

COVER SHEET

SEC Registration Number

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COMPANY NAME

L	B	C	E	X	P	R	E	S	S	H	O	L	D	I	N	G	S	,	I	N	C	.				
(F	o	r	m	e	r	l	y		F	E	D	E	R	A	L		R	E	S	O	U	R	C	E	S
I	N	V	E	S	T	M	E	N	T		G	R	O	U	P		I	N	C	.)					

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

L	B	C	H	A	N	G	A	R	,	G	E	N	E	R	A	L	A	V	I	A	T	I	O	N		
C	E	N	T	R	E	,	D	O	M	E	S	T	I	C	A	I	R	P	O	R	T					
R	O	A	D	,	P	A	S	A	Y	C	I	T	Y	,	M	E	T	R	O	M	A	N	I	L	A	

Form Type

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Department requiring the report

S	E	C
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Secondary License Type, If
Applicable

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COMPANY INFORMATION

Company's Email Address

N/A

Company's Telephone Number

856-8510

Mobile Number

N/A

No. of Stockholders

486

Annual Meeting (Month / Day)

2nd Monday of June

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Enrique V. Rey, Jr.

Email Address

evrey@lbcexpress.com

Telephone Number/s

856-8510

Mobile Number

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CONTACT PERSON'S ADDRESS

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

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

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

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended: March 31, 2018
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 March 31, 2018:

Title of Each Class	Number of Shares of Common Stock
	Outstanding and Amount of Debt Outstanding
COMMON SHARES	1,425,865,471 ¹
BOND PAYABLE	974,641,761 ²
DERIVATIVE LIABILITY	1,681,418,326 ²

11. Are any or all of the securities listed on a Stock Exchange?

Yes ☒ No ☐

Name of Stock Exchange: Philippine Stock Exchange

Class of securities listed: Common shares³

12. Indicate by check mark whether the registrant:

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

Yes ☒ No ☐

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

Yes ☒ No ☐

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

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

³ As at March 31, 2018, 40,899,000 common shares have been listed with Philippine Stock Exchange. The remaining 1,384,966,471 are subject to listing applications filed with the Philippine Stock Exchange.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The Unaudited Interim Financial Statements of the Company as at and for the period ended March 31, 2018 and Notes to Financial Statements are hereto attached as Annex "A".

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

RESULTS OF OPERATIONS

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

Quarter ended March 31, 2018 compared to the quarter ended March 31, 2017

Service Revenues

The Company's service revenues increased by 12% to ₱2,751 million for the quarter ended March 31, 2018 from ₱2,458 million for the quarter ended March 31, 2017, primarily due to the increase in revenues from the Logistics segment attributable to growth in both retail and corporate sales by 14% and 18%, respectively.

Logistics

Revenues from logistics segment grew by 16% to ₱2,523 million for the quarter ended March 31, 2018 from ₱2,181 million for the quarter ended March 31, 2017 mostly associated to growth in volume of by 34%. The increase in volume of services was mainly attributable to the horizontal growth of the Company, evidenced by the net addition of 72 branches in the Philippines and continuous growth of small-medium-entity clients. In addition, the branches in Middle East introduced their local courier services which gained a positive customer response and contributed to the increase in sales.

Cost of Services

Cost of services is higher by 13% to ₱1,818 million for the quarter ended March 31, 2018 from ₱1,612 million for the quarter ended March 31, 2017, relative to growth of volume in logistics services which resulted to increase in cost of delivery and remittance by 17%. Moreover, there is higher organic headcount to cover the additional branches and volume growth during the quarter which contributed to the increase in salaries and benefits by 8%. Consequently, rentals and utilities and supplies also spike by 15% and 10%, respectively.

Gross Profit

Gross profit increased by 10% to ₱933 million for the quarter ended March 31, 2018 from ₱846 million for the quarter ended March 31, 2017, which is primarily volume driven.

Operating Expenses

Operating expenses is lower by 9% to ₱477 million for the quarter ended March 31, 2018 from ₱522 million for the quarter ended March 31, 2017, caused by the following:

Royalty fee was discontinued effective September 4, 2017 based on the trademark licensing agreement entered between LBC Express, Inc. and LBC Development Corporation. For the quarter ended March 31, 2017, royalty fee amounted to ₱59 million.

Professional fee declined by 40% or ₱21 million mostly attributable to consultancy fees related to process improvement which ended last Sept 2017.

The mentioned decreases above were offset by higher salaries and wages expenses by 18% or ₱21 million relative to annual appraisal resulting from inflation and higher organic headcount as compared to prior period.

Other Income, Net

Other income, net increased to ₱244 million for the quarter ended March 31, 2018 from ₱4 million for the quarter ended March 31, 2017, because of:

Foreign exchange gain, net is higher by 355% or ₱85 million which is from the foreign exchange trading, valuation of cash and cash equivalents denominated in US dollars and bond payable valuation.

Gain on derivative amounting to ₱179 million is recognized as a result of lower estimated fair value of derivative liability as at March 31, 2018 as compared to the value as at December 31, 2017.

Others include gain on bargain purchase resulting from business combination with LBC Mabuhay Saipan, Inc. amounting to ₱2.75 million and equity in net earnings of an associate amounting to ₱0.56 million.

Interest expense is up by 141% or ₱31 million primarily due to interest expense related to bond payable.

Net income before tax

Net income before tax increased by 148% to ₱564 million for the period ended March 31, 2018 from ₱228 million for the period ended March 31, 2017 mainly due to the following reasons:

- Growth in gross profit by 10% resulted from the increase in volume;
- Reduction in operating expense by 9%;
- Gain on derivative amounting to ₱179 million;
- Increase in unrealized foreign exchange gain related to valuation of dollar denominated cash and cash equivalents and bond payable valuation.

FINANCIAL CONDITION

As at March 31, 2018 compared to as at December 31, 2017

Assets

Current Asset:

Cash and cash equivalents increased by 5% to ₱3,950 million as at March 31, 2018 from ₱3,778 million as at December 31, 2017. Refer to analysis of cash flows in “Liquidity” section below.

Trade and other receivables, net decreased by 7% to ₱1,552 million as at March 31, 2018 from ₱1,677 million as at December 31, 2017, resulted from collection efficiency and improvement in average days sales outstanding.

Due from related parties is higher by 10% to ₱738 million as at March 31, 2018 from ₱668 million as at December 31, 2017, mainly attributable to monthly advances made to stockholder.

Available-for-sale investment (current) is lower by 18% to ₱361 million as at March 31, 2018 from ₱441 million as at December 31, 2017, primarily attributable to redemption of investment amounting to ₱141 million during the quarter, offset by placement of ₱50 million for working capital requirement. There is also gain from foreign currency translation and fair value valuation of ₱9 million and ₱1 million, respectively.

Prepayments and other current assets increased by 30% to ₱580 million as at March 31, 2018 from ₱446 million as at December 31, 2017, due to higher materials and supplies inventory by ₱20 million and prepaid taxes by ₱59 million which includes renewal of business permits. Further, marketable securities with maturity of more than three months is also up by ₱45 million due to acquisition in January 2018 amounting to ₱50 million.

Non-current Assets

Property and equipment, net increased by 3% to ₱1,008 million as at March 31, 2018 from ₱976 million as at December 31, 2017, primarily due to additions to leasehold improvement and motor vehicles which resulted to an increase in net book value by 2% and 14%, respectively.

Intangibles, net is higher by 4% to ₱371 million as at March 31, 2018 from ₱357 million as at December 31, 2017, mainly traceable to acquisition amounting to ₱31 million, offset by amortization of ₱16 million during the quarter.

Available-for-sale investment (noncurrent), declined by 5% to ₱421 million as at March 31, 2018 from ₱445 million as at December 31, 2017, relative to movement in market price from ₱2.28/share to ₱2.16/share.

Investment in associate amounting to ₱228 million is the result of acquisition of 30% equity interest of Orient Freight International, Inc. on March 19, 2018.

Liabilities

Accounts payable and accrued expenses is up by 3% to ₱1,655 million as at March 31, 2018 from ₱1,603 million as at December 31, 2017, primarily due to increase in accrued salaries and contracted job by ₱12 million and ₱26 million, respectively as a result of increase in manpower requirements.

Notes payable (current and noncurrent) decreased by 9% to ₱953 million as at March 31, 2018 from ₱1,041 million as at December 31, 2017, primarily attributable to settlement of notes payable during the quarter amounting to ₱89 million.

Transmissions liability dropped by 6% to ₱554 million as at March 31, 2018 from ₱588 million as at December 31, 2017, mainly attributable to lower amount of merchant liability (from bills payment).

Income tax payable increased by 10% to ₱138 million as at March 31, 2018 from ₱125 million as at December 31, 2017, resulting from higher taxable net income for the quarter ended March 31, 2018.

Lease liabilities (current and noncurrent) is down by 7% to ₱110 million as at March 31, 2018 from ₱118 million as at December 31, 2017 due to settlements during the quarter amounting to ₱9 million, offset by additional liability for service vehicles acquired through finance lease amounting to ₱0.7 million.

Retirement benefit liability is higher by 6% to ₱744 million as at March 31, 2018 from ₱705 million as at December 31, 2017 due to the net retirement benefit expense recognized for the period.

Bond payable increased by 9% to ₱975 million as at March 31, 2018 from ₱896 million as at December 31, 2017 as a result of accretion of interest and impact of higher exchange rate amounting to ₱37 million and ₱42 million, respectively.

Derivative liability declined by 10% to ₱1,681 million as at March 31, 2018 from ₱1,860 million as at December 31, 2017 relative to fair value gain resulting from lower share price and volatility based on PSE index.

Other liabilities dropped by 7% to ₱110 million as at March 31, 2018 from ₱118 million as at December 31, 2017 mainly from amortization of existing liabilities related to computer infrastructure, payroll and logistic systems and IT security tool.

LIQUIDITY

Cash Flows

Quarter ended March 31, 2018 compared to the quarter ended March 31, 2017

Cash flows from operating activities

The Company's net cash from operating activities is primarily affected by income before income tax, depreciation and amortization, retirement benefit expense, interest expense, unrealized foreign exchange gain, gain on derivative, equity in net earnings of an associate and changes in working capital. The Company's net cash from operating activities were ₱484 million and ₱88 million for the quarter ended March 31, 2018 and 2017, respectively. For the quarter ended March 31, 2018, inflow from operating activities were generally from normal operations.

Cash flows from investing activities

Cash used in and generated from investing activities for the quarter ended March 31, 2018 and 2017 amounted to ₱318 million and ₱53 million, respectively. In 2018, the acquisition of an associate amounting to ₱209 million and redemption of investments in UITF classified as available-for-sale of ₱141 million have the largest impact on cash flow from investing activities.

Cash flow from financing activities

Net cash used in financing activities for the quarter ended March 31, 2018 and 2017 amounted to ₱113 million and ₱152 million, respectively. The decline is mainly due to settlement of notes payable amounting to ₱88 million for the current period ended as compared to ₱257 million in same period last year.

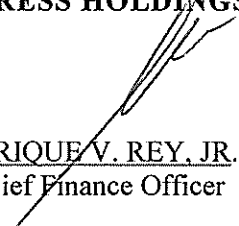
PART II - OTHER INFORMATION

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

SIGNATURE

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

LBC EXPRESS HOLDINGS, INC.



ENRIQUE V. REY, JR.
Chief Finance Officer

May 15, 2018

**LBC Express Holdings, Inc.
and Subsidiaries**

Unaudited Interim Condensed Consolidated
Financial Statements

As at March 31, 2018 and
for the Three Months Ended
March 31, 2018 and 2017

(With Comparative Audited Consolidated Statement
of Financial Position as at
December 31, 2017)

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****(With Comparative Audited Figures as at December 31, 2017)**

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 3 and 21)	₱3,950,018,224	₱3,778,408,492
Trade and other receivables (Notes 4 and 21)	1,551,601,886	1,675,801,822
Due from related parties (Notes 15 and 21)	737,539,490	667,717,635
Available-for-sale investments (Notes 8 and 22)	360,590,940	440,763,495
Prepayments and other current assets (Note 5)	580,483,292	446,131,160
Total Current Assets	7,180,233,832	7,008,822,604
Noncurrent Assets		
Property and equipment (Note 6)	1,007,666,435	976,053,401
Intangible assets (Note 7)	371,278,259	356,850,011
Available-for-sale investments (Notes 8 and 22)	421,329,760	444,736,969
Deferred tax assets (Note 18)	295,717,156	289,524,039
Security deposits (Note 19)	257,880,897	255,426,919
Investment in associate (Note 9)	228,442,387	—
Other noncurrent assets (Note 5)	90,223,491	92,164,977
Total Noncurrent Assets	2,672,538,385	2,414,756,316
	₱9,852,772,217	₱9,423,578,920
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 10 and 21)	₱1,655,260,613	₱1,603,110,735
Due to related parties (Notes 15 and 21)	23,096,410	2,542,585
Current portion of notes payable (Notes 12 and 22)	360,000,000	440,050,000
Transmissions liability (Notes 11 and 21)	554,247,997	588,203,656
Income tax payable	137,595,140	125,020,186
Current portion of lease liabilities (Notes 19 and 22)	21,385,121	30,691,524
Total Current Liabilities	2,751,585,281	2,789,618,686
Noncurrent Liabilities		
Derivative liability (Note 13)	1,681,418,326	1,860,373,479
Bond payable (Note 13)	974,641,761	896,185,059
Retirement benefit liability (Note 20)	744,351,065	705,325,767
Notes payable - net of current portion (Notes 12 and 22)	592,500,000	601,250,000
Lease liabilities - net of current portion (Notes 19 and 22)	88,180,748	87,031,857
Other noncurrent liabilities (Notes 6 and 7)	110,191,478	118,327,055
Total Noncurrent Liabilities	4,191,283,378	4,268,493,217
	6,942,868,659	7,058,111,903
Equity		
Equity attributable to shareholders of the Parent Company (Note 14)		
Capital stock	1,425,865,471	1,425,865,471
Retained earnings	1,219,057,823	659,288,179
Accumulated comprehensive income	308,509,303	326,920,319
	2,953,432,597	2,412,073,969
Non-controlling interests	(43,529,039)	(46,606,952)
Total Equity	2,909,903,558	2,365,467,017
	₱9,852,772,217	₱9,423,578,920

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

	Three Months Ended March 31	
	2018	2017
	(Unaudited)	(Unaudited)
SERVICE REVENUE (Note 23)	₱2,750,700,536	₱2,458,185,460
COST OF SERVICES (Note 16)	1,818,035,459	1,612,082,623
GROSS PROFIT	932,665,077	846,102,837
OPERATING EXPENSES (Note 17)	476,833,551	522,447,111
OTHER INCOME (CHARGES)		
Foreign exchange gains - net	108,528,070	23,837,630
Gain on derivative (Note 13)	178,955,153	—
Interest income	6,131,914	1,498,793
Interest expense (Notes 12, 13 and 19)	(53,240,278)	(22,069,731)
Others - net (Note 9)	3,379,654	1,107,997
	243,754,513	4,374,689
INCOME BEFORE INCOME TAX	699,586,039	328,030,415
PROVISION FOR INCOME TAX (Note 18)	135,764,687	100,104,099
NET INCOME FOR THE PERIOD	563,821,352	227,926,316
OTHER COMPREHENSIVE LOSS		
Items not to be reclassified to profit or loss subsequent periods		
Remeasurement loss on retirement benefit plan - net of tax	266,635	(219,476)
Items that may be reclassified to profit or loss in subsequent periods		
Unrealized fair value loss on available-for-sale investments (Note 8)	(22,341,702)	(8,526,191)
Currency translation gain (loss) - net	2,690,256	(336,110)
	(19,384,811)	(9,081,777)
TOTAL COMPREHENSIVE INCOME	₱544,436,541	₱218,844,539
NET INCOME ATTRIBUTABLE TO:		
Shareholders of the Parent Company	₱559,769,644	229,491,376
Non-controlling interests	4,051,708	(1,565,060)
NET INCOME FOR THE PERIOD	₱563,821,352	227,926,316
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Shareholders of the Parent Company	₱541,358,628	₱220,908,237
Non-controlling interests	3,077,913	(2,063,698)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	₱544,436,541	₱218,844,539
EARNINGS PER SHARE (Note 24)		
Basic	₱0.39	₱0.16
Diluted	₱0.28	₱0.16

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		For the Three Months Ended March 31, 2018 (Unaudited)				
		Accumulated		Non-controlling		Total Equity
	Capital Stock (Note 14)	Retained Earnings	Comprehensive Income	Total Interests		
Balances as at January 1, 2018	P1,425,865,471	P659,288,179	P326,920,319	P2,412,073,969	(P46,606,952)	P2,365,467,017
Comprehensive income:						
Net income	-	559,769,644	-	559,769,644	4,051,708	563,821,352
Other comprehensive loss	-	-	(18,411,016)	(18,411,016)	(973,795)	(19,384,811)
Total comprehensive income (loss)	-	559,769,644	(18,411,016)	541,358,628	3,077,913	544,436,541
Balances as at March 31, 2018	P1,425,865,471	P1,219,057,823	P308,509,303	P2,953,432,597	(P43,529,039)	P2,909,903,558

		For the Three Months s Ended March 31, 2017 (Unaudited)				
		Accumulated		Non-controlling		Total Equity
	Capital Stock (Note 14)	Retained Earnings	Comprehensive Income	Total	Interests	
Balances as at January 1, 2017	P1,425,865,471	P782,414,079	P305,677,402	P2,513,956,952	(P50,963,937)	P2,462,993,015
Comprehensive income:						
Net income (loss)	-	229,491,376	-	229,491,376	(1,565,060)	227,926,316
Other comprehensive loss	-	-	(8,583,139)	(8,583,139)	(498,638)	(9,081,777)
Total comprehensive income (loss)	-	229,491,376	(8,583,139)	220,908,237	(2,063,698)	218,844,539
Balances as at March 31, 2017	P1,425,865,471	P1,011,905,455	P297,094,263	P2,734,865,189	(P53,027,635)	P2,681,837,554

See accompanying Notes to Interim Condensed Consolidated Financial Statements

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31 (Unaudited)	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱699,586,039	₱328,030,415
Adjustments for:		
Depreciation and amortization (Notes 6, 7, 16 and 17)	86,034,602	72,623,560
Interest expense (Notes 12, 13, 15 and 19)	53,240,277	22,069,731
Retirement expense, net of benefits paid and contribution to retirement plan	39,406,205	7,378,403
Gain on disposal of property and equipment (Note 6)	(1,946)	(8,000)
Realized gain on redemption of available-for-sale	(60,044)	—
Equity in net earnings of an associate (Note 9)	(525,935)	—
Gain on bargain purchase	(2,750,043)	—
Interest income (Note 3)	(6,131,914)	(1,498,793)
Unrealized foreign exchange gains - net	(83,391,118)	(2,500,387)
Gain on derivative (Note 13)	(178,955,153)	—
Operating income before changes in working capital	606,450,970	426,094,929
Changes in working capital:		
Decrease (increase) in:		
Trade and other receivables	125,059,487	54,658,437
Prepayments and other assets	(134,352,132)	(35,505,786)
Security deposits	(2,453,978)	(6,182,861)
Increase (decrease) in:		
Accounts and other payables	47,311,648	34,432,917
Transmissions liability	(33,955,659)	(106,136,070)
Net cash generated from operations	608,060,336	367,361,566
Interest received	5,272,363	1,498,793
Income tax paid	(129,497,122)	(280,416,372)
Net cash provided by operating activities	483,835,577	88,443,987
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Redemption of investment in UITF classified as available-for-sale (Note 8)	140,545,550	312,126,151
Disposal of property and equipment and intangible assets	1,946	8,000
Decrease (increase) in noncurrent assets	1,941,486	(8,722,748)
Acquisitions of:		
Intangible assets	(30,700,480)	(4,140,440)
Property and equipment	(100,648,129)	(71,900,912)
Available-for-sale investments	(50,000,000)	(130,000,000)
Associate	(209,265,077)	—
Increase in due from related parties	(69,821,855)	(44,661,613)
Net cash (used in) generated from investing activities	(317,946,559)	52,708,438
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	—	136,835,341
Payments of lease liabilities and movement of other noncurrent liabilities	(8,884,786)	(13,484,086)
Interest paid (Notes 12 and 19)	(15,302,136)	(18,923,714)
Payments of notes payable	(88,800,000)	(256,715,500)
Increase (decrease) in due to related parties	—	(38,780)
Net cash used in financing activities	(112,986,922)	(152,326,739)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	52,902,096	(11,174,314)
EFFECT OF FOREIGN CURRENCY EXCHANGE		
RATE CHANGES ON CASH AND CASH EQUIVALENTS	118,707,636	2,164,277
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,778,408,492	1,327,790,727
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 3)	₱3,950,018,224	₱1,318,780,690

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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.

On February 28, 2018, the BOD of the Parent Company approved the incorporation of Diez Equiz Pte Ltd, a Singaporean private limited Company, through subscription of 862 shares or 86% of the total outstanding shares of the entity at USD 1.00 per share. This is to diversify the businesses of the Group and to house possible or future investment opportunities. On April 5, 2018, the BOD approved the sale of the same 86% equity interest of Diez Equiz Pte Ltd to Maleka, Inc. at the sale price of USD 1.00 per share.

On March 7, 2018, the BOD of the Parent Company approved the purchase of shares of some international affiliates in line with the conditions to the issuance of convertible bond (Note 13). The acquisition is expected to benefit the Company by contributing to its global revenue streams. On the same date, the share purchase agreements were executed by LBCH and the international affiliates with a total share purchase price amounting to USD 8.55 million, subject to certain closing conditions.

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

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

LBC Mabuhay Hawaii Corporation, LBC Mundial Corporation and LBC Mabuhay North America Corporation (the Companies) were purchased by LBC Express Holdings, Inc. at a purchase price of USD 8,342,000. The transfer of the ownership of the shares and all rights, titles and interests thereto shall take place following the payment of the consideration defined and shall be subject to the necessary approvals of the US regulatory bodies that oversee and/or regulate the Companies.

On March 19, 2018, the BOD of the Parent Company approved to invest and acquire 30% equity interest in Orient Freight International, Inc. (OFII) through the following: (a) by purchasing 1,150,000 common shares held by Rayomar Management, Inc. at ₱63.43 per share ; and (b) by subscribing to 3,285,714 common shares out of the unissued capital stock of OFII at ₱44.40 per share. This is to diversify the Company's businesses and to realize returns on investments.

On March 19, 2018, LBC Express, Inc. (LBCE) assigned its receivables from QUADX INC. (QUADX) to the Parent Company amounting to ₱186.02 million. QUADX, is in the process of increasing its authorized capital stock and the Parent Company wishes to subscribe to a total of 1,860,214 shares out of the said increase in authorized capital stock of QUADX.

In the Deed of Assignment, also dated March 19, 2018, the Parent Company and QUADX agreed that the assigned receivable be the full and complete settlement of the subscription of shares of stock of QUADX, once the increase in authorized capital stock is approved by SEC.

The Parent Company's registered office address is at LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila, Philippines.

2. Summary of Significant Accounting Policies

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

Basis of Preparation

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

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

Difference in accounting periods

The Group consolidated the non-coterminous financial statements of its subsidiaries using their November 30 fiscal year end and the three months ended February 28 first quarter end financial statements since it is impracticable for the said subsidiaries to prepare financial statements as of the same date as the reporting date of the Parent Company.

Management exercised judgment in determining whether adjustments should be made in the interim condensed consolidated financial statements of the Group pertaining to the effects of significant transactions or events of its subsidiaries that occur between March 1, 2018 and 2017 and the date of the Parent Company's financial statements which is March 31, 2018 and 2017 and between December 1, 2017 and the comparative date of the Parent Company's financial position which is December 31, 2017.

The interim condensed consolidated financial statements were adjusted to effect LBCE's availment of bank loans in amounting to ₱46.84 million in March 2017 (nil in March 2018); settlement of bank loans in March 2018 and 2017 amounting to ₱30.05 million and ₱57.97 million, respectively; additional investment of unquoted AFS investment in March 2018 and 2017 amounting to ₱50.00 million and ₱130.00 million, respectively; additional redemption of unquoted AFS investment in March 2018 and 2017 amounting to ₱50.30 million and ₱312.13 million, respectively; payment of annual income taxes in March 2018 and 2017 amounting to ₱112.59 million and ₱254.76 million, respectively; the adjustment to reflect the increase and decrease of fair value of quoted AFS investment by ₱21.46 million and ₱56.57 million for the period March 1 to March 31, 2018 and 2017, respectively.

The consolidated financial statements as of December 31, 2017 were adjusted to effect LBCE's additional availment and settlement of bank loans in December 2017 amounting to ₱150.00 million and ₱161.25 million, respectively; the additional placement and termination of unquoted AFS investment in December 2017 amounting to ₱100.12 million and ₱40.07 million, respectively, the adjustment to reflect the increase in fair value of quoted AFS investment by ₱27.31 million for the period December 1 to December 31, 2017, and the recognition of marketable securities and other short-term investment under 'Prepaid and other current assets' in December 2017 amounting to ₱4.02 million and ₱0.40 million, respectively.

There were no other significant transactions that transpired between March 1, 2018 to March 31, 2018, December 1, 2017 to December 31, 2017 and March 1, 2017 to March 31, 2017.

Statement of Compliance

The accompanying interim condensed consolidated financial statements of the Group have been prepared in accordance with the Philippine Accounting Standard 34, *Interim Financial Reporting*. Accordingly, the interim condensed consolidated financial statements do not include all the information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's annual audited financial statement as at and for the year ended December 31, 2017, which have been prepared in accordance with PFRS.

Basis of Consolidation

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

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

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

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

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

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

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

In 2018, the Parent Company acquired the following entities:

Entity Name	Country of Incorporation	Principal Activities	% Ownership
LBC Mabuhay Saipan Inc.	Philippines	Logistics	100%
Orient Freight International, Inc. (OFII)	Philippines	Logistics	30%

On March 7, 2018, the Parent Company purchased 120,000 shares or 100% of the total outstanding shares of the acquiree at purchase price of USD 207,652. Total net assets as at acquisition date is USD 260,380. Gain on bargain purchase amounting to USD 52,728 or ₱2.75 million in equivalent is recognized and presented under "Other Income (expense)" in the interim condensed consolidated financial statements.

On March 19, 2018, the Parent Company acquired 30% equity interest in OFII through the following: (a) by purchasing 1,150,000 common shares held by Rayomar Management, Inc. at ₱63.43 per share; and (b) by subscribing to 3,285,714 common shares out of the unissued capital stock of OFII at ₱44.40 per share. The equity interest in OFII is classified as Investment in Associate and accounted using the equity method (Note 9).

Except for the acquisitions mentioned, there were no changes in the Parent Company's ownership interests in its subsidiaries from January 1, 2018 to March 31, 2018.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as at and for the year ended December 31, 2017, except for the following amendments which the Group adopted starting January 1, 2018.

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

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

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

The Group has assessed that the adoption of these amendments will not have impact to its interim condensed consolidated financial statements because it does not have share-based payment arrangements.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 has an impact on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but there is no impact on the classification and measurement of the Group's financial liabilities. The adoption will also affect the assessment of the Group's credit losses amount. The Group is currently assessing the impact of the adoption of this standard.

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

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that relate to insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

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

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

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

These amendments have no significant impact to the Group's financial position and performance.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

These amendments are not expected to have any impact to the Group.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

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

The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The amendments will have no significant impact on the Group's financial position or performance.

- *PFRS 16, Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, Leases. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group plans to adopt the new standard on the required effective date once adopted locally.

This standard is expected to significantly impact its leasing arrangements as lessee for its branches which are currently accounted for as operating leases, as the Group is already required to recognize the right of use assets and liabilities in its interim condensed consolidated statements of financial position. It will also increase disclosures in the financial statements. The Standard does not have significant impact as a lessor.

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

The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

These amendments are not expected to have any impact to the Group.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately
- the assumptions an entity makes about the examination of tax treatments by taxation authorities
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- how an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

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

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

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

These amendments are not expected to have any impact to the Group.

Investment in Associate

An associate is an entity in which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investment in the associate is accounted for under the equity method of accounting.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date.

The interim condensed consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the interim condensed consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the interim condensed consolidated statement of income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in an associate. At each reporting date, the Group determines whether there is objective evidence that the investment in associates is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss as 'Equity in net earnings of associate in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

Significant Accounting Judgments, Estimates and Assumptions

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

Except as otherwise stated, the significant accounting judgments, estimates and assumptions used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements as at and for the year ended December 31, 2017.

Acquisition method

On March 7, 2018, LBCH acquired 100% ownership of LBC Mabuhay Saipan, Inc. (LBC Saipan) for a total purchase price of USD 207,652 or ₱10.80 million. LBC Saipan operates as a cargo and remittance company in Saipan and the Parent Company accounted the business combination under the acquisition method.

PFRS 3, *Business Combinations*, provides that if the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date. The comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting had been completed from the acquisition date.

The provisional values of the identifiable assets and liabilities acquired as at the date of acquisition follows:

Assets	
Cash and cash equivalents	₱25,762,682
Trade receivables	1,560
Receivable from a related party	16,951,251
Property and equipment	412,196
Security deposit	265,007
Other assets	123,051
	<hr/> 43,515,747
Liabilities	
Accounts and other payables	3,021,253
Payable to a related party	26,946,132
	<hr/> 29,967,385
Net assets	13,548,362
Gain on bargain purchase	2,750,043
Acquisition cost	<hr/> ₱10,798,319

The purchase price allocation for the acquisition of LBC Saipan has been prepared on a preliminary basis due to unavailability of information to facilitate fair value computation. This includes information necessary for the valuation of other intangible assets, if any. Reasonable changes are expected as additional information becomes available. The accounts that are subject to provisional accounting are property and equipment, intangible assets and goodwill or bargain purchase gain.

The cost of acquisition is determined as follows:

Purchase consideration	₱10,798,319
Fair value of equity interest in LBC Saipan held before business combination	—
	<u>₱10,798,319</u>

Cash on acquisition follows:

Cash paid	₱—
Cash acquired from LBC Saipan	25,762,682
Net cash inflow	<u>₱25,762,682</u>

The purchase consideration is unpaid as of March 31, 2018. Acquisition-related cost, which includes documentary stamp tax amounting to ₱0.05 million was recognized as expense in 2018.

Determination of significant influence on an investee company

If an investor holds, directly or indirectly, less than 20% of the voting power of the investee company, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.

3. Cash and Cash Equivalents

This account consists of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)	March 31, 2017 (Unaudited)
Cash on hand	₱287,661,062	₱264,057,974	₱186,976,995
Cash in banks	1,924,023,774	1,103,336,745	682,964,912
Cash equivalents	1,738,333,388	2,411,013,773	448,838,783
	<u>₱3,950,018,224</u>	<u>₱3,778,408,492</u>	<u>₱1,318,780,690</u>

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from cash and cash equivalents amounted to ₱6.13 million and ₱1.50 million for the three months ended March 31, 2018 and 2017, respectively.

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

4. Trade and Other Receivables

This account consists of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Trade receivables - outside parties	₱1,013,237,893	₱1,189,394,150
Trade receivables - related parties (Note 15)	557,704,427	495,476,881
	1,570,942,320	1,684,871,031
Less allowance for impairment losses	68,282,406	57,252,950
	1,502,659,914	1,627,618,081
Other receivables:		
Advances to officers and employees	36,171,817	29,587,715
Others	12,770,155	18,596,026
	₱1,551,601,886	₱1,675,801,822

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

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

Others mainly consist of SSS benefit receivable to be reimbursed within a year and accrual of interest income which is expected to be collected upon maturity of the short-term placements.

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

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

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

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at beginning of period	₱57,252,950	₱55,694,985
Provisions (Note 17)	11,029,456	13,179,997
Write-off	—	(11,622,032)
	₱68,282,406	₱57,252,950

5. Prepayments and Other Assets

This account consists of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Input value-added tax (VAT)	₱215,455,620	₱215,215,636
Materials and supplies	120,138,003	100,572,680
Prepayments:		
Taxes	66,735,335	7,418,431
Rent	63,289,570	70,238,209
Insurance	27,892,157	12,489,234
Software maintenance cost	23,970,122	7,049,524
Employee benefits	5,062,249	20,616,772
Advertising	4,921,300	7,111,383
Dues and subscriptions	3,857,611	4,404,153
Others	8,822,124	13,641,561
Creditable withholding taxes (CWT)	56,980,835	51,010,831
Short-term cash investments	51,154,691	11,326,492
Restricted cash in bank	14,225,935	9,000,000
Advance payment to a supplier	9,000,000	9,000,000
	671,505,552	539,094,906
Less allowance for impairment losses	798,769	798,769
	670,706,783	538,296,137
Less noncurrent portion of:		
VAT on capital goods	65,705,330	60,574,886
Prepaid rent	15,518,161	22,590,091
Other assets	9,000,000	9,000,000
Total noncurrent portion	₱90,223,491	₱92,164,977
Total current portion	₱580,483,292	₱446,131,160

Input VAT is applied against output VAT. Management believes that the remaining balance is recoverable in future periods.

Materials and supplies consist of office supplies and packing materials to be used in the Group's operations. Materials and supplies recognized as part of cost of services in the interim consolidated statements of comprehensive income for the three months ended March 31, 2018 and 2017 amounted to ₱88.97 million and ₱81.50 million, respectively (see Note 16).

Prepaid advertising consists of advances for billboards and multimedia endorsements.

Other prepayments pertain to unamortized licenses, prepaid utilities and prepaid interests.

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

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

Restricted cash in bank represents time deposit, in the name of LBCE, with a maturity of one year and assigned to a specific customer as a performance guarantee.

Advance payment to a supplier pertains for the intended purchase of a software. This amount was reclassified from development in progress to other noncurrent assets in 2017.

6. Property and Equipment

The rollforward analysis of this account follows:

	For the three months ended March 31, 2018 (Unaudited)					
	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Construction in Progress	Total
Costs						
At beginning of period	₱499,479,068	₱1,574,578,690	₱657,456,399	₱620,519,300	₱17,301,634	₱3,369,335,091
Additions	5,206,493	9,079,762	8,745,550	21,240,859	61,790,776	106,063,440
Reclassifications	30,187,415	32,975,388	1,321,072	848,214	(65,332,089)	-
Disposals	(64,732)	-	-	-	-	(64,732)
At end of period	534,808,244	1,616,633,840	667,523,021	642,608,373	13,760,321	3,475,333,799
Accumulated Depreciation and Amortization						
At beginning of period	337,955,230	991,124,111	568,035,973	496,166,376	-	2,393,281,690
Depreciation and amortization (Notes 16 and 17)	11,434,891	26,831,685	13,252,909	18,242,885	-	69,762,370
Adjustment related to business combination	1,732,420	2,244,944	-	710,672	-	4,688,036
Disposals	(64,732)	-	-	-	-	(64,732)
At end of period	351,057,809	1,020,200,740	581,288,882	515,119,933	-	2,467,667,364
Net Book Value	₱183,750,435	₱596,433,100	₱86,234,139	₱127,488,440	₱13,760,321	₱1,007,666,435

	For the year ended December 31, 2017 (Audited)					
	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Construction in Progress	Total
Costs						
At beginning of year	₱516,312,044	₱1,387,570,739	₱604,044,494	₱549,377,766	₱9,067,555	₱3,066,372,598
Additions	65,217,309	37,627,429	45,222,628	66,283,784	180,133,211	394,484,361
Reclassifications	2,156,919	155,553,817	8,905,950	5,282,446	(171,899,132)	-
Disposals	(84,207,204)	(6,173,295)	(716,673)	(424,696)	-	(91,521,868)
At end of year	499,479,068	1,574,578,690	657,456,399	620,519,300	17,301,634	3,369,335,091
Accumulated Depreciation and Amortization						
At beginning of year	384,704,082	897,410,297	515,934,644	427,846,648	-	2,225,895,671
Depreciation and amortization (Notes 16 and 17)	37,458,352	97,534,449	52,236,428	68,503,817	-	255,733,046
Disposals	(84,207,204)	(3,820,635)	(135,099)	(184,089)	-	(88,347,027)
At end of year	337,955,230	991,124,111	568,035,973	496,166,376	-	2,393,281,690
Net Book Value	₱161,523,838	₱583,454,579	₱89,420,426	₱124,352,924	₱17,301,634	₱976,053,401

In 2015, the Group purchased a computer hardware on a long-term payment arrangement. The liability is noninterest bearing and payable over 60 months. As at March 31, 2018, the outstanding liability amounted to ₱32.04 million, ₱21.55 million of which is reported under 'other noncurrent liabilities' in the interim condensed consolidated statements of financial position.

7. Intangible Assets

The rollforward analysis of this account follows:

	For the three months ended March 31, 2018 (Unaudited)		
	Software	Development in Progress	Total
Costs			
At beginning of period	₱549,820,615	₱4,540,000	₱554,360,615
Additions	—	30,700,480	30,700,480
At end of period	549,820,615	35,240,480	585,061,095
Accumulated Amortization			
At beginning of period	197,510,604	—	197,510,604
Amortization (Note 17)	16,272,232	—	16,272,232
At end of period	213,782,836	—	213,782,836
Net Book Value	₱336,037,779	₱35,240,480	₱371,278,259

	For the year ended December 31, 2017 (Audited)		
	Software	Development in Progress	Total
Costs			
At beginning of year	₱335,393,881	₱63,140,574	₱398,534,455
Reclassification	156,491,950	8,654,110	165,146,060
Additions	58,254,684	(67,254,684)	(9,000,000)
Disposal	(319,900)	—	(319,900)
At end of year	549,820,615	4,540,000	554,360,615
Accumulated Amortization			
At beginning of year	132,486,794	—	132,486,794
Amortization (Note 17)	65,023,810	—	65,023,810
At end of year	197,510,604	—	197,510,604
Net Book Value	₱352,310,011	₱4,540,000	₱356,850,011

In 2017, the Group purchased IT security tool, a new payroll system and a logistic software on a non-interest bearing long-term payment arrangement payable over 36 months, 60 months and 60 months, respectively. As at March 31, 2018, the outstanding liability related to the purchase of these intangible assets amounted to ₱121.65 million, of which ₱88.64 million is presented under 'other noncurrent liabilities' in the interim condensed consolidated statement of financial position.

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

8. Available-for-sale investments

AFS investments consists of the Group's investment in unquoted unit investment trust fund and investment in quoted shares of stock of Araneta Properties, Inc. The major categories of the Group's investment in unquoted unit investment trust fund comprise primarily of Overnight Deposit Facility and Term Deposit Facility in the Bangko Sentral ng Pilipinas.

Movement of the investments follows:

	For the three months ended March 31, 2018 (Unaudited)	For the year Ended December 31, 2017 (Audited)
Unquoted:		
Balance at beginning of period	P440,763,495	P250,937,154
Additions	50,000,000	1,394,016,400
Redemption	(140,545,550)	(1,206,361,295)
Unrealized foreign exchange gain (loss)	9,307,488	(2,370,641)
Fair value gain during the period	1,065,507	4,541,877
	360,590,940	440,763,495
Quoted:		
Balance at beginning of year	444,736,969	458,391,174
Unrealized fair value gain (loss)	(23,407,209)	(13,654,205)
	421,329,760	444,736,969
	P781,920,700	P885,500,464
Less current portion	P360,590,940	P440,763,495
Total noncurrent portion	P421,329,760	P444,736,969

9. Investment in Associate

On March 19, 2018, the Parent Company invested in OFII, a company involved in freight forwarding, warehousing and customs brokerage businesses.

The Parent Company subscribed to 3,285,714 common shares out of the unissued capital stock of OFII at a subscription price of P44.40 or P145.89 million. On the same date, the Parent Company purchased 1,150,000 secondary shares at P63.43 per share for a total consideration of P72.94 million from Rayomar Management, Inc. (RMI), an investment and management company and former stockholder of OFII. These acquisitions contribute a total ownership of 30% on OFII.

As of March 31, 2018, the investment in associate amounted to P228.44 million, including cost directly attributable to the purchase and subscription of shares. As at March 31, 2018, equity in net earnings of an associate amounted to P0.53 million. No impairment loss was recognized for the investment in an associate in 2018.

As at March 31, 2018, the statements of financial position of the investment in associate is as follows:

Current assets	P499,483,690
Noncurrent assets	92,469,818
Total assets	P591,953,508
Current liabilities	P206,145,900
Noncurrent liabilities	32,441,740
Equity	353,365,868
Total liabilities and equity	P591,953,508

The statements of comprehensive income of the investment in associate from March 19-31, 2018 is as follows:

Revenue	P26,727,552
Cost and expenses	24,974,434
Net income	P1,753,118
Other comprehensive income	—
Total comprehensive income	P1,753,118

10. Accounts Payable and Other Payables

This account consists of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Trade payable - outside parties	P656,221,817	P656,868,942
Trade payable - related parties (Note 15)	2,701,615	376,412
Accruals:		
Salaries and wages	260,432,463	248,425,003
Contracted jobs	147,679,792	121,825,685
Rent and utilities	88,591,001	90,793,364
Claims and losses	41,769,005	26,539,218
Advertising	16,712,892	20,750,779
Software maintenance	15,386,156	27,169,568
Outside services	14,901,071	10,968,979
Taxes	12,371,060	10,933,230
Professional fees	11,518,249	12,917,417
Others	56,569,452	46,508,026
Deferred output VAT	209,668,635	225,681,729
Taxes payable	67,409,968	61,810,735
Government agencies contributions payables	21,850,879	23,013,633
Others	31,476,558	18,528,015
	P1,655,260,613	P1,603,110,735

Trade payable and accrued expenses arise from regular transactions with suppliers and service providers. These are noninterest-bearing and are normally settled on one to 60-day term.

Accrued salaries and wages pertain to unpaid salaries and provision for employee's allowances and benefits.

Other accruals mainly include repairs and maintenance, training costs, accrual for interest expense and purchases of motor vehicles and materials and supplies.

Deferred output VAT arises from the uncollected receivables from vatable sales.

Taxes payable includes output VAT payable and withholding taxes on payment to suppliers and employees' compensation which are settled on a monthly basis.

Government agencies contribution payable pertains to monthly required remittances to government agencies such as SSS, Pag-ibig and Philhealth.

Other payables include employees' salary loan deductions payable to third parties, and payables arising from expenses incurred in relation to transactions with nontrade suppliers.

11. Transmissions Liability

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

Transmissions liability amounted to ₱554.25 million, (₱107.77 million of which is payable to an affiliate) and ₱588.20 million (₱77.38 million of which is payable to an affiliate) as at March 31, 2018 and December 31, 2017, respectively (see Note 15).

12. Notes Payable

The Group has outstanding notes payable to various local banks. The details of these notes as at March 31, 2018 and December 31, 2017 are described below:

March 31, 2018 (Unaudited)					
Bank/Related Party	Date of Availment	Outstanding Balance	Maturity	Interest Rate	Payment Terms
Banco de Oro	March 2018	₱67,000,000	September 2018	Fixed rate, 4.00%	Clean; Interest payable every month, principal to be paid on maturity date
Banco de Oro	Various availments in 2016	672,500,000	May 2021	Fixed rate, 4.00%	With mortgage; Interest payable every month, principal payable quarterly
Rizal Commercial Banking Corporation (RCBC)	Various availments in 2017	213,000,000	April and Dec 2018	Fixed rate, 4.50%	Clean; Interest payable every month, principal to be paid on maturity date
Total		₱952,500,000			
Current Portion		₱360,000,000			
Noncurrent portion		₱592,500,000			

December 31, 2017 (Audited)					
Bank	Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
Banco de Oro	September 2017	₱85,800,000	March 2018	Fixed rate, 4.00%	Clean; Interest payable every month, principal to be paid on maturity date
Banco de Oro	Various availments in 2016	692,500,000	May 2021	Fixed rate, 4.00%	With mortgage; Interest payable every month, principal payable quarterly
Unionbank of the Philippines (UBP)	August 2017	50,000,000	February 2018	Fixed rate, 6.00%	Clean; Interest payable every month, principal to be paid on maturity date
Rizal Commercial Banking Corporation (RCBC)	Various Availments in 2017	213,000,000	April 2018	Fixed rate, 4.00%	Clean; Interest payable every month, principal to be paid on maturity date
Total		₱1,041,300,000			
Current portion		₱440,050,000			
Noncurrent portion		₱601,250,000			

The Notes Facility Agreement entered by the Group with Banco De Oro (BDO) in May 2016 is with a credit line facility amounting to ₱800.00 million. The loan is secured with real estate mortgage on land owned by the Group's affiliates (see Note 15).

Various short-term loans availed in 2016 with BDO, UBP and RCBC totaling ₱67.50 million were rolled over and still existing as of March 31, 2018.

Interest expense amounted to ₱13.98 million and ₱19.00 million for the three months ended March 31, 2018 and 2017, respectively.

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

13. Convertible Instrument

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

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

As at March 31, 2018, the carrying value of bond payable is ₱974.64 million and the fair value of the derivative liability is ₱1,681.42 million. The fair value changes of the derivative liability recognized as "Gain on derivative" amounted to ₱178.96 million in 2018. Interest expense arising from the accretion of interest on the bond payable amounted to ₱36.69 million in 2018.

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

- a. Within one month from August 4, 2017, the Parent Company shall discontinue any royalty payments to LBCDC for all trademarks, brands and licenses. This was already terminated in September 2017;
- b. Within three months from closing date, LBCDC shall procure that the Parent Company enters into a binding sale and purchase agreement to acquire the equity interests of the 12 overseas entities. Also, within 12 months from closing date, LBCDC shall procure that the Parent Company closes the acquisition of the equity interest of the overseas entities;
- c. Within six months following the termination of royalty payments, the Parent Company shall be permitted to make loans and advances to LBCDC and this shall not be considered a Reserved Matter. LBCDC already made an advances amounting to ₱150.00 million;
- d. Within six months from closing date, LBCDC shall procure a debt for equity swap between LBCE and QUADX INC., a local affiliate; and
- e. Within 3 months from closing of the acquisition of the equity interests of the overseas entity, LBCDC procure to settle all obligations to the Group.

Several extensions were made to the initial agreement. The fourth extension amendment was on April 18, 2018 stating the following changes:

- i. Within thirty (30) calendar days from April 18, 2018, LBCDC shall procure that the Company shall enter into a binding sale and purchase agreement to acquire each of the Equity Interests for their respective purchase price. LBCDC shall use commercially reasonable endeavors to procure that the Company shall acquire any remaining portion of the equity interests in the Overseas Entities, unless such acquisition would result in a violation or breach of Applicable Law.
- ii. Within thirty (30) calendar days from April 18, 2018, LBCDC shall procure (in accordance with applicable law and regulation) that QUADX, INC. and LBC Express, Inc. shall, in full and final settlement of all and any intercompany balances owed by QUADX INC. to LBC Express, Inc. as of such date (such amount being the "Intercompany Balance"), convert the Intercompany Balance into common shares in the capital of QUADX such that after the conversion, LBC Express, Inc. shall hold and own 86.11% of the resulting issued and outstanding common shares in QUADX, equal to the value of the Intercompany Balance. In the event that LBC Express, Inc., in its reasonable discretion, assigns and transfers the Intercompany Balance to LBC Express Holdings, Inc., all references to LBC Express, Inc. in this paragraph shall instead be read as reference to LBC Express Holdings, Inc.

Failure to comply with the above agreements constitute an Event of Default which results to the redemption of the convertible bond at par plus an IRR of 16%. As at March 31, 2018, the Group has complied with the above agreement.

14. Equity

Capital stock

As at March 31, 2018 and December 31, 2017, the details of the Parent Company's common shares follow:

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

Retained earnings

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

The dividends attributable to LBCDC was settled through application against due from LBCDC as disclosed in Note 15.

15. Related Party Transactions

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

Details of related party transactions and balances for the three months ended March 31, 2018 and for the year ended December 31, 2017 are as follows:

	Transaction amounts for the three months ended March 31, 2018 (Unaudited)	Outstanding Receivable balance as at March 31, 2018 (Unaudited)	Terms	Conditions
<u>Due from related parties (Trade receivables)</u>				
<i>Affiliates</i>				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 4 and 23)	₱220,646,276	₱557,704,427	Noninterest-bearing; due and demandable	Unsecured, no impairment
<u>Due from related parties (Non-trade receivables)</u>				
<i>Ultimate parent company</i>				
b.) Advances	₱76,355,917	₱491,046,581	Noninterest-bearing; due and demandable	Unsecured, no impairment
<i>Affiliates - under common control</i>				
b.) Advances	25,583	51,187,114	Noninterest-bearing; due and demandable	Unsecured, no impairment
c.) Subscription advances	—	186,021,400	Noninterest-bearing; for settlement of the subscription of shares	Unsecured, no impairment
<i>Officer</i>				
b.) Advances	—	9,284,395	Noninterest-bearing; due and demandable	Unsecured, no impairment
		₱737,539,490		

	Transaction amounts for the three months ended March 31, 2017 (Unaudited)	Outstanding Receivable balance as at December 31, 2017 (Unaudited)	Terms	Conditions
<u>Due from related parties (Trade receivables)</u>				
<i>Affiliates</i>				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 4 and 23)	₱124,625,323	₱495,476,881	Noninterest-bearing; due and demandable	Unsecured, no impairment
<u>Due from related parties (Non-trade receivables)</u>				
<i>Ultimate parent company</i>				
b.) Advances	₱8,663,189	₱415,144,205	Noninterest-bearing; due and demandable	Unsecured, no impairment
<i>Affiliates - under common control</i>				
b.) Advances	68,309,017	243,289,035	Noninterest-bearing; due and demandable	Unsecured, no impairment
<i>Officer</i>				
b.) Advances	1,500,000	9,284,395	Noninterest-bearing; due and demandable	Unsecured, no impairment
		₱667,717,635		
	Transaction amounts for the three months ended March 31, 2018 (Unaudited)	Outstanding Payable balance as at March 31, 2018 (Unaudited)	Terms	Conditions
<u>Due to related parties (Trade payables)</u>				
<i>Ultimate Parent Company</i>				
d.) Royalty fee (Notes 10 and 17)	₱—	₱240,120	Noninterest-bearing; due and demandable	Unsecured
<i>Associate</i>				
f.) Sea freight and brokerage	44,761,846	2,461,495	Noninterest-bearing; due and demandable	Unsecured
<i>Affiliate</i>				
g.) Guarantee fee (Notes 10 and 12)	1,785,714	—	Noninterest-bearing; due and demandable	Unsecured
		₱2,701,615		
<u>Due to a related party (Transmissions liability)</u>				
<i>Affiliate</i>				
a.) Money remittance payable (Note 11)	₱1,523,467,79	₱107,766,160	Noninterest-bearing; due and demandable	Unsecured
<u>Due to related parties (Non-trade payables)</u>				
<i>Affiliate - under common control</i>				
b.) Advances	₱—	₱2,646,716	Noninterest-bearing; due and demandable	Unsecured
e.) Payable related to purchase of shares (Note 9)	229,628,521	20,449,695	Noninterest-bearing; due and demandable	Unsecured
		₱23,096,411		

	Transaction amounts for the three months ended March 31, 2017 (Unaudited)	Outstanding Payable balance as at December 31, 2017 (Unaudited)	Terms	Conditions
<u>Due to related parties (Trade payables)</u>				
<i>Ultimate Parent Company</i>				
d.) Royalty fee (Note 10)	₱58,796,287	₱376,412	Noninterest-bearing; due and demandable	Unsecured
<i>Affiliate</i>				
g.) Guarantee fee (Note 10)	4,166,667	—	Noninterest-bearing; due and demandable	Unsecured
		₱376,412		
<u>Due to a related party (Transmissions liability)</u>				
<i>Affiliate</i>				
a.) Money remittance payable (Note 11)	₱333,055,01	₱77,384,306	Noninterest-bearing; due and demandable	Unsecured
<u>Due to related parties (Non-trade payables)</u>				
<i>Affiliate - under common control</i>				
b.) Advances	₱—	₱2,542,585	Noninterest-bearing; due and demandable	Unsecured
		₱2,542,585		

Compensation of Key Management Personnel:

	For the three months ended	
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
Salaries and wages	₱25,682,792	₱23,544,220
Retirement benefits (Note 20)	5,529,230	3,923,914
Other short-term employee benefits	4,783,439	3,173,493
	₱35,995,461	₱30,641,627

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

In prior years, the Group has outstanding advances of ₱295.00 million to LBC Development Bank, an entity under common control of LBCDC. In 2011, management assessed that these advances are not recoverable. Accordingly, the said asset was written off from the books in 2011 (Note 26).

- c. On March 19, 2018, LBC Express, Inc. (LBCE) assigned its receivables from QUADX INC. (QUADX) to the Parent Company amounting to ₱186.02 million. QUADX, is in the process of increasing its authorized capital stock and the Parent Company wishes to subscribe to a total of 1,860,214 shares out of the said increase in authorized capital stock of QUADX. In the Deed of Assignment, also dated March 19, 2018, the Parent Company and QUADX agreed that the assigned receivable be the full and complete settlement of the subscription of shares of stock of QUADX, once the increase in authorized capital stock is approved by SEC.
- d. LBCDC (Licensor), the Ultimate Parent Company, granted to the Group (Licensee) the full and exclusive right to use the LBC Marks within the Philippines, in consideration for a continuing royalty rate of two point five percent (2.5%) for 2017 and 2016 of Licensee's Gross Revenues which is defined as any and all revenue from all sales of products and services, including all other income of every kind and nature directly and/or indirectly arising from, related to and/or connected with Licensee's business operations (including, without limitation, any proceeds from business interruption insurance, if any), whether for cash or credit, wherever made, earned, realized or accrued, excluding any sales discounts and/or rebates, value added tax.

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

- e. On March 19, 2018, LBCH subscribed to 3,285,714 common shares out of the unissued capital stock of OFII at a subscription price of ₱44.40 or ₱145.89 million. On the same date, LBCH purchased 1,150,000 secondary shares at ₱63.43 per share for a total consideration of ₱72.94 million from RMI. These acquisitions contribute a total ownership of 30% (see Note 9). Total outstanding payable to RMI related to the purchase of shares amounted to ₱9.65 million.

On March 7, 2018, the Parent Company acquired 120,000 shares or 100% of the total outstanding shares of LBC Mabuhay Saipan, Inc. at a purchase price of USD 207,652 or ₱10.80 million in peso equivalent. Gain on bargain purchase recognized under "Other income (expense) as a result of business combination amounted to ₱2.75 million.

- f. In the normal course of business, LBCE acquires services from OFII which include sea freight and brokerage mainly for the cargoes coming from international origins. These expenses are billed to the origins at cost.
- g. The Group entered into a loan agreement with BDO which is secured with real estate mortgage on various real estate properties owned by the Group's affiliate. In consideration of the affiliate's accommodation to the Group's request to use these properties as loan collateral, the Group agreed to pay the affiliate, every April 1 of the year starting April 1, 2016, a guarantee fee of 1% of the outstanding loan and until said properties are released by the bank as loan collateral. The guarantee fee is reported as part of interest expense in the interim condensed consolidated statements of comprehensive income.

16. Cost of Services

This account consists of:

	For the three months ended	
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
Cost of delivery and remittance	₱806,563,628	₱689,813,694
Salaries and benefits	522,215,084	482,507,267
Utilities and supplies	198,539,378	180,317,106
Rent (Note 19)	161,136,777	140,180,660
Depreciation and amortization (Notes 6 and 7)	61,094,956	50,568,441
Retirement benefit expense	24,051,096	24,975,970
Repairs	19,610,456	21,069,434
Transportation and travel	16,188,084	12,859,927
Insurance	6,503,029	8,344,927
Others	2,132,971	1,445,197
	₱1,818,035,459	₱1,612,082,623

17. Operating Expenses

This account consists of:

	For the three months ended	
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
Salaries and benefits	₱135,479,667	₱114,435,076
Rent (Note 19)	60,020,196	56,823,258
Advertising and promotion	41,661,077	33,888,556
Utilities and supplies	36,449,154	40,666,519
Travel and representation	32,780,378	35,895,921
Taxes and licenses	30,899,939	34,373,613
Professional fees	30,840,008	51,544,279
Depreciation and amortization	24,939,646	22,055,119
Claims and losses	18,732,634	19,968,393
Software maintenance costs	13,010,605	11,196,200
Provision for impairment loss (Note 4)	11,029,456	12,106,337
Dues and subscriptions	8,773,209	3,894,122
Retirement benefit expense	7,271,234	7,419,680
Insurance	5,916,393	5,742,071
Commission expense	5,676,122	6,095,361
Repairs and maintenance	1,046,760	2,086,502
Royalty	—	58,796,287
Others	12,307,073	5,459,817
	₱476,833,551	₱522,447,111

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

18. Income Taxes

Provision for income tax consists of:

	For the three months ended	
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
Current	₱142,072,076	₱105,804,046
Deferred	(6,307,389)	(5,699,947)
	₱135,764,687	₱100,104,099

Details of the Group's deferred income tax assets as at March 31, 2018 and December 31, 2017 follow:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Retirement benefit liability	₱222,209,970	₱215,948,504
Accrued employee benefits	42,829,379	42,241,773
Allowance for impairment loss	20,351,240	17,127,718
Deferred lease liability	13,482,349	12,900,573
NOLCO	167,069	236,165
Past service cost	898,334	927,312
MCIT	115,630	110,558
Capitalized borrowing costs	(366,335)	(418,668)
Unrealized foreign exchange losses	(3,970,480)	450,104
	₱295,717,156	₱289,524,039

On December 18, 2018, the Bureau of Internal Revenue issued Revenue Regulation No. 16-2008 which implemented the provisions of Republic Act (R.A.) No. 9504, as amended by R.A. 10963 or the Tax Reform Acceleration and Inclusion Act (TRAIN), on Optional Standard Deduction (OSD). This regulation allows individuals and corporate taxpayers to use OSD in computing their taxable income. For corporate taxpayers, they may elect a standard deduction in the amount equivalent to 40% gross income in lieu of the itemized deductions.

For the quarter ended March 31, 2018, eighteen (18) of LBCH's subsidiaries opted to use OSD in computing their current provision for income tax.

19. Lease Commitments

(a) Operating Lease

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

1. Operating lease agreement covering its current corporate office space for a period of five years from October 20, 2016. The lease agreement is renewable at the Group's option at such terms and conditions which may be agreed upon by both parties. The lease agreement includes rental rate escalations during the term of the lease. The lease agreement also requires the Group to pay security deposits.

2. Operating lease agreements covering various service centers and service points within the Philippines for a period of one to five years, renewable at the Group's option at such terms and conditions which may be agreed upon by both parties. These lease agreements include provision for rental rate escalations including payment of security deposits and advance rentals.
3. Operating lease agreement with a local bank covering transportation equipment for a period of three to four years. The lease agreement does not include escalation rates on monthly payments.

There are no contingent rents for the above lease agreements.

Rent expense was recognized as follows:

	For the three months ended	
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
Cost of services	₱161,136,777	₱140,180,660
Operating expenses	60,020,196	56,823,258
	₱221,156,973	₱197,003,918

The Group maintains security deposits arising from the said operating lease agreements amounting to ₱257.88 million and ₱255.43 million as at March 31, 2018 and December 31, 2017, respectively.

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

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Not later than 1 year	₱884,997,626	₱874,762,535
Later than 1 year but not later than 5 years	3,906,807,524	3,894,459,968

Deferred lease liability arising from straight line recognition of lease payments amounting to ₱44.94 million and ₱43.00 million as at March 31, 2018 and December 31, 2017, respectively, are included in the non-current portion of lease liabilities account in the interim condensed consolidated statements of financial position.

(b) Finance lease

These involve leases of transportation equipment which were accounted for as finance leases. The components of the finance lease obligation as at March 31, 2018 and December 31, 2017 arising from these leases are as follows:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Gross finance lease obligations		
Not later than one year	₱26,947,652	₱37,331,796
Later than 1 year but not later than 5 years	49,412,472	50,764,603
	<u>76,360,124</u>	<u>88,096,399</u>
Future finance lease charges on the finance lease		
Not later than one year	(5,562,531)	(6,640,272)
Later than 1 year but not later than 5 years	(6,172,888)	(6,734,655)
	<u>(11,735,419)</u>	<u>(13,374,927)</u>
	<u>₱64,624,705</u>	<u>₱74,721,472</u>

The present value of minimum lease payments is as follows:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Not later than 1 year	₱21,385,121	₱30,691,524
Later than 1 year but not later than 5 years	43,239,584	44,029,948
	<u>₱64,624,705</u>	<u>₱74,721,472</u>

Interest expense on the above finance lease obligation charged to finance costs amounted to ₱2.57 million and ₱3.07 million for the three months ended March 31, 2018 and 2017, respectively.

20. Retirement Benefits

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

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Present value of defined benefit obligation	₱800,431,737	₱760,203,734
Fair value of plan assets	(56,080,672)	(54,877,967)
	<u>₱744,351,065</u>	<u>₱705,325,767</u>

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

The pension cost for the interim period and the present value of the defined benefit obligation as at March 31, 2018 were calculated by extrapolating the latest actuarial valuation report for the year ended December 31, 2017.

21. Financial Risk Management Objectives and Policies

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

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

The use of derivative financial instruments, if any, is solely for management of the Group's financial risk exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

The main risks arising from the Group's financial instruments are price risk, interest rate risk, liquidity risk, foreign currency risk and credit risk. The BOD reviews and approves policies for managing each of these risks which are summarized below.

Price risk

The Group closely monitors the prices of its equity securities as well as macroeconomic and entity specific factors which could directly or indirectly affect the prices of these instruments. In case of an expected decline in its portfolio of equity securities, the Group readily disposes or trades the securities for replacement with more viable and less risky investments.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers, or factors affecting all instruments traded in the market.

The following table shows the effect on comprehensive income should the change in the close share price of quoted and unquoted equity securities occur as at March 31, 2018 and 2017 with all other variables held constant.

	Effect on comprehensive income	
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
Change in share price		
Increase by 5%	₱21,066,488	₱22,431,909
Decrease by 5%	(₱21,066,488)	(₱22,431,909)
Change in NAV		
Increase by 5%	₱18,029,547	₱3,501,891
Decrease by 5%	(₱18,029,547)	(₱3,501,891)

The Group is also exposed to equity price risk in the fair value of the derivative liability due to the embedded equity conversion feature. The following table shows the effect on net income should the change in the close share price of the underlying equity security in the convertible instrument occur as at March 31, 2018 and 2017 with all other variables held constant.

	Effect on net income March 31, 2018 (Unaudited)
Change in share price	
Increase by 5%	₱132,309,927
Decrease by 5%	(₱132,309,927)

Interest rate risk and credit spread sensitivity analysis

Except for the credit spread used in the valuation of the convertible redeemable bond, the Group is not significantly exposed to interest rate risk as the Group's interest rate on its cash and cash equivalents and notes payable are fixed and none of the Group's financial assets and liabilities is measured at fair value. Further, the impact of fluctuation on interest rates on the Group's finance leases will not significantly impact the results of operations.

The value of the Group's convertible redeemable bond is driven primarily by two risk factors: underlying stock prices and interest rates. Interest rates are driven by using risk-free rate, which is a market observable input, and credit spread, which is not based on observable market data. The following table demonstrates the sensitivity to a reasonably possible change in credit spread, with all other variables held constant, on the fair value of the Group's embedded conversion option of the convertible redeemable bond.

Change in share price	Credit spread +1%	Credit spread -1%
+5.00%	₱59,014,644	(₱62,899,345)

Liquidity risk

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

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

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

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

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

Foreign currency risk

Foreign currency risk is the risk that the future cash flows of financial assets and financial liabilities will fluctuate because of changes in foreign exchange rates. The Group's exposure

to the risk of changes in foreign exchange rates relates to the Group's operating activities when revenue or expenses are denominated in a different currency from the Group's functional currency.

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

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

Information on the Group's foreign currency-denominated monetary assets and liability recorded under 'trade and other receivables' and 'bonds payable', respectively, assets and liabilities related to convertible instrument in the interim condensed consolidated statements of financial position and their Philippine Peso equivalents follow:

	March 31, 2018 (Unaudited)	
	Foreign currency	Peso equivalent
Assets:		
Euro	3,042,291	₱193,611,399
Taiwanese Dollars	59,305,301	105,563,436
Hongkong Dollars	15,702,258	104,420,016
Australian Dollars	588,060	23,822,311
Great British Pound	6,590	476,918
US Dollars	380,106	19,776,915
Liability:		
US Dollars	(18,887,004)	(982,690,818)

The translation exchange rates used were ₱63.64 to EUR 1, ₱6.65 to HKD 1, ₱40.51 to AUD 1, ₱1.78 to TWD 1, ₱52.03 to USD 1 and ₱72.37 to GBP 1 in 2018.

	December 31, 2017 (Audited)	
	Foreign currency	Peso equivalent
Assets:		
Euro	3,001,837	₱178,939,504
Hongkong Dollars	15,118,598	96,607,841
Australian Dollars	1,234,425	48,031,477
Taiwanese Dollars	56,818,370	95,454,862
US Dollars	577,108	28,809,231
Great British Pound	33,453	2,260,419
Liability:		
US Dollars	(17,441,443)	(908,026,829)

The translation exchange rates used were ₱60.05 to EUR 1, ₱6.41 to HKD 1, ₱39.11 to AUD 1, ₱1.68 to TWD 1, ₱50.04 to USD 1 and ₱67.57 to GBP 1 in 2017.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before tax (due to changes in the fair value of monetary assets and liabilities) as at March 31, 2018 and December 31, 2017.

Reasonably possible change in foreign exchange rate for every two units of Philippine Peso	Increase (decrease) in income before tax	
	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
₱2	₱120,275,204	₱169,195,374
(2)	(₱120,275,204)	(169,195,374)

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

The Group recognized ₱108.53 million and ₱23.84 million foreign exchange gains - net, for the three months period ended March 31, 2018 and 2017, respectively, arising from settled transactions and translation of the Group's cash and cash equivalents, trade receivables, trade and convertible instrument and other payables.

Credit risk

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

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

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

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

The Group has ₱1,551.60 million and ₱1,675.80 million trade receivables, ₱164.45 million and ₱147.61 million of which are past due and/or impaired, as at March 31, 2018 and December 31, 2017, respectively.

As at March 31, 2018 and December 31, 2017, the aging analyses of the Group's past due and/or impaired trade receivables are as follows:

	March 31, 2018				Total
	Past Due but not Impaired			Impaired Financial Assets	
	1 to 30 days	31 to 90 days	Over 90 days		
Trade and other receivables	₱54,853,294	₱27,902,348	₱13,408,565	₱68,282,406	₱164,446,613

	December 31, 2017				
	Past Due but not Impaired			Impaired	Total
	1 to 30 days	31 to 90 days	Over 90 days	Financial Assets	
Trade and other receivables	₱64,705,065	₱16,556,165	₱9,092,445	₱57,252,950	₱147,606,625

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

Capital Management

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

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

The capital that the Group manages is equal to the total equity as shown in the interim condensed consolidated statements of financial position at March 31, 2018 and December 31, 2017 amounting to ₱2,909.90 million and ₱2,365.47 million, respectively.

22. Fair Values

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

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

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

The estimated fair value of long-term portion of notes payable as at March 31, 2018 is based on the discounted value of future cash flow using applicable rates ranging from 4.14% to 4.20%.

The fair value of the long-term portion of lease liabilities as at March 31, 2018 is based on the discounted value of future cash flow using applicable interest rates ranging from 7.50% to 9.91% for 2018 and 2017.

The estimated fair value of derivative liability as at March 31, 2018 is based on an indirect method of valuing multiple embedded derivatives. This valuation technique using binomial pyramid model using stock prices and stock price volatility. This valuation method compares the fair value of the option-free instrument against the fair value of the hybrid convertible instrument. The difference of the fair values is assigned as the value of the embedded derivatives.

The significant unobservable input in the fair value is the stock price volatility of 16.33% in

2017. A 5% increase (5% decrease) in the stock price volatility would decrease by ₱2,030 (increase by ₱817) the fair value of the derivative liability.

The estimated fair value of bond payable as at March 31, 2018 is based on the discounted value of future cash flow using applicable rate of 17%.

The estimated fair value of other noncurrent liabilities as at March 31, 2018 is based on the discounted value of future cash flow using applicable rate of 3.85% to 12.28%.

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

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

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

The quantitative disclosures on fair value measurement hierarchy for assets and liabilities as at March 31, 2018 and December 31, 2017 follow:

March 31, 2018					
Fair value measurements using					
	Carrying values	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Quoted equity securities	₱421,329,760	₱421,329,760	₱421,329,760	₱–	₱–
Unquoted unit investment trust fund	360,590,940	360,590,940	–	360,590,940	–
Liability measured at fair value					
Derivative liability	1,681,418,326	1,681,418,326	–	–	1,681,418,326
Liabilities for which fair value are disclosed					
Long-term notes payable	592,500,000	594,134,259	–	–	594,134,259
Bond payable	974,641,761	974,641,761	–	–	974,641,761
Non-current lease liabilities	88,180,748	94,353,636	–	–	94,353,636
Other noncurrent liabilities	110,191,478	126,653,235	–	–	126,653,235
December 31, 2017					
Fair value measurements using					
	Carrying values	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Quoted equity securities	₱444,736,969	₱444,736,969	₱444,736,969	₱–	₱–
Unquoted unit investment trust fund	440,763,495	440,763,495	–	440,763,495	–
Liability measured at fair value					
Derivative liability	1,860,373,479	1,860,373,479	–	–	1,860,373,479
Liabilities for which fair value are disclosed					
Bond payable	896,185,059	896,185,059	–	–	896,185,059
Long-term notes payable	601,250,000	601,250,000	–	–	601,250,000
Non-current lease liabilities	87,031,857	87,031,857	–	–	87,031,857
Other noncurrent liabilities	118,327,055	118,327,055	–	–	118,327,055

During the three months ended March 31, 2018 and year ended December 31, 2017, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

23. Segment Reporting

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

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

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

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

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

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

	For the three months ended	
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
Logistics		
Retail	₱1,585,439,159	₱1,385,623,012
Corporate	937,102,132	795,382,896
	2,522,541,291	2,181,005,908
Money transfer services		
Domestic	197,691,360	257,187,945
International inbound	30,467,885	19,991,607
	228,159,245	277,179,552
	₱2,750,700,536	₱2,458,185,460

The revenue of the Group consists mainly of sales to external customers. Revenue arising from service fees charged to affiliates amounted to ₱220.65 million and ₱124.63 million in March 31, 2018 and 2017, respectively.

Seasonality of Operations

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

24. Basic/Diluted Earnings Per Share

The following table presents information necessary to calculate earnings per share (EPS) on net income attributable to owners of the Parent Company:

	For the three months ended	
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
Net income attributable to equity holder of the Parent Company	P559,769,644	P229,491,376
Less profit impact of assumed conversion of bonds payable	(113,029,323)	-
	P446,740,321	P229,491,376

	For the three months ended	
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
Weighted average number of common shares outstanding	1,425,865,471	1,425,865,471
Dilutive shares arising from convertible debt	193,053,846	
Adjusted weighted average number of common shares for diluted EPS	1,618,919,317	1,425,865,471
Basic EPS	P0.39	P0.16
Diluted EPS	P0.28	P0.16

25. Note to Consolidated Statement of Cash Flows

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

Operating activities

- a) Accrued interest income from time deposit amounting to P0.86 million.

Investing activities

- a.) Unpaid acquisitions of property and equipment amounted to P0.73 million.

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

	December 31, 2017	Cash Flows	Leasing arrangements	Interest	March 31, 2018
Notes payable	P1,041,300,000	(P88,800,000)	P-	P-	P952,500,000
Lease liabilities	117,723,381	(8,884,788)	727,276	-	109,565,869
Interest paid		(15,302,136)	-	16,553,145	1,251,009
Total liabilities from financing activities	P1,159,023,381	(P112,986,924)	(P727,276)	P16,553,145	P1,063,316,878

26. Other Matters

Closure of LBC Development Bank, Inc.

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

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

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

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

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

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

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

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

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

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

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

From August 10, 2017 to January 19, 2018, LBCE, LBCDC, the other defendants and PDIC were referred to mediation and Judicial Dispute Resolution (JDR) but were unable to reach a compromise agreement. The RTC ordered the mediation and JDR terminated and the case was raffled to a new branch of the Makati RTC under a new presiding judge.

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

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

27. Subsequent Events

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

On April 5, 2018, the BOD of the Parent Company approved to dispose the 86% equity interest in Diez Equiz Pte. Ltd. to Maleka, Inc. at a sale price of USD 1.00 per share.

On April 18, 2018, several extensions were made to the initial agreement between LBCDC and CP Briks, Pte. Ltd. (see Note 13).

On April 23, 2018, the BOD of the Parent Company approved the infusion of additional capital in the amount of ₦31.86 million in its subsidiary, QuadX Pte. Ltd., for the purpose of partially financing the purchase by the latter of Software Assets in the amount of ₦37.00 million from QUADX INC.

**LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
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AND SUPPLEMENTARY SCHEDULES**

SUPPLEMENTARY SCHEDULES

- Report of Independent Auditors' on supplementary schedules
- Supplementary schedules required by Annex 68-E

Schedule A: Financial Assets

Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholder (Other Than Related Parties)

Schedule C: Amounts Receivables/Payables from/to Related Parties Which are Eliminated During the Consolidation of Financial Statements

Schedule D: Intangible Assets

Schedule E: Long Term Debt

Schedule F: Indebtedness to Related Parties

Schedule G: Guarantees of Securities of other Issuers

Schedule H: Capital Stock

- Map of the relationships of the companies within the Group
- Reconciliation of retained earnings available for dividend declaration
- Schedule of financial soundness indicators
- Schedule of all the effective standards and interpretations

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS

MARCH 31, 2018

Name of issuing entity and association of each issue	Number of shares	Amount shown in the balance sheet	Income received and accrued
Available-for-sale Quoted - Araneta Properties, Inc. Unquoted	195,060,074 —	P421,329,760 360,590,940	P— 60,044
Loans and receivables Cash in bank and cash equivalents Trade and other receivables Due from related parties Short term investments	— — — — —	3,662,357,162 1,515,430,069 737,539,490 51,154,691	859,551 — — — —
	—	5,966,481,412 P6,748,402,112	859,551 P919,595

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDER (OTHER THAN RELATED PARTIES)
MARCH 31, 2018

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Non-current	Balance at end of period
Fernando G. Araneta, <i>Chief Strategy Officer</i>	P9,284,395	P-	P-	P-	P9,284,395	P-	P9,284,395
	P9,284,395	P-	P-	P-	P9,284,395	P-	P9,284,395

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

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

MARCH 31, 2018

Name of Subsidiaries	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
LBC Express, Inc.	P38,487,662	(P178,041,647)	(P60,539)	-	(P139,614,524)	-	(P139,614,524)
LBC Express, Inc. - MM	128,609,241	61,871,170	(53,633,615)	-	136,846,796	-	136,846,796
LBC Express, Inc. - SCC	19,129,917	45,377,388	(40,258,958)	-	24,248,347	-	24,248,347
LBC Express, Inc. - NEMM	32,320,712	37,084,460	(30,668,098)	-	38,737,074	-	38,737,074
LBC Express, Inc. - NWM	44,821,804	35,993,856	(29,153,118)	-	51,662,542	-	51,662,542
LBC Express, Inc. - EMM	24,861,548	21,685,112	(18,655,860)	-	27,890,800	-	27,890,800
LBC Express, Inc. - SMM	24,798,642	34,927,687	(29,884,430)	-	29,841,899	-	29,841,899
LBC Express, Inc. - CMM	24,256,322	31,852,484	(27,606,674)	-	28,502,132	-	28,502,132
LBC Express, Inc. - SL	76,629,968	61,734,583	(58,366,011)	-	79,998,540	-	79,998,540
LBC Express, Inc. - SEL	55,816,918	42,483,309	(35,586,279)	-	62,713,948	-	62,713,948
LBC Express, Inc. - CL	36,575,228	43,809,043	(40,886,394)	-	39,497,877	-	39,497,877
LBC Express, Inc. - NL	44,800,227	44,085,966	(39,164,750)	-	49,721,443	-	49,721,443
LBC Express, Inc. - VIS	82,257,503	57,352,251	(51,608,436)	-	88,001,318	-	88,001,318
LBC Express, Inc. - WVIS	51,536,971	40,898,508	(35,426,356)	-	57,009,123	-	57,009,123
LBC Express, Inc. - MIN	61,052,152	47,104,432	(39,199,269)	-	68,957,315	-	68,957,315
LBC Express, Inc. - SEM	45,662,778	29,869,110	(24,911,596)	-	50,620,292	-	50,620,292
South Mindanao Courier Co. Inc.	(37,420,209)	(41,122,911)	42,820,137	-	(35,722,983)	-	(35,722,983)
LBC Express Corporate Solutions, Inc.	(3,952,627)	4,033,244	(4,223,537)	-	(4,142,920)	-	(4,142,920)
LBC Express, Inc. - SCS	(207,463)	47,857,291	(41,516,637)	-	6,133,191	-	6,133,191
LBC Systems, Inc.	(64,489,250)	3,327,295	(4,668,469)	-	(65,830,424)	-	(65,830,424)
LBC Express WLL	2,596,111	(13,623,868)	22,133,455	-	11,105,698	-	11,105,698
LBC Express Bahrain WLL	(41,947,170)	(909,529)	(2,975,809)	-	(45,832,508)	-	(45,832,508)
LBC Express LLC	(65,995,250)	(2,930,047)	(5,885,845)	-	(74,811,142)	-	(74,811,142)
LBC Mabuhay Saipan, Inc.	-	9,994,881	-	-	9,994,881	-	9,994,881
	₱580,201,735	₱464,714,068	(₱549,387,088)	-	₱495,528,715	-	₱495,528,715

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE D: INTANGIBLE ASSETS

MARCH 31, 2018

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Disposals	Reclassifications	Ending balance
Software	₱352,310,011	₱-	(₱16,272,232)	₱-	₱-	₱336,037,779
Development in Progress	4,540,000	30,700,480	-	-	-	35,240,480
	₱356,850,011	₱30,700,480	(₱16,272,232)	₱-	₱-	₱371,278,259

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE E: LONG TERM DEBT
MARCH 31, 2018

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current liabilities" in related balance sheet	Amount shown under caption "Noncurrent liabilities" in related balance sheet
Notes payable	₱952,500,000	₱360,000,000	₱592,500,000
Obligation under finance lease	64,624,705	21,385,121	43,239,584
Bond payable	974,641,761	-	974,641,761
Derivative liability	1,681,418,326	-	1,681,418,326
Other liabilities	153,689,108	43,497,630	110,191,478
	₱3,826,873,900	₱424,882,751	₱3,401,991,149

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES

MARCH 31, 2018

Name of related party	Balance at beginning of period	Balance at end of period
Others	P2,542,585	P2,646,716
	P2,542,585	P2,646,716

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS
MARCH 31, 2018

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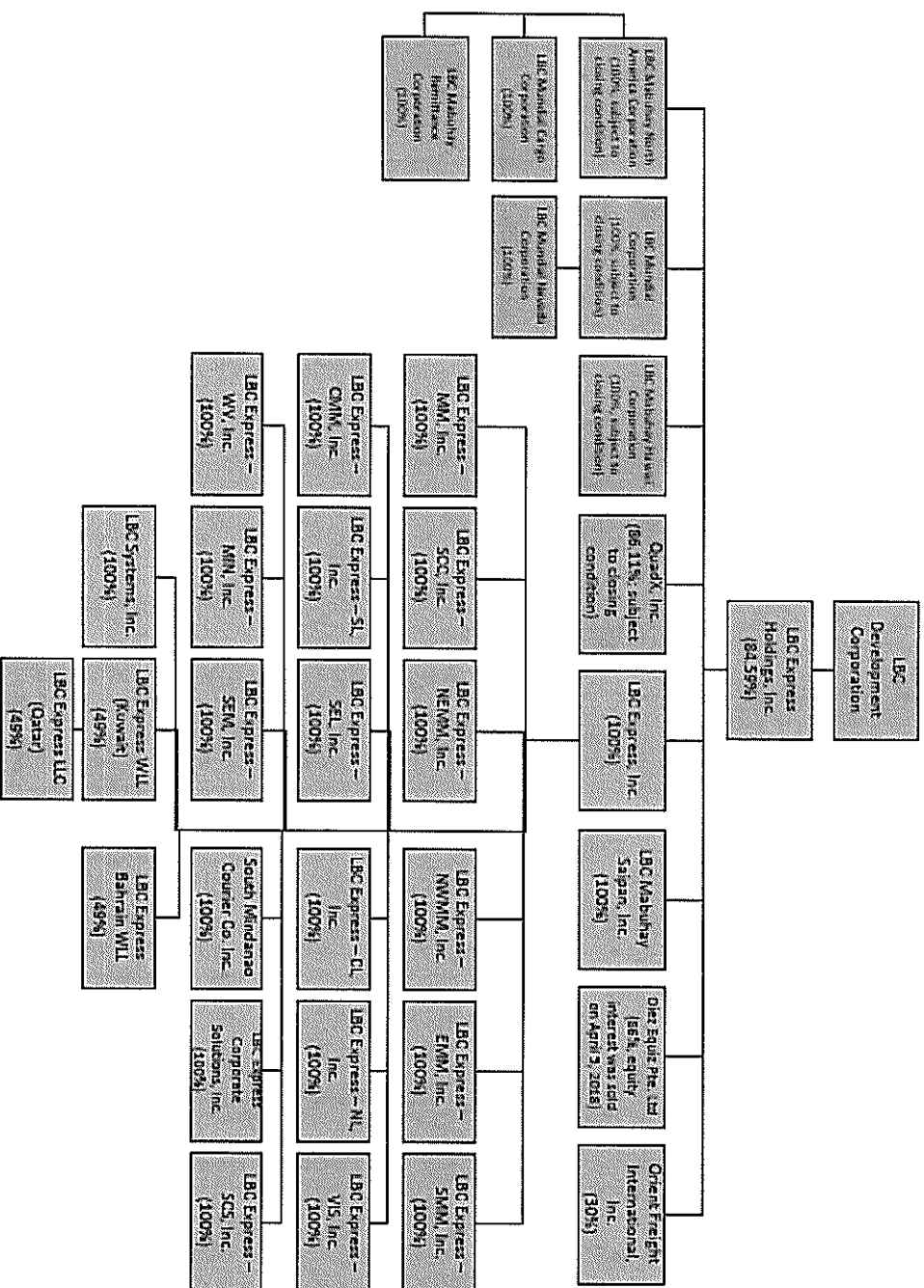
NOT APPLICABLE

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE H: CAPITAL STOCK
MARCH 31, 2018

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - P1 par value	2,000,000,000	1,425,865,471	--	1,206,178,232	1,108	219,686,131

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
MARCH 31, 2018



**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND
DECLARATION
As of March 31, 2018**

LBC EXPRESS HOLDINGS, INC.

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

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	(₱249,743,415)
Add: Net Income actually earned/realized during the period	
Net income during the period closed to Retained Earnings	218,451,449
Less:	
Equity in net income of associate/joint venture	—
Unrealized foreign exchange gain (loss)- net (except those attributable to cash and cash equivalents); Unrealized actuarial gain	(41,769,570)
Fair value adjustment (M2M gains)	—
Fair value adjustment of investment property resulting to gain	—
Adjustment due to deviation from PFRS/GAAP gain	—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—
Deferred tax assets	—
Subtotal	—
Add: Non actual losses	
Depreciation on revaluation increment (after tax)	—
Adjustment due to deviation from PFRS / GAAP – loss	—
Loss on fair value adjustment of investment property (after tax)	—
Add(Less):	
Dividend declarations during the period	—
Appropriations of Retained Earnings during the period	—
Reversals of appropriations	—
Effects of prior period adjustments	—
Treasury shares	—
Effect of pooling-of-interest method	—
Total Retained Earnings, end	
Available for dividend declaration	₱10,477,604

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS****FOR THE QUARTER AND YEAR ENDED MARCH 31, 2018 AND DECEMBER 31, 2017***Financial Soundness Indicators*

Below are the financial ratios that are relevant to the Group for the quarter ended March 31, 2018 and year ended December 31, 2017:

Financial ratios		2018	2017
Current ratio	Current assets	2.61:1	2.51:1
	Current liabilities		
Debt to equity ratio	Total liabilities	2.39:1	2.98:1
	Stockholders' Equity		
Debt to total assets ratio	Total liabilities	0.70:1	0.75:1
	Total assets		
Return on average assets	Net income attributable to Parent		
	Company	5.81%	8.71%
	Average assets		
Book value per share	Stockholders' equity	₱2.04	₱1.66
	Total number of shares		
Basic earnings per share	Net income attributable to Parent		
	Company	₱0.39	₱0.49
	Weighted average number of common shares outstanding		
Diluted earnings per share	Net income attributable to Parent		
	Company	₱0.28	₱0.49
	Adjusted weighted average number of common shares for diluted EPS		

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

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

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

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of March 31, 2018:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Cost			✓
	Amendments to PFRS 1: Meaning of "Effective PFRS"			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Definition of Vesting Condition			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 3	Business Combinations	✓		
	Accounting for Contingent Consideration in a Business Combination			✓
	Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Servicing Contracts	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *		✓	
	Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	✓		
	Amendments to PFRS 7: Hedge Accounting (2013 version) *		✓	
PFRS 8	Operating Segments	✓		
	Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments *	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures *	✓		
	Financial Instruments: Classification and Measurement (2010 version) *	✓		
	Amendments to PFRS 9: Hedge Accounting (2013 version) *			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short Term Receivable and Payable	✓		
	Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases *		✓	
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Information	✓		
	Amendments to PAS 1: Presentation of financial statements - disclosure initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendment to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses *		✓	
PAS 16	Property, Plant and Equipment	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
	Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Regional Market Issue Regarding Discount Rate			✓
	Amendments to PAS 19: Defined Benefit Plan: Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24	Related Party Disclosures - Key Management Personnel	✓		
	Related Party Disclosures - Key Management Personnel (Amended)	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Separate Financial Statements	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements		✓	
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures	✓		
	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	✓		
	Amendments to PAS 28: Investment Entities			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendment to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Disclosure of Information 'Elsewhere in the Interim Financial Report'	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets			✓
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property			✓
	Amendments to PAS 40: Clarification on Ancillary Services			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate *			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs	✓		

* These standards are not yet effective as of March 31, 2018.

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

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

Standards tagged as “Not applicable” have been adopted by the Group but have no significant covered transactions for the quarter ended March 31, 2018.

Standards tagged as “Not adopted” are standards issued but not yet effective as of March 31, 2018. The Group will adopt the Standards and Interpretations when these become effective.