CR07379-2020

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

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

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

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

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

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

Yes No

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

Yes No

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, 2020
Currency (indicate units, if applicable)	PHP

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2020	Dec 31, 2019
Current Assets	8,889,914,239	7,883,732,608
Total Assets	15,119,225,417	14,093,685,359
Current Liabilities	5,765,250,197	4,942,499,617
Total Liabilities	12,067,009,706	10,825,571,654
Retained Earnings/(Deficit)	1,568,141,648	1,621,371,760
Stockholders' Equity	3,052,215,711	3,268,113,705
Stockholders' Equity - Parent	3,030,283,358	3,240,914,837
Book Value per Share	2.37	2.49

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	3,987,971,925	3,761,029,270	9,631,161,294	11,485,305,115
Gross Expense	3,278,230,324	3,526,821,212	9,424,633,755	10,476,195,984
Non-Operating Income	14,846,820	490,527,313	68,276,415	580,576,725
Non-Operating Expense	114,222,153	277,935,916	329,408,422	868,791,209
Income/(Loss) Before Tax	610,366,268	446,799,455	-54,604,468	720,894,647

Income Tax Expense	167,985,837	125,732,686	2,163,879	341,505,134
Net Income/(Loss) After Tax	442,380,431	321,066,769	-56,768,347	379,389,513
Net Income Attributable to Parent Equity Holder	448,502,955	325,961,463	-53,230,112	397,212,095
Earnings/(Loss) Per Share (Basic)	0.31	0.23	-0.04	0.28
Earnings/(Loss) Per Share (Diluted)	0.29	0.23	-0.04	0.28

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.03	0.35
Earnings/(Loss) Per Share (Diluted)	0.03	0.35

Other Relevant Information

The book value per share is computed using balances without the impact of PFRS16.

Filed on behalf by:

Name	Ernesto III Naval
Designation	Alternate Corporate Information Officer

C O V E R   S H E E T

SEC Registration Number

A	S	O	9	3	0	0	5	2	7	7

C O M P A N Y   N A M E

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
N/A	+632 8856-8510	N/A

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **September 30, 2020**

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

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

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

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

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

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

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

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

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

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

As at September 30, 2020:

Title of each class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	1,425,865,471[1]
Bond payable	1,334,737,509[2]
Derivative Liability	2,053,647,592[2]

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

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

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

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

12. Indicate by check mark whether the registrant:

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

Yes **[X]** No [ ]

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

Yes[**X**] No [ ]

[3] As of September 30, 2020, 40,899,000 common shares have been listed with Philippine Stock Exchange. The remaining 1,384,966,471 are subject to listing applications filed with the Philippine Stock Exchange.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The Unaudited Interim Financial Statements of the Company as at and for the period ended September 30, 2020 and Notes to Financial Statements are hereto attached as Annex "A".

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

RESULTS OF OPERATIONS

Nine months ended September 30, 2020 compared to the nine months ended September 30, 2019

Service Revenue

The Company’s service revenue decreased by 16% to ₱9,631.16 million for the nine months ended September 30, 2020 from ₱11,485.31 million for the nine months ended September 30, 2019. The downturn in revenue is attributable to the fall of demand during the worldwide lockdown caused by the COVID 19 pandemic in the second quarter of the year. The Group had selected branches opened and delivery remained operational, but the lead times are extended due to security and travel restrictions.

Cost of Services

Cost of services were reduced by 13% to ₱7,348.17 million for the nine months ended September 30, 2020 from ₱8,432.00 million for the nine months ended September 30, 2019, relative to lower volume of acceptance in the second quarter of 2020 caused by the pandemic.

Rent expense is lower by 43% mainly due to renewal of various branch lease contracts in which there is change in accounting treatment from operating lease to recognition of right-of-use assets in accordance with PFRS16. There were also rent discounts granted to the Group during the community quarantine which reduced the rent expense.

The temporary closure of selected branches also reduced the utilities and supplies consumption by 4%. Transportation and travel also declined by 23% relative to community restrictions.

The movement in depreciation and amortization showed an increase of 12% due to increase in amortization of right-of-use assets recognized during the period and additional capital expenditures mostly on leasehold improvements, furniture and fixtures and computer equipment associated with the construction or relocation/renovation of branches and improvements of new warehouses.

Gross Profit

Gross profit decreased by 25% to ₱2,283.00 million for the nine months ended September, 2020 from ₱3,053.31 million for the nine months ended September 30, 2019 primarily attributable to the following:

- Decrease in revenue by 16% due to low volume during the pandemic; and
- Additional depreciation and amortization by 12% related to increase in amortization of right-of-use assets and additional capital expenditures for new branches and warehouses.

Operating Expenses

Operating expenses increased by 2% to ₱2,076.47 million for the nine months ended September 30, 2020 from ₱2,044.20 million for the nine months ended September 30, 2019, caused by the following:

- Provision for expected credit losses rose to ₱66.96 million for the nine months ended September 30, 2020 from ₱11.21 million for the nine months ended September 30, 2019 due to assumption changes considering the impact of the global pandemic to clients and to the timing of collection; and
  In response to the COVID19 pandemic, the Group incurred expenses such as but not limited to medical and sanitation supplies, testing kits, medical professional fees, shuttle bus rentals, and donations of face masks during the period.

The above-mentioned increases were offset by the following:

- Commission expense which is dependent on the level of sales is lower by 9% for the nine months ended September 30, 2020 as compared to the same period in 2019; and
- Losses account is reduced by 64% driven by the deconsolidation of QUADX Inc. effective July 1, 2019.

Other Expenses, Net

Other expenses, net decreased to ₱261.13 million for the nine months ended September 30, 2020 from ₱288.24 million for the nine months period September 30, 2019 driven by the decline in 'loss on derivatives' by ₱585.98 million. This is offset by the impact of the gain on disposal of subsidiary in 2019 amounting to ₱443.76 million and decreases in foreign exchange gain, interest income and equity in net earnings of an associate.

Net Income (Loss) after tax

The Group incurred net loss of ₱56.77 million for the nine months ended September 30, 2020 from ₱379.36 million income for the nine months ended September 30, 2019, driven by the following:

- Significant shortfall on revenue by 16% due to the impact of COVID-19 pandemic to retail and corporate customers in local and overseas operations;
- Increase in depreciation and amortization expense under cost of services by 12% or ₱98.45 million pertaining to higher amortization of right-of-use assets and additional capital expenditures for new warehouses and branches
- Operating expenses increased by 2% or ₱32.27 million mostly from COVID19 related expenses including medical and sanitation supplies, testing kits, medical professional fees, shuttle bus rentals and donation of face masks.

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

Service Revenue

The Company's service revenue increased by 6% to ₱3,987.97 million for the quarter ended September 30, 2020 from ₱3,761.03 million for the quarter ended September 30, 2019. The growth was primarily due to the net increase in revenue from Logistics segment, attributable to higher retail sales by 33%.

Cost of Services

Cost of services reduced by 9% to ₱2,593.40 million for the quarter ended September 30, 2020 from ₱ 2,847.11 million for the quarter ended September 30, 2019 as a factor of improved operational efficiency.

Gross Profit (Loss)

Gross profit increased by 53% to ₱1,394.57 million for the quarter ended September 30, 2020 from ₱913.92 million for the quarter ended September 30, 2019 mainly from simultaneous increase in revenue by 6% and reduction of costs by 9%.

Operating Expenses

Operating expenses is higher by 1% to ₱684.83 million for the quarter ended September 30, 2020 from ₱679.71 million for the quarter ended September 30, 2019, driven by the following:

- Expenses incurred in response to the COVID19 pandemic such as but not limited to medical and sanitation supplies, shuttle bus rental for employees, and medical professional fees; and
- Provision for expected credit losses went up to ₱16.85 million for the quarter ended September 30, 2020 from ₱2.19 million for the quarter ended September 30, 2019 due to assumption changes considering the impact of the global pandemic to clients and to the timing of collection.

Other Income (Expenses), Net

Other income (expenses) is at ₱99.38 million-expense for the quarter ended September 30, 2020 and ₱212.56 million-income for the quarter ended September 30, 2019 mainly due to the net effect of the following:

- Gain on disposal of a subsidiary in 2019 amounting to ₱443.76; and
- Gain on valuation of derivatives amounting to ₱2.6 million for the quarter ended September 30, 2020 as compared to ₱179.06 million loss in 2019.

Net Income (Loss) after tax

The Group's net income is at ₱442.38 million for the quarter ended September 30, 2020 from ₱321.04 million income for the quarter ended September 30, 2019, driven by the following:

- Significant growth in revenue by 6% for the quarter; and
- Improvement in cost of services by 9%.

FINANCIAL CONDITION

As of September 30, 2020 compared to as of December 31, 2019

Assets

Current Asset:

Cash and cash equivalents increased by 13% to ₱5,006.63 million as of September 30, 2020 from ₱4,418.67 million as of December 31, 2019. Refer to analysis of cash flows in "Liquidity" section below.

Trade and other receivable, net is higher by 20% at ₱1,838.20 million as of September 30, 2020 from ₱1,537.85 million as of December 31, 2019, mostly from receivable from outside parties by 25% relative to increase in volume at the end of the period.

Due from related parties is higher by 2% to ₱1,126.06 million as of September 30, 2020 from ₱1,103.81 million as of December 31, 2019, mainly attributable to dividend receivable from associate declared on July 16, 2020.

Investment at fair value through profit or loss dropped by 4% to ₱15.05 million as of September 30, 2020 from ₱15.63 million as of December 31, 2019, primarily from the impact of unrealized foreign exchange loss due to declining exchange rate, partially offset by the fair value gain during the period.

Prepayments and other current assets increased by 12% to ₱903.97 million as of September 30, 2020 from ₱807.78 million as at December 31, 2019, mainly traceable to higher prepaid taxes. Increase in prepaid taxes amounting to ₱42.15 million is due to unamortized business permits for 2020 and prepayment for federal and state taxes in US entities. There is also an increase in input value added tax by ₱61.10 million as of period end.

Non-current Assets

Property and equipment, net decreased by 3% to ₱2,056.18 million as of September 30, 2020 from ₱2,110.74 million as of December 31, 2019, primarily due to net depreciation of existing assets.

Right of use assets, net is higher by 7% to ₱2,009.02 million as of September 30, 2020 from ₱1,885.83 as of December 31, 2019, mainly due to additions of ₱707.32 million and amortization of ₱584.13 million for the period.

Intangibles, net is lower by 16% to ₱305.56 million as of September 30, 2020 from ₱363.75 million as of December 31, 2019, driven by the additions of ₱25.49 million and amortization of ₱83.67 million for the period.

Investment at fair value through other comprehensive income is down by 33% to ₱193.11 million as of September 30, 2020 from ₱286.74 million as of December 31, 2019, relative to movement in market price from ₱1.73/share to ₱0.99/share.

Investment in associate decreased by 6% to ₱236.43 million as of September 30, 2020 from ₱250.64 million as of December 31, 2019 due to dividend declared by the associate during the period.

Deferred tax assets - net increased by 29% to ₱487.35 million as of September 30, 2020 from ₱377.56 million as of December 31, 2019 mainly attributable to additional deferred tax recognized related to minimum corporate income tax, allowance for impairment losses, contracted liabilities, retirement and accrued benefits during the period.

Other noncurrent assets went down by 7% to ₱220.91 million as of September 30, 2020 from ₱238.46 million as of December 31, 2019, due to amortization of notes and loans receivables.

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

Liabilities

Accounts and other payables were down by 9% to ₱2,949.83 million as of September 30, 2020 from ₱3,242.18 million as of December 31, 2019, primarily due to settlement of trade payables including bank financing of land acquired in 2019. This is partially offset by increases in contract liabilities as a factor of extended delivery lead time based on new service level agreements and higher accrual for manpower costs relative to increase in headcount.

Due to related parties increased by 20% to ₱40.23 million as of September 30, 2020 from ₱33.61 million as of December 31, 2019, mostly from payable related to digital advertisements in which payments were initially paid by an affiliate.

Notes payable (current and noncurrent) increased to ₱1,875.77 million as of September 30, 2020 from ₱929.72 million as of December 31, 2019, driven by the availments during the period. On February 10, 2020, LBCE availed a 5-year interest bearing loan amounting to ₱641.82 million to finance the unpaid balance on the acquisition of land. On April 23, 2020, LBCE placed another 3-year interest bearing loan amounting to ₱250.00 million and a short-term loan amounting to ₱200.00 million on May 4, 2020.

Transmissions liability went up by 57% to ₱920.97 million as of September 30, 2020 from ₱586.89 million as of December 31, 2019, mainly attributable to higher merchant's unclaimed cash on delivery and pick up in branches as of the end of the reporting period.

Income tax payable went down by 90% to ₱4.32 million as of September 30, 2020 from ₱43.36 million as of December 31, 2019, resulting from lower taxable income.

Lease liabilities (current and noncurrent) is higher by 7% to ₱2,151.50 million as of September 30, 2020 from ₱2,001.75 million as of December 31, 2019, pertaining to additions to right-of-use assets amounting to ₱707.32 million, offset by lease payments during the period amounting to ₱557.57 million.

Dividend payable amounting to ₱14.78 million as of December 31, 2019 represents remaining balance of cash dividends declared by LBCH in 2019. This was paid in January 2020.

Bond payable increased by 7% to ₱1,334.74 million as of September 30, 2020 from ₱1,247.02 million as at December 31, 2019, mainly from the accretion of interest amounting to ₱148.63 million offset by the foreign exchange gain recognized amounting to ₱60.01 million due to lower exchange rate.

Derivative liability increased to ₱2,053.65 million as of September 30, 2020 from ₱2,048.68 million as at December 31, 2019, related to the loss on valuation incurred for the period amounting to ₱4.97 million.

Retirement benefit obligation increased by 7% to ₱679.88 million as of September 30, 2020 from ₱637.79 million as of December 31, 2019 driven by net retirement benefit expense recognized for the period.

Deferred tax liability amounting to ₱33.44 million as of September 30, 2020 is associated with the dividends to be declared by foreign subsidiaries in the fourth quarter of 2020.

Other liabilities account is lower by 43% to ₱22.68 million as of September 30, 2020 from ₱39.79 million in 2019 due to settlements during the period.

LIQUIDITY

Cash Flows

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

Cash flows from operating activities

The Company's net cash from operating activities is primarily affected by income before income tax, depreciation and amortization, retirement benefit expense, interest expense, unrealized foreign exchange gain, gain on derivative, equity in net earnings of an associate and changes in working capital. The Company's cash flows from these activities resulted to a net cash inflow of ₱1,505.88 million and ₱1,538.24 million for the period ended September 30, 2020 and 2019, respectively. For the period ended September 30, 2020, 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, 2020 and 2019 amounted to ₱1,028.07 million and ₱773.44 million, respectively. For the nine months ended September 30, 2020, the Company spent ₱1,024.23 million from the acquisition of land, property and equipment and intangible assets.

Cash flow from financing activities

Net cash provided by and used in financing activities for the period ended September 30, 2020 and 2019 amounted to ₱210.10 million and ₱533.10 million, respectively. This is mainly due to the proceed from notes availment of ₱1,091.82 million which was offset by the payment of lease liabilities and other noncurrent liabilities, interest, dividends and notes payable with an aggregate amount of ₱890.51 million.

PART II -- OTHER INFORMATION

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

SIGNATURE

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

LBC EXPRESS HOLDINGS, INC.

ENRIQUE V. REY, JR.
Chief Finance Officer

November 3, 2020

LBC Express Holdings, Inc.
and Subsidiaries

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

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 23 and 24)	**₱5,006,626,541**	₱4,418,669,253
Trade and other receivables (Notes 5, 17, 23 and 24)	**1,838,202,175**	1,537,848,554
Due from related parties (Notes 17, 23 and 24)	**1,126,063,025**	1,103,805,387
Investments at fair value through profit or loss (Notes 9, 23 and 24)	**15,052,841**	15,629,263
Prepayments and other current assets (Notes 6, 11, 17, 23 and 24)	**903,969,657**	807,780,151
Total Current Assets	**8,889,914,239**	7,883,732,608
Noncurrent Assets		
Property and equipment (Note 7)	**2,056,175,969**	2,110,735,060
Right-of-use assets (Note 21)	**2,009,018,490**	1,885,830,072
Intangible assets (Note 8)	**305,564,969**	363,746,898
Investment at fair value through other comprehensive income (Notes 9, 23 and 24)	**193,109,473**	286,738,308
Deferred tax assets - net (Note 20)	**487,349,614**	377,561,496
Security deposits (Note 21)	**354,059,867**	330,624,118
Investment in an associate (Note 10)	**236,428,599**	250,638,683
Advances for future investment in shares (Note 17)	**79,809,022**	78,727,321
Goodwill (Note 3)	**286,887,944**	286,887,944
Other noncurrent assets (Notes 6, 11 and 17)	**220,907,231**	238,462,851
Total Noncurrent Assets	**6,229,311,178**	6,209,952,751
	₱15,119,225,417	₱14,093,685,359
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 12, 17, 23 and 24)	**₱2,949,834,724**	₱3,242,180,861
Due to related parties (Notes 17, 23 and 24)	**40,227,650**	33,611,365
Dividends payable (Notes 16, 23 and 24)	**–**	14,775,250
Current portion of notes payable (Notes 14, 23 and 24)	**1,116,682,300**	376,666,667
Transmissions liability (Notes 13, 17, 23 and 24)	**920,971,909**	586,888,109
Income tax payable	**4,323,405**	43,362,953
Current portion of lease liabilities (Notes 21, 23 and 24)	**733,210,209**	645,014,412
Total Current Liabilities	**5,765,250,197**	4,942,499,617
Noncurrent Liabilities		
Derivative liability (Notes 15, 23 and 24)	**2,053,647,592**	2,048,681,561
Bond payable (Notes 15, 23 and 24)	**1,334,737,509**	1,247,021,058
Lease liabilities - net of current portion (Notes 21, 23 and 24)	**1,418,285,030**	1,356,731,239
Notes payable - net of current portion (Notes 14, 23 and 24)	**759,089,914**	553,055,555
Retirement benefit liability - net (Note 22)	**679,881,446**	637,794,685
Deferred tax liability - net (Note 20)	**33,436,710**	–
Other noncurrent liabilities (Notes 12, 23 and 24)	**22,681,308**	39,787,939
Total Noncurrent Liabilities	**6,301,759,509**	5,883,072,037
	12,067,009,706	10,825,571,654
Equity		
Equity attributable to shareholders of the Parent Company		
Capital stock (Note 16)	**1,425,865,471**	1,425,865,471
Retained earnings	**1,568,141,648**	1,621,371,760
Accumulated comprehensive income	**36,276,239**	193,677,606
	3,030,283,358	3,240,914,837
Non-controlling interests	**21,932,353**	27,198,868
Total Equity	**3,052,215,711**	3,268,113,705
	₱15,119,225,417	₱14,093,685,359

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Nine Months Ended September 30		Three Months Ended September 30	
	2020 (Unaudited)	2019 (Unaudited)	**2020 (Unaudited)**	2019 (Unaudited)
SERVICE REVENUE (Note 25)	**₱9,631,161,294**	₱11,485,305,115	**₱3,987,971,925**	₱3,761,029,270
COST OF SERVICES (Note 18)	**7,348,165,145**	8,431,995,482	**2,593,399,667**	2,847,110,231
GROSS PROFIT	**2,282,996,149**	3,053,309,633	**1,394,572,258**	913,919,039
OPERATING EXPENSES (Note 19)	**2,076,468,610**	2,044,200,502	**684,830,657**	679,710,981
OPERATING INCOME	**206,527,539**	1,009,109,131	**709,741,601**	234,208,058
OTHER INCOME (CHARGES)				
Foreign exchange gains - net (Notes 19 and 23)	**28,237,849**	39,648,216	**75,072**	18,669,726
Interest income (Notes 4, 11 and 17)	**19,263,828**	39,193,023	**4,017,274**	15,370,432
Equity in net earnings of an associate (Note 10)	**7,029,620**	18,929,690	**1,431,114**	7,933,270
Fair value gain on investment at fair value through profit or loss (Note 9)	**32,196**	90,994	**6,822**	(303,838)
Loss on derivative (Note 15)	**(4,966,031)**	(590,941,464)	**2,616,800**	(179,060,385)
Interest expense (Notes 14, 15, 17 and 21)	**(324,442,391)**	(277,849,745)	**(114,222,153)**	(98,875,531)
Gain on disposal of a subsidiary	–	443,755,622	–	443,755,622
Others - net	**13,712,922**	38,959,180	**6,699,738**	5,102,101
	(261,132,007)	(288,214,484)	**(99,375,333)**	212,591,397
INCOME (LOSS) BEFORE INCOME TAX	**(54,604,468)**	720,894,647	**610,366,268**	446,799,455
INCOME TAX PROVISION (Note 20)	**2,163,879**	341,505,134	**167,985,837**	125,732,686
NET INCOME (LOSS) FOR THE PERIOD	**(56,768,347)**	379,389,513	**442,380,431**	321,066,769
OTHER COMPREHENSIVE INCOME (LOSS)				
Items not to be reclassified to profit or loss in subsequent periods				
Remeasurement losses on retirement benefit plan - net of tax	**(2,235,724)**	(116,908)	**(937,975)**	147,620
Share in other comprehensive income (loss) of an associate (Note 10)	**(239,704)**	464,363	–	–
Unrealized fair value gain (loss) on equity investments at fair value through other comprehensive income (Note 9)	**(93,628,835)**	44,863,817	**(1,950,601)**	(23,407,209)
Items that may be reclassified to profit or loss in subsequent periods				
Currency translation losses - net	**(63,025,384)**	(3,283,587)	**(24,732,155)**	(2,976,294)
	(159,129,647)	41,927,685	**(27,620,731)**	(26,235,883)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱215,897,994)**	₱421,317,198	**₱414,759,700**	₱294,830,886
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the Parent Company	**(₱53,230,112)**	₱397,212,095	**₱448,502,955**	₱325,961,463
Non-controlling interests	**(3,538,235)**	(17,822,582)	**(6,122,524)**	(4,894,694)
NET INCOME (LOSS) FOR THE PERIOD	**(₱56,768,347)**	₱379,389,513	**₱442,380,431**	₱321,066,769
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the Parent Company	**(₱210,631,479)**	₱441,751,474	**₱418,868,775**	₱300,045,448
Non-controlling interests	**(5,266,515)**	(20,434,276)	**(4,109,075)**	(5,214,562)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**(₱215,897,994)**	₱421,317,198	**₱414,759,700**	₱294,830,886
EARNINGS (LOSS) PER SHARE (Note 26)				
Basic	**(₱0.04)**	₱0.28	**₱0.31**	₱0.23
Diluted	**(₱0.04)**	₱0.28	**₱0.29**	₱0.23

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, 2020 (Unaudited)					
	Capital Stock (Note 16)	**Retained Earnings**	**Accumulated Comprehensive Income**	**Total**	**Non-controlling Interests**	**Total Equity**
Balances as at January 1, 2020	**₱1,425,865,471**	**₱1,621,371,760**	**₱193,677,606**	**₱3,240,914,837**	**₱27,198,868**	**₱3,268,113,705**
Comprehensive loss:						
Net loss	**−**	**(53,230,112)**	**−**	**(53,230,112)**	**(3,538,235)**	**(56,768,347)**
Other comprehensive loss	**−**	**−**	**(157,401,367)**	**(157,401,367)**	**(1,728,280)**	**(159,129,647)**
Total comprehensive loss	**−**	**(53,230,112)**	**(157,401,367)**	**(210,631,479)**	**(5,266,515)**	**(215,897,994)**
Balances as at September 30, 2020	**₱1,425,865,471**	**₱1,568,141,648**	**₱36,276,239**	**₱3,030,283,358**	**₱21,932,353**	**₱3,052,215,711**

	For the Nine Months Ended September 30, 2019 (Unaudited)					
	Capital Stock (Note 16)	Retained Earnings	Accumulated Comprehensive Income	Total	Non-controlling Interests	Total Equity
Balances as at January 1, 2019	₱1,425,865,471	₱ 1,483,263,625	₱241,328,367	₱3,150,457,463	(₱14,711,365)	₱3,135,746,098
Comprehensive income:						
Net income (loss)	−	397,212,095	−	397,212,095	(17,822,582)	379,389,513
Other comprehensive income (loss)	−	−	44,539,379	44,539,379	(2,611,694)	41,927,685
Total comprehensive income (loss)	−	397,212,095	44,539,379	441,751,474	(20,434,276)	421,317,198
Additional non-controlling interest	−	−	−	−	4,943,608	4,943,608
Disposal of a subsidiary	−	−	−	−	77,998,195	77,998,195
Dividends declared (Note 16)	−	(356,466,368)	−	(356,466,368)	(20,934,147)	(377,400,515)
Balances as at September 30, 2019	₱1,425,865,471	₱1,524,009,352	₱285,867,746	₱3,235,742,569	₱26,862,015	₱3,262,604,584

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)	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**(₱54,604,468)**	₱720,894,647
Adjustments for:		
Depreciation and amortization (Notes 7, 8, 18, 19, 21)	**1,042,758,100**	963,489,300
Interest expense (Notes 14, 15, 17 and 21)	**324,442,391**	277,849,745
Retirement expense, net of benefits paid and contribution to retirement plan	**40,340,380**	(2,299,618)
Loss on derivative (Note 15)	**4,966,031**	590,941,464
Unrealized foreign exchange gain	**8,518,621**	12,524,140
Gain on bargain purchase	−	(20,474,024)
Fair value gain on investment at fair value through profit or loss (Note 9)	**(32,196)**	(90,994)
Gain on disposal of property and equipment	**(950,121)**	(454,709)
Equity in net earnings of an associate (Note 10)	**(7,029,620)**	(18,929,690)
Interest income (Notes 4, 11 and 17)	**(19,263,828)**	(39,193,023)
Gain on disposal of a subsidiary	−	(443,755,622)
Operating income before changes in working capital	**1,339,145,290**	2,040,501,616
Changes in working capital:		
Decrease (increase) in:		
Trade and other receivables	**(303,293,771)**	(1,073,918,104)
Prepayments and other current assets	**(112,069,332)**	(321,772,979)
Security deposits	**(23,891,395)**	(92,003,309)
Other noncurrent assets	**17,129,390**	(17,633,113)
Increase (decrease) in:		
Accounts and other payables	**353,633,072**	1,322,722,448
Transmissions liability	**332,560,178**	17,293,060
Net cash generated from operations	**1,603,213,432**	1,875,189,619
Interest received	**19,263,828**	39,193,023
Income tax paid	**(116,596,669)**	(376,140,764)
Net cash provided by operating activities	**1,505,880,591**	1,538,241,878
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Sale of investments at fair value through profit or loss	−	260,748,100
Disposal of property and equipment	**2,080,530**	4,387,865
Payments for acquisitions of:		
Intangible assets (Note 27)	**(47,327,855)**	(125,744,541)
Property and equipment (Note 27)	**(976,902,588)**	(924,815,461)
Investment at fair value through profit or loss (Note 9)	−	(171,000,000)
Acquisition of subsidiaries, net of cash acquired	−	588,974,771
Decrease in cash due to disposal of a subsidiary	−	(362,489,501)

(Forward)

	Nine Months Ended September 30 (Unaudited)	
	2020	2019
Increase in due from related parties	**(₱16,425,025)**	(₱50,997,687)
Dividends received	**10,500,000**	7,500,000
Net cash used in investing activities	**(1,028,074,938)**	(773,436,453)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable (Note 27)	**1,091,823,000**	350,000,000
Increase in due to related parties (Note 27)	**8,779,942**	55,473,970
Dividends paid (Note 27)	**(14,775,250)**	(55,798,368)
Payments of notes payable (Note 27)	**(145,773,008)**	(265,000,000)
Interest paid (Note 27)	**(172,390,367)**	(141,899,806)
Payments of principal amount of lease liabilities (Note 27)	**(557,567,369)**	(475,880,782)
Net cash provided by (used in) financing activities	**210,096,948**	(533,104,986)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**687,902,601**	231,700,439
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(99,945,313)**	(29,911,199)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**4,418,669,253**	4,137,439,144
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	**₱5,006,626,541**	₱4,339,228,384

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

1. **Corporate Information**

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

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

FED, before it was acquired by LBCH, undertook an Initial Public Offering and on December 21, 2001, FED's shares were listed on the Philippine Stock Exchange (PSE).

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

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

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

2. **Summary of Significant Accounting Policies and Significant Accounting Estimates, Judgements and Assumptions**

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

Basis of Preparation

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

Statement of Compliance

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*.
The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the

Group's annual audited consolidated financial statements as at and for the year ended December 31, 2019, which have been prepared in accordance with PFRS. The interim condensed consolidated financial statements of the Group have been prepared for inclusion in the offering circular to be prepared by the Group in relation to a planned capital raising activity and for no other purpose.

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 Pte. Ltd. and LBC Mabuhay (Malaysia) 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.

In 2020, the Parent Company's subsidiaries, LBC Mabuhay (B) Sdn. Bhd and LBC Mabuhay Remittance Sdn. Bhd have changed its accounting period end from June 30 and December 31, respectively, to November 30. These subsidiaries were previously consolidated using coterminous financial statements and are now being consolidated using the non-coterminous financial statements for the eight months ended August 31. The Group did not reflect any transactions from September 1 to 30, 2020 as these are not considered to be significant.

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, 2020 and 2019 and the date of the Parent Company's financial statements which is September 30, 2020 and 2019 and between December 1, 2019 and the comparative date of the Parent Company's financial position which is December 31, 2019.

The interim condensed consolidated financial statements were adjusted to reflect the following:

- LBCE's settlement of bank loans in September 2020 and 2019 amounting to ₱17.99 million and ₱11.25 million, respectively;
- Changes in fair value of equity investment at FVOCI amounting ₱1.95 million and ₱11.70 million for the periods September 1 to September 30, 2020 and 2019, respectively and
- Net transfer of time deposit to cash in bank amounting to ₱98.69 million in September 2020 (nil in 2019).

The consolidated financial statements were adjusted to effect LBCE's additional settlement of bank loans in December 2019 amounting to ₱12.64 million and the adjustment to reflect the decrease in fair value of investment at FVOCI by ₱25.36 million for the period December 1 to December 31, 2019.

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

Basis of Consolidation
The interim condensed consolidated financial statements include the accounts of the Parent Company and all of its subsidiaries where the Parent Company has control. The interim condensed consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions, including income, expenses and dividends, are eliminated in full. Control is achieved when the

Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- the contractual arrangement with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Group's voting rights and potential voting rights

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

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

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

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

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

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of new standards effective as of January 1, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective, except for the Amendments to PFRS 16, *COVID-19-related Rent Concessions*

Except otherwise stated, the adoption of the new accounting standards, amendments and interpretations which apply for the first time in 2020, do not have an impact on the interim condensed consolidated financial statements of the Group.

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

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

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

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no significant impact on the unaudited interim condensed consolidated financial statements of the Group.

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

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

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

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the accounting standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

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

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

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

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

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

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

  The Group has assessed that all lease concessions have met the criteria set by PFRS 16 and elected to apply the practical expedient hence, treated these lease concessions not as lease modifications but as variable lease payments. For the nine-month period ended September 30, 2020, the Group presented these lease concessions as reduction from rent expense under 'cost of services' in the interim consolidated statements of comprehensive income amounting to ₱50.19 million (see Note 21).

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

There were no significant changes in the significant accounting judgments, estimates, and assumptions used by the Group for the interim period ended September 30, 2020 except for the recognition of deferred tax liabilities on the undistributed profits of foreign subsidiaries which are expected to be declared within fourth quarter of 2020, and as a consequence of the COVID-19 pandemic, for the impairment testing of goodwill, revenue recognition, expected credit loss determination for trade receivables - outside parties and treatment of lease concessions granted by lessors.

Recognizing deferred tax liabilities on undistributed profits of foreign subsidiaries
The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries except to the extent that (a) the parent company is able to control the timing of the reversal of the temporary difference, and (b) it is probable that the temporary difference will not reverse in the foreseeable future. As of September 30, 2020, the Group recognized deferred tax liability amounting to ₱33.02 million arising from the dividends to be declared by foreign subsidiaries in the fourth quarter of 2020. However, deferred tax liabilities have not been recognized on the remaining undistributed earnings of these subsidiaries since management does not expect the reversal of the temporary differences in the foreseeable future because the subsidiaries have no further plans to declare dividends from their remaining undistributed profits since based on the Group's future plans, the Parent Company expects to utilize their cash in their operations.

Impairment test of goodwill
The Group performs its annual impairment test in December and when circumstances indicate that the carrying value is impaired. Due to the effect of the COVID-19 pandemic in operations and consumer behavior, management assessed the need to perform impairment test of goodwill as of September 30, 2020. The key assumptions used to determine the recoverable amount for the different significant cash generating units were disclosed in Note 3. The reassessment did not result to any impairment loss.

Revenue recognition
The Group had been using output method in measuring the progress of the performance of the obligation. The measurement of progress used the estimated period travelled (measured in days) of the goods being delivered over the period of the date of the acceptance up to delivery. Due to security, safety and travel restrictions brought about by the COVID-19 pandemic, the delivery lead times of the Group had been extended. Thus, both the estimated period travelled in days over the period of the date of the acceptance up to delivery were updated to estimate the related contract liabilities as of reporting date. As a result, the Group recognized additional deferred revenue, net of deferred cost, amounting to ₱32.82 million presented as contract liabilities under 'Accounts and other payables' (see Note 12). Total contract liabilities as of September 30, 2020 and December 31, 2019 amounted to ₱322.86 million and ₱197.17 million, respectively.

Impairment of financial assets
The Group has determined that the COVID-19 pandemic has impacted the current operations and is expected to impact its future activities. Considering this, the Group revisited the expected credit loss exercise as of September 30, 2020 for its trade receivables – outside parties. The scenario probability was updated based on segmentation of the size of the enterprise customers, from the previous 33% equal probability of all scenarios as of December 31, 2019. As a result of the loss estimation, the Group recognized an additional impairment loss from trade receivable – outside parties of ₱17.84 million for the nine months ended September 30, 2020 (see Note 5).

Moreover, the Group recognized additional impairment loss, as specifically identified, from trade receivable - outside parties amounting to ₱49.12 million (see Note 5) for the nine months ended September 30, 2020.

The Group did not recognize any impairment loss from related parties as these are all due and demandable and have no specific known and observed credit quality deterioration.

3. **Goodwill**

There were no acquisitions and disposal of subsidiaries for the nine months ended September 30, 2020.

Foreign exchange loss from translation of goodwill amounted to ₱0.66 million in 2020 and ₱11.03 million in 2019, included in Currency translation losses - net, in the consolidated statements of comprehensive income.

Impairment testing of goodwill
The Group performed its impairment testing of goodwill amounting to ₱286.89 million as of September 30, 2020 which are primarily related to the acquisitions of LBC Taiwan, LBC Australia Cargo, LBC Australia Money and Mermaid Co. Ltd.

The key assumptions used in determining the recoverable amount based on value-in-use calculations as of September 30, 2020 and December 31, 2019 are as follow:

<u>LBC Taiwan</u>
Goodwill arising from the acquisition of LBC Taiwan amounted to ₱168.37 million. The value in-use calculation is based on the forecast approved by the management over an explicit period of five years. The projected cash flows are based on the plan of the management given its strategy to capture the demands driven by the growing population of Filipino community in the area, competitive pricing and relaxed regulations towards LBC Taiwan by Taiwan Government's Bureau of Customs. Revenue is projected to increase at compounded annual growth rate of 6.59% in 2020 which was lower than the 9.00% annual growth rate used in 2019 due to the anticipated COVID-19 impact. The long-term growth rate of 1.00% was assumed for both 2020 and 2019 due to the expected return to the pre-COVID-19 level of operations. Direct costs are forecasted to follow the trend of revenue except for those that are non-variable but with various cost reduction initiatives. Discount rates used in 2020 and 2019 are 8.46% and 8.68%, respectively. The discount rates are based on a risk adjusted discount rate using the weighted average cost of capital adjusted to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

<u>LBC Australia Cargo</u>
Goodwill arising from the acquisition of LBC Australia Cargo amounted to ₱75.63 million. The value in-use calculation is based on the forecast approved by the management over explicit period of five years. The projected cash flows are based on the plan of the management given its strategy to capture the demands driven by the growing population of Filipino community in the area. These include the opening of additional branches and introduction of new service, promotions and bundled products. Revenue is projected to increase at compounded annual growth rate of 7.78% in 2020 which was lower than the 10.25% annual growth rate used in 2019 due to the anticipated COVID-19 impact. The long-term growth rate of 2.00% was assumed for both 2020 and 2019 due to the expected return to the pre-COVID-19 level of operations. Direct costs and capital expenditures are forecasted to follow the trend of revenue except for those that are non-variable. Discount rate used in 2020 and

2019 are 12.51% and 10.72%, respectively. This is based on a risk adjusted discount rate using the using weighted average cost of capital adjusted to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

LBC Australia Money
Goodwill arising from the acquisition of LBC Australia Money amounted to ₱15.83 million. The value-in-use calculation is based on the forecast approved by the management over explicit period of five years. Revenue is projected to increase at a compounded annual growth rate of 12.61% and 7.00% in 2020 and 2019, and long-term growth rate of 2.00% in 2020 and 2019. There is an increase in annual growth rate assumption used in 2020 against 2019, despite the COVID-19 situation because any impact of the pandemic is expected to be offset by the impact of new plans and strategies of the management to capture the demands of the growing population of Filipino community in the area, which include the opening of additional branches and introducing innovative products. Direct costs and capital expenditures are forecasted to follow the trend of revenue except for those that are non-variable. Discount rate used is 11.97% and 9.56% in 2020 and 2019, respectively, based on a risk adjusted discount rate using the using weighted average cost of capital adjusted to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Mermaid Co. Ltd.
Provisional Goodwill of management arising from the acquisition of Mermaid Co. Ltd. amounted to ₱19.60 million. The value in-use calculation is based on the forecast approved by the management over an explicit period of five years. The projected cash flows are based on the plan of the management given its strategy to expand its operations by offering cargo deliveries via air and sea through its agents. This also includes opening of additional branches and management's initiatives in promoting and creating awareness of their services. Revenue is projected to increase at compounded annual growth rate of 12.72% in 2020 with a long-term growth rate of 2.00%. Direct costs are forecasted to follow the trend of revenue except for those that are non-variable but with various cost reduction initiatives such as constant negotiation with its suppliers. Discount rate used in 2020 is 7.13%. The discount rates are based on a risk adjusted discount rate using the weighted average cost of capital adjusted to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

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

4. Cash and Cash Equivalents

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)	September 30, 2019 (Unaudited)
Cash on hand	**₱413,885,644**	₱341,090,334	₱269,652,912
Cash in banks	**2,724,160,403**	2,281,905,425	2,193,610,114
Cash equivalents	**1,868,580,494**	1,795,673,494	1,875,965,358
	₱5,006,626,541	₱4,418,669,253	₱4,339,228,384

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 5.125% per annum in 2020 and 0.25% to 6.00% in 2019. Interest income earned from cash and cash equivalents amounted to ₱16.24 million and ₱23.23 million for the nine months ended September 30, 2020 and 2019, respectively.

5. Trade and Other Receivables

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade receivables - outside parties	**₱1,655,755,574**	₱1,327,605,105
Trade receivables - related parties (Note 17)	**354,957,001**	311,922,475
	2,010,712,575	1,639,527,580
Less allowance for expected credit losses (Note 2)	**239,689,582**	172,728,970
	1,771,022,993	1,466,798,610
Other receivables:		
Advances to officers and employees	**39,693,295**	41,224,668
Others	**27,485,887**	29,825,276
	₱1,838,202,175	₱1,537,848,554

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

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

The Group recognized provision for expected credit losses on trade receivables - outside parties amounting to ₱66.96 million and ₱11.21 million for the nine-months ended September 30, 2020 and 2019, respectively (see Note 19).

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

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

6. Prepayments and Other Assets

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Input value-added tax (VAT)	**₱324,635,039**	₱266,979,479
Materials and supplies	**165,301,178**	153,172,883
Prepayments:		
Taxes	**62,150,820**	20,004,932
Insurance	**31,821,286**	32,820,513
Software maintenance	**21,515,743**	11,906,850
Rent	**17,467,990**	13,116,426
Professional fees	**11,754,096**	13,195,278
Repairs and maintenance	**9,782,376**	9,204,873
Employee benefits	**5,727,450**	24,072,852
Dues and subscriptions	**2,861,815**	3,862,321
Advertising	**1,705,445**	9,037,843
Others	**18,383,383**	19,387,165
Creditable withholding taxes (CWTs)	**172,836,284**	166,582,305
Short-term cash investments	**124,368,304**	128,645,081
Loans receivable (Note 11)	**81,421,201**	89,816,880
Notes receivable (Note 17)	**21,682,463**	26,814,836
Restricted cash in bank	**21,368,482**	31,342,587
Electronic wallet	**11,240,336**	6,567,785
Others	**18,853,197**	19,712,113
	1,124,876,888	1,046,243,002
Less: noncurrent portion	**220,907,231**	238,462,851
	₱903,969,657	₱807,780,151

Details of noncurrent portion follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
VAT on capital goods	**₱104,155,734**	₱107,598,218
Loans receivable (Note 11)	**75,605,401**	83,727,600
Notes receivable (Note 17)	**21,682,463**	26,814,836
Advance payment to a supplier	**9,000,000**	9,000,000
Prepaid rent	**2,588,464**	3,060,405
Other assets	**7,875,169**	8,261,792
Total noncurrent portion	**₱220,907,231**	₱238,462,851

7. Property and Equipment

The rollforward analysis of this account follows:

	For the nine months ended September 30, 2020 (Unaudited)						
	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Land	Construction in Progress	Total
Costs							
At beginning of period	**₱607,402,004**	**₱1,732,027,137**	**₱635,885,504**	**₱942,714,224**	**₱1,031,257,734**	**₱6,370,930**	**₱4,955,657,533**
Additions	**53,854,917**	**120,747,273**	**71,617,059**	**67,877,828**	**–**	**7,430,546**	**321,527,623**
Reclassifications	**–**	**240,714**	**–**	**–**	**–**	**(240,714)**	**–**
Disposals	**(610,255)**	**(4,572,214)**	**(859,643)**	**–**	**–**	**–**	**(6,042,112)**
At end of period	**660,646,666**	**1,848,442,910**	**706,642,920**	**1,010,592,052**	**1,031,257,734**	**13,560,762**	**5,271,143,044**
Accumulated depreciation and amortization							
At beginning of period	**373,158,337**	**1,255,541,040**	**535,080,349**	**681,142,747**	**–**	**–**	**2,844,922,473**
Depreciation and amortization (Notes 18 and 19)	**40,540,888**	**175,297,466**	**48,213,340**	**110,904,611**	**–**	**–**	**374,956,305**
Disposals	**(483,039)**	**(4,428,664)**	**–**	**–**	**–**	**–**	**(4,911,703)**
At end of period	**413,216,186**	**1,426,409,842**	**583,293,689**	**792,047,358**	**–**	**–**	**3,214,967,075**
Net Book Value	**₱247,430,480**	**₱422,033,068**	**₱123,349,231**	**₱218,544,694**	**₱1,031,257,734**	**₱13,560,762**	**₱2,056,175,969**

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

8. Intangible Assets

The rollforward analysis of this account follows:

	For the nine months ended September 30, 2020 (Unaudited)		
	Software	**Development in Progress**	**Total**
Costs			
At beginning of period	**₱546,200,840**	**₱71,564,823**	**₱617,765,663**
Additions	**16,522,542**	**8,968,785**	**25,491,327**
Reclassification	**11,286,778**	**(11,286,778)**	**–**
At end of period	**574,010,160**	**69,246,830**	**643,256,990**
Accumulated Amortization			
At beginning of period	**254,018,765**	**–**	**254,018,765**
Amortization (Notes 18 and 19)	**83,673,256**	**–**	**83,673,256**
At end of period	**337,692,021**	**–**	**337,692,021**
Net Book Value	**₱236,318,139**	**₱69,246,830**	**₱305,564,969**

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

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

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

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

Movement of the investments at fair value follows:

	September 30, 2020 (Unaudited)	
	FVPL	**FVOCI**
As at January 1, 2020	**₱15,629,263**	**₱286,738,308**
Unrealized fair value gain (loss) during the period	**32,196**	**(93,628,835)**
Unrealized foreign exchange loss during the period (Note 19)	**(608,618)**	**–**
	₱15,052,841	**₱193,109,473**

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

10. **Investment in an Associate**

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

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Costs		
At January 1	**₱227,916,452**	₱227,916,452
Accumulated Equity on Net Earnings		
At January 1	**22,257,868**	11,103,396
Equity share in net earnings	**7,029,620**	26,154,472
Less: Dividend income	**(21,000,000)**	(15,000,000)
	8,287,488	22,257,868
Other Comprehensive Income		
At January 1	**464,363**	–
Equity share in other comprehensive income (loss)	**(239,704)**	464,363
	224,659	464,363
Carrying Value	**₱236,428,599**	₱250,638,683

In 2020 and 2019, Orient Freight International, Inc (OFII) declared dividends amounting to ₱21.00 million (₱10.50 million remains unpaid as of September 30, 2020) and ₱15.00 million, respectively (see Note 17). No impairment loss was recognized for the investment in associate in 2020 and 2019.

The summarized statements of financial position of the associate follow:

	September 30, 2020	December 31, 2019
Current assets	**₱607,787,189**	₱486,432,103
Noncurrent assets	**194,330,395**	138,556,568
Current liabilities	**318,614,940**	180,680,848
Noncurrent liabilities	**86,149,937**	60,067,553
Equity	**397,352,707**	384,240,270

The summarized statements of comprehensive income of the associate for the nine months ended September 30 follow:

	September 30, 2020	September 30, 2019
Revenue	**₱616,728,367**	₱1,062,900,165
Cost and expenses	**593,296,301**	999,801,200
Net income	**23,432,066**	63,098,965
Other comprehensive income (loss)	**(799,012)**	1,547,878
Total comprehensive income	**₱22,633,054**	₱64,646,843
Group's share on total comprehensive income for the nine months ended September 30	**₱6,789,916**	₱19,394,053

11. Receivable and Trademark Agreement

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

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

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

For the nine months ended September 30, 2020, LBCH incurred royalty fee amounting to ₱4.71 million wherein the related payable was offset to LBCH's interest receivable and loan receivable from Transtech amounting to ₱0.19 million and ₱4.52 million, respectively.

As of September 30, 2020 and December 31, 2019, the outstanding balance of the loans receivable amounted to ₱81.42 million and ₱89.82 million, respectively in which the current portion is presented under 'Prepayment and other current assets' and the noncurrent portion is presented under 'Other noncurrent assets". Corresponding interest receivable as of September 30, 2020 and December 31, 2019 amounted to ₱1.76 million and ₱0.46 million, respectively.

Current and noncurrent portion as at September 30, 2020 and December 31, 2019 is as follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Current portion	**₱5,815,800**	₱6,089,280
Noncurrent portion	**75,605,401**	83,727,600
	₱81,421,201	₱89,816,880

Interest income earned amounted to ₱1.51 million for the nine months ended September 30, 2020.

12. Accounts and Other Payables and Other Noncurrent Liabilities

Accounts and other payables account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade payable - outside parties	**₱987,906,157**	₱1,724,740,841
Trade payable - related parties (Note 17)	**132,568**	9,862,896
Accruals:		
Salaries and wages	**459,485,362**	341,631,303
Rent and utilities	**190,705,640**	106,876,470
Contracted jobs	**146,484,671**	89,419,768
Advertising	**69,973,582**	118,284,036
Claims and losses	**39,160,947**	61,523,772
Taxes	**38,697,493**	34,192,766
Professional fees	**27,648,123**	22,894,903
Outside services	**18,871,630**	14,588,459
Software maintenance	**14,367,171**	9,450,532
Others	**54,508,061**	42,809,771
Contract liabilities	**322,861,449**	197,168,011
Deferred output VAT	**377,566,587**	323,055,911
Taxes payable	**104,893,052**	70,132,689
Government agencies contributions payables	**30,593,479**	29,855,611
Others	**65,978,752**	45,693,122
	₱2,949,834,724	₱3,242,180,861

Movements in other liabilities follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
At beginning of period	**₱80,339,409**	₱131,549,113
Principal payments	**(32,877,830)**	(57,721,750)
Amortization of deferred interest	**2,643,701**	6,512,046
	50,105,280	80,339,409
Less: current portion*	**27,423,972**	40,551,470
Noncurrent portion	**₱22,681,308**	₱39,787,939

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

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

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

13. Transmissions Liability

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

Transmissions liability amounted to ₱920.97 million and ₱586.89 million as at September 30, 2020 and December 31, 2019, respectively, of which liability amounting ₱1.05 million and ₱10.70 million as at September 30, 2020 and December 31, 2019 respectively, is payable to an affiliate (see Note 17).

14. Notes Payable

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

		September 30, 2020 (Unaudited)				
Bank		Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
a.	Banco de Oro	June 2020	₱60,000,000	November 2020	4.50%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
b.	Banco de Oro	June 2020	150,000,000	December 2020	4.50%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
c.	Banco de Oro	Various availments in 2016	472,500,000	May 2021	4.50%, subject to repricing	With mortgage; Interest payable every month, principal payable quarterly
d.	Banco de Oro	February 2020	604,383,325	February 2025	4.50%, subject to repricing	With mortgage; Interest payable every month, monthly principal payment of ₱5.34 million and lump-sum payment at the end of 5th year
e.	Unionbank of the Philippines	April 2020	229,166,667	April 2023	6.00%, subject to repricing	Clean; Interest and principal payable every quarter
f.	Unionbank of the Philippines	July 2020	50,000,000	January 2021	5.75%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
g.	Unionbank of the Philippines	April 2019	58,500,000	April 2024	7.826%, fixed rate	Clean; Interest and principal to be paid quarterly
h.	Unionbank of the Philippines	June 2019	16,500,000	April 2024	7.053%, fixed rate	Clean; Interest and principal payable every quarter
i.	Rizal Commercial Banking Corporation	October 2019	34,722,222	October 2022	6.55%, fixed rate	Clean; Interest and principal payable every month

(Forward)

September 30, 2020 (Unaudited)

Bank		Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
j.	**Rizal Commercial Banking Corporation**	**August 2020**	**₱200,000,000**	**October 2020**	**6.00%, fixed**	**Clean; Interest payable every month, principal payable upon maturity**
Total			**₱1,875,772,214**			
Current portion			**₱1,116,682,300**			
Noncurrent portion			**₱759,089,914**			

December 31, 2019 (Audited)

Bank		Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
a.	Banco de Oro	October 2019	₱60,000,000	April 2020	5.25%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
b.	Banco de Oro	September 2019	150,000,000	March 2020	5.25%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
c.	Banco de Oro	Various availments in 2016	532,500,000	Various maturities in 2018 to 2021	5.25%, subject to repricing	With mortgage; Interest payable every month, principal payable quarterly
g.	Unionbank of the Philippines	April 2019	70,200,000	April 2024	7.826%, fixed rate	Clean; Interest and principal to be paid quarterly
h.	Unionbank of the Philippines	June 2019	19,800,000	April 2024	7.053%, fixed rate	Clean; Interest and principal payable every quarter
i.	Unionbank of the Philippines	August 2019	50,000,000	January 2020	7.000%, subject to repricing	Clean; Interest and principal payable every quarter
i.	Rizal Commercial Banking Corporation	October 2019	47,222,222	October 2020	6.55%, fixed rate	Clean; Interest and principal payable every month
Total			₱929,722,222			
Current portion			₱376,666,667			
Noncurrent portion			₱553,055,555			

a. LBCE availed a short-term loan in December 2018 with Banco De Oro (BDO) to finance working capital requirement amounting to ₱60.00 million. This was rolled over in October 2019 and June 2020 and is still outstanding as of September 30, 2020.

b. LBCE availed a short-term loan in 2018 amounting to ₱150.00 million to finance working capital requirement. This was rolled over in September 2019 and June 2020. The balance is still outstanding as of September 30, 2020.

c. The Notes Facility Agreement entered into by the Group with BDO in 2016 is with a credit line facility amounting to ₱800.00 million. The loan is secured by a real estate mortgage on land owned by the Group's affiliate (see Note 17).

d. On February 10, 2020, LBCE availed a 5-year interest bearing loan amounting to ₱641.82 million to finance the 70% balance of the acquisition of land, recorded under Property and equipment with a carrying amount of ₱1,031.26 million, which served as a collateral for the loan.

e. On April 13, 2020, LBCE availed a 3-year interest-bearing loan amounting to ₱250.00 million to finance other capital expenditures.

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

g. On April 15, 2019, LBCE availed a 5-year interest-bearing loan amounting to ₱78.00 million to finance other capital expenditures.

h. On June 25, 2019, LBCE availed a 5-year interest bearing loan amounting to ₱22.00 million to finance other capital expenditures.

i. On October 23, 2019, LBCE availed a 3-year interest-bearing loan amounting to ₱50.00 million to finance other capital expenditure.

j. On May 4, 2020, LBCE availed a 90-day interest-bearing loan amounting to ₱200.00 million to finance its working capital requirements. This was rolled over in August 2020 and is still outstanding as of September 30, 2020.

Interest expense amounted to ₱71.33 million and ₱53.23 million for the nine months ended September 30, 2020 and 2019, respectively.

All outstanding loans are not subject to any loan covenants.

Movements in the notes payable account follow:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
At beginning of period	**₱929,722,222**	₱829,500,000
Availments	**1,091,823,000**	410,000,000
Payments	**(145,773,008)**	(309,777,778)
	₱1,875,772,214	₱929,722,222

15. Convertible Instrument

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Derivative liability		
Balance at beginning of period	**₱2,048,681,561**	₱1,406,175,427
Fair value loss on derivative	**4,966,031**	642,506,134
	₱2,053,647,592	₱2,048,681,561

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Bond payable		
Balance at beginning of period	**₱1,247,021,058**	₱1,108,417,074
Accretion of interest	**147,280,163**	182,124,669
Unrealized foreign exchange gain (Note 19)	**(60,912,775)**	(45,319,435)
Amortization of issuance cost	**1,349,063**	1,798,750
	₱1,334,737,509	₱1,247,021,058

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

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

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

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

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

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

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

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

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

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

The determination and calculation of the foregoing financial ratios are based on the agreement and interpretation of relevant parties subject to the terms of the convertible instrument. The Group is in compliance with the above covenants as at December 31, 2019, the latest Relevant Period subsequent to the issuance of the convertible instrument. Relevant period means each period of twelve (12) months ending on the last day of the Parent Company's financial year.

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

a. On August 4, 2017, LBCE and LBCDC agreed for LBCE to discontinue royalty for the use of LBC Marks (see Note 17).

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

   i. On March 7, 2018, the Parent Company acquired 100% ownership of LBC Mabuhay Saipan, Inc. (LBC Saipan) for a total purchase price of US $207,652 or ₱10.80 million.
   ii. Effective January 1, 2019, the Parent Company was granted the regulatory approvals on the purchase of the following entities under LBC USA Corporation:
      - LBC Mundial Corporation (LBC Mundial) which operates as a cargo and remittance Group in California. The Parent Company purchased 4,192,546 shares or 100% of the total outstanding shares from LBC Holdings USA Corporation.
      - LBC Mabuhay North America Corporation (LBC North America) which operates as a cargo and remittance Parent Company in New Jersey. The Parent Company purchased 1,605,273 shares or 100% of the total outstanding shares from LBC Holdings USA Corporation.

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

iv. On June 27, 2018, the BOD of the Parent Company approved the purchase of shares of some overseas entities. The acquisition is expected to benefit the Parent Company by contributing to its global revenue streams. On the same date, the SPAs were executed by the Group and Jamal Limited, as follow:
- LBC Aircargo (S) PTE. LTD. which operates as a cargo branch in Taiwan. The Parent Company purchased 94,901 shares or 100% of the total outstanding shares of the acquiree at a purchase price of US $146,013;
- LBC Money Transfer PTY Limited which operates as a remittance company in Australia. The Parent Company purchased 10 shares or 100% of the total outstanding shares of the acquiree at a purchase price of US $194,535;
- LBC Express Airfreight (S) PTE. LTD. which operates as a cargo company in Singapore. The Parent Company purchased 10,000 shares or 100% of the total outstanding shares of the acquiree at a purchase price of US $2,415,035; and
- LBC Australia PTY Limited which operates as a cargo company in Australia. The Parent Company purchased 223,500 shares or 100% of the total outstanding shares of the acquiree at a purchase price of US $1,843,149.

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

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

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

Upon completion of the acquisitions discussed in (i) to (vii) 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 not later than 2021, after which the Group expects (on the basis of LBCDC's manifestations) settlement by LBCDC of all of its obligations to the Parent Company, except for the assigned receivables from QUADX Inc. which will be settled based on agreed terms (see Note 17). As of report date, LBCDC has not settled its obligations to the Parent Company.

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

16. **Equity**

Capital stock

As at September 30, 2020 and December 31, 2019, the details of the Parent Company's common shares follow:

	Number of Shares of Stocks	Amount
Capital stock – ₱1 par value		
Authorized	2,000,000,000	₱2,000,000,000

The Parent Company's track record of capital stock is as follows:

	Number of shares registered	**Issue/ Offer price**	**Date of approval**	**Number of holders as of yearend**
At January 1, 2015	40,899,000	₱1/share		
Add: Additional issuance	1,384,966,471	₱1/share	July 22, October 16 and October 21, 2015	
December 31, 2015	1,425,865,471			485
Add: Movement	–			–
December 31, 2016	1,425,865,471			485
Add: Movement	–			1
December 31, 2017	1,425,865,471			486
Add: Movement	–			1
December 31, 2018	1,425,865,471			487
Add: Movement	–			–
December 31, 2019	1,425,865,471			487
Less: Movement	–			1
September 30, 2020	1,425,865,471			486

Cash dividends

On May 7, 2019, the BOD of LBC Express Shipping Company WLL (Kuwait) declared cash dividends of KWD 2,500 per common share held by stockholders. The related noncontrolling interest amounting to ₱20.93 million is presented in the statement of changes in equity.

On September 12, 2019, the BOD of LBCH approved the declaration of cash dividends amounting to ₱356.47 million of which ₱14.78 million was remains unpaid as of December 31, 2019. Subsequently in January 2020, the Parent Company paid the outstanding dividend payable to its stockholders.

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

Retained Earnings

Retained earnings include the accumulated equity in undistributed earnings of consolidated subsidiaries of ₱1,568.48 million and ₱1,478.71 million as of September 30, 2020 and December 31, 2019, respectively. These undistributed earnings are not available for dividend declaration unless declared by the subsidiaries.

17. Related Party Transactions

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

Details of related party transactions and balances for the nine months ended September 30, 2020 and for the year ended December 31, 2019 are as follows:

	Transaction amounts for the nine months ended September 30, 2020 (Unaudited)	Outstanding receivable (payable) balance as at September 30, 2020 (Unaudited)	Terms	Conditions
Due from related parties (Trade receivables)				
Affiliates				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 5 and 25)	**₱58,455,274**	**₱354,957,001**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
Due from related parties (Non-trade receivables)				
Ultimate parent company				
b.) Advances	**₱19,063,063**	**₱1,018,289,734**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
Affiliates – under common control				
b.) Advances	**37,398,663**	**54,856,427**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
g.) Notes receivable current portion	**–**	**4,707,787**	**Interest-bearing; fixed monthly payment**	**Unsecured, no impairment**
Benefecial Owners				
b.) Advances	**14,954,815**	**37,709,077**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
Associate				
h.) Dividends receivable	**21,000,000**	**10,500,000**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
		₱1,126,063,025		
Due from related parties (Other noncurrent assets)				
Affiliates – under common control				
g.) Notes receivable non current portion (Note 6)	**₱–**	**₱21,682,463**	**Interest-bearing; fixed monthly payment**	**Unsecured, no impairment**
Due from related parties (Advances for future investments in shares)				
Affiliates – under common control				
f.) Advances for future investment in shares	**₱1,081,701**	**₱79,809,022**	**Noninterest-bearing; for settlement of the subscription of shares**	**Unsecured, no impairment**

	Transaction amounts for the nine months ended September 30, 2020 (Unaudited)	Outstanding receivable (payable) balance as at September 30, 2020 (Unaudited)	Terms	Conditions
Due to related parties (Trade payables)				
Ultimate Parent Company				
c.) Royalty fee (Note 12)	**₱–**	**(₱132,568)**	**Noninterest-bearing; due and demandable**	**Unsecured**
Associate				
e.) Sea freight and brokerage (Note 12)	**298,624,023**	**–**	**Noninterest-bearing; due and demandable**	**Unsecured**
Affiliate				
d.) Guarantee fee (Note 14)	**5,357,143**	**–**	**Noninterest-bearing; due and demandable**	**Unsecured**
		(₱132,568)		
Due to related parties (Non-trade payables)				
Affiliate – under common control				
b.) Advances	**₱21,605,641**	**(₱39,808,718)**	**Noninterest-bearing; due and demandable**	**Unsecured**
Officer				
b.) Advances	–	**(418,932)**	**Noninterest-bearing; due and demandable**	**Unsecured**
		(₱40,227,650)		
Due to a related party (Transmission Liability)				
Affiliate – under common control				
a.) Money remittance payable (Note 13)	**₱80,869,837**	**(₱1,052,677)**	**Noninterest-bearing; due and demandable**	**Unsecured**

	Transactions for the nine months ended September 30, 2019	Receivable (Payable) as at December 31, 2019	Terms	Conditions
Due from related parties (Trade receivables)				
Affiliates – under common control				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 5 and 25)	₱64,205,048	₱311,922,475	Noninterest-bearing; due and demandable	Unsecured, no impairment
Due from related parties (Non-trade receivables)				
Ultimate parent company				
b.) Advances	₱789,474,600	₱1,000,220,309	Noninterest-bearing; due and demandable	Unsecured, no impairment
Affiliates – under common control				
b.) Advances	38,967,397	61,212,739	Noninterest-bearing; due and demandable	Unsecured, no impairment
(Forward)				
g.) Notes receivable current portion	₱3,415,479	₱3,938,307	Interest-bearing; fixed monthly payment	Unsecured, no impairment
Beneficial Owners				
b.) Advances	28,424,682	38,434,032	Noninterest-bearing; due and demandable	Unsecured, no impairment
Associate				
h.) Dividend receivable (Note 10)	15,000,000	–	Noninterest-bearing; due and demandable	Unsecured, no impairment
		₱1,103,805,387		

	Transactions for the nine months ended September 30, 2019	Receivable (Payable) as at December 31, 2019	Terms	Conditions
Due from related parties (Other noncurrent assets)				
g.) Notes receivable non current portion (Note 6)	₱33,476,374	₱26,814,836	Interest-bearing; fixed monthly payment	Unsecured, no impairment
Due from related parties (Advances for future investments in shares)				
f.) Advances for future investment in shares	₱–	₱78,727,321	Noninterest-bearing; for settlement of the subscription of shares	Unsecured, no impairment
Due to related parties (Trade payables)				
Ultimate Parent Company				
c.) Royalty fee (Note 12)	₱–	(₱138,500)	Noninterest-bearing; due and demandable	Unsecured
Associate				
e.) Sea freight and brokerage (Note 12)	517,404,987	(9,724,396)	Noninterest-bearing; due and demandable	Unsecured
Affiliates – under common control				
d.) Guarantee fee (Note 14)	5,357,143	–	Noninterest-bearing; due and demandable	Unsecured
		(₱9,862,896)		
Due to a related party (Non-trade payables)				
Affiliates – under common control				
b.) Advances	₱24,417,296	(₱33,173,265)	Noninterest-bearing; due and demandable	Unsecured
Officer				
b.) Advances	–	(438,100)	Noninterest-bearing; due and demandable	Unsecured
		(₱33,611,365)		
Due to a related party (Transmission Liability)				
Affiliate – under common control				
a.) Money remittance payable (Note 13)	537,426,385	(₱10,700,530)	Noninterest-bearing; due and demandable	Unsecured

Compensation of Key Management Personnel:

	For the Nine Months Ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
Salaries and wages	**₱62,526,942**	₱70,112,383
Retirement benefits	**6,616,270**	7,095,411
Other short-term employee benefits	**16,747,397**	13,052,201
	₱85,890,609	₱90,259,995

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

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

In prior years, the Group has outstanding advances of ₱295.00 million to LBC Development Bank, an entity under common control of LBCDC. In 2011, management assessed that these advances are not recoverable. Accordingly, the said asset was written-off from the books in 2011 (see Note 28).

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

On July 1, 2019, LBCE sold all its QUADX shares to LBCDC for ₱186.02 million, payable no later than two years from the date of sale, subject to any extension as may be agreed in writing by the parties. On the same date, LBCE, LBCDC and QUADX Inc. entered into a Deed of Assignment of Receivables whereas LBCE agreed to assign, transfer and convey its receivables from QUADX as of March 31, 2019 amounting to ₱832.64 million to LBCDC which shall be paid in full, from time to time starting July 1, 2019 and no later than two years from the date of the execution of the Deed, subject to any extension as may be agreed in writing by LBCE and LBCDC.

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

The same amount was offset against the dividends payable of the Company to LBCH.

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

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

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

d. As discussed in Note 14, the Group entered into a loan agreement with BDO which is secured with real estate mortgage on various real estate properties owned by the Group's affiliate. In consideration of the affiliate's accommodation to the Group's request to use these properties as loan collateral, the Group agreed to pay the affiliate, every April 1 of the year starting April 1, 2016, a guarantee fee of 1% of the face value of loan and until said properties are released by the bank as loan collateral. The guarantee fee is reported as part of interest expense in the interim consolidated statements of comprehensive income amounting to ₱5.36 million for the nine months ended September 30, 2020 and 2019.

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

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

   Currently, TBAI is in the process of application of its authorized capital stock for Preferred A and B Shares with SEC and is awaiting for the latter's approval. Once the application is approved by the SEC, 20,000,000 of the Common Shares purchased by LBCE from the common shareholder will be converted to 20,000,000 non-voting Preferred A Shares and the 29,436,968 Preferred B Shares will be issued to LBCE. The remaining 1,250 Common Shares will then represent 24.86% of the total outstanding Common Shares.

   In February 2020, LBCE paid incidental costs related to purchase of the above stocks amounting to ₱1.08 million.

g. In November 2011, LBC Mundial Corporation paid-off LBC Express Holdings USA Corporation's outstanding mortgage loan which is consolidated into a long-term promissory note amounting to US$1,105,148 at 4% interest, payable in 180 equal monthly installments. As of September 30, 2020, total outstanding notes receivable amounted to ₱26.39 million, ₱4.71 million of which is presented as current under 'Prepayments and other current assets'. Interest income earned from notes receivable amounted to ₱1.51 million and ₱1.04 million for the nine-months ended September 30, 2020 and 2019, respectively.

h. On June 6, 2019, LBCH recognized cash dividends from OFII amounting to ₱15.00 million for its 30% interest on OFII. On July 16, 2020, LBCH recognized cash dividend from OFII amounting to ₱21.00 million and received initial payment of ₱10.50 million on August 28, 2020.

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

18. **Cost of Services**

This account consists of:

	For the Nine Months Ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
Cost of delivery and remittance	**₱2,693,516,122**	₱3,728,201,577
Salaries wages and employee benefits	**2,421,171,767**	2,362,420,696
Depreciation and amortization (Notes 7, 8 and 21)	**901,416,226**	802,964,621
Utilities and supplies	**830,726,002**	866,873,848
Rent (Note 21)	**176,620,203**	311,959,950
Repairs and maintenance	**94,990,174**	87,949,777
Transportation and travel	**78,071,568**	101,416,907
Retirement benefit expense	**62,086,908**	82,038,115
Insurance	**47,782,922**	42,739,257
Software subscription	**18,127,187**	13,631,313
Others	**23,656,066**	31,799,421
	₱7,348,165,145	₱8,431,995,482

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

19. **Operating Expenses and Foreign Exchange Gains - net**

Operating expenses consist of:

	For the Nine Months Ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
Salaries wages and employee benefits	**₱447,130,349**	₱470,915,264
Advertising and promotion	**271,397,766**	285,935,722
Professional fees	**222,545,566**	204,794,335
Utilities and supplies	**177,422,550**	148,479,586
Travel and representation	**164,119,518**	133,107,355
Taxes and licenses	**152,870,934**	157,729,656
Depreciation and amortization (Notes 7, 8 and 21)	**141,341,874**	160,524,679
Commission expense	**126,104,751**	138,752,308
Dues and subscriptions	**79,567,713**	69,064,906
Provision for expected credit losses (Note 5)	**66,960,612**	11,207,671
Donations	**55,065,079**	24,398,919
Rent (Note 21)	**53,172,868**	87,141,120
Software maintenance costs	**42,007,652**	31,959,198
Retirement benefit expense	**23,897,461**	26,225,791
Insurance	**17,642,339**	18,432,015
Losses	**16,478,932**	45,834,655
Repairs and maintenance	**3,532,076**	3,459,967
Others	**15,210,570**	26,237,355
	₱2,076,468,610	₱2,044,200,502

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

Foreign exchange gains (loss) - net arises from the following:

	For the Nine Months Ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
Bond payable	**₱60,912,775**	₱14,356,343
Trade payables	**2,409,216**	1,525,375
Due from related parties	**(1,846,352)**	2,682,572
Equity investments at FVPL	**(608,618)**	44,275,224
Cash and cash equivalents	**(32,629,172)**	(23,191,298)
	₱28,237,849	₱39,648,216

20. Income Taxes

Provision for income tax consists of:

	For the Nine Months Ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
Current	**₱77,557,121**	₱336,728,517
Deferred	**(75,393,242)**	4,776,617
	₱2,163,879	₱341,505,134

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

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Deferred tax assets arising from:		
Retirement benefit liability	**₱200,374,225**	₱188,327,061
Allowance for impairment losses	**72,763,596**	58,184,772
Accrued employee benefits	**63,651,556**	51,484,181
Lease liabilities	**45,569,520**	43,019,847
MCIT	**38,685,794**	248,063
Contract liabilities	**30,343,100**	13,849,738
NOLCO	**4,936,518**	16,828,168
Depreciation charged to retained earnings, beginning	**11,647,995**	13,847,894
Unrealized foreign exchange losses	**950,454**	5,030,963
Others	**18,996,101**	13,493,165
	487,918,859	404,313,852
Deferred tax liabilities arising from:		
Unrealized foreign exchange gains	**–**	(20,530,140)
Others	**(569,245)**	(6,222,216)
	(569,245)	(26,752,356)
	₱487,349,614	₱377,561,496

Deferred tax asset arising from depreciation charged to retained earnings beginning pertains to the future deductible temporary difference arising from additional depreciation that can be claimed for tax purposes. This additional depreciation is a result of the shortening of depreciable lives of leasehold improvements which was charged against retained earnings as at January 1, 2019, the date of the initial adoption of PFRS 16.

Details of the Group's deferred income tax liabilities - net as at September 30, 2020 follow:

	September 30, 2020 (Unaudited)
Deferred tax assets arising from:	
NOLCO	**₱14,646,100**
Allowance for impairment loss	**6,460,227**
MCIT	**576,467**
	21,682,794
Deferred tax liabilities arising from:	
Undistributed profits of subsidiaries to be declared subsequently	**(33,020,640)**
Unrealized foreign exchange gains	**(20,030,302)**
Others	**(2,068,562)**
	(55,119,504)
	(₱33,436,710)

The deferred tax asset on allowance for impairment losses includes ₱6.46 million deferred tax asset arising from the recorded impairment of inventory and property and equipment during the reverse acquisition of FED.

21. **Lease Commitments**

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

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

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

3. Lease agreement with a local bank covering transportation equipment for a period of three to five 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 as at September 30, 2020 and December 31, 2019:

	For the period ended September 30, 2020 (Unaudited)			
	Right-of-use assets			
	Office and Warehouses	**Vehicles**	**Equipment**	**Total**
Costs				
At beginning of the period	**₱2,411,268,975**	**₱130,806,818**	**₱61,353,144**	**₱2,603,428,937**
Additions	**677,543,343**	**29,773,614**	**–**	**707,316,957**
End of contracts	**(105,700,932)**	**(5,428,983)**	**(1,180,434)**	**(112,310,349)**
At end of the period	**2,983,111,386**	**155,151,449**	**60,172,710**	**3,198,435,545**
Accumulated Amortization				
At beginning of the period	**658,232,882**	**28,985,675**	**30,380,308**	**717,598,865**
Amortization	**549,998,440**	**24,885,882**	**9,244,217**	**584,128,539**
End of contracts	**(105,700,932)**	**(5,428,983)**	**(1,180,434)**	**(112,310,349)**
At end of the period	**1,102,530,390**	**48,442,574**	**38,444,091**	**1,189,417,055**
Net Book Value	**₱1,880,580,996**	**₱106,708,875**	**₱21,728,619**	**₱2,009,018,490**

	For the year ended December 31, 2019 (Audited)			
	Right-of-use assets			
	Office and Warehouses	Vehicles	Equipment	Total
Costs				
As at January 1, 2019	₱2,053,766,086	₱76,338,649	₱25,312,929	₱2,155,417,664
Additions	329,349,728	33,854,584	–	363,204,312
Additions through business combination	133,861,706	20,613,585	36,040,215	190,515,506
Disposal of a subsidiary	(105,708,545)	–	–	(105,708,545)
At end of the year	2,411,268,975	130,806,818	61,353,144	2,603,428,937
Accumulated Amortization				
At beginning of the period	₱–	₱–	₱–	₱–
Amortization	680,846,232	28,985,675	30,380,308	740,212,215
Disposal of a subsidiary	(22,613,350)	–	–	(22,613,350)
At end of the year	658,232,882	28,985,675	30,380,308	717,598,865
Net Book Value	₱1,753,036,093	₱101,821,143	₱30,972,836	₱1,885,830,072

End of contracts pertain to lease agreements which reached the end of the lease terms. These were subsequently renewed as short-term leases.

Lease liabilities as at September 30, 2020 and December 31, 2019:

	Lease Liabilities	
	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of the period	**₱2,001,745,651**	₱2,188,493,350
Additions	**707,316,957**	363,204,312
Additions through business combination	**–**	190,760,186
Disposal of a subsidiary	**–**	(92,099,843)
Accretion of interest	**96,495,390**	135,712,457

(Forward)

	Lease Liabilities	
	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Payments of principal	**(₱557,567,369)**	(₱648,612,354)
Payments of interest	**(96,495,390)**	(135,712,457)
Balance at end of period	**2,151,495,239**	2,001,745,651
Less: current portion	**733,210,209**	645,014,412
Noncurrent portion	**₱1,418,285,030**	₱1,356,731,239

The Group recognized rent expense from short-term leases of ₱219.87 million and ₱389.37 million for the nine months ended September 30, 2020 and 2019, respectively. Rent expense for leases of low-value assets amounted to ₱9.92 million and ₱9.73 million for the nine months ended September 30, 2020 and 2019, respectively (Notes 18 and 19). Moreover, in accordance with the *Amendments to PFRS 16, Covid-19 related Rent Concessions*, the Group treated COVID-19 related lease concessions of ₱50.19 million as reduction from rent expense recorded under 'Cost of services' (Note 2).

Lease liabilities recognized under PFRS 16 amounted to ₱2,151.50 million, ₱733.21 million of which is presented under current liabilities. Interest expense arising from the accretion of the present value of the minimum lease payments amounted to ₱96.50 million and ₱74.69 million for the nine months ended September 30, 2020 and September 30, 2019 respectively. The following summarized the maturity profile of the Group's undiscounted lease payments:

	September 30 2020 (Unaudited)	December 31 2019 (Audited)
Less than 1 year	**₱791,002,151**	₱707,225,934
More than 1 year to 2 years	**620,084,079**	546,292,822
More than 2 years to 3 years	**465,404,982**	377,793,964
More than 3 years to 4 years	**271,620,906**	257,464,486
More than 5 years	**404,799,832**	342,200,874
	₱2,552,911,950	₱2,230,978,080

(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, 2020 and 2019 are considered short-term leases or low value assets where the short-term lease recognition exemption is applied.

	For the Nine Months Ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
Cost of services (Note 18)	**₱176,620,203**	₱311,959,950
Operating expenses (Note 19)	**53,172,868**	87,141,120
	₱229,793,071	₱399,101,070

The Group has security deposits arising from the lease agreements amounting to ₱354.06 million and ₱330.62 million as at September 30, 2020 and December 31, 2019, respectively.

22. Retirement Benefits

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

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Present value of defined benefit obligation	**₱955,207,304**	₱868,252,210
Fair value of plan assets	**(275,325,858)**	(230,457,525)
	₱679,881,446	₱637,794,685

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

The pension cost for the interim periods and the present value of the defined benefit obligation as at September 30, 2020 and 2019 were calculated by prorating the 2020 projected retirement expense and by extrapolating the latest actuarial valuation report for the year ended December 31, 2019, respectively.

23. Financial Risk Management Objectives and Policies

The Group has various financial assets such as 'cash and cash equivalents', 'trade and other receivables' (excluding advances to officers and employees), , 'due from related parties', 'equity investments at FVPL', 'equity investments at FVOCI', 'short-term cash investments' , 'notes receivable' , 'loans receivable' and 'restricted cash in bank' under prepayments and other current assets.

The Group's financial liabilities comprise of accounts and other payables (excluding statutory liabilities), due to related parties, notes payable, transmissions liability, 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 equity securities accounted for as FVOCI occur as at September 30, 2020 and 2019 with all other variables held constant.

	Effect on comprehensive income	
	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Change in share price		
Increase by 5%	**₱9,655,474**	₱19,115,997
Decrease by 5%	**(9,655,474)**	(19,115,997)
Change in NAV		
Increase by 5%	**₱752,642**	₱28,730,441
Decrease by 5%	**(752,642)**	(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, 2020 (Unaudited)	December 31, 2019 (Audited)
Credit spread		
+1%	**₱57,009,747**	₱57,425,852
-1%	**(58,554,809)**	(60,301,921)

Liquidity risk

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

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

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

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

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

Foreign currency risk

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

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

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

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

	September 30, 2020 (Unaudited)	
	Foreign currency	**Peso equivalent**
Assets:		
Euro	**3,338,140**	**₱189,973,547**
Hongkong Dollar	**24,765,926**	**154,787,038**
Australian Dollar	**2,289**	**79,062**
US Dollars	**31,448,550**	**1,524,311,219**
Japanese yen	**23,004,637**	**10,582,133**
Liabilities:		
US Dollars	**(27,682,507)**	**(1,341,494,289)**

The translation exchange rates used were ₱56.91 to EUR 1, ₱6.25 to HKD 1, ₱34.54 to AUD 1, ₱48.47 to USD 1, ₱0.46 to JPY 1 in 2020.

	December 31, 2019 (Audited)	
	Foreign currency	Peso equivalent
Assets:		
Euro	3,059,119	₱171,096,526
Hongkong Dollar	18,234,261	118,340,354
US Dollars	27,463,284	1,393,589,819
Japanese yen	18,297,353	8,416,782
Liabilities:		
US Dollars	(24,737,217)	(1,255,166,391)

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

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before tax (due to changes in the fair value of monetary assets and liabilities - net position) as at September 30, 2020 and December 31, 2019.

	Increase (decrease) in income before tax	
Reasonably possible change in foreign exchange rate for every two units of Philippine Peso	**September 30, 2020 (Unaudited)**	December 31, 2019 (Audited)
₱2	**₱109,754,070**	₱84,633,600
(2)	**(109,754,070)**	(84,633,600)

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

The Group recognized ₱28.24 million and ₱39.65 million foreign exchange gains - net, for the nine months ended September 30, 2020 and 2019, respectively, arising from settled transactions and translation of the Group's cash and cash equivalents, equity investments at FVPL, due from related parties, trade payables and bond payable (see Note 19).

Credit risk

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

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

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

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

The aging analyses of Group's receivables as of September 30, 2020 and as of December 31, 2019 follow:

		September 30, 2020 (Unaudited)			
		Past due			
	Current	**1 to 30 days**	**31 to 90 days**	**Over 90 days**	**Total**
Trade and other receivables	**₱1,649,767,628**	**₱48,851,744**	**₱37,898,364**	**₱301,680,726**	**₱2,038,198,462**

		December 31, 2019 (Audited)			
		Past due			
	Current	1 to 30 days	31 to 90 days	Over 90 days	Total
Trade and other receivables	₱1,380,709,605	₱32,705,205	₱31,863,646	₱224,074,400	₱1,669,352,856

Capital Management

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

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

The capital that the Group manages is equal to the total equity as shown in the interim condensed consolidated statements of financial position as at September 30, 2020 and December 31, 2019 amounting to ₱3,052.22 million and ₱3,268.11 million, respectively.

24. Fair Values

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

The carrying amounts of cash and cash equivalents, trade and other receivables (excluding advances to officer and employees), due from/to related parties, short-term cash investments, restricted cash in bank, notes receivable, loans receivable, accounts and other payables (excluding statutory payables), dividends payable, transmissions liability, and the current portion of notes payable and lease liabilities approximate their fair value because these financial instruments are relatively short-term in nature.

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

The estimated fair value of the derivative liability as at September 30, 2020 and December 31, 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 unobservable input in the fair value is the stock price volatility of 21.22% for the nine months ended September 30, 2020 and 15.97% for the twelve months ended December 31, 2019. An 11.01% increase in the stock price volatility as at September 30, 2020 would be the point where the redemption and conversion features are equal in value.

As of September 30, 2020, the plain bond is determined by discounting the cash flow, which is simply the principal at maturity, using a discount rate of 12.28%. The discount rate is composed of the matched to maturity risk free rate and the option adjusted spread of 12%.

As of December 31, 2019, the plain bond is determined by discounting the cash flow, which is simply the principal at maturity, using a discount rate of 14.10%. The discount rate is composed of the matched to maturity risk free rate and the option adjusted spread of 12%.

The fair value of the long-term portion of lease liabilities as at September 30, 2020 and December 31, 2019 is based on the discounted value of future cash flow using applicable interest rates ranging from 1.85% to 2.73% and from 3.00% to 3.55%, respectively.

The estimated fair value of long-term portion of notes payable as at September 30, 2020 and December 31, 2019 is based on the discounted value of future cash flow using applicable rates ranging from 1.82% to 2.64% and 4.00% to 7.83%, respectively.

The estimated fair value of other noncurrent liabilities as at September 30, 2020 and December 31, 2019 is based on the discounted value of future cash flow using applicable rate of 1.82% to 2.42% and 5.10% to 6.94%, respectively.

The discounting used Level 3 inputs such as projected cash flows, discount rates and other market data except for the fair values of financial assets at FVOCI and FVPL which are classified as Level 1 and Level 2, respectively.

The quantitative disclosures on fair value measurement hierarchy for assets and liabilities as at September 30, 2020 and December 31, 2019 follow:

	September 30, 2020 (Unaudited)				
		Fair value measurements using			
	Carrying values	**Total**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets measured at fair value					
FVOCI	**₱193,109,473**	**₱193,109,473**	**₱193,109,473**	**₱–**	**₱–**
FVPL	**15,052,841**	**15,052,841**	–	**15,052,841**	–
Liability measured at fair value					
Derivative liability	**2,053,647,592**	**2,053,647,592**	–	–	**2,053,647,592**
Liabilities for which fair value are disclosed					
Bond payable	**1,334,737,509**	**1,511,599,996**	–	–	**1,511,599,996**
Noncurrent lease liabilities	**1,418,285,030**	**1,625,751,862**	–	–	**1,625,751,862**
Long-term notes payable	**759,089,914**	**787,045,305**	–	–	**787,045,305**
Other noncurrent liabilities	**22,681,308**	**27,052,391**	–	–	**27,052,391**

		December 31, 2019 (Audited)			
		Fair value measurements using			
	Carrying values	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
FVOCI	₱286,738,308	₱286,738,308	₱286,738,308	₱–	₱–
FVPL	15,629,263	15,629,263	–	15,629,263	–
Liability measured at fair value					
Derivative liability	2,048,681,561	2,048,681,561	–	–	2,048,681,561
Liabilities for which fair value are disclosed					
Bond payable	1,247,021,058	1,350,898,104	–	–	1,350,898,104
Long-term notes payable	553,055,555	560,121,284	–	–	560,121,284
Noncurrent lease liabilities	1,356,731,239	1,352,153,074	–	–	1,352,153,074
Other noncurrent liabilities	39,787,954	44,440,039	–	–	44,440,039

During the nine months ended September 30, 2020 and year ended December 31, 2019, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

25. Segment Reporting

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

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

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

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

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

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

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

	For the Nine Months Ended September 30, 2020 (Unaudited)		
Segments	**Logistics**	**Money transfer services**	**Total**
Type of Customer			
Retail	**₱7,091,726,990**	**₱403,141,692**	**₱7,494,868,682**
Corporate	**2,107,665,484**	**28,627,128**	**2,136,292,612**
Total revenue from contracts with customer	**₱9,199,392,474**	**₱431,768,820**	**₱9,631,161,294**
Geographic Markets			
Domestic	**₱6,448,562,873**	**₱242,570,926**	**₱6,691,133,799**
Overseas	**2,750,829,600**	**189,197,895**	**2,940,027,495**
Total revenue from contracts with customer	**₱9,199,392,473**	**₱431,768,821**	**₱9,631,161,294**

Segments	For the Nine Months Ended September 30, 2019 (Unaudited) Logistics	Money transfer services	Total
Type of Customer			
Retail	₱7,233,722,839	₱752,613,265	₱7,986,336,104
Corporate	3,443,318,524	55,650,487	3,498,969,011
Total revenue from contracts with customer	₱10,677,041,363	₱808,263,752	₱11,485,305,115
Geographic Markets			
Domestic	₱7,883,150,349	₱555,076,372	₱8,438,226,721
Overseas	2,793,891,014	253,187,380	3,047,078,394
Total revenue from contracts with customer	₱10,677,041,363	₱808,263,752	₱11,485,305,115

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 ₱58.46 million and ₱64.21 million for the nine months ended September 30, 2020 and 2019, respectively (see Note 17).

Seasonality of Operations

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

26. Basic/Diluted Earnings (Loss) Per Share

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

Basic Earnings per Share:

	For the Nine Months Ended September 30,	
	2020 (Unaudited)	2019 (Unaudited)
Net income (loss) attributable to shareholder of the Parent Company	**(₱53,230,112)**	₱397,212,095
Weighted average number of common shares outstanding	**1,425,865,471**	1,425,865,471
Basic EPS	**(₱0.04)**	₱0.28

In 2020 and 2019, the Parent Company did not consider the effect of the assumed conversion of convertible debt since these are anti-dilutive. As such, for the nine months ended September 30, 2020 and 2019, the diluted EPS presented in the interim condensed consolidated statements of comprehensive income is the same value as basic EPS.

27. Notes to Consolidated Statement of Cash Flows

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

Investing Activities

a. Unpaid acquisition of property and equipment amounting to ₱6.58 million.
b. Offsetting of loans receivable and interest receivable against royalty fee recorded under 'accounts and other payables' (see Note 11) amounting to ₱4.17 million.
c. Decrease in due from related parties amounting to ₱1.08 million due to application of payment for advances for future investment in shares.

Financing Activities

	December 31, 2019 (Audited)	**Cash Flows**	**Leasing arrangements**	**Interest**	**Foreign exchange movement**	**Fair value changes**	**September 30, 2020 (Unaudited)**
Notes payable	**₱929,722,222**	**₱946,049,992**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,875,772,214**
Lease liabilities and other noncurrent liabilities	**2,041,533,590**	**(557,567,369)**	**690,210,326**	**–**	**–**	**–**	**2,174,176,547**
Convertible bond (bond and derivative liability)	**3,295,702,619**	**–**	**–**	**148,629,226**	**(60,912,775)**	**4,966,031**	**3,388,385,101**
Dividends payable	**14,775,250**	**(14,775,250)**	**–**	**–**	**–**	**–**	**–**
Interest payable	**3,031,235**	**(172,390,367)**	**–**	**175,813,165**	**–**	**–**	**6,454,033**
Due to related parties	**33,611,365**	**8,779,942**	**–**	**–**	**(2,163,657)**	**–**	**40,227,650**
Total liabilities from financing activities	**₱6,318,376,281**	**₱210,096,948**	**₱690,210,326**	**₱324,442,391**	**(₱60,749,116)**	**₱4,966,031**	**₱7,485,015,545**

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

Investing Activities

a. Unpaid acquisition of property and equipment and intangible assets amounting to ₱738.88 million
b. Offsetting of due from LBCDC against dividend payable amounting to ₱229.37 million recorded under 'Due from related parties' (see Note 17).
c. Increase in receivable from LBCDC amounting to ₱1,018.66 million arising from the disposal of QUADX, Inc. in which ₱186.02 million pertains to the selling price of QUADX, Inc. and ₱832.64 million pertains to the assigned receivables (see Note 17).
d. Decrease in due from related parties amounting to ₱51.51 million due to application of payment for advances for future investment in shares.

Financing Activities

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

	December 31, 2018 (Audited)	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 and disposal of a subsidiary	Dividend declaration	September 30, 2019 (Unaudited)
Notes payable	₱829,500,000	₱85,000,000	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱914,500,000
Lease liabilities and other noncurrent liabilities	220,055,216	(475,880,782)	1,792,253,608	–	–	–	–	190,760,221	–	1,727,188,263
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)	–	–	–	356,466,368	356,466,368
Interest payable	1,570,160	(141,899,806)	–	143,635,866	–	–	–	–	–	3,306,220
Due to related parties	93,992,129	55,473,970	–	–	–	–	–	(129,591,474)	20,934,103	40,808,772
Total liabilities from financing activities	₱3,944,883,100	(₱533,104,986)	₱1,792,253,608	₱277,849,745	(₱229,374,726)	(₱14,356,343)	₱590,941,464	₱61,168,747	₱377,400,471	₱6,267,661,124

28. **Other Matters**

Closure of LBC Development Bank, Inc.

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

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

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

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

On November 2, 2015, the Bank, represented by the PDIC, filed a case against LBCE and LBCDC, together with other defendants, 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 that were sent on March 17 and 29, 2014 due to their discovery that the supposed payments of LBCE were allegedly unsupported by actual cash inflow to the Bank.

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

On January 12, 2016, LBCE and LBCDC, together with other defendants, filed motions to dismiss the Complaint which was denied by the RTC, and then by Court of Appeals (CA). LBCE and LBCDC filed an appeal to the Supreme Court on September 2, 2019 assailing the denial of the motions to dismiss. PDIC has already filed its comment on the appeal while LBCE and LBCDC filed its reply on October 14, 2020. The Supreme Court has not resolved the appeal as of today.

On January 21, 2016, LBCE and LBCDC filed its Urgent Motion to Approve the Counterbond and Discharge the Writ of Attachment which was resolved in favor of LBCE and LBCDC.

On February 17, 2016, the RTC issued the order to lift and set aside the writ of preliminary attachment. The order to lift and set aside the preliminary attachment directed the sheriff of the RTC 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 other individual defendants and hence, the RTC 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.

Later on, four of the five individual defendants received summons and then filed motions to dismiss the case, all of which were denied by the RTC. All four individual defendants filed for motions for reconsideration. The motions for reconsideration filed by the three individual defendants were eventually denied by the RTC. Thereafter, the three individual defendants filed their Answers to the Complaint with the RTC.

On the other hand, the RTC has not resolved the motion for reconsideration of the last remaining individual defendant yet. When the motion for reconsideration of the last remaining individual defendant is resolved by the RTC, she will have to file her Answer to the Complaint with the RTC.

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

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

29. Impact of COVID-19 Pandemic and Subsequent Events

Dividend Declaration

On October 19, 2020, the Board of Directors of LBCH approved the declaration of cash dividends of ₱0.20 per share held by the stockholders of record on November 23, 2020 and shall be paid on December 15, 2020.

Impact of recent Coronavirus situation

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum to impose stringent social distancing measures in the National Capital Region. Consequently, on March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months, and placed

Luzon under Enhanced Community Quarantine (ECQ) until April 14, 2020; this was later extended to May 15, 2020. From May 16, 2020 to May 31, 2020, Metro Manila, Laguna and Cebu City were shifted from ECQ to Modified Enhanced Community Quarantine (MECQ). From June 1, 2020 to August 3, 2020, Metro Manila shifted from MECQ to General Community Quarantine (GCQ). On August 4, 2020, Metro Manila was again placed under MECQ until August 18, 2020. From August 19, 2020 until the date of the issuance of the interim condensed consolidated financial, Metro Manila has shifted from MECQ to GCQ. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. Further, similar measures were implemented by the Local Government Units in the Philippines. Accordingly, the movement of cargoes within, to and from the entire Luzon shall be unhampered amid the Luzon-wide ECQ subject to the guidelines by the Department of Transportation.

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

The impact of the pandemic consists of reduction in revenue, receipt of lease concessions from lessors and recognition of additional allowance for expected credit losses (Note 2). The Group also incurred COVID-19 pandemic related expenses such as medical and sanitation supplies, shuttling costs, donation of face shields and face masks and premiums paid to employees.

To date, the Group has not made any modification to its existing debt and has not availed any extension in debt servicing.

The Group is continuously evaluating potential impact of the COVID-19 pandemic to the Group's financial assets including assumptions in the calculation of the expected credit loss for financial assets and impairment testing for goodwill and other nonfinancial assets.

Management is continuously monitoring the financial impact on the Group as the COVID-19 situation progresses and as the Group maintains its commitment to the continuous provision of services to its customers while ensuring the safety and welfare of its employees.

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

SUPPLEMENTARY SCHEDULES

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS

SEPTEMBER 30, 2020

Name of issuing entity and association of each issue	Number of shares	Amount shown in the balance sheet	Income received and accrued	Value Based on Market Quotation and End of Reporting Period
Financial assets at fair value through other comprehensive income - Araneta Properties, Inc.	195,060,074	₱193,109,473	₱–	N/A
Financial assets at fair value through profit or loss	–	15,052,841	–	N/A
		208,162,314	–	
Financial assets at amortized costs:				
Cash in bank and cash equivalents	–	4,592,740,897	16,740,825	N/A
Short-term investments	–	124,368,304	148,821	N/A
Restricted cash in bank		21,368,482	–	N/A
Trade and other receivables	–	1,798,508,880	–	N/A
Due from related parties	–	1,126,063,025	–	N/A
Notes receivable (noncurrent)	–	21,682,463	865,342	N/A
Loans receivable (current and noncurrent)	–	81,421,201	1,508,840	N/A
		7,766,153,252	19,263,828	
		₱7,974,315,566	₱19,263,828	

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, 2020

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Non-current	Balance at end of period
Santiago G. Araneta,							
Beneficial owner	₱9,537,387	₱14,954,815	(₱14,954,615)	₱–	₱9,537,587	₱–	₱9,537,587
Fernando G. Araneta							
Beneficial owner	18,821,782	–	–	–	18,821,782	–	18,821,782
Monica G. Araneta							
Beneficial owner	9,349,708	–	–	–	9,349,708	–	9,349,708
Miguel Angel A. Camahort							
Chief Executive Officer	724,955	–	(724,955)	–	–	–	–
	₱38,433,832	₱14,954,815	(₱15,679,570)	₱–	₱37,709,077	₱–	₱37,709,077

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, 2020

Name of Subsidiaries	Balance at beginning of period	Additions	Amounts collected/paid	Amounts Written Off	Current	Not current	Balance at end of period
LBC Express, Inc.	(₱1,878,721,192)	(₱2,579,421,486)	₱3,320,679,846	₱–	(₱1,137,462,832)	₱–	(₱1,137,462,832)
LBC Express, Inc. - MM	96,462,585	207,436,612	(184,671,751)	–	119,227,446	–	119,227,446
LBC Express, Inc. - SCC	16,163,852	47,381,066	(42,056,063)	–	21,488,855	–	21,488,855
LBC Express, Inc. - NEMM	21,146,975	139,754,120	(124,657,542)	–	36,243,553	–	36,243,553
LBC Express, Inc. - NWMM	29,613,768	99,843,329	(86,376,729)	–	43,080,368	–	43,080,368
LBC Express, Inc. - EMM	23,696,239	79,036,229	(70,411,973)	–	32,320,495	–	32,320,495
LBC Express, Inc. - SMM	16,136,077	87,143,440	(78,454,081)	–	24,825,436	–	24,825,436
LBC Express, Inc. - CMM	16,264,009	105,104,566	(91,783,107)	–	29,585,468	–	29,585,468
LBC Express, Inc. - SL	61,412,175	192,303,899	(166,772,668)	–	86,943,406	–	86,943,406
LBC Express, Inc. - SEL	44,067,088	107,726,212	(95,554,574)	–	56,238,726	–	56,238,726
LBC Express, Inc. - CL	35,802,740	140,641,988	(127,904,451)	–	48,540,277	–	48,450,277
LBC Express, Inc. - NL	34,396,835	140,436,430	(125,463,002)	–	49,370,263	–	49,370,263
LBC Express, Inc. - VIS	60,358,010	174,836,942	(155,618,621)	–	79,576,331	–	79,576,331
LBC Express, Inc. - WVIS	38,428,715	138,918,408	(122,413,378)	–	54,933,745	–	54,933,745
LBC Express, Inc. - MIN	46,767,187	158,453,755	(142,533,487)	–	62,687,455	–	62,687,455
LBC Express, Inc. - SEM	37,626,122	95,518,737	(84,862,479)	–	48,282,380	–	48,282,380
LBC Express, Inc. - SMCC	14,218,035	25,935,489	(22,492,765)	–	17,660,759	–	17,660,759
LBC Express, Inc. - ESI	(5,017,866)	–	(1,468,360)	–	(6,486,226)	–	(6,486,226)
LBC Express, Inc. - SCS	38,924,355	150,671,950	(127,872,106)	–	61,724,199	–	61,724,199
LBC Systems, Inc.	(55,484,375)	12,366,867	(11,023,834)	–	(54,141,342)	–	(54,141,342)
LBC Express WLL	20,949,925	(32,116,733)	47,329,994	–	36,163,186	–	36,163,186
LBC Express Bahrain WLL	(20,919,147)	(4,760,600)	(1,930,225)	–	(27,609,972)	–	(27,609,972)
LBC Express LLC	(71,007,698)	(13,680,508)	21,489,045	–	(63,199,161)	–	(63,199,161)
LBC Mabuhay Saipan, Inc.	(48,271,677)	(4,947,421)	32,647,356	–	(20,571,742)	–	(20,571,742)
LBC Aircargo (S) Pte. Ltd	(143,416,881)	(2,565,542)	3,672,447	–	(142,309,976)	–	(142,309,976)
LBC Money Transfer PTY Limited	(70,443,146)	(7,025,061)	39,613,154	–	(37,855,053)	–	(37,855,053)
LBC Airfreight (S) Pte. Ltd	105,146,491	(27,261,146)	70,709,467	–	148,594,812	–	148,594,812
LBC Australia PTY Limited	10,113,112	(25,223,442)	36,644,141	–	21,533,811	–	21,533,811
LBC Mabuhay (Malaysia) SDN BHD	5,403,949	(9,817,518)	17,316,903	–	12,903,334	–	12,903,334
LBC Mabuhay (B) SDN BHD	22,240,907	(3,541,601)	54,896	–	18,754,202	–	18,754,202
LBC Mabuhay Remittance SDN BHD	5,033,035	(5,723,185)	31,427,888	–	30,737,738	–	30,737,738
LBC Mundial Corporation	(6,637,789)	(216,617,920)	119,757,643	–	(103,498,066)	–	(103,498,066)
LBC Mabuhay North America Corporation	–	62,512,612	(62,413,858)	–	98,754	–	98,754
QUADX Pte Ltd.	13,670,094	–	(29,430,596)	–	(15,760,502)	–	(15,760,502)
Mermaid Co., Ltd.	(5,060,886)	–	(7,305,151)	–	(12,366,037)	–	(12,366,037)
	(₱1,490,938,377)	(₱766,679,512)	₱1,777,871,979	₱–	(₱479,835,910)	₱–	(₱479,835,910)

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE D: LONG TERM DEBT
SEPTEMBER 30, 2020

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current liabilities" in Statement of Financial Position	Amount shown under caption "Noncurrent liabilities" in Statement of Financial Position
Notes payable	₱1,875,772,214	₱1,116,682,300	₱759,089,914
Lease liabilities	2,151,495,239	733,210,209	1,418,285,030
Bond payable	1,334,737,509	–	1,334,737,509
Derivative liability	2,053,647,592	–	2,053,647,592
Other liabilities	50,105,279	27,423,971	22,681,308
	₱7,465,757,833	₱1,877,316,480	₱5,588,441,353

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE E: INDEBTEDNESS TO RELATED PARTIES
SEPTEMBER 30, 2020

Name of related party	Balance at Beginning of Period	Balance at End of Period
Fernando G. Araneta,		
Beneficial owner	₱43,741	₱41,777
LBC Insurance Agency, Inc.	13,057,902	8,501,650
Blue Eagle and LBC Services Pte. Ltd.	17,508,283	16,873,600
QUADX Inc.	2,607,080	14,433,468
Others	394,359	377,155
	₱33,611,365	₱40,227,650

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE F: GUARANTEES OF SECURITIES OF OTHER ISSUERS

SEPTEMBER 30, 2020

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

NOT APPLICABLE

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE G: CAPITAL STOCK

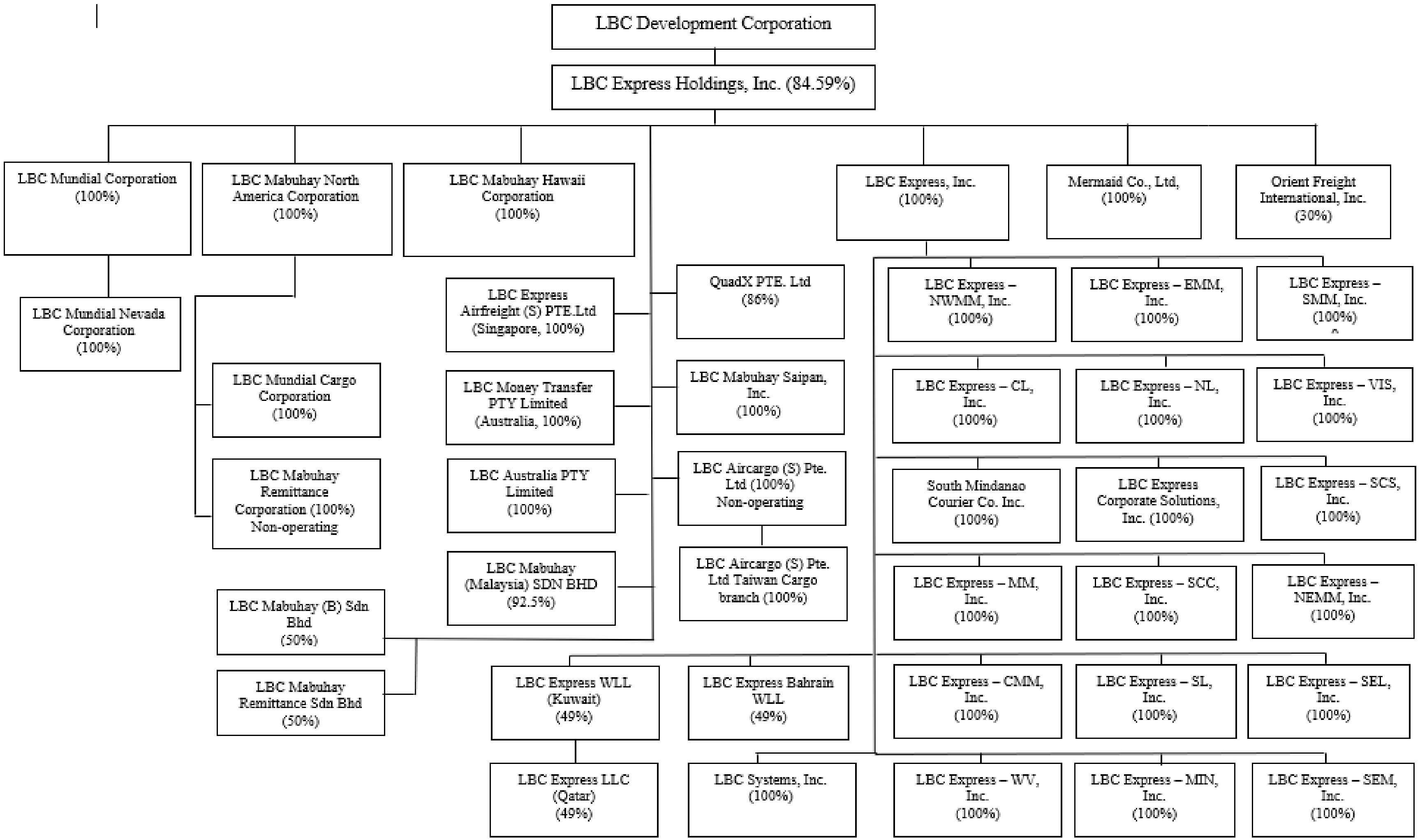
SEPTEMBER 30, 2020

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

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIESs

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

SEPTEMBER 30, 2020



LBC EXPRESS HOLDINGS, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

Unappropriated Retained Earnings, beginning		**₱994,108,545**
Adjustments:		
Fair value adjustments (M2M gains)	(₱454,198,052)	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	(38,823,509)	**(493,021,561)**
Unappropriated retained earnings, as adjusted to available for dividend distribution as at January 1, 2020		**501,086,984**
Less: Net Loss actually incurred during the period		
Net loss during the period closed to retained earnings		**(₱147,396,735)**
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain – (after tax) except those attributable to Cash and Cash equivalents	42,638,943	
Unrealized actuarial gain	–	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Subtotal	42,638,943	**42,638,943**
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		**(190,035,678)**
Add (Less):		
Dividend declarations during the period	–	
Appropriations of retained earnings during the period	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	
Subtotal		–
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION		**₱311,051,306**

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

Below are the financial ratios that are relevant to the Group for the nine months ended September 30:

Financial ratios	Formula	Current Year		Prior Year	
Current ratio[1]	Total Current Assets	**8,889,914,239**	**1.76**	8,187,513,531	1.73
	Total Current Liabilities	**5,051,956,661**		4,727,401,157	
Acid Test Ratio[1]	Total Current Assets - Prepayments and other current assets	**7,985,944,582**	**1.58**	7,309,292,128	1.55
	Total Current Liabilities	**5,051,956,661**		4,727,401,157	
Solvency Ratio[1]	Net Income (loss) After Tax - Non-Cash Expenses	**2,175,723,747**	**0.22**	2,304,503,364	0.25
	Total Liabilities	**9,961,658,667**		9,308,269,061	
Debt-to-equity ratio[1]	Total liabilities	**9,961,658,667**	**2.95**	9,308,269,061	2.62
	Stockholder's equity attributable to Parent Company	**3,373,316,086**		3,548,446,631	
Asset-to-equity ratio[1]	Total Assets	**13,334,974,753**	**3.95**	12,856,715,693	3.62
	Stockholder's equity attributable to Parent Company	**3,373,316,086**		3,548,446,631	
Interest rate coverage ratio[1]	Income (loss) before interest and tax expense	**311,841,360**	**1.37**	1,226,507,693	6.04
	Interest Expense	**227,947,001**		203,161,955	
Return on equity[1]	Net income (loss) attributable to Parent Company	**35,432,727**	**1.05%**	754,387,893	21.26%
	Stockholder's equity attributable to Parent Company	**3,373,316,086**		3,548,446,631	
Debt to total assets ratio[1]	Total liabilities	**9,961,658,667**	**0.75**	9,308,269,061	0.72
	Total assets	**13,334,974,753**		12,856,715,693	
Return on average assets [1]	Net income (loss) attributable to Parent Company	**35,432,727**	**0.27%**	754,387,893	6.23%
	Average assets	**12,945,032,154**		12,113,445,223	
Net profit margin[1]	Net income (loss) attributable to Parent Company	**35,432,727**	**0.37%**	754,387,893	6.57%
	Service fee	**9,631,161,294**		11,485,305,115	
Book value per share[1]	Stockholder's equity attributable to Parent Company	**3,373,316,086**	**2.37**	3,548,446,631	2.49
	Total number of shares	**1,425,865,471**		1,425,865,471	
Basic earnings per share	Net income (loss) attributable to Parent Company	**(53,230,112)**	**(0.04)**	397,212,095	0.28
	Weighted average number of common shares outstanding	**1,425,865,471**		1,425,865,471	
Diluted earnings per share	Net income (loss) attributable to Parent Company after impact of conversion of bonds payable	**(53,230,112)**	**(0.04)**	397,212,095	0.28
	Adjusted weighted average number of common shares for diluted EPS	**1,425,865,471**		1,425,865,471	

[1]*Excluding adjustments related to PFRS 16, Leases*

LBC Express Holdings, Inc. and Subsidiaries

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

SGV

Building a better working world

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

REPORT ON REVIEW OF UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors and Stockholders
LBC Express Holdings, Inc.

Introduction

We have reviewed the accompanying unaudited interim condensed consolidated financial statements of LBC Express Holdings, Inc. and Subsidiaries, which comprise the unaudited interim consolidated statements of financial position as at September 30, 2020 and the related unaudited interim consolidated statements of comprehensive income, changes in equity and cash flows for the nine months ended September 30, 2020 and 2019, and explanatory notes to unaudited interim condensed consolidated financial statements. Management is responsible for the preparation and presentation of this unaudited interim financial information in accordance with the Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these unaudited interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with Philippine Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity*." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unaudited interim condensed consolidated financial statements of LBC Express Holdings, Inc. and Subsidiaries as at September 30, 2020 and for the nine months ended September 30, 2020 and 2019, are not prepared, in all material respects, in accordance with PAS 34.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 28 of the interim condensed consolidated financial statements which describes the uncertainty related to the outcome of the case filed against LBC Express, Inc. (LBCE), a subsidiary, among other respondents, by LBC Development Bank, Inc., as represented by its receiver and liquidator, the Philippine Deposit Insurance Corporation (PDIC) for collection of an alleged amount of ₱1.82 billion. The claim pertains to allegedly unpaid service fees from June 2006 to August 2011 and unpaid service charges on remittance transactions from January 2010 to September 2011.

To date, the pre-trial of the case has been deferred until the resolution by the court of the motion for reconsideration of the order that denied the motion to dismiss filed by one of the individual defendants. In the event that the motion for reconsideration is later on denied by the court, the last remaining individual defendant shall file her Answer to the Complaint. Thereafter, the case will be referred to mediation and/or judicial dispute resolution. If mediation fails, only then will the case be scheduled for pre-trial, during which the parties will present to the court the issues for resolution, the evidence and witnesses to be presented and other matters to be resolved at trial. After pre-trial, trial will ensue. At this point, the court has yet to receive the evidence of the parties.

Given this, the ultimate outcome of the case cannot presently be determined. In the opinion of management and in concurrence with its legal counsel, any liability of LBCE arising from the case is not probable and estimable at this point in time.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 1737-A (Group A),
January 24, 2019, valid until January 23, 2022
Tax Identification No. 162-410-623
BIR Accreditation No. 08-001998-74-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125312, January 7, 2020, Makati City

November 3, 2020

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 23 and 24)	**₱5,006,626,541**	₱4,418,669,253
Trade and other receivables (Notes 5, 17, 23 and 24)	**1,838,202,175**	1,537,848,554
Due from related parties (Notes 17, 23 and 24)	**1,126,063,025**	1,103,805,387
Investments at fair value through profit or loss (Notes 9, 23 and 24)	**15,052,841**	15,629,263
Prepayments and other current assets (Notes 6, 11, 17, 23 and 24)	**903,969,657**	807,780,151
Total Current Assets	**8,889,914,239**	7,883,732,608
Noncurrent Assets		
Property and equipment (Note 7)	**2,056,175,969**	2,110,735,060
Right-of-use assets (Note 21)	**2,009,018,490**	1,885,830,072
Intangible assets (Note 8)	**305,564,969**	363,746,898
Investment at fair value through other comprehensive income (Notes 9, 23 and 24)	**193,109,473**	286,738,308
Deferred tax assets - net (Note 20)	**487,349,614**	377,561,496
Security deposits (Note 21)	**354,059,867**	330,624,118
Investment in an associate (Note 10)	**236,428,599**	250,638,683
Advances for future investment in shares (Note 17)	**79,809,022**	78,727,321
Goodwill (Note 3)	**286,887,944**	286,887,944
Other noncurrent assets (Notes 6, 11 and 17)	**220,907,231**	238,462,851
Total Noncurrent Assets	**6,229,311,178**	6,209,952,751
	₱15,119,225,417	₱14,093,685,359
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 12, 17, 23 and 24)	**₱2,949,834,724**	₱3,242,180,861
Due to related parties (Notes 17, 23 and 24)	**40,227,650**	33,611,365
Dividends payable (Notes 16, 23 and 24)	**–**	14,775,250
Current portion of notes payable (Notes 14, 23 and 24)	**1,116,682,300**	376,666,667
Transmissions liability (Notes 13, 17, 23 and 24)	**920,971,909**	586,888,109
Income tax payable	**4,323,405**	43,362,953
Current portion of lease liabilities (Notes 21, 23 and 24)	**733,210,209**	645,014,412
Total Current Liabilities	**5,765,250,197**	4,942,499,617
Noncurrent Liabilities		
Derivative liability (Notes 15, 23 and 24)	**2,053,647,592**	2,048,681,561
Bond payable (Notes 15, 23 and 24)	**1,334,737,509**	1,247,021,058
Lease liabilities - net of current portion (Notes 21, 23 and 24)	**1,418,285,030**	1,356,731,239
Notes payable - net of current portion (Notes 14, 23 and 24)	**759,089,914**	553,055,555
Retirement benefit liability - net (Note 22)	**679,881,446**	637,794,685
Deferred tax liability - net (Note 20)	**33,436,710**	–
Other noncurrent liabilities (Notes 12, 23 and 24)	**22,681,308**	39,787,939
Total Noncurrent Liabilities	**6,301,759,509**	5,883,072,037
	12,067,009,706	10,825,571,654
Equity		
Equity attributable to shareholders of the Parent Company		
Capital stock (Note 16)	**1,425,865,471**	1,425,865,471
Retained earnings	**1,568,141,648**	1,621,371,760
Accumulated comprehensive income	**36,276,239**	193,677,606
	3,030,283,358	3,240,914,837
Non-controlling interests	**21,932,353**	27,198,868
Total Equity	**3,052,215,711**	3,268,113,705
	₱15,119,225,417	₱14,093,685,359

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
SERVICE REVENUE (Note 25)	**₱9,631,161,294**	₱11,485,305,115
COST OF SERVICES (Note 18)	**7,348,165,145**	8,431,995,482
GROSS PROFIT	**2,282,996,149**	3,053,309,633
OPERATING EXPENSES (Note 19)	**2,076,468,610**	2,044,200,502
OPERATING INCOME	**206,527,539**	1,009,109,131
OTHER INCOME (CHARGES)		
Foreign exchange gains - net (Notes 19 and 23)	**28,237,849**	39,648,216
Interest income (Notes 4, 11 and 17)	**19,263,828**	39,193,023
Equity in net earnings of an associate (Note 10)	**7,029,620**	18,929,690
Fair value gain on investment at fair value through profit or loss (Note 9)	**32,196**	90,994
Loss on derivative (Note 15)	**(4,966,031)**	(590,941,464)
Interest expense (Notes 14, 15, 17 and 21)	**(324,442,391)**	(277,849,745)
Gain on disposal of a subsidiary	–	443,755,622
Others - net	**13,712,922**	38,959,180
	(261,132,007)	(288,214,484)
INCOME (LOSS) BEFORE INCOME TAX	**(54,604,468)**	720,894,647
INCOME TAX PROVISION (Note 20)	**2,163,879**	341,505,134
NET INCOME (LOSS) FOR THE PERIOD	**(56,768,347)**	379,389,513
OTHER COMPREHENSIVE INCOME (LOSS)		
Items not to be reclassified to profit or loss in subsequent periods		
Remeasurement losses on retirement benefit plan - net of tax	**(2,235,724)**	(116,908)
Share in other comprehensive income (loss) of an associate (Note 10)	**(239,704)**	464,363
Unrealized fair value gain (loss) on equity investments at fair value through other comprehensive income (Note 9)	**(93,628,835)**	44,863,817
Items that may be reclassified to profit or loss in subsequent periods		
Currency translation losses - net	**(63,025,384)**	(3,283,587)
	(159,129,647)	41,927,685
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱215,897,994)**	₱421,317,198
NET INCOME (LOSS) ATTRIBUTABLE TO:		
Shareholders of the Parent Company	**(₱53,230,112)**	₱397,212,095
Non-controlling interests	**(3,538,235)**	(17,822,582)
NET INCOME (LOSS) FOR THE PERIOD	**(₱56,768,347)**	₱379,389,513
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:		
Shareholders of the Parent Company	**(₱210,631,479)**	₱441,751,474
Non-controlling interests	**(5,266,515)**	(20,434,276)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**(₱215,897,994)**	₱421,317,198
EARNINGS (LOSS) PER SHARE (Note 26)		
Basic	**(₱0.04)**	₱0.28
Diluted	**(₱0.04)**	₱0.28

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, 2020 (Unaudited)					
	Capital Stock (Note 16)	**Retained Earnings**	**Accumulated Comprehensive Income**	**Total**	**Non-controlling Interests**	**Total Equity**
Balances as at January 1, 2020	**₱1,425,865,471**	**₱1,621,371,760**	**₱193,677,606**	**₱3,240,914,837**	**₱27,198,868**	**₱3,268,113,705**
Comprehensive loss:						
Net loss	**–**	**(53,230,112)**	**–**	**(53,230,112)**	**(3,538,235)**	**(56,768,347)**
Other comprehensive loss	**–**	**–**	**(157,401,367)**	**(157,401,367)**	**(1,728,280)**	**(159,129,647)**
Total comprehensive loss	**–**	**(53,230,112)**	**(157,401,367)**	**(210,631,479)**	**(5,266,515)**	**(215,897,994)**
Balances as at September 30, 2020	**₱1,425,865,471**	**₱1,568,141,648**	**₱36,276,239**	**₱3,030,283,358**	**₱21,932,353**	**₱3,052,215,711**

	For the Nine Months Ended September 30, 2019 (Unaudited)					
	Capital Stock (Note 16)	Retained Earnings	Accumulated Comprehensive Income	Total	Non-controlling Interests	Total Equity
Balances as at January 1, 2019	₱1,425,865,471	₱ 1,483,263,625	₱241,328,367	₱3,150,457,463	(₱14,711,365)	₱3,135,746,098
Comprehensive income:						
Net income (loss)	–	397,212,095	–	397,212,095	(17,822,582)	379,389,513
Other comprehensive income (loss)	–	–	44,539,379	44,539,379	(2,611,694)	41,927,685
Total comprehensive income (loss)	–	397,212,095	44,539,379	441,751,474	(20,434,276)	421,317,198
Additional non-controlling interest	–	–	–	–	4,943,608	4,943,608
Disposal of a subsidiary	–	–	–	–	77,998,195	77,998,195
Dividends declared (Note 16)	–	(356,466,368)	–	(356,466,368)	(20,934,147)	(377,400,515)
Balances as at September 30, 2019	₱1,425,865,471	₱1,524,009,352	₱285,867,746	₱3,235,742,569	₱26,862,015	₱3,262,604,584

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)	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**(₱54,604,468)**	₱720,894,647
Adjustments for:		
Depreciation and amortization (Notes 7, 8, 18, 19, 21)	**1,042,758,100**	963,489,300
Interest expense (Notes 14, 15, 17 and 21)	**324,442,391**	277,849,745
Retirement expense, net of benefits paid and contribution to retirement plan	**40,340,380**	(2,299,618)
Loss on derivative (Note 15)	**4,966,031**	590,941,464
Unrealized foreign exchange gain	**8,518,621**	12,524,140
Gain on bargain purchase	**−**	(20,474,024)
Fair value gain on investment at fair value through profit or loss (Note 9)	**(32,196)**	(90,994)
Gain on disposal of property and equipment	**(950,121)**	(454,709)
Equity in net earnings of an associate (Note 10)	**(7,029,620)**	(18,929,690)
Interest income (Notes 4, 11 and 17)	**(19,263,828)**	(39,193,023)
Gain on disposal of a subsidiary	**−**	(443,755,622)
Operating income before changes in working capital	**1,339,145,290**	2,040,501,616
Changes in working capital:		
Decrease (increase) in:		
Trade and other receivables	**(303,293,771)**	(1,073,918,104)
Prepayments and other current assets	**(112,069,332)**	(321,772,979)
Security deposits	**(23,891,395)**	(92,003,309)
Other noncurrent assets	**17,129,390**	(17,633,113)
Increase (decrease) in:		
Accounts and other payables	**353,633,072**	1,322,722,448
Transmissions liability	**332,560,178**	17,293,060
Net cash generated from operations	**1,603,213,432**	1,875,189,619
Interest received	**19,263,828**	39,193,023
Income tax paid	**(116,596,669)**	(376,140,764)
Net cash provided by operating activities	**1,505,880,591**	1,538,241,878
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Sale of investments at fair value through profit or loss	**−**	260,748,100
Disposal of property and equipment	**2,080,530**	4,387,866
Payments for acquisitions of:		
Intangible assets (Note 27)	**(47,327,855)**	(125,744,541)
Property and equipment (Note 27)	**(976,902,588)**	(924,815,461)
Investment at fair value through profit or loss (Note 9)	**−**	(171,000,000)
Acquisition of subsidiaries, net of cash acquired	**−**	588,974,771
Decrease in cash due to disposal of a subsidiary	**−**	(362,489,501)

(Forward)

	Nine Months Ended September 30 (Unaudited)	
	2020	2019
Increase in due from related parties	**(₱16,425,025)**	(₱50,997,687)
Dividends received	**10,500,000**	7,500,000
Net cash used in investing activities	**(1,028,074,938)**	(773,436,453)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable (Note 27)	**1,091,823,000**	350,000,000
Increase in due to related parties (Note 27)	**8,779,942**	55,473,970
Dividends paid (Note 27)	**(14,775,250)**	(55,798,368)
Payments of notes payable (Note 27)	**(145,773,008)**	(265,000,000)
Interest paid (Note 27)	**(172,390,367)**	(141,899,806)
Payments of principal amount of lease liabilities (Note 27)	**(557,567,369)**	(475,880,782)
Net cash provided by (used in) financing activities	**210,096,948**	(533,104,986)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**687,902,601**	231,700,439
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(99,945,313)**	(29,911,199)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**4,418,669,253**	4,137,439,144
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	**₱5,006,626,541**	₱4,339,228,384

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

1. Corporate Information

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

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

FED, before it was acquired by LBCH, undertook an Initial Public Offering and on December 21, 2001, FED's shares were listed on the Philippine Stock Exchange (PSE).

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

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

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

The accompanying interim condensed consolidated financial statements were approved and authorized for issue by the BOD on November 3, 2020.

2. Summary of Significant Accounting Policies and Significant Accounting Estimates, Judgements and Assumptions

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

Basis of Preparation

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

Statement of Compliance

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*.
The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the

Group's annual audited consolidated financial statements as at and for the year ended December 31, 2019, which have been prepared in accordance with PFRS. The interim condensed consolidated financial statements of the Group have been prepared for inclusion in the offering circular to be prepared by the Group in relation to a planned capital raising activity and for no other purpose.

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 Pte. Ltd. and LBC Mabuhay (Malaysia) 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.

In 2020, the Parent Company's subsidiaries, LBC Mabuhay (B) Sdn. Bhd and LBC Mabuhay Remittance Sdn. Bhd have changed its accounting period end from June 30 and December 31, respectively, to November 30. These subsidiaries were previously consolidated using coterminous financial statements and are now being consolidated using the non-coterminous financial statements for the eight months ended August 31. The Group did not reflect any transactions from September 1 to 30, 2020 as these are not considered to be significant.

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, 2020 and 2019 and the date of the Parent Company's financial statements which is September 30, 2020 and 2019 and between December 1, 2019 and the comparative date of the Parent Company's financial position which is December 31, 2019.

The interim condensed consolidated financial statements were adjusted to reflect the following:
- LBCE's settlement of bank loans in September 2020 and 2019 amounting to ₱17.99 million and ₱11.25 million, respectively;
- Changes in fair value of equity investment at FVOCI amounting ₱1.95 million and ₱11.70 million for the periods September 1 to September 30, 2020 and 2019, respectively and
- Net transfer of time deposit to cash in bank amounting to ₱98.69 million in September 2020 (nil in 2019).

The consolidated financial statements were adjusted to effect LBCE's additional settlement of bank loans in December 2019 amounting to ₱12.64 million and the adjustment to reflect the decrease in fair value of investment at FVOCI by ₱25.36 million for the period December 1 to December 31, 2019.

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

Basis of Consolidation
The interim condensed consolidated financial statements include the accounts of the Parent Company and all of its subsidiaries where the Parent Company has control. The interim condensed consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions, including income, expenses and dividends, are eliminated in full. Control is achieved when the

Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- the contractual arrangement with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Group's voting rights and potential voting rights

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

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

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

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

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

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of new standards effective as of January 1, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective, except for the Amendments to PFRS 16, *COVID-19-related Rent Concessions*

Except otherwise stated, the adoption of the new accounting standards, amendments and interpretations which apply for the first time in 2020, do not have an impact on the interim condensed consolidated financial statements of the Group.

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

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

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

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments*, *Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no significant impact on the unaudited interim condensed consolidated financial statements of the Group.

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

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

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

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the accounting standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

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

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

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

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

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

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

  The Group has assessed that all lease concessions have met the criteria set by PFRS 16 and elected to apply the practical expedient hence, treated these lease concessions not as lease modifications but as variable lease payments. For the nine-month period ended September 30, 2020, the Group presented these lease concessions as reduction from rent expense under ‘cost of services’ in the interim consolidated statements of comprehensive income amounting to ₱50.19 million (see Note 21).

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

There were no significant changes in the significant accounting judgments, estimates, and assumptions used by the Group for the interim period ended September 30, 2020 except for the recognition of deferred tax liabilities on the undistributed profits of foreign subsidiaries which are expected to be declared within fourth quarter of 2020, and as a consequence of the COVID-19 pandemic, for the impairment testing of goodwill, revenue recognition, expected credit loss determination for trade receivables - outside parties and treatment of lease concessions granted by lessors.

Recognizing deferred tax liabilities on undistributed profits of foreign subsidiaries
The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries except to the extent that (a) the parent company is able to control the timing of the reversal of the temporary difference, and (b) it is probable that the temporary difference will not reverse in the foreseeable future. As of September 30, 2020, the Group recognized deferred tax liability amounting to ₱33.02 million arising from the dividends to be declared by foreign subsidiaries in the fourth quarter of 2020. However, deferred tax liabilities have not been recognized on the remaining undistributed earnings of these subsidiaries since management does not expect the reversal of the temporary differences in the foreseeable future because the subsidiaries have no further plans to declare dividends from their remaining undistributed profits since based on the Group's future plans, the Parent Company expects to utilize their cash in their operations.

Impairment test of goodwill
The Group performs its annual impairment test in December and when circumstances indicate that the carrying value is impaired. Due to the effect of the COVID-19 pandemic in operations and consumer behavior, management assessed the need to perform impairment test of goodwill as of September 30, 2020. The key assumptions used to determine the recoverable amount for the different significant cash generating units were disclosed in Note 3. The reassessment did not result to any impairment loss.

Revenue recognition
The Group had been using output method in measuring the progress of the performance of the obligation. The measurement of progress used the estimated period travelled (measured in days) of the goods being delivered over the period of the date of the acceptance up to delivery. Due to security, safety and travel restrictions brought about by the COVID-19 pandemic, the delivery lead times of the Group had been extended. Thus, both the estimated period travelled in days over the period of the date of the acceptance up to delivery were updated to estimate the related contract liabilities as of reporting date. As a result, the Group recognized additional deferred revenue, net of deferred cost, amounting to ₱32.82 million presented as contract liabilities under 'Accounts and other payables' (see Note 12). Total contract liabilities as of September 30, 2020 and December 31, 2019 amounted to ₱322.86 million and ₱197.17 million, respectively.

Impairment of financial assets
The Group has determined that the COVID-19 pandemic has impacted the current operations and is expected to impact its future activities. Considering this, the Group revisited the expected credit loss exercise as of September 30, 2020 for its trade receivables – outside parties. The scenario probability was updated based on segmentation of the size of the enterprise customers, from the previous 33% equal probability of all scenarios as of December 31, 2019. As a result of the loss estimation, the Group recognized an additional impairment loss from trade receivable – outside parties of ₱17.84 million for the nine months ended September 30, 2020 (see Note 5).

Moreover, the Group recognized additional impairment loss, as specifically identified, from trade receivable - outside parties amounting to ₱49.12 million (see Note 5) for the nine months ended September 30, 2020.

The Group did not recognize any impairment loss from related parties as these are all due and demandable and have no specific known and observed credit quality deterioration.

3. **Goodwill**

There were no acquisitions and disposal of subsidiaries for the nine months ended September 30, 2020.

Foreign exchange loss from translation of goodwill amounted to ₱0.66 million in 2020 and ₱11.03 million in 2019, included in Currency translation losses - net, in the consolidated statements of comprehensive income.

Impairment testing of goodwill
The Group performed its impairment testing of goodwill amounting to ₱286.89 million as of September 30, 2020 which are primarily related to the acquisitions of LBC Taiwan, LBC Australia Cargo, LBC Australia Money and Mermaid Co. Ltd.

The key assumptions used in determining the recoverable amount based on value-in-use calculations as of September 30, 2020 and December 31, 2019 are as follow:

<u>LBC Taiwan</u>
Goodwill arising from the acquisition of LBC Taiwan amounted to ₱168.37 million. The value in-use calculation is based on the forecast approved by the management over an explicit period of five years. The projected cash flows are based on the plan of the management given its strategy to capture the demands driven by the growing population of Filipino community in the area, competitive pricing and relaxed regulations towards LBC Taiwan by Taiwan Government's Bureau of Customs. Revenue is projected to increase at compounded annual growth rate of 6.59% in 2020 which was lower than the 9.00% annual growth rate used in 2019 due to the anticipated COVID-19 impact. The long-term growth rate of 1.00% was assumed for both 2020 and 2019 due to the expected return to the pre-COVID-19 level of operations. Direct costs are forecasted to follow the trend of revenue except for those that are non-variable but with various cost reduction initiatives. Discount rates used in 2020 and 2019 are 8.46% and 8.68%, respectively. The discount rates are based on a risk adjusted discount rate using the weighted average cost of capital adjusted to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

<u>LBC Australia Cargo</u>
Goodwill arising from the acquisition of LBC Australia Cargo amounted to ₱75.63 million. The value in-use calculation is based on the forecast approved by the management over explicit period of five years. The projected cash flows are based on the plan of the management given its strategy to capture the demands driven by the growing population of Filipino community in the area. These include the opening of additional branches and introduction of new service, promotions and bundled products. Revenue is projected to increase at compounded annual growth rate of 7.78% in 2020 which was lower than the 10.25% annual growth rate used in 2019 due to the anticipated COVID-19 impact. The long-term growth rate of 2.00% was assumed for both 2020 and 2019 due to the expected return to the pre-COVID-19 level of operations. Direct costs and capital expenditures are forecasted to follow the trend of revenue except for those that are non-variable. Discount rate used in 2020 and

2019 are 12.51% and 10.72%, respectively. This is based on a risk adjusted discount rate using the using weighted average cost of capital adjusted to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

LBC Australia Money
Goodwill arising from the acquisition of LBC Australia Money amounted to ₱15.83 million. The value-in-use calculation is based on the forecast approved by the management over explicit period of five years. Revenue is projected to increase at a compounded annual growth rate of 12.61% and 7.00% in 2020 and 2019, and long-term growth rate of 2.00% in 2020 and 2019. There is an increase in annual growth rate assumption used in 2020 against 2019, despite the COVID-19 situation because any impact of the pandemic is expected to be offset by the impact of new plans and strategies of the management to capture the demands of the growing population of Filipino community in the area, which include the opening of additional branches and introducing innovative products. Direct costs and capital expenditures are forecasted to follow the trend of revenue except for those that are non-variable. Discount rate used is 11.97% and 9.56% in 2020 and 2019, respectively, based on a risk adjusted discount rate using the using weighted average cost of capital adjusted to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Mermaid Co. Ltd.
Provisional Goodwill of management arising from the acquisition of Mermaid Co. Ltd. amounted to ₱19.60 million. The value in-use calculation is based on the forecast approved by the management over an explicit period of five years. The projected cash flows are based on the plan of the management given its strategy to expand its operations by offering cargo deliveries via air and sea through its agents. This also includes opening of additional branches and management's initiatives in promoting and creating awareness of their services. Revenue is projected to increase at compounded annual growth rate of 12.72% in 2020 with a long-term growth rate of 2.00%. Direct costs are forecasted to follow the trend of revenue except for those that are non-variable but with various cost reduction initiatives such as constant negotiation with its suppliers. Discount rate used in 2020 is 7.13%. The discount rates are based on a risk adjusted discount rate using the weighted average cost of capital adjusted to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

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

4. Cash and Cash Equivalents

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)	September 30, 2019 (Unaudited)
Cash on hand	**₱413,885,644**	₱341,090,334	₱269,652,912
Cash in banks	**2,724,160,403**	2,281,905,425	2,193,610,114
Cash equivalents	**1,868,580,494**	1,795,673,494	1,875,965,358
	₱5,006,626,541	₱4,418,669,253	₱4,339,228,384

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 5.125% per annum in 2020 and 0.25% to 6.00% in 2019. Interest income earned from cash and cash equivalents amounted to ₱16.24 million and ₱23.23 million for the nine months ended September 30, 2020 and 2019, respectively.

5. Trade and Other Receivables

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade receivables - outside parties	**₱1,655,755,574**	₱1,327,605,105
Trade receivables - related parties (Note 17)	**354,957,001**	311,922,475
	2,010,712,575	1,639,527,580
Less allowance for expected credit losses (Note 2)	**239,689,582**	172,728,970
	1,771,022,993	1,466,798,610
Other receivables:		
Advances to officers and employees	**39,693,295**	41,224,668
Others	**27,485,887**	29,825,276
	₱1,838,202,175	₱1,537,848,554

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

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

The Group recognized provision for expected credit losses on trade receivables - outside parties amounting to ₱66.96 million and ₱11.21 million for the nine-months ended September 30, 2020 and 2019, respectively (see Note 19).

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

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

6. **Prepayments and Other Assets**

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Input value-added tax (VAT)	**₱324,635,039**	₱266,979,479
Materials and supplies	**165,301,178**	153,172,883
Prepayments:		
Taxes	**62,150,820**	20,004,932
Insurance	**31,821,286**	32,820,513
Software maintenance	**21,515,743**	11,906,850
Rent	**17,467,990**	13,116,426
Professional fees	**11,754,096**	13,195,278
Repairs and maintenance	**9,782,376**	9,204,873
Employee benefits	**5,727,450**	24,072,852
Dues and subscriptions	**2,861,815**	3,862,321
Advertising	**1,705,445**	9,037,843
Others	**18,383,383**	19,387,165
Creditable withholding taxes (CWTs)	**172,836,284**	166,582,305
Short-term cash investments	**124,368,304**	128,645,081
Loans receivable (Note 11)	**81,421,201**	89,816,880
Notes receivable (Note 17)	**21,682,463**	26,814,836
Restricted cash in bank	**21,368,482**	31,342,587
Electronic wallet	**11,240,336**	6,567,785
Others	**18,853,197**	19,712,113
	1,124,876,888	1,046,243,002
Less: noncurrent portion	**220,907,231**	238,462,851
	₱903,969,657	₱807,780,151

Details of noncurrent portion follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
VAT on capital goods	**₱104,155,734**	₱107,598,218
Loans receivable (Note 11)	**75,605,401**	83,727,600
Notes receivable (Note 17)	**21,682,463**	26,814,836
Advance payment to a supplier	**9,000,000**	9,000,000
Prepaid rent	**2,588,464**	3,060,405
Other assets	**7,875,169**	8,261,792
Total noncurrent portion	**₱220,907,231**	₱238,462,851

7. Property and Equipment

The rollforward analysis of this account follows:

	For the nine months ended September 30, 2020 (Unaudited)						
	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Land	Construction in Progress	Total
Costs							
At beginning of period	**₱607,402,004**	**₱1,732,027,137**	**₱635,885,504**	**₱942,714,224**	**₱1,031,257,734**	**₱6,370,930**	**₱4,955,657,533**
Additions	**53,854,917**	**120,747,273**	**71,617,059**	**67,877,828**	**–**	**7,430,546**	**321,527,623**
Reclassifications	**–**	**240,714**	**–**	**–**	**–**	**(240,714)**	**–**
Disposals	**(610,255)**	**(4,572,214)**	**(859,643)**	**–**	**–**	**–**	**(6,042,112)**
At end of period	**660,646,666**	**1,848,442,910**	**706,642,920**	**1,010,592,052**	**1,031,257,734**	**13,560,762**	**5,271,143,044**
Accumulated depreciation and amortization							
At beginning of period	**373,158,337**	**1,255,541,040**	**535,080,349**	**681,142,747**	**–**	**–**	**2,844,922,473**
Depreciation and amortization (Notes 18 and 19)	**40,540,888**	**175,297,466**	**48,213,340**	**110,904,611**	**–**	**–**	**374,956,305**
Disposals	**(483,039)**	**(4,428,664)**	**–**	**–**	**–**	**–**	**(4,911,703)**
At end of period	**413,216,186**	**1,426,409,842**	**583,293,689**	**792,047,358**	**–**	**–**	**3,214,967,075**
Net Book Value	**₱247,430,480**	**₱422,033,068**	**₱123,349,231**	**₱218,544,694**	**₱1,031,257,734**	**₱13,560,762**	**₱2,056,175,969**

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

8. Intangible Assets

The rollforward analysis of this account follows:

	For the nine months ended September 30, 2020 (Unaudited)		
	Software	**Development in Progress**	**Total**
Costs			
At beginning of period	**₱546,200,840**	**₱71,564,823**	**₱617,765,663**
Additions	**16,522,542**	**8,968,785**	**25,491,327**
Reclassification	**11,286,778**	**(11,286,778)**	**–**
At end of period	**574,010,160**	**69,246,830**	**643,256,990**
Accumulated Amortization			
At beginning of period	**254,018,765**	**–**	**254,018,765**
Amortization (Notes 18 and 19)	**83,673,256**	**–**	**83,673,256**
At end of period	**337,692,021**	**–**	**337,692,021**
Net Book Value	**₱236,318,139**	**₱69,246,830**	**₱305,564,969**

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

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

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

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

Movement of the investments at fair value follows:

	September 30, 2020 (Unaudited)	
	FVPL	**FVOCI**
As at January 1, 2020	**₱15,629,263**	**₱286,738,308**
Unrealized fair value gain (loss) during the period	**32,196**	**(93,628,835)**
Unrealized foreign exchange loss during the period (Note 19)	**(608,618)**	**–**
	₱15,052,841	**₱193,109,473**

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

10. Investment in an Associate

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

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Costs		
At January 1	**₱227,916,452**	₱227,916,452
Accumulated Equity on Net Earnings		
At January 1	**22,257,868**	11,103,396
Equity share in net earnings	**7,029,620**	26,154,472
Less: Dividend income	**(21,000,000)**	(15,000,000)
	8,287,488	22,257,868
Other Comprehensive Income		
At January 1	**464,363**	–
Equity share in other comprehensive income (loss)	**(239,704)**	464,363
	224,659	464,363
Carrying Value	**₱236,428,599**	₱250,638,683

In 2020 and 2019, Orient Freight International, Inc (OFII) declared dividends amounting to ₱21.00 million (₱10.50 million remains unpaid as of September 30, 2020) and ₱15.00 million, respectively (see Note 17). No impairment loss was recognized for the investment in associate in 2020 and 2019.

The summarized statements of financial position of the associate follow:

	September 30, 2020	December 31, 2019
Current assets	**₱607,787,189**	₱486,432,103
Noncurrent assets	**194,330,395**	138,556,568
Current liabilities	**318,614,940**	180,680,848
Noncurrent liabilities	**86,149,937**	60,067,553
Equity	**397,352,707**	384,240,270

The summarized statements of comprehensive income of the associate for the nine months ended September 30 follow:

	September 30, 2020	September 30, 2019
Revenue	**₱616,728,367**	₱1,062,900,165
Cost and expenses	**593,296,301**	999,801,200
Net income	**23,432,066**	63,098,965
Other comprehensive income (loss)	**(799,012)**	1,547,878
Total comprehensive income	**₱22,633,054**	₱64,646,843
Group's share on total comprehensive income for the nine months ended September 30	**₱6,789,916**	₱19,394,053

11. **Receivable and Trademark Agreement**

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

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

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

For the nine months ended September 30, 2020, LBCH incurred royalty fee amounting to ₱4.71 million wherein the related payable was offset to LBCH's interest receivable and loan receivable from Transtech amounting to ₱0.19 million and ₱4.52 million, respectively.

As of September 30, 2020 and December 31, 2019, the outstanding balance of the loans receivable amounted to ₱81.42 million and ₱89.82 million, respectively in which the current portion is presented under 'Prepayment and other current assets' and the noncurrent portion is presented under 'Other noncurrent assets". Corresponding interest receivable as of September 30, 2020 and December 31, 2019 amounted to ₱1.76 million and ₱0.46 million, respectively.

Current and noncurrent portion as at September 30, 2020 and December 31, 2019 is as follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Current portion	**₱5,815,800**	₱6,089,280
Noncurrent portion	**75,605,401**	83,727,600
	₱81,421,201	₱89,816,880

Interest income earned amounted to ₱1.51 million for the nine months ended September 30, 2020.

12. Accounts and Other Payables and Other Noncurrent Liabilities

Accounts and other payables account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade payable - outside parties	**₱987,906,157**	₱1,724,740,841
Trade payable - related parties (Note 17)	**132,568**	9,862,896
Accruals:		
Salaries and wages	**459,485,362**	341,631,303
Rent and utilities	**190,705,640**	106,876,470
Contracted jobs	**146,484,671**	89,419,768
Advertising	**69,973,582**	118,284,036
Claims and losses	**39,160,947**	61,523,772
Taxes	**38,697,493**	34,192,766
Professional fees	**27,648,123**	22,894,903
Outside services	**18,871,630**	14,588,459
Software maintenance	**14,367,171**	9,450,532
Others	**54,508,061**	42,809,771
Contract liabilities	**322,861,449**	197,168,011
Deferred output VAT	**377,566,587**	323,055,911
Taxes payable	**104,893,052**	70,132,689
Government agencies contributions payables	**30,593,479**	29,855,611
Others	**65,978,752**	45,693,122
	₱2,949,834,724	₱3,242,180,861

Movements in other liabilities follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
At beginning of period	**₱80,339,409**	₱131,549,113
Principal payments	**(32,877,830)**	(57,721,750)
Amortization of deferred interest	**2,643,701**	6,512,046
	50,105,280	80,339,409
Less: current portion*	**27,423,972**	40,551,470
Noncurrent portion	**₱22,681,308**	₱39,787,939

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

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

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

13. Transmissions Liability

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

Transmissions liability amounted to ₱920.97 million and ₱586.89 million as at September 30, 2020 and December 31, 2019, respectively, of which liability amounting ₱1.05 million and ₱10.70 million as at September 30, 2020 and December 31, 2019 respectively, is payable to an affiliate (see Note 17).

14. Notes Payable

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

			September 30, 2020 (Unaudited)			
Bank		Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
a.	Banco de Oro	June 2020	₱60,000,000	November 2020	4.50%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
b.	Banco de Oro	June 2020	150,000,000	December 2020	4.50%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
c.	Banco de Oro	Various availments in 2016	472,500,000	May 2021	4.50%, subject to repricing	With mortgage; Interest payable every month, principal payable quarterly
d.	Banco de Oro	February 2020	604,383,325	February 2025	4.50%, subject to repricing	With mortgage; Interest payable every month, monthly principal payment of ₱5.34 million and lump-sum payment at the end of 5th year
e.	Unionbank of the Philippines	April 2020	229,166,667	April 2023	6.00%, subject to repricing	Clean; Interest and principal payable every quarter
f.	Unionbank of the Philippines	July 2020	50,000,000	January 2021	5.75%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
g.	Unionbank of the Philippines	April 2019	58,500,000	April 2024	7.826%, fixed rate	Clean; Interest and principal to be paid quarterly
h.	Unionbank of the Philippines	June 2019	16,500,000	April 2024	7.053%, fixed rate	Clean; Interest and principal payable every quarter
i.	Rizal Commercial Banking Corporation	October 2019	34,722,222	October 2022	6.55%, fixed rate	Clean; Interest and principal payable every month

(Forward)

September 30, 2020 (Unaudited)

Bank	**Date of Availment**	**Outstanding Balance**	**Maturity**	**Interest Rate**	**Terms**
j. Rizal Commercial Banking Corporation	**August 2020**	**₱200,000,000**	**October 2020**	**6.00%, fixed**	**Clean; Interest payable every month, principal payable upon maturity**
Total		**₱1,875,772,214**			
Current portion		**₱1,116,682,300**			
Noncurrent portion		**₱759,089,914**			

December 31, 2019 (Audited)

Bank	Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
a. Banco de Oro	October 2019	₱60,000,000	April 2020	5.25%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
b. Banco de Oro	September 2019	150,000,000	March 2020	5.25%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
c. Banco de Oro	Various availments in 2016	532,500,000	Various maturities in 2018 to 2021	5.25%, subject to repricing	With mortgage; Interest payable every month, principal payable quarterly
g. Unionbank of the Philippines	April 2019	70,200,000	April 2024	7.826%, fixed rate	Clean; Interest and principal to be paid quarterly
h. Unionbank of the Philippines	June 2019	19,800,000	April 2024	7.053%, fixed rate	Clean; Interest and principal payable every quarter
i. Unionbank of the Philippines	August 2019	50,000,000	January 2020	7.000%, subject to repricing	Clean; Interest and principal payable every quarter
i. Rizal Commercial Banking Corporation	October 2019	47,222,222	October 2020	6.55%, fixed rate	Clean; Interest and principal payable every month
Total		₱929,722,222			
Current portion		₱376,666,667			
Noncurrent portion		₱553,055,555			

a. LBCE availed a short-term loan in December 2018 with Banco De Oro (BDO) to finance working capital requirement amounting to ₱60.00 million. This was rolled over in October 2019 and June 2020 and is still outstanding as of September 30, 2020.

b. LBCE availed a short-term loan in 2018 amounting to ₱150.00 million to finance working capital requirement. This was rolled over in September 2019 and June 2020. The balance is still outstanding as of September 30, 2020.

c. The Notes Facility Agreement entered into by the Group with BDO in 2016 is with a credit line facility amounting to ₱800.00 million. The loan is secured by a real estate mortgage on land owned by the Group's affiliate (see Note 17).

d. On February 10, 2020, LBCE availed a 5-year interest bearing loan amounting to ₱641.82 million to finance the 70% balance of the acquisition of land, recorded under Property and equipment with a carrying amount of ₱1,031.26 million, which served as a collateral for the loan.

e. On April 13, 2020, LBCE availed a 3-year interest-bearing loan amounting to ₱250.00 million to finance other capital expenditures.

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

g. On April 15, 2019, LBCE availed a 5-year interest-bearing loan amounting to ₱78.00 million to finance other capital expenditures.

h. On June 25, 2019, LBCE availed a 5-year interest bearing loan amounting to ₱22.00 million to finance other capital expenditures.

i. On October 23, 2019, LBCE availed a 3-year interest-bearing loan amounting to ₱50.00 million to finance other capital expenditure.

j. On May 4, 2020, LBCE availed a 90-day interest-bearing loan amounting to ₱200.00 million to finance its working capital requirements. This was rolled over in August 2020 and is still outstanding as of September 30, 2020.

Interest expense amounted to ₱71.33 million and ₱53.23 million for the nine months ended September 30, 2020 and 2019, respectively.

All outstanding loans are not subject to any loan covenants.

Movements in the notes payable account follow:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
At beginning of period	**₱929,722,222**	₱829,500,000
Availments	**1,091,823,000**	410,000,000
Payments	**(145,773,008)**	(309,777,778)
	₱1,875,772,214	₱929,722,222

15. **Convertible Instrument**

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Derivative liability		
Balance at beginning of period	**₱2,048,681,561**	₱1,406,175,427
Fair value loss on derivative	**4,966,031**	642,506,134
	₱2,053,647,592	₱2,048,681,561

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Bond payable		
Balance at beginning of period	**₱1,247,021,058**	₱1,108,417,074
Accretion of interest	**147,280,163**	182,124,669
Unrealized foreign exchange gain (Note 19)	**(60,912,775)**	(45,319,435)
Amortization of issuance cost	**1,349,063**	1,798,750
	₱1,334,737,509	₱1,247,021,058

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

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

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

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

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

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

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

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

Covenants
While the convertible instrument has not yet been redeemed or converted in full, the Parent Company shall ensure that neither it or its subsidiaries shall incur, create or permit to subsist or have outstanding indebtedness, as defined in the Omnibus Agreement, or enter into agreement or arrangement whereby it is entitled to incur, create or permit to subsist any indebtedness and that the Parent Company shall ensure on a consolidated basis that:
a. Total Debt to EBITDA for any Relevant Period (12 months ending on the Parent Company's financial year) shall not exceed 2.5:1.
b. The ratio of EBITDA to Finance Charges for any Relevant Period shall not be less than 5.0:1; and
c. The ratio of Total Debt on each relevant date to Shareholder's Equity for that Relevant Period shall be no more than 1:1.

The determination and calculation of the foregoing financial ratios are based on the agreement and interpretation of relevant parties subject to the terms of the convertible instrument. The Group is in compliance with the above covenants as at December 31, 2019, the latest Relevant Period subsequent to the issuance of the convertible instrument. Relevant period means each period of twelve (12) months ending on the last day of the Parent Company's financial year.

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

a. On August 4, 2017, LBCE and LBCDC agreed for LBCE to discontinue royalty for the use of LBC Marks (see Note 17).

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

    i. On March 7, 2018, the Parent Company acquired 100% ownership of LBC Mabuhay Saipan, Inc. (LBC Saipan) for a total purchase price of US $207,652 or ₱10.80 million.
    ii. Effective January 1, 2019, the Parent Company was granted the regulatory approvals on the purchase of the following entities under LBC USA Corporation:
        - LBC Mundial Corporation (LBC Mundial) which operates as a cargo and remittance Group in California. The Parent Company purchased 4,192,546 shares or 100% of the total outstanding shares from LBC Holdings USA Corporation.
        - LBC Mabuhay North America Corporation (LBC North America) which operates as a cargo and remittance Parent Company in New Jersey. The Parent Company purchased 1,605,273 shares or 100% of the total outstanding shares from LBC Holdings USA Corporation.

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

iv. On June 27, 2018, the BOD of the Parent Company approved the purchase of shares of some overseas entities. The acquisition is expected to benefit the Parent Company by contributing to its global revenue streams. On the same date, the SPAs were executed by the Group and Jamal Limited, as follow:
   - LBC Aircargo (S) PTE. LTD. which operates as a cargo branch in Taiwan. The Parent Company purchased 94,901 shares or 100% of the total outstanding shares of the acquiree at a purchase price of US $146,013;
   - LBC Money Transfer PTY Limited which operates as a remittance company in Australia. The Parent Company purchased 10 shares or 100% of the total outstanding shares of the acquiree at a purchase price of US $194,535;
   - LBC Express Airfreight (S) PTE. LTD. which operates as a cargo company in Singapore. The Parent Company purchased 10,000 shares or 100% of the total outstanding shares of the acquiree at a purchase price of US $2,415,035; and
   - LBC Australia PTY Limited which operates as a cargo company in Australia. The Parent Company purchased 223,500 shares or 100% of the total outstanding shares of the acquiree at a purchase price of US $1,843,149.

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

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

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

Upon completion of the acquisitions discussed in (i) to (vii) 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 not later than 2021, after which the Group expects (on the basis of LBCDC's manifestations) settlement by LBCDC of all of its obligations to the Parent Company, except for the assigned receivables from QUADX Inc. which will be settled based on agreed terms (see Note 17). As of report date, LBCDC has not settled its obligations to the Parent Company.

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

16. Equity

Capital stock
As at September 30, 2020 and December 31, 2019, the details of the Parent Company's common shares follow:

	Number of Shares of Stocks	Amount
Capital stock – ₱1 par value		
Authorized	2,000,000,000	₱2,000,000,000

The Parent Company's track record of capital stock is as follows:

	Number of shares registered	**Issue/ Offer price**	**Date of approval**	**Number of holders as of yearend**
At January 1, 2015	40,899,000	₱1/share		
Add: Additional issuance	1,384,966,471	₱1/share	July 22, October 16 and October 21, 2015	
December 31, 2015	1,425,865,471			485
Add: Movement	–			–
December 31, 2016	1,425,865,471			485
Add: Movement	–			1
December 31, 2017	1,425,865,471			486
Add: Movement	–			1
December 31, 2018	1,425,865,471			487
Add: Movement	–			–
December 31, 2019	1,425,865,471			487
Less: Movement	–			1
September 30, 2020	1,425,865,471			486

Cash dividends
On May 7, 2019, the BOD of LBC Express Shipping Company WLL (Kuwait) declared cash dividends of KWD 2,500 per common share held by stockholders. The related noncontrolling interest amounting to ₱20.93 million is presented in the statement of changes in equity.

On September 12, 2019, the BOD of LBCH approved the declaration of cash dividends amounting to ₱356.47 million of which ₱14.78 million was remains unpaid as of December 31, 2019. Subsequently in January 2020, the Parent Company paid the outstanding dividend payable to its stockholders.

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

Retained Earnings
Retained earnings include the accumulated equity in undistributed earnings of consolidated subsidiaries of ₱1,568.48 million and ₱1,478.71 million as of September 30, 2020 and December 31, 2019, respectively. These undistributed earnings are not available for dividend declaration unless declared by the subsidiaries.

17. Related Party Transactions

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

Details of related party transactions and balances for the nine months ended September 30, 2020 and for the year ended December 31, 2019 are as follows:

	Transaction amounts for the nine months ended September 30, 2020 (Unaudited)	Outstanding receivable (payable) balance as at September 30, 2020 (Unaudited)	Terms	Conditions
Due from related parties (Trade receivables)				
Affiliates				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 5 and 25)	**₱58,455,274**	**₱354,,957,001**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
Due from related parties (Non-trade receivables)				
Ultimate parent company				
b.) Advances	**₱19,063,063**	**₱1,018,289,734**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
Affiliates – under common control				
b.) Advances	**37,398,663**	**54,856,427**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
g.) Notes receivable current portion	**–**	**4,707,787**	**Interest-bearing; fixed monthly payment**	**Unsecured, no impairment**
Benefecial Owners				
b.) Advances	**14,954,815**	**37,709,077**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
Associate				
h.) Dividends receivable	**21,000,000**	**10,500,000**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
		₱1,126,063,025		
Due from related parties (Other noncurrent assets)				
Affiliates – under common control				
g.) Notes receivable non current portion (Note 6)	**₱–**	**₱21,682,463**	**Interest-bearing; fixed monthly payment**	**Unsecured, no impairment**
Due from related parties (Advances for future investments in shares)				
Affiliates – under common control				
f.) Advances for future investment in shares	**₱1,081,701**	**₱79,809,022**	**Noninterest-bearing; for settlement of the subscription of shares**	**Unsecured, no impairment**

	Transaction amounts for the nine months ended September 30, 2020 (Unaudited)	**Outstanding receivable (payable) balance as at September 30, 2020 (Unaudited)**	**Terms**	**Conditions**
Due to related parties (Trade payables)				
Ultimate Parent Company				
c.) Royalty fee (Note 12)	**₱–**	**(₱132,568)**	**Noninterest-bearing; due and demandable**	**Unsecured**
Associate				
e.) Sea freight and brokerage (Note 12)	**298,624,023**	**–**	**Noninterest-bearing; due and demandable**	**Unsecured**
Affiliate				
d.) Guarantee fee (Note 14)	**5,357,143**	**–**	**Noninterest-bearing; due and demandable**	**Unsecured**
		(₱132,568)		
Due to related parties (Non-trade payables)				
Affiliate – under common control				
b.) Advances	**₱21,605,641**	**(₱39,808,718)**	**Noninterest-bearing; due and demandable**	**Unsecured**
Officer				
b.) Advances	**–**	**(418,932)**	**Noninterest-bearing; due and demandable**	**Unsecured**
		(₱40,227,650)		
Due to a related party (Transmission Liability)				
Affiliate – under common control				
a.) Money remittance payable (Note 13)	**₱80,869,837**	**(₱1,052,677)**	**Noninterest-bearing; due and demandable**	**Unsecured**

	Transactions for the nine months ended September 30, 2019	Receivable (Payable) as at December 31, 2019	Terms	Conditions
Due from related parties (Trade receivables)				
Affiliates – under common control				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 5 and 25)	₱64,205,048	₱311,922,475	Noninterest-bearing; due and demandable	Unsecured, no impairment
Due from related parties (Non-trade receivables)				
Ultimate parent company				
b.) Advances	₱789,474,600	₱1,000,220,309	Noninterest-bearing; due and demandable	Unsecured, no impairment
Affiliates – under common control				
b.) Advances	38,967,397	61,212,739	Noninterest-bearing; due and demandable	Unsecured, no impairment
(Forward)				
g.) Notes receivable current portion	₱3,415,479	₱3,938,307	Interest-bearing; fixed monthly payment	Unsecured, no impairment
Beneficial Owners				
b.) Advances	28,424,682	38,434,032	Noninterest-bearing; due and demandable	Unsecured, no impairment
Associate				
h.) Dividend receivable (Note 10)	15,000,000	–	Noninterest-bearing; due and demandable	Unsecured, no impairment
		₱1,103,805,387		

	Transactions for the nine months ended September 30, 2019	Receivable (Payable) as at December 31, 2019	Terms	Conditions
Due from related parties (Other noncurrent assets)				
g.) Notes receivable non current portion (Note 6)	₱33,476,374	₱26,814,836	Interest-bearing; fixed monthly payment	Unsecured, no impairment
Due from related parties (Advances for future investments in shares)				
f.) Advances for future investment in shares	₱–	₱78,727,321	Noninterest-bearing; for settlement of the subscription of shares	Unsecured, no impairment
Due to related parties (Trade payables)				
Ultimate Parent Company				
c.) Royalty fee (Note 12)	₱–	(₱138,500)	Noninterest-bearing; due and demandable	Unsecured
Associate				
e.) Sea freight and brokerage (Note 12)	517,404,987	(9,724,396)	Noninterest-bearing; due and demandable	Unsecured
Affiliates – under common control				
d.) Guarantee fee (Note 14)	5,357,143	–	Noninterest-bearing; due and demandable	Unsecured
		(₱9,862,896)		
Due to a related party (Non-trade payables)				
Affiliates – under common control				
b.) Advances	₱24,417,296	(₱33,173,265)	Noninterest-bearing; due and demandable	Unsecured
Officer				
b.) Advances	–	(438,100)	Noninterest-bearing; due and demandable	Unsecured
		(₱33,611,365)		
Due to a related party (Transmission Liability)				
Affiliate – under common control				
a.) Money remittance payable (Note 13)	537,426,385	(₱10,700,530)	Noninterest-bearing; due and demandable	Unsecured

Compensation of Key Management Personnel:

	For the Nine Months Ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
Salaries and wages	**₱62,526,942**	₱70,112,383
Retirement benefits	**6,616,270**	7,095,411
Other short-term employee benefits	**16,747,397**	13,052,201
	₱85,890,609	₱90,259,995

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

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

   In prior years, the Group has outstanding advances of ₱295.00 million to LBC Development Bank, an entity under common control of LBCDC. In 2011, management assessed that these advances are not recoverable. Accordingly, the said asset was written-off from the books in 2011 (see Note 28).

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

   On July 1, 2019, LBCE sold all its QUADX shares to LBCDC for ₱186.02 million, payable no later than two years from the date of sale, subject to any extension as may be agreed in writing by the parties. On the same date, LBCE, LBCDC and QUADX Inc. entered into a Deed of Assignment of Receivables whereas LBCE agreed to assign, transfer and convey its receivables from QUADX as of March 31, 2019 amounting to ₱832.64 million to LBCDC which shall be paid in full, from time to time starting July 1, 2019 and no later than two years from the date of the execution of the Deed, subject to any extension as may be agreed in writing by LBCE and LBCDC.

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

   The same amount was offset against the dividends payable of the Company to LBCH.

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

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

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

d. As discussed in Note 14, the Group entered into a loan agreement with BDO which is secured with real estate mortgage on various real estate properties owned by the Group's affiliate. In consideration of the affiliate's accommodation to the Group's request to use these properties as loan collateral, the Group agreed to pay the affiliate, every April 1 of the year starting April 1, 2016, a guarantee fee of 1% of the face value of loan and until said properties are released by the bank as loan collateral. The guarantee fee is reported as part of interest expense in the interim consolidated statements of comprehensive income amounting to ₱5.36 million for the nine months ended September 30, 2020 and 2019.

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

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

   Currently, TBAI is in the process of application of its authorized capital stock for Preferred A and B Shares with SEC and is awaiting for the latter's approval. Once the application is approved by the SEC, 20,000,000 of the Common Shares purchased by LBCE from the common shareholder will be converted to 20,000,000 non-voting Preferred A Shares and the 29,436,968 Preferred B Shares will be issued to LBCE. The remaining 1,250 Common Shares will then represent 24.86% of the total outstanding Common Shares.

   In February 2020, LBCE paid incidental costs related to purchase of the above stocks amounting to ₱1.08 million.

g. In November 2011, LBC Mundial Corporation paid-off LBC Express Holdings USA Corporation's outstanding mortgage loan which is consolidated into a long-term promissory note amounting to US$1,105,148 at 4% interest, payable in 180 equal monthly installments. As of September 30, 2020, total outstanding notes receivable amounted to ₱26.39 million, ₱4.71 million of which is presented as current under 'Prepayments and other current assets'. Interest income earned from notes receivable amounted to ₱1.51 million and ₱1.04 million for the nine-months ended September 30, 2020 and 2019, respectively.

h. On June 6, 2019, LBCH recognized cash dividends from OFII amounting to ₱15.00 million for its 30% interest on OFII. On July 16, 2020, LBCH recognized cash dividend from OFII amounting to ₱21.00 million and received initial payment of ₱10.50 million on August 28, 2020.

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

18. **Cost of Services**

This account consists of:

	For the Nine Months Ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
Cost of delivery and remittance	**₱2,693,516,122**	₱3,728,201,577
Salaries wages and employee benefits	**2,421,171,767**	2,362,420,696
Depreciation and amortization (Notes 7, 8 and 21)	**901,416,226**	802,964,621
Utilities and supplies	**830,726,002**	866,873,848
Rent (Note 21)	**176,620,203**	311,959,950
Repairs and maintenance	**94,990,174**	87,949,777
Transportation and travel	**78,071,568**	101,416,907
Retirement benefit expense	**62,086,908**	82,038,115
Insurance	**47,782,922**	42,739,257
Software subscription	**18,127,187**	13,631,313
Others	**23,656,066**	31,799,421
	₱7,348,165,145	₱8,431,995,482

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

19. **Operating Expenses and Foreign Exchange Gains - net**

Operating expenses consist of:

	For the Nine Months Ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
Salaries wages and employee benefits	**₱447,130,349**	₱470,915,264
Advertising and promotion	**271,397,766**	285,935,722
Professional fees	**222,545,566**	204,794,335
Utilities and supplies	**177,422,550**	148,479,586
Travel and representation	**164,119,518**	133,107,355
Taxes and licenses	**152,870,934**	157,729,656
Depreciation and amortization (Notes 7, 8 and 21)	**141,341,874**	160,524,679
Commission expense	**126,104,751**	138,752,308
Dues and subscriptions	**79,567,713**	69,064,906
Provision for expected credit losses (Note 5)	**66,960,612**	11,207,671
Donations	**55,065,079**	24,398,919
Rent (Note 21)	**53,172,868**	87,141,120
Software maintenance costs	**42,007,652**	31,959,198
Retirement benefit expense	**23,897,461**	26,225,791
Insurance	**17,642,339**	18,432,015
Losses	**16,478,932**	45,834,655
Repairs and maintenance	**3,532,076**	3,459,967
Others	**15,210,570**	26,237,355
	₱2,076,468,610	₱2,044,200,502

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

Foreign exchange gains (loss) - net arises from the following:

	For the Nine Months Ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
Bond payable	**₱60,912,775**	₱14,356,343
Trade payables	**2,409,216**	1,525,375
Due from related parties	**(1,846,352)**	2,682,572
Equity investments at FVPL	**(608,618)**	44,275,224
Cash and cash equivalents	**(32,629,172)**	(23,191,298)
	₱28,237,849	₱39,648,216

20. **Income Taxes**

Provision for income tax consists of:

	For the Nine Months Ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
Current	**₱77,557,121**	₱336,728,517
Deferred	**(75,393,242)**	4,776,617
	₱2,163,879	₱341,505,134

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

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Deferred tax assets arising from:		
Retirement benefit liability	**₱200,374,225**	₱188,327,061
Allowance for impairment losses	**72,763,596**	58,184,772
Accrued employee benefits	**63,651,556**	51,484,181
Lease liabilities	**45,569,520**	43,019,847
MCIT	**38,685,794**	248,063
Contract liabilities	**30,343,100**	13,849,738
NOLCO	**4,936,518**	16,828,168
Depreciation charged to retained earnings, beginning	**11,647,995**	13,847,894
Unrealized foreign exchange losses	**950,454**	5,030,963
Others	**18,996,101**	13,493,165
	487,918,859	404,313,852
Deferred tax liabilities arising from:		
Unrealized foreign exchange gains	**–**	(20,530,140)
Others	**(569,245)**	(6,222,216)
	(569,245)	(26,752,356)
	₱487,349,614	₱377,561,496

Deferred tax asset arising from depreciation charged to retained earnings beginning pertains to the future deductible temporary difference arising from additional depreciation that can be claimed for tax purposes. This additional depreciation is a result of the shortening of depreciable lives of leasehold improvements which was charged against retained earnings as at January 1, 2019, the date of the initial adoption of PFRS 16.

Details of the Group's deferred income tax liabilities - net as at September 30, 2020 follow:

	September 30, 2020 (Unaudited)
Deferred tax assets arising from:	
NOLCO	**₱14,646,100**
Allowance for impairment loss	**6,460,227**
MCIT	**576,467**
	21,682,794
Deferred tax liabilities arising from:	
Undistributed profits of subsidiaries to be declared subsequently	**(33,020,640)**
Unrealized foreign exchange gains	**(20,030,302)**
Others	**(2,068,562)**
	(55,119,504)
	(₱33,436,710)

The deferred tax asset on allowance for impairment losses includes ₱6.46 million deferred tax asset arising from the recorded impairment of inventory and property and equipment during the reverse acquisition of FED.

21. **Lease Commitments**

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

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

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

3. Lease agreement with a local bank covering transportation equipment for a period of three to five 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 as at September 30, 2020 and December 31, 2019:

	For the period ended September 30, 2020 (Unaudited)			
	Right-of-use assets			
	Office and Warehouses	**Vehicles**	**Equipment**	**Total**
Costs				
At beginning of the period	**₱2,411,268,975**	**₱130,806,818**	**₱61,353,144**	**₱2,603,428,937**
Additions	**677,543,343**	**29,773,614**	**–**	**707,316,957**
End of contracts	**(105,700,932)**	**(5,428,983)**	**(1,180,434)**	**(112,310,349)**
At end of the period	**2,983,111,386**	**155,151,449**	**60,172,710**	**3,198,435,545**
Accumulated Amortization				
At beginning of the period	**658,232,882**	**28,985,675**	**30,380,308**	**717,598,865**
Amortization	**549,998,440**	**24,885,882**	**9,244,217**	**584,128,539**
End of contracts	**(105,700,932)**	**(5,428,983)**	**(1,180,434)**	**(112,310,349)**
At end of the period	**1,102,530,390**	**48,442,574**	**38,444,091**	**1,189,417,055**
Net Book Value	**₱1,880,580,996**	**₱106,708,875**	**₱21,728,619**	**₱2,009,018,490**

	For the year ended December 31, 2019 (Audited)			
	Right-of-use assets			
	Office and Warehouses	Vehicles	Equipment	Total
Costs				
As at January 1, 2019	₱2,053,766,086	₱76,338,649	₱25,312,929	₱2,155,417,664
Additions	329,349,728	33,854,584	–	363,204,312
Additions through business combination	133,861,706	20,613,585	36,040,215	190,515,506
Disposal of a subsidiary	(105,708,545)	–	–	(105,708,545)
At end of the year	2,411,268,975	130,806,818	61,353,144	2,603,428,937
Accumulated Amortization				
At beginning of the period	₱–	₱–	₱–	₱–
Amortization	680,846,232	28,985,675	30,380,308	740,212,215
Disposal of a subsidiary	(22,613,350)	–	–	(22,613,350)
At end of the year	658,232,882	28,985,675	30,380,308	717,598,865
Net Book Value	₱1,753,036,093	₱101,821,143	₱30,972,836	₱1,885,830,072

End of contracts pertain to lease agreements which reached the end of the lease terms. These were subsequently renewed as short-term leases.

Lease liabilities as at September 30, 2020 and December 31, 2019:

	Lease Liabilities	
	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of the period	**₱2,001,745,651**	₱2,188,493,350
Additions	**707,316,957**	363,204,312
Additions through business combination	–	190,760,186
Disposal of a subsidiary	–	(92,099,843)
Accretion of interest	**96,495,390**	135,712,457

(Forward)

	Lease Liabilities	
	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Payments of principal	**(₱557,567,369)**	(₱648,612,354)
Payments of interest	**(96,495,390)**	(135,712,457)
Balance at end of period	**2,151,495,239**	2,001,745,651
Less: current portion	**733,210,209**	645,014,412
Noncurrent portion	**₱1,418,285,030**	₱1,356,731,239

The Group recognized rent expense from short-term leases of ₱219.87 million and ₱389.37 million for the nine months ended September 30, 2020 and 2019, respectively. Rent expense for leases of low-value assets amounted to ₱9.92 million and ₱9.73 million for the nine months ended September 30, 2020 and 2019, respectively (Notes 18 and 19). Moreover, in accordance with the *Amendments to PFRS 16, Covid-19 related Rent Concessions*, the Group treated COVID-19 related lease concessions of ₱50.19 million as reduction from rent expense recorded under 'Cost of services' (Note 2).

Lease liabilities recognized under PFRS 16 amounted to ₱2,151.50 million, ₱733.21 million of which is presented under current liabilities. Interest expense arising from the accretion of the present value of the minimum lease payments amounted to ₱96.50 million and ₱74.69 million for the nine months ended September 30, 2020 and September 30, 2019 respectively. The following summarized the maturity profile of the Group's undiscounted lease payments:

	September 30 2020 (Unaudited)	December 31 2019 (Audited)
Less than 1 year	**₱791,002,151**	₱707,225,934
More than 1 year to 2 years	**620,084,079**	546,292,822
More than 2 years to 3 years	**465,404,982**	377,793,964
More than 3 years to 4 years	**271,620,906**	257,464,486
More than 5 years	**404,799,832**	342,200,874
	₱2,552,911,950	₱2,230,978,080

(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, 2020 and 2019 are considered short-term leases or low value assets where the short-term lease recognition exemption is applied.

	For the Nine Months Ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
Cost of services (Note 18)	**₱176,620,203**	₱311,959,950
Operating expenses (Note 19)	**53,172,868**	87,141,120
	₱229,793,071	₱399,101,070

The Group has security deposits arising from the lease agreements amounting to ₱354.06 million and ₱330.62 million as at September 30, 2020 and December 31, 2019, respectively.

22. Retirement Benefits

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

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Present value of defined benefit obligation	**₱955,207,304**	₱868,252,210
Fair value of plan assets	**(275,325,858)**	(230,457,525)
	₱679,881,446	₱637,794,685

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

The pension cost for the interim periods and the present value of the defined benefit obligation as at September 30, 2020 and 2019 were calculated by prorating the 2020 projected retirement expense and by extrapolating the latest actuarial valuation report for the year ended December 31, 2019, respectively.

23. Financial Risk Management Objectives and Policies

The Group has various financial assets such as 'cash and cash equivalents', 'trade and other receivables' (excluding advances to officers and employees), , 'due from related parties', 'equity investments at FVPL', 'equity investments at FVOCI', 'short-term cash investments' , 'notes receivable' , 'loans receivable' and 'restricted cash in bank' under prepayments and other current assets.

The Group's financial liabilities comprise of accounts and other payables (excluding statutory liabilities), due to related parties, notes payable, transmissions liability, 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 equity securities accounted for as FVOCI occur as at September 30, 2020 and 2019 with all other variables held constant.

	Effect on comprehensive income	
	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Change in share price		
Increase by 5%	**₱9,655,474**	₱19,115,997
Decrease by 5%	**(9,655,474)**	(19,115,997)
Change in NAV		
Increase by 5%	**₱752,642**	₱28,730,441
Decrease by 5%	**(752,642)**	(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, 2020 (Unaudited)	December 31, 2019 (Audited)
Credit spread		
+1%	**₱57,009,747**	₱57,425,852
-1%	**(58,554,809)**	(60,301,921)

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

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

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

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

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

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

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

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

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

	September 30, 2020 (Unaudited)	
	Foreign currency	**Peso equivalent**
Assets:		
Euro	**3,338,140**	**₱189,973,547**
Hongkong Dollar	**24,765,926**	**154,787,038**
Australian Dollar	**2,289**	**79,062**
US Dollars	**31,448,550**	**1,524,311,219**
Japanese yen	**23,004,637**	**10,582,133**
Liabilities:		
US Dollars	**(27,682,507)**	**(1,341,494,289)**

The translation exchange rates used were ₱56.91 to EUR 1, ₱6.25 to HKD 1, ₱34.54 to AUD 1, ₱48.47 to USD 1, ₱0.46 to JPY 1 in 2020.

	December 31, 2019 (Audited)	
	Foreign currency	Peso equivalent
Assets:		
Euro	3,059,119	₱171,096,526
Hongkong Dollar	18,234,261	118,340,354
US Dollars	27,463,284	1,393,589,819
Japanese yen	18,297,353	8,416,782
Liabilities:		
US Dollars	(24,737,217)	(1,255,166,391)

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

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before tax (due to changes in the fair value of monetary assets and liabilities - net position) as at September 30, 2020 and December 31, 2019.

	Increase (decrease) in income before tax	
Reasonably possible change in foreign exchange rate for every two units of Philippine Peso	**September 30, 2020 (Unaudited)**	December 31, 2019 (Audited)
₱2	**₱109,754,070**	₱84,633,600
(2)	**(109,754,070)**	(84,633,600)

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

The Group recognized ₱28.24 million and ₱39.65 million foreign exchange gains - net, for the nine months ended September 30, 2020 and 2019, respectively, arising from settled transactions and translation of the Group's cash and cash equivalents, equity investments at FVPL, due from related parties, trade payables and bond payable (see Note 19).

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

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

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

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

The aging analyses of Group's receivables as of September 30, 2020 and as of December 31, 2019 follow:

	September 30, 2020 (Unaudited)				
		Past due			
	Current	**1 to 30 days**	**31 to 90 days**	**Over 90 days**	**Total**
Trade and other receivables	**₱1,649,767,628**	**₱48,851,744**	**₱37,898,364**	**₱301,680,726**	**₱2,038,198,462**

	December 31, 2019 (Audited)				
		Past due			
	Current	1 to 30 days	31 to 90 days	Over 90 days	Total
Trade and other receivables	₱1,380,709,605	₱32,705,205	₱31,863,646	₱224,074,400	₱1,669,352,856

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

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

The capital that the Group manages is equal to the total equity as shown in the interim condensed consolidated statements of financial position as at September 30, 2020 and December 31, 2019 amounting to ₱3,052.22 million and ₱3,268.11 million, respectively.

24. **Fair Values**

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

The carrying amounts of cash and cash equivalents, trade and other receivables (excluding advances to officer and employees), due from/to related parties, short-term cash investments, restricted cash in bank, notes receivable, loans receivable, accounts and other payables (excluding statutory payables), dividends payable, transmissions liability, and the current portion of notes payable and lease liabilities approximate their fair value because these financial instruments are relatively short-term in nature.

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

The estimated fair value of the derivative liability as at September 30, 2020 and December 31, 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 unobservable input in the fair value is the stock price volatility of 21.22% for the nine months ended September 30, 2020 and 15.97% for the twelve months ended December 31, 2019. An 11.01% increase in the stock price volatility as at September 30, 2020 would be the point where the redemption and conversion features are equal in value.

As of September 30, 2020, the plain bond is determined by discounting the cash flow, which is simply the principal at maturity, using a discount rate of 12.28%. The discount rate is composed of the matched to maturity risk free rate and the option adjusted spread of 12%.

As of December 31, 2019, the plain bond is determined by discounting the cash flow, which is simply the principal at maturity, using a discount rate of 14.10%. The discount rate is composed of the matched to maturity risk free rate and the option adjusted spread of 12%.

The fair value of the long-term portion of lease liabilities as at September 30, 2020 and December 31, 2019 is based on the discounted value of future cash flow using applicable interest rates ranging from 1.85% to 2.73% and from 3.00% to 3.55%, respectively.

The estimated fair value of long-term portion of notes payable as at September 30, 2020 and December 31, 2019 is based on the discounted value of future cash flow using applicable rates ranging from 1.82% to 2.64% and 4.00% to 7.83%, respectively.

The estimated fair value of other noncurrent liabilities as at September 30, 2020 and December 31, 2019 is based on the discounted value of future cash flow using applicable rate of 1.82% to 2.42% and 5.10% to 6.94%, respectively.

The discounting used Level 3 inputs such as projected cash flows, discount rates and other market data except for the fair values of financial assets at FVOCI and FVPL which are classified as Level 1 and Level 2, respectively.

The quantitative disclosures on fair value measurement hierarchy for assets and liabilities as at September 30, 2020 and December 31, 2019 follow:

	September 30, 2020 (Unaudited)				
		Fair value measurements using			
	Carrying values	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
FVOCI	**₱193,109,473**	**₱193,109,473**	**₱193,109,473**	**₱–**	**₱–**
FVPL	**15,052,841**	**15,052,841**	–	**15,052,841**	–
Liability measured at fair value					
Derivative liability	**2,053,647,592**	**2,053,647,592**	–	–	**2,053,647,592**
Liabilities for which fair value are disclosed					
Bond payable	**1,334,737,509**	**1,511,599,996**	–	–	**1,511,599,996**
Noncurrent lease liabilities	**1,418,285,030**	**1,625,751,862**	–	–	**1,625,751,862**
Long-term notes payable	**759,089,914**	**787,045,305**	–	–	**787,045,305**
Other noncurrent liabilities	**22,681,308**	**27,052,391**	–	–	**27,052,391**

	December 31, 2019 (Audited)				
		Fair value measurements using			
	Carrying values	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
FVOCI	₱286,738,308	₱286,738,308	₱286,738,308	₱–	₱–
FVPL	15,629,263	15,629,263	–	15,629,263	–
Liability measured at fair value					
Derivative liability	2,048,681,561	2,048,681,561	–	–	2,048,681,561
Liabilities for which fair value are disclosed					
Bond payable	1,247,021,058	1,350,898,104	–	–	1,350,898,104
Long-term notes payable	553,055,555	560,121,284	–	–	560,121,284
Noncurrent lease liabilities	1,356,731,239	1,352,153,074	–	–	1,352,153,074
Other noncurrent liabilities	39,787,954	44,440,039	–	–	44,440,039

During the nine months ended September 30, 2020 and year ended December 31, 2019, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

25. Segment Reporting

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

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

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

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

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

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

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

	For the Nine Months Ended September 30, 2020 (Unaudited)		
Segments	**Logistics**	**Money transfer services**	**Total**
Type of Customer			
Retail	**₱7,091,726,990**	**₱403,141,692**	**₱7,494,868,682**
Corporate	**2,107,665,484**	**28,627,128**	**2,136,292,612**
Total revenue from contracts with customer	**₱9,199,392,474**	**₱431,768,820**	**₱9,631,161,294**
Geographic Markets			
Domestic	**₱6,448,562,873**	**₱242,570,926**	**₱6,691,133,799**
Overseas	**2,750,829,600**	**189,197,895**	**2,940,027,495**
Total revenue from contracts with customer	**₱9,199,392,473**	**₱431,768,821**	**₱9,631,161,294**

Segments	For the Nine Months Ended September 30, 2019 (Unaudited) Logistics	Money transfer services	Total
Type of Customer			
Retail	₱7,233,722,839	₱752,613,265	₱7,986,336,104
Corporate	3,443,318,524	55,650,487	3,498,969,011
Total revenue from contracts with customer	₱10,677,041,363	₱808,263,752	₱11,485,305,115
Geographic Markets			
Domestic	₱7,883,150,349	₱555,076,372	₱8,438,226,721
Overseas	2,793,891,014	253,187,380	3,047,078,394
Total revenue from contracts with customer	₱10,677,041,363	₱808,263,752	₱11,485,305,115

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 ₱58.46 million and ₱64.21 million for the nine months ended September 30, 2020 and 2019, respectively (see Note 17).

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

26. Basic/Diluted Earnings (Loss) Per Share

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

Basic Earnings per Share:

	For the Nine Months Ended September 30, **2020 (Unaudited)**	2019 (Unaudited)
Net income (loss) attributable to shareholder of the Parent Company	**(₱53,230,112)**	₱397,212,095
Weighted average number of common shares outstanding	**1,425,865,471**	1,425,865,471
Basic EPS	**(₱0.04)**	₱0.28

In 2020 and 2019, the Parent Company did not consider the effect of the assumed conversion of convertible debt since these are anti-dilutive. As such, for the nine months ended September 30, 2020 and 2019, the diluted EPS presented in the interim condensed consolidated statements of comprehensive income is the same value as basic EPS.

27. Notes to Consolidated Statement of Cash Flows

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

Investing Activities
a. Unpaid acquisition of property and equipment amounting to ₱6.58 million.
b. Offsetting of loans receivable and interest receivable against royalty fee recorded under 'accounts and other payables' (see Note 11) amounting to ₱4.17 million.
c. Decrease in due from related parties amounting to ₱1.08 million due to application of payment for advances for future investment in shares.

Financing Activities

	December 31, 2019 (Audited)	Cash Flows	Leasing arrangements	Interest	Foreign exchange movement	Fair value changes	September 30, 2020 (Unaudited)
Notes payable	**₱929,722,222**	**₱946,049,992**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,875,772,214**
Lease liabilities and other noncurrent liabilities	**2,041,533,590**	**(557,567,369)**	**690,210,326**	**–**	**–**	**–**	**2,174,176,547**
Convertible bond (bond and derivative liability)	**3,295,702,619**	**–**	**–**	**148,629,226**	**(60,912,775)**	**4,966,031**	**3,388,385,101**
Dividends payable	**14,775,250**	**(14,775,250)**	**–**	**–**	**–**	**–**	**–**
Interest payable	**3,031,235**	**(172,390,367)**	**–**	**175,813,165**	**–**	**–**	**6,454,033**
Due to related parties	**33,611,365**	**8,779,942**	**–**	**–**	**(2,163,657)**	**–**	**40,227,650**
Total liabilities from financing activities	**₱6,318,376,281**	**₱210,096,948**	**₱690,210,326**	**₱324,442,391**	**(₱60,749,116)**	**₱4,966,031**	**₱7,485,015,545**

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

Investing Activities
a. Unpaid acquisition of property and equipment and intangible assets amounting to ₱738.88 million
b. Offsetting of due from LBCDC against dividend payable amounting to ₱229.37 million recorded under 'Due from related parties' (see Note 17).
c. Increase in receivable from LBCDC amounting to ₱1,018.66 million arising from the disposal of QUADX, Inc. in which ₱186.02 million pertains to the selling price of QUADX, Inc. and ₱832.64 million pertains to the assigned receivables (see Note 17).
d. Decrease in due from related parties amounting to ₱51.51 million due to application of payment for advances for future investment in shares.

Financing Activities

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

	December 31, 2018 (Audited)	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 and disposal of a subsidiary	Dividend declaration	September 30, 2019 (Unaudited)
Notes payable	₱829,500,000	₱85,000,000	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱914,500,000
Lease liabilities and other noncurrent liabilities	220,055,216	(475,880,782)	1,792,253,608	–	–	–	–	190,760,221	–	1,727,188,263
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)	–	–	–	356,466,368	356,466,368
Interest payable	1,570,160	(141,899,806)	–	143,635,866	–	–	–	–	–	3,306,220
Due to related parties	93,992,129	55,473,970	–	–	–	–	–	(129,591,474)	20,934,103	40,808,772
Total liabilities from financing activities	₱3,944,883,100	(₱533,104,986)	₱1,792,253,608	₱277,849,745	(₱229,374,726)	(₱14,356,343)	₱590,941,464	₱61,168,747	₱377,400,471	₱6,267,661,124

28. **Other Matters**

Closure of LBC Development Bank, Inc.

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

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

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

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

On November 2, 2015, the Bank, represented by the PDIC, filed a case against LBCE and LBCDC, together with other defendants, 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 that were sent on March 17 and 29, 2014 due to their discovery that the supposed payments of LBCE were allegedly unsupported by actual cash inflow to the Bank.

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

On January 12, 2016, LBCE and LBCDC, together with other defendants, filed motions to dismiss the Complaint which was denied by the RTC, and then by Court of Appeals (CA). LBCE and LBCDC filed an appeal to the Supreme Court on September 2, 2019 assailing the denial of the motions to dismiss. PDIC has already filed its comment on the appeal while LBCE and LBCDC filed its reply on October 14, 2020. The Supreme Court has not resolved the appeal as of today.

On January 21, 2016, LBCE and LBCDC filed its Urgent Motion to Approve the Counterbond and Discharge the Writ of Attachment which was resolved in favor of LBCE and LBCDC.

On February 17, 2016, the RTC issued the order to lift and set aside the writ of preliminary attachment. The order to lift and set aside the preliminary attachment directed the sheriff of the RTC 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 other individual defendants and hence, the RTC 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.

Later on, four of the five individual defendants received summons and then filed motions to dismiss the case, all of which were denied by the RTC. All four individual defendants filed for motions for reconsideration. The motions for reconsideration filed by the three individual defendants were eventually denied by the RTC. Thereafter, the three individual defendants filed their Answers to the Complaint with the RTC.

On the other hand, the RTC has not resolved the motion for reconsideration of the last remaining individual defendant yet. When the motion for reconsideration of the last remaining individual defendant is resolved by the RTC, she will have to file her Answer to the Complaint with the RTC.

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

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

29. Impact of COVID-19 Pandemic and Subsequent Events

Dividend Declaration

On October 19, 2020, the Board of Directors of LBCH approved the declaration of cash dividends of ₱0.20 per share held by the stockholders of record on November 23, 2020 and shall be paid on December 15, 2020.

Impact of recent Coronavirus situation

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum to impose stringent social distancing measures in the National Capital Region. Consequently, on March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months, and placed

Luzon under Enhanced Community Quarantine (ECQ) until April 14, 2020; this was later extended to May 15, 2020. From May 16, 2020 to May 31, 2020, Metro Manila, Laguna and Cebu City were shifted from ECQ to Modified Enhanced Community Quarantine (MECQ). From June 1, 2020 to August 3, 2020, Metro Manila shifted from MECQ to General Community Quarantine (GCQ). On August 4, 2020, Metro Manila was again placed under MECQ until August 18, 2020. From August 19, 2020 until the date of the issuance of the interim condensed consolidated financial, Metro Manila has shifted from MECQ to GCQ. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. Further, similar measures were implemented by the Local Government Units in the Philippines. Accordingly, the movement of cargoes within, to and from the entire Luzon shall be unhampered amid the Luzon-wide ECQ subject to the guidelines by the Department of Transportation.

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

The impact of the pandemic consists of reduction in revenue, receipt of lease concessions from lessors and recognition of additional allowance for expected credit losses (Note 2). The Group also incurred COVID-19 pandemic related expenses such as medical and sanitation supplies, shuttling costs, donation of face shields and face masks and premiums paid to employees.

To date, the Group has not made any modification to its existing debt and has not availed any extension in debt servicing.

The Group is continuously evaluating potential impact of the COVID-19 pandemic to the Group's financial assets including assumptions in the calculation of the expected credit loss for financial assets and impairment testing for goodwill and other nonfinancial assets.

Management is continuously monitoring the financial impact on the Group as the COVID-19 situation progresses and as the Group maintains its commitment to the continuous provision of services to its customers while ensuring the safety and welfare of its employees.