CR05674-2020

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
   Jun 30, 2020
2. SEC Identification Number
   ASO93-005277
3. BIR Tax Identification No.
   002-648-099-000
4. Exact name of issuer as specified in its charter
   LBC EXPRESS HOLDINGS, INC. (formerly FEDERAL RESOURCES INVESTMENT GROUP INC.)
5. Province, country or other jurisdiction of incorporation or organization
   Philippines
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   LBC Hangar, General Aviation Center, Domestic Airport Road, Pasay City
   Postal Code
   1300
8. Issuer's telephone number, including area code
   (632) 8856 8510
9. Former name or former address, and former fiscal year, if changed since last report
   N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common shares	1,425,865,471

11. Are any or all of registrant's securities listed on a Stock Exchange?
    (●) Yes ( ) No
    If yes, state the name of such stock exchange and the classes of securities listed therein:
    Philippine Stock Exchange / Common shares
12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC 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 that the registrant was required to file such reports)

Yes No

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

Yes No

LBC Express Holdings, Inc.
LBC

PSE Disclosure Form 17-2 - Quarterly Report
References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	Jun 30, 2020
Currency (indicate units, if applicable)	PHP

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Jun 30, 2020	Dec 31, 2019
Current Assets	7,865,709,713	7,883,732,608
Total Assets	13,941,964,630	14,093,685,359
Current Liabilities	5,101,625,500	4,942,499,617
Total Liabilities	11,304,508,619	10,825,571,654
Retained Earnings/(Deficit)	1,119,638,693	1,621,371,760
Stockholders' Equity	2,637,456,011	3,268,113,705
Stockholders' Equity - Parent	2,611,414,583	3,240,914,837
Book Value per Share	2.15	2.41

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	1,842,713,657	4,007,296,900	5,643,189,369	7,724,275,845
Gross Expense	2,657,171,245	3,621,227,149	6,146,403,430	6,949,374,772
Non-Operating Income	19,406,200	60,162,246	56,046,394	90,049,412
Non-Operating Expense	113,872,091	337,882,214	217,803,069	590,855,293
Income/(Loss) Before Tax	-908,923,479	108,349,783	-664,970,736	274,095,192

Income Tax Expense	-222,063,514	57,600,892	-165,821,958	215,772,448
Net Income/(Loss) After Tax	-686,859,965	50,748,891	-499,148,778	58,322,744
Net Income Attributable to Parent Equity Holder	-679,621,399	46,135,579	-501,733,067	71,250,632
Earnings/(Loss) Per Share (Basic)	-0.48	0.03	-0.35	0.05
Earnings/(Loss) Per Share (Diluted)	-0.48	0.03	-0.35	0.05

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	-0.05	0.17
Earnings/(Loss) Per Share (Diluted)	-0.05	0.17

Other Relevant Information
The computation of book value per share excludes the impact of PFRS16 adoption.

Filed on behalf by:

Name	Ernesto III Naval
Designation	Alternate Corporate Information Officer

C O V E R   S H E E T

SEC Registration Number

A S O 9 3 0 0 5 2 7 7

C O M P A N Y   N A M E

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	

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	+632 8856-8510	N/A

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

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Enrique V. Rey, Jr.	evrey@lbcexpress.com	+632 8856-8510	

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, 2020**

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) 8856 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, 2020:

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	1,321,347,571[2]
Derivative Liability	2,056,264,392[2]

[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.

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 [ ]

[3] As of June 30, 2020, 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, 2020 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

<u>Six months ended June 30, 2020 compared to the six months ended June 30, 2019</u>

Service Revenues

The Company's service revenues decreased by 27% to ₱5,643.19 million for the six months ended June 30, 2020 from ₱7,724.28 million for the six months ended June 30, 2019. The downturn of revenue is attributable to the fall of demand during the worldwide lockdown caused by the COVID 19 pandemic in the second quarter of the year. The Group had selected branches opened and delivery remained operational, but the lead times are extended due to safety, security and travel restrictions.

Cost of Services

Cost of services reduced by 15% to ₱4,754.77 million for the six months ended June 30, 2020 from ₱5,584.89 million for the six months ended June 30, 2019, relative to lower volume of acceptance in the second quarter of 2020 caused by the pandemic. Due to cancellation of airline flights, LBCE opt to use Roll-on Roll-off (RORO) services to transport cargoes from NCR to Visayas and Mindanao and vice versa.

Rental discounts were granted to the Group resulting to lower rent expense. The temporary closure of selected branches also reduced the utilities and supplies consumption.

The decline in collection fee and other expenses by 68%, in aggregate, is mainly relative to the deconsolidation of QUADX Inc. effective July 2019. Other expenses include software maintenance expenses.

Salaries and benefits related to operations is up by 3% or ₱45.36 million which is traceable to the first quarter of 2020 mostly from acquisition of entities in January, July and December 2019. There is also higher headcount in local entities for the branches opened from June 2019 up to current period. The mentioned increases are partially offset by the reduction in the second quarter due to the Group's adoption of skeletal manpower system.

The movement in depreciation and amortization showed an increase of 6% due to the additional capital expenditures mostly on leasehold improvements and computer equipment associated with the construction or relocation/renovation of branches.

Gross Profit

Gross profit decreased by 59% to ₱888.42 million for the six months ended June 30, 2020 from ₱2,139.39 million for the six months ended June 30, 2019 primarily attributable to the following:

- Decrease in revenues by 27% due to lower volume brought by the lockdown caused by the pandemic;
- Increase in salaries and benefits by 3% driven by higher headcount for local entities and the result of acquisition in 2019; and
- Additional depreciation and amortization by 6% for the additional capital expenditures from third quarter of 2019 to current period.

Operating Expenses

Operating expenses increased by 2% to ₱1,391.64 million for the six months ended June 30, 2020 from ₱1,364.49 million for the six months ended June 30, 2019, caused by the following:

- Advertising and promotion expenses increased by 32% mainly from the parallel increases in television advertisements, as well as costs for digital/online campaigns;
- Provision for expected credit losses rose to ₱41.09 million for the six months ended June 30, 2020 from ₱9.02 million for the six months ended June 30, 2019 due to assumption changes considering the impact of the global pandemic to clients and the timing of collection;
- There is a spike in donation account mainly due to face masks donation during the second quarter of 2020;

The above-mentioned increases are offset by the following:

- Salaries and wages decreased by 10% primarily attributable to the Group's adoption of skeletal manpower scheme as a response to the community quarantine during the pandemic. Utilities and supplies also declined by 9% due to limited use of facilities;
- Commission expense which is dependent on the level of sales is lower by 11% for the six months ended June 30, 2020 as compared to the same period in 2019; and
- Losses account is reduced by 66% driven by the deconsolidation of QUADX Inc. effective July 1, 2019.

Other Expenses, Net

Other expenses, net was brought down to ₱161.76 million for the six months ended June 30, 2020 from ₱500.81 million for the six months ended June 30, 2019 driven by the 'loss on derivative' which is lower at ₱7.58 million for the six months ended June 30, 2020 from ₱411.88 million for the six months ended June 30, 2019. There are changes in market data assumptions in 2019 resulting to significant adjustment on the value of derivative liability.

Net Income (Loss) after tax

The Group incurred net loss at ₱499.15 million for the six months ended June 30, 2020 from ₱58.32 million income for the six months ended June 30, 2019, driven by the following:

- Significant shortfall on revenue by 27% due to the impact of COVID-19 pandemic to retail and corporate customers;
- Despite the decrease in revenue, some of the Group's fixed expenses such as salaries and wages and depreciation expense went up by 3% or ₱45.36 million and by 6% or ₱34.57 million, respectively; and
- Operating expenses increased by 2% or ₱27.48 million mostly from advertising expenses, provision for expected credit losses and donations.
- The above-mentioned decreases are negated by the change in 'loss on derivatives' from loss of ₱411.88 million in 2019 to ₱7.58 million in 2020.

Quarter ended June 30, 2020 compared to the quarter ended June 30, 2019

Service Revenues

The Company's service revenues decreased by 54% to ₱1,842.71 million for the quarter ended June 30, 2020 from ₱4,007.30 million for the quarter ended June 30, 2019. The decline is the result of worldwide community quarantine as a response to the COVID-19 pandemic in the second quarter of 2020. The Group had selected branches opened and delivery remained operational, but the lead times are extended due to security and travel restrictions.

Cost of Services

Cost of services reduced by 31% to ₱2,022.04 million for the quarter ended June 30, 2020 from ₱2,943.60 million for the quarter ended June 30, 2019, relative to the lower volume of acceptance in the second quarter of 2020 caused by the pandemic. Due to cancellation of airline flights, LBCE opt to use RORO services to bring the cargoes from NCR to Visayas and Mindanao and vice versa.

The Group also adopts skeletal manpower systems as a response to community quarantine which resulted to lower salaries and wages related to operations by 4%.

Rent discounts were granted to the Group resulting to lower rent expense and temporary closure of selected branches reduced the utilities and supplies usage.

The decline in collection fee by ₱32.31 million related to the deconsolidation of QUADX Inc. effective July 2019.

Limited operational activities also caused reduction in controllable costs such as transportation and travel and repairs and maintenance by 36% and 35%, respectively.

Gross Profit (Loss)

The Group incurred gross loss for the quarter ended June 30, 2020 amounting to ₱179.33 million as compared to the income generated for the quarter ended June 30, 2019 amounting to ₱1,063.70 million primarily attributable to downturn of revenue by 54% due to the impact caused by the pandemic.

Operating Expenses

Operating expenses is reduced by 6% to ₱635.13 million for the quarter ended June 30, 2020 from ₱677.63 million for the quarter ended June 30, 2019, driven by the following:

- Salaries and wages decreased by 11% primarily attributable to the Group's adoption of skeletal manpower scheme as a response to the community quarantine during the pandemic. Utilities and supplies also declined by 22% due to limited use of facilities;
- Commission expense which is dependent on the level of sales is lower by 45% for the quarter ended June 30, 2020 as compared to the same period in 2020;
- There is reduction on controllable expenses as the management seeks to minimize costs. Transportation and travel is lower by 54% while advertising expense is down by 43%.

The above-mentioned favorable variances are offset by the following:

- Provision for expected credit losses rose to ₱34.98 million for the quarter ended June 30, 2020 from ₱4.3 million for the quarter ended June 30, 2019 due to assumption changes considering the impact of the global pandemic to customers, revised operational lead times and timing of collection; and
- Increase in donation account mainly due to face masks donation during the second quarter of 2020.

Other Expenses, Net

Other expenses, net was reduced to ₱94.47 million for the quarter ended June 30, 2020 from ₱277.72 million for the quarter ended June 30, 2019 driven by the 'loss on derivative' which is lower at ₱7.75 million for the quarter ended June 30, 2020 from ₱242.88 million for the quarter ended June 30, 2019. There is change in market data assumptions in 2019 resulting to significant adjustment on the value of derivative liability.

Net Income (Loss) after tax

The Group incurred net loss at ₱686.86 million for the quarter ended June 30, 2020 from ₱50.75 million income for the quarter ended June 30, 2019, driven by the following factors:

- Significant decrease in gross profit (loss) due to the impact of COVID-19 pandemic to customer demand and the Group's operations. Operating expenses were also reduced by 6% which is minimal compared to the 54% decline in revenue.
- The impact is partially negated by the reduction in other expenses, net mainly resulting from the movement in 'loss on derivatives'.

FINANCIAL CONDITION

As of June 30, 2020 compared to as at December 31, 2019

Assets

Current Asset:

Cash and cash equivalents decreased by 8% to ₱4,058.10 million as of June 30, 2020 from ₱4,418.67 million as of December 31, 2019. Refer to analysis of cash flows in "Liquidity" section below.

Trade and other receivable, net is higher by 10% at ₱1,692.59 million as of June 30, 2020 from ₱1,537.85 million as of December 31, 2019, driven by the increase in receivable from outside parties by 11% for the Group's services during the period and advances made to affiliates under common control by 15% for the fulfillment of delivery of balikbayan boxes and charges for the administrative functions. Extended delivery lead times due to the implemented community quarantine also affect the timing of billing and collection.

Due from related parties is higher by 5% to ₱1,159.96 million as of June 30, 2020 from ₱1,103.81 million as of December 31, 2019, mainly attributable to advances made during the period.

Investment at fair value through profit or loss went down by 1% to ₱15.42 million as at June 30, 2020 from ₱15.63 million as at December 31, 2019, primarily from the impact of unrealized foreign exchange loss due to declining exchange rate, and partially offset by the fair value gain during the period.

Prepayments and other current assets increased by 15% to ₱930.64 million as at June 30, 2020 from ₱807.78 million as at December 31, 2019, mainly traceable to higher prepaid taxes and prepaid software maintenance. Increased in prepaid taxes amounting to ₱68.36 million is due to paid business permits for 2020 and prepayment for federal and state taxes in US entities. Prepaid software maintenance cost is higher by ₱19.64 million mainly from the renewal of enterprise agreement valid for one year.

Non-current Assets

Property and equipment, net decreased by 6% to ₱1,991.74 million as at June 30, 2020 from ₱2,110.74 million as at December 31, 2019, primarily due to depreciation of existing assets.

Right of use assets, net is down by 5% to ₱1,796.83 million as at June 30, 2020 from ₱1,885.83 as at December 31, 2019, mainly due to additions of ₱276.51 million and amortization of ₱365.48 million for the period.

Intangibles, net is lower by 10% to ₱328.98 million as at June 30, 2020 from ₱363.75 million as at December 31, 2019, driven by the additions of ₱14.28 million and amortization of ₱49.28 million for the period.

Investment at fair value through other comprehensive income, down by 32% to ₱195.06 million as at June 30, 2020 from ₱286.74 million as at December 31, 2019, relative to movement in market price from ₱1.73/share to ₱1.00/share.

Investment in associate increased by 2% to ₱255.98 million as at June 30, 2020 from ₱250.64 million as at December 31, 2019 due to equity share in comprehensive income of ₱5.36 million for the period.

Deferred tax assets - net increased by 58% to ₱595.19 million as at June 30, 2020 from ₱377.56 million as at December 31, 2019 mainly attributable to higher deferred tax recognized related to unearned revenue and allowance for impairment losses and NOLCO.

Other noncurrent assets went down by 6% to ₱223.10 million as at June 30, 2020 from ₱238.46 million as at December 31, 2019, due to amortization of notes and loans receivables.

Advances for future investment in shares higher by 1% to ₱79.81 million as at June 30, 2020 from ₱78.73 million as at December 31, 2019 due to capital gains tax paid amounting to ₱1.08 million related to purchase of stocks of Terra Barbaza Aviation, Inc.

Liabilities

Accounts and other payables were down by 20% to ₱2,603.31 million as at June 30, 2020 from ₱3,242.18 million as at December 31, 2019, primarily due to settlement of trade payables and bank financing of the remaining payable related to acquisition of land in 2019. The outstanding balance is transferred to notes payable.

Notes payable (current and noncurrent) increased to ₱1,941.82 million as at June 30, 2020 from ₱929.72 million as at December 31, 2020, primarily attributable to availment during the period. On February 10, 2020, LBCE availed a 5-year interest bearing loan amounting to ₱641.82 million to finance the unpaid balance on the acquisition of land. On April 23, 2020, LBCE placed another 3-year interest bearing loan amounting to ₱250.00 million and a short-term loan amounting to ₱200.00 million on May 4, 2020.

Income tax payable went down by 81% to ₱8.21 million as at June 30, 2020 from ₱43.36 million as at December 31, 2019, resulting from lower taxable income.

Transmissions liability up by 19% to ₱699.20 million as at June 30, 2020 from ₱586.89 million as at December 31, 2019, mainly attributable to higher merchant's unclaimed cash on delivery and pick up in branches as of the end of the reporting period.

Lease liabilities (current and noncurrent) is lower by 3% to ₱1,938.21 million as at June 30, 2020 from ₱2,001.75 million as at December 31, 2019, as a result of payment made amounting to ₱340.02 million, partially offset by additional rentals amounting to ₱276.48 million during the period.

Retirement benefit obligation increased by 4% to ₱662.82 million as at June 30, 2020 from ₱637.79 million as at December 31, 2019 driven by net retirement benefit expense recognized for the period.

Bond payable increased by 6% to ₱1,321.35 million as at June 30, 2020 from ₱1,247.02 million as at December 31, 2019, mainly from the accretion of interest amounting to ₱98.00 million offset by the foreign exchange gain recognized amounting to ₱23.67 million due to lower exchange rate.

Derivative liability increased to ₱2,056.26 million as at June 30, 2020 from ₱2,048.68 million as at December 31, 2019, related to the loss on valuation incurred for the period amounting to ₱7.58 million.

Other liabilities account is lower by 27% to ₱28.91 million as at June 30, 2020 from ₱39.79 million in 2019 due to settlements during the period.

LIQUIDITY

Cash Flows

Period ended June 30, 2020 compared to the period ended June 30, 2019

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 cash flows from this activities resulted to a net cash used of ₱655.78 million for the period ended June 30, 2020 and net cash generated amounted to ₱805.07 million in June 30, 2019. For the period ended June 30, 2020, outflow from operating activities were generally from normal operations.

Cash flows from investing activities

Cash used in investing activities for the period ended June 30, 2020 and 2019 amounted to ₱195.48 million and ₱27.35 million, respectively. For the six months ended June 30, 2020, the Company spent ₱139.99 million from the acquisition of property and equipment and intangible assets.

Cash flow from financing activities

Net cash generated from and used in financing activities for the period ended June 30, 2020 and 2019 amounted to ₱548.49 million and ₱250.97 million, respectively. This is mainly due to the proceed from notes availment of ₱1,091.82 million which was offset by the payment of lease liabilities and other noncurrent liabilities, interest, dividends and notes payable with an aggregate amount of ₱554.15 million.

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 19, 2020

LBC Express Holdings, Inc.
and Subsidiaries

Unaudited Interim Condensed Consolidated
Financial Statements
As at June 30, 2020 and
for the Six Months Ended
June 30, 2020 and 2019
(With Comparative Audited Consolidated Statement of Financial Position as at December 31, 2019)

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(With Comparative Audited Figures as at December 31, 2019)

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 23 and 24)	**₱4,058,102,795**	₱4,418,669,253
Trade and other receivables (Notes 5, 17, 23 and 24)	**1,692,587,308**	1,537,848,554
Due from related parties (Notes 17, 23 and 24)	**1,159,964,465**	1,103,805,387
Investments at fair value through profit or loss (Notes 9, 23 and 24)	**15,416,157**	15,629,263
Prepayments and other current assets (Notes 6, 11, 17, 23 and 24)	**930,638,988**	807,780,151
Total Current Assets	**7,856,709,713**	7,883,732,608
Noncurrent Assets		
Property and equipment (Note 7)	**1,991,737,435**	2,110,735,060
Right-of-use assets (Note 21)	**1,796,830,557**	1,885,830,072
Intangible assets (Note 8)	**328,984,662**	363,746,898
Investment at fair value through other comprehensive income (Notes 9, 23 and 24)	**195,060,074**	286,738,308
Deferred tax assets - net (Note 20)	**595,194,809**	377,561,496
Security deposits (Note 21)	**331,650,126**	330,624,118
Investment in an associate (Note 10)	**255,997,486**	250,638,683
Advances for future investment in shares (Note 17)	**79,809,022**	78,727,321
Goodwill (Note 3)	**286,887,944**	286,887,944
Other noncurrent assets (Notes 6, 11 and 17)	**223,102,802**	238,462,851
Total Noncurrent Assets	**6,085,254,917**	6,209,952,751
	₱13,941,964,630	₱14,093,685,359
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 12, 17, 23 and 24)	**₱2,603,306,736**	₱3,242,180,861
Due to related parties (Notes 17, 23 and 24)	**44,425,274**	33,611,365
Dividends payable (Notes 16, 23 and 24)	**–**	14,775,250
Current portion of notes payable (Notes 14, 23 and 24)	**1,136,682,300**	376,666,667
Transmissions liability (Notes 13, 17, 23 and 24)	**699,201,007**	586,888,109
Income tax payable	**8,208,084**	43,362,953
Current portion of lease liabilities (Notes 21, 23 and 24)	**609,802,099**	645,014,412
Total Current Liabilities	**5,101,625,500**	4,942,499,617
Noncurrent Liabilities		
Derivative liability (Notes 15, 23 and 24)	**2,056,264,392**	2,048,681,561
Bond payable (Notes 15, 23 and 24)	**1,321,347,571**	1,247,021,058
Retirement benefit liability - net (Note 22)	**662,818,586**	637,794,685
Notes payable - net of current portion (Notes 14, 23 and 24)	**805,135,489**	553,055,555
Lease liabilities - net of current portion (Notes 21, 23 and 24)	**1,328,407,351**	1,356,731,239
Other noncurrent liabilities (Notes 7, 8, 12, 23 and 24)	**28,909,730**	39,787,939
Total Noncurrent Liabilities	**6,202,883,119**	5,883,072,037
	11,304,508,619	10,825,571,654
Equity (Note 16)		
Equity attributable to shareholders of the Parent Company		
Capital stock	**1,425,865,471**	1,425,865,471
Retained earnings	**1,119,638,693**	1,621,371,760
Accumulated comprehensive income	**65,910,419**	193,677,606
	2,611,414,583	3,240,914,837
Non-controlling interests (Note 3)	**26,041,428**	27,198,868
Total Equity	**2,637,456,011**	3,268,113,705
	₱13,941,964,630	₱14,093,685,359

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 Ended June 30,	
	2020 (Unaudited)	2019 (Unaudited)	**2020 (Unaudited)**	2019 (Unaudited)
SERVICE REVENUE (Notes 25 and 29)	**₱5,643,189,369**	₱7,724,275,845	**₱1,842,713,657**	₱4,007,296,900
COST OF SERVICES (Notes 18 and 29)	**4,754,765,478**	5,584,885,251	**2,022,042,950**	2,943,599,042
GROSS PROFIT (LOSS)	**888,423,891**	2,139,390,594	**(179,329,293)**	1,063,697,858
OPERATING EXPENSES (Notes 19 and 29)	**1,391,637,952**	1,364,489,521	**635,128,295**	677,628,107
OTHER INCOME (CHARGES)				
Foreign exchange gains - net (Notes 19 and 23)	**28,162,777**	20,978,490	**7,587,566**	9,834,096
Interest income (Notes 4, 6, 11 and 17)	**15,246,553**	23,822,591	**6,150,634**	12,542,625
Equity in net earnings of an associate (Note 10)	**5,598,507**	10,996,420	**1,214,811**	6,043,730
Fair value gain on investment at fair value through profit or loss (Note 9)	**25,374**	394,832	**11,754**	380,255
Loss on derivative (Notes 15 and 29)	**(7,582,831)**	(411,881,079)	**(7,745,495)**	(242,876,681)
Interest expense (Notes 7, 8, 14, 15, 17 and 21)	**(210,220,238)**	(178,974,214)	**(106,126,596)**	(95,005,533)
Others - net (Notes 3 and 29)	**7,013,183**	33,857,079	**4,441,435**	31,361,540
	(161,756,675)	(500,805,881)	**(94,465,891)**	(277,719,968)
INCOME (LOSS) BEFORE INCOME TAX	**(664,970,736)**	274,095,192	**(908,923,479)**	108,349,783
INCOME TAX PROVISION (BENEFIT) (Note 20)	**(165,821,958)**	215,772,448	(222,063,514)	57,600,892
NET INCOME (LOSS) FOR THE PERIOD	**(499,148,778)**	58,322,744	**(686,859,965)**	50,748,891
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	**(9,662,495)**	(264,528)	**(10,346,339)**	(23,463)
Share in other comprehensive income (loss) of an associate (Note 10)	**(239,704)**	464,363	**(239,704)**	–
Unrealized fair value gain (loss) on investment at fair value through other comprehensive income (Note 9)	**(91,678,234)**	68,271,026	**(7,802,403)**	29,259,011
Items that may be reclassified to profit or loss in subsequent periods				
Currency translation losses - net	**(29,928,483)**	(307,293)	**(9,866,397)**	(2,432,074)
	(131,508,916)	68,163,568	**(28,254,843)**	26,803,474
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱630,657,694)**	₱126,486,312	**(₱715,114,808)**	₱77,552,365
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the Parent Company	**(₱501,733,067)**	₱71,250,632	**(₱679,621,399)**	₱46,135,579
Non-controlling interests	**2,584,289**	(12,927,888)	**(7,238,566)**	4,613,312
NET INCOME (LOSS) FOR THE PERIOD	**(₱499,148,778)**	₱58,322,744	**(₱686,859,965)**	₱50,748,891
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the Parent Company	**(₱629,500,254)**	₱141,706,027	**(₱707,449,734)**	₱74,228,373
Non-controlling interests	**(1,157,440)**	(15,219,715)	**(7,665,074)**	3,323,992
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**(₱630,657,694)**	₱126,486,312	**(₱715,114,808)**	₱77,552,365
EARNINGS (LOSS) PER SHARE (Note 25)				
Basic	**(₱0.35)**	₱0.05	**(₱0.48)**	₱0.03
Diluted	**(₱0.35)**	₱0.05	**(₱0.48)**	₱0.03

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, 2020 (Unaudited)					
	Capital Stock (Note 16)	**Retained Earnings**	**Accumulated Comprehensive Income**	**Total**	**Non-controlling Interests**	**Total Equity**
Balances as at January 1, 2020, as previously reported	**₱1,425,865,471**	**₱1,621,371,760**	**₱193,677,606**	**₱3,240,914,837**	**₱27,198,868**	**₱3,268,113,705**
Comprehensive income:						
Net income (loss)	**–**	**(501,733,067)**	**–**	**(501,733,067)**	**2,584,289**	**(499,148,778)**
Other comprehensive income (loss)	**–**	**–**	**(127,767,187)**	**(127,767,187)**	**(3,741,729)**	**(131,508,916)**
Total comprehensive loss	**–**	**(501,733,067)**	**(127,767,187)**	**(629,500,254)**	**(1,157,440)**	**(630,657,694)**
Balances as at June 30, 2020	**₱1,425,865,471**	**₱1,119,638,693**	**₱65,910,419**	**₱2,611,414,583**	**₱26,041,428**	**₱2,637,456,011**

	For the Six Months Ended June 30, 2019 (Unaudited)					
	Capital Stock (Note 16)	Retained Earnings	Accumulated Comprehensive Income	Total	Non-controlling Interests	Total Equity
Balances as at January 1, 2019	₱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	–	(142,220,366)	–	(142,220,366)		(142,220,366)
Balances as at January 1, 2019, as restated	1,425,865,471	1,483,263,625	241,328,367	3,150,457,463	(14,711,365)	3,135,746,098
Comprehensive income:						
Net income	–	71,250,632	–	71,250,632	(12,927,888)	58,322,744
Other comprehensive income (loss)	–	–	70,455,395	70,455,395	(2,291,827)	68,163,568
Total comprehensive income (loss)	–	71,250,632	70,455,395	141,706,027	(15,219,715)	126,486,312
Additional non-controlling interest	–	–	–	–	4,391,266	4,391,266
Dividends declared	–	–	–	–	(20,924,103)	(20,924,103)
Balances as at June 30, 2019	₱1,425,865,471	₱1,554,514,257	₱311,783,762	₱3,292,163,490	(₱46,463,917)	₱3,245,699,573

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)	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**(₱664,970,736)**	₱274,095,192
Adjustments for:		
Depreciation and amortization (Notes 7, 8, 18, 19, 21 and 29)	**666,115,818**	641,439,374
Interest expense (Notes 7, 8, 14, 15, 17 and 21)	**210,220,238**	175,246,779
Retirement expense, net of benefits paid and contribution to retirement plan	**14,805,229**	(17,741,110)
Loss on derivative (Notes 15 and 29)	**7,582,831**	411,881,079
Unrealized foreign exchange loss (gain)	**4,436,010**	(16,880,292)
Gain on bargain purchase (Note 29)	**–**	(14,818,114)
Fair value gain on investment at fair value through profit or loss (Note 9)	**(25,374)**	(394,832)
Gain on disposal of property and equipment (Note 7)	**(706,499)**	(987,148)
Equity in net earnings of an associate (Note 10)	**(5,598,507)**	(10,996,420)
Interest income (Notes 4, 6 and 17)	**(15,246,553)**	(23,822,591)
Operating income before changes in working capital	**216,612,457**	1,417,021,917
Changes in working capital:		
Decrease (increase) in:		
Trade and other receivables (Note 27)	**(154,612,635)**	(193,871,126)
Prepayments and other current assets	**(119,831,987)**	(210,626,140)
Security deposits	**(1,026,008)**	84,448,737
Other noncurrent assets	**15,360,049**	27,860,891
Increase (decrease) in:		
Accounts and other payables (Note 27)	**(650,279,191)**	148,069,769
Transmissions liability	**112,312,898**	(128,588,880)
Net cash generated from (used in) operations	**(581,464,417)**	1,144,315,168
Interest received	**12,093,584**	23,822,591
Income tax paid	**(86,410,048)**	(363,064,421)
Net cash provided by (used in) operating activities	**(655,780,881)**	805,073,338
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Redemption of investments at fair value through profit or loss (Note 9)	**–**	261,094,056
Disposal of property and equipment (Note 7)	**763,903**	1,972,911
Acquisitions of:		
Intangible assets	**(14,569,234)**	(63,887,341)
Property and equipment	**(124,429,926)**	(590,933,486)
Investment at fair value through profit or loss (Note 9)	**–**	(151,000,000)
Acquisition of subsidiaries, net of cash acquired (Note 3)	**–**	552,907,572

(Forward)

	Six Months Ended June 30 (Unaudited)	
	2020	2019
Increase in due from related parties	**(₱56,159,078)**	(₱45,005,221)
Dividends received	**–**	7,500,000
Advances for future investment in shares (Note 27)	**(1,081,701)**	–
Net cash used in investing activities	**(195,476,036)**	(27,351,509)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable (Note 27)	**1,091,823,000**	300,000,000
Increase in due to related parties (Note 27)	**10,813,909**	61,568,765
Dividends paid (Note 27)	**(14,775,250)**	(55,798,368)
Payments of notes payable (Note 27)	**(79,727,433)**	(190,000,000)
Interest paid (Note 27)	**(108,744,256)**	(88,910,156)
Payments of lease liabilities and other noncurrent liabilities (Note 27)	**(350,899,614)**	(277,309,384)
Net cash provided by (used in) financing activities	**548,490,356**	(250,449,143)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(302,766,561)**	527,272,686
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(57,799,897)**	(11,452,607)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**4,418,669,253**	4,137,439,144
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	**₱4,058,102,795**	₱4,653,259,223

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

LBC Express Holdings, Inc. (referred to as the "Parent Company" or "LBCH"), formerly Federal Resources Investment Group Inc. (FED), was registered with the Securities and Exchange Commission (SEC) on July 12, 1993.

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

FED, before it was acquired by LBCH, undertook an Initial Public Offering and on December 21, 2001, FED'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.

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 and Significant Accounting Estimates, Judgements and Assumptions**

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 LBC Mabuhay (B) Sdn. Bhd, with June 30 year end and QUADX Pte. Ltd., LBC Mabuhay (Malaysia) 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 June 1, 2020 and 2019 and the date of the Parent Company's financial statements which is June 30, 2020 and 2019 and between December 1, 2019 and the comparative date of the Parent Company's financial position which is December 31, 2019.

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 2020), respectively; settlement of bank loans amounting to ₱17.99 million and ₱11.25 million in June 2020 and 2019, respectively; redemption of unquoted investment at fair value through profit or loss (FVPL) in June 2019 amounting to ₱50.36 million (nil in June 2020); adjustment to reflect the decrease of fair value of quoted investment at fair value through other comprehensive income (FVOCI) by ₱9.75 million in June 2019 (nil in June 2020).

The consolidated financial statements were adjusted to effect LBCE's additional settlement of bank loans in December 2019 amounting to ₱14.93 million and the adjustment to reflect the decrease in fair value of investment at FVOCI by ₱25.36 million for the period December 1 to December 31, 2019.

There were no other significant transactions that transpired between June 1, 2020 to June 30, 2020, December 1, 2019 to December 31, 2019 and June 1, 2019 to June 30, 2019.

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, 2019, 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.
There were neither acquisitions and disposal nor changes in the Parent Company's ownership interests in its subsidiaries from January 1, 2020 to June 30, 2020.

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, 2019, except for the adoption of new standards effective as of January 1, 2020. 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 2020, do not have an impact on the interim condensed consolidated financial statements of the Group.

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. The amendments have no impact on the interim condensed consolidated financial statements.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. The amendments have no impact on the interim condensed consolidated financial statements.

- Amendments to PFRS 16*, COVID-19-related Rent Concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. The amendments were early adopted by the Group beginning January 1, 2020

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFPS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

- PFRS 17, *Insurance Contracts*

  PFPS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFPS 17 will replace PFPS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e. non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PEPS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model supplemented by:

  - A specific adaption for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

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.

There were no significant changes in the significant accounting judgments, estimates, and assumptions used by the Group for the interim period ended June 30, 2020 except for the following matters.

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

For trade and other receivables, the Group has elected to use the simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix based on loss rate approach that is based on the Group's historical credit loss experience for the past five years, adjusted for forward looking factors specific to the debtors and the economic environment.

The Group calculates expected credit losses (ECL) based on three probability-weighted scenarios to measure expected cash shortfalls, discounted at an approximation to the effective interest method. When estimating the ECL, the Group considers three scenarios (a base case, an upside, a downside).

Before the COVID-19 pandemic, the Group is using the same level of probability to each scenario. As of June 30, 2020, the management decided to change the assumptions as follows:

	June 30, 2020 Large Enterprises Segment	June 30, 2020 Small Medium Enterprises Segment	2019 All Segments
Base case	30%	25%	33%
Upside case	30%	25%	33%
Downside case	40%	50%	33%

Impairment Test of Goodwill
The Group performs its annual impairment test in December and when circumstances indicate that the carrying value is impaired. Due to the effect of COVID-19 pandemic in operations and consumer behavior, the management assessed the need to perform impairment test of goodwill as of June 30, 2020. The key assumptions used to determine the recoverable amount for the different significant cash generating units were disclosed in Note 3.

The Group remains operational during the pandemic period and the movement of cargo within, to and from Luzon was unhampered amid the Enhanced Community Quarantine (ECQ), subject to guidelines from the Inter-Agency Task Force (IATF). The delivery lead times have been extended due to security and travel restrictions. The reduced demand resulted to lower volume of cargo acceptance during the lockdown. However, consumers started availing the Group's services immediately after easing the restrictions getting the sales back to normal in June 2020.

Lease Concessions
During the ECQ, several lessors provided rent moratorium or discounts. Management assessed that these are not lease modifications based on the criteria set in the *Amendments to PFRS 16, Covid-19 related Rent Concessions.* For the period ended June 30, 2020, the amount of discount is ₱15.65 million presented as contra account of rent expense under 'cost of services' in the interim condensed consolidated statements of comprehensive income.

Revenue Recognition
The delivery lead times have been extended due to security and travel restrictions. Estimates related to contract liabilities are adjusted to align with the new service level agreements with customers.

3. Business Combinations, Goodwill and Disposal of a Subsidiary

<u>Business Combinations in 2018</u>
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.

For the year ended December 31, 2018, the Parent Company acquired ten (10) entities, namely, LBC Saipan, LBC Singapore, LBC Taiwan, LBC Australia Money, LBC Australia Cargo, QUADX, Inc., QUADX Pte. Ltd., LBC Malaysia, LBC Brunei Money and LBC Brunei Cargo. Details are shown in the following page.

Entity	Cash paid	Cash acquired
LBC Saipan	₱10,782,538	₱25,852,714
LBC Singapore	129,013,585	41,843,269
LBC Taiwan	7,800,160	6,837,535
QUADX Inc.	–	81,245,875
QUADX Pte Ltd.	4,479,959	254,114
LBC Australia Money	10,392,254	17,129,600
LBC Australia Cargo	98,462,863	30,264,965
LBC Malaysia	24,682,710	23,276,681
LBC Brunei Money	30,166,598	51,399,857
LBC Brunei Cargo	12,220,413	6,463,668
Total	₱328,001,080	₱284,568,278

Business Combinations in 2019

On various dates in 2019, the Parent Company acquired, through business combination, entities, which are all domiciled outside the Philippines. These acquisitions were expected to contribute to the global revenue stream of the Group. As of December 31, 2019, the Group recognized goodwill of ₱286.89 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.

For the year ended December 31, 2019, the Parent Company acquired four (4) entities, namely, LBC Mundial Corporation, LBC Mabuhay North America Corporation, LBC Mabuhay Hawaii Corporation and Mermaid Co., Ltd. Details are as follows:

	LBC Mundial Corporation and Subsidiary	LBC Mabuhay North America Corporation and Subsidiaries	LBC Mabuhay Hawaii Corporation	Mermaid Co., Ltd.	Total
Application of 2018 advances for future investment in shares	₱361,897,536	₱59,894,464	₱18,031,608	₱–	₱439,823,608
Cash paid in 2019	–	–	–	(10,206,600)	10,206,600
Cash acquired in 2019	416,992,734	135,914,809	36,067,228	134,807	589,109,578

Identifiable assets acquired, and liabilities assumed of Mermaid Co., Ltd.

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.

	Mermaid. Co., Ltd
Percentage of ownership of Parent Company	100%
Assets	
Cash and cash equivalents	₱134,807
Trade receivables	182,521

	Mermaid. Co., Ltd
Percentage of ownership of Parent Company	100%
Prepayments and other current assets	4,384,621
Total current assets	4,701,949
Property and equipment	305,970
Intangibles	189,789
Total noncurrent asset	495,759
Total asset	5,197,708
Liabilities	
Accounts and other payables	9,526,091
Payable to related parties	5,060,886
Total liabilities	14,586,977
Net liabilities attributable to Parent Company	**(9,389,269)**
Add: Purchased goodwill	19,595,869
Purchase consideration	**₱10,206,600**

The purchase price allocation for the acquisitions of Mermaid 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 ₱19.60 million arising from the acquisition of Mermaid represents the fair value of expected synergies, revenue growth and future developments that do not meet the recognition criteria for intangible assets.

Disposal of QUADX Inc.
On May 29, 2019, the Parent Company sold all its 1,860,214 common shares in QUADX Inc. to LBCE 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.

On July 1, 2019, LBCE then sold all its QUADX Inc. 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.

Following the loss of control of QUADX Inc., LBCH derecognized the carrying amounts of the assets (including goodwill amounting to ₱225.81 million) and liabilities of QUADX Inc. and the carrying amount of NCI including any components of OCI attributable to NCI. LBCH also recognized 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. Gain on the sale of QUADX Inc. amounted to ₱443.76 million

There were no acquisitions and disposal made for the six months ended June 30, 2020.

Goodwill
The Group performed its impairment testing of goodwill amounting to P286.89 million as of June 30, 2020 which are primarily related to the acquisitions of LBC Taiwan, and LBC Australia Cargo and LBC Australia Money.

The key assumptions used in determining the recoverable amount based on value-in-use calculations as of June 30, 2020 are as follows:

LBC Taiwan
Goodwill arising from the acquisition of LBC Taiwan amounted to P168.37 million. The value in-use calculation is based on the forecast approved by the management over an explicit period of five years. The projected cash flows are based on the plan of the management to expand business partnership and introduction of new service. Revenue is projected to increase at compounded annual growth rate of 7.28% and 9.00% in 2020 and 2019, respectively, and long-term growth rate of 1.00% in 2020 and 2019. Direct costs are forecasted to follow the trend of revenue except for those that are non-variable but with various cost reduction initiatives. Discount rate used in 2020 and 2019 are 7.07% and 8.68%, respectively. The discount rates are based on a risk adjusted discount rate using the weighted average cost of capital adjusted to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

LBC Australia Cargo
Goodwill arising from the acquisition of LBC Australia Cargo amounted to P75.63 million. The value in-use calculation is based on the forecast approved by the management over explicit period of five years. The projected cash flows are based on the plan of the management given its strategy to capture the demands driven by the growing population of Filipino community in the area. These include the opening of additional branches and introduction of new service, promotions and bundled products. Revenue is projected to increase at a compounded annual growth rate of 9.82% and 10.00% in 2020 and 2019, respectively, and long-term growth rate of 2.00% in 2020 and 2019. Direct costs and capital expenditures are forecasted to follow the trend of revenue except for those that are non-variable. Discount rate used in 2020 and 2019 are 7.80% and 10.72%, respectively. This is based on a risk adjusted discount rate using the using weighted average cost of capital adjusted to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

LBC Australia Money
Goodwill arising from the acquisition of LBC Australia Money amounted to P15.83 million. The value-in-use calculation is based on the forecast approved by the management over explicit period of five years. Similar to LBC Australia Cargo, the projected cash flows are based on the plan of the management given its strategy to capture the demands driven by the growing population of Filipino community in the area, which include the opening of additional branches. Revenue is projected to increase at a compounded annual growth rate of 10.75% and 7.00% in 2020 and 2019, and long-term growth rate of 2.00% in 2020 and 2019. Direct costs and capital expenditures are forecasted to follow the trend of revenue except for those that are non-variable. Discount rate used is 8.66% and 9.56% in 2020 and 2019, respectively based on a risk adjusted discount rate using the using weighted average cost of capital adjusted to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

The key assumptions used in the value-in-use calculations are mostly sensitive to revenue annual growth rate, revenue long-term growth rate beyond explicit forecast period and discount rate.

	Annual Growth Rate	Long-term growth rate	Discount rate
LBC Taiwan	2.5%	-1.5%	9.5%
LBC Australia Cargo	4.0%	-6.0%	13.0%
LBC Australia Money	7.5%	-0.5%	18.0%

Based on the assessment of the value in use of the acquirees, the recoverable amount of the acquirees exceeded their carrying amounts plus goodwill, hence, no impairment was recognized as at June 30, 2020 and December 31, 2019 in relation to the goodwill.

4. Cash and Cash Equivalents

This account consists of:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)	June 30, 2019 (Unaudited)
Cash on hand	**₱429,114,845**	₱341,090,334	₱260,279,129
Cash in banks	**1,996,922,287**	2,281,905,425	2,738,749,770
Cash equivalents	**1,632,065,663**	1,795,673,494	1,654,230,324
	₱4,058,102,795	₱4,418,669,253	₱4,653,259,223

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 4.00% per annum in 2020 and 2019. Interest income earned from cash and cash equivalents amounted to ₱13.22 million and ₱19.18 million for the six months ended June 30, 2020 and 2019, respectively.

5. Trade and Other Receivables

This account consists of:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade receivables - outside parties	**₱1,479,421,620**	₱1,327,605,105
Trade receivables - related parties (Note 17)	**358,676,670**	311,922,475
	1,838,098,290	1,639,527,580
Less allowance for expected credit losses	**222,838,646**	172,728,970
	1,615,259,644	1,466,798,610
Other receivables:		
Advances to officers and employees	**50,430,185**	41,224,668
Others	**26,897,479**	29,825,276
	₱1,692,587,308	₱1,537,848,554

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.

The Group has not written off trade receivables - outside parties in 2020 and 2019.

The Group recognized provision for expected credit losses on trade receivables from outside parties amounting to ₱50.11 million and ₱9.02 million for the six-months ended June 30, 2020 and 2019, respectively (see Note 19).

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, receivables from banks for erroneous charges and communication charges reimbursable from agencies of delivery associates which are expected to be collected within one year.

6. Prepayments and Other Assets

This account consists of:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Input value-added tax (VAT)	**₱270,209,274**	₱266,979,479
Materials and supplies	**171,351,105**	153,172,883
Prepayments:		
Taxes	**88,816,922**	20,004,932
Software maintenance	**31,371,082**	11,906,850
Insurance	**25,582,353**	32,820,513
Employee benefits	**22,858,423**	24,072,852
Rent	**18,377,074**	13,116,426
Professional fees	**12,245,288**	13,195,278
Repairs and maintenance	**6,380,984**	9,204,873
Dues and subscriptions	**3,203,842**	3,862,321
Advertising	**1,272,532**	9,037,843
Others	**19,692,547**	19,387,165
Creditable withholding taxes (CWTs)	**158,901,551**	166,582,305
Short-term cash investments	**129,755,269**	128,645,081
Loans receivable (Note 11)	**85,245,210**	89,816,880
Electronic wallet	**32,789,650**	6,567,785
Restricted cash in bank	**31,785,544**	31,342,587
Notes receivable (Note 17)	**24,698,988**	26,814,836
Others	**19,204,152**	19,712,113
	1,153,741,790	1,046,243,002
Less: noncurrent portion	**223,102,802**	238,462,851
	₱930,638,988	₱807,780,151

Details of noncurrent portion follows:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
VAT on capital goods	**₱99,127,840**	₱107,598,218
Loans receivable (Note 11)	**79,263,090**	83,727,600
Notes receivable (Note 17)	**24,698,988**	26,814,836
Advance payment to a supplier	**9,000,000**	9,000,000
Prepaid rent	**2,796,064**	3,060,405
Other assets	**8,216,820**	8,261,792
Total noncurrent portion	**₱223,102,802**	₱238,462,851

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 under "Utilities and supplies" in the interim consolidated statements of comprehensive income for the six months ended June 30, 2020 and 2019 amounted to ₱182.91 million and ₱296.29 million, respectively.

Prepaid taxes primarily consist of unamortized portion of business permits.

Prepaid rent and software maintenance are payments made in advance which will be applied against future billings due within 12 months.

Prepaid insurance consists of unamortized portion of various vehicle and Group life insurance.

Prepaid professional fees pertain to advances made to professionals for services to be rendered.

Prepaid employee benefits pertain to advance payments to employees which will be consumed through future employee services.

Prepaid repairs and maintenance pertain to advances for services and purchase of supplies to be delivered in the future. Also includes unused supplies for repairs and maintenance which will be utilized in the Group's day to day operations.

Prepaid advertising consists of advances for billboards and multimedia endorsements.

Other prepayments pertain to unamortized licenses, prepaid interests, and various other prepayments to suppliers.

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

Short-term cash investments are time deposits with maturity of more than three months from the date of acquisition but not exceeding one year. 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 banks amounted to ₱0.41 million and ₱0.22 million for the six months ended June 30, 2020 and 2019, respectively.

Loans receivable pertains to receivable of the Parent Company from Transtech Co., Ltd. (see Note 11).

Electronic wallet represents revolving fund intended for the GCash wallet loading services offered by the Group.

Notes receivable pertains to receivable from LBC Express Holdings USA Corporation (see Note 17).

Advance payment to a supplier pertains to payment to a service provider intended for the purchase of a software.

Noncurrent portion of prepaid rent pertains to advance payment for rental of the Group's offices and branches to be applied in the last two to three months of the lease term which is beyond 12 months after balance sheet date.

7. Property and Equipment

The rollforward analysis of this account follows:

	For the six months ended June 30, 2020 (Unaudited)						
	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Land	Construction in Progress	Total
Costs							
At beginning of period	**₱607,402,004**	**₱1,732,027,137**	**₱635,885,504**	**₱942,714,224**	**₱1,031,257,734**	**₱6,370,930**	**₱4,955,657,533**
Additions	**3,498,552**	**59,802,663**	**26,437,653**	**36,374,426**	**–**	**6,246,114**	**132,359,408**
Reclassifications	**–**	**1,265,268**	**–**	**–**	**–**	**(1,265,268)**	**–**
Disposals	**(379,000)**	**–**	**(301,114)**	**–**	**–**	**–**	**(680,114)**
At end of period	**610,521,556**	**1,793,095,068**	**662,022,043**	**979,088,650**	**1,031,257,734**	**11,351,776**	**5,087,336,827**
Accumulated depreciation and amortization							
At beginning of period	**373,158,337**	**1,255,541,040**	**535,080,349**	**681,142,747**	**–**	**–**	**2,844,922,473**
Depreciation and amortization (Notes 18 and 19)	**26,389,303**	**121,011,442**	**30,520,994**	**73,377,890**	**–**	**–**	**251,299,629**
Disposals	**(321,596)**	**–**	**(301,114)**	**–**	**–**	**–**	**(622,710)**
At end of period	**399,226,044**	**1,376,552,482**	**565,300,229**	**754,520,637**	**–**	**–**	**3,095,599,392**
Net Book Value	**₱211,295,512**	**₱416,542,586**	**₱96,721,814**	**₱224,568,013**	**₱1,031,257,734**	**₱11,351,776**	**₱1,991,737,435**

	For the year ended December 31, 2019						
	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Land	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	(109,390,217)	–	–	–	–	–	(109,390,217)
As at January 1, 2019, as restated	561,991,290	1,506,615,476	695,846,319	723,884,444	–	201,932,044	3,690,269,573
Additions	56,712,511	33,350,608	79,176,384	341,487,120	1,031,257,734	51,491,776	1,593,476,133
Additions through business combinations	218,786	1,893,554	701,610	1,339,370	–	–	4,153,320
Reclassifications	–	247,052,890	–	–	–	(247,052,890)	–
Disposals	(11,520,583)	(16,930,231)	(113,781,901)	(8,136,456)	–	–	(150,369,171)
Disposals due to sale of a subsidiary	–	(39,955,160)	(26,056,908)	(115,860,254)	–	–	(181,872,322)
At end of period	607,402,004	1,732,027,137	635,885,504	942,714,224	1,031,257,734	6,370,930	4,955,657,533
Accumulated depreciation and amortization							
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	(36,155,271)	189,722,280	–	–	–	–	153,567,009
As at January 1, 2019, as restated	331,774,084	1,022,165,369	588,846,283	574,361,063	–	–	2,517,146,799
Depreciation and amortization (Notes 18 and 19)	52,260,347	258,400,514	64,420,702	126,988,587	–	–	502,070,150
Disposals	(10,876,094)	(13,779,881)	(108,892,961)	(8,136,726)	–	–	(141,685,662)
Disposals due to sale of a subsidiary	–	(11,244,962)	(9,293,675)	(12,070,177)	–	–	(32,608,814)
At end of period	373,158,337	1,255,541,040	535,080,349	681,142,747	–	–	2,844,922,473
Net Book Value	₱234,243,667	₱476,486,097	₱100,805,155	₱261,571,477	₱1,031,257,734	₱6,370,930	₱2,110,735,060

In 2019, upon adoption of PFRS 16, the Group reclassified leased vehicles under finance leases to right-of-use assets with carrying value amounting to ₱73.23 million.

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, 2020, the outstanding liability amounted to ₱7.67 million which is reported under ‘accounts and other payables’ in the interim consolidated statements of financial position. Interest expense arising from the amortization of the deferred interest amounted to ₱0.52 million and ₱1.28 million for the six months ended June 30, 2020 and 2019, respectively (see Note 12).

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. The land will be used as the future office site of the Group. LBCE paid ₱275.07 million in 2019, 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. LBCE paid the remaining in ₱641.82 through a bank financing on February 10, 2020 (see Note 14). 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 ₱114.37 million.

In 2020 and 2019, the Company recognized gain and loss on sale and retirement of assets amounting to ₱0.71 million and ₱0.91 million, respectively.

There were no capitalized borrowing costs for the six months ended June 30, 2020 and 2019.

8. Intangible Assets

The rollforward analysis of this account follows:

	For the six months ended June 30, 2020 (Unaudited)		
	Software	**Development in Progress**	**Total**
Costs			
At beginning of period	**₱546,200,840**	**₱71,564,823**	**₱617,765,663**
Additions	**1,492,879**	**13,076,355**	**14,569,234**
Reclassification	**4,593,645**	**(4,593,645)**	**–**
At end of period	**552,287,364**	**80,047,533**	**632,334,897**
Accumulated Amortization			
At beginning of period	**254,018,765**	**–**	**254,018,765**
Amortization (Notes 18 and 19)	**49,331,470**	**–**	**49,331,470**
At end of period	**303,350,235**	**–**	**303,350,235**
Net Book Value	**₱248,937,129**	**₱80,047,533**	**₱328,984,662**

	For the year ended December 31,2019		
	Software	Development in Progress	Total
Costs			
At beginning of year	₱727,554,102	₱118,932,565	₱846,486,667
Additions	18,936,016	86,491,215	105,427,231
Additions through business combination	189,789	–	189,789
Reclassification	70,201,092	(70,201,092)	–
Retirement	(95,347,817)	–	(95,347,817)
Derecognition	–	(2,184,000)	(2,184,000)
Disposals due to sale of a subsidiary	(175,332,342)	(61,473,865)	(236,806,207)
At end of year	546,200,840	71,564,823	617,765,663
Accumulated Amortization			
At beginning of year	291,117,011	–	291,117,011
Amortization (Notes 18 and 19)	115,939,253	–	115,939,252
Retirement	(95,347,817)	–	(95,347,817)
Disposals due to sale of a subsidiary	(57,689,682)	–	(57,689,682)
At end of year	254,018,765	–	254,018,765
Net Book Value	₱292,182,075	₱71,564,823	₱363,746,898

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, 2020, the outstanding liability related to the purchase of these intangible assets amounted to ₱51.68 million, ₱28.91 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 ₱1.37 million and ₱2.65 million for the six months ended June 30, 2020 and 2019, respectively (see Note 12).

In 2018, a web filtering software was acquired on an interest-bearing payment arrangement over 18 months. The outstanding balance as at December 31, 2019 related to the purchase amounting to ₱1.69 million has been fully paid by March 31, 2020. Interest expense arising from the amortization of deferred interest amounted to ₱0.01 million and ₱0.11 million for the six months ended June 30, 2020 and 2019 (see Note 12).

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, 2020 and 2019.

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

Investment at FVPL represents the Group’s investments in unquoted unit investment trust fund.

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, 2020 (Unaudited)	
	FVPL	**FVOCI**
As at January 1, 2020	**₱15,629,263**	**₱286,738,308**
Unrealized fair value gain during the period	**25,374**	**(91,678,234)**
Unrealized foreign exchange loss during the period	**(238,480)**	**–**
	₱15,416,157	**₱195,060,074**

	December 31, 2019 (Audited)	
	FVPL	FVOCI
As at January 1, 2019,	₱131,294,744	₱337,453,928
Additions	171,000,000	–
Redemption	(280,748,100)	–
Unrealized foreign exchange loss	(625,041)	–
Unrealized fair value gain (loss) during the year	(5,292,340)	(50,715,620)
	₱15,629,263	₱286,738,308

10. **Investment in an Associate**

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

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Costs		
At January 1	**₱227,916,452**	₱227,916,452
Accumulated Equity on Net Earnings		
At January 1	**22,257,868**	11,103,396
Equity share in net earnings	**5,598,507**	26,154,472
Less: Dividend income	**–**	(15,000,000)
	27,856,375	22,257,868
Other Comprehensive Income		
At January 1	**464,363**	–
Equity share in other comprehensive income	**(239,704)**	464,363
	224,659	464,363
Carrying Value	**₱255,997,486**	₱250,638,683

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.

In 2019, the Group recognized equity in net earnings and other comprehensive income of an associate amounting to ₱26.15 million and ₱0.46 million, respectively. On the same year, OFII declared and paid dividends to the Group amounting to ₱15 million. Consequently, in 2020, the Group recognized equity in net earnings and other comprehensive income of an associate amounting to ₱5.60 million and ₱0.24 million, respectively. No impairment loss was recognized for the investment in associate in 2020 and 2019.

The summarized statements of financial position of the associate follow:

	June 30, 2020	December 31, 2019
Current assets	**₱591,840,073**	₱486,432,103
Noncurrent assets	**193,407,200**	138,556,567
Current liabilities	**272,927,505**	180,680,848
Noncurrent liabilities	**86,149,937**	60,067,553
Equity	**426,169,832**	384,240,270

The summarized statement of comprehensive income of the associate from January 1 to June 30, 2020 follows:

Revenue	**₱437,775,496**
Cost and expenses	**419,113,809**
Net income	**18,661,687**
Other comprehensive income	**(799,012)**
Total comprehensive income	**₱17,862,675**
Group's share of total comprehensive income from January 1 to June 30, 2020	**₱5,358,803**

11. **Receivable and Trademark Agreement**

On September 25, 2019, LBCH extended a 15-year 2.3% interest-bearing loan to Transtech Co. Ltd. (Transtech) amounting to $1.80 million. Transtech, an entity incorporated in Japan, is involved in freight forwarding, warehousing, and packing business. Its services include forwarding of Balikbayan boxes from Japan to the Philippines.

Transtech shall pay interests on a quarterly basis. The Loan Agreement also constitutes a pledge by Transtech on its trademark for the benefit of LBCH, to secure LBCH's claims to the repayment of the loaned amount in case of default as defined in the Loan Agreement.

Subsequently, on September 30, 2019, Transtech granted LBCH an exclusive license to use its registered trademark subject to restrictions for a period of 10 years with automatic renewal of 3 years unless otherwise discontinued in writing by either parties. LBCH may, in its discretion, use the trademark in combination with any text, graphics, mark, or any other indication. As consideration for the exclusive use of license, LBCH shall pay royalty of $0.13 million annually.

For the six months ended June 30, 2020, LBCH incurred royalty fee amounting to ₱3.17 million wherein the related payable was offset to LBCH's interest receivable and loan receivable from Transtech amounting to ₱0.14 million and ₱3.03 million, respectively.

As at June 30, 2020 and December 31, 2019, the outstanding balance of the loans receivable amounted to ₱85.25 million and ₱89.82 million, respectively. The short term portion of the loans receivable as at June 30, 2020 and December 31, 2019 amounted to ₱5.98 million and ₱6.09 million, respectively, is presented under 'Prepayment and other current assets'. The long-term portion presented under 'Other noncurrent assets'. Interest income earned amounted to ₱1.02 million for the six months ended June 30, 2020.

12. Accounts and Other Payables and Other Noncurrent Liabilities

Accounts and other payables account consists of:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade payable - outside parties	**₱919,333,314**	₱1,713,008,285
Trade payable - related parties (Note 17)	**658,761**	9,862,896
Accruals:		
Salaries and wages	**388,950,403**	341,631,303
Rent and utilities	**177,266,439**	106,876,470
Contracted jobs	**121,522,622**	89,419,768
Advertising	**87,339,201**	118,284,036
Claims and losses	**51,484,949**	61,523,772
Taxes	**44,999,309**	34,192,766
Professional fees	**37,779,540**	22,894,903
Outside services	**18,750,983**	14,588,459
Software maintenance	**11,008,434**	9,450,532
Property and equipment	**3,964,741**	11,732,556
Others	**35,987,841**	42,809,771
Deferred output VAT	**335,404,461**	323,055,911
Contract liabilities	**171,099,758**	197,168,011
Taxes payable	**118,313,505**	70,132,689
Government agencies contributions payables	**30,377,743**	29,855,611
Others	**49,064,732**	45,693,122
	₱2,603,306,736	₱3,242,180,861

Movements in other liabilities follows:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
At beginning of period	**₱80,339,409**	₱131,549,113
Principal payments	**(22,877,560)**	(57,721,750)
Amortization of deferred interest	**1,894,837**	6,512,046
	₱59,356,686	₱80,339,409
Current portion*	**₱30,446,956**	₱40,551,470
Noncurrent portion	**₱28,909,730**	₱39,787,939

**Included in others under "Accounts and other payables".*

The Group's other liabilities consist of unpaid balances pertaining to purchased computer hardware under long-term payment arrangement (see Note 7) and purchased IT security tool, a new payroll system and a logistic software on a non-interest-bearing long-term payment arrangement (see Note 8).

13. Transmissions Liability

Transmissions liability represents money transfer remittances by clients that are still outstanding, and not yet claimed by the beneficiaries as at reporting date. These are due and demandable.

Transmissions liability amounted to ₱699.20 million and ₱586.89 million as at June 30, 2020 and December 31, 2019, respectively, of which liability amounting ₱3.58 million and ₱10.70 million as at June 30, 2020 and December 31, 2019 respectively, is payable to an affiliate (see Note 17).

14. Notes Payable

The Group has outstanding notes payable to various local banks. The details of these notes as at June 30, 2020 and December 31, 2019 are described below:

June 30, 2020 (Unaudited)					
Bank	**Date of Availment**	**Outstanding Balance**	**Maturity**	**Interest Rate**	**Terms**
Banco de Oro	**June 2020**	**₱60,000,000**	**November 2020**	**4.50%, subject to repricing**	**Clean; Interest payable every month, principal to be paid on maturity date**
Banco de Oro	**June 2020**	**150,000,000**	**December 2020**	**4.50%, subject to repricing**	**Clean; Interest payable every month, principal to be paid on maturity date**
Banco de Oro	**Various availments in 2016**	**492,500,000**	**May 2021**	**4.50%, subject to repricing**	**With mortgage; Interest payable every month, principal payable quarterly**
Banco de Oro	**February 2020**	**620,428,900**	**February 2025**	**4.50%, subject to repricing**	**With mortgage; Interest and principal payable every month**
Unionbank of the Philippines	**April 2019**	**62,400,000**	**April 2024**	**7.826%, fixed**	**Clean; Interest and principal to be paid quarterly**
Unionbank of the Philippines	**June 2019**	**17,600,000**	**April 2024**	**7.053%, fixed**	**Clean; Interest and principal payable every quarter**
Unionbank of the Philippines	**January 2020**	**50,000,000**	**July 2020**	**6.25%, subject to repricing**	**Clean; Interest payable every month, principal payable upon maturity**
Unionbank of the Philippines	**April 2020**	**250,000,000**	**April 2023**	**6.00%, subject to repricing**	**Clean; Interest and principal payable every quarter**
Rizal Commercial Banking Corporation	**October 2019**	**38,888,889**	**October 2022**	**6.55%, fixed**	**Clean; Interest and principal payable every month**
Rizal Commercial Banking Corporation	**May 2019**	**200,000,000**	**August 2020**	**6.00%, fixed**	**Clean; Interest and principal payable every month**
Total		**₱1,941,817,789**			
Current portion		**₱1,136,682,300**			
Noncurrent portion		**₱805,135,489**			

December 31, 2019 (Audited)					
Bank	Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
Banco de Oro	October 2019	₱60,000,000	April 2020	5.25%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
Banco de Oro	September 2019	150,000,000	March 2020	5.25%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
Banco de Oro	Various availments in 2016	532,500,000	Various maturities in 2018 to 2021	5.50%, subject to repricing	With mortgage; Interest payable every month, principal payable quarterly
Unionbank of the Philippines	April 2019	70,200,000	April 2024	7.826%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
Unionbank of the Philippines	June 2019	19,800,000	April 2024	7.053%, subject to repricing	Clean; Interest and principal payable every quarter
Unionbank of the Philippines	August 2019	50,000,000	January 2020	7.053%, subject to repricing	Clean; Interest and principal payable every quarter
Rizal Commercial Banking Corporation	October 2019	47,222,222	October 2020	6.55%, subject to repricing	Clean; Interest and principal payable every month
Total		₱929,722,222			
Current portion		₱376,666,667			
Noncurrent portion		₱553,055,555			

The Notes Facility Agreement entered into by the Group with Banco De Oro (BDO) in 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 17).

A short-term loan availed in 2018 with BDO amounting to ₱150.00 million was rolled over in March, September 2019 and June 2020. The balance is still outstanding as of June 30, 2020. Also, a short-term loan availed in December 2018 with BDO amounting to ₱60.00 million was rolled over in April, October 2019 and June 2020 and is still outstanding as of June 30, 2020

A short-term loan availed with Union Bank of the Philippines in August 2019 amounting to ₱50.00 million was rolled over in January 2020 and is still outstanding as of June 30, 2020.

On February 10, 2020, LBCE availed a 5-year interest bearing loan amounting to ₱641.82 million to finance the 70% unpaid balance on the acquisition of land. The loan is secured with real estate mortgage on land owned by the Group.

Interest expense amounted to ₱38.93 million and ₱32.67 million for the six months ended June 30, 2020 and 2019, respectively.

The loans, except for the one availed for acquisition of land, were used primarily for working capital requirements and are not subject to any loan covenants.

Movements in the notes payable is as follows:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
At beginning of period	**₱929,722,222**	₱829,500,000
Additions	**1,091,823,000**	410,000,000
Payments	**(79,727,433)**	(309,777,778)
	₱1,941,817,789	₱929,722,222

15. **Convertible Instrument**

This account consists of:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Derivative liability		
Balance at beginning of year	**₱2,048,681,561**	₱1,406,175,427
Fair value loss on derivative	**7,582,831**	642,506,134
	₱2,056,264,392	₱2,048,681,561
Bond payable		
Balance at beginning of year	**₱1,247,021,058**	₱1,108,417,074
Accretion of interest	**97,101,023**	182,124,669
Unrealized foreign exchange loss (gain)	**(23,673,885)**	(45,319,435)
Amortization of issuance cost	**899,375**	1,798,750
	₱1,321,347,571	₱1,247,021,058

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 as follow:

- effective on three years (3) from issuance date (the Reset Date) - if the 30-day Trading Day Weighted Average Price (TDWAP) of the Parent Company's common shares on the Principal Market prior to the Reset Date is not higher than the initial conversion price, the conversion price shall be adjusted on the Reset Date to the 30-day TDWAP prior to Reset Date;
- upon issuance of common shares for a consideration less than the conversion price in effect – the conversion price shall be reduced to the price of the new issuance;
- upon subdivision or combination (i.e., stock dividend, stock split, recapitalization or otherwise) - the conversion price in effect shall be proportionately reduced or increased; and
- other events or voluntary adjustment.

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 17).

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. Effective July 1, 2019, the Parent Company's purchase of LBC Mabuhay Hawaii Corporation, who operates as a cargo and remittance company in Hawaii, was completed upon the approval by the US regulatory bodies. The Parent Company purchased 1,536,408 shares or 100% of the total outstanding shares from LBC Holdings USA Corporation.

   iv. 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.

v. 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.

vi. 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.

vii. 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 2020, after which the Group expects (on the basis of LBCDC's manifestations) settlement by LBCDC of all of its obligations to the Parent Company, except for the assigned receivables from QUADX Inc. which will be settled based on agreed terms (see Note 17). As of report date, LBCDC has not settled its obligations to the Parent Company pending completion of the 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).

16. **Equity**

Capital stock
As at June 30, 2020 and December 31, 2019, 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 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 ₱20.93 million is presented in the statement of changes in equity.

On September 12, 2019, the BOD of LBCH approved the declaration of cash dividends amounting to ₱356.47 million of which ₱14.78 million was paid in January 2020.

On February 8, 2019 and November 4, 2019, through a Memorandum of Agreement, LBCDC assigned to LBCH a portion of its payable to LBCE amounting to ₱229.37 million and ₱263.92 million, respectively. The same amount was offset against the dividends payable of LBCE to LBCH.

Retained Earnings
Retained earnings include the accumulated equity in undistributed earnings of consolidated subsidiaries of ₱867.65 million and ₱1,478.71 million as June 30, 2020 and December 31, 2019, respectively. These undistributed earnings are not available for dividend declaration unless declared by the subsidiaries.

17. 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, 2020 and for the year ended December 31, 2019 are as follows:

	Transaction amounts for the six months ended June 30, 2020 (Unaudited)	Outstanding receivable balance as at June 30, 2020 (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 25)	**₱37,739,517**	**₱358,676,670**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
Due from related parties (Non-trade receivables)				
Ultimate parent company				
b.) Advances	**₱19,232,034**	**₱1,017,123,128**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
Affiliates - under common control				
b.) Advances	**35,075,955**	**91,091,691**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
g.) Notes receivable current portion	**–**	**3,909,651**	**Interest-bearing; fixed monthly payment**	**Unsecured, no impairment**
Beneficial owners				
b.) Advances	**14,954, 815**	**47,839,995**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
		₱1,159,964,465		
Due from related parties (Other noncurrent assets)				
g.) Notes receivable non current portion	**₱–**	**₱24,698,988**	**Interest-bearing; fixed monthly payment**	**Unsecured, no impairment**
Due from related parties (Advances for future investments in shares)				
f.) Advances for future investment in shares	**₱1,081,701**	**₱79,809,022**	**Noninterest-bearing; for settlement of the subscription of shares**	**Unsecured, no impairment**

	Transaction amounts for the six months ended June 30, 2020 (Unaudited)	Outstanding receivable balance as at June 30, 2020 (Unaudited)	Terms	Conditions
Due to related parties (Trade payables)				
Ultimate Parent Company				
c.) Royalty fee (Note 12)	**₱–**	**(₱138,266)**	**Noninterest-bearing; due and demandable**	**Unsecured**
Associate				
e.) Sea freight and brokerage	**298,624,023**	**(520,495)**	**Noninterest-bearing; due and demandable**	**Unsecured**
Affiliate				
d.) Guarantee fee (Note 14)	**3,571,429**	**–**	**Noninterest-bearing; due and demandable**	**Unsecured**
		(₱658,761)		
Due to related parties (Non-trade payables)				
Affiliate - under common control				
b.) Advances	**₱13,207,831**	**(₱44,002,834)**	**Noninterest-bearing; due and demandable**	**Unsecured**
Officer				
b.) Advances	–	**(422,440)**	**Noninterest-bearing; due and demandable**	**Unsecured**
		(₱44,425,274)		
Due to a related party (Transmission Liability)				
Affiliate - under common control				
a.) Money remittance payable	**₱59,158,142**	**(₱3,577,850)**	**Noninterest-bearing; due and demandable**	**Unsecured**

	Transactions for the six months ended June 30, 2019	Receivable (Payable) as at December 31, 2019	Terms	Conditions
Due from related parties (Trade and notes receivables)				
Affiliates - under common control				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 6 and 26)	₱61,894,754	₱311,922,475	Noninterest-bearing; due and demandable	Unsecured, no impairment
Due from related parties (Non-trade receivables)				
Ultimate parent company				
b.) Advances	(₱229,384,726)	₱1,000,220,309	Noninterest-bearing; due and demandable	Unsecured, no impairment
Affiliates - under common control				
b.) Advances	54,235,904	61,212,739	Noninterest-bearing; due and demandable	Unsecured, no impairment
Officer				
b.) Advances	₱28,424,683	₱38,434,032	Noninterest-bearing; due and demandable	Unsecured, no impairment
		₱1,099,867,080		
Due from related parties (Prepayments and other current assets)				
g.) Notes receivable current portion	₱2,276,986	₱3,938,307	Interest-bearing; fixed monthly payment	Unsecured, no impairment
Due from related parties (Other noncurrent assets)				
g.) Notes receivable non current portion	₱33,476,374	₱26,814,836	Interest-bearing; fixed monthly payment	Unsecured, no impairment

	Transactions for the six months ended June 30, 2019	Receivable (Payable) as at December 31, 2019	Terms	Conditions
Due from related parties (Advances for future investments in shares)				
f.) Advances for future investment in shares (Note 4)	₱–	₱78,727,321	Noninterest-bearing; due and demandable	Unsecured, no impairment
Dividend receivable				
h.) Associate	₱15,000,000	₱–	Noninterest-bearing; due and demandable	Unsecured, no impairment
Due to related parties (Trade payables)				
Ultimate Parent Company				
c.)Royalty fee (Note 13)	₱–	(₱138,500)	Noninterest-bearing; due and demandable	Unsecured
Associate				
e.) Sea freight and brokerage	327,664,572	(9,724,396)	Noninterest-bearing; due and demandable	Unsecured
Affiliates - under common control				
d.) Guarantee fee	3,571,427	–	Noninterest-bearing; due and demandable	Unsecured
		(₱9,862,896)		
Due to a related party (Non-trade payables)				
Affiliates - under common control				
b.) Advances	₱18,751,200	(₱33,173,265)	Noninterest-bearing; due and demandable	Unsecured
Officer				
b.) Advances	₱130,606,900	(₱438,101)	Noninterest-bearing; due and demandable	Unsecured
		(₱33,611,365)		
Due to a related party (Transmission Liability)				
Affiliate - under common control				
a.) Money remittance payable	–	(₱10,700,530)	Noninterest-bearing; due and demandable	Unsecured

Compensation of Key Management Personnel:

	For the Six Months Ended June 30	
	2020 (Unaudited)	2019 (Unaudited)
Salaries and wages	**₱40,997,501**	₱35,367,223
Retirement benefits	**4,401,708**	3,727,427
Other short-term employee benefits	**10,675,171**	8,878,010
	₱56,074,380	₱47,972,660

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 28).

On May 29, 2019, LBCH sold all its 1,860,214 common shares in QUADX Inc. to LBCE for ₱186,021,400 or ₱100 per share payable no later than two years from the execution of deed of absolute sale of share, subject to any extension as may be agreed in writing by the parties.

On July 1, 2019, LBCE sold all its QUADX shares to LBCDC for ₱186.02 million, 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 Inc. 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 amounting to ₱832.64 million 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.

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.

On September 12, 2019, the BOD of LBCH declared cash dividends amounting to ₱356.47 million. On November 4, 2019, through a Memorandum of Agreement, LBCDC assigned to LBCH a portion of its payable to LBCE amounting to ₱263.92 million. The same amount was offset against the dividends payable of LBCE to LBCH.

Furthermore, upon completion of the acquisition of the remaining entity, as disclosed in Note 15, LBCH expects settlement by LBCDC of all of its obligations to LBCH, except for the assigned receivables from QUADX Inc. which will be settled based on abovementioned agreed terms.

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 14, 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 ₱3.57 million for the six months ended June 30, 2020 and 2019.

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. In 2019, LBCE subscribed 20,000,000 Preferred A shares and 29,436,968 Preferred B Shares of Terra Barbaza Aviation, Inc. (TBAI) amounting to ₱78.73 million. The Preferred A Shares will be issued upon conversion of the 20,000,000 Common Shares in TBAI arising from the 20,001,250 Common Shares purchased by LBCE from a common shareholder in January 2020.

   Currently, TBAI is in the process of application of its authorized capital stock for Preferred A and B Shares. Once the application is approved by the SEC, 20,000,000 of the Common Shares purchased by LBCE from the common shareholder will be converted to 20,000,000 non-voting Preferred A Shares. The remaining 1,250 Common Shares will then represent 24.86% of the total outstanding Common Shares.

   On February 2020, LBCE paid capital gains tax related to purchase of the above stocks amounting to ₱1.08 million.

g. 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, 2020, total outstanding notes receivable amounted to ₱28.61 million, ₱3.91 million of which is presented as current under 'Prepayments and other current assets'. Interest income earned from notes receivable amounted to ₱0.59 million and ₱0.70 million for the six-months ended June 30, 2020 and 2019, respectively.

h. On June 6, 2019, LBCH recognized cash dividends from OFII amounting to ₱15.00 million for its 30% interest on OFII.

Aside from required approval of related party transactions explicitly stated in the Corporation Code, the Group has established its own related party transaction policy stating that any related party transaction involving amount or value greater than 10% of the Group's total assets are deemed 'Material Related Party Transactions'. Such transactions shall be reviewed by the Related Party Transaction Committee (RPTC) prior to its endorsement for the Board's Approval. Moreover, any related party transaction involving less than 10% of the Group's total assets will be submitted to the President and CEO for review.

18. Cost of Services

This account consists of:

	For the Six Months Ended June 30	
	2020 (Unaudited)	2019 (Unaudited)
Cost of delivery and remittance	**₱1,716,302,823**	₱2,367,032,060
Salaries wages and employee benefits	**1,618,723,107**	1,573,358,845
Depreciation and amortization (Notes 7, 8 and 21)	**577,862,781**	543,295,409
Utilities and supplies	**498,815,100**	586,986,033
Rent (Note 21)	**137,641,793**	236,367,150
Repairs and maintenance	**57,394,104**	58,167,396
Transportation and travel	**52,686,475**	64,267,541
Retirement benefit expense	**38,615,292**	53,711,709
Insurance	**32,402,758**	26,225,658
Collection fee	**–**	32,311,743
Others	**24,321,245**	43,161,707
	₱4,754,765,478	₱5,584,885,251

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

19. Operating Expenses and Foreign Exchange Gains - net

Operating expenses consist of:

	For the Six Months Ended June 30	
	2020 (Unaudited)	2019 (Unaudited)
Salaries wages and employee benefits	**₱310,159,240**	₱346,673,478
Advertising and promotion	**209,575,420**	159,165,010
Professional fees	**142,824,380**	144,733,966
Taxes and licenses	**105,120,002**	114,617,494
Travel and representation	**97,540,666**	98,044,643
Utilities and supplies	**92,292,718**	101,100,496
Depreciation and amortization (Notes 7, 8 and 21)	**88,253,037**	98,143,964
Commission expense	**77,648,467**	86,942,067
Dues and subscriptions	**52,091,709**	49,303,991
Donation	**49,037,779**	11,395,252
Provision for expected credit losses (Note 5)	**50,109,676**	9,016,536
Rent (Note 21)	**40,877,441**	45,462,373
Software maintenance costs	**26,331,000**	20,840,824
Retirement benefit expense	**15,922,503**	17,699,216
Losses	**9,698,119**	28,308,746
Repairs and maintenance	**2,191,873**	2,505,098
Insurance	**11,881,212**	13,138,121
Others	**10,082,710**	17,398,246
	₱1,391,637,952	₱1,364,489,521

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	
	2020 (Unaudited)	2019 (Unaudited)
Bonds payable	**₱23,673,885**	₱30,275,687
Advances to affiliates - net	**5,640,839**	(3,657,409)
Investment at FVPL	**(238,480)**	628,524
Trade payable	**(348,281)**	958,064
Cash and cash equivalents	**(565,186)**	(7,226,376)
	₱28,162,777	₱20,978,490

20. **Income Taxes**

Provision for income tax consists of:

	For the Six Months Ended June 30	
	2020 (Unaudited)	2019 (Unaudited)
Current	**₱51,255,179**	₱234,865,068
Deferred	**(217,077,137)**	(19,092,620)
	(₱165,821,958)	₱215,772,448

Details of the Group's deferred income tax assets - net as at June 30, 2020 and December 31, 2019 follow:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Deferred tax assets arising from:		
Retirement benefit liability	**₱197,350,048**	₱188,327,061
NOLCO	**160,995,127**	16,828,168
Allowance for impairment losses	**72,177,935**	58,184,772
Accrued employee benefits	**59,973,082**	51,484,181
Lease liabilities	**57,742,652**	43,019,847
Contract liabilities	**22,441,207**	13,849,738
MCIT	**14,678,586**	248,063
Depreciation charged to retained earnings	**12,381,294**	13,847,894
Unrealized foreign exchange losses	**–**	5,030,963
Others	**25,206,548**	13,493,165
	622,946,479	404,313,852
Deferred tax liabilities arising from:		
Unrealized foreign exchange gains	**(21,799,263)**	(20,530,140)
Others	**(5,952,407)**	(6,222,216)
	(27,751,670)	(26,752,356)
	₱595,194,809	₱377,561,496

21. **Lease Commitments**

(a) Operating lease

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

1. Operating lease agreements covering its current corporate office spaces, both for a period of five years from September 1, 2018 and from January 1, 2019. The lease agreements are renewable upon mutual agreement with the lessor and includes rental rate escalations during the term of the lease.

2. Lease agreements covering various service centers and service points within the Philippines for a period of one (1) to eight (8) years except for one (1) warehouse which has a lease term of twenty (20) years renewable at the Group's option at such terms and conditions which may be agreed upon by both parties. These lease agreements include provision for rental rate escalations including payment of security deposits and advance rentals.

3. 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.

(b) 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:

As at June 30, 2020:

	Right-of-use assets				
	Office and Warehouses	**Vehicles**	**Equipment**	**Total**	**Lease liabilities**
As at January 1, 2019	₱1,753,036,093	₱101,821,143	₱30,972,836	₱1,885,830,072	(₱2,001,745,651)
Additions	254,648,385	21,865,621	–	276,514,006	(276,479,709)
Amortization	(341,705,645)	(16,359,748)	(7,419,327)	(365,484,720)	–
Retirement	–	(28,801)	–	(28,801)	–
Payments of principal	–	–	–	–	340,015,910
Payments of interests	–	–	–	–	62,397,116
Accretion of interest	–	–	–	–	(62,397,116)
As at June 30, 2020	**₱1,665,978,833**	**₱107,298,215**	**₱23,553,509**	**₱1,796,830,557**	**(₱1,938,209,450)**

As at December 31, 2019:

	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	2,053,766,086	76,338,649	25,312,929	2,155,417,664	(2,048,424,316)
As at January 1, 2019, as restated	2,053,766,086	76,338,649	25,312,929	2,155,417,664	(2,188,493,351)
Additions through business combinations	133,861,706	20,613,585	36,040,215	190,515,506	(190,760,186)
Additions	329,349,728	33,854,584	–	363,204,312	(363,204,312)
Amortization	(680,846,232)	(28,985,675)	(30,380,308)	(740,212,215)	–

	Right-of-use assets				
	Office and Warehouses	Vehicles	Equipment	Total	Lease liabilities
(Forward)					
Disposal of right of use assets and derecognition of lease liabilities due to loss of control of a subsidiary	(83,095,195)	–	–	(83,095,195)	92,099,843
Payments of principal	–	–	–	–	648,612,354
Payments of interests	–	–	–	–	135,712,457
Accretion of interest	–	–	–	–	(135,712,457)
As at December 31, 2019	₱1,753,036,093	₱101,821,143	₱30,972,836	₱1,885,830,072	(₱2,001,745,651)

The Group recognized rent expense from short-term leases of ₱171.72 million and ₱274.81 million for the six months ended June 30, 2020 and 2019, respectively. Rent expense for leases of low-value assets amounted to ₱6.80 million and ₱7.02 million for the six months ended June 30, 2020 and 2019, respectively (see Notes 18 and 19).

Lease liabilities recognized under PFRS 16 amounted to ₱1,938.21 million, ₱606.34 million of which is presented under current liabilities. Interest expense arising from the accretion of the present value of the minimum lease payments amounted to ₱62.37 million for the six months ended June 30, 2020.

The following summarized the maturity profile of the Group's lease liabilities as of June 30, 2020:

	2020
Less than 1 year	**₱788,419,434**
More than 1 year to 2 years	**593,197,378**
More than 2 years to 3 years	**412,626,615**
More than 3 years to 4 years	**276,913,350**
More than 5 years	**364,725,277**
	₱2,435,882,054

(c) 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, 2020 are considered short-term leases or low value assets where the recognition exemption is applied.

	For the Six Months Ended June 30	
	2020 (Unaudited)	2019 (Unaudited)
Cost of services (Note 18)	**₱137,641,793**	₱236,367,150
Operating expenses (Note 19)	**40,877,441**	45,462,373
	₱178,519,234	₱281,829,523

The Group has security deposits arising from the said lease agreements amounting to ₱331.65 million and ₱330.62 million as at June 30, 2020 and December 31, 2019, respectively.

22. **Retirement Benefits**

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

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Present value of defined benefit obligation	**₱932,328,834**	₱868,252,210
Fair value of plan assets	**(269,510,248)**	(230,457,525)
	₱662,818,586	₱637,794,685

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, 2020 and 2019 were calculated by extrapolating the latest actuarial valuation reports for the year ended December 31, 2019 and 2018, respectively.

23. **Financial Risk Management Objectives and Policies**

The Group has various financial assets such as 'cash and cash equivalents', 'trade and other receivables' (excluding advances to officers and employees), 'notes receivable', 'due from related parties', 'financial assets at FVPL', 'financial assets at FVOCI', 'short-term investments' and 'restricted cash' 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, 2020 and 2019 with all other variables held constant.

	Effect on comprehensive income	
	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)
Change in share price		
Increase by 5%	**₱9,753,004**	₱20,286,248
Decrease by 5%	**(₱9,753,004)**	(₱20,286,248)
Change in NAV		
Increase by 5%	**₱770,808**	₱1,054,454
Decrease by 5%	**(₱770,808)**	(₱1,054,454)

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 impact of the changes in share price in the valuation is minimal.

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, 2020 (Unaudited)	December 31, 2019 (Audited)
Credit spread		
+1%	**₱51,547,768**	₱57,425,852
-1%	**(47,504,206)**	(60,301,921)

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) and Japanese Yen (JPY). 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, 2020 (Unaudited)	
	Foreign currency	**Peso equivalent**
Assets:		
Euro	**3,225,331**	**₱181,281,328**
Hongkong Dollar	**22,662,084**	**148,287,079**
US Dollars	**1,710,000**	**85,245,210**
Japanese yen	**13,706,591**	**6,461,287**
Liabilities:		
US Dollars	**(26,653,276)**	**(1,321,347,571)**

The translation exchange rates used were ₱56.21 to EUR 1, ₱6.54 to HKD 1, ₱49.85 to USD 1, ₱0.47 to JPY 1 in 2020..

	December 31, 2019 (Audited)	
	Foreign currency	Peso equivalent
Assets:		
Euro	3,059,119	₱171,096,526
Hongkong Dollar	18,234,261	118,340,354
US Dollars	1,770,000	89,809,800
Japanese yen	18,297,353	8,416,782
Liabilities:		
US Dollars	(24,737,217)	(1,255,166,391)

The translation exchange rates used were ₱55.93 to EUR 1, ₱6.49 to HKD 1, ₱50.74 to USD 1, ₱0.46 to JPY 1 in 2019.

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, 2020 and December 31, 2019.

	Increase (decrease) in income before tax	
Reasonably possible change in foreign exchange rate for every two units of Philippine Peso	**June 30, 2020 (Unaudited)**	December 31, 2019 (Audited)
₱2	**₱29,301,460**	₱33,247,032
(2)	**(29,301,460)**	(33,247,032)

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 ₱28.16 million and ₱20.98 million foreign exchange gains - net, for the six months ended June 30, 2020 and 2019, 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 19).

Credit risk

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

Credit risk is monitored and actively managed by way of strict requirements relating to the creditworthiness of the counterparty at the point at which the transactions are concluded and also throughout the entire life of the transactions, and also by way of defining risk limits.

The maximum credit risk exposure of the Group's financial assets is equal to the carrying amounts in the consolidated statements of financial position.

There are no collaterals held as security or other credit enhancements attached to the Group's financial assets.

The aging analyses of Group's past due and/or impaired receivables as of June 30, 2020 and as of December 31, 2019 follow:

	June 30, 2020				
	Past due but not Impaired			**Credit Impaired**	**Total**
	1 to 30 days	**31 to 90 days**	**Over 90 days**		
Trade and other receivables	**₱47,116,652**	**₱24,696,517**	**₱105,303,757**	**₱222,838,646**	**₱399,955,572**

	December 31, 2019 (Audited)				
	Past due but not Impaired			Credit Impaired	Total
	1 to 30 days	31 to 90 days	Over 90 days		
Trade and other receivables	₱17,186,796	₱11,042,249	₱87,500,758	₱172,728,970	₱201,046,273

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

June 30, 2020	GDP growth rate	Associated ECL on trade receivables
Base case	7.90%	₱70,998,608
Upside case	10.90%	70,785,230
Downside case	4.90%	81,054,808
		₱222,838,646

December 31, 2019	GDP growth rate	Associated ECL on trade receivables
Base case (33%)	6.90%	₱57,576,323
Upside case (33%)	9.90%	57,576,324
Downside case (33%)	3.90%	57,576,323
		₱172,728,970

The probability of scenarios used in 2020 is 30%, 30% and 40% for base case, upside case and downside case, respectively, for large enterprises client group while 25%, 25% and 50% for base case, upside case and downside case, respectively, for small-medium enterprises client group.

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 as at June 30, 2020 and December 31, 2019 amounting to ₱2,637.46 million and ₱3,268.11 million, respectively.

24. **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, notes receivable, accounts and other payables, transmissions liability and the current portion of notes payable and lease liabilities approximate their fair value. These financial instruments are relatively short-term in nature except for notes receivable that is long-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, 2020 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 unobservable input in the fair value is the stock price volatility of 41.81% for the six months ended June 30, 2020. A 5% increase (5% decrease) in the stock price volatility would not materially affect the fair value of derivative.

The plain bond is determined by discounting the cash flow, which is simply the principal at maturity, using a discount rate of 12.27%. The discount rate is composed of the matched to maturity risk free rate and the option adjusted spread of 12%.

The fair value of the long-term portion of lease liabilities as at June 30, 2020 and December 31, 2019 is based on the discounted value of future cash flow using applicable interest rates ranging from 2.16% to 2.44% and 3.00% to 3.55%, respectively.

The estimated fair value of long-term portion of notes payable as at June 30, 2020 and December 31, 2019 is based on the discounted value of future cash flow using applicable rates ranging from 1.80% to 2.41% and 4.00%. to 7.83%, respectively.

The estimated fair value of other noncurrent liabilities as at June 30, 2020 and December 31, 2019 is based on the discounted value of future cash flow using applicable rate of 2.16% to 2.20% and 3.00% to 3.55%, 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, 2020 and December 31, 2019 follow:

		June 30, 2020 (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	**₱195,060,074**	**₱195,060,074**	**₱195,060,074**	**₱–**	**₱–**
FVPL	**15,416,157**	**15,416,157**	–	**15,416,157**	–
Liability measured at fair value					
Derivative liability	**2,056,264,392**	**2,056,264,392**	–	–	**2,056,264,392**
Liabilities for which fair value are disclosed					
Bond payable	**1,321,347,571**	**1,508,044,254**	–	–	**1,508,044,254**
Noncurrent lease liabilities	**1,328,407,351**	**1,528,231,140**	–	–	**1,528,231,140**
Long-term notes payable	**805,135,489**	**838,675,384**	–	–	**838,675,384**
Other noncurrent liabilities	**28,909,730**	**31,391,368**	–	–	**31,391,368**

	December 31, 2019 (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	₱286,738,308	₱286,738,308	₱286,738,308	₱–	₱–
FVPL	15,629,263	15,629,263	–	15,629,263	–
Liability measured at fair value					
Derivative liability	2,048,681,561	2,048,681,561	–	–	2,048,681,561
Liabilities for which fair value are disclosed					
Bond payable	1,247,021,058	1,350,898,104	–	–	1,350,898,104
Long-term notes payable	553,055,556	560,121,284	–	–	560,121,284
Noncurrent lease liabilities	1,356,893,361	1,352,153,074	–	–	1,352,153,074
Other noncurrent liabilities	39,787,954	44,440,039	–	–	44,440,039

During the six months ended June 30, 2020 and year ended December 31, 2019, 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.

25. Segment Reporting

Management has determined the operating segments based on the information reviewed by the executive committee for purposes of allocating resources and assessing performance.

The Group's two main operating segments comprise of logistics and money transfer services. The executive committee considers the business from product perspective.

The Group's logistics products are geared toward both retail and corporate clients. The main services offered under the Group's logistics business are domestic and international courier and freight forwarding services (by way of air, sea and ground transport).

Money transfer services comprise of remittance services (including branch retail services, prepaid remittance cards and online and mobile remit) and bills payment collection and corporate remittance payout services. Money transfer services include international presence through its branches which comprises international inbound remittance services.

The Group only reports revenue line item for this segmentation. Assets and liabilities and cost and expenses are shared together by these two segments and, as such, cannot be reliably separated.

The Group has no significant customer which contributes 10% or more to the revenue of the Group.

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

	For the Six Months Ended June 30, 2020		
Segments	**Logistics**	**Money transfer services**	**Total**
Type of Customer			
Retail	**₱4,066,096,834**	**₱289,172,301**	**₱4,355,269,135**
Corporate	**1,271,090,150**	**16,830,084**	**1,287,920,234**
Total revenue from contracts with customer	**₱5,337,186,984**	**₱306,002,385**	**₱5,643,189,369**
Geographic Markets			
Domestic	**₱3,694,491,912**	**₱184,554,971**	**₱3,879,046,883**
Overseas	**1,642,695,072**	**121,447,414**	**1,764,142,486**
Total revenue from contracts with customer	**₱5,337,186,984**	**₱306,002,385**	**₱5,643,189,369**

	For the Six Months Ended June 30, 2019		
Segments	Logistics	Money transfer services	Total
Type of Customer			
Retail	₱4,950,749,359	₱498,263,689	₱5,449,013,048
Corporate	2,238,585,841	36,676,956	2,275,262,797
Total revenue from contracts with customer	₱7,189,335,200	₱534,940,645	₱7,724,275,845
Geographic Markets			
Domestic	₱5,349,146,223	₱377,762,553	₱5,726,908,776
Overseas	1,840,188,977	157,178,092	1,997,367,069
Total revenue from contracts with customer	₱7,189,335,200	₱534,940,645	₱7,724,275,845

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 ₱37.74 million and ₱61.89 million for the six months ended June 30, 2020 and 2019, respectively.

Seasonality of Operations

The Group's operation tends to experience increased volume in remittance transmission as well as cargo throughout the second quarter and fourth quarter of the year, particularly during the start of the school year and during the Christmas holiday season.

26. Basic/Diluted Earnings (Loss) 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, 2020 (Unaudited)	2019 (Unaudited)
Net income (loss) attributable to equity holder of the Parent Company	**(₱501,733,067)**	₱71,250,632
Add loss (profit) impact of assumed conversion of bonds payable	**89,011,510**	36,641,824
Net income (loss) attributable to equity holder of the Parent Company after conversion of bonds payable	**(₱412,721,557)**	₱107,892,456
Weighted average number of common shares outstanding	**1,425,865,471**	1,425,865,471
Dilutive shares arising from convertible debt	**191,734,615**	200,988,462
Adjusted weighted average number of common shares for diluted EPS	**1,617,600,086**	1,626,853,933
Basic EPS	**(₱0.35)**	₱0.05
Diluted EPS	**(₱0.35)**	₱0.05

In 2020 and 2019, the Parent Company did not consider the effect of the assumed conversion of convertible debt since these are anti-dilutive. As such, for the six months ended June 30, 2020 and 2019, the diluted EPS is the same as the basic EPS.

27. Notes to Consolidated Statement of Cash Flows

In 2020, the Group has the following non-cash transaction under:

Investing Activities

a. Unpaid acquisition of property and equipment amounting to ₱3.96 million.
b. Offsetting of loans receivable and interest receivable against royalty fee recorded under 'accounts and other payables' (see Note 11).

Financing Activities

	December 31, 2019	Cash Flows	Leasing arrangements	Interest	Foreign exchange movement	Fair value changes	June 30, 2020
Notes payable	₱929,722,222	₱1,012,095,567	₱–	₱–	₱–	₱–	₱1,941,817,789
Lease liabilities and other noncurrent liabilities	2,041,533,590	(350,899,616)	247,575,476	–	–	–	1,938,209,450
Convertible bond (bond and derivative liability)	3,295,702,619	–	–	98,000,398	(23,673,885)	7,582,831	3,377,611,963
Dividends payable	14,775,250	(14,775,250)	–	–	–	–	–
Interest payable	3,031,235	(108,744,256)	–	112,219,840	–	–	6,506,819
Due to related parties	33,611,365	10,813,909	–	–	–	–	44,425,274
Total liabilities from financing activities	₱6,318,376,281	₱548,490,354	₱247,575,476	₱210,220,238	(₱23,673,885)	₱7,582,831	₱7,308,571,295

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 17).

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 31, 2019
Notes payable	₱829,500,000	₱110,000,000	₱–	₱–	₱–	₱–	₱–	₱–	₱939,500,000
Lease liabilities and other noncurrent liabilities	220,055,216	(277,309,384)	1,715,127,020	–	–	–	–	179,849,736	1,837,722,588
Convertible bond (bond and derivative liability)	2,514,592,501	–	–	86,336,623	–	(30,275,687)	411,881,079	–	2,982,534,516
Dividends payable	285,173,094	(55,798,368)	–	–	(229,374,726)	–	–	–	–
Interest payable	1,570,160	(88,910,156)	–	92,637,591	–	–	–	–	5,297,595
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	(₱250,449,143)	₱1,715,127,020	₱178,974,214	(₱229,374,726)	(₱30,275,687)	(₱411,881,079)	₱247,159,883	₱5,987,925,740

28. 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 an appeal to the Supreme Court on September 2, 2019 assailing the denial of the motions to dismiss. The Supreme Court has not resolved the appeal as of today.

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 denied by court. They all filed for motion for reconsideration, later on denied by the court. Three individuals filed their Answer to the Complaint. On the other hand, the last remaining individual defendant filed a motion for reconsideration of the order denying her motion to dismiss. The court has not resolved her motion for reconsideration yet.

While waiting for the last remaining individual defendant to file her answer, PDIC, LBCE, LBCDC and the other defendants have proceeded to pre-mark their respective documentary exhibits in preparation for eventual pre-trial.

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.

29. Reclassification and Adjustments

Accounting for variable consideration
Contracts with customers require the Group to compensate its customers in the form of penalties in the event of product damage, product loss and/or late return and deliveries. The Group previously accounted for these penalties as an operating expense under Claims and losses. Subsequently, management has assessed that these penalties are considered as a variable consideration being directly linked to the performance of the Group 's service obligation as stipulated in the contracts with customers. Accordingly, the penalties form part of the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised services to its customers, which shall be accounted as a reduction in service revenue.

For the six months ended 2019, the Group recognized variable consideration amounting to ₱123.19 million presented as a reduction in service revenue, from the previous classification as part of operating expenses.

Reclassification of depreciation and amortization
The Group also reclassified depreciation and amortization in the Statement of Comprehensive income for the six months ended June 30, 2019 compared to the previously issued interim condensed consolidated financial statements to better classify the accounts to its proper nature since the portion of 'cost of services' previously presented as 'operating services' were directly arising from normal trade activities of the Group. Total amount of reclassification is ₱234.03 million.

Finalization of Goodwill and Gain on bargain purchase
In the previously issued interim condensed consolidated financial statements as of and for the six months ended June 30, 2019, the reported goodwill and gain from bargain purchase from the acquisition of LBC North America Mabuhay Corporation and LBC Mundial Corporation amounted to ₱4.16 million and ₱4.08 million, respectively. These are provisional values due to unavailability of information to facilitate fair value computation at that time. Moreover, these accounts are adjusted to ₱0.66 million and ₱14.82 million, respectively, upon finalization of initial accounting within twelve months from the acquisition date.

Changes in market assumptions
There is a change in market assumptions in the valuation of convertible instrument applied in the consolidated financial statements as of December 31, 2019. The same set of assumptions was applied in the interim condensed consolidated financial statements for the six months ended June 30, 2019 which resulted to ₱440.38 million loss on derivatives.

Estimating useful lives of leasehold improvements
As a result of the assessment of the lease terms under PFRS 16 as of and for the six months ended June 30, 2019, the Group revisited the useful lives of its non-movable leasehold improvements on the premises of the affected lease contracts. This resulted in acceleration of amortization which decreased the retained earnings as of December 31, 2018 amounting to ₱132.81 million, net of income tax effect, and decreased net income for the six months ended June 30, 2019 amounting to ₱36.75 million due to the effect of accelerated depreciation, net of income tax.

The above-mentioned reclassifications and adjustments have no impact on the consolidated financial statements as of and for the year ended December 31, 2019.

30. **Impact of COVID-19 Pandemic and Subsequent Events**

Lease of new warehouse
On July 20, 2020, LBCE entered into a lease agreement of land and building for three-year period commencing on July 16, 2020 to May 31, 2023.

Impact of recent Coronavirus situation
To contain the COVID-19 pandemic, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum to impose stringent social distancing measures in the National Capital Region. Consequently, on March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months, and placed Luzon under Enhanced Community Quarantine (ECQ) until April 14, 2020; this was later extended to May 31, 2020 and further placed under General Community Quarantine up to June 30, 2020. Under the ECQ, strict home quarantine was implemented in Luzon, and establishments providing basic necessities were allowed to operate, likewise, there were restrictions on land, air and sea travel. However, the movement of cargo within, to and from Luzon was unhampered amid the ECQ, subject to the guidelines from the Inter-Agency Task Force (IATF).

In order to remain operational during the pandemic period, the Group activated its Business Continuity Plans in order to continue to fulfill services much needed during this crisis period. The Group's delivery lead times have been extended due to safety, security and travel restrictions. Likewise, the Group has implemented processes leading to contactless delivery and other safety and security measures within operations, and maintains stringent measures and protocols set by the government including social distancing and regular sanitation of branches, hubs and warehouses, and other facilities, including all cargo. The Group has also adapted a skeletal manpower model, in its office, delivery and courier operations, and has suspended operations of selected branches in various locations, until further notice. All frontliners are ensured of their safety and well-being, and are provided with safety and protection gear, point-to-point shuttles for easier commute, free meals, medical assistance and allowances, among others. Rapid Testing is also underway, fulfilling the Group's commitment to health and safety, not just for its employees, but also, in turn, for its customers.

The impact of the pandemic consists of reduction of revenue and grant of lease concessions (Note 2). The Group also incurred COVID-19 pandemic related expenses for the period ended June 30, 2020 which are included in both 'cost of services' and 'operating expenses' in the interim condensed consolidated statements of comprehensive income. Salaries and benefits presented under 'cost of services' includes premium paid to employees who worked on site during the lockdown while under 'operating services', there are cost recognized related to test kits. Transportation and travel includes shuttle costs to bring employees to their respective workplace. Donation consists the face masks donation. Other expenses comprise of laptop rentals, disinfectants, sprays, face shields, etc.

After taking into account all available information about the future, the management assessed that there are no conditions that may cast significant doubt upon the Group's or any entity within the Group to continue as a going concern basis.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
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SUPPLEMENTARY SCHEDULES

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS

JUNE 30, 2020

Name of issuing entity and association of each issue	Number of shares	Amount shown in the balance sheet	Income received and accrued	Value Based on Market Quotation and End of Reporting Period
Financial assets at fair value through other comprehensive income - Araneta Properties, Inc.	195,060,074	₱195,060,074	₱–	N/A
Financial assets at fair value through profit or loss	–	15,416,157	–	N/A
		210,476,231	–	
Financial assets at amortized costs:				
Cash in bank and cash equivalents	–	3,628,987,950	13,221,647	N/A
Short-term investments	–	129,755,269	–	N/A
Restricted cash in bank		31,785,544	413,507	N/A
Trade and other receivables	–	1,642,157,123	–	N/A
Due from related parties	–	1,159,964,465	–	N/A
Notes receivable (noncurrent)	–	24,698,988	591,354	N/A
Loans receivable (current and noncurrent)	–	85,245,210	1,020,045	N/A
	–	6,702,594,549	15,246,553	
		₱6,913,070,780	₱15,246,553	

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, 2020

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, *Beneficial owner*	₱9,284,395	₱–	₱–	₱–	₱9,284,395	₱–	₱9,284,395
Miguel Angel A. Camahort, *Chief Executive Officer*	724,955	–	(724,955)	–	–	–	–
Other beneficial owners	28,424,682	14,954,815	(4,823,897)	–	38,555,600	–	38,555,600
	₱38,434,032	₱14,954,815	(₱5,548,852)	₱–	₱47,839,995	₱–	₱47,839,995

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, 2020

Name of Subsidiaries	Balance at beginning of period	Additions	Amounts collected/paid	Amounts Written Off	Sale of Subsidiary	Current	Not current	Balance at end of period
LBC Express, Inc.	(₱1,878,721,192)	(₱1,871,950,561)	₱2,628,771,185	₱–	₱–	(₱1,121,900,568)	₱–	(₱1,121,900,568)
LBC Express, Inc. - MM	96,462,585	139,319,034	(125,001,566)	–	–	110,780,053	–	110,780,053
LBC Express, Inc. - SCC	16,163,852	34,269,183	(28,849,558)	–	–	21,583,477	–	21,583,477
LBC Express, Inc. - NEMM	21,146,975	98,661,509	(83,675,228)	–	–	36,133,256	–	36,133,256
LBC Express, Inc. - NWMM	29,613,768	67,274,363	(57,143,169)	–	–	39,744,963	–	39,744,963
LBC Express, Inc. - EMM	23,696,239	54,060,846	(47,090,335)	–	–	30,666,750	–	30,666,750
LBC Express, Inc. - SMM	16,136,077	60,954,941	(53,279,665)	–	–	23,811,354	–	23,811,354
LBC Express, Inc. - CMM	16,264,009	75,116,894	(63,283,321)	–	–	28,097,582	–	28,097,582
LBC Express, Inc. - SL	61,412,175	131,379,130	(109,873,701)	–	–	82,917,605	–	82,917,605
LBC Express, Inc. - SEL	44,067,088	71,759,581	(62,105,641)	–	–	53,721,029	–	53,721,029
LBC Express, Inc. - CL	35,802,740	94,290,846	(84,487,784)	–	–	45,605,802	–	45,605,802
LBC Express, Inc. - NL	34,396,835	94,951,154	(83,583,118)	–	–	45,764,871	–	45,764,871
LBC Express, Inc. - VIS	60,358,010	119,086,975	(105,281,696)	–	–	74,163,289	–	74,163,289
LBC Express, Inc. - WVIS	38,428,715	94,956,632	(83,858,813)	–	–	49,526,534	–	49,526,534
LBC Express, Inc. - MIN	46,767,187	107,251,354	(93,404,911)	–	–	60,613,630	–	60,613,630
LBC Express, Inc. - SEM	37,626,122	63,864,835	(54,603,421)	–	–	46,887,535	–	46,887,535
LBC Express, Inc. - SMCC	14,218,035	17,560,035	(14,724,635)	–	–	17,053,435	–	17,053,435
LBC Express, Inc. - ESI	(5,017,866)	–	(1,871,046)	–	–	(6,888,912)	–	(6,888,912)
LBC Express, Inc. - SCS	38,924,355	99,039,043	(82,597,693)	–	–	55,365,704	–	55,365,704
LBC Systems, Inc.	(55,484,375)	8,034,566	(7,166,901)	–	–	(54,616,709)	–	(54,616,709)
LBC Express WLL	20,949,925	(21,332,281)	25,832,978	–	–	25,450,622	–	25,450,622
LBC Express Bahrain WLL	(20,919,147)	(3,293,998)	(1,121,939)	–	–	(25,335,084)	–	(25,335,084)
LBC Express LLC	(71,007,698)	(7,996,722)	12,295,998	–	–	(66,708,423)	–	(66,708,423)
LBC Mabuhay Saipan, Inc.	(48,271,677)	(3,767,928)	(28,769,245)	–	–	(80,808,850)	–	(80,808,850)
LBC Aircargo (S) Pte. Ltd	(143,416,881)	(1,833,429)	377,369	–	–	(144,872,941)	–	(144,872,941)
LBC Money Transfer PTY Limited	(70,443,146)	(4,133,679)	50,700,493	–	–	(23,876,332)	–	(23,876,332)
LBC Airfreight (S) Pte. Ltd	105,146,491	(12,757,015)	38,122,316	–	–	130,511,792	–	130,511,792
LBC Australia PTY Limited	10,113,112	(13,579,764)	25,969,888	–	–	22,503,236	–	22,503,236
LBC Mabuhay (Malaysia) SDN BHD	5,403,949	(5,020,903)	10,986,963	–	–	11,370,009	–	11,370,009
LBC Mabuhay (B) SDN BHD	22,240,907	(2,365,523)	(434,300)	–	–	19,441,085	–	19,441,085
LBC Mabuhay Remittance SDN BHD	5,033,035	(3,512,262)	18,393,835	–	–	19,914,608	–	19,914,608
LBC Mundial Corporation	(6,637,789)	(154,723,380)	163,980,249	–	–	2,619,080	–	2,619,080
LBC Mabuhay North America Corporation	–	62,512,612	(62,414,430)	–	–	98,182	–	98,182
QUADX Pte Ltd.	13,670,094	–	(22,603,439)	–	–	(8,933,345)	–	(8,933,345)
Mermaid Co., Ltd.	(5,060,886)	–	(7,431,830)	–	–	(12,492,716)	–	(12,492,716)
	(₱1,490,938,378)	(₱611,923,910)	₱1,610,773,891	₱–	₱–	(₱492,088,397)	₱–	(₱492,088,397)

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE D: LONG TERM DEBT

JUNE 30, 2020

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current liabilities" in Statement of Financial Position	Amount shown under caption "Noncurrent liabilities" in Statement of Financial Position
Notes payable	₱1,941,817,789	₱1,136,682,300	₱805,135,489
Lease liabilities	1,938,209,450	609,802,099	1,328,407,351
Bond payable	1,321,347,571	−	1,321,347,571
Derivative liability	2,056,264,392	−	2,056,264,392
Other liabilities	59,356,686	30,446,956	28,909,730
	₱7,316,995,888	₱1,776,931,355	₱5,540,064,533

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE E: INDEBTEDNESS TO RELATED PARTIES

JUNE 30, 2020

Name of related party	Balance at Beginning of Period	Balance at End of Period
Fernando G. Araneta, *Beneficial owner*	₱43,741	₱43,741
LBC Insurance Agency, Inc.	13,057,902	12,750,702
Blue Eagle and LBC Services Pte. Ltd.	17,508,283	17,249,190
QUADX Inc.	2,607,080	14,002,942
Others	394,359	378,699
	₱33,611,365	₱44,425,274

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE F: GUARANTEES OF SECURITIES OF OTHER ISSUERS

JUNE 30, 2020

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

NOT APPLICABLE

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE G: CAPITAL STOCK

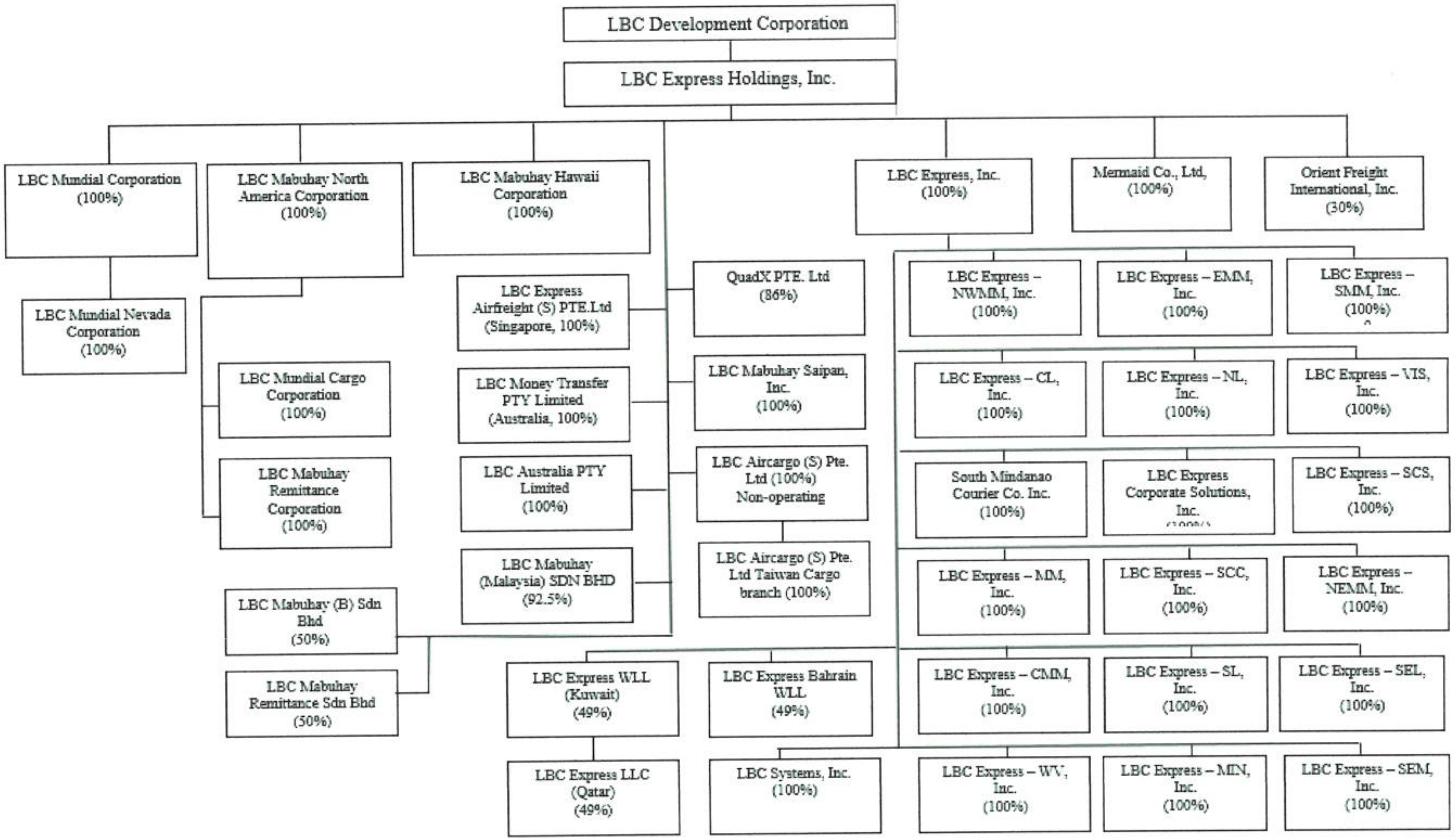
JUNE 30, 2020

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related Statement of Financial Position	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 SUBSIDIARIESs

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

JUNE 30, 2020



LBC EXPRESS HOLDINGS, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

Unappropriated Retained Earnings, beginning		**₱994,108,545**
Adjustments:		
Fair value adjustments (M2M gains)	(454,198,052)	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	(38,823,509)	**(493,021,561)**
Unappropriated retained earnings, as adjusted to available for dividend distribution as at January 1, 2020		**501,086,984**
Less: Net Loss actually incurred during the period		
Net loss during the period closed to retained earnings	**(₱91,321,964)**	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain – (after tax) except those attributable to Cash and Cash equivalents	16,571,720	
Unrealized actuarial gain	–	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Subtotal	16,571,720	
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 loss actually incurred during the period		**(107,893,683)**
Add (Less):		
Dividend declarations during the period	–	
Appropriations of retained earnings during the period	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	
Subtotal		–
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION		**₱393,193,300**

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

Below are the financial ratios that are relevant to the Group for the six months ended June 30:

Financial ratios	Formula	Current Year		Prior Year	
Current ratio[1]	Total Current Assets	**7,856,003,582**	**1.74**	7,817,054,249	1.58
	Total Current Liabilities	**4,512,258,793**		4,958,143,125	
Acid Test Ratio[1]	Total Current Assets - Prepayments and other current assets	**6,926,070,725**	**1.53**	6,942,659,875	1.40
	Current Liabilities	**4,512,258,793**		4,958,143,125	
Solvency Ratio[1]	Net Income (loss) After Tax - Non-Cash Expenses	**(47,830,466)**	**(0.01)**	962,073,569	0.10
	Total Liabilities	**9,392,855,450**		9,282,915,580	
Debt-to-equity ratio[1]	Total liabilities	**9,392,855,450**	**3.06**	9,282,915,580	2.71
	Stockholder's equity attributable to Parent Company	**3,064,954,945**		3,431,342,642	
Asset-to-equity ratio[1]	Total Assets	**12,457,810,395**	**4.06**	12,714,258,222	3.71
	Stockholder's equity attributable to Parent Company	**3,064,954,945**		3,431,342,642	
Interest rate coverage ratio[1]	Income before interest and tax expense	**(508,623,182)**	**(3.44)**	425,967,938	3.43
	Interest Expense	**147,823,122**		124,200,406	
Return on equity[1]	Net income attributable to Parent Company	**(483,997,347)**	**(0.14)**	114,673,335	0.03
	Stockholder's equity attributable to Parent Company	**3,387,555,722**		3,431,342,642	
Debt to total assets ratio[1]	Total liabilities	**9,127,537,654**	**0.73**	9,282,915,580	0.73
	Total assets	**12,515,093,375**		12,714,258,222	
Return on average assets [1]	Net income attributable to Parent Company	**(483,997,347)**	**(0.04)**	114,673,335	0.01
	Average assets	**12,506,449,975**		12,042,216,488	
Net profit margin[1]	Net income attributable to Parent Company	**(483,997,347)**	**(0.09)**	114,673,335	0.01
	Service fee	**5,643,189,369**		7,724,275,845	
Book value per share[1]	Stockholder's equity attributable to Parent Company	**3,064,954,945**	**2.15**	3,431,342,642	2.41
	Total number of shares	**1,425,865,471**		1,425,865,471	
Basic earnings per share	Net income attributable to Parent Company	**(501,733,067)**	**(0.35)**	71,250,632	0.05
	Weighted average number of common shares outstanding	**1,425,865,471**		1,425,865,471	
Diluted earnings per share	Net income attributable to Parent Company after impact of conversion of bonds payable	**(501,733,068)**	**(0.35)**	71,250,632	0.05
	Adjusted weighted average number of common shares for diluted EPS	**1,425,865,471**		1,425,865,471	

[1]*Excluding impact on adoption of PFRS 16, Leases*