CR07308-2019

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended
   Sep 30, 2019
2. SEC Identification Number
   ASO93-005277
3. BIR Tax Identification No.
   002-648-099-000
4. Exact name of issuer as specified in its charter
   LBC EXPRESS HOLDINGS, INC. (formerly FEDERAL RESOURCES INVESTMENT GROUP INC.)
5. Province, country or other jurisdiction of incorporation or organization
   Philippines
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   LBC Hangar, General Aviation Center, Domestic Airport Road, Pasay City
   Postal Code
   1300
8. Issuer's telephone number, including area code
   (632) 8856 8510
9. Former name or former address, and former fiscal year, if changed since last report
   Federal Resources Investment Group Inc. / No. 35 San Antonio Street, San Francisco del Monte, Quezon City 1105
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

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

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

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

- (•) Yes
- ( ) No

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

- (•) Yes
- ( ) No

LBC Express Holdings, Inc.
LBC

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

For the period ended	Sep 30, 2019
Currency (indicate units, if applicable)	PHP

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2019	Dec 31, 2018
Current Assets	8,192,577,537	7,116,343,887
Total Assets	14,332,353,868	11,370,174,754
Current Liabilities	5,293,549,557	4,173,066,721
Total Liabilities	10,871,397,799	8,092,208,290
Retained Earnings/(Deficit)	1,722,360,837	1,625,483,991
Stockholders' Equity	3,460,956,069	3,277,966,464
Stockholders' Equity - Parent	3,434,094,054	3,292,677,829
Book Value per Share	2.43	2.3

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	3,727,478,037	3,330,931,218	11,574,946,417	9,113,685,140
Gross Expense	3,467,558,721	3,027,572,062	10,515,012,607	7,842,803,567
Non-Operating Income	487,868,762	41,355,595	574,700,340	544,200,583
Non-Operating Expense	716,950,762	168,236,710	863,391,886	164,175,013
Income/(Loss) Before Tax	30,837,316	176,478,041	771,242,264	1,650,907,143
Income Tax Expense	92,930,908	91,160,377	319,667,018	369,746,511
Net Income/(Loss) After Tax	-62,093,592	85,317,664	451,575,246	1,281,160,632
Net Income Attributable to Parent Equity Holder	-63,715,069	78,785,847	469,397,828	1,264,611,564
Earnings/(Loss) Per Share (Basic)	-0.04	0.06	0.33	0.89
Earnings/(Loss) Per Share (Diluted)	-0.04	0.06	0.33	0.68

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.42	1.02
Earnings/(Loss) Per Share (Diluted)	0.42	0.69

Other Relevant Information
Please find attached the Company's quarterly report (SEC Form 17-Q) for the 3rd quarter of 2019.

Filed on behalf by:

Name	Ernesto III Naval
Designation	Alternate Corporate Information Officer

111142019002482

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632)726-0931 to 39 Fax:(632)725-5293 Email: mis@sec.gov.ph

Barcode Page

The following document has been received:

Receiving Officer/Encoder : Lourence N. Tampus
Receiving Branch : SEC Head Office
Receipt Date and Time : November 14, 2019 05:01:54 PM
Received From : Head Office

Company Representative

Doc Source

Company Information

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

Document Information

Document ID	111142019002482
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	September 30, 2019
No. of Days Late	0
Department	CFD
Remarks	

C O V E R   S H E E T

SEC Registration Number

A	S	O	9	3	0	0	5	2	7	7

C O M P A N Y   N A M E

LBC EXPRESS HOLDINGS, INC.
(Formerly FEDERAL RESOURCES
INVESTMENT GROUP INC.)

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

LBC HANGAR, GENERAL AVIATION
CENTRE, DOMESTIC AIRPORT
ROAD, PASAY CITY, METRO MANILA

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	SEC	

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

Company's Email Address	Company's Telephone Number	Mobile Number
info@lbcexpressholdings.com	**+63 2 8856-8510**	**N/A**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
487	**2nd Monday of June**	**12/31**

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended: **September 30, 2019**

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

3. BIR Taxpayer Identification Number: **002-648-099-000**

4. Exact name of issuer as specified in its charter: **LBC EXPRESS HOLDINGS, INC. (formerly FEDERAL RESOURCES INVESTMENT GROUP INC.)**

5. Province, country or other jurisdiction of incorporation or organization: **Philippines**

6. Industry Classification Code: ___________(SEC Use Only)

7. Address of issuer's principal office: **LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila 1300**

8. Issuer's telephone number, including area code: **(632) 8856 8510**

9. Former name, former address and former fiscal year, if changed since last report

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

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

    As at September 30, 2019:

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON SHARES	**1,425,865,471**[1]
BOND PAYABLE	**1,228,274,610**[2]
DERIVATIVE LIABILITY	**1,997,116,891**[2]

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

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

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

    Yes **[X]** No [ ]

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

    Yes[**X**] No [ ]

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

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

[3] As at September 30, 2019, 40,899,000 common shares have been listed with Philippine Stock Exchange. The remaining 1,384,966,471 are subject to listing applications filed with the Philippine Stock Exchange.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The Unaudited Interim Financial Statements of the Company as at and for the period ended September 30, 2019 and Notes to Financial Statements are hereto attached as Annex "A".

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

RESULTS OF OPERATIONS

Nine months period ended September 30, 2019 compared to the nine months period ended September 30, 2018

Service Revenues

The Company's service revenues increased by 27% to ₱11,574.95 million for the period ended September 30, 2019 from ₱9,113.69 million for the period ended September 30, 2018. This growth was principally due to the increase in revenues from both the logistics and remittance segment by 28% and 13%, respectively.

There is growth in the Company's domestic business mainly from the opening of 78 retail branches, introduction of new products in mid-2018 and price increase effective October 2018.

Contributed revenue for the nine-month period of the businesses acquired from September 2018 onwards is approximately ₱1,371.03 million.

Cost of Services

Cost of services is higher by 39% to ₱8,395.93 million for the period ended September 30, 2019 from ₱6,059.06 million for the period ended September 30, 2018, relative to the growth of volume in logistics and money transfer services, thus, a 34% increase in cost of delivery and remittance.

Salaries and benefits related to operations is up by 48% largely from the acquisition of entities in North America. The Parent Company's purchase of these entities was approved by the US Regulatory bodies effective January 1, 2019 and July 1, 2019, respectively. There is also an additional headcount which started in mid-2018 to increase capacity.

The net movement in depreciation and rental showed an increase of 39% which arises from the adoption of PFRS16 wherein right-of-use assets were recognized and amortized through time. There are also additional capital expenditures mostly on leasehold improvements and computer equipment for construction or relocation/renovation of branches.

Utilities and supplies expense increased by 23% or ₱163.60 million, mainly due to higher data connectivity and security expenses which were driven by operations of new branches opened and warehouses.

Gross Profit

Gross profit is favorable by 4% to ₱3,179.02 million for the period ended September 30, 2019 from ₱3,054.63 million for the period ended September 30, 2018, primarily due to the increase in revenue amounts from logistic and remittance segment which is a factor of initiative to expand location and business combination since last year.

Operating Expenses

Operating expenses is higher by 19% to ₱2,118.08 million for the period ended September 30, 2019 from ₱1,783.74 million for the period ended September 30, 2018, caused by the following:

Commission expense, which is mostly related to agents from international subsidiaries, increased by ₱126.76 million during the period, mostly from North America entities which joined the group during the period.

Advertising and promotion expenses grew by 55% or ₱101.69 million, mainly from parallel increases in production costs, television and radio advertisements, as well as costs for digital/online campaigns.

Dues and subscriptions were also higher 49% or by ₱22.66 million, primarily attributable to the rate increase for one of the major Information Technology service providers and new subscription to cloud and other software services and applications.

Other Income, Net

Other expense, net amounting to ₱288.69 million loss for the period ended September 30, 2019 as compared to ₱380.03 million income for the same period in 2018 resulted from the following:

Loss on derivative amounting to ₱590.94 million for the period ended September 30, 2019 as compared to the ₱331.62 million gain for the same period last year, from the changes in assumptions used in valuation.

Foreign exchange gain, net is lower by 77% or ₱136.37 million which resulted from the foreign exchange trading, and a revaluation of US dollar denominated time deposit accounts.

Interest expense went up by ₱108.28 million mostly from the adoption of PFRS16 which requires recognition of interest from lease liabilities.

The above mentioned were negated with the gain recognized from a sale of subsidiary on July 1, 2019 and gain on bargain purchase from business combination completed during the year.

Net Income after tax

Net income after tax was lower at ₱451.58 million for the nine-month period ended September 30, 2019 from ₱1,281.16 million for the same period ended September 30, 2018, primarily due to the following:

- Loss on derivative attributable to the convertible instrument amounting to ₱590.94 million.
- Lower foreign exchange gain by ₱136.37 million;
- First time adoption of PFRS16 resulted to higher depreciation and interest expense, partially offset by the decline in rentals.
- EBITDA related to operations is higher by 40% at ₱2,005.26 million for the period ended September 30, 2019 as compared to ₱1,427.36 million for the same period last year.

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

Service Revenues

The Company's service revenues increased by 12% to ₱3,727.48 million for the quarter ended September 30, 2019 from ₱3,330.93 million for the quarter ended September 30, 2018. This growth was principally due to the increase in revenues from the Logistics segment, attributable to escalation in both retail and corporate sales by 12%. The Company's domestic business contributed to growth mainly from additional 78 branches and price increase effective October 2018.

Cost of Services

Cost of services is higher by 38% to ₱3,093.75 million for the quarter ended September 30, 2019 from ₱2,240.21 million for the quarter ended September 30, 2018, relative to growth of volume in logistics services and a factor of business combination in 2019. This resulted with a 31% increase in cost of delivery and remittance, 41% higher staff cost and net increase in depreciation and rental by 115%. The adoption of PFRS16 significantly increases depreciation and rental.

Gross Profit

Gross profit declined by 42% to ₱633.73 million for the quarter ended September 30, 2019 from ₱1,090.72 million for the quarter ended September 30, 2018, in line with the increase in cost of service.

Operating Expenses

Operating expenses is lower by 47% to ₱420.72 million for the quarter ended Septeber 30, 2019 from ₱787.36 million for the quarter ended September 30, 2018, caused by reduction of claims and losses and depreciation.

Other Income, Net

Other income, net decreased by ₱90.56 million for the quarter ended September 30, 2019 as compared to same quarter last year. Net decrease is mainly attributable to:

Loss on valuation of derivative amounting to ₱619.44 million is recognized as a result of change in market data assumptions as mentioned above. For the quarter ended September 30, 2018, the Company recognized loss on derivative amounting to ₱107.81 million.

The loss mentioned is offset by the impact of gain on sale of a subsidiary on July 1, 2019 and gain on bargain purchase from the acquisition of entities in North America.

Net Income after tax

The quarter ended September 30, 2019 was at net loss of ₱97.37 compared to net income after tax amounting to ₱85.32 million for the quarter ended June 30, 2018, primarily due to the following:

- Loss on derivative recognized relative to the change in market assumptions amounting to ₱619.44 million;
- First time adoption of PFRS16 resulted to higher depreciation and interest expense, partially offset by the decline in rentals.
- EBITDA from operations is up by 43% to ₱509.13 million for the quarter ended September 30, 2019 as compared to ₱354.89 million for the same quarter last year.

FINANCIAL CONDITION

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

Assets

Current Asset:

Cash and cash equivalents increased by 5% to ₱4,339.23 million as at September 30, 2019 from ₱4,137.44 million as at December 31, 2018. Refer to analysis of cash flows in “Liquidity” section below.

Trade and other receivable, net is lower by 6% at ₱1,540.72 million as at September 30, 2019 from ₱1,642.13 million as at December 31, 2018 mainly due to sale of a subsidiary in which all receivables related to this entity were no longer included in the period.

Due from related parties is higher by 158% to ₱1,439.47 million as at September 30, 2019 from ₱557.96 million as of December 31, 2018, mainly from the assignment of receivable from QuadX Inc. to LBC Development Corporation (LBCDC).

Investment at fair value through profit or loss is lower by 68% to ₱41.38 million as at September 30, 2019 from ₱131.29 million as at December 31, 2018, primarily from redemption of investments amounting to ₱260.75 million during the period. This was offset by placement of ₱171.00 million for working capital requirement.

Prepayments and other current assets increased by 28% to ₱831.77 million as at September 30, 2019 from ₱647.52 million as at December 31, 2018, mainly traceable to prepaid taxes, insurance and existing short-term cash investment.

Non-current Assets

Property and equipment, net increased by 63% to ₱2,333.99 million as at September 30, 2019 from ₱1,436.08 million as at December 31, 2018, primarily due to the purchase of parcels of land.

Right-of-use of assets resulted from the adoption of PFRS16, which requires the recognition of an identifiable asset for the right to directly use the asset being leased in its operating leases.

Intangibles, net is declined by 28% to ₱398.39 million as at September 30, 2019 from ₱555.37 million as at December 31, 2018. The decrease was mainly due to sale of a subsidiary for which carrying value of ₱179.11 million was derecognized.

Investment at fair value through other comprehensive income, up by 13% to ₱382.32 million as at September 30, 2019 from ₱337.45 million as at December 31, 2018, relative to movement in market price from ₱1.73/share to ₱1.96/share.

Investment in associate increased by 2% to ₱243.41 million at September 30, 2019 from ₱239.02 million as at December 31, 2018 due to equity share in earnings including other comprehensive income of ₱19.39 million, offset by dividend income of ₱15 million.

Security deposit increased by 4% to ₱323.59 million as at September 30, 2019 from ₱312.43 million as at December 31, 2018 due to new branches opened and additional security deposit requirement of renewed leases.

Deferred tax assets - net increased by 9% to ₱330.73 million as of September 30, 2019 from ₱302.28 million as of December 31, 2018 mainly attributable to the deferred tax recognized related to accrued retirement liability and unrealized foreign exchange gain and losses.

Advances for future investment in shares as of December 31, 2018 represent the payment for acquisition of shares of North America entities, wherein the approval was granted effective January 1 and July 1, 2019.

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

On September 25, 2019, LBCH and Transtech Co., Ltd. entered into a loan agreement amounting to US$1,800,000 or ₱94.07 million at 2.3% interest per annum.

The decline in goodwill amounting to ₱225.15 million is from the sale of a subsidiary during the period.

Liabilities

Accounts and other payables were up by 14% to ₱3,196.32 million as at September 30, 2019 from ₱2,806.17 million as of December 31, 2018, primarily due to the unpaid acquisitions of property and equipment as at September 30 is higher by ₱721.25 million, mainly from purchase of land;

Due to related parties amounting to ₱40.81 million as at September 30, 2019 is below December 31, 2018 balance amounting to ₱93.99 million attributable to the sale of subsidiary in 2019.

Notes payable (current and noncurrent) increased by 10% to ₱914.50 million as at September 30, 2019 from ₱829.50 million as of December 31, 2018, primarily due to additional notes payable availed during the period.

Transmissions liability is up by 12% to ₱606.98 million as at September 30, 2019 from ₱543.90 million as of December 31, 2018 relative from the acquisition of entities in North America.

Lease liabilities (current and noncurrent) is significantly higher by ₱1,537.07 million at September 30, 2019 compared to last year driven by the adoption of PFRS16 which requires recognition of lease liability related to the operating leases.

Bond payable increased by 11% to ₱1,228.27 million as at September 30, 2019 from ₱1,108.42 million as at December 31, 2018, mainly from the accretion of interest, offset by the gain on foreign exchange translation by ₱14.35 million.

Derivative liability increased by 42% to ₱1,997.12 million as at September 30, 2019 from ₱1,406.18 million as of December 31, 2018, related to change in market data assumptions used in valuation.

LIQUIDITY

Cash Flows

<u>Nine months period ended September 30, 2019 compared to the nine months period ended September 30, 2019</u>

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, loss on derivative, gain from bargain purchase, gain from sale of subsidiary, equity in net earnings of an associate and changes in working capital. The Company's net cash from operating activities were ₱1,215.75 million and ₱1,041.27 million for the period ended September 30, 2019 and 2018, respectively. The inflow from operating activities were generally from normal operations.

Cash flows from investing activities

Cash used in investing activities for the period ended September 30, 2019 and 2018 amounted to ₱ 359.95 million and ₱1,382.36 million. Major investing activities for the period includes acquisition of land and business combination.

Cash flow from financing activities

Net cash used in financing activities for the nine-month period ended September 30, 2019 and 2018 amounted to ₱621.64 million and ₱222.95 million. Transactions for the period include availment and settlement of notes payable and the impact of the adoption of PFRS16 in leases.

PART II -- OTHER INFORMATION

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

SIGNATURE

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

LBC EXPRESS HOLDINGS, INC.

ENRIQUE V. REY, JR.
Chief Finance Officer

November 14, 2019

LBC Express Holdings, Inc.
and Subsidiaries

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

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 22 and 23)	**₱4,339,228,384**	₱4,137,439,144
Trade and other receivables (Notes 5, 16, 22 and 23)	**1,540,719,506**	1,642,133,769
Due from related parties (Notes 16, 22 and 23)	**1,439,474,197**	557,958,095
Investments at fair value through profit or loss (Notes 9, 22 and 23)	**41,384,771**	131,294,744
Prepayments and other current assets (Notes 6, 22 and 23)	**831,770,679**	647,518,135
Total Current Assets	**8,192,577,537**	7,116,343,887
Noncurrent Assets		
Property and equipment (Note 7)	**2,333,985,232**	1,436,080,000
Right-of-use assets (Notes 2 and 20)	**1,603,914,850**	–
Intangible assets (Note 8)	**398,388,457**	555,369,656
Investment at fair value through other comprehensive income (Notes 9, 22 and 23)	**382,317,745**	337,453,928
Deferred tax assets - net (Notes 2 and 19)	**330,731,019**	302,277,269
Security deposits (Note 20)	**323,592,347**	312,431,108
Investment in an associate (Note 10)	**243,413,901**	239,019,848
Advances for future investment in shares (Note 16)	–	439,823,608
Notes receivable - noncurrent portion (Note 16)	**28,350,639**	–
Loans receivable - noncurrent portion	**94,071,600**	–
Goodwill (Note 3)	**267,292,075**	492,446,084
Other noncurrent assets (Note 6)	**133,718,466**	138,929,366
Total Noncurrent Assets	**6,139,776,331**	4,253,830,867
	₱14,332,353,868	₱11,370,174,754
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 11, 16, 22 and 23)	**₱3,196,319,980**	₱2,806,169,280
Due to related parties (Notes 16, 22 and 23)	**40,808,772**	93,992,129
Dividends payable (Notes 15, 16, 22 and 23)	**356,466,368**	285,173,094
Current portion of notes payable (Notes 13, 22 and 23)	**367,000,000**	297,000,000
Transmissions liability (Notes 12, 22 and 23)	**606,975,613**	543,895,836
Income tax payable	**140,466,497**	126,565,090
Current portion of lease liabilities (Notes 20, 22 and 23)	**585,512,327**	20,271,292
Total Current Liabilities	**5,293,549,557**	4,173,066,721
Noncurrent Liabilities		
Derivative liability (Notes 14, 22 and 23)	**1,997,116,891**	1,406,175,427
Bond payable (Notes 14, 22 and 23)	**1,228,274,610**	1,108,417,074
Retirement benefit liability - net (Note 21)	**663,280,805**	672,265,144
Notes payable - net of current portion (Notes 13, 22 and 23)	**547,500,000**	532,500,000
Lease liabilities - net of current portion (Notes 20, 22 and 23)	**1,091,629,395**	119,797,742
Other noncurrent liabilities (Notes 7, 8, 22 and 23)	**50,046,541**	79,986,182
Total Noncurrent Liabilities	**5,577,848,242**	3,919,141,569
	10,871,397,799	8,092,208,290
Equity (Note 15)		
Equity attributable to shareholders of the Parent Company		
Capital stock	**1,425,865,471**	1,425,865,471
Retained earnings (Note 2)	**1,722,360,837**	1,625,483,991
Accumulated comprehensive income	**285,867,746**	241,328,367
	3,434,094,054	3,292,677,829
Non-controlling interests (Note 2)	**26,862,015**	(14,711,365)
Total Equity	**3,460,956,069**	3,277,966,464
	₱14,332,353,868	₱11,370,174,754

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30		Three Months Period Ended September 30,	
	2019 (Unaudited)	2018 (Unaudited)	**2019 (Unaudited)**	2018 (Unaudited)
SERVICE REVENUE (Note 24)	**₱11,574,946,417**	₱9,113,685,140	**₱3,727,478,037**	₱3,330,931,218
COST OF SERVICES (Note 17)	**8,395,927,713**	6,059,059,620	**2,770,559,450**	2,240,210,781
GROSS PROFIT	**3,179,018,704**	3,054,625,520	**956,918,587**	1,090,720,437
OPERATING EXPENSES (Note 18)	**2,119,084,894**	1,783,743,947	**696,999,271**	787,361,281
OTHER INCOME (CHARGES)				
Gain (loss) on derivative (Note 14)	**(590,941,464)**	331,624,420	**(619,443,282)**	(107,813,063)
Gain on sale of a subsidiary	**443,755,623**	–	**443,755,623**	–
Foreign exchange gains - net (Note 22)	**39,648,216**	176,014,840	**18,669,726**	29,235,467
Interest income (Notes 4,and 6)	**33,773,837**	23,258,719	**13,678,681**	8,154,365
Equity in net earnings of an associate (Note 10)	**18,929,690**	9,201,145	**7,933,270**	3,939,460
Fair value gain on investment at fair value through profit or loss (Note 9)	**90,995**	3,235,140	**(303,837)**	26,303
Interest expense (Notes 7, 8, 13, 14, 16 and 20)	**(272,450,422)**	(164,175,013)	**(97,203,643)**	(57,875,598)
Others - net	**38,501,979**	866,319	**3,831,462**	(2,548,049)
	(288,691,546)	380,025,570	**(229,082,000)**	(126,881,115)
INCOME BEFORE INCOME TAX	**771,242,264**	1,650,907,143	**30,837,316**	176,478,041
PROVISION FOR INCOME TAX (Note 19)	**319,667,018**	369,746,511	**92,930,908**	91,160,377
NET INCOME FOR THE PERIOD	**451,575,246**	1,281,160,632	**(62,093,592)**	85,317,664
OTHER COMPREHENSIVE INCOME (LOSS)				
Items not to be reclassified to profit or loss in subsequent periods				
Remeasurement gains (losses) on retirement benefit plan - net of tax (Notes 16 and 21)	**(116,908)**	43,069	**147,620**	(239,708)
Share in other comprehensive income of an associate (Note 10)	**464,363**	–	–	–
Unrealized fair value loss on investment at fair value through other comprehensive income (Note 9)	**44,863,817**	(44,863,820)	**(23,407,209)**	17,555,404
Items that may be reclassified to profit or loss in subsequent periods				
Currency translation gain (loss) - net	**(3,283,588)**	5,840,308	**(2,976,295)**	2,971,915
	41,927,684	(38,980,443)	**(26,235,884)**	20,287,611
TOTAL COMPREHENSIVE INCOME	**₱493,502,930**	₱1,242,180,189	**(₱88,329,476)**	₱105,605,275
NET INCOME ATTRIBUTABLE TO:				
Shareholders of the Parent Company	**₱469,397,828**	₱1,264,611,564	**(₱63,715,069)**	₱78,785,847
Non-controlling interests	**(17,822,582)**	16,549,068	**1,621,477**	6,531,817
NET INCOME FOR THE PERIOD	**₱451,575,246**	₱1,281,160,632	**(₱62,093,592)**	₱85,317,664
TOTAL COMPREHENSIVE ATTRIBUTABLE TO:				
Shareholders of the Parent Company	**₱513,937,207**	₱1,226,935,141	**(₱89,631,085)**	₱99,175,214
Non-controlling interests	**(20,434,277)**	15,245,048	**1,301,609**	6,430,061
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**₱493,502,930**	₱1,242,180,189	**(₱88,329,476)**	₱105,605,275
EARNINGS (LOSS) PER SHARE (Note 25)				
Basic	**₱0.33**	₱0.89	**(₱0.04)**	₱0.06
Diluted	**₱0.33**	₱0.68	**(₱0.04)**	₱0.06

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	For the Nine Months Ended September 30, 2019 (Unaudited)					
	Capital Stock (Note 15)	**Retained Earnings**	**Accumulated Comprehensive Income**	**Total**	**Non-controlling Interests**	**Total Equity**
Balances as at January 1, 2019, as previously reported	**₱1,425,865,471**	**₱1,625,483,991**	**₱241,328,367**	**₱3,292,677,829**	**(₱14,711,365)**	**₱3,277,966,464**
Impact of adoption of new accounting standards (Note 2)	–	**(16,054,614)**	–	**(16,054,614)**	–	**(16,054,614)**
Balances as at January 1, 2019, as restated	**1,425,865,471**	**1,609,429,377**	**241,328,367**	**3,276,623,215**	**(14,711,365)**	**3,261,911,850**
Comprehensive income:						
Net income (loss)	–	**469,397,828**	–	**469,397,828**	**(17,822,582)**	**451,575,246**
Other comprehensive income (loss)	–	–	**44,539,379**	**44,539,379**	**(2,611,695)**	**41,927,684**
Total comprehensive income (loss)	–	**469,397,828**	**44,539,379**	**513,937,207**	**(20,434,277)**	**493,502,930**
Non-controlling interests from:						
Additional investment	–	–	–	–	**4,943,610**	**4,943,610**
Sale of subsidiary	–	–	–	–	**77,998,194**	**77,998,194**
Dividends declared	–	**(356,466,368)**	–	**(356,466,368)**	**(20,934,147)**	**(377,400,515)**
Balances As at September 30, 2019	**₱1,425,865,471**	**₱1,722,360,837**	**₱285,867,746**	**₱3,434,094,054**	**₱26,862,015**	**₱3,460,956,069**

	For the Nine Months Ended September 30, 2018 (Unaudited)					
	Capital Stock (Note 15)	Retained Earnings	Accumulated Comprehensive Income	Total	Non-controlling Interests	Total Equity
Balances as at January 1, 2018, as previously reported	₱1,425,865,471	₱590,854,128	₱325,802,583	₱2,342,522,182,	(₱46,606,952)	₱2,295,915,230
Restatement of transition adjustments (Note 2)	–	(39,963,635)	–	(39,963,635)	–	(39,963,635)
Balances as at January 1, 2018, as restated	1,425,865,471	550,890,493	325,802,583	2,342,224,982	(46,606,952)	2,255,951,595
Comprehensive income:						
Net income	–	1,264,611,564	–	1,264,611,564	16,549,068	1,281,160,632
Other comprehensive loss	–	–	(37,676,423)	(37,676,423)	(1,304,020)	(38,980,443)
Total comprehensive income (loss)	–	1,264,611,564	(37,676,423)	1,226,935,141	15,245,048	1,242,180,189
Non-controlling interest through business combination	–	–	–	–	(5,077,113)	(5,077,113)
Balances as at September 30, 2018	₱1,425,865,471	₱1,855,168,492	₱288,126,160	₱3,569,160,123	(₱36,439,017)	₱3,493,054,671

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30 (Unaudited)	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱771,242,264**	₱1,650,907,143
Adjustments for:		
Depreciation and amortization (Notes 7, 8, 17, 18 and 20)	**924,783,696**	279,567,484
Loss (gain) on derivative (Note 14)	**590,941,464**	(331,624,419)
Interest expense (Notes 7, 8, 13, 14, 16 and 20)	**272,450,422**	164,175,013
Unrealized foreign exchange loss (gain)	**15,497,489**	(109,183,777)
Fair value gain on investment at fair value through profit or loss (Note 9)	**(90,995)**	(3,486,885)
Loss (gain) on disposal of property and equipment and intangible assets	**(454,707)**	1,488,205
Retirement expense (income), net of benefits paid and contribution to retirement plan	**(2,049,101)**	4,751,022
Equity in net earnings of an associate (Note 10)	**(18,929,689)**	(9,201,153)
Gain on bargain purchase (Note 3)	**(20,474,025)**	(2,144,829)
Interest income (Notes 4 and 6)	**(33,773,837)**	(23,258,719)
Gain from sale of a subsidiary	**(443,755,623)**	–
Operating income before changes in working capital	**2,055,387,358**	1,621,989,085
Changes in working capital:		
Decrease (increase) in:		
Trade and other receivables	**(237,420,527)**	184,092,855
Prepayments and other current assets (Notes 2 and 6)	**(346,954,177)**	(204,477,255)
Security deposits	**(17,691,112)**	(24,438,112)
Other noncurrent assets	**24,143,803**	(6,157,704)
Increase (decrease) in:		
Accounts and other payables (Note 11)	**63,361,584**	83,532,419
Transmissions liability	**17,293,060**	(216,788,338)
Net cash generated from operations	**1,558,119,989**	1,437,752,950
Interest received	**33,773,837**	23,258,719
Income tax paid	**(376,140,764)**	(419,737,649)
Net cash provided by operating activities	**1,215,753,062**	1,041,274,020
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash acquired through business combination (Note 3)	**588,974,770**	378,055,283
Proceeds from:		
Redemption of investments at fair value through profit or loss (Note 9)	**260,748,100**	668,866,777
Disposal of property and equipment	**4,384,208**	2,050,797
Decrease in cash due to sale of subsidiary	**(362,499,501)**	–
Acquisitions of:		
Intangible assets (Notes 8 and 26)	**(113,080,830)**	(98,214,926)
Property and equipment (Notes 7 and 26)	**(714,038,622)**	(405,172,443)
Investment at fair value through profit or loss (Note 9)	**(171,000,000)**	(778,580,000)
Investment in an associate	**–**	(218,265,068)
Dividend received	**7,500,000**	
Investment in subsidiaries	**–**	(317,408,857)
Decrease (increase) in due from related parties (Note 26)	**139,060,477**	(613,694,495)
Net cash used in investing activities	**(359,951,398)**	(1,382,362,932)

Forward

	Nine Months Ended September 30 (Unaudited)	
	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable (Note 26)	**₱350,000,000**	₱150,000,000
Interest paid (Note 26)	**(138,236,543)**	(45,104,961)
Payments of notes payable (Note 26)	**(265,000,000)**	(341,800,000)
Increase in due to related parties (Note 26)	**57,269,316**	33,376,133
Dividends paid (Note 26)	**(55,798,368)**	–
Payments of lease liabilities and other noncurrent liabilities (Note 26)	**(475,800,699)**	(19,420,679)
Increase in loans receivable	**(94,071,600)**	–
Net cash used in financing activities	**(621,637,894)**	(222,949,507)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**234,163,770**	(564,038,418)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(32,374,530)**	175,932,713
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**4,137,439,144**	3,778,408,492
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	**₱4,339,228,384**	₱3,390,302,787

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 with a corporate life of 50 years.

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

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

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

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

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

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

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

On July 1, 2019, LBCE sold all its 1,860,214 common shares in QUADX Inc.to LBCDC for ₱186,021,400 or ₱100 per share payable no later than two years from the date of execution of the deed of absolute sale of shares.

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

2. Summary of Significant Accounting Policies

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

Basis of Preparation

The accompanying interim condensed consolidated financial statements of the Group have been prepared using the historical cost basis, except for investments at fair value through profit or loss (FVPL) and fair value through other comprehensive income (FVOCI), and derivatives which have been measured at fair value. The interim condensed consolidated financial statements are presented in Philippine Peso (₱). All amounts are rounded off to the nearest peso, unless otherwise indicated.

Difference in accounting periods

The Group consolidated the non-coterminous financial statements of its subsidiaries using their November 30 fiscal year end and the nine months ended August 31 third quarter end financial statements except for QUADX Inc., QuadX Pte. Ltd., LBC Mabuhay (Malaysia) Sdn. Bhd, LBC Mabuhay (B) Sdn. Bhd and LBC Mabuhay Remittance Sdn. Bhd with December 31 year end which are aligned with the Parent Company, since it is impracticable for the said subsidiaries to prepare financial statements as of the same date as the reporting date of the Parent Company.

Management exercised judgment in determining whether adjustments should be made in the interim condensed consolidated financial statements of the Group pertaining to the effects of significant transactions or events of its subsidiaries that occur between September 1, 2019 and 2018 and the date of the Parent Company's financial statements which is September 30, 2019 and 2018 and between December 1, 2018 and the comparative date of the Parent Company's financial position which is December 31, 2018.

The interim condensed consolidated financial statements were adjusted to effect LBCE's availment of bank loans amounting to ₱150.00 in September 2018 (nil in 2019); settlement of bank loans in September 2019 and 2018 amounting to ₱11.25 million and ₱161.58, respectively; additional unquoted investment at fair value through profit or loss (FVPL) amounting to ₱40 million in September 2018 (nil in 2019); the adjustment to reflect the increase and decrease of fair value of quoted investment at fair value through other comprehensive income (FVOCI) by ₱11.70 and ₱15.60 for periods September 1 to September 30, 2019 and 2018, respectively.

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

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

Restatements

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

Statement of Compliance

The accompanying interim condensed consolidated financial statements of the Group have been prepared in accordance with the Philippine Accounting Standard 34, *Interim Financial Reporting*. Accordingly, the interim condensed consolidated financial statements do not include all the information and disclosures required in the annual audited consolidated financial statements and should be read in conjunction with the Group's annual audited financial statement as at and for the year ended December 31, 2018, which have been prepared in accordance with PFRS.

Basis of Consolidation

The interim condensed consolidated financial statements include the accounts of the Parent Company and all of its subsidiaries where the Parent Company has control. The interim condensed consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions, including income, expenses and dividends, are eliminated in full. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the interim condensed consolidated statements of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. Non-controlling interests (NCI) represent the portion of profit or loss and net assets in subsidiaries not owned by the Group and are presented separately in the interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and within equity in the interim condensed statement of financial position, separately from the Parent Company's equity. Any equity instruments issued by a subsidiary that are not owned by LBCH are non-controlling interests including preferred shares and options under share-based transactions.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of LBCH and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the interim condensed consolidated financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary
- derecognizes the carrying amount of any non-controlling interests
- derecognizes the cumulative translation differences recorded in equity
- recognizes the fair value of the consideration received
- recognizes the fair value of any investment retained
- recognizes any surplus or deficit in profit or loss
- reclassifies LBCH's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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

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

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

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

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

On July 1, 2019, LBCE sold all its 1,860,214 common shares in QUADX Inc. LBCDC for ₱186,021,400 or ₱100 per share payable no later than two years from the date of execution of the deed of absolute sale of shares.

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of new standards effective as of January 1, 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

- PFRS 16, *Leases*

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

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

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

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

  a. Nature of the effect of adoption of PFRS 16

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

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

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

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

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

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

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

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

b. Summary of new accounting policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

  The interpretation specifically addresses the following:
  - whether an entity considers uncertain tax treatments separately

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

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

The Group did not have significant impact on its interim condensed consolidated financial statements upon adoption of this interpretation.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

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

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

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

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

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

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

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

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

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

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

Significant Accounting Judgments Estimates and Assumptions

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Uncertainty about these estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future. Except as previously discussed in Note 2 on PFRS 16 adoption, the significant accounting judgments, estimates and assumptions used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements as at and for the year ended December 31, 2018.

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

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

---

3. **Business Combinations and Goodwill**

Business Combinations in 2018

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

Business Combinations in 2019

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

The transfer of the ownership of the shares and all rights, titles and interests thereto shall take place following the payment of the consideration defined and shall be subject to the necessary approvals of the US regulatory bodies that oversee and/or regulate the Companies.

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

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

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

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

The fair values of the identifiable assets acquired and liabilities assumed, including goodwill, as at the date of acquisitions are shown in the next page.

	LBC Mundial Corporation and Subsidiary	LBC Mabuhay North America Corporation and Subsidiaries	LBC Mabuhay Hawaii Corporation	Total
Percentage of ownership of Parent Company	100%	100%	100%	
Assets				
Cash and cash equivalents	₱416,992,734	₱135,914,809	₱36,067,228	₱588,974,771
Trade receivables	9,163,278	637,890	5,067	9,806,235
Receivable from related parties	30,133,703	7,036,075	452,802	37,622,580
Notes receivable, current	4,247,143			4,247,143
Prepayments and other current assets	40,832,027	9,176,472	3,609,667	53,618,166
Total current assets	501,368,885	152,765,246	40,134,764	694,268,895
Right-of-use asset	166,435,879	13,413,892	10,665,770	190,515,541
Property and equipment	3,274,227	82,025	494,759	3,851,011
Notes receivable, noncurrent	31,538,054	–	–	31,538,054
Security deposit	8,894,924	1,496,027	782,903	11,173,854
Other noncurrent asset	7,908,600	8,462,653	2,561,650	18,932,903
Total noncurrent asset	218,051,684	23,454,597	14,505,082	256,011,358
Total asset	719,420,569	176,219,843	54,639,846	950,280,253
Liabilities				
Accounts and other payables	101,525,750	35,127,065	9,552,315	146,205,125
Payable to related parties	3,335,795	63,974,339	(146,041)	67,164,093
Transmission liability	36,637,211	1,461,726	7,217,848	45,316,785
Income tax payable	34,770,283	3,004,012	3,927,678	41,701,973
Lease liabilities	166,435,879	13,413,892	10,910,450	190,760,221
Total liabilities	342,704,918	116,981,034	31,462,250	491,148,197
Net assets attributable to Parent Company	**376,715,651**	**59,238,809**	**23,177,596**	**459,132,056**
Add: Purchased goodwill	–	655,654	–	655,654
Less: Gain on bargain purchase	14,818,115	–	5,655,910	20,474,024
Purchase consideration	**₱361,897,536**	**₱59,894,463**	**₱17,521,686**	**₱439,313,686**

Purchase consideration and net cash flows

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

	LBC Mundial Corporation and Subsidiary	LBC Mabuhay North America Corporation and Subsidiaries	LBC Mabuhay Hawaii Corporation	Total
Cash paid	₱361,897,537	₱59,894,463	₱17,521,686	₱439,313,686
Cash acquired	416,992,745	135,914,827	36,067,228	588,974,800
Net cash inflow	₱55,095,208	₱76,020,364	₱18,545,542	₱149,661,114

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

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

	LBC Mundial Corporation and Subsidiary	LBC Mabuhay North America Corporation and Subsidiaries	LBC Mabuhay Hawaii Corporation	Total
Share in revenue	₱1,071,621,840	₱247,130,650	₱21,846,819	**₱1,340,599,309**
Share in net income (loss)	28,472,791	20,103,752	2,815,761	51,392,304

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

On July 1, 2019, LBCE sold all its 1,860,214 common shares in QUADX Inc. LBCDC for ₱186,021,400 or ₱100 per share payable no later than two years from the date of execution of the deed of absolute sale of shares.

Goodwill

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

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

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

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

Gross carrying amount and net book value	
At January 1, 2019	₱492,446,084
Acquisition of a subsidiary	655,654
Sale of subsidiary	(225,809,663)
At September 30, 2019	**₱267,292,075**

4. Cash and Cash Equivalents

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)	September 30, 2018 (Unaudited)
Cash on hand	**₱269,652,912**	₱358,706,343	₱269,857,937
Cash in banks	**2,193,610,114**	2,122,353,939	1,531,419,468
Cash equivalents	**1,875,965,358**	1,656,378,862	1,589,025,382
	₱4,339,228,384	₱4,137,439,144	₱3,390,302,787

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

Cash in banks and cash equivalents earn interest ranging from 0.25% to 6.00% per annum in 2019 and 2018. Interest income earned from cash and cash equivalents amounted to ₱33.50 million and ₱23.22 million for the nine months ended September 30, 2019 and 2018, respectively.

5. Trade and Other Receivables

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade receivables - outside parties	**₱1,317,982,120**	₱1,447,404,156
Trade receivables - related parties (Note 16)	**279,767,354**	253,208,381
	1,597,749,474	1,700,612,537
Less allowance for expected credit losses	**157,201,700**	154,294,279
	1,440,547,774	1,546,318,258
Other receivables:		
Notes receivable - related party (Note 16)	**4,396,076**	–
Advances to officers and employees	**50,509,390**	33,771,196
Others	**45,266,266**	62,044,315
	₱1,540,719,506	₱1,642,133,769

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

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

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

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

The Group recognized provision for expected credit losses on trade receivables from outside parties amounting to ₱11.21 million and ₱67.63 million for the nine-month ended September 30, 2019 and 2018, respectively (see Note 18).

On September 25, 2019, LBCH and Transtech Co., Ltd. entered into a loan agreement amounting to US$1,800,000 at 2.3% interest per annum.

6. Prepayments and Other Assets

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Input value-added tax (VAT)	**₱266,416,364**	₱324,539,993
Materials and supplies	**186,404,640**	148,990,229
Prepayments:		
Taxes	**31,413,221**	11,410,009
Insurance	**47,796,599**	20,923,820
Deferred operational charges	**₱47,152,192**	₱–
Software maintenance	**22,460,476**	18,275,638
Employee benefits	**21,652,733**	18,209,303
Rent	**11,913,666**	62,533,385
Advertising	**6,018,162**	8,857,794
Dues and subscriptions	**4,279,181**	3,794,116
Company events	**–**	1,427,191
Others	**31,535,168**	33,169,932
Short-term cash investments	**132,531,799**	–
Creditable withholding taxes (CWTs)	**109,169,017**	104,471,039
Restricted cash in bank	**20,747,067**	19,528,338
Others	**26,797,629**	11,115,483
	966,287,914	787,246,270
Less allowance for impairment losses	**798,769**	798,769
	965,489,145	786,447,501
Less noncurrent portion of:		
VAT on capital goods and other assets	**122,493,831**	99,562,777
Advance payment to a supplier	**9,000,000**	9,000,000
Prepaid rent	**2,224,635**	30,366,589
Total noncurrent portion	**₱133,718,466**	₱138,929,366
Total current portion	**₱831,770,679**	₱647,518,135

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

Materials and supplies consist of office supplies and packing materials to be used in the Group's operations. Materials and supplies recognized as part of cost of services under "Utilities and supplies" in the interim consolidated statements of comprehensive income for the nine months ended September 30, 2019 and 2018 amounted to ₱430.50 million and ₱332.33 million, respectively (see Note 17).

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

Short-term cash investments are time deposits with maturity of more than three months from the date of acquisition but not exceeding one year. Restricted cash in banks represent time deposits, in the name of LBCE, with a maturity of one year and assigned to specific customers as performance guarantees.

Interest income earned from short-term cash investments and restricted cash in bank amounted to ₱0.28 million and ₱0.03 million for the nine months ended September 30, 2019 and 2018, respectively.

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

7. Property and Equipment

The rollforward analysis of this account follows:

For the Nine Months Ended September 30, 2019 (Unaudited)	Land	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Construction in Progress	Total
Costs							
At beginning of period	₱–	₱671,381,507	₱1,506,615,476	₱695,846,319	₱723,884,444	₱201,932,044	₱3,799,659,790
Effect of PFRS 16 adoption	–	(120,657,182)	–	–	–	–	(120,657,182)
As at January 1, 2019, as restated	–	550,724,325	1,506,615,476	695,846,319	723,884,444	201,932,044	3,679,002,608
Additions	992,533,425	48,104,655	22,609,168	56,466,204	54,226,328	278,980,404	1,452,920,184
Additions through business combination (Note 3)	–	218,786	1,893,554	399,301	1,339,370	–	3,851,011
Reclassifications	–	4,662,054	205,486,651	9,291,471	258,846,187	(478,286,363)	–
Disposals	–	(5,456,922)	(48,984,258)	(109,661,570)	(115,863,914)	–	(279,966,664)
At end of period	992,533,425	598,252,898	1,687,620,591	652,341,725	922,432,415	2,626,085	4,855,807,139
Accumulated Depreciation, Amortization and Impairment							
At beginning of period	–	367,929,355	832,443,089	588,846,283	574,361,063	–	2,363,579,790
Effect of PFRS 16 adoption	–	(44,220,577)	–	–	–	–	(44,220,577)
As at January 1, 2019, as restated	–	323,708,778	832,443,089	588,846,283	574,361,063	–	2,319,359,213
Depreciation (Notes 17 and 18)	–	36,598,884	152,038,756	49,105,126	91,493,583	–	329,236,349
Disposals	–	(5,370,909)	(21,184,476)	(88,151,748)	(12,066,522)	–	(126,773,655)
At end of period	–	354,936,753	963,297,369	549,799,661	653,788,124	–	2,521,821,907
Net Book Value	₱992,533,425	₱243,316,145	₱724,323,222	₱102,542,064	₱268,644,291	₱2,626,085	₱2,333,985,232

For the year ended December 31, 2018 (Audited)	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Construction in Progress	Total
Costs						
At beginning of year	₱499,479,068	₱1,574,578,690	₱657,456,399	₱620,519,300	₱17,301,634	₱3,369,335,091
Additions	192,447,015	74,166,146	52,526,839	97,061,766	275,107,556	691,309,322
Additions through business combination	2,274,146	13,565,882	11,895,269	5,814,797	54,344,897	87,894,991
Reclassifications	2,364,376	128,151,314	12,182,349	2,124,004	(144,822,043)	–
Disposals	(25,183,098)	(283,846,556)	(38,214,537)	(1,635,423)	–	(348,879,614)
At end of year	671,381,507	1,506,615,476	695,846,319	723,884,444	201,932,044	3,799,659,790
Accumulated Depreciation, Amortization and Impairment						
At beginning of year	337,955,230	991,124,111	568,035,973	496,166,376	–	2,393,281,690
Depreciation	50,285,548	123,241,100	58,900,285	79,332,772	–	311,759,705
Disposals	(20,311,423)	(281,922,122)	(38,089,975)	(1,138,085)	–	(341,461,605)
At end of year	367,929,355	832,443,089	588,846,283	574,361,063	–	2,363,579,790
Net Book Value	₱303,452,152	₱674,172,387	₱107,000,036	₱149,523,381	₱201,932,044	₱1,436,080,000

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

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

In 2015, the Group purchased a computer hardware on a long-term payment arrangement. The liability is interest bearing and payable over 60 months. As of September 30, 2019, the outstanding liability amounted to ₱15.83 million, ₱3.35 million of which is reported under 'other noncurrent liabilities' in the interim consolidated statements of financial position. Interest expense arising from the amortization of the deferred interest amounted to ₱1.23 million and ₱1.78 million for the nine months ended September 30, 2019 and 2018, respectively.

On April 15, 2019, LBCE entered into a Contract to Sell (CTS) with a third party for the purchase of parcels of land for a total consideration of ₱916.89 million. As stipulated in the Contract, within 10 days of the signing of the CTS, LBCE paid the initial down payment amounting to ₱183.38 million. Subsequently, the second payment of ₱91.69 million was settled by LBCE within 15 business days upon presentation of the seller of the new subdivided title, while the remaining purchase price amounting to ₱641.82 million shall be paid by LBCE through a bank financing not later than one year from the CTS date. Accordingly, the seller agrees and undertakes that, upon execution of the CTS and the initial down payment, the seller will turn over the physical possession of the subject property to LBCE. Capitalized direct expenses include transfer fees, capital gains tax, documentary stamp taxes and notarial fees amounting to ₱75.64 million.

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

8. Intangible Assets

The rollforward analysis of this account follows:

	For the Nine Months Ended September 30, 2019 (Unaudited)		
	Software	**Development in Progress**	**Total**
Costs			
At beginning of period	**₱727,554,102**	**₱118,932,565**	**₱846,486,667**
Additions	**10,758,546**	**104,506,284**	**115,264,830**
Reclassification	**82,558,599**	**(84,742,599)**	**(2,184,000)**
Disposal	**(175,332,342)**	**(61,473,865)**	**(236,806,207)**
At end of period	**645,538,905**	**77,222,385**	**722,761,290**
Accumulated Amortization			
At beginning of period	**291,117,011**	–	**291,117,011**
Amortization (Notes 17 and 18)	**90,945,504**	–	**90,945,504**
Disposal	**(57,689,682)**	–	**(57,689,682)**
At end of period	**324,372,833**	–	**324,372,833**
Net Book Value	**₱321,166,072**	**₱77,222,385**	**₱398,388,457**

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

In 2017, the Group purchased IT security tool, a new payroll system and a logistic software on a non-interest-bearing long-term payment arrangement payable over 36 months, 60 months and 60 months, respectively. As at September 30, 2019, the outstanding liability related to the purchase of these intangible assets amounted to ₱77.08 million, ₱46.69 million of which is presented under 'other noncurrent liabilities' in the interim condensed consolidated statement of financial position. Interest expense arising from the amortization of deferred interest amounted to ₱2.82 million and ₱4.52 million for the nine months ended September 30, 2019 and 2018, respectively.

In 2018, a web filtering software was acquired on an interest-bearing payment arrangement over 18 months. As at September 30, 2019, the outstanding liability related to the purchase amounted to ₱4.22 million, presented under accounts payable and accrued expenses in the interim condensed consolidated statement of financial position. Interest expense arising from the amortization of deferred interest amounted to ₱0.15 million for the nine months ended September 30, 2019 (nil in 2018).

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

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

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

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

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

Movement of the investments at fair value follows:

	September 30, 2019 (Unaudited)	
	FVPL	**FVOCI**
As at January 1, 2019	**₱131,294,744**	**₱337,453,928**
Additions	**171,000,000**	**–**
Redemption	**(260,748,100)**	**–**
Unrealized fair value gain during the period	**90,994**	**44,863,817**
Unrealized foreign exchange gain during the period	**(252,867)**	**–**
	₱41,384,771	**₱382,317,745**

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

10. **Investment in an Associate**

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Costs		
At January 1	**₱227,916,452**	₱–
Additions:		
Share in equity	**–**	109,956,952
Excess of purchase price over fair value of net assets	**–**	108,873,250
Costs directly attributable to the investments	**–**	9,086,250
Less: Dividend income	**(15,000,000)**	
	₱212,916,452	₱227,916,452
Accumulated Equity on Net Earnings		
At January 1	**11,103,396**	–
Equity share in net earnings	**18,929,690**	11,103,396
	30,033,086	11,103,396
Other Comprehensive Income		
At January 1	**–**	–
Equity share in other comprehensive income	**464,363**	–
	464,363	–
Carrying Value	**₱243,413,901**	₱239,019,848

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

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

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

The Group recognized equity in net earnings and other comprehensive income of an associate amounting to ₱18.93 million and ₱0.46 million, respectively which represents the Group's share in the associate's earnings from January 1 to September 30, 2019 and is presented under "Other income (charges)" and other comprehensive income in the interim consolidated statements of comprehensive income. No impairment loss was recognized for the investment in associate in 2019 and 2018.

The summarized statements of financial position of the associate follow:

	September 30, 2019	December 31, 2018
Current assets	**₱515,621,169**	₱484,718,655
Noncurrent assets	**136,915,250**	124,186,956
Current liabilities	**250,279,956**	220,511,830
Noncurrent liabilities	**41,942,418**	30,275,751
Equity	**₱360,314,045**	₱358,118,030

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

Revenue	**₱1,062,900,165**
Cost and expenses	**999,801,200**
Net income	**63,098,965**
Other comprehensive income	**1,547,878**
Total comprehensive income	**₱64,646,843**
Group's share of total comprehensive income from January 1 to September 30, 2019	**₱19,394,053**

11. **Accounts and Other Payables**

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade payable - outside parties	**₱984,930,464**	₱1,353,449,343
Trade payable - related parties (Note 16)	**510,650**	370,163
Accruals:		
Property and equipment	**738,881,562**	17,629,915
Salaries and wages	**305,708,767**	277,249,320
Rent and utilities	**134,284,405**	124,727,982
Contracted jobs	**125,349,688**	191,243,940
Advertising	**70,571,439**	94,836,141
Claims and losses	**27,777,864**	79,870,576
Taxes	**19,352,737**	16,366,752
Outside services	**17,985,920**	11,414,949
Professional fees	**14,316,667**	24,776,017
Software maintenance	**8,633,386**	9,184,268
Others	**63,802,420**	63,105,153
Deferred output VAT	**317,230,700**	300,135,756
Contract liabilities	**206,382,692**	83,666,589
Taxes payable	**80,264,194**	91,174,576
Government agencies contributions payables	**29,334,300**	26,136,084
Subscription payable	**–**	9,651,375
Others (Note 16)	**51,002,125**	31,180,381
	₱3,196,319,980	₱2,806,169,280

12. **Transmissions Liability**

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

13. Notes Payable

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

September 30, 2019 (Unaudited)					
Bank/Related Party	**Date of Availment**	**Outstanding Balance**	**Maturity**	**Interest Rate**	**Payment Terms**
Banco de Oro	**April 2019**	**₱67,000,000**	**Oct 2019**	**6%; subject to repricing**	**Clean; Interest payable every month, principal to be paid on maturity date**
Banco de Oro	**March 2019**	**150,000,000**	**March 2020**	**6%; subject to repricing**	**Clean, interest payable every month, principal to be paid on maturity date**
Banco de Oro	**Various availments in 2016**	**552,500,000**	**Various maturities in 2019 to 2021**	**6%; subject to repricing**	**With mortgage; Interest payable every month, principal payable quarterly**
Unionbank of the Philippines	**April 2019**	**74,100,000**	**April 2024**	**7.826%, subject to repricing**	**Clean; Interest payable every month, principal to be paid on maturity date**
Unionbank of the Philippines	**February 2019**	**50,000,000**	**February 2020**	**7.25%, subject to repricing**	**Clean, Interest payable every month, principal to be paid on maturity date**
Unionbank of the Philippines	**June 2019**	**20,900,000**	**April 2024**	**7.053%, subject to repricing**	**Clean, Interest payable every month, principal to be paid on maturity date**
Total		**₱914,500,000**			
Current portion		**₱367,000,000**			
Noncurrent portion		**₱547,500,000**			

December 31, 2018 (Audited)					
Bank	Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
Banco de Oro	December 2018	₱67,000,000	April 2019	5.50%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
Banco de Oro	September 2018	150,000,000	March 2019	5.50%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
Banco de Oro	Various availments in 2016	612,500,000	Various maturities in 2018 to 2021	5.50%, subject to repricing	With mortgage; Interest payable every month, principal payable quarterly
Total		₱829,500,000			
Current portion		₱297,000,000			
Noncurrent portion		₱532,500,000			

The Notes Facility Agreement entered by the Group with Banco De Oro (BDO) in May 2016 is with a credit line facility amounting to ₱800.00 million. The loan is secured with real estate mortgage on land owned by the Group's affiliate (see Note 16).

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

Interest expense amounted to ₱53.23 million and ₱32.99 million for the nine months ended September 30, 2019 and 2018, respectively.

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

14. Convertible Instrument

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Derivative liability		
Balance at beginning of year	**₱1,406,175,427**	₱1,860,373,479
Fair value loss (gain) on derivative	**590,941,464**	(454,198,052)
	₱1,997,116,891	₱1,406,175,427
Bond payable		
Balance at beginning of year	**₱1,108,417,074**	₱896,185,059
Accretion of interest	**132,864,816**	159,106,145
Unrealized foreign exchange loss	**(14,356,343)**	50,577,641
Amortization of issuance cost	**1,349,063**	2,548,229
	₱1,228,274,610	₱1,108,417,074

On June 20, 2017, the BOD of the Parent Company approved the issuance of convertible instrument. The proceeds of the issuance of convertible instrument will be used to fund the growth of the business of the Parent Company, including capital expenditures and working capital. Accordingly, on August 4, 2017, the Parent Company issued, in favor of CP Briks Pte. Ltd (CP Briks), a seven-year secured convertible instrument in the aggregate principal amount of US$50.0 million (₱2,518.25 million) convertible at any time into 192,307,692 common shares of the Parent Company at the option of CP Briks at ₱13.00 per share conversion price, subject to adjustments and resetting of conversion price in accordance with the terms and conditions of the instrument.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

v. On October 15, 2018, the Parent Company acquired the following overseas entities:
- LBC Mabuhay Remittance Sdn. Bhd. which operates as a remittance company in Brunei. The Parent Company purchased one (1) share which represents 50% equity interest at the subscription price of US $557,804 per share.
- LBC Mabuhay (B) SDN BHD which operates as a cargo company in Brunei. The Parent Company acquired 50% of LBC Mabuhay (B) SDN BHD for a total purchase price of US $225,965.

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

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

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

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

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

On July 1, 2019, LBCE sold all its 1,860,214 common shares in QUADX Inc. LBCDC for ₱186,021,400 or ₱100 per share payable no later than two years from the date of execution of the deed of absolute sale of shares.

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

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

15. **Equity**

Capital stock
As at September 30, 2019 and December 31, 2018, the details of the Parent Company's common shares follow:

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

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

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

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

On September 12, 2019, the BOD of LBCH approved the declaration of cash dividends amounting to ₱356.47 million.

16. Related Party Transactions

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

Details of related party transactions and balances for the nine months ended September 30, 2019 and for the year ended December 31, 2018 are as follows:

	Transaction amounts for the nine months ended September 30, 2019 (Unaudited)	Outstanding receivable balance as at September 30, 2019 (Unaudited)	Terms	Conditions
<u>Due from related parties (Trade and notes receivables)</u>				
Affiliates				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 5 and 24)	**₱64,205,048**	**₱279,767,354**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
h.) Notes receivable (Note 5)	**3,415,479**	**32,746,715**	**Interest-bearing; fixed monthly payment**	**Unsecured, no impairment**
		₱312,514,069		
<u>Due from related parties (Non-trade receivables)</u>				
Ultimate parent company				
b.) Advances	**₱789,474,600**	**₱1,282,464,038**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
Affiliates - under common control				
b.) Advances	**38,967,397**	**111,801,081**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
Officer/ Beneficial owner				
b.) Advances	**28,424,682**	**37,709,078**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
		₱ 1,431,974,197		
<u>Dividend receivable</u>				
i.) Associate	**₱15,000,000**	**₱7,500,000**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**

	Transaction amounts for the nine months ended September 30, 2019 (Unaudited)	**Outstanding payable balance as at September 30, 2019 (Unaudited)**	**Terms**	**Conditions**
Due to related parties (Trade payables)				
Ultimate Parent Company				
b.) Advances (Note 11)	**₱–**	**(₱510,650)**	**Noninterest-bearing; due and demandable**	**Unsecured**
Associate				
e.) Sea freight and brokerage	**517,404,987**	**–**	**Noninterest-bearing; due and demandable**	**Unsecured**
Affiliate				
d.) Guarantee fee (Note 13)	**5,357,143**	**–**	**Noninterest-bearing; due and demandable**	**Unsecured**
		(₱510,650)		
Due to related parties (Non-trade payables)				
Affiliate - under common control				
b.) Advances (Note 11)	**₱24,417,296**	**(₱28,859,358)**	**Noninterest-bearing; due and demandable**	**Unsecured**
Officer				
b.) Advances (Note 11)	**–**	**(11,949,414)**	**Noninterest-bearing; due and demandable**	**Unsecured**
		(₱40,808,772)		

	Transaction amounts for the six months ended September 30, 2018 (Unaudited)	Outstanding receivable balance as at December 31, 2018 (Audited)	Terms	Conditions
Due from related parties (Trade receivables)				
Affiliates				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 5 and 24)	₱242,733,593	₱253,208,381	Noninterest-bearing; due and demandable	Unsecured, no impairment
Due from related parties (Non-trade receivables)				
Ultimate parent company				
b.) Advances	₱80,982,802	₱493,736,678	Noninterest-bearing; due and demandable	Unsecured, no impairment
Affiliates - under common control				
b.) Advances	1,020,868	54,937,022	Noninterest-bearing; due and demandable	Unsecured, no impairment
Officer				
b.) Advances	507,187	9,284,395	Noninterest-bearing; due and demandable	Unsecured, no impairment
		₱557,958,095		
Due from related parties (Advances for future investments in shares)				
g.) Advances for future investment in shares	₱445,946,636	₱439,823,608	Noninterest-bearing; for settlement of the subscription of shares	Unsecured, no impairment

	Transaction amounts for the nine months ended September 30, 2018 (Unaudited)	Outstanding payable balance as at December 31, 2018 (Audited)	Terms	Conditions
Due to related parties (Trade payables)				
Ultimate Parent Company				
c.) Royalty fee (Note 11)	₱–	(₱370,163)	Noninterest-bearing; due and demandable	Unsecured
Associate				
e.) Sea freight and brokerage	152,439,991	–	Noninterest-bearing; due and demandable	Unsecured
Affiliate				
d.) Guarantee fee (Note 13)	5,357,143	–	Noninterest-bearing; due and demandable	Unsecured
		(₱370,163)		
Due to related parties (Dividends payable)				
Ultimate Parent Company				
f.) Dividends declared and payable (Note 15)	₱–	(₱285,173,094)	Noninterest-bearing; due and demandable	Unsecured

	Transaction amounts for the nine months ended September 30, 2018 (Unaudited)	Outstanding payable balance as at December 31, 2018 (Audited)	Terms	Conditions
Due to a related party (Non-trade payables)				
Affiliates - under common control				
b.) Advances	₱–	(₱18,347,124)	Noninterest-bearing; due and demandable	Unsecured
Officer				
b.) Advances	–	(75,645,005)	Noninterest-bearing; due and demandable	Unsecured
		(₱93,992,129)		

Compensation of Key Management Personnel:

	For the Nine Months Ended September 30	
	2019 (Unaudited)	2018 (Unaudited)
Salaries and wages	**₱70,112,383**	₱116,210,389
Retirement benefits	**7,095,411**	10,399,103
Other short-term employee benefits	**13,052,201**	15,041,423
	₱90,259,995	₱141,650,915

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

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

   In prior years, the Group has outstanding advances of ₱295.00 million to LBC Development Bank, an entity under common control of LBCDC. In 2011, management assessed that these advances are not recoverable. Accordingly, the said asset was written-off from the books in 2011 (see Note 27).

c. Starting 2007, LBCDC (Licensor), the Ultimate Parent Company, granted to the Group (Licensee) the full and exclusive right to use the LBC Marks within the Philippines in consideration for a continuing royalty rate of two point five percent (2.5%) of the Company's Gross Revenues which is defined as any and all revenue from all sales of products and services, including all other income of every kind and nature directly and/or indirectly arising from, related to and/or connected with Licensee's business operations (including, without limitation, any proceeds from business interruption insurance, if any), whether for cash or credit, wherever made, earned, realized or accrued, excluding any sales discounts and/or rebates, value added tax. Such licensing agreement was amended on August 4, 2017 and was subsequently discontinued effective September 4, 2017 in recognition of the Group's own contribution to the value and goodwill of the trademark.

d. As discussed in Note 13, the Group entered into a loan agreement with BDO which is secured with real estate mortgage on various real estate properties owned by the Group's affiliate. In consideration of the affiliate's accommodation to the Group's request to use these properties as loan collateral, the Group agreed to pay the affiliate, every April 1 of the year starting April 1, 2016, a guarantee fee of 1% of the face value of loan and until said properties are released by the bank as loan collateral. The guarantee fee is reported as part of interest expense in the interim consolidated statements of comprehensive income amounting to ₱5.36 million for the nine months ended September 30, 2019 and 2018.

e. In the normal course of business, LBCE acquires services from OFII which include sea freight and brokerage mainly for the cargoes coming from international origins. These expenses are billed to the origins at cost.

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

g. On March 7, 2018, the BOD of the Parent Company approved the purchase of shares of the entities under LBC Express Holdings USA Corporation. The acquisition is expected to benefit the Group by contributing to its global revenue streams. On the same date, the SPA was executed by the Parent Company and LBC Express Holdings USA Corporation with a total share purchase price amounting to US $8.34 million, subject to certain closing conditions. As discussed in Note 14, the transfer of the ownership of the shares and all rights, titles and interests thereto shall take place following the payment of the consideration defined and shall be subject to the necessary approvals of the US regulatory bodies that oversee and/or regulate the Companies. On January 1, 2019, the Parent Company was granted the regulatory approvals on the purchase of the LBC Mundial Corporation and LBC Mabuhay North America Corporation.

h. In November 2011, LBC Mundial Corporation paid-off LBC Express Holdings USA Corporation's outstanding mortgage loan which is consolidated into a long-term promissory note amounting to US$1,105,148 at 4% interest, payable in 180 equal monthly installments. As of September 30, 2019, total outstanding notes receivable amounted to ₱32.75 million, ₱4.40 million of which is presented as current under "Trade and other receivables". Interest income earned from notes receivable amounted to ₱1.12 million for the period ended September 30, 2019.

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

17. Cost of Services

This account consists of:

	For the Nine Months Ended September 30	
	2019 (Unaudited)	2018 (Unaudited)
Cost of delivery and remittance	**₱3,695,889,834**	₱2,754,262,689
Salaries and benefits	**2,367,894,189**	1,604,560,217
Utilities and supplies	**866,873,848**	702,789,214
Depreciation and amortization (Notes 7, 8 and 20)	**760,776,180**	202,322,817
Rent (Note 20)	**311,959,950**	520,704,512
Transportation and travel	**101,416,907**	92,678,956
Repairs	**87,949,777**	72,699,080
Retirement benefit expense	**82,038,115**	69,910,950
Insurance	**42,739,257**	19,090,244
Collection fee	**32,311,743**	4,006,283
Software subscription	**13,631,313**	6,267,950
Others	**32,446,600**	9,766,708
	₱8,395,927,713	₱6,059,059,620

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

18. Operating Expenses and Foreign Exchange Gains - net

Operating expenses consist of:

	For the Nine Months Ended September 30	
	2019 (Unaudited)	2018 (Unaudited)
Salaries and benefits	**₱465,011,999**	₱461,906,601
Advertising and promotion	**285,935,722**	184,242,541
Professional fees	**204,794,335**	124,739,927
Depreciation and amortization (Notes 7, 8 and 20)	**164,007,516**	77,244,666
Utilities and supplies	**148,479,586**	119,813,154
Taxes and licenses	**146,060,220**	114,961,454
Commission expense	**138,752,308**	24,484,521
Travel and representation	**133,107,355**	103,619,067
Claims and losses	**134,808,911**	150,849,386
Rent (Note 20)	**87,141,120**	196,622,373
Dues and subscriptions	**69,064,906**	46,407,925
Software maintenance costs	**31,959,198**	34,474,714
Retirement benefit expense	**26,225,791**	24,707,202
Insurance	**18,432,015**	17,592,791
Provision for expected credit losses (Note 5)	**11,207,671**	67,625,778
Repairs and maintenance	**3,459,967**	3,641,006
Others	**50,636,274**	30,810,841
	₱2,119,084,894	₱1,783,743,947

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

Foreign exchange gains - net arises from the following:

	For the Nine Months Ended September 30	
	2019 (Unaudited)	2018 (Unaudited)
Investment at FVPL	**₱44,275,224**	₱19,898,311
Bonds payable	**14,356,343**	(81,915,060)
Advances to affiliates - net	**2,682,572**	15,265,899
Trade payable	**1,525,375**	(7,530,436)
Cash and cash equivalents	**(23,191,298)**	230,296,126
	₱39,648,216	(₱176,014,840)

19. **Income Taxes**

Provision for income tax consists of:

	For the Nine Months Ended September 30	
	2019 (Unaudited)	2018 (Unaudited)
Current	**₱348,340,198**	₱368,945,942
Deferred	**(28,673,180)**	800,569
	₱319,667,018	₱369,746,511

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Deferred tax assets arising from:		
Retirement benefit liability	**₱212,576,435**	₱197,105,840
Accrued employee benefits	**44,941,676**	47,742,542
Allowance for impairment losses	**45,118,505**	48,132,334
Contract liabilities	**12,059,880**	11,376,223
Unrealized foreign exchange losses	**3,235,616**	–
MCIT	**80,056**	120,135
NOLCO	–	15,117,586
Lease liabilities	–	16,512,220
Others	**16,520,119**	9,312,542
	334,532,287	345,419,422
Deferred tax liabilities arising from:		
Capitalized borrowing costs	**(52,334)**	(209,334)
Unamortized fair value adjustments arising from business combination	–	(19,634,690)
Unrealized foreign exchange gains	–	(20,285,223)
Others	**(3,748,934)**	(3,012,906)
	(3,801,268)	(43,142,153)
	₱330,731,019	₱302,277,269

20. **Lease Commitments**

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

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

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

3. Lease agreements covering various service centers and service points, within the Philippines and overseas where the Group operates, for a period of one to five years, renewable at the Group's option at such terms and conditions which may be agreed upon by both parties. These lease agreements include provision for rental rate escalations including payment of security deposits and advance rentals.

4. Lease agreement with a local bank covering transportation equipment for a period of three to four years. The lease agreement does not include escalation rates on monthly payments
   There are no contingent rents for the above lease agreements.

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

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

	Right-of-use assets				
	Office and Warehouses	**Vehicles**	**Equipment**	**Total**	**Lease liabilities**
As at January 1,2019, as previously stated	₱–	₱–	₱–	₱–	(₱140,069,034)
Effect of PFRS 16 adoption	1,651,000,195	89,403,785	25,312,929	1,765,716,909	(1,648,643,414)
As at January 1, 2019, as restated	1,651,000,195	89,403,785	25,312,929	1,765,716,909	(1,788,712,448)
Additions through business combinations	133,861,706	20,613,585	36,040,215	190,515,506	(190,760,186)
Additions	110,455,132	37,262,778	227,979	147,945,889	(165,474,956)
Amortization	(459,428,675)	(20,910,193)	(24,262,975)	(504,601,843)	–
Payments of principal	–	–	–	–	390,737,348
Payments of interests	–	–	–	–	74,687,790
Accretion of interest	–	–	–	–	2,380,730
As at September 30, 2019	**₱1,435,888,358**	**₱126,369,955**	**₱37,318,148**	**₱1,599,576,461**	**(₱1,677,141,722)**

The Group recognized rent expense from short-term leases of ₱389.37 million and leases of low-value assets of ₱9.73 million for the nine months ended September 30, 2019 (see Notes 17 and 18).

Lease liabilities recognized under PFRS 16 amounted to ₱1,676.14 million, ₱581.88 million of which is presented under current liabilities. The Group also reclassified from Property and equipment recognized under finance lease to Right-of-use assets amounting to ₱76.44 million (see Note 2). Interest expense arising from the accretion of the present value of the minimum lease payments amounted to ₱1.98 million for the nine months ended September 30, 2019.

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

Not later than 1 year	₱581,878,335
Later than 1 year but not later than 5 years	1,050,611,422
Later than 5 years	44,651,965.89
	₱1,677,141,723

(b) Rent Expenses

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

	For the Nine Months Ended September 30	
	2019 (Unaudited)	2018 (Unaudited)
Cost of services	**₱311,959,950**	₱520,704,512
Operating expenses	**87,141,120**	196,622,373
	₱399,101,070	₱717,326,885

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

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

The Group has security deposits arising from the said lease agreements amounting to ₱323.59 million and ₱312.43 million As at September 30, 2019 and December 31, 2018, respectively.

(c) Finance lease

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

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

The present value of minimum lease payments is as follows:

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

Interest expense on the above lease obligations charged to finance costs amounted to ₱1.98 million for nine months ended September 30, 2018.

21. Retirement Benefits

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Present value of defined benefit obligation	**₱909,122,284**	₱803,245,359
Fair value of plan assets	**(245,841,479)**	(130,980,215)
	₱663,280,805	₱672,265,144

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

The pension cost for the interim periods and the present value of the defined benefit obligation as at September 30, 2019 and 2018 were calculated by extrapolating the latest actuarial valuation reports for the year ended December 31, 2018 and 2017, respectively.

22. Financial Risk Management Objectives and Policies

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

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

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

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

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

The following table shows the effect on comprehensive income should the change in the close share price of quoted and unquoted equity securities occur As at September 30, 2019 and 2018 with all other variables held constant.

	Effect on comprehensive income	
	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
Change in share price		
Increase by 5%	**₱19,115,997**	₱19,993,658
Decrease by 5%	**(₱19,115,997)**	(₱19,993,658)
Change in NAV		
Increase by 5%	**₱2,069,239**	₱28,730,441
Decrease by 5%	**(₱2,069,239)**	(₱28,730,441)

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

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

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

	Effect in fair value as of	
	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Credit spread		
+1%	**₱52,453,095**	₱58,315,936
-1%	**(55,588,719)**	(63,189,129)

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

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

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

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

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

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

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

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

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

	September 30, 2019 (Unaudited)	
	Foreign currency	**Peso equivalent**
Assets:		
Euro	**2,826,994**	**₱162,565,710**
Hongkong Dollars	**17,392,032**	**116,022,249**

The translation exchange rates used were ₱57.50 to EUR 1 and ₱6.67 to HKD 1 in 2019.

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

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

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before tax (due to changes in the fair value of monetary assets and liabilities - net position) As at September 30, 2019 and December 31, 2018.

Reasonably possible change in foreign exchange rate for every two units of Philippine Peso	**Increase (decrease) in income before tax**	
	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
₱2	₱40,438,053	₱31,834,026
(2)	(40,438,053)	(31,834,026)

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

The Group recognized ₱39.64 million and ₱176.01 million foreign exchange gains - net, for the three months period ended September 30, 2019 and 2018, respectively, arising from settled transactions and translation of the Group's cash and cash equivalents, investment in FVPL, due from related parties, trade and other payables and bond payable (see Note 18).

Credit risk

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

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

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

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

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

	September 30, 2019				
	Past due but not Impaired			**Credit Impaired**	**Total**
	1 to 30 days	**31 to 90 days**	**Over 90 days**		
Trade and other receivables	**₱17,761,880**	**₱13,158,204**	**₱256,298,452**	**₱157,201,700**	**₱444,420,235**

	December 31, 2018				
	Past due but not Impaired			Credit Impaired	Total
	1 to 30 days	31 to 90 days	Over 90 days		
Trade and other receivables	₱57,730,537	₱13,539,644	₱37,752,788	₱154,294,279	₱263,317,248

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

September 30, 2019	GDP growth rate	Associated ECL on trade receivables
Base case (33%)	7.00%	₱52,401,068
Upside case (33%)	10.00%	52,296,101
Downside case (33%)	4.00%	52,504,532
		₱157,201,700

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

Capital Management

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

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

The capital that the Group manages is equal to the total equity as shown in the interim condensed consolidated statements of financial position at September 30, 2019 and December 31, 2018 amounting to ₱3,460.96 million and ₱3,277.97 million, respectively.

23. **Fair Values**

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

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

The fair value of equity financial assets at FVOCI is the current closing price while the financial assets at FVPL is based on the published net asset value per unit as of reporting date.

The estimated fair value of derivative liability As at September 30, 2019 is based on an indirect method of valuing multiple embedded derivatives. This valuation technique uses binomial pyramid model using stock prices and stock price volatility. This valuation method compares the fair value of the option-free instrument against the fair value of the hybrid convertible instrument. The difference of the fair values is assigned as the value of the embedded derivatives.

The significant unobservable input in the fair value is the stock price volatility of 15.83% for the nine months ended September 30, 2019. A 5% increase (5% decrease) in the stock price volatility would decrease by ₱1,902 (increase by ₱754) the fair value of the derivative liability.

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

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

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

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

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

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

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

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

	September 30, 2019 (Unaudited)				
	Fair value measurements using				
	Carrying values	**Total**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets measured at fair value					
FVOCI	**₱382,317,745**	**₱382,317,745**	**₱382,317,745**	**₱–**	**₱–**
FVPL	**41,384,771**	**41,384,771**	**–**	**41,384,771**	**–**
Liability measured at fair value					
Derivative liability	**1,997,116,891**	**1,997,116,891**	**–**	**–**	**1,997,116,891**
Liabilities for which fair value are disclosed					
Bond payable	**1,228,274,610**	**1,228,274,610**	**–**	**–**	**1,228,274,610**
Noncurrent lease liabilities	**1,095,263,388**	**1,095,263,388**	**–**	**–**	**1,095,263,388**
Long-term notes payable	**547,500,000**	**547,500,000**	**–**	**–**	**547,500,000**
Other noncurrent liabilities	**50,046,541**	**50,046,541**	**–**	**–**	**50,046,541**

	December 31, 2018 (Audited)				
	Fair value measurements using				
	Carrying values	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
FVOCI	₱337,453,928	₱337,453,928	₱337,453,928	₱–	₱–
FVPL	131,294,744	131,294,744	–	131,294,744	–
Liability measured at fair value					
Derivative liability	1,406,175,427	1,406,175,427	–	–	1,406,175,427
Liabilities for which fair value are disclosed					
Bond payable	1,108,417,074	1,104,307,001	–	–	1,104,307,001
Long-term notes payable	532,500,000	508,026,630	–	–	508,026,630
Noncurrent lease liabilities	57,905,160	53,043,481	–	–	53,043,481
Other noncurrent liabilities	79,986,182	71,378,284	–	–	71,378,284

During the nine months ended September 30, 2019 and year ended December 31, 2018, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

24. Segment Reporting

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

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

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

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

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

	For the Nine Months Ended September 30, 2019		
Segments	**Logistics**	**Money transfer services**	**Total**
Type of Customer			
Retail	**₱7,233,742,701**	**₱752,613,265**	**₱7,986,355,966**
Corporate	**3,532,939,964**	**55,650,487**	**3,588,590,451**
Total revenue from contracts with customer	**₱10,766,682,665**	**₱808,263,752**	**₱11,574,946,417**
Geographic Markets			
Domestic	**₱7,972,771,789**	**₱555,076,372**	**₱8,527,848,161**
Overseas	**2,793,910,876**	**253,187,380**	**3,047,098,256**
Total revenue from contracts with customer	**₱10,766,682,665**	**₱808,263,752**	**₱11,574,946,417**

	For the Nine Months Ended September 30, 2018		
Segments	Logistics	Money transfer services	Total
Type of Customer			
Retail	₱5,367,994,588	₱645,607,746	₱6,013,602,334
Corporate	3,032,131,662	67,951,144	3,100,082,806
Total revenue from contracts with customer	₱8,400,126,250	₱713,558,890	₱9,113,685,140
Geographic Markets			
Domestic	₱7,113,456,385	₱605,381,330	₱7,718,837,715
Overseas	1,286,669,865	108,177,560	1,394,847,425
Total revenue from contracts with customer	₱8,400,126,250	₱713,558,890	₱9,113,685,140

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

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

<u>Seasonality of Operations</u>

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

25. Basic/Diluted Earnings Per Share

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

	For the Nine Months Ended September 30,	
	2019 (Unaudited)	2018 (Unaudited)
Net income attributable to equity holder of the Parent Company	**₱ 469,397,828**	₱1,264,611,564
Less profit impact of assumed conversion of bonds payable	**715,105,903**	(157,199,552)
	₱1,184,503,731	₱1,107,412,012
Weighted average number of common shares outstanding	**1,425,865,471**	1,425,865,471
Dilutive shares arising from convertible debt	**201,303,846**	208,657,692
Adjusted weighted average number of common shares for diluted EPS	**1,627,169,317**	1,634,523,163
Basic EPS	**₱0.33**	₱0.89
Diluted EPS	**₱0.33**	₱0.68

26. Notes to Consolidated Statement of Cash Flows

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

<u>Investing Activities</u>

a. unpaid acquisition of property and equipment amounting to ₱738.88 million.
b. Unpaid acquisition of intangible assets amounting to ₱2.18 million.
c. offsetting of due from LBCDC against dividend payable amounting to ₱229.37 million recorded under 'Due from related parties' (see Note 16).

<u>Financing Activities</u>

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

	December 31, 2018	**Cash Flows**	**Leasing arrangements and effect of adoption of PFRS 16***	**Interest**	**Offsetting of dividends**	**Foreign exchange movement**	**Fair value changes**	**Effect of business combination**	**September 30, 2019**
Notes payable	**₱829,500,000**	**₱85,000,000**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱914,500,000**
Lease liabilities and other noncurrent liabilities*	**220,055,216**	**(475,800,699)**	**1,742,126,984**	–	–	–	–	**190,760,221**	**1,677,141,722**
Convertible bond (bond and derivative liability)	**2,514,592,501**	–	–	**134,213,879**	–	**(14,356,343)**	**590,941,464**	–	**3,225,391,501**
Dividends payable	**285,173,094**	**(55,798,368)**	–	–	**(229,374,726)**	–	–	–	–
Loans receivable	–	**(94,071,600)**	–	–	–	–			**(94,071,600)**
Interest payable	**1,570,160**	**(138,236,543)**	–	**138,236,544**	–	–	–	–	**1,570,161**
Due to related parties	**93,992,129**	**57,269,316**	–	–	–	–	–	**(110,452,673)**	**40,808,772**
Total liabilities from financing activities	**₱3,944,883,100**	**(₱621,637,894)**	**₱1,742,126,984**	**₱272,450,423**	**(₱229,374,726)**	**(₱14,356,343)**	**₱590,941,464**	**₱80,307,548**	**₱5,765,340,556**

**includes additional leasing arrangements for the nine months ended September 30, 2019*

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

Investing Activities

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

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

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

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

27. Other Matters

Closure of LBC Development Bank, Inc.

On September 9, 2011, the BSP, through Monetary Board Resolution No. 1354, resolved to close and place LBC Development Bank Inc.'s (the "Bank") assets and affairs under receivership and appointed Philippine Deposit Insurance Company (PDIC) as the Bank's official receiver and liquidator.

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

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

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

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

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

On January 12, 2016, LBCE and LBCDC, together with other defendants, filed motions to dismiss the Complaint which was denied by the RTC. They filed a petition for certiorari with the Court of Appeals (CA) assailing the RTC order denying the motions to dismiss. The petition was likewise denied by the CA through its Decision dated 28 February 2019 and Resolution dated 9 July 2019. LBCE and LBCDC are preparing to file an appeal to the Supreme Court by 1 September 2019.

On January 21, 2016, LBCE and LBCDC filed its Urgent Motion to Approve the Counterbond and Discharge the Writ of Attachment which was resolved in favor of LBCE and LBCDC. On February 17, 2016, the RTC issued the order to lift and set aside the writ of preliminary attachment. The order to lift and set aside the preliminary attachment directed the sheriff of the court to deliver to LBCE and LBCDC all properties previously garnished pursuant to the writ. The counterbond delivered by LBCE and LBCDC stands as security for all properties previously attached and to satisfy any final judgment in the case.

From August 10, 2017 to January 19, 2018, LBCE, LBCDC, the other defendants and PDIC were referred to mediation and Judicial Dispute Resolution (JDR) but were unable to reach a compromise agreement. The RTC ordered the mediation and JDR terminated and the case was raffled to a new judge who scheduled the case for pre-trial proceedings.

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

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

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

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

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

28. **Subsequent Events**

On October 31, 2019, the BOD of the Parent Company approved the purchase of shares and acquisition of 180 shares of Mermaid Co., Ltd. representing 100% equity for USD1,111.11 per share.

Mermaid Co., Ltd. operates a service for shipping household and other goods from expatriates living in Japan to their respective home countries, known as “Balikbayan Box”. The acquisition is expected to benefit the Group by contributing to its global revenue streams.

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

SUPPLEMENTARY SCHEDULES

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

  Schedule A: Financial Assets

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

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

  Schedule D: Intangible Assets

  Schedule E: Long Term Debt

  Schedule F: Indebtedness to Related Parties

  Schedule G: Guarantees of Securities of other Issuers

  Schedule H: Capital Stock

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

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS

SEPTEMBER 30, 2019

Name of issuing entity and association of each issue	Number of shares	Amount shown in the balance sheet	Income received and accrued
Financial assets at fair value through other comprehensive income - Araneta Properties, Inc.	195,060,074	₱382,317,745	₱–
Financial assets at fair value through profit or loss	–	41,384,771	90,995
		423,702,516	90,995
Financial assets at amortized costs:			
Cash in bank and cash equivalents	–	4,069,575,472	33,497,145
Short-term investments	–	132,531,799	–
Trade and other receivables	–	1,490,210,116	–
Due from related parties	–	1,439,474,197	–
Notes receivable (current and noncurrent)	–	32,746,715	–
	–	7,484,700,601	33,773,837
		₱7,908,403,117	₱33,864,832

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

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

SEPTEMBER 30, 2019

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Non-current	Balance at end of period
Fernando G. Araneta, *Shareholder*	₱9,284,396	₱–	₱–	₱–	₱9,284,396	₱–	₱9,284,396
Other beneficial owners	–	28,424,682	–	–	28,424,682	–	28,424,682
	₱9,284,396	₱28,424,682	₱–	₱–	₱37,709,078	₱–	₱37,709,078

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

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

SEPTEMBER 30, 2019

Name of Subsidiaries		Balance at beginning of period	Additions	Amounts collected/paid	Sale of Subsidiary	Current	Not current	Balance at end of period
LBC Express, Inc.	PARENT	(1,449,705,535)	(2,236,248,512)	2,567,115,683	-	(1,118,838,364)	-	(1,118,838,364)
LBC Express, Inc. - MM	A201	88,859,943	198,741,506	(189,291,769)	-	98,309,680	–	98,309,680
LBC Express, Inc. - SCC	A202	2,034,879	62,541,459	(44,275,378)	-	20,300,960	–	20,300,960
LBC Express, Inc. - NEMM	A203	23,557,736	155,929,466	(152,616,551)	-	26,870,651	–	26,870,651
LBC Express, Inc. - NWMM	A204	33,029,647	99,171,345	(95,407,218)	-	36,793,774	–	36,793,774
LBC Express, Inc. - EMM	A205	20,777,434	82,719,469	(75,829,517)	-	27,667,386	–	27,667,386
LBC Express, Inc. - SMM	A206	15,668,254	98,877,355	(94,664,753)	-	19,880,855	–	19,880,855
LBC Express, Inc. - CMM	A207	18,055,227	123,657,081	(119,215,436)	-	22,496,872	–	22,496,872
LBC Express, Inc. - SL	A301	55,450,649	192,760,977	(180,020,497)	-	68,191,129	–	68,191,129
LBC Express, Inc. - SEL	A302	40,325,375	119,404,041	(110,816,807)	-	48,912,609	–	48,912,609
LBC Express, Inc. - CL	A303	28,468,803	149,347,731	(137,079,243)	-	40,737,291	–	40,737,291
LBC Express, Inc. - NL	A304	38,234,559	153,902,230	(151,124,637)	-	41,012,152	–	41,012,152
LBC Express, Inc. - VIS	A401	40,255,138	188,549,834	(160,346,948)	-	68,458,025	–	68,458,025
LBC Express, Inc. - WVIS	A402	30,250,181	137,400,724	(125,096,238)	-	42,554,667	–	42,554,667
LBC Express, Inc. - MIN	A501	47,577,642	162,589,253	(155,808,524)	-	54,358,372	–	54,358,372
LBC Express, Inc. - SEM	A502	35,824,456	97,781,528	(91,429,015)	-	42,176,968	–	42,176,968
LBC Express, Inc. - SMCC	A503	9,668,993	26,374,002	(21,191,730)	-	14,851,265	–	14,851,265
LBC Express, Inc. - ESI	A901	(3,707,949)	7,208,705	(7,664,322)	-	(4,163,566)	–	(4,163,566)
LBC Express, Inc. - SCS	A902	(5,505,694)	144,994,018	(103,753,387)	-	35,734,937	–	35,734,937
LBC Systems, Inc.	A903	(57,956,971)	11,191,652	(9,207,208)	-	(55,972,527)	–	(55,972,527)
LBC Express WLL	Kuwait	11,958,091	(41,024,020)	38,848,517	-	9,782,588	–	9,782,588
LBC Express Bahrain WLL	Bahrain	(7,583,930)	(6,161,514)	(5,218,377)	-	(18,963,820)	–	(18,963,820)
LBC Express LLC	Qatar	(74,726,249)	(11,547,170)	19,838,387	-	(66,435,032)	–	(66,435,032)
LBC Mabuhay Saipan, Inc.	Saipan	(7,964,299)	(7,166,189)	(335,450)	-	(15,465,937)		(15,465,937)
LBC Aircargo (S) Pte. Ltd	Taiwan	(144,696,541)	(3,046,178)	5,391,489	-	(142,351,230)		(142,351,230)
LBC Money Transfer PTY Limited	Australia	(65,411,340)	(8,687,973)	44,796,722	-	(29,302,591)		(29,302,591)
LBC Airfreight (S) Pte. Ltd	Singapore	90,555,342	(21,762,417)	35,304,721	-	104,097,646		104,097,646
LBC Australia PTY Limited	Australia	16,426,181	(26,231,952)	29,120,871	-	19,315,100		19,315,100
LBC Mabuhay (Malaysia) SDN BHD	Malaysia	9,936,942	(9,309,738)	5,878,015	-	6,505,218		6,505,218
LBC Mabuhay (B) SDN BHD	Brunei	24,897,408	(2,671,992)	1,225,595	-	23,451,011		23,451,011
LBC Mabuhay Remittance SDN BHD	Brunei	16,277,820	(6,037,093)	16,364,938	-	26,605,664		26,605,664
LBC Mundial Corporation	North America		(197,698,378)	203,342,485	-	5,644,107		5,644,107
LBC Mabuhay North America Corporation	North America		62,512,612	(62,512,612)	-	-		-
QuadX, Inc.		(501,127,188)	-		501,127,188	-		-
QuadX Pte Ltd.		(12,379,165)	-	25,678,967	-	13,299,802		13,299,802
		(1,632,674,161)	(301,938,139)	900,000,772	501,127,188	(533,484,339)	-	(533,484,339)

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE D: INTANGIBLE ASSETS

SEPTEMBER 30, 2019

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Disposals	Reclassifications	Ending balance
Software	₱436,437,091	₱10,758,546	(₱90,945,504)	(₱117,642,660)	₱82,558,599	₱321,166,072
Development in progress	118,932,565	104,506,284	–	(61,473,865)	(84,742,599)	77,222,385
	₱555,369,656	₱115,264,830	(₱90,945,504)	(₱179,116,525)	(₱2,184,000)	₱398,388,457

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE E: LONG TERM DEBT

SEPTEMBER 30, 2019

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current liabilities" in related balance sheet	Amount shown under caption "Noncurrent liabilities" in related balance sheet
Notes payable	₱914,500,000	₱367,000,000	₱572,500,000
Lease liabilities	1,677,141,723	581,878,335	1,095,263,388
Bond payable	1,228,274,610	–	1,228,274,610
Derivative liability	1,997,116,891	–	1,997,116,891
Other liabilities	97,127,328	47,080,787.42	50,046,541
	₱5,914,160,552	₱995,959,122	₱4,918,201,430

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES

SEPTEMBER 30, 2019

Name of related party	Balance at beginning of period	Balance at end of period
Fernando G. Araneta, *Chief Strategy Officer*	₱130,606,900	₱11,549,534
Blue Eagle and LBC Services Pte. Ltd.	13,372,974	13,318,452
Others	(221,307)	15,940,786
	₱143,758,567	₱40,808,772

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS

SEPTEMBER 30, 2019

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

NOT APPLICABLE

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE H: CAPITAL STOCK

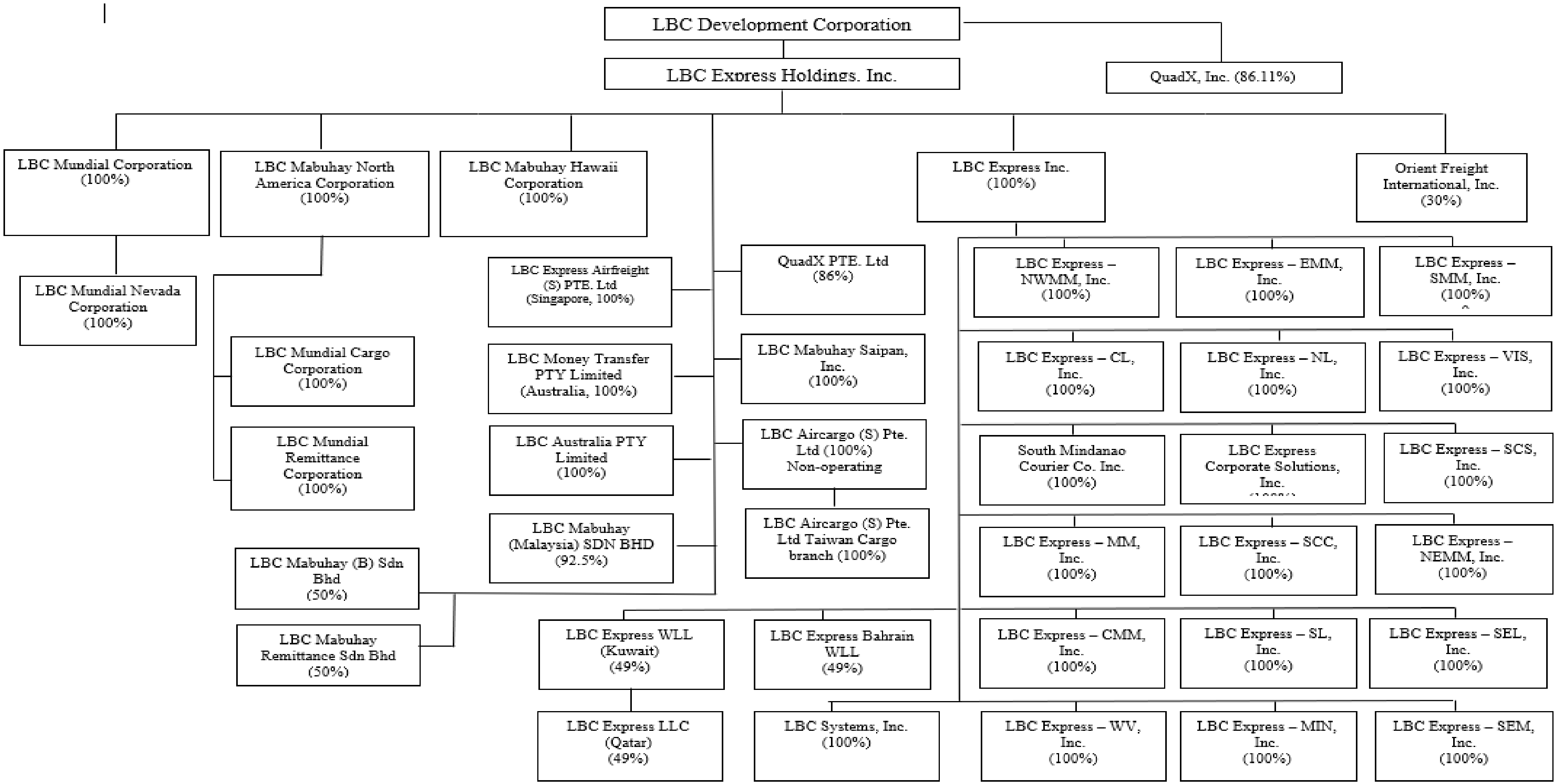
SEPTEMBER 30, 2019

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

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

SEPTEMBER 30, 2019



LBC EXPRESS HOLDINGS, INC.

SCHEDULE OF RETAINED EARNINS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

Unappropriated retained earnings, as adjusted to available for dividend distribution, as at January 1, 2019		₱972,306,681
Add: Net income actually earned/realized during the period:		
Net loss during the period closed to retained earnings	(₱695,210,671)	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash equivalents)	14,281,437	
Unrealized actuarial gain	–	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP-loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Net loss actually incurred during the period		(709,492,108)
Add (Less):		
Dividend declarations during the period	(356,466,368)	
Appropriations of retained earnings during the period	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	(356,466,368)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION		(₱93,651,795)

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

Financial Soundness Indicators

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

Financial ratios		**2019**	2018
Current ratio	Current assets / Current liabilities	**1.55:1**	1.71:1
Debt to equity ratio	Total liabilities / Stockholders' Equity	**3.14:1**	2.47:1
Debt to total assets ratio	Total liabilities / Total assets	**0.76:1**	0.71:1
Return on average assets	Net income attributable to Parent Company / Average assets	**3.65%**	13.0%
Book value per share	Stockholders' equity / Total number of shares	**₱2.43**	₱2.30
Basic earnings per share	Net income attributable to Parent Company / Weighted average number of common shares outstanding	**₱0.33**	₱0.89
Diluted earnings per share	Net income attributable to Parent Company / Adjusted weighted average number of common shares for diluted EPS	**₱0.33**	₱0.68

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

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

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

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

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

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

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

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