(12,927,888)	10,017,251	4,503,911	5,965,543
NET INCOME FOR THE PERIOD	₱548,949,035	₱1,195,842,968	₱541,377,018	₱625,279,957
TOTAL COMPREHENSIVE ATTRIBUTABLE TO:				
Shareholders of the Parent Company	₱632,332,318	₱1,127,759,927	₱564,856,342	₱580,725,147
Non-controlling interests	(15,219,715)	8,814,987	3,323,992	5,737,074
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	₱617,112,603	₱1,136,574,914	₱568,180,334	₱586,462,221
EARNINGS PER SHARE (Note 25)				
Basic	₱0.39	₱0.83	₱0.38	₱0.43
Diluted	₱0.37	₱0.53	₱0.22	₱0.25

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	For the Six Months Ended June 30, 2019 (Unaudited)					
	Capital Stock (Note 15)	Retained Earnings	Accumulated Comprehensive Income	Total	Non-controlling Interests	Total Equity
Balances as at January 1, 2019, as previously reported	₱1,425,865,471	₱1,625,483,991	₱241,328,367	₱3,292,677,829	(₱14,711,365)	₱3,277,966,464
Impact of adoption of new accounting standards (Note 2)	–	(16,054,614)	–	(16,054,614)	–	(16,054,614)
Balances as at January 1, 2019, as restated	1,425,865,471	1,609,429,377	241,328,367	3,276,623,215	(14,711,365)	3,261,911,850
Comprehensive income:						
Net income (loss)	–	561,876,923	–	561,876,923	(12,927,888)	548,949,035
Other comprehensive income (loss)	–	–	70,455,395	70,455,395	(2,291,827)	68,163,568
Total comprehensive income (loss)	–	561,876,923	70,455,395	632,332,318	(15,219,715)	617,112,603
Non-controlling interests arising from additional investment	–	–	–	–	4,391,266	4,391,266
Dividends declared	–	–	–	–	(20,924,103)	(20,924,103)
Balances as at June 30, 2019	₱1,425,865,471	₱2,171,306,300	₱311,783,762	₱3,908,955,533	(₱46,463,917)	₱3,862,491,616

	For the Six Months Ended June 30, 2018 (Unaudited)					
	Capital Stock (Note 15)	Retained Earnings	Accumulated Comprehensive Income	Total	Non-controlling Interests	Total Equity
Balances as at January 1, 2018, as previously reported	₱1,425,865,471	₱590,854,128	₱325,802,583	₱2,342,522,182	(₱46,606,952)	₱2,295,915,230
Restatement of transition adjustments (Note 2)	–	(39,963,635)	–	(39,963,635)	–	(39,963,635)
Balances as at January 1, 2018, as restated	1,425,865,471	550,890,493	325,802,583	2,302,558,547	(46,606,952)	2,255,951,595
Comprehensive income:						
Net income	–	1,185,825,717	–	1,185,825,717	10,017,251	1,195,842,968
Other comprehensive loss	–	–	(58,065,790)	(58,065,790)	(1,202,264)	(59,268,054)
Total comprehensive income (loss)	–	1,185,825,717	(58,065,790)	1,127,759,927	8,814,987	1,136,574,914
Non-controlling interest through business combination	–	–	–	–	(6,695,806)	(6,695,806)
Balances as at June 30, 2018	₱1,425,865,471	₱1,736,716,210	₱267,736,793	₱3,430,318,474	(₱44,487,771)	₱3,385,830,703

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30 (Unaudited)	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱775,685,145	₱1,474,429,102
Adjustments for:		
Depreciation and amortization (Notes 7, 8, 17, 18 and 20)	589,082,713	178,305,137
Gain on derivative (Note 14)	(28,501,818)	(439,437,483)
Interest expense (Notes 7, 8, 13, 14, 16 and 20)	175,246,779	106,299,415
Retirement expense, net of benefits paid and contribution to retirement plan	(17,741,110)	8,591,462
Unrealized foreign exchange loss (gain)	(16,880,292)	(99,460,860)
Fair value gain on investment at fair value through profit or loss (Note 9)	(394,832)	(3,261,444)
Gain on disposal of property and equipment and intangible assets (Note 7)	(905,752)	(765,228)
Gain on bargain purchase (Note 3)	(4,080,469)	(3,242,400)
Equity in net earnings of an associate (Note 10)	(10,996,420)	(5,787,620)
Interest income (Notes 4, 6 and 16)	(20,095,156)	(15,104,354)
Operating income before changes in working capital	1,440,418,788	1,200,565,727
Changes in working capital:		
Decrease (increase) in:		
Trade and other receivables	(193,871,126)	329,289,604
Prepayments and other current assets (Notes 2 and 19)	(240,657,597)	(102,629,071)
Security deposits (Note 2)	84,390,737	(14,165,795)
Other noncurrent assets	26,183,772	(7,854,972)
Increase (decrease) in:		
Accounts and other payables (Note 26)	141,910,173	(145,888,984)
Transmissions liability	(128,588,879)	(227,905,807)
Net cash generated from operations	1,139,821,640	1,031,410,702
Interest received	20,095,156	13,388,252
Income tax paid	(324,366,528)	(281,268,044)
Net cash provided by operating activities	825,514,496	763,530,910
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash acquired through business combination (Note 3)	552,907,572	354,465,236
Proceeds from:		
Redemption of investments at fair value through profit or loss (Note 9)	261,094,056	312,379,627
Disposal of property and equipment	2,498,544	896,568
Collection of notes receivable (Note 16)	1,677,119	–
Acquisitions of:		
Intangible assets (Notes 8 and 26)	(76,244,845)	(36,704,123)
Property and equipment (Notes 7 and 26)	(594,135,143)	(178,716,770)
Investment at fair value through profit or loss (Note 9)	(151,000,000)	(180,000,000)
Investment in an associate	–	(218,265,077)
Dividend received	7,500,000	
Investment in subsidiaries	–	(47,103,421)
Increase in due from related parties (Note 26)	(45,005,221)	(632,593,047)
Net cash used in investing activities	(40,707,918)	(625,641,007)

Forward

	Six Months Ended June 30 (Unaudited)	
	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable (Note 26)	**₱300,000,000**	₱–
Interest paid (Note 26)	**(88,910,156)**	(30,444,973)
Payments of notes payable (Note 26)	**(190,000,000)**	(170,550,000)
Decrease in due to related parties (Note 26)	**61,568,765**	12,965,404
Dividends paid (Note 26)	**(55,798,368)**	–
Payments of lease liabilities and other noncurrent liabilities (Note 26)	**(284,394,132)**	(25,564,854)
Net cash used in financing activities	**(257,533,891)**	(213,594,423)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**527,272,687**	(75,704,520)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(11,452,608)**	154,903,071
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**4,137,439,144**	3,778,408,492
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	**₱4,653,259,223**	₱3,857,607,043

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 with a corporate life of 50 years.

The ultimate parent of the Parent Company is LBC Development Corporation (LBCDC). The Araneta Family is the ultimate beneficial owner of the Parent Company.

The Parent Company undertook an Initial Public Offering. 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; performance of other allied general services from one place of destination to another within and outside of the Philippines; and foreign exchange trading.

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

On various dates in 2018 and in 2019 until report date, the Parent Company acquired, through business combination, twelve (12) entities which are all domiciled outside the Philippines, except for QUADX Inc. Details of the 2019 acquisitions are discussed in Note 3.

On May 29, 2019, the Parent Company sold all its 1,860,214 common shares in QUADX Inc. to LBC Express, Inc. for a cash consideration of ₱186,021,400 or ₱100 per share payable no later than two years from the date of sale, subject to any extension as may be agreed in writing by the parties.

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 investments at fair value through profit or loss (FVPL) and fair value through other comprehensive income (FVOCI), and derivatives which have 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, 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 and the six months ended May 31 second quarter end financial statements except for QUADX, Inc., QuadX Pte. Ltd., LBC Mabuhay (Malaysia) Sdn. Bhd, LBC Mabuhay (B) Sdn, Bhd and LBC Mabuhay Remittance Sdn. Bhd with December 31 year end which are aligned with the Parent Company, 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, 2019 and 2018 and the date of the Parent Company's financial statements which is March 31, 2019 and 2018 and between December 1, 2018 and the comparative date of the Parent Company's financial position which is December 31, 2018.

The interim condensed consolidated financial statements were adjusted to effect LBCE's availment of bank loans amounting to ₱22.00 million in June 2019 (nil in June 2018); settlement of bank loans in June 2019 and 2018 amounting to ₱11.25 million for both periods; redemption of unquoted investment at fair value through profit or loss in June 2019 amounting to ₱50.36 million (nil in June 2018); the adjustment to reflect the increase and decrease of fair value of quoted investment at fair value through other comprehensive income (FVOCI) by ₱9.75 for both periods June 1 to June 30, 2019 and 2018, respectively.

The consolidated financial statements were adjusted to effect LBCE's additional settlement of bank loans in December 2018 amounting to ₱11.25 million and the adjustment to reflect the decrease in fair value of investment at FVOCI by ₱23.41 million for the period December 1 to December 31, 2018.

There were no other significant transactions that transpired between June 1, 2019 to June 30, 2019, December 1, 2018 to December 31, 2018 and June 1, 2018 to June 30, 2018.

Restatements
The Group made necessary adjustments to the transition adjustments as of January 1, 2018 as presented in its December 31, 2018 financial statements to reflect the changes made by management in the adoption of PFRS 15 and 9.

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, 2018, 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. The interim condensed 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. 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 interim condensed consolidated statements 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 interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and within equity in the interim condensed 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 interim condensed consolidated 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.

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.

The Parent Company's purchase of the entities from LBC Express Holdings USA Corporation, except for LBC Mabuhay Hawaii Corporation, was completed effective January 1, 2019 upon approval by the US Regulatory bodies that oversee and/or regulate these entities.

Effective January 1, 2019, the Parent Company exercised control on the following entities (see Note 3):

Entity Name	Country of Incorporation	Principal Activities	% Ownership
LBC Mundial Corporation	North America	Cargo and Remittance	100%
LBC Mundial Nevada Corporation	North America	Cargo	100%
LBC Mabuhay North America Corporation	North America	Cargo and Remittance	100%
LBC Mundial Cargo Corporation	North America	Cargo	100%
LBC Mundial Remittance Corporation	North America	Remittance	100%

On May 29, 2019, the Parent Company sold all its 1,860,214 common shares in QUADX Inc. to LBC Express, Inc. for a cash consideration of ₱186,021,400 or ₱100 per share payable no later than two years from the date of sale, subject to any extension as may be agreed in writing by the parties.

Except for the acquisitions above, there were no changes in the Parent Company's ownership interests in its subsidiaries from January 1, 2019 to June 30, 2019.

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 for the year ended December 31, 2018, except for the adoption of new standards effective as of January 1, 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Except otherwise stated, the adoption of the new accounting standards, amendments and interpretations which apply for the first time in 2019, do not have an impact on the interim condensed consolidated financial statements of the Group.

- PFRS 16, *Leases*

  PFRS 16 supersedes PAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard 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. Lessor accounting under PFRS 16 is substantially unchanged under PAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

  The Group adopted PFRS 16 using the modified retrospective approach of adoption with the date of initial application of January 1, 2019. The modified retrospective approach does not require restatement of previous financial statements. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4, at the date of initial application. The Group also elected to use the exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which underlying asset is of low value ('low-value assets').

  The effect of adoption of PFRS 16 as at January 1, 2019 is as follows:

	Increase (decrease)
Assets	
Right-of-use assets	₱1,765,716,909
Property and equipment	(76,436,604)
Prepayments and other current assets	(40,121,285)
Deferred tax asset	(16,512,220)
Security deposit	(58,000)
Total assets	**1,632,588,800**
Liabilities	
Lease liabilities	1,648,643,414
Total liabilities	**1,648,643,414**
Equity	
Retained earnings	(16,054,614)
Total equity	**(₱16,054,614)**

  a. Nature of the effect of adoption of PFRS 16

     The Group has lease contracts for various items of vehicles, equipment, offices, outlets and warehouses. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized, and the lease payments were recognized as rent expense in the statement of comprehensive income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under Prepayments and other current assets and Accounts and other payables, respectively.

Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

- *Leases previously classified as finance leases*
  The Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under PAS 17) but reclassified the leased assets from Property and equipment to Right-of-use assets account. The requirements of PFRS 16 was applied to these leases from January 1, 2019.

- *Leases previously accounted for as operating leases*
  The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases are based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:
- used a single discount rate to a portfolio of leases with reasonably similar characteristics
- applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Based on the foregoing, as at January 1, 2019:
- right-of-use assets of ₱1,765.72 million were recognized and presented separately in the consolidated statement of financial position. This includes the leased assets recognized previously under finance leases of ₱76.44 million that were reclassified from Property and equipment.
- additional lease liabilities of ₱1,648.64 million were recognized and included under lease liabilities
- prepayments and other current assets of ₱40.12 million, deferred tax asset of ₱16.51 million, security deposit of ₱0.06 million and deferred lease liability of ₱61.89 million related to previous operating leases under PAS 17 were derecognized. The prepayments and deferred lease liability were adjusted against the right-of-use assets.
- the net effect of these adjustments had been adjusted to retained earnings of ₱16.05 million.

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

	January 1, 2019
Operating lease commitments as at December 31, 2018	₱5,393,873,953
Weighted average incremental borrowing rate as at January 1, 2019	6.32%
Discounted operating lease commitments at January 1, 2019	3,900,152,581
Less:	
Commitments relating to short-term leases	(2,186,223,558)
Commitments relating to leases of low-value assets	(3,392,027)
Add:	
Commitments relating to leases previously classified as finance leases	78,176,452
Lease liabilities as at January 1, 2019	₱1,788,713,448

b. Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of PFRS 16, which have been applied from the date of initial application:

- *Right-of-use assets*
  The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

- *Lease liabilities*
  At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

  In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- *Short-term leases and leases of low-value assets*
  The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below US $5,000 or ₱260,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

- *Significant judgement in determining the lease term of contracts with renewal options*
  The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

  The Group has the option, under some of its leases to lease the assets for additional terms of two to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

  The Group assessed whether it has the right to use the asset beyond the non-cancellable period by determining if the optional periods are enforceable. In assessing the enforceability of a contract, the Group considered whether the lessor can refuse to agree to a request from the lessee to extend the lease. Accordingly, if the Group determined that there are enforceable rights and obligations beyond the initial non-cancellable period, the Group considered those optional periods in the assessment of lease term.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

  These amendments have no impact on the interim condensed consolidated financial statements of the Group.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments have no impact to the to the interim condensed consolidated financial statements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take into account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and/or joint venture, the amendments do not have an impact on its interim condensed consolidated financial statements.

- 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, *Income Taxes*, 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 did not have significant impact on its interim condensed consolidated financial statements upon adoption of this interpretation.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments have currently no impact to the Group.

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted. These amendments have currently no impact to the Group.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. These amendments have currently no impact to the Group.

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. 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 previously discussed in Note 2 on PFRS 16 adoption, 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, 2018.

Similar to past transactions, the Parent Company used acquisition method in accounting for its business combination of entities acquired which are under common control for the six months ended June 30, 2019. The Parent Company has assessed that acquisition method is more reflective of the substance of the transaction considering that the transaction is conducted at fair value with purchase price determined using the net asset approach.

All the acquired entities are engaged in cargo forwarding or money remittance services which are all aligned with the business of the Group, thus, the Parent Company expects that the business combination will add value to the Group due to additional cash inflow from external revenues and efficiency in administrative functions creating savings and synergies in the internal processes.

3. Business Combinations and Goodwill

Business Combinations in 2018
On various dates in 2018, the Parent Company acquired, through business combination, 10 entities, which are all domiciled outside the Philippines except QUADX Inc. These acquisitions were expected to contribute to the global revenue stream of the Group. As of December 31, 2018, the Group recognized goodwill of ₱492.45 million arising from these acquisitions which represents the fair value of expected synergies, revenue growth and future developments that do not meet the recognition criteria for intangible assets.

Business Combinations in 2019
On March 7, 2018, the BOD of the Parent Company approved the purchase of shares of the entities under LBC Express Holdings USA Corporation. On the same date, the share purchase agreements (SPA) were executed by the Parent Company and LBC Express Holdings USA Corporation with a total share purchase price amounting to US $8.34 million, subject to certain closing conditions.

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.

Effective January 1, 2019, the Parent Company's purchase of LBC Mundial Corporation and LBC Mabuhay North America Corporation was completed upon approval by the US Regulatory bodies that oversee and/or regulate the following entities:

- LBC Mundial Corporation (LBC Mundial) which operates as a cargo and remittance company in California, USA. The Parent Company purchased 4,192,546 shares or 100% of the total outstanding shares from LBC Holdings USA Corporation. LBC Mundial wholly owns LBC Mundial Nevada Corporation which operates as a cargo company in Nevada, USA.
- LBC Mabuhay North America Corporation (LBC North America) which operates as a cargo and remittance company in New Jersey. The Parent Company purchased 1,605,273 shares or 100% of the total outstanding shares from LBC Holdings USA Corporation. LBC North America wholly owns LBC Mundial Cargo Corporation which operates as a cargo company in Canada and LBC Mundial Remittance Corporation, a money remittance company in Canada.

Identifiable assets acquired, and liabilities assumed of LBC Mundial and LBC North America
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 fair values of the identifiable assets acquired and liabilities assumed, including goodwill, as at the date of acquisitions are shown below.

	LBC Mundial Corporation and Subsidiary	**LBC Mabuhay North America Corporation and Subsidiaries**	**Total**
Percentage of ownership of Parent Company	100%	100%	
Assets			
Cash and cash equivalents	₱416,992,745	₱135,914,827	₱552,907,572
Trade receivables	13,410,402	637,908	14,048,310
Receivable from related parties	30,133,717	7,036,070	37,169,787
Prepayments and other current assets	40,832,049	9,176,454	50,008,503
Total current assets	501,368,913	152,765,259	654,134,172
Right-of-use asset	166,435,854	13,413,882	179,849,736
Property and equipment	3,274,213	82,039	3,356,252
Notes receivable, noncurrent	31,538,073	–	31,538,073
Security deposit	8,894,908	1,496,043	10,390,951
Other noncurrent asset	7,908,600	8,462,677	16,371,277
Total noncurrent asset	218,051,648	23,454,641	241,506,289
Total asset	719,420,561	176,219,900	895,640,461
Liabilities			
Accounts and other payables	101,525,756	35,127,154	136,652,910
Payable to related parties	3,335,795	63,974,353	67,310,148
Deferred tax liabilities	10,267,735	3,504,617	13,772,352
Transmission liability	37,107,151	1,461,720	38,568,871

	LBC Mundial Corporation and Subsidiary	LBC Mabuhay North America Corporation and Subsidiaries	Total
Percentage of ownership of Parent Company	100%	100%	
Income tax payable	34,770,265	3,004,003	37,774,268
Lease liabilities	166,435,854	13,413,882	179,849,736
Total liabilities	353,442,556	120,485,729	473,928,285
Net assets attributable to Parent Company	**365,978,005**	**55,734,171**	**421,712,176**
Add: Purchased goodwill	–	4,160,293	4,160,293
Less: Gain on bargain purchase	4,080,469	–	4,080,469
Purchase consideration	**₱361,897,536**	**₱59,894,464**	**₱421,792,000**

The purchase price allocation for the acquisitions of LBC Mundial and LBC North America 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 property and equipment and 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 provisional goodwill of ₱4.16 million arising from the acquisition of LBC North America represents the fair value of expected synergies, revenue growth and future developments that do not meet the recognition criteria for intangible assets.

Purchase consideration and net cash flows

There were no contingent considerations in the above acquisitions during the period. Net cash related to acquisition of the above entities in 2019 are shown below.

	LBC Mundial Corporation and Subsidiary	LBC Mabuhay North America Corporation and Subsidiaries	Total
Cash paid	₱361,897,536	₱59,894,464	₱421,792,000
Cash acquired	416,992,745	135,914,827	552,907,572
Net cash inflow	₱55,095,209	₱76,020,363	₱131,115,572

The purchase considerations are paid in full which was paid in advance by the Parent Company in 2018. The gain on bargain purchase of LBC Mundial were recognized under "Others - net" of "Other income (charges)" in the interim condensed consolidated statements of comprehensive income.

The share in revenue and net income (loss) included in the statement of comprehensive income of each of the acquired entities from the acquisition date to June 30, 2019 follows:

	LBC Mundial Corporation and Subsidiary	LBC Mabuhay North America Corporation and Subsidiaries	Total
Share in revenue	₱754,271,166	₱176,926,379	₱931,197,545
Share in net loss	100,689,732	42,896,099	143,585,831

On May 29, 2019, the Parent Company sold all its 1,860,214 common shares in QUADX Inc. to LBC Express, Inc. for a cash consideration of ₱186,021,400 or ₱100 per share payable no later than two years from the date of sale, subject to any extension as may be agreed in writing by the parties.

Goodwill
The Group performed its annual impairment test in December and when circumstances indicated that the carrying value may be impaired. The Group's impairment test for goodwill is based on value-in-use calculations. The key assumptions used to determine the recoverable amount for the different significant cash generating units were disclosed in the annual consolidated financial statements for the year ended December 31, 2018.

The Group did not perform impairment test on goodwill during the period as it has assessed that there are no indicators of impairment. When reviewing for indicators of impairment, the Group considers various external and internal sources of information.

The Group did not recognize impairment losses on goodwill as of June 30, 2019.

The reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period is presented below:

Gross carrying amount and net book value	
At January 1, 2019	₱492,446,084
Acquisition of a subsidiary	4,160,293
At June 30, 2019	**₱496,606,377**

4. Cash and Cash Equivalents

This account consists of:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)	June 30, 2018 (Unaudited)
Cash on hand	**₱260,279,129**	₱358,706,343	₱270,676,478
Cash in banks	**2,738,749,770**	2,122,353,939	1,810,643,375
Cash equivalents	**1,654,230,324**	1,656,378,862	1,776,287,190
	₱4,653,259,223	₱4,137,439,144	₱3,857,607,043

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 6.00% per annum in 2019 and 2018. Interest income earned from cash and cash equivalents amounted to ₱19.18 million and ₱15.10 million for the six months ended June 30, 2019 and 2018, respectively.

5. Trade and Other Receivables

This account consists of:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade receivables - outside parties	**₱1,623,770,803**	₱1,447,404,156
Trade receivables - related parties (Note 16)	**287,879,603**	253,208,381
	1,911,650,406	1,700,612,537
Less allowance for expected credit losses	**163,310,815**	154,294,279
	1,748,339,591	1,546,318,258
Other receivables:		
Notes receivable - related party (Note 16)	**3,883,029**	–
Advances to officers and employees	**47,984,482**	33,771,196
Others	**49,846,103**	62,044,315
	₱1,850,053,205	₱1,642,133,769

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 consists of SSS benefit receivable to be reimbursed within a year, receivable from uncollected proceeds from consigned inventories, accrued interest income, and communication charges reimbursable from agencies of delivery associates which are expected to be collected within one year.

The amount of ₱4.86 million from trade receivables - outside parties were written off in 2018 (nil in 2019), as these are deemed uncollectible. The accounts were previously provided with allowance.

The Group recognized provision for expected credit losses on trade receivables from outside parties amounting to ₱9.02 million and ₱12.72 million for the six-month ended June 30, 2019 and 2018, respectively (see Note 18).

6. Prepayments and Other Assets

This account consists of:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Input value-added tax (VAT)	**₱314,905,126**	₱324,539,993
Materials and supplies	**186,440,370**	148,990,229
Prepayments:		
Taxes	**59,157,467**	11,410,009
Insurance	**34,265,358**	20,923,820

Forward

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Software maintenance	**₱33,205,591**	₱18,275,638
Employee benefits	**21,652,733**	18,209,303
Rent	**17,742,292**	62,533,385
Advertising	**7,621,570**	8,857,794
Dues and subscriptions	**6,285,931**	3,794,116
Company events	**–**	1,427,191
Others	**43,407,529**	33,169,932
Short-term cash investments	**132,324,160**	–
Creditable withholding taxes (CWTs)	**131,861,403**	104,471,039
Restricted cash in bank	**14,724,957**	19,528,338
Others	**24,384,101**	11,115,483
	1,027,978,588	787,246,270
Less allowance for impairment losses	**798,769**	798,769
	1,027,179,819	786,447,501
Less noncurrent portion of:		
VAT on capital goods and other assets	**117,941,649**	99,562,777
Advance payment to a supplier	**9,000,000**	9,000,000
Prepaid rent	**2,175,222**	30,366,589
Total noncurrent portion	**₱129,116,871**	₱138,929,366
Total current portion	**₱898,062,948**	₱647,518,135

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 six months ended June 30, 2019 and 2018 amounted to ₱296.29 million and ₱196.80 million, respectively (see Note 17).

Prepayments are mostly composed of prepaid taxes, advance rent, insurance and advances to suppliers.

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 banks represent time deposits, in the name of LBCE, with a maturity of one year and assigned to specific customers as performance guarantees.

Interest income earned from short-term cash investments and restricted cash in bank amounted to ₱0.22 million and ₱0.13 million for the six months ended June 30, 2019 and 2018, respectively.

CWTs are attributable to taxes withheld by the withholding agents which are creditable against the income tax payable.

7. Property and Equipment

The rollforward analysis of this account follows:

For the six months ended June 30, 2019 (Unaudited)

	Land	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Construction in Progress	Total
Costs							
At beginning of period	₱–	₱671,381,507	₱1,506,615,476	₱695,846,319	₱723,884,444	₱201,932,044	₱3,799,659,790
Effect of PFRS 16 adoption	–	(120,657,182)	–	–	–	–	(120,657,182)
As at January 1, 2019, as restated	–	550,724,325	1,506,615,476	695,846,319	723,884,444	201,932,044	3,679,002,608
Additions	993,533,425	36,147,399	45,976,351	52,734,726	79,292,579	141,082,286	1,348,766,766
Additions through business combination (Note 3)	–	218,786	1,429,328	368,768	1,339,370	–	3,356,252
Reclassifications	–	490,714	150,253,762	2,342,666	150,029,176	(303,116,318)	–
Disposals	–	(5,456,922)	(9,029,098)	(77,747,080)	(75,848)	–	(92,308,948)
At end of period	993,533,425	582,124,302	1,695,245,819	673,545,399	954,469,721	39,898,012	4,938,816,677
Accumulated Depreciation, Amortization and Impairment							
At beginning of period	–	367,929,355	832,443,089	588,846,283	574,361,063	–	2,363,579,790
Effect of PFRS 16 adoption	–	(44,220,577)	–	–	–	–	(44,220,577)
As at January 1, 2019, as restated	–	323,708,778	832,443,089	588,846,283	574,361,063	–	2,319,359,213
Depreciation (Notes 17 and 18)	–	26,346,090	101,553,332	40,316,389	61,089,013	–	229,304,824
Disposals	–	(5,370,909)	(7,670,390)	(77,647,857)	–	–	(90,716,156)
At end of period	–	344,683,959	926,326,031	551,487,815	635,450,076	–	2,457,947,881
Net Book Value	₱993,533,425	₱237,440,343	₱768,919,788	₱122,057,584	₱319,019,645	₱39,898,012	₱2,480,868,797

For the year ended December 31, 2018 (Audited)

	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Construction in Progress	Total
Costs						
At beginning of year	₱499,479,068	₱1,574,578,690	₱657,456,399	₱620,519,300	₱17,301,634	₱3,369,335,091
Additions	192,447,015	74,166,146	52,526,839	97,061,766	275,107,556	691,309,322
Additions through business combination	2,274,146	13,565,882	11,895,269	5,814,797	54,344,897	87,894,991
Reclassifications	2,364,376	128,151,314	12,182,349	2,124,004	(144,822,043)	–
Disposals	(25,183,098)	(283,846,556)	(38,214,537)	(1,635,423)	–	(348,879,614)
At end of year	671,381,507	1,506,615,476	695,846,319	723,884,444	201,932,044	3,799,659,790
Accumulated Depreciation, Amortization and Impairment						
At beginning of year	337,955,230	991,124,111	568,035,973	496,166,376	–	2,393,281,690
Depreciation	50,285,548	123,241,100	58,900,285	79,332,772	–	311,759,705
Disposals	(20,311,423)	(281,922,122)	(38,089,975)	(1,138,085)	–	(341,461,605)
At end of year	367,929,355	832,443,089	588,846,283	574,361,063	–	2,363,579,790
Net Book Value	₱303,452,152	₱674,172,387	₱107,000,036	₱149,523,381	₱201,932,044	₱1,436,080,000

Upon adoption of PFRS 16, the Group reclassified leased vehicles under finance leases to right-of-use assets with carrying value amounting to ₱76.44 million (see Note 2).

The Group has property and equipment amounting to ₱26.64 million with accumulated depreciation and allowance for impairment amounting to ₱14.94 million and ₱11.70 million, respectively, resulting to a nil balance as of June 30, 2019 and December 31, 2018.

In 2015, the Group purchased a computer hardware on a long-term payment arrangement. The liability is interest bearing and payable over 60 months. As of June 30, 2019, the outstanding liability amounted to ₱18.73 million, ₱5.53 million of which is reported under 'other noncurrent liabilities' in the interim consolidated statements of financial position. Interest expense arising from the amortization of the deferred interest amounted to ₱1.28 million and ₱1.89 million for the six months ended June 30, 2019 and 2018, respectively.

On April 15, 2019, LBCE entered into a Contract to Sell (CTS) with a third party for the purchase of parcels of land for a total consideration of ₱916.89 million. As stipulated in the Contract, within 10 days of the signing of the CTS, LBCE paid the initial down payment amounting to ₱183.38 million. Subsequently, the second payment of ₱91.69 million was settled by LBCE within 15 business days upon presentation of the seller of the new subdivided title, while the remaining purchase price amounting to ₱641.82 million shall be paid by LBCE through a bank financing not later than one year from the CTS date. Accordingly, the seller agrees and undertakes that, upon execution of the CTS and the initial down payment, the seller will turn over the physical possession of the subject property to LBCE. Capitalized direct expenses include transfer fees, capital gains tax, documentary stamp taxes and notarial fees amounting to ₱76.64 million.

There were no capitalized borrowing costs for the six months ended June 30, 2019 and 2018.

8. Intangible Assets

The rollforward analysis of this account follows:

	For the six months ended June 30, 2019 (Unaudited)		
	Software	Development in Progress	Total
Costs			
At beginning of period	₱727,554,102	₱118,932,565	₱846,486,667
Additions	11,634,389	62,426,456	74,060,845
Reclassification	80,886,404	(78,702,404)	2,184,000
At end of period	820,074,895	102,656,617	922,731,512
Accumulated Amortization			
At beginning of period	291,117,011	–	291,117,011
Amortization (Notes 17 and 18)	68,402,467	–	68,402,467
At end of period	359,519,478	–	359,519,478
Net Book Value	₱460,555,417	₱102,656,617	₱563,212,034

	For the year ended December 31, 2018 (Audited)		
	Software	Development in Progress	Total
Costs			
At beginning of year	₱549,820,615	₱4,540,000	₱554,360,615
Additions	89,568,335	87,426,235	176,994,570
Additions through business combination	83,965,152	31,166,330	115,131,482
Reclassification	4,200,000	(4,200,000)	–
At end of year	727,554,102	118,932,565	846,486,667
Accumulated Amortization			
At beginning of year	197,510,604	–	197,510,604
Amortization	93,606,407	–	93,606,407
At end of year	291,117,011	–	291,117,011
Net Book Value	₱436,437,091	₱118,932,565	₱555,369,656

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 June 30, 2019, the outstanding liability related to the purchase of these intangible assets amounted to ₱83.50 million, ₱52.25 million of which is presented under 'other noncurrent liabilities' in the interim condensed consolidated statement of financial position. Interest expense arising from the amortization of deferred interest amounted to ₱2.26 million and ₱2.65 million for the six months ended June 30, 2019 and 2018, respectively.

In 2018, a web filtering software was acquired on an interest-bearing payment arrangement over 18 months. As at June 30, 2019, the outstanding liability related to the purchase amounted to ₱6.75 million, presented under accounts payable and accrued expenses in the interim condensed consolidated statement of financial position. Interest expense arising from the amortization of deferred interest amounted to ₱0.11 million for the six months ended June 30, 2019.

Development in progress pertains to costs related to ongoing development of software, user license and implementation costs.

There were no capitalized borrowing costs for the six months ended June 30, 2019 and 2018.

9. Investments at Fair Value through Profit or Loss and through OCI

Investment at FVPL represents the Group's investments in unquoted equity securities and unquoted unit investment trust fund which comprise primarily of Overnight Deposit Facility and Term Deposit Facility in the Bangko Sentral ng Pilipinas.

Investment at FVOCI represents investment in the quoted shares of stock of Araneta Properties, Inc.

Movement of the investments at fair value follows:

	June 30, 2019 (Unaudited)	
	FVPL	**FVOCI**
As at January 1, 2019	**₱131,294,744**	**₱337,453,928**
Additions	**151,000,000**	**–**
Redemption	**(261,094,056)**	**–**
Unrealized fair value gain during the period	**394,832**	**68,271,026**
Unrealized foreign exchange gain during the period	**(506,450)**	**–**
	₱21,089,070	**₱405,724,954**

	December 31, 2018 (Audited)	
	FVPL	FVOCI
As at January 1, 2018	₱440,763,495	₱444,736,969
Additions	888,580,000	–
Additions through business combination	9,397,260	–
Redemption	(1,215,938,291)	–
Unrealized fair value gain (loss) during the year	8,492,280	(107,283,041)
	₱131,294,744	₱337,453,928

10. Investment in an Associate

The movement in the investment in an associate is as follows:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Costs		
At January 1	**₱227,916,452**	₱–
Additions:		
Share in equity	**–**	109,956,952
Excess of purchase price over fair value of net assets	**–**	108,873,250
Costs directly attributable to the investments	**–**	9,086,250
Less: Dividend income	**(15,000,000)**	
	₱212,916,452	₱227,916,452
Accumulated Equity on Net Earnings		
At January 1	**11,103,396**	–
Equity share in net earnings	**10,996,420**	11,103,396
	22,099,816	11,103,396
Other Comprehensive Income		
At January 1	**–**	–
Equity share in other comprehensive income	**464,363**	–
	464,363	–
Carrying Value	**₱235,480,631**	₱239,019,848

On March 19, 2018, the Parent Company invested in 30% of Orient Freight International, Inc. (OFII), a company involved in freight forwarding, warehousing and customs brokerage businesses operating within the Philippines. The acquisition resulted in an implied goodwill of ₱108.87 million representing the fair value of expected synergies, revenue growth and future developments that do not meet the recognition criteria for intangible assets.

In relation to the acquisition of shares, the Parent Company shall also exert commercially reasonable efforts to direct a certain amount of additional annual recurring logistics service business to OFII for a period of five years from closing date.

The Group's interest in OFII is accounted for using the equity method in the interim condensed consolidated financial statements. The concepts underlying the procedures used in accounting for the acquisition of a subsidiary are also adopted in accounting for the acquisition of an investment in an associate or a joint venture.

The Group recognized equity in net earnings and other comprehensive income of an associate amounting to ₱11.00 million and ₱0.46 million, respectively which represents the Group's share in the associate's earnings from January 1 to June 30, 2019 and is presented under "Other income (charges)" and other comprehensive income in the interim consolidated statements of comprehensive income. No impairment loss was recognized for the investment in associate in 2019 and 2018.

The summarized statements of financial position of the associate follow:

	June 30, 2019	December 31, 2018
Current assets	**₱524,324,886**	₱484,718,655
Noncurrent assets	**124,878,665**	124,186,956
Current liabilities	**285,180,663**	220,511,830
Noncurrent liabilities	**30,275,751**	30,275,751
Equity	**₱333,747,137**	₱358,118,030

The summarized statement of comprehensive income of the associate from January 1 to June 30, 2019 follows:

Revenue	**₱796,030,528**
Cost and expenses	**759,375,795**
Net income	**36,654,733**
Other comprehensive income	**1,547,878**
Total comprehensive income	**₱38,202,611**
Group's share of total comprehensive income from January 1 to June 30, 2019	**₱11,460,783**

11. Accounts and Other Payables

This account consists of:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade payable - outside parties	**₱1,608,173,296**	₱1,353,449,343
Trade payable - related parties (Note 16)	**508,753**	370,163
Accruals:		
Property and equipment	**754,631,621**	17,629,915
Salaries and wages	**394,391,727**	277,249,320
Contracted jobs	**176,292,889**	191,243,940
Rent and utilities	**128,557,870**	124,727,982
Claims and losses	**77,060,288**	79,870,576
Taxes	**48,222,365**	16,366,752
Outside services	**18,226,868**	11,414,949
Professional fees	**16,504,234**	24,776,017
Advertising	**14,074,564**	94,836,141
Software maintenance	**7,689,130**	9,184,268
Others	**76,425,931**	63,105,153
Deferred output VAT	**317,726,631**	300,135,756
Taxes payable	**72,537,647**	91,174,576
Contract liabilities	**55,928,407**	83,666,589
Government agencies contributions payables	**30,469,630**	26,136,084
Subscription payable	**9,651,375**	9,651,375
Others (Note 16)	**32,290,758**	31,180,381
	₱3,839,363,984	₱2,806,169,280

12. 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.

13. Notes Payable

The Group has outstanding notes payable to various local banks. The details of these notes as at June 30, 2019 and December 31, 2018 are described below:

June 30, 2019 (Unaudited)

Bank/Related Party	Date of Availment	Outstanding Balance	Maturity	Interest Rate	Payment Terms
Banco de Oro	April 2019	₱67,000,000	Oct 2019	6%; subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
Banco de Oro	March 2019	150,000,000	Sep 2019	6%; subject to repricing	Clean, interest payable every month, principal to be paid on maturity date
Banco de Oro	Various availments in 2016	572,500,000	Various maturities in 2019 to 2021	6%; subject to repricing	With mortgage; Interest payable every month, principal payable quarterly
Unionbank of the Philippines	April 2019	80,000,000	April 2024	7.826%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
Unionbank of the Philippines	February 2019	70,000,000	August 2019	7.25%, subject to repricing	Clean, Interest payable every month, principal to be paid on maturity date
Total		₱939,500,000			
Current portion		₱367,000,000			
Noncurrent portion		₱572,500,000			

December 31, 2018 (Audited)

Bank	Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
Banco de Oro	December 2018	₱67,000,000	April 2019	5.50%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
Banco de Oro	September 2018	150,000,000	March 2019	5.50%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
Banco de Oro	Various availments in 2016	612,500,000	Various maturities in 2018 to 2021	5.50%, subject to repricing	With mortgage; Interest payable every month, principal payable quarterly
Total		₱829,500,000			
Current portion		₱297,000,000			
Noncurrent portion		₱532,500,000			

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 16).

A short-term loan availed in 2018 with BDO amounting to ₱150.00 million was rolled over and still outstanding as of June 30, 2019. Also, a short-term loan availed in December 2018 with BDO amounting to ₱67.00 million was rolled over in April 2019.

Interest expense amounted to ₱32.67 million and ₱22.57 million for the six months ended June 30, 2019 and 2018, respectively.

The loans were used primarily for working capital requirements and are not subject to any loan covenants.

14. Convertible Instrument

This account consists of:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Derivative liability		
Balance at beginning of year	**₱1,406,175,427**	₱1,860,373,479
Fair value loss (gain) on derivative	**53,727,949**	(454,198,052)
	₱1,459,903,376	₱1,406,175,427
Bond payable		
Balance at beginning of year	**₱1,108,417,074**	₱896,185,059
Accretion of interest	**85,437,248**	159,106,145
Unrealized foreign exchange loss	**(30,275,687)**	50,577,641
Amortization of issuance cost	**899,375**	2,548,229
	₱1,164,478,010	₱1,108,417,074

On June 20, 2017, the BOD of the Parent Company approved the issuance of convertible instrument. The proceeds of the issuance of convertible instrument will be used to fund the growth of the business of the Parent Company, including capital expenditures and working capital. Accordingly, on August 4, 2017, the Parent Company issued, in favor of CP Briks Pte. Ltd (CP Briks), 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 Briks at ₱13.00 per share conversion price, subject to adjustments and resetting of conversion price in accordance with the terms and conditions of the instrument.

The convertible instrument (to the extent that the same has not been converted by CP Briks as the holder or by the Parent Company) is redeemable at the option of CP Briks, commencing on the 30th month from the issuance date at the redemption price equal to the principal amount of the bond plus an internal rate of 13% (decreasing to 12%, 11% and 10% on the 4th, 5th and 6th anniversary of the issuance date, respectively). The agreement also contains redemption in cash by the Parent Company at a price equal to the principal amount of the bond plus an internal rate of 13% (decreasing to 12%, 11% and 10% on the 4th, 5th and 6th anniversary of the issuance date, respectively) in case of a Change of Control as defined under the agreement.

The Parent Company also has full or partial right to convert the shares subject to various conditions including pre-approval of the PSE of the listing of the conversion shares and other conditions to include closing sale price and daily trading volume of common shares trading on the Principal Market and upon plan of offering, placement of shares or similar transaction with common share price at a certain minimum share price.

The convertible instrument 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.

On October 3, 2017, the Parent Company entered into a pledge supplement with CP Briks whereby the Parent Company constituted in favor of CP Briks a pledge over all of the Parent Company's shares in LBCE consisting of 1,041,180,504 common shares, representing 100% of the total issued and outstanding capital stock of LBCE.

In the event of default, CP Briks may foreclose upon the pledge over LBCE shares as a result of which LBCE shares may be sold via auction to the highest bidder. The sale of LBCE shares in such public auction shall extinguish the outstanding obligation, whether or not the proceeds of the foreclosure sale are equal to the amount of the outstanding obligation. Under the terms of the pledge agreement, if LBCE shares are sold at a price higher than the amount of the outstanding obligation, any amount in excess of the outstanding obligation shall be paid to the Parent Company.

While CP Briks may participate in the auction of LBCE shares should there be a foreclosure, any such foreclosure of the pledge over LBCE shares and any resulting acquisition by CP Briks of equity interest in LBCE are always subject to the foreign ownership restrictions applicable to LBCE, which may not exceed 40% of the total issued and outstanding capital stock entitled to vote, and 40% of the total issued and outstanding capital stock whether or not entitled to vote, of LBCE.

Covenants
While the convertible instrument has not yet been redeemed or converted in full, the Parent Company shall ensure that neither it or its subsidiaries shall incur, create or permit to subsist or have outstanding indebtedness, as defined in the Omnibus Agreement, or enter into agreement or arrangement whereby it is entitled to incur, create or permit to subsist any indebtedness and that the Parent Company shall ensure on a consolidated basis that:

a. Total Debt to EBITDA for any Relevant Period (12 months ending on the Parent Company's financial year) shall not exceed 2.5:1.
b. The ratio of EBITDA to Finance Charges for any Relevant Period shall not be less than 5.0:1; and
c. The ratio of Total Debt on each relevant date to Shareholder's Equity for that Relevant Period shall be no more than 1:1.

The determination and calculation of the foregoing financial ratios are based on the agreement and interpretation of relevant parties subject to the terms of the convertible instrument. The Group is in compliance with the above covenants as at December 31, 2018, the latest Relevant Period subsequent to the issuance of the convertible instrument. Relevant period means each period of twelve (12) months ending on the last day of the Parent Company's financial year.

In relation to the issuance of the convertible instrument and following the entry of CP Briks as a stakeholder in the Parent Company, the Parent Company entered into the following transactions:

a. On August 4, 2017, LBCE and LBCDC agreed for LBCE to discontinue royalty for the use of LBC Marks (see Note 16).

b. On various dates, the Parent Company entered into the following transactions for the acquisition of certain overseas entities:

    i. On March 7, 2018, the Parent Company acquired 100% ownership of LBC Mabuhay Saipan, Inc. (LBC Saipan) for a total purchase price of US $207,652 or ₱10.80 million.

    ii. Effective January 1, 2019, the Parent Company was granted the regulatory approvals on the purchase of the following entities under LBC USA Corporation:
        - LBC Mundial Corporation (LBC Mundial) which operates as a cargo and remittance Group in California. The Parent Company purchased 4,192,546 shares or 100% of the total outstanding shares from LBC Holdings USA Corporation.

- LBC Mabuhay North America Corporation (LBC North America) which operates as a cargo and remittance Parent Company in New Jersey. The Parent Company purchased 1,605,273 shares or 100% of the total outstanding shares from LBC Holdings USA Corporation.

iii. On June 27, 2018, the BOD of the Parent Company approved the purchase of shares of some overseas entities. The acquisition is expected to benefit the Parent Company by contributing to its global revenue streams. On the same date, the SPAs were executed by the Group and Jamal Limited, as follow:

- LBC Aircargo (S) PTE. LTD. which operates as a cargo branch in Taiwan. The Parent Company purchased 94,901 shares or 100% of the total outstanding shares of the acquiree at a purchase price of US $146,013;
- LBC Money Transfer PTY Limited which operates as a remittance company in Australia. The Parent Company purchased 10 shares or 100% of the total outstanding shares of the acquiree at a purchase price of US $194,535;
- LBC Express Airfreight (S) PTE. LTD. which operates as a cargo company in Singapore. The Parent Company purchased 10,000 shares or 100% of the total outstanding shares of the acquiree at a purchase price of US $2,415,035; and
- LBC Australia PTY Limited which operates as a cargo company in Australia. The Parent Company purchased 223,500 shares or 100% of the total outstanding shares of the acquiree at a purchase price of US $1,843,149.

iv. On August 15, 2018, the Parent Company approved the acquisition of 92.5% equity ownership of LBC Mabuhay (Malaysia) SDN BHD (LBC Malaysia) for a total purchase price of $461,782 or ₱24.68 million.

v. On October 15, 2018, the Parent Company acquired the following overseas entities:

- LBC Mabuhay Remittance Sdn. Bhd. which operates as a remittance company in Brunei. The Parent Company purchased one (1) share which represents 50% equity interest at the subscription price of US $557,804 per share.
- LBC Mabuhay (B) SDN BHD which operates as a cargo company in Brunei. The Parent Company acquired 50% of LBC Mabuhay (B) SDN BHD for a total purchase price of US $225,965.

vi. The documentation requirements for the acquisition of the remaining overseas entity is still in process.

Upon completion of the acquisitions discussed in (i) to (vi) above, the Parent Company will have acquired equity interests in twelve overseas entities which are affiliated to the Parent Company and LBCDC. In accordance with the directions from LBCDC, the Parent Company intends to complete the acquisition of the remaining overseas entity in 2019, after which the Group expects (on the basis of LBCDC's manifestations) settlement by LBCDC of all of its obligations to the Parent Company.

c. On March 19, 2018, through a Deed of Assignment, LBCE assigned its receivables from QUADX Inc. to the Parent Company amounting to ₱186.02 million. On the same date, the Parent Company and QUADX Inc. entered into a Subscription Agreement to subscribe and issue a total of 1,860,214 shares of stock of QUADX Inc. through the conversion of the assigned advances to equity which represents 86.11% ownership by the Parent Company.

The increase in authorized capital stock of QUADX Inc. was approved by the SEC on June 14, 2018.

On May 29, 2019, the Parent Company sold all its 1,860,214 common shares in QUADX Inc. to LBC Express, Inc. for a cash consideration of ₱186,021,400 or ₱100 per share payable no later than two years from the date of sale, subject to any extension as may be agreed in writing by the parties.

d. As at report date, LBCDC has not settled its obligations to the Parent Company pending completion of acquisition of the remaining overseas entity.

If an event of default shall have occurred and be continuing, CP Briks may require the Parent Company to redeem all or any portion of the convertible instrument, provided that CP Briks provides written notice to the Parent Company within the applicable period. Each portion of the convertible instrument subject to redemption shall be redeemed by the Parent Company at price equal to 100% of the conversion amount plus an internal rate of return (IRR) equal to 16% (inclusive of applicable tax, which shall be for the account of CP Briks).

15. Equity

Capital stock
As at June 30, 2019 and December 31, 2018, 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

Cash dividends
On December 20, 2018, the BOD of LBCH approved the declaration of cash dividends amounting to ₱285.17 million.

On February 8, 2019, through a Memorandum of Agreement, LBCDC assigned to LBCH a portion of its payable to LBCE amounting to ₱229.37 million. The same amount was offset against the dividends payable of the Company to LBCH (see Note 16).

On May 7, 2019, the BOD of LBC Express Shipping Company WLL (Kuwait) declared cash dividends of KWD 2,500 per common share held by stockholders. The related noncontrolling interest amounting to ₱20.92 million is presented in the statement of changes in equity.

16. Related Party Transactions

In the normal course of business, the Group transacts with related parties consisting of its ultimate parent, LBCDC, affiliates and its associate. Affiliates include those entities in which the owners of the Group have ownership interests. These transactions include 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 six months ended June 30, 2019 and for the year ended December 31, 2018 are as follows:

	Transaction amounts for the six months ended June 30, 2019 (Unaudited)	Outstanding receivable balance as at June 30, 2019 (Unaudited)	Terms	Conditions
Due from related parties (Trade and notes receivables)				
Affiliates				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 5 and 24)	₱61,894,754	₱287,879,603	Noninterest-bearing; due and demandable	Unsecured, no impairment
h.) Notes receivable (Note 5)	2,276,986	33,743,983	Interest-bearing; fixed monthly payment	Unsecured, no impairment
		₱321,623,586		
Due from related parties (Non-trade receivables)				
Ultimate parent company				
b.) Advances	(₱229,374,726)	₱263,205,153	Noninterest-bearing; due and demandable	Unsecured, no impairment
Affiliates - under common control				
b.) Advances	54,235,904	109,802,146	Noninterest-bearing; due and demandable	Unsecured, no impairment
Officer/ Beneficial owner				
b.) Advances	28,424,683	37,751,078	Noninterest-bearing; due and demandable	Unsecured, no impairment
		₱410,758,377		
Due from related parties (Advances for future investments in shares)				
g.) Advances for future investment in shares	₱–	₱17,564,436	Noninterest-bearing; for settlement of the subscription of shares	Unsecured, no impairment
Dividend receivable				
i.) Associate	₱15,000,000	₱7,500,000	Noninterest-bearing; due and demandable	Unsecured, no impairment

	Transaction amounts for the six months ended June 30, 2019 (Unaudited)	Outstanding payable balance as at June 30, 2019 (Unaudited)	Terms	Conditions
Due to related parties (Trade payables)				
Ultimate Parent Company				
b.) Advances	₱–	(₱508,042)	Noninterest-bearing; due and demandable	Unsecured
Associate				
e.) Sea freight and brokerage	327,664,572	(2,621,845)	Noninterest-bearing; due and demandable	Unsecured
Affiliate				
d.) Guarantee fee (Note 13)	3,571,429	–	Noninterest-bearing; due and demandable	Unsecured
		(₱3,129,887)		
Due to related parties (Non-trade payables)				
Affiliate - under common control				
b.) Advances	₱18,751,200	(₱17,457,795)	Noninterest-bearing; due and demandable	Unsecured
Officer				
b.) Advances	130,606,900	(205,413,246)	Noninterest-bearing; due and demandable	Unsecured
		(₱222,871,041)		

	Transaction amounts for the six months ended June 30, 2018 (Unaudited)	Outstanding receivable balance as at December 31, 2018 (Audited)	Terms	Conditions
Due from related parties (Trade receivables)				
Affiliates				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 5 and 24)	₱199,859,213	₱253,208,381	Noninterest-bearing; due and demandable	Unsecured, no impairment
Due from related parties (Non-trade receivables)				
Ultimate parent company				
b.) Advances	₱78,302,801	₱493,736,678	Noninterest-bearing; due and demandable	Unsecured, no impairment
Affiliates - under common control				
b.) Advances	7,542,562	54,937,022	Noninterest-bearing; due and demandable	Unsecured, no impairment
Officer				
b.) Advances	11,525,898	9,284,395	Noninterest-bearing; due and demandable	Unsecured, no impairment
		₱557,958,095		
Due from related parties (Advances for future investments in shares)				
g.) Advances for future investment in shares	₱445,946,636	₱439,823,608	Noninterest-bearing; for settlement of the subscription of shares	Unsecured, no impairment

	Transaction amounts for the six months ended June 30, 2018 (Unaudited)	Outstanding payable balance as at December 31, 2018 (Audited)	Terms	Conditions
Due to related parties (Trade payables)				
Ultimate Parent Company				
c.) Royalty fee (Note 11)	₱23,898	(₱370,163)	Noninterest-bearing; due and demandable	Unsecured
Associate				
e.) Sea freight and brokerage	103,114,301	–	Noninterest-bearing; due and demandable	Unsecured
Affiliate				
d.) Guarantee fee (Note 13)	3,571,429	–	Noninterest-bearing; due and demandable	Unsecured
		(₱370,163)		
Due to related parties (Dividends payable)				
Ultimate Parent Company				
f.) Dividends declared and payable	₱–	(₱285,173,094)	Noninterest-bearing; due and demandable	Unsecured

	Transaction amounts for the six months ended June 30, 2018 (Unaudited)	Outstanding payable balance as at December 31, 2018 (Audited)	Terms	Conditions
ue to a related party (Non-trade payables):				
Affiliates - under common control				
b.) Advances	₱15,463,884	(₱18,347,124)	Noninterest-bearing; due and demandable	Unsecured
Officer				
b.) Advances	11,600,038	(75,645,005)	Noninterest-bearing; due and demandable	Unsecured
		(₱93,992,129)		

Compensation of Key Management Personnel:

	For the six months ended June 30	
	2019 (Unaudited)	2018 (Unaudited)
Salaries and wages	**₱35,367,223**	₱86,086,028
Retirement benefits	**3,727,427**	15,132,479
Other short-term employee benefits	**8,878,010**	9,566,878
	₱47,972,660	₱110,785,385

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 27).

c. Starting 2007, 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%) of the Company'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. Such licensing agreement was amended on August 4, 2017 and was subsequently discontinued effective September 4, 2017 in recognition of the Group's own contribution to the value and goodwill of the trademark.

d. As discussed in Note 13, 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 interim consolidated statements of comprehensive income amounting to ₱1.79 million for the six months ended June 30, 2019 and 2018.

e. 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.

f. On December 20, 2018, the BOD of LBCH approved the declaration of cash dividends amounting to ₱285.17 million. On February 8, 2019, through a Memorandum of Agreement, LBCDC assigned to LBCH a portion of its payable to LBCE amounting to ₱229.37 million. The same amount was offset against the dividends payable of the Company to LBCH.

g. On March 7, 2018, the BOD of the Parent Company approved the purchase of shares of the entities under LBC Express Holdings USA Corporation. The acquisition is expected to benefit the Group by contributing to its global revenue streams. On the same date, the SPA was executed by the Parent Company and LBC Express Holdings USA Corporation with a total share purchase price amounting to US $8.34 million, subject to certain closing conditions. As discussed in Note 14, 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 January 1, 2019, the Parent Company was granted the regulatory approvals on the purchase of the LBC Mundial Corporation and LBC Mabuhay North America Corporation.

h. In November 2011, LBC Mundial Corporation paid-off LBC Express Holdings USA Corporation's outstanding mortgage loan which is consolidated into a long-term promissory note amounting to US$1,105,148 at 4% interest, payable in 180 equal monthly installments. As of June 30, 2019, total outstanding notes receivable amounted to ₱33.74 million, ₱3.88 million of which is presented as current under "Trade and other receivables". Interest income earned from notes receivable amounted to ₱0.70 million for the period ended June 30, 2019.

i. On June 6, 2019, LBCH recognized cash dividends from OFII amounting to ₱15.00 million for its 30% interest on OFII. On June 18, 2019, LBCH received ₱7.50 million representing the first tranche (50%) of dividends.

17. Cost of Services

This account consists of:

	For the six months ended June 30	
	2019	2018
	(Unaudited)	(Unaudited)
Cost of delivery and remittance	**₱2,367,032,060**	₱1,741,243,732
Salaries and benefits	**1,574,606,845**	1,040,113,754
Utilities and supplies	**586,986,033**	415,068,502
Depreciation and amortization (Notes 7, 8 and 20)	**259,490,872**	128,336,470
Rent (Note 20)	**236,367,150**	326,395,461
Transportation and travel	**64,267,541**	53,505,057
Repairs	**58,167,396**	43,946,220
Retirement benefit expense	**53,711,709**	46,865,365
Collection fee	**32,311,743**	873,166
Insurance	**26,225,658**	13,084,215
Others	**43,011,899**	9,416,897
	₱5,302,178,906	₱3,818,848,839

Others include platform subscription, bank fees and software maintenance expenses of subsidiaries involved in online logistics.

18. Operating Expenses and Foreign Exchange Gains - net

Operating expenses consist of:

	For the six months ended June 30	
	2019	2018
	(Unaudited)	(Unaudited)
Salaries and benefits	**₱345,425,478**	₱286,213,913
Depreciation and amortization (Notes 7, 8 and 20)	**329,591,840**	49,968,667
Advertising and promotion	**159,165,010**	88,925,200
Claims and losses	**151,501,281**	36,474,632
Professional fees	**144,733,966**	65,508,475
Utilities and supplies	**101,100,496**	73,850,654
Travel and representation	**98,044,643**	60,571,146
Taxes and licenses	**97,515,406**	75,722,492
Commission expense	**86,942,067**	7,817,695
Dues and subscriptions	**46,736,643**	29,230,366
Rent (Note 20)	**45,462,373**	125,455,048
Software maintenance costs	**20,840,824**	19,663,193
Retirement benefit expense	**17,699,216**	15,877,584
Insurance	**13,138,121**	11,878,578
Provision for expected credit losses (Note 5)	**9,016,536**	35,607,499
Repairs and maintenance	**2,505,098**	2,482,970
Others	**28,943,306**	11,134,554
	₱1,698,362,304	₱996,382,666

Others comprise mainly of bank and finance charges, penalties and other administrative expenses.

Foreign exchange gains - net arises from the following:

	For the six months ended June 30	
	2019 (Unaudited)	2018 (Unaudited)
Bonds payable	**₱30,275,687**	(67,168,883)
Trade payable	**958,064**	(9,147,423)
Investment at FVPL	**628,524**	14,595,052
Advances to affiliates – net	**(3,657,409)**	6,569,726
Cash and cash equivalents	**(7,226,376)**	₱199,984,496
Other current asset	**–**	1,946,405
	₱20,978,490	₱146,779,373

19. **Income Taxes**

Provision for income tax consists of:

	For the six months ended June 30	
	2019 (Unaudited)	2018 (Unaudited)
Current	**₱264,524,496**	₱265,763,328
Deferred	**(37,788,386)**	12,822,806
	₱226,736,110	₱278,586,134

Details of the Group's deferred income tax assets - net as at June 30, 2019 and December 31, 2018 follow:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Deferred tax assets arising from:		
Retirement benefit liability	**₱191,725,430**	₱197,105,840
Accrued employee benefits	**64,572,737**	47,742,542
Allowance for impairment losses	**51,037,253**	48,132,334
NOLCO	**17,470,003**	15,117,586
Contract liabilities	**13,488,654**	11,376,223
Prepaid delivery costs	**2,487,814**	–
MCIT	**80,056**	120,135
Lease liabilities	**–**	16,512,220
Unrealized foreign exchange losses	**3,707,992**	–
Others	**16,222,300**	9,312,542
	360,792,239	345,419,422
Deferred tax liabilities arising from:		
Capitalized borrowing costs	**(104,667)**	(209,334)
Unamortized fair value adjustments arising from business combination	**–**	(19,634,690)
Contract liabilities	**–**	–
Unrealized foreign exchange gains	**(21,187,136)**	(20,285,223)
Others	**(30,866,128)**	(3,012,906)
	(52,157,931)	(43,142,153)
	₱308,634,308	₱302,277,269

20. Lease Commitments

The following are the lease agreements entered into by the Group:

1. Lease agreement covering its previous corporate office space, originally for a period of five years starting October 20, 2016 was terminated effective November 30, 2018 as mutually agreed with the lessor.

2. Lease agreement covering its current corporate office space for a period of five years from September 1, 2018. The lease agreement is renewable upon mutual agreement with the lessor and includes rental rate escalations during the term of the lease. The lease agreement also requires the Group to pay advance rental and security deposits.

3. Lease agreements covering various service centers and service points, within the Philippines and overseas where the Group operates, 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.

4. 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.

(a) Right-of-use assets and related lease liabilities

The amounts recognized in the consolidated statement of financial position and consolidated statement of comprehensive income follow:

	Right-of-use assets				
	Office and Warehouses	**Vehicles**	**Equipment**	**Total**	**Lease liabilities**
As at January 1, 2019, as previously stated	₱–	₱–	₱–	₱–	(₱140,069,034)
Effect of PFRS 16 adoption	1,651,000,195	89,403,785	25,312,929	1,765,716,909	(1,648,643,414)
As at January 1, 2019, as restated	1,651,000,195	89,403,785	25,312,929	1,765,716,909	(1,788,712,448)
Additions through business combinations	123,195,936	20,613,585	36,040,215	179,849,736	(179,849,736)
Additions	106,266,085	1,641,821	7,602,006	115,509,912	(150,392,066)
Amortization	(262,370,856)	(13,761,859)	(15,242,706)	(291,375,422)	–
Payments of principal	–	–	–	–	224,077,124
Payments of interests	–	–	–	–	54,773,808
Accretion of interest	–	–	–	–	2,380,730
As at June 30, 2019	**₱1,618,091,360**	**₱97,897,332**	**₱53,712,444**	**₱1,769,701,135**	**(₱1,837,722,588)**

The Group recognized rent expense from short-term leases of ₱274.81 million and leases of low-value assets of ₱7.02 million for the six months ended June 30, 2019 (see Notes 17 and 18).

Lease liabilities recognized under PFRS 16 amounted to ₱1,837.72 million, ₱610.46 million of which is presented under current liabilities. The Group also reclassified from Property and equipment recognized under finance lease to Right-of-use assets amounting to ₱76.44 million (see Note 2). Interest expense arising from the accretion of the present value of the minimum lease payments amounted to ₱1.46 million for the six months ended June 30, 2019.

The following summarized the maturity profile of the Group's lease liabilities as of June 30, 2019:

Not later than 1 year	₱610,468,776
Later than 1 year but not later than 5 years	1,063,984,048
Later than 5 years	163,269,764
	₱1,837,722,588

(b) Rent Expenses

The rent expenses recognized under cost of services and operating expenses in the interim consolidated statement of comprehensive income for the six months ended June 30, 2019 are considered short-term leases or low value assets where the recognition exemption is applied.

	For the six months ended June 30	
	2019	2018
	(Unaudited)	(Unaudited)
Cost of services	**₱236,367,150**	₱326,395,461
Operating expenses	**45,462,373**	125,455,048
	₱281,829,523	₱451,850,509

The comparative rent expenses for the six months ended June 30, 2018 are based on PAS 17.

Deferred lease liability arising from straight line recognition of lease payments under PAS 17 amounting to ₱61.89 million as of December 31, 2018 is included in the non-current portion of lease liabilities account in interim consolidated financial position.

The Group has security deposits arising from the said lease agreements amounting to ₱238.37 million and ₱312.43 million as at June 30, 2019 and December 31, 2018, respectively.

(c) 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, 2018 arising from these leases are as follow:

	December 31, 2018 (Audited)
Gross finance lease obligations	
Not later than one year	₱26,943,343
Later than 1 year but not later than 5 years	65,479,002
	92,422,345
Future finance lease charges on the finance lease	
Not later than one year	(6,672,051)
Later than 1 year but not later than 5 years	(7,573,842)
	(14,245,893)
	₱78,176,452

The present value of minimum lease payments is as follows:

	December 31, 2018 (Audited)
Not later than 1 year	₱20,271,292
Later than 1 year but not later than 5 years	57,905,160
	₱78,176,452

Interest expense on the above lease obligations charged to finance costs amounted to ₱1.59 million for six months ended June 30, 2018.

21. Retirement Benefits

The components of liability recognized in the interim consolidated statements of financial position for the existing retirement plan follow:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Present value of defined benefit obligation	**₱1,014,082,207**	₱803,245,359
Fair value of plan assets	**(359,143,343)**	(130,980,215)
	₱654,938,864	₱672,265,144

The Group has no existing transaction either directly or indirectly with its employees' retirement benefit fund.

The pension cost for the interim periods and the present value of the defined benefit obligation as at June 30, 2019 were calculated by extrapolating the latest actuarial valuation reports for the year ended December 31, 2018, respectively.

22. Financial Risk Management Objectives and Policies

The Group has various financial assets such as cash and cash equivalents, restricted cash, trade and other receivables (excluding advances to officers and employees), due from related parties, financial assets at FVPL, financial assets at FVOCI, and 'short-term investments' under other current assets.

The Group's financial liabilities comprise of accounts and other payables (excluding statutory liabilities and advances intended for the subscription of shares), due to related parties, notes payable, transmissions liability, finance lease liabilities, dividends payable, derivative liability, bond payable and other noncurrent liabilities. The main purpose of these financial liabilities is to finance the Group's operations.

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 June 30, 2019 and 2018 with all other variables held constant.

	Effect on comprehensive income	
	June 30, 2019 (Unaudited)	June 30, 2018 (Unaudited)
Change in share price		
Increase by 5%	**₱20,286,248**	₱19,115,887
Decrease by 5%	**(₱20,286,248)**	(₱19,115,887)
Change in NAV		
Increase by 5%	**₱1,054,454**	₱16,312,018
Decrease by 5%	**(₱1,054,454)**	(₱16,312,018)

The Group is also exposed to equity price risk in the fair value of the derivative liability due to the embedded equity conversion feature. Furthermore, at a given point in time in the future until maturity date, the derivative liability has a redemption option offering a minimum return in case the value of the conversion feature is low.

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 June 30, 2019 with all other variables held constant.

	Effect on net income
	June 30, 2019 (Unaudited)
Change in share price	
Increase by 5%	**₱129,470,205**
Decrease by 5%	**(₱129,470,205)**

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 carried at fair value are sensitive to interest rate fluctuations. 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.

	Effect in fair value as of	
	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Credit spread		
+1%	**₱59,897,180**	₱58,315,936
-1%	**(63,042,677)**	(63,189,129)

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), US Dollar (USD), Japanese Yen (JPY) 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 cash and cash equivalents, trade and other receivables and bonds payable in the interim condensed consolidated statements of financial position and their Philippine Peso equivalents follow:

	June 30, 2019 (Unaudited)	
	Foreign currency	**Peso equivalent**
Assets:		
Euro	**2,745,912**	**₱157,985,430**
Hongkong Dollars	**16,423,693**	**109,368,655**

The translation exchange rates used were ₱57.53 to EUR 1 and ₱6.66 to HKD 1 in 2019.

	December 31, 2018 (Audited)	
	Foreign currency	Peso equivalent
Assets:		
Euro	2,960,871	₱177,119,303
Hongkong Dollars	16,166,668	108,640,009
US Dollars	4,895,355	257,544,627
Japanese yen	13,106,738	₱6,029,099
Canadian dollar	872	34,584
Liabilities:		
US Dollars	(21,213,491)	(1,118,460,095)

The translation exchange rates used were ₱59.82 to EUR 1, ₱6.72 to HKD 1, ₱52.61 to USD 1, ₱0.46 to JPY 1 and ₱39.66 to CAD 1 in 2018.

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 - net position) as at June 30, 2019 and December 31, 2018.

	Increase (decrease) in income before tax	
Reasonably possible change in foreign exchange rate for every two units of Philippine Peso	**June 30, 2019 (Unaudited)**	December 31, 2018 (Audited)
₱2	₱38,339,209	₱31,834,026
(2)	(38,339,209)	(31,834,026)

There is no impact on the Group's equity other than those already affecting profit or loss and other comprehensive income. The movement in sensitivity analysis is derived from current observations on fluctuations in foreign currency exchange rates.

The Group recognized ₱20.98 million and ₱146.78 million foreign exchange gains - net, for the three months period ended June 30, 2019 and 2018, respectively, arising from settled transactions and translation of the Group's cash and cash equivalents, investment in FVPL, due from related parties, trade and other payables and bond payable (see Note 18).

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 June 30, 2019 and December 31, 2018, the aging analyses of Group's past due and/or impaired receivables are as follows:

	June 30, 2019				
	Past Due but not Impaired			**Impaired Financial**	
	1 to 30 days	**31 to 90 days**	**Over 90 days**	**Assets**	**Total**
Trade and other receivables	**₱29,277,568**	**₱31,476,772**	**₱256,298,452**	**₱163,310,815**	**₱480,363,606**

	December 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	₱57,730,537	₱13,539,644	₱37,752,788	₱154,294,279	₱263,317,248

The following tables outline the impact of multiple scenarios on the allowance for impairment losses:

June 30, 2019	GDP growth rate	Associated ECL on trade receivables
Base case (33%)	7.00%	₱54,436,939
Upside case (33%)	10.00%	54,338,808
Downside case (33%)	4.00%	54,535,069
		₱163,310,816

December 31, 2018	GDP growth rate	Associated ECL on trade receivables
Base case (33%)	6.30%	₱51,431,426
Upside case (33%)	9.30%	51,314,974
Downside case (33%)	3.30%	51,547,879
		₱154,294,279

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 June 30, 2019 and December 31, 2018 amounting to ₱3,804.36 million and ₱3,277.97 million, respectively.

23. **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, dividends payable 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 equity financial assets at FVOCI is the current closing price while the financial assets at FVPL is based on the published net asset value per unit as of reporting date.

The estimated fair value of derivative liability as at June 30, 2019 is based on an indirect method of valuing multiple embedded derivatives. This valuation technique uses 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 16.08% for the six months ended June 30, 2019. A 5% increase (5% decrease) in the stock price volatility would decrease by ₱1,902 (increase by ₱754) the fair value of the derivative liability.

The plain bond is determined by discounting the cash flow, which is simply the principal at maturity, using a discount rate of 14.74%. The discount rate is composed of the matched to maturity risk free rate and the option adjusted spread of 13%.

The estimated fair value of long-term portion of notes payable as at June 30, 2019 and December 31, 2018 is based on the discounted value of future cash flow using applicable rates ranging from 5.75% to 6.00% and 5.10%. to 6.97%, respectively.

The fair value of the long-term portion of lease liabilities as at June 30, 2019 and December 31, 2018 is based on the discounted value of future cash flow using applicable interest rates ranging from 6.07% to 6.09% and 5.10% to 6.97%, respectively.

The estimated fair value of other noncurrent liabilities as at June 30, 2019 and December 31, 2018 is based on the discounted value of future cash flow using applicable rate of 6.60% to 6.94% and 5.10% to 6.97%, respectively.

The discounting used Level 3 inputs such as projected cash flows and other market data.

Except for the fair values of financial assets at FVOCI which are classified as Level 1, the discounting used inputs such as cash flows, discount rates and other market data, hence are classified as Level 3.

The financial asset at FVPL is under the Level 2 category.

The quantitative disclosures on fair value measurement hierarchy for assets and liabilities as at June 30, 2019 and December 31, 2018 follow:

		June 30, 2019 (Unaudited)			
		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					
FVOCI	**₱405,724,954**	**₱405,724,954**	**₱405,724,954**	**₱–**	**₱–**
FVPL	**21,089,070**	**21,089,070**	**–**	**21,089,070**	**–**
Liability measured at fair value					
Derivative liability	**1,459,903,376**	**1,459,903,376**	**–**	**–**	**1,459,903,376**
Liabilities for which fair value are disclosed					
Bond payable	**1,164,478,010**	**1,167,193,930**	**–**	**–**	**1,167,193,930**
Long-term notes payable	**572,500,000**	**490,665,109**	**–**	**–**	**490,665,109**
Noncurrent lease liabilities	**1,227,253,812**	**1,367,149,962**	**–**	**–**	**1,367,149,962**
Other noncurrent liabilities	**57,784,581**	**61,336,076**	**–**	**–**	**61,336,076**

		December 31, 2018 (Audited)			
		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					
FVOCI	₱337,453,928	₱337,453,928	₱337,453,928	₱–	₱–
FVPL	131,294,744	131,294,744	–	131,294,744	–
Liability measured at fair value					
Derivative liability	1,406,175,427	1,406,175,427	–	–	1,406,175,427
Liabilities for which fair value are disclosed					
Bond payable	1,108,417,074	1,104,307,001	–	–	1,104,307,001
Long-term notes payable	532,500,000	508,026,630	–	–	508,026,630
Noncurrent lease liabilities	57,905,160	53,043,481	–	–	53,043,481
Other noncurrent liabilities	79,986,182	71,378,284	–	–	71,378,284

During the six months ended June 30, 2019 and year ended December 31, 2018, 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.

24. 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.

Set below is the disaggregation of the Group's revenue from contracts with customers:

	For the six months ended June 30, 2019		
Segments	**Logistics**	**Money transfer services**	**Total**
Type of Customer			
Retail	**₱4,950,749,359**	**₱377,762,553**	**₱5,328,511,912**
Corporate	**2,361,778,376**	**157,178,092**	**2,518,956,468**
Total revenue from contracts with customer	**₱7,312,527,735**	**₱534,940,645**	**₱7,847,468,380**
Geographic Markets			
Domestic	**₱5,421,294,763**	**₱377,762,553**	**₱5,799,057,316**
Overseas	**1,891,232,972**	**157,178,092**	**2,048,411,064**
Total revenue from contracts with customer	**₱7,312,527,735**	**₱534,940,645**	**₱7,847,468,380**

	For the six months ended June 30, 2018		
Segments	Logistics	Money transfer services	Total
Type of Customer			
Retail	₱3,295,682,250	₱426,005,165	₱3,721,687,415
Corporate	2,013,569,361	47,497,146	2,061,066,507
Total revenue from contracts with customer	₱5,309,251,611	₱473,502,311	₱5,782,753,922
Geographic Markets			
Domestic	₱4,427,790,565	₱405,238,499	₱4,833,029,064
Overseas	881,461,046	68,263,812	949,724,858
Total revenue from contracts with customer	₱5,309,251,611	₱473,502,311	₱5,782,753,922

The Group disaggregates its revenue information in the same manner as it reports its segment information.

The revenue of the Group consists mainly of sales to external customers. Revenue arising from service fees charged to affiliates amounted to ₱61.89 million and ₱199.86 million for the six months ended June 30, 2019 and 2018, respectively.

<u>Seasonality of Operations</u>
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 Christmas holiday season.

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:

	For the six months ended June 30,	
	2019	2018
	(Unaudited)	(Unaudited)
Net income attributable to equity holder of the Parent Company	**₱ 561,876,923**	₱1,185,825,717
Less profit impact of assumed conversion of bonds payable	**36,641,824**	(318,047,138)
	₱598,518,747	₱867,778,579
Weighted average number of common shares outstanding	**1,425,865,471**	1,425,865,471
Dilutive shares arising from convertible debt	**200,988,462**	202,650,000
Adjusted weighted average number of common shares for diluted EPS	**1,626,853,933**	1,628,515,471
Basic EPS	**₱0.39**	₱0.83
Diluted EPS	**₱0.37**	₱0.53

26. Notes to Consolidated Statement of Cash Flows

In 2019, the Group has the following non-cash transactions under:

Investing Activities

a. unpaid acquisition of property and equipment amounting to ₱754.63 million.
b. offsetting of due from LBCDC against dividend payable amounting to ₱229.37 million recorded under 'Due from related parties' (see Note 16).

Financing Activities

Details of the movement in cash flows from financing activities are as follows:

	December 31, 2018	Cash Flows	Leasing arrangements and effect of adoption of PFRS 16*	Interest	Offsetting of dividends	Foreign exchange movement	Fair value changes	Effect of business combination	June 30, 2019
Notes payable	₱829,500,000	₱110,000,000	₱–	₱–	₱–	₱–	₱–	₱–	₱939,500,000
Lease liabilities and other noncurrent liabilities	220,055,216	(284,394,132)	1,722,211,768	–	–	–	–	179,849,736	1,837,722,588
Convertible bond (bond and derivative liability)	2,514,592,501	–	–	86,336,623	–	(30,275,687)	(28,501,818)	–	2,542,151,619
Dividends payable	285,173,094	(55,798,368)	–	–	(229,374,726)	–	–	–	–
Interest payable	1,570,160	(88,910,156)	–	87,339,996	–	–	–	–	–
Due to related parties	93,992,129	61,568,765	–	–	–	–	–	67,310,147	222,871,041
Total liabilities from financing activities	₱3,944,883,100	(₱ (257,533,891)	₱1,722,211,768	₱ 173,676,619	(₱229,374,726)	(₱30,275,687)	(₱28,501,818)	₱247,159,883	₱5,542,245,248

includes additional leasing arrangements for the six months ended June 30, 2019

In 2018, the Group has the following non-cash transactions under:

Investing Activities

a. unpaid acquisition of property and equipment amounting to ₱11.64 million and ₱21.62 million for the six months ended June 30, 2018 and 2017, respectively.
b. unpaid acquisition cost of investment in associate amounting to ₱9.7 million in 2018.
c. assignment of receivable to acquire QUADX amounting to ₱186 million.
d. unpaid acquisition cost of investment in subsidiaries amounting to ₱246.18 million.

The Group offset due from LBCDC against dividends payable amounting to ₱699.47 million in 2017 recorded under "Due from related parties" under operating activities:

Details of the movement in cash flows from financing activities are as follows:

	December 31, 2017	Cash Flows	Leasing arrangements	Interest	June 30, 2018
Notes payable	₱1,041,300,000	(₱170,550,000)	₱–	₱–	₱870,750,000
Lease liabilities	117,723,381	(25,564,854)	20,054,974	(4,825,435)	107,388,066
Due to related parties	2,542,585	12,965,404	–	–	15,507,989
Interest paid	–	(30,444,973)	–	31,927,288	1,482,315
Total liabilities from financing activities	₱1,161,565,966	(₱213,594,423)	₱20,054,974	₱27,101,853	₱995,128,370

27. 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 and appointed Philippine Deposit Insurance Company (PDIC) as the Bank's official receiver and liquidator.

On December 8, 2011, the Bank, thru PDIC, demanded LBC Holdings USA Corporation (LBC US) to pay its alleged outstanding obligations amounting to approximately ₱1.00 billion, a claim that LBC US has denied for being baseless and unfounded.

In prior years, the Group has outstanding advances of ₱295.00 million to the Bank, an entity under common control of LBCDC. In 2011, upon the Bank's closure and receivership, management assessed that these advances are not recoverable. Accordingly, the receivables amounting to ₱295.00 million were written-off.

On March 17 and 29, 2014, PDIC's external counsel sent demand/collection letters to LBC Express, Inc. (LBCE), for collection of the alleged amounts totaling ₱1.79 billion. It also sent demand/collection letter to LBC Systems, Inc. [Formerly LBC Mundial Inc.] [Formerly LBC Mabuhay USA Corporation], demanding the payment of amounts aggregating to ₱911.59 million on March 24 and 29, 2014, July 29, 2014, June 17, 2015 and June 26, 2015.

On November 2, 2015, the Bank, represented by the PDIC, filed a case against LBCE and LBCDC, together with other respondents, before the Makati City Regional Trial Court (RTC) for a total collection of ₱1.82 billion 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. PDIC justified the increase in the amount from the demand letters due to their discovery that the supposed payments of LBCE were allegedly unsupported by actual cash inflow to the Bank.

On December 28, 2015, summons and 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.

On January 12, 2016, LBCE and LBCDC, together with other defendants, filed motions to dismiss the Complaint which was denied by the RTC, and then by Court of Appeals (CA). LBCE and LBCDC filed a motion for reconsideration on March 21, 2019 and is now pending resolution.

On January 21, 2016, LBCE and LBCDC filed its Urgent Motion to Approve the Counterbond and Discharge the Writ of Attachment which was resolved in favor of LBCE and LBCDC. 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.

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 judge who scheduled the case for pre-trial proceedings.

On or about September 3, 2018, PDIC filed a motion for issuance of alias summons to five individual defendants, who were former officers and directors of the Bank. For reasons not explained by PDIC, it had failed to cause the service of summons upon five of the individual defendants and hence, the court had not acquired jurisdiction over them. Since PDIC was still trying to serve summons on the five individual defendants and thus, for orderly proceedings, LBCE and other defendants filed motions to defer pre-trial until the RTC had acquired jurisdiction over the remaining defendants.

On January 18, 2019, PDIC filed its Pre-Trial Brief. LBCE and other defendants, on the other hand, filed its own Pre-Trial Brief without prejudice to their pending motions to defer Pre-Trial.

On May 2, 2019, at the pre-trial hearing, the judge released his Order, whereby, among others, he granted the motion to defer pre-trial proceedings in order to have an orderly and organized pre-trial and deferred pre-trial hearing until the other defendants have received summons and filed their answers. In the meantime, the parties have proceeded to pre-mark their respective documentary exhibits in preparation for eventual pre-trial.

Four of the five individual defendants have already received summons and have filed motions to dismiss the case, all of which are pending resolution.

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.

28. Subsequent Events

Sale of QUADX Inc shares and assignment of receivables

On July 1, 2019, LBCE then sold all its QUADX shares to LBCDC for the same cash consideration payable no later than two years from the date of sale, subject to any extension as may be agreed in writing by the parties. On the same date, LBCE, LBCDC and QUADX entered into a Deed of Assignment of Receivables whereas LBCE agreed to assign, transfer and convey its receivables from

QUADX as of March 31, 2019 to LBCDC which shall be paid in full, from time to time starting July 1, 2019 and no later than two years from the date of the execution of the Deed, subject to any extension as may be agreed in writing by LBCE and LBCDC.

QUADX Inc. owns, maintains and operates an e-com website including but not limited to an online marketplace, online marketing services, and an online retail store. The divestment by the Parent Company of its QUADX Inc. shares is being made pursuant to the plans of the Parent Company to refocus the strategic direction for QUADX Inc., which may include implementing certain organizational changes, with a view of turning around the losses of QUADX Inc.

Following the loss of control of QUADX Inc., LBCH shall derecognize the carrying amounts of the assets (including goodwill) and liabilities of QUADX, Inc. and the carrying amount of any NCI at the date when control is lost including any components of OCI attributable to NCI. LBCH shall also recognize the fair value of the consideration received and any resulting difference as gain or loss in the statement of comprehensive income attributable to the Parent Company. An estimate of the financial effect cannot be made as at the date the interim condensed consolidated financial statements are authorized for issue.

Completion of LBC Hawaii acquisition
Effective July 1, 2019, the Parent Company’s purchase of LBC Mabuhay Hawaii Corporation was completed upon approval by the US Regulatory bodies that oversee and/or regulate this entity. LBC Mabuhay Hawaii operates as a cargo and remittance Company in Hawaii, USA. The Parent Company purchased 1,536,408 shares or 100% of the total outstanding shares from LBC Holdings USA Corporation for a cash consideration of US $0.34 million. This acquisition was expected to contribute to the global revenue stream of the Group.

Details of the fair value of the net identifiable assets and liabilities assumed of LBC Hawaii are incomplete as of the time the financial statements are authorized for issue since the entity is not reporting under PFRS.

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
JUNE 30, 2019

Name of issuing entity and association of each issue	Number of shares	Amount shown in the balance sheet	Income received and accrued
Financial assets at fair value through other comprehensive income - Araneta Properties, Inc.	195,060,074	₱405,724,954	₱–
Financial assets at fair value through profit or loss	–	21,089,070	394,832
		426,814,024	394,832
Financial assets at amortized costs:			
Cash in bank and cash equivalents	–	4,392,980,094	19,391,078
Short-term investments	–	132,324,160	220,687
Trade and other receivables	–	1,961,496,509	–
Due from related parties	–	418,258,377	–
Notes receivable (current and noncurrent)	–	33,743,983	704,078
	–	6,938,803,123	20,095,156
		₱7,365,617,147	₱20,489,988

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDER (OTHER THAN RELATED PARTIES)

JUNE 30, 2019

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, *Shareholder*	₱9,284,395	₱–	₱–	₱–	₱9,284,395	₱–	₱9,284,395
Other beneficial owners	–	28,466,683	–	–	28,466,683	–	28,466,683
	₱9,284,395	₱ 28,466,683	₱–	₱–	₱37,751,078	₱–	₱37,751,078

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE C: AMOUNTS RECEIVABLES/PAYABLES FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

JUNE 30, 2019

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.	(₱1,449,705,535)	(₱1,249,798,984)	₱2,528,745,037	₱–	₱–	₱28,840,304	₱–	₱28,840,304
LBC Express, Inc. - MM	88,859,943	136,852,855	(137,434,064)	–	–	88,278,734	–	88,278,734
LBC Express, Inc. - SCC	2,034,879	43,104,525	(27,522,476)	–	–	17,616,928	–	17,616,928
LBC Express, Inc. - NEMM	23,557,736	99,919,841	(101,122,440)	–	–	22,355,137	–	22,355,137
LBC Express, Inc. - NWMM	33,029,647	66,788,870	(66,437,466)	–	–	33,381,051	–	33,381,051
LBC Express, Inc. - EMM	20,777,434	54,075,190	(50,604,775)	–	–	24,247,849	–	24,247,849
LBC Express, Inc. - SMM	15,668,254	72,017,391	(70,259,475)	–	–	17,426,170	–	17,426,170
LBC Express, Inc. - CMM	18,055,227	81,881,880	(80,328,296)	–	–	19,608,811	–	19,608,811
LBC Express, Inc. - SL	55,450,649	128,627,343	(123,176,649)	–	–	60,901,343	–	60,901,343
LBC Express, Inc. - SEL	40,325,375	86,597,816	(81,061,344)	–	–	45,861,847	–	45,861,847
LBC Express, Inc. - CL	28,468,803	101,319,654	(94,138,933)	–	–	35,649,524	–	35,649,524
LBC Express, Inc. - NL	38,234,559	102,894,826	(103,464,572)	–	–	37,664,813	–	37,664,813
LBC Express, Inc. - VIS	40,255,138	126,783,441	(104,351,077)	–	–	62,687,503	–	62,687,503
LBC Express, Inc. - WV	30,250,181	93,773,809	(82,813,700)	–	–	41,210,290	–	41,210,290
LBC Express, Inc. - MIN	47,577,642	110,453,133	(107,984,443)	–	–	50,046,333	–	50,046,333
LBC Express, Inc. - SEM	35,824,456	65,879,909	(62,869,207)	–	–	38,835,158	–	38,835,158
South Mindanao Courier Co. Inc.	9,668,993	17,889,400	(14,533,499)	–	–	13,024,894	–	13,024,894
LBC Express Corporate Solutions, Inc.	(3,707,949)	5,618,277	(6,444,927)	–	–	(4,534,599)	–	(4,534,599)
LBC Express, Inc. - SCS	(5,505,694)	95,783,101	(67,009,467)	–	–	23,267,940	–	23,267,940
LBC Systems, Inc.	(57,956,971)	7,437,563	(5,996,546)	–	–	(56,515,954)	–	(56,515,954)
LBC Express WLL	11,958,091	(27,496,995)	35,586,228	–	–	20,047,324	–	20,047,324
LBC Express Bahrain WLL	(7,583,930)	(2,318,513)	(5,315,794)	–	–	(15,218,237)	–	(15,218,237)
LBC Express LLC	(74,726,249)	(7,757,799)	13,188,371	–	–	(69,295,676)	–	(69,295,676)
LBC Mabuhay Saipan, Inc.	(7,964,299)	(32,124,018)	28,633,792	–	–	(11,454,525)	–	(11,454,525)
LBC Aircargo (S) Pte. Ltd	(144,696,541)	(111,437,895)	114,605,754	–	–	(141,528,681)	–	(141,528,681)
LBC Money Transfer PTY Limited	(65,411,340)	(48,006,159)	75,294,658	–	–	(38,122,841)	–	(38,122,841)
LBC Airfreight (S) Pte. Ltd	90,555,342	80,688,262	(72,493,394)	–	–	98,750,210	–	98,750,210
LBC Australia PTY Limited	16,426,181	(3,787,868)	6,260,737	–	–	18,899,050	–	18,899,050
LBC Mabuhay (Malaysia) SDN BHD	9,936,942	3,226,005	(4,812,846)	–	–	8,350,100	–	8,350,100
LBC Mabuhay (B) SDN BHD	24,897,408	25,568,610	(25,899,894)	–	–	24,566,124	–	24,566,124
LBC Mabuhay Remittance SDN BHD	16,277,820	12,407,825	(9,831,895)	–	–	18,853,750	–	18,853,750
LBC Mundial Corporation	–	(33,771,356)	12,710,361	–	–	(21,060,996)	–	(21,060,996)
LBC Mabuhay North America Corporation	–	(41,582,124)	41,582,124	–	–	-	–	-
QUADX Inc.	(501,127,188)	(539,701,568)	52,192,122	–	–	(988,636,634)	–	(988,636,634)
QuadX Pte Ltd.	(12,379,165)	(6,386,957)	29,037,078	–	–	10,270,956	–	10,270,956
	(₱1,632,674,161)	(₱313,084,938)	₱1,431,929,083	₱–	₱–	(₱485,726,002)	₱–	(₱485,726,002)

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE D: INTANGIBLE ASSETS

JUNE 30, 2019

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Disposals	Reclassifications	Ending balance
Software	₱436,437,091	₱10,066,546	(₱68,402,467)	₱–	₱80,454,247	₱460,555,417
Development in progress	118,932,565	68,362,299	–	–	(84,638,247)	102,656,617
	₱555,369,656	₱68,362,299	(₱68,402,467)	₱–	₱2,184,000	₱563,212,034

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE E: LONG TERM DEBT

JUNE 30, 2019

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	₱939,500,000	₱367,000,000	₱572,500,000
Lease liabilities	1,837,722,588	610,468,776	1,227,253,812
Bond payable	1,164,478,010	–	1,164,478,010
Derivative liability	1,377,673,609	–	1,377,673,609
Other liabilities	108,982,189	51,197,608	57,784,581
	₱5,428,356,396	₱1,028,666,384	₱4,399,690,012

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES

JUNE 30, 2019

Name of related party	Balance at beginning of period	Balance at end of period
Fernando G. Araneta, *Chief Strategy Officer*	₱130,606,900	₱205,413,246
Blue Eagle and LBC Services Pte. Ltd.	13,372,974	13,201,233
Others	(221,307)	4,256,562
	₱143,758,567	₱222,871,041

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS

JUNE 30, 2019

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

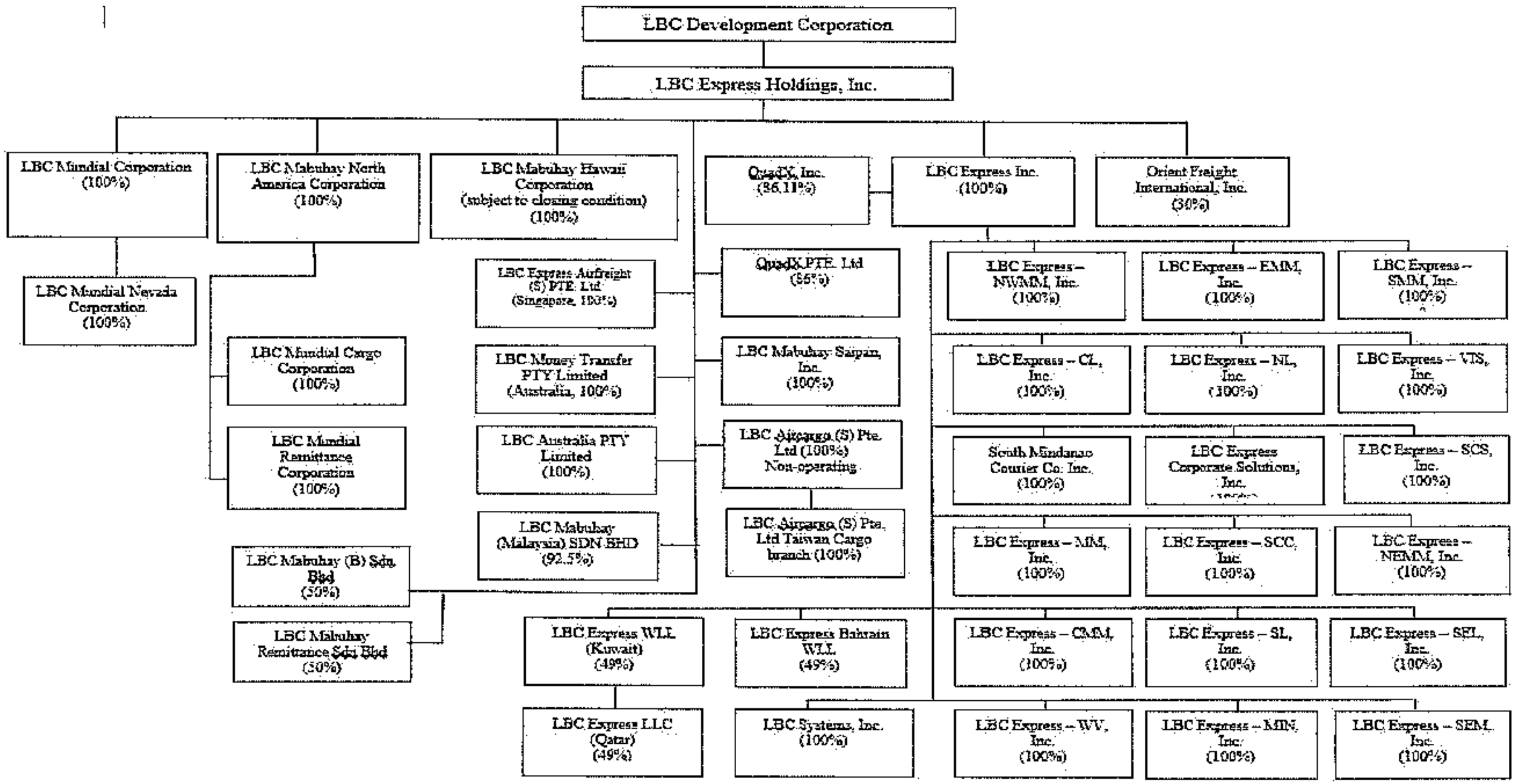
JUNE 30, 2019

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

JUNE 30, 2019



LBC EXPRESS HOLDINGS, INC.

SCHEDULE OF RETAINED EARNINS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE SIX MONTHS ENDED JUNE 30, 2019

Unappropriated retained earnings, as adjusted to available for dividend distribution, as at January 1, 2019		₱972,306,681
Add: Net income actually earned/realized during the period:		
Net income during the period closed to retained earnings	(₱53,331,561)	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash equivalents)	30,275,687	
Unrealized actuarial gain	–	
Fair value adjustment (M2M gains)	28,501,818	
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		(112,109,066)
Add (Less):		
Dividend declarations during the period	–	
Appropriations of retained earnings during the period	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	–
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION		₱860,197,615

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

Financial Soundness Indicators

Below are the financial ratios that are relevant to the Group for the six months ended June 30 and fiscal year ended December 31, 2018:

Financial ratios		2019	2018
Current ratio	Current assets / Current liabilities	**1.40:1**	1.71:1
Debt to equity ratio	Total liabilities / Stockholders' Equity	**2.76:1**	2.47:1
Debt to total assets ratio	Total liabilities / Total assets	**0.73:1**	0.71:1
Return on average assets	Net income attributable to Parent Company / Average assets	**4.34%**	13.07%
Book value per share	Stockholders' equity / Total number of shares	**₱2.71**	₱2.30
Basic earnings per share	Net income attributable to Parent Company / Weighted average number of common shares outstanding	**₱0.39**	₱0.95
Diluted earnings per share	Net income attributable to Parent Company / Adjusted weighted average number of common shares for diluted EPS	**₱0.37**	₱0.68

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2019		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2019		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements	✓		
PAS 28	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property			✓
	Amendments to PAS 40, Transfers of Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2019		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies			✓
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2019		Adopted	Not Adopted	Not Applicable
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases - Incentives			✓
Philippine Interpretation SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets - Web Site Costs			✓

Standards tagged as "Not applicable" have been adopted by the Group but have no significant covered transactions for the year ended June 30, 2019.

Standards tagged as "Not adopted' are standards issued but not yet effective as of June 30, 2019. The Group will adopt the Standards and Interpretations when these become effective.