CR07844-2017

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
   Sep 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 1105
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
Bond Payable	892,478,617
Derivative Liability	1,586,679,742

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

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

- (•) Yes
- ( ) No

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

- (•) Yes
- ( ) No

LBC Express Holdings, Inc.
LBC

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

For the period ended	Sep 30, 2017
Currency (indicate units, if applicable)	PHP

Balance Sheet

	Period Ended	**Fiscal Year Ended (Audited)**
	Sep 30, 2017	Dec 31, 2016
Current Assets	6,480,679,093	4,601,535,737
Total Assets	8,762,836,264	6,737,237,682
Current Liabilities	2,369,353,139	2,752,998,165
Total Liabilities	6,369,715,914	4,274,244,667
Retained Earnings/(Deficit)	689,253,043	782,414,079
Stockholders' Equity	2,393,120,350	2,462,993,015
Stockholders' Equity - Parent	2,444,923,925	2,513,956,952
Book Value per Share	1.68	1.73

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	2,488,764,750	2,224,861,334	7,398,408,186	6,359,755,798
Gross Expense	2,201,023,617	1,949,349,857	6,485,267,237	5,506,719,366
Non-Operating Income	148,498,810	32,126,095	197,836,714	82,014,742
Non-Operating Expense	41,710,872	15,243,997	82,167,296	40,302,579
Income/(Loss) Before Tax	394,529,071	292,393,575	1,028,810,367	894,748,595
Income Tax Expense	103,714,781	85,717,057	295,293,931	274,201,808
Net Income/(Loss) After Tax	290,814,290	206,676,518	733,516,436	620,546,787
Net Income Attributable to Parent Equity Holder	292,090,880	208,699,193	733,840,937	627,346,860
Earnings/(Loss) Per Share (Basic)	0.2	0.15	0.51	0.44
Earnings/(Loss) Per Share (Diluted)	0.2	0.15	0.51	0.44

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.72	0.46
Earnings/(Loss) Per Share (Diluted)	0.72	0.46

Other Relevant Information
Please find attached the Company's quarterly report (SEC Form 17-Q) for the 3rd quarter of 2017.

Filed on behalf by:

Name	Mahleene Go
Designation	Assistant Corporate Secretary, Corporate Information Officer and Compliance Officer

COVER SHEET

A S 0 9 3 - 0 0 5 2 7 7

S.E.C. Registration Number

L B C E X P R E S S H O L D I N G S , I N C.

(f o r m e r l y F E D E R A L

R E S O U R C E S I N V E S T M E N T

G R O U P I N C .)

(Company's Full Name)

L B C H A N G A R , G E N E R A L

A V I A T I O N C E N T R E , D O M E S T I C

A I R P O R T R O A D , P A S A Y C I T Y

M E T R O M A N I L A

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

Enrique V. Rey, Jr.

Contact Person

02 856 8510

Company Telephone Number

1 2	3 1	17Q	2nd Monday of June of each year
Month	*Day*	FORM TYPE	*Month*
Fiscal Year			Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 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: **September 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 at September 30, 2017:

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON SHARES	**1,425,865,471**[1]
BOND PAYABLE	**892,478,617**[2]
DERIVATIVE LIABILITY	**1,586,679,742**[2]

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

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

12. Indicate by check mark whether the registrant:
    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

    Yes **[X]** No [ ]

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

    Yes[**X**] No [ ]

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

[2] Related to convertible instrument at an aggregate principal amount of $50 million.

[3] As at September 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 September 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.

Nine-month period ended September 30, 2017 compared to the nine-month period ended September 30, 2016

Service Revenues

The Company's service revenues increased by 16% to ₱7,398 million for the nine-month period ended September 30, 2017 from ₱6,360 million for the nine-month period ended September 30, 2016, primarily due to the increase in revenues from the Logistics segment attributable to growth in both retail and corporate sales by 18% and 26%, respectively.

Logistics

Revenues from logistics segment grew by 21% to ₱6,597 million from ₱5,471 million for the nine-month period ended September 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 70 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 20% to ₱4,889 million for the nine-month period ended September 30, 2017 from ₱4,081 million for the nine-month period ended September 30, 2016 relative to growth of volume in logistics services. Moreover, truck rental rates are higher primarily due to increase in fuel prices in 2017 compared to 2016. There are also additional branches and warehouses which contributed to the increase in cost.

Gross Profit

Gross profit increased by 10% to ₱2,509 million for the nine-month period ended September 30, 2017 from ₱2,279 million for the nine-month period ended September 30, 2016, primarily due to the increase in volume in logistic services.

Operating Expenses

Operating expenses increased by 12% to ₱1,596 million for the nine-month period ended September 30, 2017 from ₱1,426 million for the nine-month period ended September 30, 2016, primarily due to the following:

Professional fee is higher by 45% or ₱53 million, mainly from fees paid to process improvement consultants in which contract commenced in August 2016.

Royalty fee which is based on 2.5% of revenue is also higher by 25% due to favorable level of revenue in 2017. Payment of royalty fee is discontinued effective September 4, 2017 based on the trademark licensing agreement entered between LBC Express, Inc. and LBC Development Corporation.

Rent expense increased by 17% or ₱25 million relative to renewal of head office lease contract effective October 2016 with escalation on monthly fee and two new administrative warehouses contract which started mid-2016.

Other Income, Net

Foreign exchange gain, net is higher by 44% or ₱35 million which is from the foreign exchange trading, revaluation of time deposit denominated in US dollars and convertible instrument.

Gain on derivative amounting to ₱74 million is recognized as a result of lower estimated fair market value of derivative liability as at September 30, 2017 as compared to the value on inception date. This is due to lower stock volatility which generally decrease the value of the derivative.

Interest expense is higher by 104% or ₱42 million primarily due to bond payable accretion and current period interest from notes payable, finance lease and other liabilities.

Income before Income Tax

Income before income tax increased by 15% to ₱1,029 million for the nine-month period ended September 30, 2017 from ₱895 million for the nine-month period ended September 30, 2016, primarily due to growth in revenue and increase in other income.

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

Service Revenues

The Company's service revenues increased by 12% to ₱2,489 million for the quarter ended September 30, 2017 from ₱2,225 million for the quarter ended September 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 15% to ₱2,232 million from ₱1,945 million for the quarter ended September 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 70 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 20% to ₱1,647 million for the quarter ended September 30, 2017 from ₱1,372 million for the quarter ended September 30, 2016 relative to growth of volume in logistics services. Moreover, truck rental rates are higher primarily due to increase in fuel prices in 2017 compared to 2016. There are also additional branches and warehouses which contributed to the increase in cost.

Gross Profit

Gross profit decreased by 1% to ₱842 million for the quarter ended September 30, 2017 from ₱853 million for the quarter ended September 30, 2016, primarily due to the increase higher percentage increase in cost of services.

Operating Expenses

Operating expenses decreased by 4% to ₱554 million for the quarter ended September 30, 2017 from ₱578 million for the period ended September 30, 2016, primarily due to decrease in claims and losses by 44% which is at 3% of corporate solutions revenue for the third quarter of 2017 while 4% was applied on the same period in 2016.

Other Income, Net

Foreign exchange gain, net is higher by 132% or ₱39 million which is from the foreign exchange trading, revaluation of time deposit in US dollars and convertible instrument.

Gain on derivative amounting to ₱73 million is recognized as a result of lower estimated fair market value of derivative liability as at September 30, 2017 as compared to the value on inception date. This is due to lower stock volatility which generally decrease the value of the derivative.

Interest expense is higher by 172% or ₱26 million primarily due to accretion of bond payable.

FINANCIAL CONDITION

As at September 30, 2017 compared to as at December 31, 2016

Assets

Current Asset:

Cash and cash equivalents increased by 180% to ₱3,711 million as at September 30, 2017 from ₱1,328 million as at December 31, 2016. Refer to analysis of cash flows in "Liquidity" section below.

Due from related parties decreased by 46% to ₱600 million as at September 30, 2017 from ₱1,108 million as at December 31, 2016 mainly attributable to offsetting of dividend payment to existing receivable of the LBC Development amounting to ₱699 million; offset by advances made in other affiliate in the earlier part of 2017.

Trade and other receivables, net decreased by 4% to ₱1,468 million as at September 30, 2017 from ₱1,527 million as at 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.

Available-for-sale increased by 20% to ₱301 million as at September 30, 2017 from ₱251 million as at December 31, 2016, mainly attributable to placement of investment amounting to ₱932 million for working capital requirement, offset by redemption of ₱885 million during the nine-month period.

Prepayments and other current assets increased by 3% to ₱400 million as at September 30, 2017 from ₱388 million as at December 31, 2016, primarily higher advance rental by P15 million and prepaid taxes by P11 million resulting from additional Philippines branches (2017 - 1,301 vs 2016 - 1,231). Prepaid taxes include business permits and other local government taxes. These increases are offset by decrease in marketable securities by P15 million. This is classified as "other current assets" since the maturity is more than three months.

Non-current Assets

Property and equipment, net increased by 8% to ₱911 million as at September 30, 2017 from ₱840 million as at December 31, 2016, primarily due to additions to branches' leasehold improvement and vehicles which resulted to an increase in net book value by 12% and 8%, respectively.

Intangibles, net decreased by 2% to ₱260 million as at September 30, 2017 from ₱266 million as at December 31, 2016, mainly attributable to net amortization.

Available-for-sale investment, increased by 4% to ₱478 million as at September 30, 2017 from ₱458 million as at December 31, 2016, relative to movement in market price from ₱2.35/share to ₱ 2.45/share.

Deferred tax assets, net, increased by 5% to ₱288 million as at September 30, 2017 from ₱274 million as at December 31, 2016, additional non-deductible expense from retirement benefit liability with total deferred tax asset impact of ₱16 million.

Security deposits increased by 12% to ₱252 million as at September 30, 2017 from ₱226 million as at December 31, 2016, mainly attributable to primarily due to increase in rental deposit of new and relocated branches.

Other noncurrent assets increased by 32% to ₱92 million as at September 30, 2017 from ₱70 million as at December 31, 2016 mainly attributable to higher prepaid rental by P10 million. There is also an addition of P9 million advance payment for the development of software for money remittance operations.

Liabilities

Accounts payable and accrued expenses increased by 9% to ₱1,407 million as at September 30, 2017 from ₱1,295 million as at December 31. 2016, primarily due to higher taxes payable which comprise of VAT payable, withholding taxes - expanded and withholding taxes on compensation.

Notes payable (current and noncurrent) decreased by 21% to ₱1,068 million as at September 30, 2017 from ₱1,359 million as at 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 70% to ₱77 million as at September 30, 2017 from ₱255 million as at December 31, 2016, resulting from payment of 2016 annual income tax.

Transmissions liability decreased by 15% to ₱395 million as at September 30, 2017 from ₱467 million as at December 31, 2016, mainly attributable to lower amount of merchant liability (from bills payment).

Lease liabilities (current and noncurrent) decreased by 5% to ₱118 million as at September 30, 2017 from ₱124 million as at December 31, 2016 due to net amortization of existing leases.

Retirement benefit liability increased by 6% to ₱40 million as at September 30, 2017 from ₱721 million as at December 31, 2016 due to the net retirement benefit expense recognized for the period.

Bond payable and derivative liability recognition amounting to ₱880 million and ₱1,587 million, respectively, as at September 30, 2017 is the result of issuance of a seven-year secured convertible instrument, in favor of CP Briks Pte. Ltd, in the aggregate principal amount of US$50.0 million, convertible into 192,307,692 common shares of the Company at the option of the holder at ₱13.00 per share conversion price (using the US$1=₱50 exchange rate). The instrument is due in 2024 or the seventh anniversary from the issuance date. The proceeds from the issuance of the instrument shall be used to fund the growth of the business of the Group including capital expenditures and working capital. The convertible debt is a hybrid instrument containing host financial liability and derivative component for the conversion and redemption options.

Other liabilities increased by 68% to ₱58 million as at September 30, 2017 from ₱34 million as at December 31, 2016 mainly from payable related to acquisition of new payroll system and IT security tool during the period.

LIQUIDITY

Cash Flows

Nine-month period ended September 30, 2017 compared to the nine-month period ended September 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, unrealized foreign exchange gain, gain on derivative and changes in working capital. The Company's net cash from operating activities were ₱613 million and ₱260 million for the nine-month period ended September 30, 2017 and 2016, respectively. For the period ended September 30, 2017, inflow from operating activities were generally from normal operations.

Cash flows from investing activities

Cash used from investing activities for the nine-month period ended September 30, 2017 and 2016 is ₱271 million and ₱454 million. In 2016, the initial placement in unit investment trust fund have the largest impact on cash flow from investing activities.

Cash flow from financing activities

Net cash inflow for financing activities for the nine-month period ended September 30, 2017 and 2016 were ₱1,981 million and ₱350 million respectively. The increase is mainly due to issuance of convertible instrument amounting to US$50 million.

PART II -- OTHER INFORMATION

There is no other information not previously reported in SEC Form 17-C that needs to be reported in this section.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

LBC EXPRESS HOLDINGS, INC.

ENRIQUE V. REY, JR.
Chief Finance Officer

November 13, 2017

LBC Express Holdings, Inc.
and Subsidiaries

Unaudited Interim Condensed Consolidated
Financial Statements
As at September 30, 2017 and
for the Nine Months Ended
September 30, 2017 and 2016
(With Comparative Audited Consolidated 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)

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 3, 20 and 21)	**₱3,711,320,316**	₱1,327,790,727
Trade and other receivables (Notes 4, 20 and 21)	**1,468,133,983**	1,526,719,330
Due from related parties (Notes 14, 20 and 21)	**600,396,624**	1,107,999,329
Available-for-sale investments (Notes 8 and 21)	**301,084,923**	250,937,154
Prepayments and other current assets (Note 5)	**399,743,247**	388,089,197
Total Current Assets	**6,480,679,093**	4,601,535,737
Noncurrent Assets		
Property and equipment (Note 6)	**911,295,498**	840,476,927
Intangible assets (Note 7)	**259,617,937**	266,047,661
Available-for-sale investments (Notes 8, 20 and 21)	**477,897,181**	458,391,174
Deferred tax assets (Note 17)	**288,455,725**	274,380,370
Security deposits (Note 18)	**252,461,537**	226,255,209
Other noncurrent assets (Note 5)	**92,429,293**	70,150,604
Total Noncurrent Assets	**2,282,157,171**	2,135,701,945
	₱8,762,836,264	₱6,737,237,682
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 9, 20 and 21)	**₱1,406,584,902**	₱1,294,903,590
Due to related parties (Notes 14, 20 and 21)	**18,538,266**	18,509,332
Current portion of notes payable (Notes 11, 20 and 21)	**435,800,000**	666,715,500
Transmissions liability (Notes 10, 20 and 21)	**395,020,911**	467,284,795
Income tax payable	**77,356,198**	254,758,265
Current portion of lease liabilities (Notes 18, 20 and 21)	**36,052,861**	50,826,683
Total Current Liabilities	**2,369,353,138**	2,752,998,165
Noncurrent Liabilities		
Derivative liability (Note 12)	**1,586,679,742**	–
Bond payable (Note 12)	**880,187,159**	–
Retirement benefit liability (Note 19)	**761,297,918**	721,026,661
Notes payable - net of current portion (Notes 11, 20 and 21)	**632,500,000**	692,500,000
Lease liabilities - net of current portion (Notes 18, 20 and 21)	**81,902,420**	73,242,401
Other noncurrent liabilities (Notes 6 and 7)	**57,795,537**	34,477,440
Total Noncurrent Liabilities	**4,000,362,776**	1,521,246,502
	6,369,715,914	4,274,244,667
Equity		
Equity attributable to shareholders of the Parent Company		
Capital stock (Note 13)	**1,425,865,471**	1,425,865,471
Retained earnings	**689,253,043**	782,414,079
Accumulated comprehensive income	**329,804,781**	305,677,402
	2,444,923,295	2,513,956,952
Non-controlling interests	**(51,802,945)**	(50,963,937)
Total Equity	**2,393,120,350**	2,462,993,015
	₱8,762,836,264	₱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

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2017 (Unaudited)	2016 (Unaudited)	**2017 (Unaudited)**	2016 (Unaudited)
SERVICE REVENUE (Note 22)	**₱7,398,408,186**	₱6,359,755,798	**₱2,488,764,750**	₱2,224,861,334
COST OF SERVICES (Note 15)	**4,889,373,168**	4,080,900,463	**1,646,702,681**	1,371,563,842
GROSS PROFIT	**2,509,035,018**	2,278,855,335	**842,062,069**	853,297,492
OPERATING EXPENSES (Note 16)	**1,595,894,069**	1,425,818,903	**554,320,936**	577,786,015
OTHER INCOME (CHARGES)				
Foreign exchange gains - net	**114,187,474**	79,193,914	**69,256,570**	29,795,501
Gain on derivative	**73,742,918**	–	**73,742,918**	–
Interest income	**7,240,207**	1,050,095	**4,218,221**	234,980
Interest expense (Notes 11 and 18)	**(82,167,296)**	(40,302,579)	**(41,710,872)**	(15,243,997)
Others - net	**2,666,115**	1,770,733	**1,281,101**	2,095,614
	115,669,418	41,712,163	**106,787,938**	16,882,098
INCOME BEFORE INCOME TAX	**1,028,810,367**	894,748,595	**394,529,071**	292,393,575
PROVISION FOR INCOME TAX (Note 17)	**295,293,931**	274,201,808	**103,714,781**	85,717,057
NET INCOME FOR THE PERIOD	**733,516,436**	620,546,787	**290,814,290**	206,676,518
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	**(658,428)**	1,604,809	**(219,476)**	1,554,118
Items that may be reclassified to profit or loss in subsequent periods				
Unrealized fair value gain (loss) on available-for-sale investments (Note 8)	**22,738,042**	304,609,076	**(16,634,503)**	94,020,156
Currency translation gain - net	**1,533,258**	165,969	**1,663,943**	3,203,157
	23,612,872	306,379,854	**(15,190,036)**	98,777,431
TOTAL COMPREHENSIVE INCOME	**₱757,129,308**	₱926,926,641	**₱275,624,254**	₱305,453,949
NET INCOME ATTRIBUTABLE TO:				
Shareholders of the Parent Company	**₱733,840,937**	₱627,346,860	**₱292,090,880**	208,699,193
Non-controlling interests	**(324,501)**	(6,800,073)	**(1,276,590)**	(2,022,675)
NET INCOME FOR THE PERIOD	**₱733,516,436**	₱620,546,787	**₱290,814,290**	206,676,518
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Shareholders of the Parent Company	**₱757,968,316**	₱933,244,121	**₱277,316,867**	₱307,089,075
Non-controlling interests	**(839,008)**	(6,317,480)	**(1,692,613)**	(1,635,126)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**₱757,129,308**	₱926,926,641	**₱275,624,254**	₱305,453,949
BASIC/DILUTED EARNINGS PER SHARE (Note 23)	**₱0.51**	₱0.44	**₱0.20**	₱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 Nine Months Ended September 30, 2017 (Unaudited)					
	Capital Stock (Note 13)	**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)	**–**	**733,840,937**	**–**	**733,840,937**	**(324,501)**	**733,516,436**
Other comprehensive income (loss)	**–**	**–**	**24,127,379**	**24,127,379**	**(514,507)**	**23,612,872**
Total comprehensive income (loss)	**–**	**733,840,937**	**24,127,379**	**757,968,316**	**(839,008)**	**757,129,308**
Dividends declared	**–**	**(827,001,973)**	**–**	**(827,001,973)**	**–**	**(827,001,973)**
Balances as at September 30, 2017	**₱1,425,865,471**	**₱689,253,043**	**₱329,804,781**	**₱2,444,923,295**	**(₱51,802,945)**	**₱2,393,120,350**

	For the Nine Months Ended September 30, 2016 (Unaudited)					
	Capital Stock (Note 13)	**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)	–	627,346,860	–	627,346,860	(6,800,073)	620,546,787
Other comprehensive income	–	–	305,897,261	305,897,261	482,593	306,379,854
Total comprehensive income (loss)	–	627,346,860	305,897,261	933,244,121	(6,317,480)	926,926,641
Balances as at September 30, 2016	₱1,425,865,471	₱801,845,731	₱374,308,411	₱2,602,019,613	(₱47,391,765)	₱2,554,627,848

See accompanying Notes to Interim Condensed Consolidated Financial Statements

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

	Nine Months Ended September 30 (Unaudited)	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱1,028,810,367**	₱894,748,595
Adjustments for:		
Depreciation and amortization (Notes 6, 7, 15 and 16)	**235,896,830**	224,488,759
Interest expense (Notes 11 and 18)	**82,167,296**	40,302,579
Retirement expense, net of benefits paid and contribution to retirement plan	**39,330,646**	42,808,464
Gain on disposal of property and equipment and intangible assets (Notes 6 and 7)	**(2,055,362)**	(1,639,205)
Interest income (Note 3)	**(7,240,207)**	(1,050,095)
Unrealized foreign exchange losses (gains) - net	**(46,829,015)**	6,501,057
Gain on sale of AFS investment	**–**	(114,584)
Gain on derivative (Note 12)	**(73,742,918)**	–
Operating income before changes in working capital	**1,256,337,637**	1,206,045,570
Changes in working capital:		
Decrease (increase) in:		
Trade and other receivables	**59,781,715**	80,545,839
Due from related parties (Note 14)	**(191,862,582)**	(256,300,022)
Prepayments and other assets	**(24,932,739)**	143,487,786
Security deposits	**(26,206,328)**	(11,372,391)
Increase (decrease) in:		
Accounts and other payables (Note 9)	**93,555,396**	(520,241,839)
Transmissions liability	**(72,263,884)**	(160,369,246)
Due to related parties (Note 14)	**–**	5,608,605
Net cash generated from operations	**1,094,409,215**	487,404,302
Interest received	**6,043,839**	1,050,095
Income tax paid	**(486,489,170)**	(228,952,452)
Net cash provided by operating activities	**613,963,884**	259,501,945
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Redemption of investments in UITF classified as available-for-sale investments	**885,084,266**	–
Disposal of property and equipment and intangible assets	**3,048,471**	6,084,331
Sale of available-for-sale investments	**–**	230,584
Acquisitions of:		
Intangible assets (Note 24)	**(4,232,854)**	(9,367,084)
Property and equipment (Note 24)	**(223,722,290)**	(201,730,626)
Available-for-sale investments	**(932,000,000)**	(250,000,000)
Net cash used in investing activities	**(271,822,407)**	(454,782,795)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of convertible instrument	**2,505,658,750**	–
Proceeds from notes payable	**223,662,554**	986,005,229
Payments of lease liabilities	**(48,803,265)**	(48,538,966)
Interest paid (Notes 11 and 18)	**(57,445,712)**	(40,302,579)
Dividends paid	**(127,536,686)**	–
Payments of notes payable	**(514,578,054)**	(547,167,833)
Net cash generated from financing activities	**1,980,957,587**	349,995,851
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,323,099,064**	154,715,001
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**60,430,525**	(6,335,088)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,327,790,727**	979,102,489
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 3)	**₱3,711,320,316**	₱1,127,482,402

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 registered office and principal place of business of the Parent Company is at LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila, Philippines.

2. Summary of Significant Accounting Policies

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

Basis of Preparation

The accompanying interim condensed consolidated financial statements of the Group have been prepared using the historical cost basis, except for available-for-sale (AFS) 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.

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

Difference in accounting periods

The Group consolidated the non-coterminous financial statements of its subsidiaries using their November 30 fiscal year end and the nine months ended August 31 third 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 September 1, 2017 and 2016 and the date of the Parent Company's financial statements which is September 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 September 2017 and 2016 amounting to ₱85.80 million and ₱300.00 million, respectively; settlement of bank loans in September 2017 amounting to ₱158.51 million; additional investment of unquoted AFS investment in September 2017 and 2016 amounting to ₱60.00 million and ₱100 million, respectively; adjustment to reflect the decrease and increase of fair value of quoted AFS investment by ₱3.90 million for the period September 1 to 30, 2017; professional fees paid amounting to ₱25.42 million and advances to stockholder amounting to ₱25.00 million.

The consolidated financial statements as at December 31, 2016 were adjusted to effect LBCE's additional availment and settlement of bank loans in various dates 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 September 1, 2017 to September 30, 2017, December 1, 2016 to December 31, 2016 and September 1, 2016 to September 30, 2016.

<u>Statement of Compliance</u>
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.

<u>Basis of Consolidation</u>
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 September 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 do not have any impact on the Group's consolidated financial statements.

- 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. These amendments resulted to additional disclosures of the details of the movement in cash flows from financing activity as disclosed in Note 24.

- 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 do not have any impact on the Group's consolidated financial statements.

Standards issued but not yet effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its interim condensed consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2018

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

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted. 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.

<u>Embedded derivatives</u>
An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in away similar to a stand-alone derivative.

The Company assesses whether embedded derivatives are required to be separated from the host contracts when the Company first becomes a party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives are bifurcated from their host contracts, when the following conditions are met:

(a) the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial assets and liabilities at FVPL;
(b) when their economic risks and characteristics are not closely related to those of their respective host contracts; and
(c) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. Changes in fair values are included in the consolidated statement of income.

Significant Accounting Judgments, Estimates and Assumptions
The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Except as otherwise stated, the significant accounting judgments, estimates and assumptions used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements as at and for the year ended December 31, 2016.

3. Cash and Cash Equivalents

This account consists of:

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)	September 30, 2016 (Unaudited)
Cash in banks	**₱1,019,941,104**	₱939,534,180	₱957,116,230
Cash on hand	**229,073,402**	174,890,603	157,186,388
Cash equivalents	**2,462,305,810**	213,365,944	13,179,784
	₱3,711,320,316	₱1,327,790,727	₱1,127,482,402

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from cash and cash equivalents amounted to ₱7.24 million and ₱1.05 million for the nine months ended September 30, 2017 and 2016, respectively.

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

4. Trade and Other Receivables

This account consists of:

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Trade receivables - outside parties	**₱1,128,159,297**	₱1,023,354,253
Trade receivables - related parties (Note 14)	**369,957,521**	518,466,319
	1,498,116,818	1,541,820,572
Less allowance for impairment losses	**80,512,607**	55,694,985
	1,417,604,211	1,486,125,587
Other receivables:		
Advances to officers and employees	**33,846,623**	26,117,789
Others	**16,683,149**	14,475,954
	₱1,468,133,983	₱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 at December 31, 2016 amounting to ₱40.79 million was assigned in relation to a bank loan availed in 2016 (see Note 11).

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

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Balance at beginning of period	**₱55,694,985**	₱39,891,364
Provisions (Note 16)	**24,817,622**	15,803,621
	₱80,512,607	₱55,694,985

The Group has directly written-off trade receivables amounting to ₱3.81 million in 2017 where probability of collection has been determined to be remote. These were recognized under operating expenses in profit or loss (see Note 16).

5. **Prepayments and Other Assets**

This account consists of:

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Input value-added tax (VAT)	**₱186,410,518**	₱184,851,516
Materials and supplies	**97,637,117**	104,972,605
Prepayments:		
Rent	**67,271,582**	41,012,242
Taxes	**16,145,625**	4,911,428
Insurance	**14,580,756**	11,576,755
Advertising	**11,309,932**	11,995,164
Software maintenance cost	**7,046,825**	4,854,547
Prepaid dues and subscriptions	**761,307**	299,989
Others	**16,680,333**	15,657,780
Creditable withholding taxes (CWT)	**48,966,111**	46,767,004
Short-term cash investments	**7,362,434**	27,340,771
Other assets	**18,000,000**	4,000,000
	492,172,540	458,239,801
Less noncurrent portion of:		
VAT on capital goods	**57,906,780**	54,943,647
Prepaid rent	**25,522,513**	15,206,957
Other assets	**9,000,000**	–
Total noncurrent portion	**₱92,429,293**	₱70,150,604
Total current portion	**₱399,743,247**	₱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 profit or loss for the nine months ended September 30, 2017 and 2016 amounted to ₱239.63 million and ₱206.99 million, respectively.

Prepaid advertising consists of advances for billboards and multimedia endorsements.

Other prepayments mainly pertain to advance payment of salaries and wages and educational allowances.

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

Short-term cash investments are time deposits with maturity of more than three months from the date of acquisition but not exceeding one year.

Other assets pertain to a security deposit and advance payment to service providers.

6. Property and Equipment

The rollforward analysis of this account follows:

	For the nine months ended September 30, 2017 (Unaudited)					
	Transportation Equipment	**Leasehold Improvements**	**Furniture, Fixtures and Office Equipment**	**Computer Hardware**	**Construction in Progress**	**Total**
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	**36,811,827**	**22,172,726**	**33,138,467**	**48,186,928**	**118,570,738**	**258,880,686**
Reclassifications	**2,156,920**	**110,099,474**	**5,374,163**	**–**	**(117,630,557)**	**–**
Disposals	**(77,490,159)**	**(5,741,508)**	**(78,141)**	**(173,312)**	**–**	**(83,483,120)**
At end of period	**477,790,632**	**1,514,101,431**	**642,478,983**	**597,391,382**	**10,007,736**	**3,241,770,164**
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 15 and 16)	**27,581,586**	**70,969,879**	**38,460,639**	**50,376,802**	**–**	**187,388,906**
Disposals	**(77,104,110)**	**(5,569,060)**	**(26,782)**	**(109,959)**	**–**	**(82,809,911)**
At end of period	**335,181,558**	**962,811,116**	**554,368,501**	**478,113,491**	**–**	**2,330,474,666**
Net Book Value	**₱142,609,074**	**₱551,290,315**	**₱88,110,482**	**₱119,277,891**	**₱10,007,736**	**₱911,295,498**

	For the year ended December 31, 2016 (Audited)					
	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Construction in Progress	Total
Costs						
At beginning of year	₱493,700,641	₱1,193,415,823	₱536,162,284	₱497,378,871	₱26,897,204	₱2,747,554,823
Additions	46,621,479	50,327,150	33,655,196	49,923,302	174,478,510	355,005,637
Reclassifications	5,773,437	145,597,503	34,227,014	6,710,205	(192,308,159)	–
Disposals	(29,783,513)	(1,769,737)	–	(4,634,612)	–	(36,187,862)
At end of year	516,312,044	1,387,570,739	604,044,494	549,377,766	9,067,555	3,066,372,598
Accumulated Depreciation and Amortization						
At beginning of year	357,426,671	798,498,426	466,384,919	362,222,603	–	1,984,532,619
Depreciation and amortization (Notes 15 and 16)	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 Group purchased a computer hardware on a long-term payment arrangement. The liability is noninterest bearing and payable over 60 months. As at September 30, 2017, the outstanding liability amounted to ₱36.06 million, ₱26.94 million of which is reported under 'other noncurrent liabilities' in the consolidated statements of financial position.

7. Intangible Assets

The rollforward analysis of this account follows:

	For the nine months ended September 30, 2017 (Unaudited)		
	Software	**Development in Progress**	**Total**
Costs			
At beginning of period	**₱335,393,881**	**₱63,140,574**	**₱398,534,455**
Additions	**44,844,480**	**6,553,620**	**51,398,100**
Disposal	**(319,900)**	**–**	**(319,900)**
Reclassification	**58,594,194**	**(67,594,194)**	**(9,000,000)**
At end of period	**438,512,655**	**2,100,000**	**440,612,655**
Accumulated Amortization			
At beginning of period	**132,486,794**	**–**	**132,486,794**
Amortization (Note 16)	**48,507,924**	**–**	**48,507,924**
At end of period	**180,994,718**	**–**	**180,994,718**
Net Book Value	**₱257,517,937**	**₱2,100,000**	**₱259,617,937**

	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
Reclassification	198,861,104	(198,861,104)	–
Additions	2,157,464	18,313,904	20,471,368
Disposal	(55,000)	–	(55,000)
At end of year	335,393,881	63,140,574	398,534,455
Accumulated Amortization			
At beginning of year	101,736,602	–	101,736,602
Amortization (Note 16)	30,779,219	–	30,779,219
Disposal	(29,027)	–	(29,027)
At end of year	132,486,794	–	132,486,794
Net Book Value	₱202,907,087	₱63,140,574	₱266,047,661

In 2017, the Group purchased IT security tool and a new payroll system on a non-interest bearing long-term payment arrangement payable over 36 months and 60 months, respectively. As at September 30, 2017, the outstanding liability of these intangible assets amounted to ₱47.17 million, of which ₱30.85 million is presented under "other noncurrent liabilities" in the interim consolidated statement 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. The major categories of the Group's investment in unquoted unit investment trust fund comprise primarily of Overnight Deposit Facility and Term Deposit Facility in the Bangko Sentral ng Pilipinas.

Movement of the AFS investments follows:

	For the nine months ended September 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	**19,506,007**	245,368,753
	477,897,181	458,391,174
Unquoted:		
Balance at beginning of period	**250,937,154**	–
Additions	**932,000,000**	400,000,000
Redemption	**(885,084,266)**	(150,000,000)
Unrealized fair value gain	**3,232,035**	937,154
	301,084,923	250,937,154
	₱778,982,104	₱709,328,328
Less current portion	**₱301,084,923**	₱250,937,154
Total noncurrent portion	**₱477,897,181**	₱458,391,174

9. Accounts Payable and Other Accrued Expenses

This account consists of:

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Trade payable - outside parties	**₱521,851,877**	₱564,405,228
Trade payable - related parties (Note 14)	**10,689,098**	10,239,262
Taxes payable	**282,403,488**	175,914,534
Accruals:		
Salaries and wages	**229,418,451**	187,053,321
Contracted jobs	**78,355,433**	61,027,104
Rent and utilities	**82,954,713**	91,142,838
Claims and losses	**25,270,103**	55,388,469
Outside services	**11,662,974**	7,086,121
Software Maintenance	**13,149,465**	6,638,397
Taxes	**9,191,246**	8,509,450
Professional fees	**14,805,280**	6,980,356
Advertising	**9,218,086**	21,393,676
Others	**61,802,490**	45,830,758
Government agencies contributions payables	**20,127,508**	21,971,215
Others	**35,684,690**	31,322,861
	₱1,406,584,902	₱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 ₱395.02 million, (₱29.83 million of which is payable to an affiliate) and ₱467.28 million (₱8.94 million of which is payable to an affiliate) as at September 30, 2017 and December 31, 2016, respectively (see Note 14).

11. Notes Payable

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

September 30, 2017 (Unaudited)					
Bank/Related Party	**Date of Availment**	**Outstanding Balance**	**Maturity**	**Interest Rate**	**Payment Terms**
Banco de Oro	**Sep 2017**	**₱74,550,000**	**Mar 2018**	**Fixed rate, 4.00%**	**Clean; Interest payable every month, principal to be paid on maturity date**
Banco de Oro	**Various availments in 2016**	**723,750,000**	**May 2021**	**Fixed rate, 4.00%**	**With mortgage; Interest and principal payable every quarter**
Unionbank of the Philippines	**Various availments in 2017**	**200,000,000**	**Various maturities in 2017 and 2018**	**Fixed rate, 6.00%**	**Clean; Interest payable every month, principal to be paid on maturity date**
Rizal Commercial Banking Corporation	**Various availments in 2017**	**70,000,000**	**Various maturities in 2017**	**4% to 4.5%**	**Interest payable every month, principal to be paid on maturity date**
Total		**₱1,068,300,000**			
Current Portion		**₱435,800,000**			
Noncurrent portion of notes payable		**₱632,500,000**			

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	May 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%	With AR assignment; 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%	Clean; 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 2017 and 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 rec
eivables - outside parties'. Total receivables assigned amounted as at December 31, 2016 amounted to ₱40.79 million, respectively (see Note 4).

Various short-term loans availed in 2016 with BDO, UBP and RCBC totaling ₱270 million were rolled over and still existing as of September 30, 2017.

Interest expense amounted to ₱49.82 million and ₱29.03 million for the nine months ended September 30, 2017 and 2016, respectively.

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

12. Convertible Instrument

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

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

As at September 30, 2017, the carrying value of bond payable is ₱880.19 million and the fair value of the derivative liability is ₱1,586.68 million. The fair value changes of the derivative liability recognized as "Gain on derivative" amounted to ₱73.74 million in 2017.

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

a. Within one (1) month from August 4, 2017, LBCH shall discontinue any royalty payments to LBCDC for all trademarks, brands and licenses. This was already terminated in September 2017;
b. Within three (3) months from closing date, LBCDC shall procure that LBCH enters into a binding sale and purchase agreement to acquire the equity interests of the 12 overseas entities. Also, within 12 months from closing date, LBCDC shall procure that LBCH closes the acquisition of the equity interest of the overseas entities;
c. Within 6 months following the termination of royalty payments, LBCH shall be permitted to make loans and advances to LBCDC and this shall not be considered a Reserved Matter. LBCDC already made an advances amounting to 25 million;

d. Within 6 months from closing date, LBCDC shall procure a debt for equity swap between LBCE and QUADX; and
e. Within 3 months from closing of the acquisition of the equity interests of the overseas entity, LBCDC procure to settle all obligations to LBCH and its subsidiaries.

Failure to comply with the above agreements constitute an Event of Default which results to the redemption of the convertible bond at par plus an IRR of 16%.

13. Equity

Capital stock
As at September 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 LBCH approved the declaration of cash dividends amounting to ₱827.00 million or ₱0.58 for every issued and outstanding common share, ₱127.54 million of which has been paid in cash to minority shareholders. The dividends attributable to LBCDC was settled through application against due from LBCDC as disclosed in Note 14.

14. 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 nine months ended September 30, 2017 and for the year ended December 31, 2016 are as follows:

	Transaction amounts for the nine months ended September 30, 2017 (Unaudited)	**Outstanding Receivable balance as at September 30, 2017 (Unaudited)**	**Terms**	**Conditions**
Due from related parties (Trade receivables)				
Affiliates				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 4 and 22)	**₱314,886,583**	**₱369,957,521**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
Due from related parties (Non-trade receivables)				
Ultimate parent company				
b.) Advances	**₱98,881,990**	**₱367,910,113**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
Affiliates				
b.) Advances	**60,996,656**	**223,202,116**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
Officer				
b.) Advances	–	**9,284,395**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
	₱159,878,646	**₱600,396,624**		

	Transaction amounts for the nine months ended September 30, 2016 (Unaudited)	Outstanding Receivable balance as at December 31, 2016 (Unaudited)	Terms	Conditions
Due from related parties (Trade receivables)				
Affiliates				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 4 and 22)	₱298,799,611	₱518,466,319	Noninterest-bearing; due and demandable	Unsecured, no impairment
Due from related parties (Non-trade receivables)				
Ultimate parent company				
b.) Advances	₱177,489,825	₱913,895,352	Noninterest-bearing; due and demandable	Unsecured, no impairment
Affiliates				
b.) Advances	24,054,449	184,806,983	Noninterest-bearing; due and demandable	Unsecured, no impairment
Officer				
b.) Advances	12,599	9,296,994	Noninterest-bearing; due and demandable	Unsecured, no impairment
	₱201,556,873	₱1,107,999,329		

	Transaction amounts for the nine months ended September 30, 2017 (Unaudited)	Outstanding Payable balance as at September 30, 2017 (Unaudited)	Terms	Conditions
Due to related parties (Trade payables)				
Ultimate Parent Company				
c.) Royalty fee (Note 9)	**₱174,890,956**	**₱10,689,098**	**Noninterest-bearing; due and demandable**	**Unsecured**
Affiliate				
d.) Guarantee fee (Note 9)	**7,738,095**	**–**	**Noninterest-bearing; due and demandable**	**Unsecured**
	182,629,051	**₱10,689,098**		
Due to a related party (Transmissions liability)				
Affiliate				
a.) Money remittance payable (Note 10)	**₱1,268,852,329**	**₱29,832,196**	**Noninterest-bearing; due and demandable**	**Unsecured**
	₱1,268,852,329	**₱29,832,196**		
Due to related parties (Non-trade payables)				
Ultimate Parent Company				
b.) Advances	**₱–**	**₱15,694,463**	**Noninterest-bearing; due and demandable**	**Unsecured**
b.) Dividends	**699,465,286**	**–**		
Affiliate				
b.) Advances	**–**	**2,588,500**	**Noninterest-bearing; due and demandable**	**Unsecured**
Officer				
b.) Advances	**–**	**255,303**	**Noninterest-bearing; due and demandable**	**Unsecured**
	₱699,465,286	**₱18,538,266**		

	Transaction amounts for the nine months ended September 30, 2016 (Unaudited)	Outstanding Payable balance as at December 31, 2016 (Unaudited)	Terms	Conditions
Due to related parties (Trade payables)				
Ultimate Parent Company				
c.) Royalty fee (Note 9)	₱140,441,621	₱10,239,262	Noninterest-bearing; due and demandable	Unsecured
Affiliate				
d.) Guarantee fee (Note 9)	–	4,671,229	Noninterest-bearing; due and demandable	Unsecured
	₱140,441,621	₱14,910,491		
Due to a related party (Transmissions liability)				
Affiliate				
a.) Money remittance payable (Note 10)	₱148,683,250	₱8,936,433	**Noninterest-bearing; due and demandable**	**Unsecured**
	148,683,250	₱8,936,433		
Due to related parties (Non-trade payables)				
Ultimate Parent Company				
b.) Advances	₱–	₱15,694,463	Noninterest-bearing; due and demandable	Unsecured
Affiliate				
b.) Advances	455,564	2,559,566	Noninterest-bearing; due and demandable	Unsecured
Officer				
c.) Advances	–	255,303	Noninterest-bearing; due and demandable	Unsecured
	₱455,564	₱18,509,332		

Compensation of Key Management Personnel:

	For the nine months ended	
	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Salaries and wages	**₱87,123,703**	₱47,274,815
Retirement benefits (Note 18)	**10,863,892**	9,520,478
Other short-term employee benefits	**13,687,202**	7,671,190
	111,674,797	₱64,466,483

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

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

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.

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

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.

e. As discussed in Note 13, the BOD of LBCH approved the declaration of cash dividends amounting to ₱827.00 million or ₱0.58 for every issued and outstanding common share. On June 9, 2017 through a Memorandum of Agreement, LBCDC and LBCH agreed to offset the dividends payable of LBCH to LBCDC against LBCDC's payable to the Group amounting to ₱699.47 million (see Note 23). The ₱699.47 million pertains to the share in dividends of LBCDC while the ₱127.54 million pertains to the share of non-controlling interest.

15. Cost of Services

This account consists of:

	For the nine months ended	
	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Cost of delivery and remittance	**₱2,059,013,144**	₱1,599,710,838
Salaries and benefits	**1,470,345,414**	1,291,509,897
Utilities and supplies	**543,198,345**	476,648,588
Rent (Note 18)	**442,884,233**	372,864,855
Depreciation and amortization	**158,962,865**	145,218,589
Repairs	**75,623,060**	67,316,139
Retirement benefit expense	**74,365,884**	70,300,964
Transportation and travel	**42,305,749**	34,083,665
Insurance	**17,871,041**	17,908,953
Others	**4,803,433**	5,337,975
	₱4,889,373,168	₱4,080,900,463

16. **Operating Expenses**

This account consists of:

	For the nine months ended	
	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Salaries and benefits	**₱376,253,123**	₱296,528,939
Royalty	**174,890,956**	140,441,621
Professional fees	**169,691,774**	117,179,504
Rent (Note 18)	**169,252,540**	144,575,809
Advertising and promotion	**122,382,358**	130,038,560
Utilities and supplies	**110,751,841**	111,341,650
Travel and representation	**102,370,446**	81,451,355
Taxes and licenses	**83,977,916**	81,478,633
Depreciation and amortization	**76,933,965**	79,270,170
Claims and losses	**44,263,494**	68,595,143
Software maintenance costs	**42,953,452**	38,143,705
Provision for impairment loss (Note 4)	**24,817,622**	29,234,599
Retirement benefit expense	**22,821,178**	12,161,309
Commission expense	**17,758,213**	15,786,993
Insurance	**16,756,098**	17,000,717
Write-off of receivables	**3,810,649**	-
Repairs and maintenance	**3,692,311**	4,252,245
Dues and subscriptions	**13,723,249**	3,375,148
Others	**18,792,884**	54,962,803
	₱1,595,894,069	₱1,425,818,903

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

17. **Income Taxes**

Provision for income tax consists of:

	For the nine months ended	
	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Current	**₱309,087,103**	₱295,531,433
Deferred	**(13,793,172)**	(21,329,625)
	₱295,293,931	₱274,201,808

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

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Retirement benefit liability	**₱228,353,807**	₱212,833,851
Accrued bonus and leave credits	**37,635,891**	34,764,344
Allowance for impairment loss	**24,153,782**	16,708,496
Deferred lease liability	**11,623,367**	11,062,231
MCIT	**255,394**	255,394
Past service cost	**956,291**	1,043,226
NOLCO	**-**	209,623
Capitalized borrowing costs	**(471,002)**	(628,002)
Unrealized foreign exchange losses	**(14,051,805)**	(1,868,793)
	₱288,455,725	₱274,380,370

18. **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 four years. The lease agreement does not include escalation rates on monthly payments.

There are no contingent rents for the above lease agreements.

Rent expense was recognized as follows:

	For the nine months ended	
	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Cost of services	**₱442,884,233**	₱372,864,855
Operating expenses	**169,252,540**	144,575,809
	₱612,136,773	₱517,440,664

The Group has outstanding refundable security deposits arising from the said operating lease agreements amounting to ₱252.46 million and ₱226.26 million as at September 30, 2017 and December 31, 2016, respectively.

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

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Not later than 1 year	₱817,322,109	₱761,315,955
Later than 1 year but not later than 5 years	3,622,890,065	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 September 30, 2017 and December 31, 2016 arising from these leases are as follows:

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Gross finance lease obligations		
Not later than one year	**₱43,403,135**	₱62,083,010
Later than 1 year but not later than 5 years	**50,259,507**	44,422,597
	93,662,642	106,505,607
Future finance lease charges on the finance lease		
Not later than one year	**(7,350,274)**	(11,256,327)
Later than 1 year but not later than 5 years	**(7,101,643)**	(8,054,301)
	(14,451,917)	(19,310,628)
	₱79,210,725	₱87,194,979

The present value of minimum lease payments is as follows:

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Not later than 1 year	**₱36,052,861**	₱50,826,683
Later than 1 year but not later than 5 years	**43,157,864**	36,368,296
	₱79,210,725	₱87,194,979

Interest expense on the above finance lease obligation charged to finance costs amounted to ₱9.43 million and ₱11.27 million for the nine months ended September 30, 2017 and 2016, respectively

19. **Retirement Benefits**

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

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Present value of defined benefit obligation	**785,814,574**	₱743,821,499
Fair value of plan assets	**(24,516,656)**	(22,794,838)
	₱761,297,918	₱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 at September 30, 2017 were calculated by extrapolating the latest actuarial valuation report for the year ended December 31, 2016.

20. **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, bond payable, derivative liability 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 at September 30, 2017 and 2016 with all other variables held constant.

	Effect on other comprehensive income	
	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Change in share price		
Increase by 5%	**₱38,949,105**	₱45,539,693
Decrease by 5%	**(₱38,949,105)**	(₱45,539,693)

The Group is also exposed to equity price risk in the fair value of the derivative liability due to the embedded equity conversion feature. The following table shows the effect on net income should the change in the close share price of the underlying equity security in the convertible instrument occur as at September 30, 2017 with all other variables held constant.

	Effect on net income
	September 30, 2017 (Unaudited)
Change in share price	
Increase by 5%	**₱84,148,062**
Decrease by 5%	**₱68,255,822**

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 and liability recorded under 'trade and other receivables' and 'bonds payable', respectively, assets and liabilities related to convertible instrument in the consolidated statements of financial position and their Philippine Peso equivalents follow:

	September 30, 2017 (Unaudited)	
	Foreign currency	**Peso equivalent**
Assets:		
Euro	**2,922,900**	**177,741,549**
Taiwanese Dollars	**56,190,997**	**95,524,694**
Hongkong Dollars	**13,594,295**	**88,906,689**
Australian Dollars	**289,179**	**11,694,398**
Great British Pound	**57,765**	**3,820,577**
US Dollars	**53,809**	**2,753,406**
Liability:		
US Dollars	**(17,441,443)**	**(892,478,617)**

The translation exchange rates used were ₱60.81 to EUR 1, ₱6.54 to HKD 1, ₱40.44 to AUD 1, ₱1.70 to TWD 1, ₱51.17 to USD 1 and ₱66.14 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 September 30, 2017 and December 31, 2016.

	Increase (decrease) in income before tax	
Reasonably possible change in foreign exchange rate for every two units of Philippine Peso	**September 30, 2017 (Unaudited)**	December 31, 2016 (Audited)
₱2	**₱111,335,004**	₱169,195,374
(2)	**(111,335,004)**	(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 ₱114.19 million and ₱79.19 million foreign exchange gains - net, for the nine months period ended September 30, 2017 and 2016, respectively, arising from settled transactions and translation of the Group's cash and cash equivalents, trade receivables, trade and convertible instrument and other payables.

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

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

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

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

The Group has ₱1,434.29 million and ₱1,500.60 million trade receivables, ₱123.96 million and ₱125.28 million of which are past due and/or impaired, as at September 30, 2017 and December 31, 2016, respectively.

As at September 30, 2017 and December 31, 2016, the aging analyses of the Group's past due and/or impaired trade receivables are as follows:

	September 30, 2017				
	Past Due but not Impaired			**Impaired Financial**	
	1 to 30 days	**31 to 90 days**	**Over 90 days**	**Assets**	**Total**
Trade and other receivables	**₱27,935,275**	**₱9,633,838**	**₱5,875,763**	**₱80,512,607**	**₱123,957,483**

	December 31, 2016				
	Past Due but not Impaired			Impaired Financial	
	1 to 30 days	31 to 90 days	Over 90 days	Assets	Total
Trade and other receivables	₱32,384,030	₱8,880,741	₱28,321,255	₱55,694,985	₱125,281,011

All other financial assets of the Group are neither past due nor impaired.

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

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

The capital that the Group manages is equal to the total equity as shown in the consolidated statements of financial position at September 30, 2017 and December 31, 2016 amounting to ₱2,393.12 million and ₱2,462.99 million, respectively.

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21. **Fair Values**

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

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

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

The estimated fair value of long-term portion of notes payable as at September 30, 2017 is based on the discounted value of future cash flow using applicable rates ranging from 4.14% to 4.20%.

The fair value of the long-term portion of lease liabilities as at September 30, 2017 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 derivative liability as at September 30, 2017 is based on an indirect method of valuing multiple embedded derivatives. This valuation technique using binomial pyramid model using stock prices and stock price volatility. This valuation method compares the fair value of the option-free instrument against the fair value of the hybrid convertible instrument. The difference of the fair values is assigned as the value of the embedded derivatives.

The significant unobservable input in the fair value is the stock price volatility of 46% in 2017. A 5% increase (5% decrease) in the stock price volatility would increase by ₱54.20 million (decrease by ₱22.28 million) the fair value of the derivative liability.

The estimated fair value of bond payable as at September 30, 2017 is based on the discounted value of future cash flow using applicable rate of 17%.

The estimated fair value of other noncurrent liabilities as at September 30, 2017 is based on the discounted value of future cash flow using applicable rate of 6.74% to 11.84%.

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

Except for the fair values of quoted AFS investment, the discounting used inputs such as cash flows, discount rates and other market data, hence are classified as Level 3.

The unquoted AFS investment is under the Level 2 category while the quoted investment is under the Level 1 category.

The quantitative disclosures on fair value measurement hierarchy for assets and liabilities as at September 30, 2017 and December 31, 2016 follow:

		September 30, 2017			
		Fair value measurements using			
	Carrying values	**Total**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets measured at fair value					
Quoted equity securities	**₱477,897,181**	**₱477,897,181**	**₱477,897,181**	**₱–**	**₱–**
Unquoted unit investment trust fund	**301,084,923**	**301,084,923**	**–**	**301,084,923**	**–**
Liabilities for which fair value are disclosed					
Long-term notes payable	**632,500,000**	**634,558,232**	**–**	**–**	**634,558,232**
Bond payable	**880,187,159**	**880,187,159**	**–**	**–**	**880,187,159**
Derivative liability	**1,586,679,742**	**1,586,679,742**	**–**		**1,586,679,742**
Non-current lease liabilities	**81,902,420**	**81,902,420**	**–**	**–**	**81,902,420**
Other noncurrent liabilities	**57,795,537**	**63,056,351**	**–**	**–**	**63,056,351**

		December 31, 2016			
		Fair value measurements using			
	Carrying values	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Quoted equity securities	₱458,391,174	₱458,391,174	₱458,391,174	₱–	₱–
Unquoted unit investment trust fund	250,937,154	250,937,154	–	250,937,154	–
Liabilities for which fair value are disclosed					
Long-term notes payable	692,500,000	695,225,295	–	–	695,225,295
Non-current lease liabilities	73,242,401	77,401,097	–	–	77,401,097
Other noncurrent liabilities	34,477,440	36,807,633	–	–	36,807,633

During the nine months ended September 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.

22. 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 nine months ended	
	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Logistics		
Retail	**₱4,260,150,253**	₱3,621,554,715
Corporate	**2,336,614,029**	1,849,231,107
	6,596,764,282	5,470,785,822
Money transfer services		
Domestic	**702,335,465**	794,283,916
International inbound	**99,308,439**	94,686,060
	801,643,904	888,969,976
	₱7,398,408,186	₱6,359,755,798

The revenue of the Company consists mainly of sales to external customers. Revenue arising from service fees charged to affiliates amounted to ₱279.14 million and ₱298.80 million in September 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.

23. Basic/Diluted Earnings Per Share

	For the nine months ended	
	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Net income attributable to equity holder of the Parent Company	**₱733,544,486**	₱627,346,860
Divided by the weighted average number of common shares outstanding	**1,425,865,471**	1,425,865,471
	₱0.51	₱0.44

The basic and dilutive earnings per share are the same due to the absence of potentially dilutive common shares.

24. 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";
b) Accrued interest income from time deposit amounting to ₱1.19 million.

Investing activities

a.) Unpaid acquisitions of property and equipment and intangibles amounted to ₱35.16 million and ₱47.17 million.

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

			Non-cash changes				
	December 31, 2016	Cash Flows	Leasing arrangements	Interest	Foreign exchange movement	Fair value changes	September 30, 2017
Notes payable	₱1,359,215,500	(290,915,500)					₱1,068,300,000
Lease and other non-current liabilities	158,546,524	(48,803,265)	66,007,559				175,750,818
Convertible bond (bond and derivative liability)	-	2,505,658,750		22,911,750	12,039,319	(73,742,918)	2,466,866,901
Total liabilities from financing activities	₱1,517,762,024	2,165,939,985	66,007,559	22,911,750	12,039,319	(73,742,918)	₱3,710,618,719

25. Other Matters

Closure of LBC Development Bank, Inc.

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

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

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

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

On May 15, 2015, the Department of Justice issued subpoenas to some of the stockholders of LBC Development Bank, Inc. 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 matter is now submitted for resolution by the Department of Justice.

On November 2, 2015, LBC Development Bank, Inc., through PDIC, filed a case against LBC Express, Inc. (LBCE) and LBC Development Corporation (LBCDC), among other respondents, for a total collection of ₱1.82 billion. The case is in relation to the March 17, 2014 demand letter representing collection of unpaid service fees due from June 2006 to August 2011 and service charges on remittance transactions from January 2010 to September 2011. 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 LBC Development Bank.

On December 28, 2015, the summons, together with a copy of the Complaint of LBC Development Bank, Inc., and the writ of preliminary attachment were served on the former Corporate Secretary of LBCE. The writ of preliminary attachment resulted to the (a) tagging of the 1,205,974,632 shares of LBC Express Holdings, Inc. owned by LBC Development Corporation and; (b) the attachment of various bank accounts of LBCE totaling ₱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 regional trial court, a separate Motion to Dismiss the Complaint for the collection of the sum of ₱1.82 billion and on January 21, 2016, filed its Urgent Motion to Approve the Counterbond and Discharge the Writ of Attachment.

On February 17, 2016, the regional trial court 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.

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

On July 7, 2017, LBCE and LBCDC 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 PDIC a period of five days 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. PDIC filed their comments to the Verified Omnibus Motions and the Motion for Inhibition on
July 19, 2017.

On July 21, 2017, LBCE 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, LBCE received a Motion for Reconsideration filed by PDIC, seeking to reconsider the Joint Resolution dated July 20, 2017.

On August 18, 2017, the RTC granted the defendants, including LBCE, a period of 10 days, or until August 28, 2017, to file a comment to the Motion for Reconsideration.

On August 29, 2017, LBCE and LBCDC filed a Comment to the Motion for Reconsideration.

LBCE and LBCDC attended mediation conferences on September 7, 14 and 25, 2017 and October 6 and 25, 2017 to discuss the possibility of a global settlement that will put an end to this case and other pending cases involving the parties.

LBCE and LBCDC, and PDIC filed a joint Request for Extension and a Joint Motion for Extension and Suspension of proceedings for another 30 days. The Joint Motion is set for hearing on November 17, 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 Court of Appeals issued a Resolution dated July 10, 2017, granting PDIC 10 days to file their comment to the Petition for Certiorari. On August 17, 2017, LBCE received the Comment/Opposition filed by the PDIC to LBCE's Petition for Certiorari to which they filed their Reply dated August 22, 2017. Pursuant to the Resolution dated October 3, 2017, both parties filed their respective Memoranda. The Petition for Certiorari is deemed submitted for resolution as at October 26, 2017. The ultimate outcome of the case cannot presently be determined.

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

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
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AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

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LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE A: FINANCIAL ASSETS
SEPTEMBE 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	₱477,897,181	₱–
Unquoted	–	301,084,923	–
		778,982,104	
Loans and receivables			
Cash in bank and cash equivalents	–	3,482,246,915	–
Trade and other receivables	–	1,434,287,360	1,196,368
Due from related parties	–	600,396,624	–
Short term investments	–	16,362,434	–
	–	5,533,293,333	1,196,368
		₱6,312,275,437	₱1,196,368

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDER (OTHER THAN RELATED PARTIES)
SEPTEMBER 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, *Chief Strategy Officer*	₱9,284,395	₱–	₱–	₱–	₱9,284,395	₱–	₱9,284,395
Others	12,599	–	–	(12,599)	–	–	–
	₱9,296,994	₱–	₱–	(₱12,599)	₱9,284,395	₱–	₱9,284,395

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE C: AMOUNTS RECEIVABLES/PAYABLES FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
SEPTEMBER 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	(₱987,587,493)	₱–	(₱25,232,111)	₱–	(₱25,232,111)
LBC Express, Inc. - MM	119,317,773	177,069,375	(160,466,890)	–	135,920,258	–	135,920,258
LBC Express, Inc. - SCC	15,767,573	128,753,723	(117,098,397)	–	27,422,899	–	27,422,899
LBC Express, Inc. - NEMM	27,196,848	101,479,204	(90,355,270)	–	38,320,782	–	38,320,782
LBC Express, Inc. - NWMM	41,129,349	98,221,368	(90,741,126)	–	48,609,591	–	48,609,591
LBC Express, Inc. - EMM	23,596,382	60,397,605	(55,196,584)	–	28,797,403	–	28,797,403
LBC Express, Inc. - SMM	23,003,835	102,746,243	(93,272,631)	–	32,477,447	–	32,477,447
LBC Express, Inc. - CMM	25,769,450	87,133,374	(83,723,357)	–	29,179,467	–	29,179,467
LBC Express, Inc. - SL	67,917,354	177,557,277	(155,924,097)	–	89,550,534	–	89,550,534
LBC Express, Inc. - SEL	51,213,377	116,112,630	(104,311,818)	–	63,014,189	–	63,014,189
LBC Express, Inc. - CL	35,572,579	126,474,321	(116,244,956)	–	45,801,944	–	45,801,944
LBC Express, Inc. - NL	38,664,706	120,639,441	(107,577,573)	–	51,726,574	–	51,726,574
LBC Express, Inc. - VIS	76,627,883	175,427,382	(158,579,102)	–	93,476,163	–	93,476,163
LBC Express, Inc. - WVIS	44,867,317	119,591,685	(107,034,570)	–	57,424,432	–	57,424,432
LBC Express, Inc. - MIN	53,469,352	135,542,618	(117,162,637)	–	71,849,333	–	71,849,333
LBC Express, Inc. - SEM	41,759,845	88,868,121	(77,769,308)	–	52,858,658	–	52,858,658
LBC Express, Inc. - SMCC	14,327,899	25,870,336	(75,746,733)	–	(35,548,498)	–	(35,548,498)
LBC Express, Inc. - ESI	(6,943,532)	11,821,760	(10,348,564)	–	(5,470,336)	–	(5,470,336)
LBC Express, Inc. - SCS	13,366,812	124,353,014	(124,358,352)	–	13,361,474	–	13,361,474
LBC Systems, Inc.	(59,455,316)	10,204,234	(22,120,717)	–	(71,371,799)	–	(71,371,799)
LBC Express WLL	(19,187,139)	(36,327,810)	60,841,661	–	5,326,712	–	5,326,712
LBC Express Bahrain WLL	(36,911,391)	(3,998,846)	52,667	–	(40,857,570)	–	(40,857,570)
LBC Express LLC	(60,481,564)	(7,322,265)	3,410,319	–	(64,393,510)	–	(64,393,510)
	₱649,588,571	₱2,783,970,993	(₱2,791,315,528)	₱–	₱642,244,036	₱–	₱642,244,036

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

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Disposals	Reclassifications	Ending balance
Software	₱202,907,087	₱44,844,480	(₱48,507,924)	(₱319,900)	₱58,594,194	₱257,517,937
Development in Progress	63,140,574	6,553,620	–	–	(₱67,594,194)	2,100,000
	₱266,047,661	₱51,398,100	(₱48,507,924)	(₱319,900)	(₱9,000,000)	₱259,617,937

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE E: LONG TERM DEBT
SEPTEMBER 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	₱1,068,300,000	₱435,800,000	₱632,500,000
Obligation under finance lease	79,210,725	36,052,861	43,157,864
Bond payable	880,187,159	–	880,187,159
Derivative liability	1,586,679,742	–	1,586,679,742
Other liabilities	84,011,169	26,215,632	57,795,537
	₱3,698,388,795	₱498,068,493	₱3,200,320,302

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES
SEPTEMBER 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 affiliate	2,814,869	2,843,803
	₱18,509,332	₱18,538,266

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

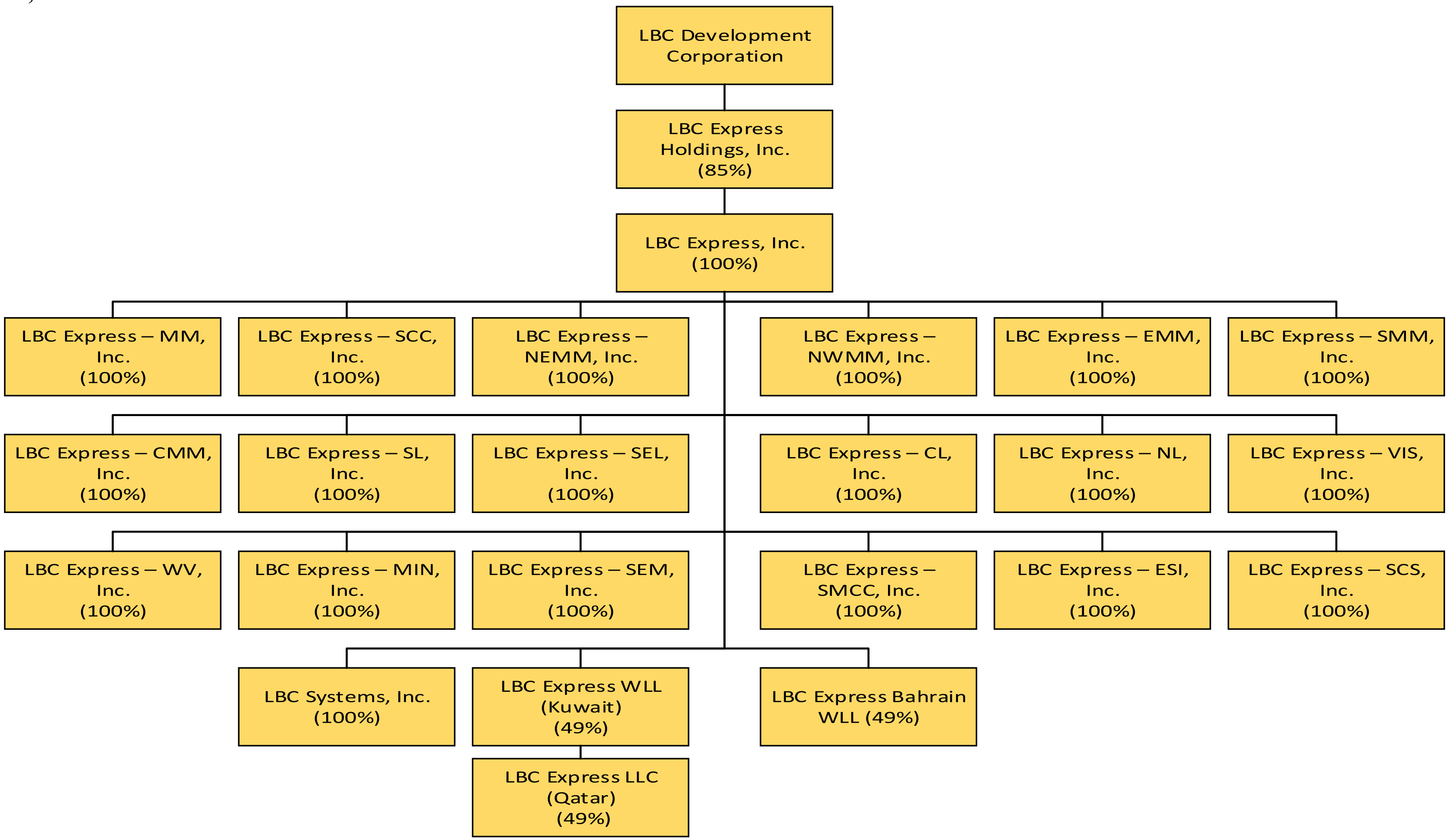
Name of issuing entity of securities guaranteed by the company for which this statements is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount of owned by person for which statement is filed	Nature of guarantee

NOT APPLICABLE

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE H: CAPITAL STOCK
SEPTEMBER 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	–	1,206,175,632	1,108	219,688,731

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



RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
As of SEPTEMBER 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	908,055,991
Less:	
Equity in net income of associate/joint venture	–
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	(34,034,684)
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	(34,034,684)
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	**₱115,088,701**

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 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 nine months period ended September 30, 2017 and for the year ended December 31, 2016:

Financial ratios		**September 30, 2017**	December 31, 2016
Current ratio	Current assets / Current liabilities	**2.74:1**	1.67:1
Debt to equity ratio	Total Liabilities / Stockholders' Equity attributable to Parent Company	**2.61:1**	1.74:1
Debt to total assets ratio	Notes Payable + Lease Liabilities + Other Liabilities / Total assets	**0.37:1**	0.22:1
Return on average assets	Net income attributable to Parent Company / Average assets	**9.47%**	14.52%
Book value per share	Stockholders' equity / Total number of shares	**₱1.68**	₱1.73
Earnings per share	Net income attributable to Parent Company / Total number of shares	**₱0.51**	₱0.65

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

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

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of September 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 September 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	✔		
PFRS 9	Financial Instruments *	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2017		Adopted	Not Adopted	Not Applicable
	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	✔		
	Amendments to PAS 7: Disclosure Initiative	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2017		Adopted	Not Adopted	Not Applicable
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			✔
PAS 27	Separate Financial Statements	✔		
	Amendments to PAS 27: Investment Entities			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2017		Adopted	Not Adopted	Not Applicable
	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			✔
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✔		
PAS 39	Financial Instruments: Recognition and Measurement	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of September 30, 2017**		**Adopted**	**Not Adopted**	**Not Applicable**
	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	*Determining Whether an Arrangement Contains a Lease*			✔
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✔
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✔
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✔
IFRIC 8	*Scope of PFRS 2*			✔
IFRIC 9	Reassessment of Embedded Derivatives			✔
	Amendments to Philippine Interpretation IFRIC 9: Embedded Derivatives			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2017		Adopted	Not Adopted	Not Applicable
IFRIC 10	*Interim Financial Reporting and Impairment*			✔
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✔
IFRIC 12	Service Concession Arrangements			✔
IFRIC 13	Customer Loyalty Programmes			✔
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✔
	Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement			✔
IFRIC 15	Agreements for the Construction of Real Estate *			✔
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✔
IFRIC 17	Distributions of Non-cash Assets to Owners			✔
IFRIC 18	Transfers of Assets from Customers			✔
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✔
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✔
IFRIC 21	Levies			✔
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✔
SIC-12	Consolidation - Special Purpose Entities			✔
	Amendment to SIC - 12: Scope of SIC 12			✔
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✔
SIC-15	Operating Leases - Incentives			✔
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✔
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✔
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✔
SIC-29	Service Concession Arrangements: Disclosures.			✔
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✔
SIC-32	Intangible Assets - Web Site Costs			✔

* *These standards are not yet effective as of September 30, 2017.*

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

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

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

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