

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, 2017
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) 856 8510
9. Former name or 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
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

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.

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, 2017
Currency (indicate units, if applicable)	PHP

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Jun 30, 2017	Dec 31, 2016
Current Assets	3,878,155,011	4,601,535,737
Total Assets	6,126,267,691	6,737,237,682
Current Liabilities	2,476,627,301	2,752,998,165
Total Liabilities	4,008,771,596	4,274,244,667
Retained Earnings/(Deficit)	397,162,163	782,414,079
Stockholders' Equity	2,117,496,095	2,462,993,015
Stockholders' Equity - Parent	2,167,606,427	2,513,956,952
Book Value per Share	1.48	1.73

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	2,451,457,976	2,068,417,820	4,909,643,436	4,134,894,464
Gross Expense	2,149,713,885	1,766,843,740	4,284,243,620	3,557,369,509
Non-Operating Income	22,893,484	17,435,008	49,337,904	50,213,528

Non-Operating Expense	18,386,693	13,301,708	40,456,424	25,383,463
Income/(Loss) Before Tax	306,250,882	305,707,380	634,281,296	602,355,020
Income Tax Expense	91,475,050	98,368,420	191,579,150	188,484,751
Net Income/(Loss) After Tax	214,775,832	207,338,960	442,702,146	413,870,269
Net Income Attributable to Parent Equity Holder	212,258,683	210,181,711	441,750,057	418,647,667
Earnings/(Loss) Per Share (Basic)	0.15	0.15	0.31	0.29
Earnings/(Loss) Per Share (Diluted)	0.15	0.15	0.31	0.29

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.66	0.3
Earnings/(Loss) Per Share (Diluted)	0.66	0.3

Other Relevant Information

Trailing 12 months is computation of EPS between period from July 2016 to June 2017 and July 2015 to June 2016. Please find attached the Company's quarterly report (SEC Form 17-Q) for the 2nd quarter of 2017.

COVER SHEET

AS 0930 05277

S.E.C. Registration Number

LBC EXPRESS HOLDINGS, INC

(FORMERLY FEDERAL RESOURCES

INVESTMENT GROUP INC

(Company's Full Name)

LBC HANGAR GEN. AVIATION CENTER

DOMESTIC AIRPORT ROAD PASAY

(Business address: No. Street City / Town / Province)

ENRIQUE V. REY, JR.

Contact Person

02-876-8510

Company Telephone Number

12

Month

31

Day

Fiscal Year

FORM TYPE

06

Month

10

Day

SECOND MONDAY OF JUNE
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

Top be accomplished by SEC Personnel concerned

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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, 2017
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 Center, Domestic Airport Road, Pasay City 1300
8. Issuer's telephone number, including area code: (632) 856 8510
9. Former name, former address and former fiscal year, if changed since last report

Federal Resources Investment Group Inc.
No. 35 San Antonio Street, San Francisco del Monte, Quezon City 1105

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

As of June 30, 2017:

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON SHARES	1,425,865,471¹

11. Are any or all of the securities listed on a Stock Exchange?
Yes [☒] No [☐]

Name of Stock Exchange: Philippine Stock Exchange
Class of securities listed: Common shares²

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 [☒] No [☐]

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

Yes [☒] No [☐]

¹ Inclusive of 1,388,357,471 common shares which are exempt from registration.

² As of June 30, 2017, 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, 2017 and Notes to Financial Statements are hereto attached as Annex "A".

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

The analyses of consolidated Financial Result of Operations are focused mainly on the result of operation of the subsidiary, LBC Express, Inc.

Quarter ended June 30, 2017 compared to the quarter ended June 30, 2016

Service Revenues

The Company's service revenues increased by 18.5% to ₱2,451 million for the quarter ended June 30, 2017 from ₱2,068 million for the quarter ended June 30, 2016, primarily due to the increase in revenues from the Logistics segment attributable to growth in both retail and corporate sales.

Logistics

Revenues from logistics segment grew by 25.0% to ₱2,181 million from ₱1,750 million for the quarter ended June 30, 2017 and 2016, respectively, primarily due to growth in volume of air cargo, sea cargo and courier services rendered. The growth in volume of services was mainly attributable to the horizontal growth of the Company, evidenced by the net addition of 62 branches in the Philippines. This growth also resulted in an increment in the Company's volume from cargo forwarding services and new corporate clients acquired during the period.

Cost of Services

Cost of services increased by 21.1% to ₱1,631 million for the quarter ended June 30, 2017 from ₱1,347 million for the quarter ended June 30, 2016 relative to growth of volume in logistics services.

On the other hand, cost of services improved in percentage to revenue by 1.4% to 66.5% for the quarter ended June 30, 2017 from 65.1% for the quarter ended June 30, 2016 primarily due to utilization of air and sea carriers with lower cost.

Gross Profit

Gross profit increased by 13.7% to ₱821 million for the quarter ended June 30, 2017 from ₱722 million for the quarter ended June 30, 2016, driven by the increase in volume of air and courier services and improvement of freight charges.

Operating Expenses

Operating expenses increased by 23.6% to ₱519 million for the quarter ended June 30, 2017 from ₱420 million for the period ended June 30, 2016, primarily due to expenses paid for process improvement consultants which commenced towards the end of third quarter of 2016. In addition, amortization expenses of software increased by ₱19 million.

Royalty fees based on 2.5% of revenue is also higher by 13.7% as a result of favourable level of revenue in the current period.

Moreover, head office lease contract was renewed effective October 2016 with added monthly fee and two administrative warehouses contract started mid-2016.

Income before Income Tax

Income before income tax increased by 0.18% to ₱306.3 million for the quarter ended June 30, 2017 from ₱305.7 million for the quarter ended June 30, 2016, primarily due to improvement in revenue and cost of services.

Six-month period ended June 30, 2017 compared to the six-month period ended June 30, 2016

Service Revenues

The Company's service revenues increased by 18.7% to ₱4,910 million for the six-month ended June 30, 2017 from ₱4,135 million for the six-month ended June 30, 2016, primarily due to the increase in revenues from the Logistics segment attributable to growth in both retail and corporate sales by 19.3% and 32.8%, respectively.

Logistics

Revenues from logistics segment grew by 23.8% to ₱4,364 million from ₱3,526 million for the six-month ended June 30, 2017 and 2016, respectively, primarily due to growth in volume of air cargo, sea cargo and courier services rendered. The growth in volume of services was mainly attributable to the horizontal growth of the Company, evidenced by the net addition of 62 branches in the Philippines. This growth also resulted in an increment in the Company's volume from cargo forwarding services and new clients acquired during the period.

Cost of Services

Cost of services increased by 19.7% to ₱3,243 million for the six-month ended June 30, 2017 from ₱2,709 million for the six-month ended June 30, 2016 relative to growth of volume in logistics services.

Gross Profit

Gross profit increased by 16.9% to ₱1,667 million for the six-month ended June 30, 2017 from ₱1,426 million for the six-month ended June 30, 2016, primarily due to the increase in volume in logistic services.

Operating Expenses

Operating expenses increased by 22.8% to ₱1,042 million for the six-month ended June 30, 2017 from ₱848 million for the six-month ended June 30, 2016, mainly due to expenses paid for process improvement consultants which commenced towards the end of third six-month of 2016. In addition, amortization expenses of software increased by ₱19 million.

Royalty fees based on 2.5% of revenue is also higher by 15.0% as a result of favourable level of revenue in the current period.

Head office lease contract was renewed effective October 2016 with added monthly fee and two administrative warehouses contract started mid-2016.

Other Income, Net

Other income, net, decreased to ₱9 million for the six-month ended June 30, 2017 from ₱25 million for the six-month ended June 30, 2016 due to lower realized/unrealized foreign currency gain by 9.0%. In addition, interest expense is higher by 61.5% for the six-month ended June 30, 2016 relative to the availment of term loans.

Income before Income Tax

Income before income tax increased by 5.3% to ₱634 million for the six-month ended June 30, 2017 from ₱602 million for the six-month ended June 30, 2016, primarily due to improvement in revenue.

FINANCIAL CONDITION

As of June 30, 2017 compared to as at December 31, 2016

Assets

Current Asset:

Cash and cash equivalents decreased by 7.4% to ₱1,229 million as of June 30, 2017 from ₱1,328 million as of December 31, 2016.

Trade and other receivables, net decreased by 7.4% to ₱1,414 million as of June 30, 2017 from ₱1,527 million as of December 31, 2016, due to net settlement of trade receivable significantly from affiliates which includes management and delivery fees as well as pass on charges e.g. brokerage. There is also recognition of additional provision for bad debts based on management assessment.

Due from related parties decreased by 57.2% to ₱474 million as of June 30, 2017 from ₱1,108 million as of December 31, 2016 mainly attributable to offsetting of dividend payment to existing receivable of the LBC Development.

Available-for-sale increased by 35.9% to ₱341 million as of June 30, 2017 from ₱251 million, mainly attributable to placement of investment amounting to ₱767 million for working capital requirement, offset by redemption of ₱679 million during the period.

Prepayments and other current assets increased by 8.2% to ₱420 million as of June 30, 2017 from ₱388 million as of December 31, 2016, primarily due to higher prepaid taxes and insurance by ₱16 million and ₱10 million respectively. Prepaid taxes includes business permits and other local government taxes.

Non-current Assets

Property and equipment-net, increased by 4.6% to ₱879 million as of June 30, 2017 from ₱840 million as of December 31, 2016, primarily due to business expansion which led to acquisitions for leasehold improvements which increased by 8.3% in net book value.

Available-for-sale investment, increased by 8.1% to ₱495 million as of June 30, 2017 from ₱458 million as of December 31, 2016 relative to movement in market price from ₱2.35/share to ₱2.54/share.

Deferred tax assets, net, increased by 3.6% to ₱284 million as of June 30 2017 from ₱274 million as of December 31, 2016, resulted from additional non-deductible expenses from retirement benefit and allowance for doubtful accounts.

Other noncurrent assets increased by 4.0% to ₱73 million as of June 30, 2017 from ₱70 million as of December 31, 2016 mainly attributable to a subscription of an IT security tool under IBM Global Financing with period covered from April 2018 to Mar 2023.

Liabilities

Current Liabilities

Accounts payable and accrued expenses increased by 8.0% to ₱1,398 million as of June 30, 2017 from ₱1,295 million as of December 31, 2016, primarily due to higher taxes payable which comprise of VAT payable, withholding taxes - expanded and withholding taxes on compensation.

Current portion of notes payable decreased by 15.0% to ₱567 million as of June 30, 2017 from ₱667 million as of December 31, 2016, primarily attributable to maturity and payment of notes payable to one of the major banks during the period.

Income tax payable decreased by 78.9% to ₱54 million as of June 30, 2017 from ₱255 million as of December 31, 2016, resulting from settlement of annual income tax during the first six-month of the year.

Transmission liability decreased by 16.3% to ₱391 million as of June 30, 2017 from ₱467 million as of December 31, 2016, primarily due to encashments and payments made during the period.

Current portion of finance lease liabilities decreased by 5.0% to ₱48 million as of June 30, 2017 from ₱51 million as of December 31, 2016 due to amortization of existing leases.

Non-current Liabilities

Retirement benefit obligation increased by 3.2% to ₱744 million as of June 30, 2017 from ₱721 million as of December 31, 2016 due to the net retirement benefit expense recognized for the period.

Long-term notes payable is lower by 5.5% to ₱654 million as of June 30, 2017 from ₱693 million as of December 31, 2016 representing the outstanding noncurrent portion of a 5-year loan availed in 2016.

Other liabilities increased by 79.3% to ₱62 million as of June 30, 2017 from ₱34 million as of December 31, 2016 mainly from payable related to new payroll system of LBC amounting to ₱20 million, of which ₱16 million is classified as noncurrent.

LIQUIDITY

Cash Flows

Six-month period ended June 30, 2017 compared to the six-month period ended June 30, 2016

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 and changes in working capital. The Company's net cash from operating activities were ₱468 million and ₱200 million for the six-month period ended June 30, 2017 and 2016, respectively. For the period ended June 30, 2017, inflow from operating activities were generally from normal operations.

Cash flows from investing activities

Cash used from investing activities for the six-month period ended June 30, 2017 and 2016 were ₱237 million and ₱149 million. Additions to property and equipment as part of the expansion and the net placement of available-for-sale investment have the largest impact on cash flow from investing activities for the period ended June 30, 2017.

Cash flow from financing activities

Net cash inflow/(outflow) for financing activities for the six-month period ended June 30, 2017 and 2016 were (₱334) million and ₱175 million, respectively. Net payment of loans in the six-month period ended June 30, 2017 is (₱138) million while for the period ended June 30, 2016 it is a net availment of ₱219 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.

Acting Chief Finance Officer and Acting Treasurer

August 14, 2017

LBC Express Holdings, Inc.
and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
As at June 30, 2017 and
for the Six Months Ended June 30, 2017 and 2016
*(With Comparative Audited Statement of Financial Position as at
December 31, 2016)*

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****(With Comparative Audited Figures as at December 31, 2016)**

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 3, 19 and 20)	₱1,228,890,237	₱1,327,790,727
Trade and other receivables (Notes 4, 19 and 20)	1,414,071,480	1,526,719,330
Due from related parties (Notes 13, 19 and 20)	474,153,712	1,107,999,329
Available-for-sale investments (Notes 8 and 20)	341,012,508	250,937,154
Prepayments and other current assets (Note 5)	420,027,074	388,089,197
Total Current Assets	3,878,155,011	4,601,535,737
Noncurrent Assets		
Property and equipment (Note 6)	879,217,797	840,476,927
Intangible assets (Note 7)	276,077,542	266,047,661
Available-for-sale investments (Notes 8, 19 and 20)	495,452,588	458,391,174
Deferred tax assets (Note 16)	284,185,879	274,380,370
Security deposits (Notes 17 and 20)	240,243,935	226,255,209
Other noncurrent assets (Note 5)	72,934,939	70,150,604
Total Noncurrent Assets	2,248,112,680	2,135,701,945
	₱6,126,267,691	₱6,737,237,682
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 9, 19 and 20)	₱1,397,594,288	₱1,294,903,590
Due to related parties (Notes 13, 19 and 20)	18,458,523	18,509,332
Current portion of notes payable (Notes 11, 19 and 20)	567,264,180	666,715,500
Transmissions liability (Notes 10, 19 and 20)	391,189,435	467,284,795
Current portion of lease liabilities (Notes 17, 19 and 20)	48,281,069	50,826,683
Income tax payable	53,839,806	254,758,265
Total Current Liabilities	2,476,627,301	2,752,998,165
Noncurrent Liabilities		
Retirement benefit liability (Note 18)	744,446,632	721,026,661
Notes payable - net of current portion (Notes 11, 19 and 20)	652,500,000	692,500,000
Lease liabilities - net of current portion (Notes 17, 19 and 20)	71,568,835	73,242,401
Other noncurrent liabilities	63,628,828	34,477,440
Total Noncurrent Liabilities	1,532,144,295	1,521,246,502
	4,008,771,596	4,274,244,667
Equity		
Equity attributable to shareholders of the Parent Company		
Capital stock (Note 12)	1,425,865,471	1,425,865,471
Retained earnings	397,162,163	782,414,079
Accumulated comprehensive income	344,578,793	305,677,402
	2,167,490,427	2,513,956,952
Non-controlling interests	(50,110,332)	(50,963,937)
Total Equity	2,117,380,095	2,462,993,015
	₱6,126,151,691	₱6,737,237,682

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30,		Three Months Period Ended June 30,	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
SERVICE REVENUE (Note 21)	₱4,909,643,436	₱4,134,894,464	₱2,451,457,976	₱2,068,417,820
COST OF SERVICES (Note 14)	3,242,670,487	2,716,004,059	1,630,587,864	1,346,726,792
GROSS PROFIT	1,681,390,134	1,418,890,405	820,870,112	721,691,028
OPERATING EXPENSES (Note 15)	1,041,573,133	841,365,450	519,126,021	420,116,948
OTHER INCOME (CHARGES)				
Foreign exchange gains - net	44,930,904	49,398,413	21,093,274	17,355,914
Interest income	3,021,985	815,115	1,523,192	79,094
Interest expense (Notes 11 and 17)	(40,456,424)	(25,058,582)	(18,386,693)	(12,885,722)
Others - net	1,385,015	(324,881)	277,018	(415,986)
	8,881,480	24,830,065	4,506,791	4,133,300
INCOME BEFORE INCOME TAX	634,281,296	602,355,020	306,250,882	305,707,380
PROVISION FOR INCOME TAX (Note 16)	191,579,150	188,484,751	91,475,050	98,368,420
NET INCOME FOR THE PERIOD	442,702,146	413,870,269	214,775,832	207,338,960
OTHER COMPREHENSIVE INCOME (LOSS)				
Items not to be reclassified to profit or loss in subsequent periods				
Remeasurement gain (loss) on retirement benefit plan - net of tax	(438,952)	50,691	(219,476)	(391,819)
Items that may be reclassified to profit or loss in subsequent periods				
Unrealized fair value gain (loss) on available-for-sale investments (Note 8)	39,372,544	210,588,920	47,898,735	116,968,244
Currency translation gain (loss) - net	(130,685)	(3,037,189)	205,427	(7,234,759)
	38,802,907	207,602,422	47,884,686	109,341,666
TOTAL COMPREHENSIVE INCOME	₱481,389,053	₱621,472,691	₱262,660,518	₱316,680,626
NET INCOME ATTRIBUTABLE TO:				
Shareholders of the Parent Company	₱441,634,057	₱418,647,667	212,258,683	210,181,711
Non-controlling interests	952,089	(4,777,398)	2,517,149	(2,842,751)
NET INCOME FOR THE PERIOD	₱442,586,146	₱413,870,269	214,775,832	207,338,960
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Shareholders of the Parent Company	₱480,535,448	₱626,155,045	259,743,215	320,744,299
Non-controlling interests	853,605	(4,682,354)	2,917,303	(4,063,673)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	₱481,389,053	₱621,472,691	₱262,660,518	₱316,680,626
BASIC/DILUTED EARNINGS PER SHARE (Note 22)	₱0.31	₱0.29	₱0.15	₱0.15

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, 2017 (Unaudited)					
	Capital Stock (Note 12)	Retained Earnings	Accumulated Comprehensive Income	Total	Non-controlling Interests	Total Equity
Balances as at January 1, 2017	₱ 1,425,865,471	₱782,414,079	₱305,677,402	₱2,513,956,952	(₱50,963,937)	₱2,462,993,015
Comprehensive income:						
Net income (loss)	–	441,750,057	–	441,750,057	952,089	442,586,146
Other comprehensive loss	–	–	38,901,391	38,901,391	(98,484)	38,802,907
Total comprehensive income (loss)	–	441,750,057	38,901,391	480,651,448	853,605	481,505,053
Dividends declared		(827,001,973)		(827,001,973)		(827,001,973)
Balances as at June 30, 2017	₱1,425,865,471	₱397,162,163	₱ 344,578,793	₱2,167,606,427	(₱50,110,332)	₱2,117,496,095

	For the Six Months Ended June 30, 2016 (Unaudited)					
	Capital Stock (Note 12)	Retained Earnings	Accumulated Comprehensive Income	Total	Non-controlling Interests	Total Equity
Balances as at January 1, 2016	₱1,425,865,471	₱174,498,871	₱68,411,150	₱1,668,775,492	(₱41,074,285)	₱1,627,701,207
Comprehensive income:						
Net income (loss)	–	418,647,667	–	418,647,667	(4,777,398)	413,870,269
Other comprehensive income	–	–	207,507,378	207,507,378	95,044	185,492,971
Total comprehensive income (loss)	–	418,647,667	207,507,378	626,155,045	(4,682,354)	621,472,691
Balances as at June 30, 2016	₱1,425,865,471	₱593,146,538	₱275,918,528	₱2,294,930,537	(₱45,756,639)	₱2,249,173,898

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	
	2017 (Unaudited)	2016 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱634,281,297	₱602,355,020
Adjustments for:		
Depreciation and amortization (Notes 6, 7, 14 and 15)	153,412,737	127,652,035
Interest expense (Notes 11 and 17)	40,456,424	25,058,582
Retirement expense, net of benefits paid and contribution to retirement plan	22,792,896	20,130,122
Gain on disposal of property and equipment and intangible assets (Notes 6 and 7)	(875,843)	(1,452,907)
Interest income (Note 3)	(3,021,985)	(815,115)
Unrealized foreign exchange losses (gains) - net	(4,465,072)	1,275,529
Operating income before changes in working capital	842,580,454	774,203,266
Changes in working capital:		
Decrease (increase) in:		
Trade and other receivables	112,647,850	90,906,789
Due from related parties (Note 13)	(65,619,670)	(172,790,115)
Prepayments and other assets	(22,937,877)	(34,344,648)
Security deposits	(13,988,726)	(5,815,937)
Increase (decrease) in:		
Accounts and other payables (Note 9)	90,241,108	(127,581,159)
Transmissions liability	(76,095,360)	(143,102,012)
Due to related parties (Note 13)	(50,809)	3,215,379
Net cash generated from operations	866,776,970	384,691,563
Interest received	3,021,985	815,115
Income tax paid	(402,114,995)	(185,912,576)
Net cash provided by operating activities	467,683,960	199,594,102
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Redemption of investments in UITF classified as available-for-sale investments	679,235,776	—
Disposal of property and equipment and intangible assets	2,655,455	4,403,969
Increase in other noncurrent assets	(2,784,335)	—
Acquisitions of:		
Intangible assets	(7,838,471)	(8,303,457)
Property and equipment (Note 23)	(140,976,437)	(145,557,182)
Available-for-sale investments	(767,000,000)	230,584
Proceeds from sale of AFS	—	—
Net cash provided by (used in) investing activities	(236,708,012)	(149,226,086)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	134,099,521	1,071,993,625
Payments of lease liabilities	(28,976,229)	(19,316,073)
Interest paid (Notes 11 and 17)	(38,246,589)	(25,058,582)
Payments of notes payable	(273,550,841)	(853,106,229)
Dividends paid	(127,536,686)	—
Net cash generated from financing activities	(334,210,824)	174,512,741
NET DECREASE IN CASH AND CASH EQUIVALENTS	(103,234,876)	224,880,757
EFFECT OF FOREIGN CURRENCY EXCHANGE		
RATE CHANGES ON CASH AND CASH EQUIVALENTS	4,334,386	(4,312,718)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,327,790,727	983,456,057
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)	₱1,228,890,237	₱1,204,024,096

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 Parent Company undertook an Initial Public Offering and on December 21, 2001 LBCH’s shares were listed on the Philippine Stock Exchange (PSE).

The Parent Company invests, purchases or disposes real and personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation, association, domestic and foreign.

The Parent Company is a public holding company that has investments in businesses of messengerial either by sea, air or land of letters, parcels, cargoes, wares, and merchandise; acceptance and remittance of money, bills payment and the like; and performance of other allied general services from one place of destination to another within and outside of the Philippines.

The previous registered office and principal place of business of the Parent Company was at No. 35 San Antonio Street, San Francisco Del Monte, Quezon City. On October 12, 2015, the SEC approved the change in principal office of the Parent Company to LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila, Philippines.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these interim condensed consolidated financial statements are set out below. These policies have been constantly applied to all the periods presented, unless otherwise stated.

Basis of Preparation

The accompanying interim condensed consolidated financial statements of the Group have been prepared using the historical cost basis, except for available-for-sale (AFS) investments that has been measured at fair value. The interim condensed consolidated financial statements are presented in Philippine Peso. All amounts are rounded off to the nearest peso, except when otherwise indicated.

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 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, 2017 and 2016 and

the date of the Parent Company's financial statements which is June 30, 2017 and 2016 and between December 1, 2016 and the comparative date of the Parent Company's financial position which is December 31, 2016. The interim condensed consolidated financial statements were adjusted to effect LBCE's availment of bank loans in June 2017 and 2016 amounting to ₱37.26 million and ₱336.00 million, respectively; settlement of bank loans in June 2017 and 2016 amounting to ₱48.09 million and ₱35.99 million, respectively; additional investment and redemption of unquoted AFS investment in June 2017 amounting to ₱20.00 million and ₱37.05 million, respectively; redemption of time deposit placement to cash in bank amounting in June 2017 amounting to ₱20 million; and the adjustment to reflect the decrease and increase of fair value of quoted AFS investment by ₱31.51 million for the period June 1 to June 30, 2017 and reduction of ₱64.34 million for the period June 1 to June 30, 2016.

The consolidated financial statements as of December 31, 2016 were adjusted to effect LBCE's additional availment and settlement of bank loans in December 2016 amounting to ₱136.72 million and ₱246.24 million, respectively; the adjustment to reflect the increase in fair value of quoted AFS investment by ₱50.72 million for the period December 1 to December 31, 2016, and the settlement of advances to an affiliate on December 21, 2016 amounting to ₱198.00 million.

There were no other significant transactions that transpired between June 1, 2017 to June 30, 2017, December 1, 2016 to December 31, 2016 and June 1, 2016 to June 30, 2016.

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, 2016, which have been prepared in accordance with PFRS.

The Group's interim condensed consolidated financial statements were prepared for inclusion in an offering circular in relation to a planned capital raising activity.

Basis of Consolidation

The interim condensed consolidated financial statements include the accounts of the Parent Company and all of its subsidiaries where the Parent Company has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

All significant intercompany balances and transactions, including income, expenses and dividends, are eliminated in full. Profit and losses resulting from intercompany transactions that are recognized in assets are eliminated in full.

There were no changes in the Parent Company's ownership interests in its subsidiaries from January 1, 2016 to June 30, 2017.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as at and for the year ended December 31, 2016, except for the following amendments which the Group adopted starting January 1, 2017. Except as otherwise indicated, the adoption of these amendments have no material impact on the Company's financial statements:

- *Amendment to PFRS 12, Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. These amendments are not expected to have any impact to the Group.
- *Amendments to PAS 7, Statement of Cash Flows, Disclosure Initiative*
The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.
- *Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. These amendments are not expected to have any impact to the Group.

Annual Improvements to PFRSs 2012 - 2014 Cycle

- *Amendment to PFRS 5, Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- *Amendment to PFRS 7, Financial Instruments: Disclosures, Servicing Contracts*
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.
- *Amendment to PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
- *Amendment to PAS 19, Employee Benefits, Discount Rate: Regional Market Issue*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- *Amendment to PAS 34, Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective beginning on or after January 1, 2018

- *Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted. These amendments are not expected to have any impact to the Group.

- *Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9. These amendments are not applicable to the Group.

- *PFRS 15, Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of this standard.

- *PFRS 9, Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are

generally applied prospectively, with some limited exceptions. The Group did not early adopt PFRS 9.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of adopting this standard.

- *Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments should be applied retrospectively, with earlier application permitted. These amendments are not expected to have any impact to the Group.
- *Amendments to PAS 40, Investment Property, Transfers of Investment Property*
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. These amendments are not expected to have any impact to the Group.
- *Philippine Interpretation IFRIC-22, Foreign Currency Transactions and Advance Consideration*
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the consolidated financial statements of the reporting period in which the entity first applies the interpretation. The Group is currently assessing the impact of this standard.

Effective beginning on or after January 1, 2019

- *PFRS 16, Leases*

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their consolidated financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting PFRS 16 and plans to adopt the new standard on the required effective date once adopted locally. This standard is expected to significantly impact its leasing arrangements for outlets which are currently accounted for as operating lease, as the Group is already required to recognize the related assets and liabilities in its consolidated statement of financial position.

Deferred effectivity

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures. These amendments are not expected to have any impact to the Group.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future. Except as otherwise stated, the significant accounting judgments, estimates and assumptions used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements as at and for the year ended December 31, 2016.

3. Cash and Cash Equivalents

This account consists of:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Cash in banks	₱888,282,830	₱939,534,180
Cash on hand	176,820,753	174,890,603
Cash equivalents	163,786,654	213,365,944
	₱1,228,890,237	₱1,327,790,727

Cash in banks earn interest at the respective bank deposit rates.

Cash equivalents include short-term placements made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term placements rates.

4. Trade and Other Receivables

This account consists of:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Trade receivables - outside parties	₱1,002,240,643	₱1,023,354,253
Trade receivables - related parties (Note 13)	425,941,452	518,466,319
	1,428,182,095	1,541,820,572
Less allowance for impairment losses	66,777,031	55,694,985
	1,361,405,064	1,486,125,587
Other receivables:		
Advances to officers and employees	36,843,748	26,117,789
Others	15,822,668	14,475,954
	₱1,414,071,480	₱1,526,719,330

Trade receivables arise from sale of services related to inbound and outbound courier services, handling and consolidation services with normal credit terms of 30 to 90 days.

Advances to officers and employees consist mainly of noninterest-bearing advances which are subject to liquidation upon completion of the business transaction and personal advances subject to salary deductions.

The Group performed reassessment of the collectability of its receivables and as a result, recognized additional provision for impairment losses. These were recognized under operating expenses in the interim consolidated statements of comprehensive income.

Allowance for impairment losses were specifically identified as impaired. These pertains to trade receivables from outside parties.

Portion of trade receivable - outside parties as of June 30, 2017 and December 31, 2016 amounting to ₱41.40 million and ₱40.79 million, respectively, are assigned in relation to a bank loan availed in 2016 (see Note 11).

The movements in allowance for impairment losses of trade receivables follow:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Balance at beginning of period	₱55,694,985	₱39,891,364
Provisions (Note 15)	11,082,046	15,803,621
	₱66,777,031	₱55,694,985

5. Prepayments and Other Assets

This account consists of:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Input value-added tax (VAT)	₱179,182,772	₱184,851,516
Materials and supplies	95,966,494	104,972,605
Prepayments:		
Rent	53,697,026	41,012,242
Insurance	21,601,220	11,576,755
Taxes	21,240,306	4,911,428
Advertising	20,130,320	11,995,164
Software maintenance cost	7,684,306	4,854,547
Others	22,285,865	15,957,769
Creditable withholding taxes (CWT)	45,937,406	46,767,004
Short-term cash investments	7,236,298	27,340,771
Other current assets	18,000,000	4,000,000
	492,962,013	458,239,801
Less noncurrent portion of:		
VAT on capital goods	56,479,752	54,943,647
Prepaid rent	16,455,187	15,206,957
Total noncurrent portion	₱72,934,939	₱70,150,604
Total current portion	₱420,027,074	₱388,089,197

Materials and supplies consist of office supplies and packing materials to be used in the Group's operations. Materials and supplies recognized as part of cost of services in the statements of comprehensive income for the six months ended June 30, 2017 and 2016 amounted to ₱154.84 million and ₱131.98 million, respectively.

Prepaid advertising consists of advances for billboards and multimedia endorsements.

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

Short-term cash investments are time deposits with maturity of more than one year is classified under other current assets.

Other prepayments mainly pertain to educational allowance covering second half of the year.

6. Property and Equipment

The rollforward analysis of this account follows:

	For the six months ended June 30, 2017 (Unaudited)						Total
	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Machineries & Equipment	Construction in Progress	
Costs							
At beginning of period	₱516,312,044	₱1,387,570,739	₱604,044,494	₱549,377,766	₱—	₱9,067,555	₱3,066,372,598
Additions	18,192,528	12,652,224	19,958,674	26,595,169	1,235,334	83,958,918	162,592,847
Reclassifications	2,156,920	74,398,048	(22,563,089)	2,548,063	27,417,092	(83,957,034)	—
Disposals	(12,471,135)	(1,484,743)	(46,176)	(173,312)	—	—	(14,175,366)
At end of period	524,190,357	1,473,136,268	601,393,903	578,347,686	28,652,426	9,069,439	3,214,790,079
Accumulated Depreciation and Amortization							
At beginning of period	384,704,082	897,410,297	515,934,644	427,846,648	—	—	2,225,895,671
Depreciation and amortization (Notes 14 and 15)	18,211,443	46,186,818	23,656,486	32,768,583	1,568,938	—	122,392,268
Reclassification	—	—	(6,135,348)	—	6,135,348	—	—
Disposals	(11,317,774)	(1,238,693)	(30,730)	(128,461)	—	—	(12,715,657)
At end of period	391,597,751	942,358,422	533,425,052	460,486,770	7,704,286	—	2,335,572,282
Net Book Value	₱132,592,606	₱530,777,846	₱67,968,851	₱117,860,916	₱20,948,140	₱9,069,439	₱879,217,797

	For the year ended December 31, 2016 (Audited)						Total
	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Machineries & Equipment	Construction in Progress	
Costs							
At beginning of year	₱493,700,641	₱1,193,415,823	₱536,162,284	₱497,378,871	₱—	₱26,897,204	₱2,747,554,823
Additions	46,621,479	50,327,150	33,655,196	49,923,302	—	174,478,510	355,005,637
Reclassifications	5,773,437	145,597,503	34,227,014	6,710,205	—	(192,308,159)	—
Disposals	(29,783,513)	(1,769,737)	—	(4,634,612)	—	—	(36,187,862)
At end of year	516,312,044	1,387,570,739	604,044,494	549,377,766	—	9,067,555	3,066,372,598
Accumulated Depreciation and Amortization							
At beginning of year	357,426,671	798,498,426	466,384,919	362,222,603	—	—	1,984,532,619
Depreciation and amortization (Notes 14 and 15)	46,918,944	100,592,013	49,549,725	67,505,204	—	—	264,565,886
Disposals	(19,641,533)	(1,680,142)	—	(1,881,159)	—	—	(23,202,834)
At end of year	384,704,082	897,410,297	515,934,644	427,846,648	—	—	2,225,895,671
Net Book Value	₱131,607,962	₱490,160,442	₱88,109,850	₱121,531,118	₱—	₱9,067,555	₱840,476,927

In 2015, the Company purchased a computer hardware on a long-term payment arrangement. The liability is noninterest bearing and payable over 60 months. As of June 30, 2017, the outstanding liability amounted to ₱39.15 million, ₱29.53 million of which is reported under ‘other noncurrent liabilities’ in the consolidated statements of financial position.

There are reclassifications of furniture, fixtures and office equipment to machineries and equipment. Estimated useful life for these assets are five years.

7. Intangible Assets

The rollforward analysis of this account follows:

	For the six months ended June 30, 2017 (Unaudited)		
	Software	Development in Progress	Total
Costs			
At beginning of period	₱335,393,881	₱63,140,574	₱398,534,455
Additions	43,816,633	6,553,620	50,370,253
Disposal	(9,319,900)		(9,319,900)
Reclassification	62,048,526	(62,048,526)	-
At end of period	431,939,140	7,645,668	439,584,808
Accumulated Amortization			
At beginning of period	132,486,794	—	132,486,794
Amortization (Note 15)	31,020,472	—	31,020,472
At end of period	163,507,266	—	163,507,266
Net Book Value	₱268,431,874	₱7,645,668	₱276,077,542

	For the year ended December 31, 2016 (Audited)		
	Software	Development in Progress	Total
Costs			
At beginning of year	₱134,430,313	₱243,687,774	₱378,118,087
Additions	198,861,104	(198,861,104)	—
Disposal	2,157,464	18,313,904	20,471,368
Reclassification	(55,000)	—	(55,000)
At end of year	335,393,881	63,140,574	398,534,455
Accumulated Amortization			
At beginning of year	101,736,602	—	101,736,602
Amortization (Note 15)	30,779,219	—	30,779,219
Disposal	(29,027)	—	(29,027)
At end of year	132,486,794	—	132,486,794
Net Book Value	₱202,907,087	₱63,140,574	₱266,047,661

In 2017, the Company purchased IT security tool on a long-term payment arrangement amounting to ₱23.4 million, of which ₱16 million is presented under “other noncurrent liabilities”. The principal and interest is payable every beginning of the quarter for 36 months from May 1, 2017 to April 1, 2020.

The Company also purchased a new payroll systems on a long-term payment arrangement. The liability is noninterest bearing and payable over 60 months. As of June 30, 2017, the outstanding liability amounted to ₱20 million, ₱14 million of which is reported under ‘other noncurrent liabilities’ in the consolidated statements of financial position.

8. Available-for-Sale Investments

AFS investments mainly represent the Group's investment in unquoted unit investment trust fund and investment in the quoted shares of stock of Araneta Properties, Inc.

Movement of the AFS investments follows:

	For the six months ended June 30, 2017 (Unaudited)	For the year ended December 31, 2016 (Audited)
Quoted:		
Balance at beginning of period	₱458,391,174	₱212,596,951
Additions	—	757,920
Sale of shares	—	(332,450)
Unrealized fair value gain (loss)	37,061,414	245,368,753
	495,452,588	458,391,174
Unquoted:		
Balance at beginning of period	250,937,154	—
Additions	767,000,000	400,000,000
Redemption	(679,235,776)	(150,000,000)
Unrealized fair value gain	2,311,130	937,154
	341,012,508	250,937,154
	₱ 836,465,096	₱709,328,328
Less current portion	₱ 341,012,505	₱250,937,154
Total noncurrent portion	₱495,452,588	₱458,391,174

9. Accounts Payable and Other Accrued Expenses

This account consists of:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Trade payable - outside parties	₱478,700,545	₱564,405,228
Trade payable - related parties (Note 13)	14,420,245	10,239,262
Taxes payable	288,553,487	175,914,534
Accruals:		
Salaries and wages	211,270,098	187,053,321
Contracted jobs	105,389,736	61,027,104
Rent and utilities	90,466,537	91,142,838
Claims and losses	38,574,783	55,388,469
Outside services	18,326,625	7,086,121
Software Maintenance	11,759,750	6,638,397
Taxes	10,201,953	8,509,450
Professional fees	9,691,738	6,980,356
Advertising	9,222,817	21,393,676
Others	48,761,751	45,830,758
Government agencies contributions payables	22,777,909	21,971,215
Others (Note 13)	39,476,313	31,322,861
	₱1,397,594,289	₱1,294,903,590

10. 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 ₱391.19 million and ₱467.28 million as at June 30, 2017 and December 31, 2016, respectively.

11. Notes Payable

The Group has outstanding notes payable to various local banks. The details of these notes as at June 30, 2017 and December 31, 2016 are described below:

June 30, 2017 (Unaudited)					
Bank/Related Party	Date of Availment	Outstanding Balance	Maturity	Interest Rate	Payment Terms
Banco de Oro	Mar 2017	₱ 100,000,000	Sep 2017	Fixed rate, 4.00%	Clean; Interest payable every month, principal to be paid on maturity date
Banco de Oro	May-Sept 2016	732,500,000	May 2021	Fixed rate, 4.00%	With mortgage; Interest and principal payable every month
Unionbank of the Philippines	Feb -Mar 2017	250,000,000	Aug to Sep 2017	Fixed rate, 6.00%	Clean; Interest payable every month, principal to be paid on maturity date
Rizal Commercial Banking Corporation	Mar 2017	137,264,179	Aug to Sep 2017	4% to 4.5%	With AR assignment; Interest payable every month, principal to be paid on maturity date
Total		₱1,219,764,180			
Current portion of notes payable		₱652,500,000			
Noncurrent portion		₱567,264,180			

December 31, 2016 (Audited)					
Bank	Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
Banco de Oro	Various availments in 2016	₱100,000,000	March 2017	Fixed rate, 4.00%	Clean; Interest payable every month, principal to be paid on maturity date
Banco de Oro	Various availments in 2016	772,500,000	Various maturities in 2016 to 2021	Fixed rate, 4.00%	With mortgage; Interest payable every month, principal payable quarterly
Unionbank of the Philippines	Various availments in 2016	250,000,000	Various maturities in 2017	Fixed rate, 6.00%	Clean; Interest payable every month, principal to be paid on maturity date
Rizal Commercial Banking Corporation (RCBC)	Various availment in 2015	136,715,500	Various maturities in 2017	Fixed rate, 6.00%	Clean; Interest payable every month, principal to be paid on maturity date
China Trust Banking Corporation	December 20, 2016	100,000,000	January 10, 2017	Fixed rate 5.50%	With AR assignment; Interest payable every month, principal to be paid on maturity date
Total		₱1,359,215,500			
Current portion of notes payable		₱666,715,500			
Noncurrent portion		₱692,500,000			

The Notes Facility Agreement entered by the Group with Banco De Oro (BDO) in May 2016 is with a credit line facility amounting to ₱800.00 million. The loan is secured with real estate mortgage on land owned by the Group's affiliates (see Note 14).

Upon loan availment in 2016, the Group, under a Deed of Assignment of Receivables, agreed to sell, assign and transfer, on a with recourse basis, unto RCBC, certain receivables under 'Trade receivables - outside parties. Total receivables assigned amounted to ₱201.89 million, ₱161.10 million of which was collected in 2016.

Interest expense amounted to ₱28.35 million and ₱5.0 million for the six months ended June 30, 2017 and 2016, respectively.

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

12. Equity

Capital stock

As of June 30, 2017 and December 31, 2016, the details of the Parent Company's common shares follow:

	Number of Shares of Stocks	Amount
Capital stock - ₱1 par value		
Authorized	2,000,000,000	₱2,000,000,000
Issued and outstanding	1,425,865,471	1,425,865,471

Retained earnings

On April 19, 2017, the BOD of IBCH approved the declaration of cash dividends amounting to ₱827.00 million or ₱0.58 for every issued and outstanding common share. The portion of dividends attributable to LBCDC was settled on a net basis as disclosed in Note 13.

13. Related Party Transactions

In the normal course of business, the Group transacts with related parties consisting of its ultimate parent, LBCDC and affiliates. Affiliates include those entities in which the owners of the Group have ownership interests. These transactions include royalty, delivery, service and management fees and loans and cash advances. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

Details of related party transactions and balances for the six months ended June 30, 2017 and for the year ended December 31, 2016 are as follows:

	Transaction amounts for the six months ended June 30, 2017 (Unaudited)	Outstanding Receivable balance as at June 30, 2017 (Unaudited)	Terms	Conditions
<u>Due from related parties (Trade receivables)</u>				
<i>Affiliates</i>				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 4 and 21)	₱ 188,071,702	₱425,941,452	Noninterest-bearing; due and demandable	Unsecured, no impairment
<u>Due from related parties (Non-trade receivables)</u>				
<i>Ultimate parent company</i>				
b.) Advances	₱20,771,562	₱237,026,515	Noninterest-bearing; due and demandable	Unsecured, no impairment
<i>Affiliates</i>				
b.) Advances	92,982,501	227,830,202	Noninterest-bearing; due and demandable	Unsecured, no impairment
<i>Officer</i>				
b.) Advances	—	9,296,994	Noninterest-bearing; due and demandable	Unsecured, no impairment
		₱474,153,712		
<hr/>				
	Transaction amounts for the six months ended June 30, 2016 (Unaudited)	Outstanding Receivable balance as at December 31, 2016 (Unaudited)	Terms	Conditions
<u>Due from related parties (Trade receivables)</u>				
<i>Affiliates</i>				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 4 and 21)	₱177,077,607	₱518,466,319	Noninterest-bearing; due and demandable	Unsecured, no impairment
<u>Due from related parties (Non-trade receivables)</u>				
<i>Ultimate parent company</i>				
b.) Advances	₱119,300,137	₱913,895,352	Noninterest-bearing; due and demandable	Unsecured, no impairment
<i>Affiliates</i>				
b.) Advances	34,786,353	184,806,983	Noninterest-bearing; due and demandable	Unsecured, no impairment
<i>Officer</i>				
b.) Advances	12,599	9,296,994	Noninterest-bearing; due and demandable	Unsecured, no impairment
		₱1,107,999,329		

	Transaction amounts for the six months ended June 30, 2017 (Unaudited)	Outstanding Payable balance as at June 30, 2017 (Unaudited)	Terms	Conditions
<u>Due to related parties (Trade payables)</u>				
<i>Ultimate Parent Company</i>				
c.) Royalty fee (Note 9)	₱115,707,777	₱12,636,689	Noninterest-bearing; due and demandable	Unsecured
<i>Affiliate</i>				
d.) Guarantee fee (Note 9)	5,952,381	–	Noninterest-bearing; due and demandable	Unsecured
		₱12,636,689		
<u>Due to related parties (Non-trade payables)</u>				
<i>Ultimate Parent Company</i>				
b.) Advances	₱–	₱15,694,463	Noninterest-bearing; due and demandable	Unsecured
b.) Dividends	699,465,286	–		
<i>Affiliate</i>				
b.) Advances	–	2,508,757	Noninterest-bearing; due and demandable	Unsecured
<i>Officer</i>				
b.) Advances	–	255,303	Noninterest-bearing; due and demandable	Unsecured
		₱18,458,523		
<u>Key management personnel</u>				
Salaries and wages	₱61,618,912		Noninterest-bearing; due and demandable	Unsecured
Other short-term employee benefits	9,001,908		Noninterest-bearing; due and demandable	Unsecured
Retirement benefits (Note 18)	14,411,885	164,350,384	Noninterest-bearing; due and demandable	Unsecured
		₱164,350,384		
	Transaction amounts for the six months ended June 30, 2016 (Unaudited)	Outstanding Payable balance as at December 31, 2016 (Unaudited)	Terms	Conditions
<u>Due to related parties (Trade payables)</u>				
<i>Ultimate Parent Company</i>				
c.) Royalty fee (Note 9)	₱100,616,131	₱10,239,262	Noninterest-bearing; due and demandable	Unsecured
<i>Affiliate</i>				
d.) Guarantee fee (Note 9)	–	4,671,229	Noninterest-bearing; due and demandable	Unsecured
		₱14,910,491		
<u>Due to related parties (Non-trade payables)</u>				
<i>Ultimate Parent Company</i>				
b.) Advances	₱–	₱15,694,463	Noninterest-bearing; due and demandable	Unsecured
<i>Affiliate</i>				
b.) Advances	955,325	2,783,590	Noninterest-bearing; due and demandable	Unsecured
<i>Officer</i>				
c.) Advances	–	255,303	Noninterest-bearing; due and demandable	Unsecured

P 20,132,371				
<u>Key management personnel</u>				
Salaries and wages	P49,442,862	P–	Noninterest-bearing; due and demandable	Unsecured
Other short-term employee benefits	8,240,219	–	Noninterest-bearing; due and demandable	Unsecured
Retirement benefits (Note 18)	6,346,986	149,938,499	Noninterest-bearing; due and demandable	Unsecured
P149,938,499				

- a. In the normal course of business, the Group fulfills the delivery of *balikbayan* boxes and performs certain administrative functions on behalf of its international 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.
- c. LBCDC (Licensor), the Ultimate Parent Company, granted to the Group (Licensee) the full and exclusive right to use the LBC Marks within the Philippines, in consideration for a continuing royalty rate of two point five percent (2.5%) for 2017 and 2016 of Licensee's Gross Revenues which is defined as any and all revenue from all sales of products and services, including all other income of every kind and nature directly and/or indirectly arising from, related to and/or connected with Licensee's business operations (including, without limitation, any proceeds from business interruption insurance, if any), whether for cash or credit, wherever made, earned, realized or accrued, excluding any sales discounts and/or rebates, value added tax.
- d. The Group entered into a loan agreement with BDO which is secured with real estate mortgage on various real estate properties owned by the Group's affiliate. In consideration of the affiliate's accommodation to the Group's request to use these properties as loan collateral, the Group agreed to pay the affiliate, every April 1 of the year starting April 1, 2016, a guarantee fee of 1% of the outstanding loan and until said properties are released by the bank as loan collateral.

14. Cost of Services

This account consists of:

	For the six months ended	
	June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)
Cost of delivery and remittance	₱1,380,816,835	₱1,048,826,921
Salaries and benefits	985,337,852	890,051,740
Utilities and supplies	352,119,316	307,840,073
Rent (Note 17)	283,557,408	254,033,474
Depreciation and amortization	103,430,643	93,580,728
Retirement benefit expense	49,678,827	36,247,587
Repairs	44,741,984	42,034,817
Transportation and travel	25,935,151	22,554,921
Insurance	14,310,520	11,484,722
Others	2,741,951	2,681,638
	₱3,242,670,487	₱ 2,709,336,621

15. Operating Expenses

This account consists of:

	For the six months ended	
	June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)
Salaries and benefits	₱248,558,126	₱ 191,725,818
Royalty	115,707,777	100,616,131
Rent (Note 17)	111,263,825	95,669,343
Professional fees	95,965,163	41,431,650
Advertising and promotion	79,129,218	88,241,990
Travel and representation	74,940,767	43,382,178
Utilities and supplies	71,041,389	69,803,920
Taxes and licenses	59,256,003	49,247,003
Depreciation and amortization	49,982,094	34,071,307
Claims and losses	28,716,382	40,969,767
Software maintenance costs	28,404,739	27,451,457
Retirement benefit expense	15,112,584	7,985,544
Commission expense	11,758,617	9,709,162
Insurance	11,247,969	11,472,811
Provision for impairment loss (Note 4)	11,082,046	18,164,639
Dues and subscriptions	9,367,143	2,722,628
Repairs and maintenance	2,086,502	2,809,836
Others	17,952,789	12,557,704
	₱1,041,573,133	₱ 848,032,888

Others mainly comprise of bank charges and other administrative expenses.

16. Income Taxes

Provision for (benefit from) income tax consists of:

	For the six months ended	
	June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)
Current	₱ 201,196,536	₱193,532,971
Deferred	(9,617,386)	(5,048,220)
	₱191,579,150	₱188,484,751

Details of the Group's deferred income tax assets as at June 30, 2017 and December 31, 2016 follow:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Retirement benefit liability	₱221,420,381	₱212,833,851
Accrued bonus and leave credits	32,277,886	34,764,344
Allowance for impairment loss	20,033,109	16,708,496
Deferred lease liability	10,958,201	11,062,231
MCIT	263,384	255,394
NOLCO	110,507	209,623
Capitalized borrowing costs	(523,336)	(628,002)
Unrealized foreign exchange losses	(1,339,522)	(1,868,793)
Others	985,269	1,043,226
	₱284,185,879	₱274,380,370

17. Lease Commitments

(a) Operating Lease

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

1. Operating lease agreement covering its current corporate office space for a period of five years from October 20, 2016. The lease agreement is renewable at the Group's option at such terms and conditions which may be agreed upon by both parties. The lease agreement includes rental rate escalations during the term of the lease. The lease agreement also requires the Group to pay security deposits.
2. Operating lease agreements covering various service centers and service points within the Philippines for a period of two to five years, renewable at the Group's option at such terms and conditions which may be agreed upon by both parties. These lease agreements include provision for rental rate escalations including payment of security deposits and advance rentals.
3. Operating lease agreement with a local bank covering transportation equipment for a period of three years. The lease agreement does not include escalation rates on monthly payments.

There are no contingent rents for the above lease agreements.

Rent expense was recognized as follows:

	For the six months ended	
	June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)
Cost of services	₱ 283,557,408	₱ 254,033,474
Operating expenses	111,263,825	95,669,343
	₱394,821,233	₱349,702,817

The Group has outstanding refundable security deposits arising from the said operating lease agreements amounting to ₱240.24 million and ₱226.26 million as at June 30, 2017 and December 31, 2016, respectively.

The future minimum lease payments from the non-cancellable operating lease agreements follow:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Not later than 1 year	791,598,805	₱761,315,955
Later than 1 year but not later than 5 years	3,568,794,636	3,346,283,230

(b) Finance lease

These involve leases of transportation equipment which were accounted for as finance leases. The components of the finance lease obligation as at June 30, 2017 and December 31, 2016 arising from these leases are as follows:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Gross finance lease obligations		
Not later than one year	₱ 55,667,314	₱62,083,010
Later than 1 year but not later than 5 years	41,347,589	44,422,597
	97,014,903	106,505,607
Future finance lease charges on the finance lease		
Not later than one year	(7,386,245)	(11,256,327)
Later than 1 year but not later than 5 years	(6,306,089)	(8,054,301)
	(13,692,334)	(19,310,628)
	₱ 83,322,569	₱87,194,979

The present value of minimum lease payments is as follows:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Not later than 1 year	₱ 48,281,069	₱50,826,683
Later than 1 year but not later than 5 years	35,041,500	36,368,296
	₱83,322,569	₱87,194,979

Interest expense on the above finance lease obligation charged to finance costs amounted to ₱6.16 million and ₱6.92 million for the six months ended June 30, 2017 and 2016, respectively.

18. Retirement Benefits

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

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Present value of defined benefit obligation	₱768,195,180	₱743,821,499
Fair value of plan assets	(23,748,548)	(22,794,838)
	₱744,446,632	₱721,026,661

The group has no existing transaction either directly or indirectly through its subsidiaries, with its employees' retirement benefit fund.

The pension cost for the interim period and the present value of the defined benefit obligation as of June 30, 2017 were calculated by extrapolating the latest actuarial valuation report of the Group.

19. Financial Risk Management Objectives and Policies

The Group has various financial assets such as cash and cash equivalents, trade and other receivables, due from related parties, available-for-sale investments and 'short-term investments' under other current assets.

The Group's financial liabilities comprise of accounts and other payables, due to related parties, notes payable, transmissions liability, finance lease liabilities 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 as follows:

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 other comprehensive income should the change in the close share price of quoted and unquoted equity securities occur as of June 30, 2017 and 2016 with all other variables held constant.

	Effect on other comprehensive income	
	June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)
Change in share price		
Increase by 5%	₱24,772,629	₱21,153,494
Decrease by 5%	(₱24,772,629)	(₱21,153,494)

Interest rate risk

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 is fixed and none of the Group's financial assets and liabilities is measured at fair value. The impact of fluctuation on interest rates on the Group's finance leases will not significantly impact the results of operations.

Liquidity risk

Liquidity risk is the risk from inability to meet obligations when they become due, because of failure to liquidate assets or obtain adequate funding. The Group ensures that sufficient liquid assets are available to meet short-term funding and regulatory capital requirements.

The Group has a policy of regularly monitoring its cash position to ensure that maturing liabilities will be adequately met.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Management believes that cash generated from operations is sufficient to meet daily working capital requirements.

Surplus cash is invested into a range of short-dated money time deposits, which seek to ensure the security and liquidity of investment while optimizing yield.

The Group expects to generate cash flows from its operating activities mainly on sale of services. The Group also has sufficient cash and adequate amount of credit facilities with banks to meet any unexpected obligations.

Foreign currency risk

Foreign currency risk is the risk that the future cash flows of financial assets and financial liabilities will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates to the Group's operating activities when revenue or expenses are denominated in a different currency from the Group's functional currency.

The Group operates internationally through its various international affiliates by fulfilling the money remittance and cargo delivery services of these related parties. This exposes the Group to foreign exchange risk primarily with respect to Euro (EUR), Hongkong Dollar (HKD), Australian Dollar (AUD) Taiwanese Dollar (TWD), US Dollar (USD), Great British Pound (GBP) and Canadian Dollar (CAD). Foreign exchange risk arises from future commercial transactions, foreign currency denominated assets and liabilities and net investments in foreign operations.

The Group enters into short-term foreign currency forwards, if needed, to manage its foreign currency risk from foreign currency denominated transactions.

Information on the Group's foreign currency-denominated monetary assets recorded under 'trade and other receivables' in the consolidated statements of financial position and their Philippine Peso equivalents follow:

	June 30, 2017 (Unaudited)	
	Foreign currency	Peso equivalent
Euro	2,943,337	162,292,774
Hongkong Dollars	15,271,939	98,254,761
Australian Dollars	1,063,827	40,795,200
Taiwanese Dollars	56,241,290	93,133,595
US Dollars	675,410	33,680,685
Great British Pound	160,021	10,194,229

The translation exchange rates used were ₱55.14 to EUR 1, ₱6.43 to HKD 1, ₱38.34 to AUD 1, ₱1.65 to TWD 1, ₱49.86 to USD 1 and ₱63.71 to GBP 1 in 2017.

	December 31, 2016 (Audited)	
	Foreign currency	Peso equivalent
Euro	2,851,734	₱150,600,073
Hongkong Dollars	17,813,579	114,363,177
Australian Dollars	2,768,961	103,033,039
Taiwanese Dollars	59,719,397	93,759,453
US Dollars	1,249,172	62,171,290
Great British Pound	194,844	12,039,411

The translation exchange rates used were ₱52.81 to EUR 1, ₱6.42 to HKD 1, ₱37.21 to AUD 1, ₱1.57 to TWD 1, ₱49.77 to USD 1 and ₱61.79 to GBP 1 in 2016.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before tax (due to changes in the fair value of monetary assets and liabilities) as at June 30, 2017 and December 31, 2015.

Reasonably possible change in foreign exchange rate for every two units of Philippine Peso	Increase (decrease) in income before tax	
	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
₱2	₱152,711,650	₱169,195,374
(2)	(152,711,650)	(169,195,374)

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

The Group recognized ₱44.93 million and ₱49.39 million foreign exchange gains - net, for the six months period ended June 30, 2017 and 2016, respectively, arising from settled

transactions and translation of the Group's cash and cash equivalents, trade receivables, trade and other payables.

Credit risk

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

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

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

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

Capital Management

The Group's objectives in managing capital are to safeguard the Group's ability to continue as a going concern so that it can continue to provide shareholder returns and to maintain an optimal capital structure to reduce the cost of capital and thus, increase the value of shareholder investment.

In order to maintain a healthy capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts. Management has assessed that the Group is self-sufficient based on historical and current operating results.

The capital that the Group manages is equal to the total equity as shown in the consolidated statements of financial position at June 30, 2017 and December 31, 2016 amounting to ₱2,117.38 million and ₱2,462.99 million, respectively.

20. Fair Values

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

The carrying amounts of cash and cash equivalents, trade and other receivables, due from/to related parties, short-term cash investments, accounts and other payables, transmissions liability and the current portion of notes payable and lease liabilities approximate their fair value. These financial instruments are relatively short-term in nature.

The fair value of quoted AFS investment is the current closing price while the unquoted AFS investment is based on the published net asset value per unit as of reporting date.

The estimated fair value of long-term portion of notes payable is based on the discounted value of future cash flow using applicable rates ranging from 4.14% to 4.20%.

The fair value of the long-term portion of lease liabilities is based on the discounted value of future cash flow using applicable interest rates ranging from 7.50% to 8.00% for 2017 and 2016.

The estimated fair value of other noncurrent liabilities is based on the discounted value of future cash flow using applicable rate of 6.74%.

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

The Group's investment in AFS are already at fair value. The unquoted AFS investment presented under current asset is classified under the Level 2 category as at June 30, 2017 while the quoted investment under noncurrent assets is classified under the Level 1 category as at June 30, 2017 and December 31, 2016.

During the six months ended June 30, 2017 and year ended December 31, 2016, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

21. Segment Reporting

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

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

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

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

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

The following table presents the amount of revenues generated from these segments:

	For the six months ended	
	June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)
Logistics		
Retail	₱2,800,842,547	₱2,348,341,633
Corporate	1,563,565,105	1,177,279,239
	4,364,407,652	3,525,620,872
Money transfer services		
Domestic	471,912,193	549,252,255
International inbound	73,323,591	60,021,337
	545,235,784	609,273,592
	₱4,909,643,436	₱2,066,476,644

The revenue of the Company consists mainly of sales to external customers. Revenue arising from service fees charged to affiliates amounted to ₱188.07 million and ₱191.60 million in June 30, 2017 and 2016, respectively.

Seasonality of Operations

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

22. Basic/Diluted Earnings Per Share

	For the six months ended	
	June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)
Net income attributable to equity holder of the Parent Company	₱ 441,750,057	₱418,647,667
Divided by the weighted average number of common shares outstanding	1,425,865,471	1,425,865,471
	₱0.31	₱0.29

23. Note to Consolidated Statement of Cash Flows

In 2017, the Group has the following non-cash transactions under:

Operating activities

- a) Offsetting of due from LBCDC against dividends payable amounting to ₱699.47 million recorded under "Due from related parties",

Investing activities

- a.) Unpaid acquisitions of property and equipment and intangibles amounted to P21.62 million and ₱42.53 million.

Financing activities

- a.) Accrued interest amounted to ₱2.2 million.

24. Other Matters

Closure of LBC Development Bank, Inc.

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

On December 8, 2011, the Philippine Deposit Insurance Company (PDIC), as the official receiver and liquidator of closed banks, demanded on behalf of the Bank that LBC Holdings USA Corporation (LBC US) pay for its alleged outstanding obligations to LBC Bank

amounting to approximately ₱1.00 billion, a claim that LBC US has denied as being baseless and unfounded. No further demand on this matter has been made by the PDIC since then, although there are no assurances that the claim has been waived or abandoned in whole or in part, or that the PDIC will not institute relevant proceedings in court or serve another demand letter to LBC US.

In relation to the Bank's closure and receivership, as discussed in Note 13, the receivables amounting to ₱295.00 million were written-off in 2011.

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

On May 15, 2015, the Department of Justice ("DOJ") issued subpoenas to some of the stockholders of the Bank, directing them to submit their counter-affidavits in connection with the conduct of a preliminary investigation over a complaint filed by the PDIC. The preliminary investigation is an inquiry to determine whether there is sufficient ground that the offenses alleged have been committed, and if trial should be held. The stockholders submitted their counter-affidavits, and the matter is now submitted for resolution by the DOJ.

On November 2, 2015, the Bank, through PDIC, filed a civil case against LBCE and LBCDC before the regional trial court of Makati ("RTC"), among other respondents, for a total collection of an alleged amount of ₱1.82 billion (the "Complaint"). The case is in relation to the March 17, 2014 demand letter representing collection of unpaid service fees due from June 2006 to August 2011 and service charges on remittance transactions from January 2010 to September 2011. The increase in the amount from the demand letter to the amount contained in the case was explained by PDIC in the complaint as attributable to their discovery that the supposed payments of LBCE seem to be unsupported by actual cash inflow to the Bank.

On December 28, 2015, the summons, together with a copy of the Complaint and the writ of preliminary attachment, were served on the former Corporate Secretary of LBCE. The writ of preliminary attachment resulted in the following: (a) tagging of the 1,205,974,632 shares of LBCH in the name of LBCDC, and (b) the attachment of various bank accounts of LBCE totaling P=6.90 million. The tagging of the shares in the record of the stock transfer agent has the effect of preventing the registration or recording of any transfers of shares in the records, unless the writ of attachment is lifted, quashed or discharged.

On January 12, 2016, LBCE and LBCDC, among other defendants, filed with the RTC, a separate Motion to Dismiss the Complaint. On January 21, 2016, LBCE and LBCDC filed their Urgent Motion to Approve the Counterbond and Discharge the Writ of Attachment.

On February 17, 2016, the RTC granted LBCE and LBCDC's motion and issued the order to lift and set aside the writ of preliminary attachment. The order to lift and set aside the preliminary attachment directs the sheriff of the court to deliver to LBCE and LBCDC all properties previously garnished pursuant to the writ of preliminary attachment. The counterbond delivered by LBCE and LBCDC shall stand in place of the properties so released and shall serve as security to satisfy any final judgment in the case.

In a joint resolution dated June 28, 2016 (the “Joint Resolution”), the RTC resolved to deny the Motions to Dismiss filed by the defendants, including LBCE. On July 18, 2016, LBCE, together with the other defendants, filed a Motion for Reconsideration of the Joint Resolution. PDIC then filed its Comment/ Opposition on August 10, 2016, followed by the defendants’ reply on August 26, 2016, PDIC’s Rejoinder on September 26, 2016, and defendants’ Sur-Rejoinder on November 16, 2016. Thereafter, in an Order dated January 26, 2017, the Motion for Reconsideration was deemed submitted for resolution. On February 23, 2017, LBCE received RTC’s resolution dated February 16, 2017 denying the Motion for Reconsideration of the Joint Resolution. Thereafter, LBCE asked for extensions of time to file its Answer. On April 10, 2017, LBCE, as well as the other defendants, filed their respective Answers. However, the RTC asked PDIC to file its comment on whether the 3rd motion for extension should be granted (and consequently whether the Answer should be admitted). LBCE received a copy of PDIC’s comment on May 2, 2017 and then filed its Reply to such Comment on May 12, 2017.

Separately, on April 24, 2017, LBCE and LBCDC filed a Petition for Certiorari with the Court of Appeals challenging RTC’s Joint Resolution dated June 28, 2016 and its Resolution dated February 16, 2017. The ultimate outcome of the case cannot presently be determined.

In the Resolution dated June 15, 2017, the RTC denied the 3rd motions for extension, declared all of the defendants in default (including LBC Express, Inc.), and ordered LBC Bank/PDIC to present evidence ex-parte, starting on July 21, 2017.

On July 7, 2017, LBC Express, Inc. and LBC Development Corporation filed a Verified Omnibus Motion, praying for reconsideration, to lift the order of default, and to suspend proceedings. On the same date, the individual defendants filed their own Verified Omnibus Motion, seeking the same relief, and a Motion for Inhibition, seeking the voluntary inhibition of the presiding judge. At the hearing held on July 14, 2017, the RTC granted LBC Bank/PDIC a period of five days only to file their comments to the said motions. In view of the urgency of the motions, the RTC did not grant the defendants any opportunity to file a reply. LBC Bank/PDIC filed their comments to the Verified Omnibus Motions and the Motion for Inhibition on July 19, 2017.

On July 21, 2017, LBC Express, Inc. received the Joint Resolution dated July 20, 2017, granting the Verified Omnibus Motions and the Motion for Inhibition. The Resolution dated June 15, 2017 declaring the defendants was lifted and the respective Answers filed by the defendants were all admitted.

On August 10, 2017, LBC Express, Inc. received a Motion for Reconsideration filed by LBC Bank/PDIC, seeking to reconsider the Joint Resolution dated July 20, 2017. The Motion for Reconsideration is scheduled for hearing on August 18, 2017.

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.

25. Subsequent Events

On August 04, 2017, the Company issued, in favor of CP Bricks Pte. Ltd, a seven-year secured convertible instrument in the aggregate principal amount of US\$50.0 million for 192,307,692 shares at ₱13.00 conversion price, due 2024 or the seventh anniversary from the issuance date. The proceeds from the issuance of the instrument shall be used to fund the growth of the business of the Company including capital expenditures and working capital.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

- Supplementary schedules required by Annex 68-E
 - Schedule A: Financial Assets
 - Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholder (Other Than Related Parties)
 - Schedule C: Amounts Receivables/Payables from/to Related Parties Which are Eliminated During the Consolidation of Financial Statements
 - Schedule D: Intangible Assets
 - Schedule E: Long Term Debt
 - Schedule F: Indebtedness to Related Parties
 - Schedule G: Guarantees of Securities of other Issuers
 - Schedule H: Capital Stock
- Map of the relationships of the companies within the Group
- Reconciliation of retained earnings available for dividend declaration
- Schedule of financial soundness indicators
- Schedule of all the effective standards and interpretations

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE A: FINANCIAL ASSETS
JUNE 30, 2017

Name of issuing entity and association of each issue	Number of shares	Amount shown in the balance sheet	Income received and accrued
Available-for-sale investments			
Quoted - Araneta Properties, Inc.	195,060,074	₱495,452,588	₱—
Unquoted	—	341,012,508	—
Loans and receivables			
Cash in bank and cash equivalents	—	1,228,890,237	—
Trade and other receivables	—	1,377,227,732	—
Due from related parties	—	474,153,712	—
Short term investments	—	16,236,298	—
	—	3,096,507,979	—
		₱3,932,973,075	₱—

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, 2017**

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Non-current	Balance at end of period
Fernando G. Araneta, <i>Chief Strategy Officer</i>	₱9,284,395	₱—	₱—	₱—	₱9,284,395	₱—	₱9,284,395
Solita S. Delantar <i>Independent Director</i>	12,599	—	—	—	12,599	—	12,599
	₱9,296,994	₱—	₱—	₱—	₱9,296,994	₱—	₱9,296,994

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, 2017

Name of Subsidiaries	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
LBC Express, Inc.	₱118,999,179	₱843,356,203	(₱962,526,194)	₱—	(₱170,812)	₱—	(₱170,812)
LBC Express, Inc. - MM	119,317,773	117,110,551	(100,793,747)	—	135,634,578	—	135,634,578
LBC Express, Inc. - SCC	15,767,573	85,333,139	(76,362,154)	—	24,738,558	—	24,738,558
LBC Express, Inc. - NEMM	27,196,848	65,283,173	(58,211,845)	—	34,268,176	—	34,268,176
LBC Express, Inc. - NWMM	41,129,349	64,772,220	(58,478,873)	—	47,422,696	—	47,422,696
LBC Express, Inc. - EMM	23,596,382	39,916,768	(36,202,849)	—	27,310,302	—	27,310,302
LBC Express, Inc. - SMM	23,003,835	68,714,996	(61,369,093)	—	30,349,738	—	30,349,738
LBC Express, Inc. - CMM	25,769,450	57,519,310	(56,175,421)	—	27,113,338	—	27,113,338
LBC Express, Inc. - SL	67,917,354	118,000,169	(100,580,637)	—	85,336,886	—	85,336,886
LBC Express, Inc. - SEL	51,213,377	77,247,814	(67,164,218)	—	61,296,973	—	61,296,973
LBC Express, Inc. - CL	35,572,579	83,797,362	(73,013,670)	—	46,356,272	—	46,356,272
LBC Express, Inc. - NL	38,664,706	80,574,542	(71,791,646)	—	47,447,602	—	47,447,602
LBC Express, Inc. - VIS	76,627,883	116,694,187	(100,875,839)	—	92,446,231	—	92,446,231
LBC Express, Inc. - WVIS	44,867,317	78,486,277	(64,661,647)	—	58,691,947	—	58,691,947
LBC Express, Inc. - MIN	53,469,352	90,455,953	(77,647,474)	—	66,277,831	—	66,277,831
LBC Express, Inc. - SEM	41,759,845	58,714,094	(50,726,073)	—	49,747,866	—	49,747,866
LBC Express, Inc. - SMCC	14,327,899	17,310,670	(67,728,526)	—	(36,089,957)	—	(36,089,957)
LBC Express, Inc. - ESI	(6,943,532)	10,430,446	(9,165,694)	—	(5,678,780)	—	(5,678,780)
LBC Express, Inc. - SCS	13,366,812	83,824,041	(85,243,974)	—	11,946,880	—	11,946,880
LBC Systems, Inc.	(59,455,316)	7,791,251	(10,786,550)	—	(62,450,615)	—	(62,450,615)
LBC Express WLL	(19,187,139)	(25,208,573)	37,184,437	—	(7,211,275)	—	(7,211,275)
LBC Express Bahrain WLL	(36,911,391)	(2,692,676)	(572,989)	—	(40,177,055)	—	(40,177,055)
LBC Express LLC	(60,481,564)	(4,647,712)	6,664,537	—	(58,464,739)	—	(58,464,739)
	₱649,588,571	₱2,132,784,205	(₱2,146,230,137)	₱—	₱636,142,639	₱—	₱636,142,639

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE D: INTANGIBLE ASSETS
JUNE 30, 2017

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Disposals	Reclassifications	Ending balance
Software	₱202,907,087	₱43,816,633	(₱31,020,472)	(₱9,319,900)	₱62,048,526	₱268,431,874
Development in Progress	63,140,574	6,553,620	—	—	(₱62,048,526)	7,645,668
	₱266,047,661	₱50,370,253	(₱31,020,472)	(₱9,319,900)	₱—	₱276,077,542

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE E: LONG TERM DEBT
JUNE 30, 2017

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current liabilities" in related balance sheet	Amount shown under caption "Noncurrent liabilities" in related balance sheet
Notes payable	₱1,219,764,180	₱567,264,180	₱652,500,000
Obligation under finance lease	83,322,569	48,281,069	35,041,500
Obligation arising from purchase of computer hardware and software subscription	84,339,486	20,710,658	63,628,828
	₱1,387,426,235	₱636,255,907	₱751,170,328

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES
JUNE 30, 2017

Name of related party	Balance at beginning of period	Balance at end of period
LBC Development Corporation	₱15,694,463	₱15,694,463
Other affiliates (various)	2,814,869	2,746,060
	₱18,509,332	₱18,458,523

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS
JUNE 30, 2017

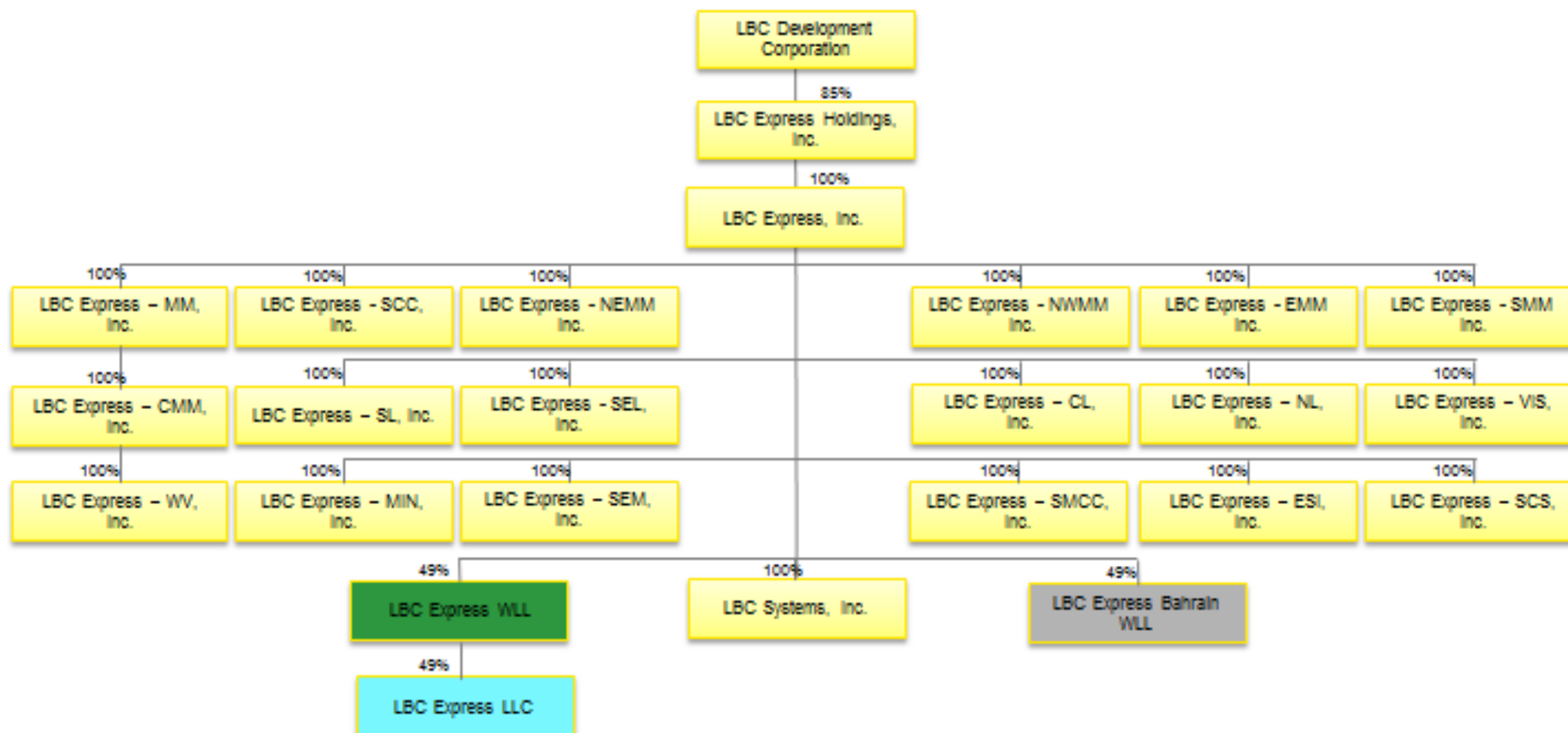
Name of issuing entity of securities guaranteed by the company for which this statements is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount of owned by person for which statement is filed	Nature of guarantee
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NOT APPLICABLE

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE H: CAPITAL STOCK
JUNE 30, 2017

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - ₱1 par value	2,000,000,000	1,425,865,471	—	1,206,080,632	1,006	219,783,833

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
JUNE 30, 2017



**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND
DECLARATION**

As of JUNE 30, 2017

LBC EXPRESS HOLDINGS, INC.

General Aviation Center, Domestic Airport, Pasay City, Metro Manila

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	₱8,270,395
Add: Net Income actually earned/realized during the period	
Net income during the period closed to Retained Earnings	839,967,696
Less:	
Equity in net income of associate/joint venture	—
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents); 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	—
Deferred tax assets	—
Subtotal	—
Add: Non actual losses	
Depreciation on revaluation increment (after tax)	—
Adjustment due to deviation from PFRS / GAAP – loss	—
Loss on fair value adjustment of investment property (after tax)	—
Add(Less):	
Dividend declarations during the period	(827,001,973)
Appropriations of Retained Earnings during the period	—
Reversals of appropriations	—
Effects of prior period adjustments	—
Treasury shares	—
Effect of pooling-of-interest method	—
Total Retained Earnings, end	
Available for dividend declaration	₱21,236,118

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE THREE MONTHS PERIOD ENDED JUNE 30, 2017 AND FOR THE YEAR
ENDED DECEMBER 31, 2016

Financial Soundness Indicators

Below are the financial ratios that are relevant to the Group for the six-month period ended June 30, 2017 and for the year ended December 31, 2016:

Financial ratios		June 30, 2017	December 31, 2016
Current ratio	Current assets	1.57:1	1.67:1
	Current liabilities		
Debt to equity ratio	Total Liabilities	1.89:1	1.74:1
	Stockholders' Equity attributable to Parent Company		
Debt to total assets ratio	Notes Payable + Lease Liabilities + Other Liabilities	0.22:1	0.22:1
	Total assets		
Return on average assets	Net income attributable to Parent Company	6.87%	14.52%
	Average assets		
Book value per share	Stockholders' equity	₱1.48	₱1.73
	Total number of shares		
Earnings per share	Net income attributable to Parent Company	₱0.31	₱0.65
	Total number of shares		

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS
UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional schedule requirements for large entities showing a list of all effective standards and interpretations under Philippine Financial Reporting Standards (PFRS).

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of June 30, 2017:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Cost			✓
	Amendments to PFRS 1: Meaning of “Effective PFRS”			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Definition of Vesting Condition			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2017		Adopted	Not Adopted	Not Applicable
PFRS 3	Business Combinations	✓		
	Accounting for Contingent Consideration in a Business Combination			✓
	Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Servicing Contracts	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *		✓	
	Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	✓		
	Amendments to PFRS 7: Hedge Accounting (2013 version) *		✓	
PFRS 8	Operating Segments	✓		
	Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2017		Adopted	Not Adopted	Not Applicable
PFRS 9	Financial Instruments *	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures *		✓	
	Financial Instruments: Classification and Measurement (2010 version) *		✓	
	Amendments to PFRS 9: Hedge Accounting (2013 version) *		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short Term Receivable and Payable	✓		
	Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 16	Leases *		✓	
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Information	✓		
	Amendments to PAS 1: Presentation of financial statements - disclosure initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendment to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses *		✓	
PAS 16	Property, Plant and Equipment	✓		
	Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Regional Market Issue Regarding Discount Rate			✓
	Amendments to PAS 19: Defined Benefit Plan: Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24	Related Party Disclosures - Key Management Personnel	✓		
	Related Party Disclosures - Key Management Personnel (Amended)	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2017		Adopted	Not Adopted	Not Applicable
PAS 27	Separate Financial Statements	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements		✓	
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures			✓
	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PAS 28: Investment Entities			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendment to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Disclosure of Information ‘Elsewhere in the Interim Financial Report’	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets			✓
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendments to PAS 40: Clarification on Ancillary Services			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2017		Adopted	Not Adopted	Not Applicable
IFRIC 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate *			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2017		Adopted	Not Adopted	Not Applicable
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs	✓		

* *These standards are not yet effective as of December 31, 2016.*

In addition, the IASB has issued the following new standards that have not yet been adopted locally by the SEC and FRSC. The Group is currently assessing the impact of these new standards and plans to adopt them on their required effective dates once adopted locally.

- IFRS 15, *Revenue from Contracts with Customers* (effective January 1, 2018)

Standards tagged as “Not applicable” have been adopted by the Group but have no significant covered transactions for the period ended JUNE 30, 2017.

Standards tagged as “Not adopted” are standards issued but not yet effective as of JUNE 30, 2017. The Group will adopt the Standards and Interpretations when these become effective.