111142016002272

SECURITIES AND EXCHANGE COMMISSION

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Company Information

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

Document Information

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COVER SHEET

SEC Registration Number

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COMPANY NAME

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

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

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	856-8522	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
485	Second 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	evrey@lbcexpress.com	856-8510	

CONTACT PERSON's ADDRESS

General Aviation Center, Domestic Airport Compound, 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, 2016**

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

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

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

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

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

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

8. Issuer's telephone number, including area code: **(632) 856 8510**

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

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

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

    As of September 30, 2016:

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON SHARES	**1,425,865,471**[1]

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**[2]

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

    Yes **[X]** No [ ]

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

    Yes[**X**] No [ ]

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

[2] As of September 30, 2016, 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 for the period ended September 30, 2016 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

RESULT OF OPERATIONS

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

Quarter ended September 30, 2016 compared to the quarter ended September 30, 2015

Service Revenues

The Company’s service revenues increased by 13.0% to ₱2,225 million for the quarter ended September 30, 2016 from ₱1,969 million for the quarter ended September 30, 2015, primarily due to the increase in revenues from the Logistics segment attributable to growth in both retail and corporate sales by 3.0% and 75.1%, respectively.

Cost of Services

Cost of services improved in percentage to revenue by 4% to 61.6% for the quarter ended September 30, 2016 from 65.5% for the quarter ended September 30, 2015.

Favorable cost ratio resulted from the lower average air freight rates of major carrier due to the utilization of mid-day flights and maximizing the use of sea carrier with lower rates.

Gross Profit

Gross profit increased by 25.7% to ₱853 million for the quarter ended September 30, 2016 from ₱679 million for the quarter ended September 30, 2015, primarily due to the increase in volume in logistic segment and improvement in freight charges.

Operating Expenses

Operating expenses increased by 7% to ₱578 million for the quarter ended September 30, 2016 from ₱540 million for the period ended September 30, 2015, primarily due to the increase in amortization as a result of reclassification from development in progress to depreciable asset (software) account amounting to ₱198 million in 2016 and ₱14 million at the end of 2015. There are also P14 million aggregate additions to vehicle, leasehold improvements, computer equipment and furniture and fixtures for the nine-month period which contributed to higher depreciation for the quarter.

Other Income, Net

Other income, net, increased to ₱16.9 million for the quarter ended September 30, 2016 from ₱11.5 million for the quarter ended September 30, 2015 due to higher realized/unrealized foreign currency gain by 41%.

Income before Income Tax

Income before income tax increased by 95% to ₱292 million for the quarter ended September 30, 2016 from ₱150 million for the quarter ended September 30, 2015, primarily due to improvement in revenue and cost of services.

Nine-month Period ended September 30, 2016 compared to the Nine-month Period ended September 30, 2015

Service Revenues

The Company's service revenues increased by the 11.4% to ₱6,360 million for the nine-month period ended September 30, 2016 from ₱5,711 million for the nine-month period ended September 30, 2015, primarily due to the increase in revenues from the Logistics segment attributable to growth in both retail and corporate sales by 10.5% and 34.1%, respectively.

Cost of Services

Cost of services improved in percentage to revenue by 3% to 64.2% for the nine-month period ended September 30, 2016 from 67.2% for the period ended September 30, 2015.

Favorable cost ratio resulted from the lower average freight rates of major carrier for the utilization of mid-day flights and maximizing the use of sea carrier with lower rates.

Gross Profit

Gross profit increased by 21.7% to ₱2,279 million for the nine-month period ended September 30, 2016 from ₱1,872 million for the nine-month period ended September 30, 2015, primarily due to the increase in logistic segment and improvement in freight charges.

Operating Expenses

Operating expenses increased by 5.2% to ₱1,426 million for the nine-month period ended September 30, 2016 from ₱1,355 million for the nine-month period ended September 30, 2016, primarily due to higher provisions for claims and losses which are estimated in 2016 at 4% of corporate revenue from 2% of corporate revenue recognized in 2015.

Software amortization also increased as a result of reclassification from development in progress to depreciable asset (software) account amounting to ₱198 million in 2016 and ₱14 million at the end of 2015. There are also P14 million aggregate additions to vehicle, leasehold improvements, computer equipment and furniture and fixtures for the nine-month period which contributed to higher depreciation.

Commission expense related to agents also increased attributable to additional box distributor agents in Middle East.

Other Income, Net

Other income, net, decreased to ₱41.7 million for the nine-month period ended September 30, 2016 from ₱53.5 million for the nine-month period ended September 30, 2015 due to lower realized/unrealized foreign currency gain by 8% and higher interest expense by 38%.

Income before Income Tax

Income before income tax increased by 57% to ₱895 million for the nine-month period ended September 30, 2016 from ₱571 million for the nine-month period ended September 30, 2015, primarily due to improvement in revenue and cost of services.

FINANCIAL CONDITION

As of September 30, 2016 compared to as of December 31, 2015

Assets

Current Asset:

Cash and cash equivalents increased by 25% to ₱1,227 million as of September 30, 2016 from ₱979 million as of December 31, 2015.

Trade and other receivables decreased by 7.9% to ₱944 million as of September 30, 2016 from ₱1,025 million as of December 31. 2015, primarily due to full settlement of a major customer account in which contract ended in 2015 and reduction of rate of one of the remittance agent by average 30%.

Due from related parties increased by 14% to ₱2,019 million as of September 30, 2016 from ₱1,763 million as of December 31, 2015, primarily due to additional advances (net) to LBC Development and to Lovable Commerce, Inc. made in 2016. Outstanding billings to entities under common control related to normal operations (e.g. brokerage, shared service costs, delivery fees,) increased by 10% as of period end.

Available-for-sale amounting to P150 million represents investment trust fund to one of the Company's major bank placed in 2016.

Prepayments and other current assets decreased by 32% to ₱298 million as of September 30, 2016 from ₱443 million as of December 31, 2015, primarily due to diminished restricted cash balance. Restricted cash represents cash deposit in bank in the name of the Company which was funded by a specific customer in relation to the money remittance service in behalf of the said specific customer. The Company availed of a loan from a bank specifically to service the said customer and the cash deposit served as a guarantee to the bank. The cash balance is being diminished as the loan balance gets repaid by the Company.

Non-current Assets

Property and equipment. net, increased by 4% to ₱790 million as of September 30, 2016 from ₱763 million as of December 31, 2015, primarily due to business expansion which led to acquisitions for leasehold improvements which increased by 15% and furniture, fixtures and equipment by 25%.

Available for sale investment, increased by 258% to ₱760 million as of September 30, 2016 from ₱212 million as of December 31, 2015 due to higher market price from ₱1.09/share to ₱3.9/share.

Deferred tax assets, net, increased by 9% to ₱246 million as of September 30, 2016 from ₱225 million as of December 31, 2015 as a result of higher non-deductible expenses from retirement benefit and allowance for doubtful accounts.

Liabilities
Current Liabilities

Accounts payable and accrued expenses decreased by 30% to ₱1,281 million as of September 30, 2016 from ₱1,830 million as of December 31. 2015, primarily due to reduction in trade payable by 32%. This is attributable to lower average freight charges as discussed under Cost of Services.

Income tax payable increased by 50% to ₱197 million as of September 30, 2016 from ₱131 million as of December 31, 2015 in line with the growth in operating income subject to income taxes.

Current portion of notes payable decreased by 27% to ₱756 million as of September 30, 2016 from ₱1,040 million as of December 31, 2015, primarily attributable to availment of long-term loans from one of the major banks of the Company, instead of six-month term loans.

Transmission liability decreased by 31% to P348 million as of September 30, 2016 from ₱508 million as of December 31, 2015, primarily due to lower volume and amount of money remittance transactions on the last day of the operations of the period.

Non-current Liabilities

Retirement benefit obligation increased by 6% to ₱682 million as of September 30, 2016 from ₱642 million as of December 31. 2015 due to the net retirement benefit expense recognized for the period.

Long-term notes payable is recognized in 2016 amounting to ₱723 million representing the noncurrent portion of a 5-year loan availed on May and September 2016.

LIQUIDITY

Nine-month period ended September 30, 2016 compared to the nine-month period ended September 30, 2015

Cash flows from operating activities

The Company's net cash from operating activities is primarily affected by income before income tax, depreciation and amortization, retirement benefit expense, interest expense and changes in working capital. The Company's net cash from operating activities were ₱259 million, and ₱398 million for the nine-month period ended September 30, 2016 and 2015, respectively. For the period ended September 30, 2016, inflow from operating activities were generally from normal operations.

Cash flows from investing activities

Cash used investing activities for the nine-month ended September 30, 2016 and 2015 were ₱354 million and ₱313 million, respectively. Additions to property and equipment, as part of the expansion, and the placement of Unit Investment Trust Fund (UITF) in one of the Company's banks have the largest impact on cash flow from investing activities for the nine-month period ended September 30, 2016.

Cash flow from financing activities

Cash inflow from financing activities for the nine-month period ended September 30, 2016 and 2015 were ₱349 million and ₱254 million, respectively. Net availment of loans in 2016 is ₱439 million and ₱316 million for 2016 and 2015, respectively.

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.

SIGNATURES

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.
OIC - Chief Finance Officer and Treasurer
November 14, 2016

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
(formerly known as Federal Resources Investment Group Inc.)

Unaudited Interim Condensed Consolidated Financial Statements
As at September 30, 2016 and
for the Nine Months Ended September 30, 2016 and 2015

(With Comparative Audited Consolidated Statement of Financial Position as at December 31, 2015)

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
(Formerly known as FEDERAL RESOURCES INVESTMENT GROUP INC.)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(With Comparative Audited Figures as at December 31, 2015)

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 3, 20 and 21)	**₱1,227,482,402**	₱979,102,489
Trade and other receivables (Notes 4, 20 and 21)	**944,513,589**	1,025,059,428
Due from related parties (Notes 13, 20 and 21)	**2,019,346,779**	1,763,046,757
Available-for-sale investment (Notes 8, 20 and 21)	**150,437,881**	–
Prepayments and other current assets (Note 5)	**299,025,587**	443,304,439
Total Current Assets	**4,640,806,238**	4,210,513,113
Noncurrent Assets		
Property and equipment (Note 6)	**790,235,531**	763,022,204
Intangible assets (Note 7)	**263,446,966**	276,381,485
Available-for-sale investment (Notes 8, 20 and 21)	**760,355,989**	212,596,951
Deferred tax asset (Note 17)	**246,267,345**	225,645,084
Security deposits (Notes 18, 20 and 21)	**211,116,312**	209,930,934
Other noncurrent assets (Note 5)	**62,597,157**	61,806,091
Total Noncurrent Assets	**2,334,019,300**	1,749,382,749
	₱6,974,825,538	₱5,959,895,862
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 9, 20 and 21)	**₱1,287,154,710**	₱1,830,208,144
Due to a related party (Notes 13, 20 and 21)	**25,574,856**	19,966,251
Current portion of notes payable (Notes 11, 20 and 21)	**755,705,229**	1,040,617,833
Transmissions liability (Notes 10, 20 and 21)	**347,770,511**	508,139,757
Income tax payable	**197,262,147**	130,683,165
Current portion of lease liabilities (Notes 18, 20 and 21)	**41,883,182**	43,049,537
Total Current Liabilities	**2,655,350,635**	3,572,664,687
Noncurrent Liabilities		
Retirement benefit liability (Note 19)	**682,308,367**	641,812,079
Lease liabilities (Notes 18, 20 and 21)	**78,238,923**	74,164,341
Notes payable – net of current portion (Notes 11, 20 and 21)	**723,750,000**	–
Other noncurrent liabilities	**36,845,922**	43,553,548
Total Noncurrent Liabilities	**1,521,143,212**	759,529,968
	4,176,493,847	4,332,194,655
Equity		
Equity attributable to shareholders of the Parent Company		
Capital stock (Note 12)	**1,425,865,471**	1,425,865,471
Retained earnings	**801,845,731**	174,498,871
Accumulated comprehensive income	**618,012,254**	68,411,150
	2,845,723,456	1,668,775,492
Non-controlling interests	**(47,391,765)**	(41,074,285)
Total Equity	**2,798,331,691**	1,627,701,207
	₱6,974,825,538	₱5,959,895,862

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
(Formerly known as FEDERAL RESOURCES INVESTMENT GROUP INC.)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Nine Months Period Ended September 30		Three Months Period Ended July to September 30	
	2016 (Unaudited)	2015 (Unaudited)	**2016 (Unaudited)**	2015 (Unaudited)
REVENUE				
Service fees (Note 22)	**₱6,359,755,798**	₱5,710,502,543	**₱2,224,861,334**	₱1,968,980,928
COST OF SERVICES (Note 14)	**4,080,900,463**	3,838,304,206	**1,371,563,842**	1,290,239,723
GROSS PROFIT	**2,278,855,335**	1,872,198,337	**853,297,492**	678,741,205
OPERATING EXPENSES (Note 15)	**1,425,818,903**	1,355,172,812	**577,786,015**	539,901,240
OTHER INCOME (CHARGES)				
Foreign exchange gains - net (Note 20)	**79,193,914**	86,552,253	**29,795,501**	21,028,881
Interest income	**1,050,095**	1,346,150	**234,980**	208,300
Interest expense (Notes 11 and 18)	**(40,302,579)**	(29,044,039)	**(15,243,997)**	(8,552,534)
Others - net (Note 16)	**1,770,733**	(5,338,078)	**2,095,614**	(1,190,406)
	41,712,163	53,516,286	**16,882,098**	11,494,241
INCOME BEFORE INCOME TAX	**894,748,595**	570,541,811	**292,393,575**	150,334,206
PROVISION FOR INCOME TAX (Note 17)	**274,201,808**	181,203,266	**85,717,057**	50,797,081
NET INCOME FOR THE PERIOD	**620,546,787**	389,338,545	**206,676,518**	99,537,125
OTHER COMPREHENSIVE INCOME (LOSS)				
Items not to be reclassified to profit or loss in subsequent periods				
Remeasurement gain on retirement benefit plan - net of tax	**1,604,809**	82,566	**23,663,569**	44,035
Items that may be reclassified to profit or loss in subsequent periods				
Unrealized fair value gain (loss) on available-for-sale investment (Note 8)	**548,312,919**	(48,760,768)	**273,386,185**	(25,355,600)
Currency translation loss - net	**165,968**	(3,764,516)	**4,829,996**	(1,773,959)
	550,083,696	(52,442,718)	**301,879,750**	(27,085,524)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**₱1,170,630,483**	₱336,895,827	**508,556,268**	₱72,451,601
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the Parent Company	**₱627,346,860**	₱407,032,450	**₱208,699,193**	104,642,383
Non-controlling interests	**(6,800,073)**	(17,693,905)	**(2,022,675)**	(5,105,258)
NET INCOME FOR THE PERIOD	**₱620,546,787**	₱389,338,545	**₱206,676,518**	₱99,537,125
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the Parent Company	**₱ 1,176,947,963**	₱358,511,600	**₱510,191,394**	₱78,013,385
Non-controlling interests	**(6,317,480)**	(21,615,773)	**(1,635,126)**	(5,561,784)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**₱1,170,630,483**	₱336,895,827	**₱508,556,268**	₱72,451,601
BASIC/DILUTED EARNINGS PER SHARE (Note 23)	**₱0.44**	₱0.29	**₱0.15**	₱0.07

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
(Formerly known as FEDERAL RESOURCES INVESTMENT GROUP INC.)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 12)	Retained Earnings	Accumulated comprehensive income	Total	Non-controlling interests	Total equity
			For the Nine Months Ended September 30, 2016 (Unaudited)			
Balances as at January 1, 2016	**₱1,425,865,471**	**₱174,498,871**	**₱68,411,150**	**₱1,668,775,492**	**(₱41,074,285)**	**₱1,627,701,207**
Comprehensive income:						
Net income	**–**	**627,346,860**	**–**	**627,346,860**	**(6,800,073)**	**620,546,787**
Other comprehensive income	**–**	**–**	**549,601,104**	**549,601,104**	**482,593**	**550,083,697**
Total comprehensive income (loss)	**–**	**627,346,860**	**549,601,104**	**1,176,947,964**	**(6,317,480)**	**1,170,630,484**
Balances as at September 30, 2016	**₱1,425,865,471**	**₱801,845,731**	**₱618,012,254**	**₱2,845,723,456**	**(₱47,391,765)**	**₱2,798,331,691**

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

	Capital Stock (Note 12)	Additional Paid-in-Capital	Retained Earnings	Accumulated comprehensive income (loss)	Equity Reserve	Total	Non-controlling interests	Total equity
				For the Nine Months Ended September 30, 2015 (Unaudited)				
Balances as at January 1, 2015	₱40,899,000	₱71,081,190	₱7,096,591	₱164,748,060	₱(343,490,462)	₱(59,665,621)	(₱13,925,063)	₱(73,590,684)
Deposit for future stock subscription	59,101,000					59,101,000		59,101,000
Equity reserve closed to additional paid in capital and retained earnings		(71,081,190)	(272,409,272)		343,490,462			–
Comprehensive income:								
Net income	–	–	407,032,450	–	–	407,032,450	(17,693,905)	389,338,545
Other comprehensive loss	–	–	–	(48,520,850)	–	(48,520,850)	(3,921,868)	(52,442,718)
Total comprehensive income (loss)	–	–	407,032,450	(48,520,850)	–	358,511,600	(21,615,773)	336,895,827
Balances as at September 30, 2015	₱100,000,000	₱–	₱141,719,769	₱116,227,210	₱–	₱357,946,979	(₱35,540,836)	₱322,406,143

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
(Formerly known as FEDERAL RESOURCES INVESTMENT GROUP INC.)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30	
	2016 (Unaudited)	2015 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱894,748,595**	₱570,541,811
Adjustments for:		
Depreciation and amortization (Notes 6 and 7)	**224,488,759**	188,067,331
Interest expense (Notes 11 and 18)	**40,302,579**	29,044,039
Retirement benefit expense net of benefits paid and contribution to retirement plan (Notes 14 and 15)	**42,808,464**	69,977,054
Unrealized foreign exchange losses (gains)	**6,501,057**	(19,307,110)
Interest income	**(1,050,095)**	(1,346,150)
Loss on disposal of property and equipment	**(1,753,789)**	(679,034)
Operating income before changes in working capital	**1,206,045,570**	836,297,941
Changes in working capital:		
Decrease (increase) in:		
Trade and other receivables	**80,545,839**	(139,805,517)
Due from related parties	**(256,300,022)**	(392,129,215)
Prepayments and other assets	**143,487,786**	(28,939,651)
Security deposits	**(11,372,391)**	(32,718,931)
Increase in:		
Due to a related party	**5,608,605**	42,078,475
Accounts payable and accrued expenses	**(520,241,839)**	130,654,226
Transmissions liability	**(160,369,246)**	48,522,942
Net cash generated from operations	**487,404,302**	463,960,270
Interest received	**1,050,095**	1,346,150
Income tax paid (including creditable withholding taxes)	**(228,952,452)**	(67,380,154)
Net cash provided by operating activities	**259,501,945**	397,926,266
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Notes 6)	**(201,730,626)**	(228,601,592)
Additions to intangible assets (Note 7)	**(9,367,084)**	(91,641,685)
Proceeds from disposal of property and equipment	**6,084,331**	6,795,455
Available-for-sale investment	**(150,000,000)**	–
Proceeds from sale of investment in shares of stock	**230,584**	–
Net cash used in investing activities	**(354,782,795)**	(313,447,822)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	**986,005,229**	741,333,333
Payments of notes payable	**(547,167,833)**	(425,000,000)
Interest paid	**(40,302,579)**	(29,044,039)
Payments of lease liabilities	**(48,538,966)**	(33,177,471)
Net cash generated from financing activities	**349,995,851**	254,111,823
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(6,335,088)**	(3,739,746)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**248,379,913**	334,850,521
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**979,102,489**	527,891,420
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱1,227,482,402**	₱862,741,941

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
(Formerly known as FEDERAL RESOURCES INVESTMENT GROUP INC.)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

The ultimate parent of the Parent Company is LBC Development Corporation (LBCDC).

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

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

The Parent Company is a public holding company with investments in transportation business which includes regular pick-up and delivery services on sea and air freight shipments, both incoming and outgoing with necessary storage, brokerage, transportation and allied facilities. The Parent Company and its subsidiaries (collectively referred to as "the Group") also holds a license from the Bangko Sentral ng Pilipinas (BSP) to operate as remittance agent, where it offers to remit, transfer or transmit money on behalf of any person to another person and/or entity.

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

On April 23, 2015, the Board of Directors (BOD) of Parent Company approved the issuance of 59,101,000 common shares, at P1.00 per share, out of the unissued portion of the Parent Company's authorized capital stock to LBCDC.

On May 18, 2015, Parent Company and LBCDC entered into a Deed of Subscription, whereby LBCDC, subject to the completion of the mandatory tender offer, subscribed to 59,101,000 common shares out of the unissued authorized capital stock of Parent Company or approximately 59.10% of the total authorized capital stock of Parent Company, by applying the deposits for future stocks subscription made by LBCDC amounting to ₱59,101,000 on April 22, 2015, as the consideration for the subscribed shares at one peso (₱1.00) per share. Accordingly, on the same date, Parent Company's previous officers and directors resigned from their respective positions and majority were replaced by the representatives from LBCDC.

On May 18, 2015, a former stockholder entered into a Deed of Assumption of Advances with LBCDC; wherein, LBCDC agreed to assume the cash advances from Parent Company by a former stockholder which transpired on April 28, 2015 amounting to ₱58,805,165. Accordingly, Parent Company agreed to such assumption.

On May 22, 2015, LBCDC filed with the SEC its mandatory tender offer report for all the outstanding shares of the Company for a tender offer price of one peso (₱1.00) per share. The mandatory tender offer period commenced on June 8, 2015 and ended on July 7, 2015, during which period, none of the Tender Offer Shares were tendered by the shareholders of the Parent Company.

On July 14, 2015, LBCDC filed with the SEC its final tender offer report. With the completion of the Tender Offer, LBCDC now owns 59,101,000 common shares representing approximately 59.10% of the issued and outstanding and authorized capital stock of the Parent Company.

On July 22, 2015, the Parent Company issued the stock certificates to LBCDC covering the 59,101,000 common shares subject of the said subscription.

On July 29, 2015 and September 4, 2015, the BOD and stockholders, respectively, approved the following resolutions on the amendment to Charter, By-Laws and other documents:

- The change in the name of Parent Company to “LBC Express Holdings, Inc.”;
- The amendment of the secondary purpose of Parent Company which is primarily to align the purpose to that of a holding company;
- The transfer of Parent Company’s principal office address to LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila, Philippines;
- The increase in the number of directors of Parent Company from seven to nine;
- The increase in the authorized capital stock of Parent Company from ₱100,000,000 divided into 100,000,000 shares with par value of ₱1.00 per share up to ₱3,000,000,000 divided into 3,000,000,000 shares with par value of ₱1.00 per share;
- The change in the fiscal year of Parent Company from calendar year to first day of December of each year to the last day of November of the succeeding year; and
- The definition of dividends.

On July 29, 2015, the BOD approved the change of the trading symbol of the Parent Company’s shares in the PSE from “FED” to “LBC”.

On September 18, 2015, the BOD determined and fixed the amount of the increase in authorized capital stock of Parent Company from ₱100,000,000 divided into 100,000,000 shares with par value of ₱1.00 per share to ₱2,000,000,000 divided into 2,000,000,000 with par value of P1.00 per share, and authorized the filing of the increase in authorized capital stock with the SEC.

Moreover, the BOD of Parent Company, in meetings held on July 29, 2015, September 18, 2015 and October 2, 2015, as relevant, and the stockholders of Parent Company in the annual general meeting held on September 4, 2015, also approved among others the following transactions:

- The acquisition by Parent Company of 1,041,180,493 issued and outstanding shares of LBC Express, Inc. (LBCE) at a book value as reflected in the consolidated audited financial statements of LBCE as of November 30, 2014, which book value shall not be less than ₱ 1,000,000,000 or such other consideration and under such terms and conditions as management may deem beneficial to the interest of the Parent Company;
- The issuance of 475,000,000 new Parent Company shares to LBCDC at the subscription price of ₱1.00 per share out of the increase in authorized capital stock from ₱100,000,000 to ₱2,000,000,000;
- The issuance of 671,873,632 new Parent Company shares to LBCDC out of the increase in authorized capital stock, immediately following the approval by the SEC of the increase in authorized capital stock at the subscription price of ₱1.00 per share, under such terms and conditions as management may deem beneficial;
- The issuance of (i) 59,663,947 shares to Vittorio Lim, (ii) 59,663,946 shares to Mariano D. Martinez, Jr. and (iii) 59,663,946 shares to Lowell L. Yu, or an aggregate of 178,991,839 common shares, from the unissued authorized capital stock of Parent Company, immediately following the approval by the SEC of the increase in authorized capital stock at the

subscription price of ₱1.00 per share, under such terms and conditions as management may deem beneficial;

The foregoing issuances of stocks to LBCDC and/or other investors and/or third parties (with reference to LBCDC or LBCE) was for the purpose of:

- Primarily funding the acquisition by Parent Company of LBCE;
- Funding the acquisition of other potential investments, whether or not related to the business of LBCE; and
- Ensuring compliance by Parent Company with the minimum public ownership requirements of the PSE.

On September 18, 2015, LBCDC subscribed to additional 671,873,632 common shares out of the unissued capital stock of Parent Company at the subscription price of ₱1.00 per share, in exchange for cash, conditioned upon and effective immediately following the approval by the SEC of the increase in authorized capital stock.

On the same date, LBCDC subscribed to additional 671,873,632 common shares out of the unissued capital stock of the Parent Company at the subscription price of ₱1.00 per share, in exchange for cash, conditioned upon and effective immediately following the approval by the SEC of the increase in authorized capital stock.

On September 22, 2015, Parent Company submitted an application for the increase in authorized capital stock from one hundred million pesos (₱100,000,000) divided into one hundred million (100,000,000) shares with par value of one peso (₱1.00) per share to two billion pesos (₱2,000,000,000) divided into two billion number of shares with par value of one peso (₱1.00) per share. On the same date, the amendments to the Articles of Incorporation of Parent Company and By-Laws, except for the change in fiscal year, were likewise submitted to the SEC.

In a Deed of Transfer dated September 24, 2015, Parent Company purchased from LBCDC the shares of stock of LBCE at a total cash consideration of ₱1,384,670,966. It was also previously agreed that Parent Company's advances payable by LBCDC amounting to ₱58,805,495 will be set-off against the remaining unpaid balance.

On October 2, 2015, certain individuals subscribed to a total of 178,991,839 common shares out of the unissued capital stock of Parent Company at the subscription price of ₱1.00 per share, in exchange for cash, conditioned upon and effective immediately following the approval by the SEC of the increase in authorized capital stock.

On October 12, 2015, SEC approved the increase in authorized capital stock of Parent Company. On the same date, SEC issued a certificate of filing of Parent Company's amended Articles of Incorporation and amended By-Laws.

On October 16, 2015, the Parent Company issued the stock certificates to LBCDC covering the 1,146,873,632 common shares while on October 21, 2015 the Parent Company issued the stock certificates to certain individuals covering 178,991,839 common shares.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

Difference in accounting periods

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

Management exercised judgment in determining whether adjustments should be made in the consolidated financial statements of the Group pertaining to the effects of significant transactions or events of the fiscal subsidiaries that occur between the third quarter end, August 31 and the date of the Parent Company's financial statements and between November 30 and the comparative date of the Parent Company's financial position. There were no significant transactions that transpired between September 1, 2016 to September 30, 2016 and between December 1, 2015 to December 31, 2015.

Reverse acquisition

On September 24, 2015, the Parent Company completed the acquisition of LBCE through a cash transaction (see Note 1). For accounting purposes, the transaction was accounted for similar to a reverse acquisition following Philippine Financial Reporting Standard (PFRS) 3, Business Combination. LBCE was deemed to be the accounting acquirer under the principles of PFRS 3. In a reverse acquisition, the legal acquirer is identified as the acquiree for accounting purposes because based on the substance of the transaction, the legal acquiree is adjudged to be the entity that gained control over the legal acquirer. Accordingly, the consolidated financial statements of the Group have been prepared as a continuation of the consolidated financial statements of LBCE. The comparative December 31, 2014 information presented in the consolidated financial statements are those of LBCE and not those originally presented in the previous 2014 financial statements of the Parent Company (accounting acquiree) with its old businesses. Because the consolidated financial statements represent a continuation of the consolidated financial statements of LBCE, except for their capital structure, the consolidation will reflect the following:

Before the asset purchase transaction (as at and for the year ended December 31, 2014)

a) the assets and liabilities of LBCE recognized and measure at their carrying amounts, not at their acquisition-date fair values

b) the retained earnings and other equity balances are that of LBCE;

c) the total equity is that of LBC Group but the legal capital (common shares) would be that of Parent Company;

d) the resulting equity reserve represents (1) the legal capital of LBC Group; and (2) the retained earnings and other equity balances (other than the legal capital) of Parent Company before common control; and

e) the consolidated statement of comprehensive income reflects that of LBCE for the full period and that of LBCE from the date of incorporation.

After the asset purchase transaction

a) the transferred assets and liabilities of LBC Group recognized and measured at their pre-combination carrying amounts, not at their acquisition-date fair values;

b) legal capital of the Parent Company;

c) the retained earnings of LBCE as of December 1, 2014 and accumulated comprehensive income of the Parent Company from July 22, 2015 to December 31, 2015 and LBCE from December 1, 2014 to November 30, 2015;

d) the consolidated statement of comprehensive income reflected that of LBCE from December 1, 2014 to November 30, 2015, and the statement of comprehensive income of the Parent Company from July 22, 2015 to December 31, 2015.

Impact of the share purchase agreement which was executed on September 14, 2015 to the consolidated financial statements

The effect of the execution of the deed of transfer was reflected in the consolidated financial statements as movement in equity, as follows:

Investment recognized by the Parent Company	₱1,384,670,966
Net assets of the Parent Company	875,659
	₱1,383,795,307

The effect of pooling of interest method of ₱1,383.80 million is applied against net available APIC of ₱55.42 million, the remaining amount of ₱399.17 million is applied against retained earnings.

The rollforward analysis of Equity Reserve are as follows:

As of December 31, 2014	₱929,200,314
Effect of pooling-of-interest method	(1,383,795,307)
Total	(454,594,993)
Closed to APIC	55,420,327
Closed to retained earnings	399,174,666
As of December 31, 2015	₱–

The accounting similar to a reverse acquisition applies only to the consolidated financial statements. The Parent Company financial statements will continue to represent LBC Express Holdings Inc. as a stand-alone entity.

Statement of Compliance

The accompanying interim condensed consolidated financial statements of the Group have been prepared in accordance with the Philippine Accounting Standard 34, *Interim Financial Reporting*. Accordingly, the interim condensed consolidated financial statements do not include all the information and disclosures required in the annual audited consolidated financial statements as at and for the year ended December 31, 2015, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

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

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

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

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

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

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

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

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as at and for the year ended December 31, 2015, except for the following amendments which the Group adopted starting January 1, 2015. Except as otherwise indicated, the adoption of these amendments have no material impact on the Company's financial statements:

- PFRS 9, *Financial Instruments* - Classification and Measurement (2010 version)

  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The Group did not adopt the standard before the completion of the limited amendments and the second phase of the project.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

In compliance with SEC Memorandum Circular No. 3, Series of 2012, the Company has conducted a study on the impact of an early adoption of PFRS 9. After careful consideration of the results on the impact of evaluation, the Group has decided not to early adopt PFRS 9 for its interim reporting.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA:

<u>Effective January 1, 2015</u>

- PAS 19, Employee Benefits, *Defined Benefit Plans: Employee Contributions* (Amendments) PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since the Group has no defined benefit plans with contributions from employees or third parties.

<u>Effective January 1, 2016</u>

- PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets* - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)

  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment* and PAS 41, *Agriculture* - Bearer Plants (Amendments)

  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements* - Equity Method in Separate Financial Statements (Amendments)

  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after 1 January 2016.

- PFRS 11, *Joint Arrangements* - Accounting for Acquisitions of Interests in Joint Operations (Amendments)

  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

- PFRS 14, *Regulatory Deferral Accounts*

  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is a PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012-2014 cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*

  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*

  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Interim Financial Statements*

  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - regional market issue regarding discount rate*

  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*

  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

<u>Effective January 1, 2018</u>

- PFRS 9, *Financial Instruments* - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)

  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

- PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

  The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.

- PFRS 9, *Financial Instruments* (2014 or final version)

  In July 2014, the final version of PFRS 9, Financial Instruments, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

  The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.

The following new standard issued by the IASB has not yet been adopted by the FRSC:

- IFRS 15, *Revenue from Contracts with Customers*

  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

<u>Significant Accounting Judgments, Estimates and Assumptions</u>

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future. The significant accounting judgments, estimates and assumptions used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements as at and for the year ended December 31, 2015.

3. Cash and Cash Equivalents

This account consists of:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Cash in banks	**₱1,057,116,230**	₱791,383,179
Cash on hand	**157,186,388**	168,529,471
Cash equivalents	**13,179,784**	19,189,839
	₱1,227,482,402	₱979,102,489

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

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

4. Trade and Other Receivables

This account consists of:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Trade receivables	**₱937,878,732**	₱1,031,317,740
Less: Allowance for impairment Losses	**(69,125,963)**	(39,891,364)
	868,752,769	991,426,376
Other receivables:		
Advances to officers and employees	**59,148,279**	19,890,562
Others	**16,612,541**	13,742,490
	₱944,513,589	₱1,025,059,428

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

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

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

The analysis of allowance for impairment is as follows:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Balance at beginning of period	**₱39,891,364**	₱8,429,845
Provisions (Note 15)	**29,234,599**	31,461,519
	₱69,125,963	₱39,891,364

5. Prepayments and Other Current Assets

This account consists of:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Prepayments:		
Rent	**₱35,153,926**	₱62,462,480
Advertising	**16,851,885**	12,768,802
Insurance	**15,066,122**	16,482,552
Taxes	**12,509,002**	2,877,668
Software maintenance	**6,898,026**	5,940,594
Licenses	**1,964,808**	1,081,983
Dues and subscriptions	**268,303**	1,364,231
Others	**16,712,168**	4,454,770
Restricted cash	**–**	135,278,700
Materials and supplies	**101,586,342**	115,581,178
Input value-added tax (VAT)	**82,520,670**	66,908,490
Creditable withholding taxes (CWT)	**60,951,915**	75,696,351
Short-term cash investments (Note 20)	**11,139,577**	5,011,500
	361,622,744	505,909,299
Less allowance for impairment losses	**–**	798,769
	361,622,744	505,110,530
Less noncurrent portion of:		
VAT on capital assets	**47,794,284**	41,805,223
Prepaid rent	**12,136,209**	20,000,868
Others	**2,666,664**	–
Total noncurrent portion	**₱62,597,157**	₱61,806,091
Total current portion	**₱299,025,587**	₱443,304,439

Materials and supplies consist of office supplies and packing materials to be used in the Group's operations. Materials and supplies recognized as part of cost of services in the statement of comprehensive income for the nine months ended September 30, 2016 and 2015 amounted to ₱206.99 million and ₱180.24 million, respectively.

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

Prepaid advertising consists of advances for billboards and multimedia endorsements.

Other prepayments pertain to unamortized employee benefits.

6. **Property and Equipment**

The rollforward analysis of this account follows:

	For the nine months ended September 30, 2016 (Unaudited)							
	Transportation Equipment	**Leasehold Improvements**	**Furniture, Fixtures and Office Equipment**	**Computer Hardware**	**Construction in Progress**	**Building Improvements**	**Factory equipment**	**Total**
Costs								
At beginning of period	**₱493,700,641**	**₱1,193,415,823**	**₱536,162,284**	**₱497,378,871**	**₱26,897,204**	**₱–**	**₱–**	**₱2,747,554,823**
Additions	**29,818,998**	**38,204,151**	**25,211,603**	**24,044,954**	**117,821,705**	**–**	**–**	**235,101,411**
Reclassification	**(697,322)**	**100,028,387**	**29,911,795**	**6,041,455**	**(135,284,315)**	**–**	**–**	**–**
Disposals	**(23,142,240)**	**(948,308)**	**(4,286)**	**–**	**–**	**–**	**–**	**(24,094,834)**
At end of the period	**499,680,077**	**1,330,700,053**	**591,281,396**	**527,465,280**	**9,434,594**	**–**	**–**	**2,958,561,400**
Accumulated Depreciation and Amortization								
At beginning of period	**357,426,671**	**798,498,426**	**466,384,919**	**362,222,603**	**–**	**–**	**–**	**1,984,532,619**
Depreciation and amortization (Notes 14 and 15)	**36,645,471**	**78,298,171**	**38,010,156**	**49,259,330**	**–**	**–**	**–**	**202,213,128**
Disposals	**(18,053,640)**	**(361,952)**	**(4,286)**		**–**	**–**	**–**	**(18,419,878)**
At end of the period	**376,018,502**	**876,434,645**	**504,390,789**	**411,481,933**	**–**			**2,168,325,869**
Net Book Value	**₱123,661,575**	**₱454,265,408**	**₱86,890,607**	**₱115,983,347**	**₱9,434,594**	**₱–**	**₱–**	**₱790,235,531**

	For the year ended December 31, 2015 (Audited)							
	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Construction in Progress	Building Improvements	Factory equipment	Total
Costs								
At beginning of year	₱557,959,485	₱994,574,429	₱485,087,319	₱379,626,597	₱34,643,995	₱25,039,479	₱1,600,000	₱2,478,531,304
Additions	19,052,166	44,107,432	40,590,387	86,093,301	194,806,963	–	–	384,650,249
Reclassification		159,213,065	11,596,537	31,744,152	(202,553,754)	–	–	–
Disposals	(83,311,010)	(4,479,103)	(1,111,959)	(85,179)	–	–	–	(88,987,251)
At end of year	493,700,641	1,193,415,823	536,162,284	497,378,871	26,897,204	25,039,479	1,600,000	2,774,194,302
Accumulated Depreciation and Amortization								
At beginning of year	379,458,148	706,521,612	423,155,506	305,903,767	–	13,340,353	1,600,000	1,829,979,386
Depreciation and amortization(Notes 14 and 15)	46,689,018	95,798,467	43,385,354	56,637,275	–	–	–	242,510,114
Disposals	(68,720,495)	(3,821,653)	(155,941)	(318,439)	–	–	–	(73,016,528)
At end of year	357,426,671	798,498,426	466,384,919	362,222,603	–	13,340,353	1,600,000	1,999,472,972
Allowance for impairment loss	–	–	–	–	–	11,699,126	–	11,699,126
Net Book Value	₱136,273,970	₱394,917,397	₱69,777,365	₱135,156,268	₱26,897,204	₱–	₱–	₱763,022,204

7. **Intangible Assets**

The rollforward analysis of this account follows:

	For the nine months ended September 30, 2016 (Unaudited)		
	Software	**Development in Progress**	**Total**
Costs			
At beginning of the period	**₱134,430,313**	**₱243,687,774**	**₱378,118,087**
Additions	**302,021**	**9,065,063**	**9,367,084**
Disposal/Expensed	**(55,000)**	**–**	**(55,000)**
Reclassification	**197,698,822**	**(197,698,822)**	**–**
At end of the period	**332,376,156**	**55,054,015**	**387,430,171**
Accumulated Amortization			
At beginning of the period	**101,736,602**	**–**	**101,736,602**
Amortization (Note 15)	**22,275,631**	**–**	**22,275,631**
Disposal/Expensed	**(29,028)**	**–**	**(29,028)**
At end of the period	**123,983,205**	**–**	**123,983,205**
Net Book Value	**₱208,392,951**	**₱55,054,015**	**₱263,446,966**

	For the year ended December 31, 2015 (Audited)		
	Software	Development in Progress	Total
Costs			
At beginning of year	₱113,797,585	₱227,626,996	₱341,424,581
Additions	8,106,307	51,763,196	59,869,503
Disposal	(1,849,559)	(21,326,438)	(23,175,997)
Reclassification	14,375,980	(14,375,980)	–
At end of the year	134,430,313	243,687,774	378,118,087
Accumulated Amortization			
At beginning of year	84,862,275	–	84,862,275
Amortization (Note 15)	16,874,327	–	16,874,327
At end of the year	101,736,602	–	101,736,602
Net Book Value	₱32,693,711	₱243,687,774	₱276,381,485

8. **Available-for-Sale Investment**

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

Movement of the AFS investment presented as follows:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Unquoted:		
Balance at the beginning of period	**₱–**	₱–
Acquisitions	**150,000,000**	–
Unrealized fair value gain	**437,881**	–
Balance at end of period under current assets	**₱150,437,881**	₱–

Quoted:		
Balance at beginning of the period	**₱212,596,951**	₱276,961,165
Sale of shares (80,000 shares)	**(116,000)**	–
Unrealized fair value gain (loss)	**547,875,038**	(64,364,214)
Balance at end of period under noncurrent assets	**₱760,355,989**	₱212,596,951

9. Accounts Payable and Accrued Expenses

This account consists of

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Trade payable	**₱465,194,525**	₱685,464,390
Taxes payable	**192,515,016**	390,344,268
Accruals:		
Salaries and wages	**210,399,432**	240,835,169
Rent and utilities	**83,740,513**	84,559,689
Claims and losses	**80,913,259**	61,113,276
Contracted jobs	**62,224,735**	58,193,123
Advertising	**38,818,651**	36,834,615
Professional fees	**9,202,187**	15,748,004
Taxes	**7,438,420**	150,376,792
Others	**94,724,714**	70,218,546
Government agencies contributions payables	**18,689,981**	18,411,927
Others	**23,293,278**	18,108,345
	₱1,287,154,711	₱1,830,208,144

10. Transmissions Liability

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

Transmissions liability amounted to ₱347.77 million and ₱508.14 million as at September 30, 2016 and December 31, 2015, respectively.

11. Notes Payable

The Group has outstanding notes payable to various local banks and related party. The details of these notes as at September 30, 2016 and December 31, 2015 are described below:

		September 30, 2016 (Unaudited)			
Bank/Related Party	**Date of Availment**	**Outstanding Balance**	**Maturity**	**Interest Rate**	**Payment Terms**
Banco de Oro	**Sep 2016**	**₱100,000,000**	**March 2017**	**Fixed rate, 4.00%**	**Interest payable every month, principal to be paid on maturity date.**
Banco de Oro	**May 2016**	**146,250,000**	**May 2021**	**Fixed rate, 4.00%**	**Principal and interest payable every month.**
Banco de Oro	**Jun 2016**	**350,000,000**	**May 2021**	**Fixed rate, 4.00%**	**Principal and interest payable every month.**
Banco de Oro	**Sep 2016**	**300,000,000**	**May 2021**	**Fixed rate, 4.00%**	**Principal and interest payable every month.**
Union bank of the Philippines	**Apr, Jun and Aug 2016**	**250,000,000**	**Oct 2016; Dec 2016; Feb 2017**	**Fixed rate, 6.00%**	**Interest payable every month, principal to be paid on maturity date.**
Rizal Commercial Banking Corporation	**Mar and June 2016**	**333,205,229**	**Mar and Dec 2017**	**6.00% to 6.25%**	**Interest payable every month, principal to be paid on maturity date**
Total		**₱1,479,455,229**			
Less: Noncurrent portion		**₱723,750,000**			
Current portion of notes payable		**₱755,705,229**			

		December 31, 2015 (Audited)			
Bank	Date of Availment	Outstanding Balance	Maturity	Interest Rate	Payment Terms
Banco de Oro	Various availments in 2015	₱207,458,333	Various maturities in 2015 and 2016	Fixed rate 4.00%,	Interest and principal payable until maturity
Banco de Oro	Various availments in 2015	250,000,000	Various maturities in 2015 and 2016	Fixed rate 4.00%,,	Interest payable every month, principal to be paid on maturity date
Unionbank of the Philippines	Various availments in 2015	100,000,000	Various maturities 2016	Fixed rate, 6.00%	Interest payable every month, principal to be paid on maturity date
Rizal Commercial Banking Corporation	Various availments in 2015	298,000,000	Various maturities 2016	Fixed rate, 6.00%	Interest payable every month, principal to be paid on maturity date
Chinatrust Bank Corporation	September 2015	150,000,000	January 2016	Fixed rate, 5.00%	Interest payable every month, principal to be paid on maturity date
Landbank of the Philippines	October 2015	35,159,500	December 2015	Fixed rate, 2.50%	Interest payable every month, principal to be paid on maturity date
		₱1,040,617,833			

Interest expense amounted to ₱29.0 million and ₱16.1 million for the nine months ended September 30, 2016 and 2015, respectively.

The loans were used primarily for working capital requirements and expenditures on ongoing development of software. These are not collateralized by any of the Group's assets.

12. **Equity**

Capital stock

The details of the Parent Company's common shares as at September 30, 2016 and December 31, 2015 follow:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Authorized shares	**2,700,000,000**	2,000,000,000
Par value per share	**₱1**	₱1
Issued and outstanding shares	**1,425,865,471**	1,425,865,471

13. **Related Party Transactions**

In the normal course of business, the Group transacts with related parties consisting of its ultimate parent (LBCDC) and affiliates. Affiliates include those entities in which the owners of the Group have ownership interests. These transactions include royalty, delivery, service and management fees and loans and advances.

Details of related party transactions and balances for the nine months ended September 30, 2016 and for the year ended December 31, 2015 are as follows:

	Transaction amounts for the nine months ended September 30, 2016 (Unaudited)	**Outstanding Receivable (Payable) balance as at September 30, 2016 (Unaudited)**	**Terms**	**Conditions**
Due from related parties				
Ultimate parent company				
a.) Advances	**₱177,489,825**	**₱1,145,614,781**	Non-interest bearing; due and demandable	Unsecured; no impairment
Affiliates				
b.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee	**297,283,652**	**864,435,004**	Non-interest bearing; due and demandable	Unsecured; no impairment
Key management personnel				
a.) Advances	**12,599**	**9,296,994**	Non-interest bearing; due and demandable	Unsecured; no impairment
		₱2,019,346,779		
Due to related party				
Ultimate parent company (LBCDC)				
c.) Royalty fee (Note 15)	**(₱140,441,621)**	**(₱8,252,389)**	Non-interest bearing; due and demandable	Unsecured; no impairment
a.) Advances	**–**	**(15,694,463)**	Non-interest bearing; due and demandable	Unsecured; no impairment
Affiliates				
a.) Advances	**455,564**	**(1,372,701)**	Non-interest bearing; due and demandable	Unsecured; no impairment
Officer				
a.) Advances	**–**	**(255,303)**	Non-interest bearing; due and demandable	Unsecured; no impairment
		(₱25,574,856)		

(forward)				
Key management personnel				
Salaries and wages	**₱ 94,530,306**	**₱–**		
Other short-term employee benefits	**16,171,539**	**–**		
Retirement benefits	**9,520,478**	**(43,672,467)**		
		(₱43,672,467)		

	Transaction amounts for the nine months ended September 30, 2015 (Unaudited)	Outstanding Receivable (Payable) balance as at December 31, 2015 (Audited)	Terms	Conditions
Due from related parties				
Ultimate parent company				
a.) Advances	₱354,588,272	₱968,124,956	Non-interest bearing;due and demandable	Unsecured no impairment
Affiliates				
b.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee	245,002,529	785,637,406	Non-interest bearing;due and demandable	Unsecured no impairment
Officers				
a.) Advances	12,000,000	9,284,395	Non-interest bearing;due and demandable	Unsecured no impairment
		₱1,763,046,757		
Due to related party				
Ultimate parent company				
a.) Advances	₱–	(₱15,694,463)	Non-interest bearing; due and demandable	Unsecured
c.) Royalty fee (Note 15)	137,430,795	(1,828,265)	Non-interest bearing; due and demandable	Unsecured
Affiliates				
a.) Advances	–	(2,188,220)	Non-interest bearing; due and demandable	Unsecured no impairment
Officer				
a.) Advances	–	(255,303)	Non-interest bearing;due and demandable	Unsecured
		(₱19,966,251)		
Key management personnel				
Salaries and wages	₱58,418,924	₱–	Non-interest bearing; due and demandable	Unsecured
Other short-term employee benefits	8,425,739	–	Non-interest bearing; due and demandable	Unsecured
Retirement benefits	11,074,575	(34,151,989)	Non-interest bearing; due and demandable	Unsecured
		(₱34,151,989)		

a. 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 made an assessment of the recoverability of the said advance and concluded that these are not recoverable. Accordingly, the said asset was written-off from the books of the Group in 2011.

b. In the normal course of business, the Group fulfills the delivery of *balikbayan* boxes and performs certain administrative functions on behalf of its international affiliates. The Group charges delivery fees and service fees for the fulfillment of these services.

c. LBCDC (Licensor), the Ultimate Parent Company, granted to the Group (Licensee) the full and exclusive right to use the LBC Marks within the Philippines, in consideration for a continuing royalty rate of two point five percent (2.5%) for 2016 and 2015 of Licensee's

Gross Revenues which is defined as any and all revenue from all sales of products and services, including all other income of every kind and nature directly and/or indirectly arising from, related to and/or connected with Licensee's business operations (including, without limitation, any proceeds from business interruption insurance, if any), whether for cash or credit, wherever made, earned, realized or accrued, excluding any sales discounts and/or rebates, VAT.

14. Cost of Services

This account consists of:

	For the nine months ended	
	September 30, 2016 (Unaudited)	September 30, 2015 (Unaudited)
Cost of delivery and remittance	**₱1,586,701,577**	₱1,497,922,687
Salaries and benefits	**1,304,519,158**	1,257,739,552
Utilities and supplies	**476,648,588**	435,023,617
Rent (Note 18)	**372,864,855**	352,633,343
Depreciation and amortization (Notes 6 and 7)	**145,218,591**	139,537,480
Retirement benefit expense	**70,300,964**	58,091,986
Transportation and travel	**34,083,665**	35,107,373
Others	**90,563,065**	62,248,168
	₱4,080,900,463	₱3,838,304,206

Others comprises mainly of insurance, repairs and maintenance and miscellaneous expenses.

15. Operating Expenses

This account consists of:

	For the nine months ended	
	September 30, 2016 (Unaudited)	September 30, 2015 (Unaudited)
Salaries and wages	**₱296,528,939**	₱295,723,616
Rent (Note 18)	**144,575,809**	146,105,642
Advertising and promotion	**144,202,654**	266,216,279
Royalty (Note 13)	**140,441,621**	137,430,795
Utilities and supplies	**111,341,650**	111,455,504
Professional fees	**103,015,411**	63,739,942
Taxes and licenses	**81,478,633**	71,110,191
Travel and representation	**81,451,355**	61,345,990
Depreciation and amortization (Notes 6 and 7)	**79,270,168**	48,529,851
Claims and losses	**68,595,143**	37,047,216
Software maintenance costs	**38,143,705**	39,194,117
Provision for impairment loss (Note 4)	**29,234,599**	31,461,519
Insurance	**17,000,717**	8,043,592
Commission expense	**15,786,993**	6,077,067
Retirement benefit expense	**12,161,309**	11,885,067
Dues and subscriptions	**3,375,148**	1,739,694
Others	**59,215,049**	18,066,730
	₱1,425,818,903	₱1,355,172,812

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

16. Other Income (Charges) - Net

Others comprises mainly of gain or loss on sale of property and equipment, accruals and other provisions amounting to ₱1.77 million gain and ₱5.34 million loss for the nine months ended September 30, 2016 and 2015, respectively.

17. Income Taxes

Details of the Group's deferred income tax assets (liabilities) as at September 30, 2016 and December 31, 2015 follow:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Retirement benefit liability	**₱204,692,510**	₱192,543,624
Allowance for impairment loss	**20,737,789**	11,967,409
Deferred lease payable	**11,579,395**	11,898,523
NOLCO	**3,676,506**	5,699,047
Unrealized foreign exchange losses (gains)	**6,468,977**	3,756,635
MCIT	**158,839**	826,517
Capitalized borrowing costs	**(1,046,671)**	(1,046,671)
	₱246,267,345	₱225,645,084

Below are the details of the provision for (benefit from) income tax:

	For the nine months ended	
	September 30, 2016 (Unaudited)	September 30, 2015 (Unaudited)
Current	**₱295,531,433**	₱207,775,886
Deferred	**(21,329,625)**	(26,572,620)
	₱274,201,808	₱181,203,266

18. Lease Commitments

(a) Operating Lease

The Group entered into lease agreements with third parties. The non-cancellable periods of the leases range from two to five years covering its current corporate office space, various service centers and service points, and transportation equipment.

These leases generally provide for rental rate escalations including payment of security deposits.

Rent expense was recognized as follows:

	For the nine months ended	
	September 30, 2016 (Unaudited)	September 30, 2015 (Unaudited)
Cost of services	**₱372,864,855**	₱352,633,343
Operating expenses	**144,575,809**	146,105,642
	₱517,440,664	₱498,738,985

The Group has outstanding refundable security deposits arising from the said operating lease agreements amounting to ₱211.12 million and ₱209.93 million as at September 30, 2016 and December 31, 2015, respectively.

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

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Not later than 1 year	**₱728,146,153**	₱695,488,620
Later than 1 year but not later than 5 years	**3,567,916,132**	3,407,894,223

(b) Finance lease

These involve leases of transportation equipment which were accounted for as finance leases.

The components of the finance lease obligation as at September 30, 2016 and December 31, 2015 arising from these leases are as follows:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Gross finance lease obligations		
Not later than one year	**₱ 51,158,836**	₱52,583,498
Later than 1 year but not later than 5 years	**48,420,015**	42,143,711
	99,578,851	94,727,209
Future finance lease charges on the finance lease		
Not later than one year	**(9,275,654)**	(9,533,961)
Later than 1 year but not later than 5 years	**(8,779,075)**	(7,641,113)
	(18,054,729)	(17,175,074)
	₱81,524,122	₱77,552,135

The present value of minimum lease payments is as follows:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Not later than 1 year	**₱41,883,182**	₱43,049,537
Later than 1 year but not later than 5 years	**39,640,940**	34,502,598

Interest expense on the above finance lease obligation charged to finance costs amounted to ₱11.2 million and ₱12.9 million for September 2016 and 2015, respectively.

19. Retirement Benefits

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

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Present value of defined benefit obligation	**₱680,254,752**	₱655,439,842
Fair value of plan assets	**2,053,615**	(13,627,763)
	₱682,308,367	₱641,812,079

The pension cost for the interim period and the present value of the defined benefit obligation as of September 30, 2016 were calculated by extrapolating the latest actuarial valuation report of the Group.

20. Financial Risk Management Objectives and Policies

The Group has various financial assets such as cash and cash equivalents, trade and other receivables, due from related parties, short-term cash investments, security deposits and AFS investment which arise directly from operations.

The Group's financial liabilities comprise of accounts payable and accrued expenses, due to a related party, notes payable, transmissions liability and finance lease 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.
The sensitivity analyses have been prepared on the following basis:

- Price risk - movement in five-year historical AFS investment prices
- Interest rate risk - market interest rate on loans
- Foreign currency risk - yearly movement in the foreign exchange rates

The assumptions used in calculating the sensitivity analyses of the Group's relevant statements of comprehensive income item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held as at September 30, 2016 and December 31, 2015.

Price risk
The Group is exposed to equity securities risk because of its AFS investment.

The following table shows the effect on income before income tax should the change in the close share price of listed equity securities occur as at September 30, 2016 and 2015 with all other variables held constant.

	Effect on other comprehensive income	
Change in share price	**2016 (Unaudited)**	2015 (Unaudited)
Increase by 5% in 2016 and 5% in 2015	**₱38,017,799**	₱11,410,020
Decrease by 5% in 2016 and 5% in 2015	**(38,017,799)**	(11,410,020)

Interest rate risk

The Group is not significantly exposed to interest rate risk as the Group's interest rate on its cash and cash equivalents and notes payable is fixed and none of the Group's financial assets and liabilities is measured at fair value. The impact of fluctuation on interest rates on the Group's finance leases will not significantly impact the results of operations.

Liquidity risk

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

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

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

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

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

The following table shows the information about the Group's financial assets by maturity profile:

	September 30, 2016 (Unaudited)		
	Due in less than one year	**Due in more than one year**	**Total**
Cash and cash equivalents (Note 3)	**₱1,070,296,014**	**₱–**	**₱1,070,296,014**
Trade and other receivables (Note 4)	**885,365,310**	**–**	**885,365,310**
Due from related parties (Note 13)	**2,019,346,779**	**–**	**2,019,346,779**
Security deposits (Note 18)	**–**	**211,116,312**	**211,116,312**
Available-for-sale investment	**150,437,881**	**–**	**150,437,881**
Short-term investment (Note 5)	**11,139,577**	**–**	**11,139,577**
	₱4,136,585,561	**₱211,116,312**	**₱4,347,701,873**

	December 31, 2015 (Audited)		
	Due in less than one year	Due in more than one year	Total
Cash and cash equivalents (Note 3)	₱810,573,018	₱–	₱810,573,018
Trade and other receivables (Note 4)	1,005,168,866	–	1,005,168,866
Due from related parties (Note 13)	1,763,046,757	–	1,763,046,757
Security deposits (Note 18)	–	209,930,934	209,930,934
Short-term investment (Note 6)	5,011,500	–	5,011,500
	₱3,583,800,141	₱209,930,934	₱3,793,731,075

Except as indicated, the Group's financial liabilities based on undiscounted cash flows as shown below are due and expected to be paid within twelve (12) months after the reporting period, which is the earlier of the contractual maturity date or the expected settlement date:

	September 30, 2016 (Unaudited)		
	Due in less than one year	**Due in more than one year**	**Total**
Accounts payable and accrued expenses (Note 9)	**₱1,068,511,294**	**₱–**	**₱1,068,511,294**
Due to related parties (Note 13)	**25,574,856**	**–**	**25,574,856**
Notes payable (Note 11)	**759,304,049**	**800,464,384**	**1,559,768,433**
Transmission liability (Note 10)	**347,770,511**	**–**	**347,770,511**
Lease liabilities (Note 18)	**51,158,836**	**48,420,015**	**99,578,851**
	₱2,252,319,546	**₱848,884,399**	**₱3,101,203,945**

	December 31, 2015 (Audited)		
	Due in less than one year	Due in more than one year	Total
Accounts payable and accrued expenses (Note 9)	₱1,271,075,157	₱–	₱1,271,075,157
Due to related parties (Note 13)	19,966,251	–	19,966,251
Notes payable (Note 11)	1,043,663,196	–	1,043,663,196
Transmission liability (Note 10)	508,139,757	–	508,139,757
Lease liabilities (Note 18)	52,583,498	42,143,711	94,727,209
	₱2,895,427,859	₱42,143,711	₱2,937,571,570

Notes payable and lease liabilities include future interest payments.

Payable to government agencies at September 30, 2016 and December 31, 2015 amounting to ₱218.64 million and ₱559.13 million, respectively, are considered non-financial liabilities (see Note 9).

Foreign currency risk

The Group operates internationally through its branches in United Arab Emirates and Kingdom of Saudi Arabia and subsidiaries in Bahrain and Kuwait. The Group also transacts with various foreign affiliates acting as a fulfilling agent for logistics and money transfer services. These transactions expose the Group to foreign exchange risks. Foreign exchange risk arises from future commercial transactions recognized assets and liabilities and net investments in foreign operations. To manage its foreign currency risk, the Group enters into foreign currency forwards aimed at reducing and/or managing the adverse impact of changes in foreign exchange rates on financial performance and cash flow.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents follow:

September 30, 2016 (Unaudited)

	Dirham	**Peso Equivalent**	**Saudi Riyal**	**Peso Equivalent**	**Bahraini Dinar**	**Peso Equivalent**	**Kuwaiti Dinar**	**Peso Equivalent**	**Qatari Riyal**	**Peso Equivalent**	**US Dollar**	**Peso Equivalent**	**Canadian Dollar**	**Peso Equivalent**
Assets:														
Cash and cash equivalents	**5,370,203**	**₱67,933,067**	**4,847,265**	**₱60,057,614**	**36,445**	**₱4,496,536**	**85,896**	**₱13,252,932**	**537,378**	**₱6,878,443**	**-**	**₱-**	**-**	**-**
Trade and other receivables	**1,048,001**	**13,257,219**	**124,280**	**1,539,823**	**2,295**	**283,181**	**30,067**	**4,638,996**	**32,597**	**417,238**	**-**	**-**	**-**	**-**
Due from related parties	**-**	**-**	**-**	**-**	**-**	**-**	**14,433**	**2,226,868**	**-**	**-**	**593,320**	**27,565,647**	**363,609**	**13,351,708**
Security deposit	**544,814**	**6,891,897**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Liabilities:													**-**	**-**
Accounts payable and accrued expenses	**(7,173,062)**	**(90,739,238)**	**(1,500,797)**	**(18,594,876)**	**(12,532)**	**(1,546,154)**	**(177,627)**	**(27,406,116)**	**(324,204)**	**(4,149,806)**	**-**	**-**	**-**	**-**
Due to related parties	**(7,027,866)**	**(88,902,507)**	**-**	**-**	**-**	**-**	**(14,705)**	**(2,268,816)**	**(27,619)**	**(353,526)**	**-**	**-**	**-**	**-**
Net foreign currency denominated assets (liabilities)	**(7,237,910)**	**(₱91,559,562)**	**3,470,748**	**₱43,002,561**	**26,208**	**₱3,233,563**	**(61,936)**	**(₱9,556,136)**	**218,152**	**₱2,792,349**	**593,320**	**₱27,565,647**	**363,609**	**₱13,351,708**

The translation exchange rates used were ₱12.65 to AED 1; ₱12.39 to SAR ; ,₱123.38 to DNR 1; ₱154.29 to KWD 1; ₱12.80 to QAR 1; ₱46.46 to USD 1; ₱36.72 to CAD in 2016.

December 31, 2015 (Audited)

	Dirham	Peso Equivalent	Saudi Riyal	Peso Equivalent	Bahraini Dinar	Peso Equivalent	Kuwaiti Dinar	Peso Equivalent	Qatari Riyal	Peso Equivalent	US Dollar	Peso Equivalent	Canadian Dollar	Peso Equivalent
Assets:														
Cash and cash equivalents	2,601,105	₱33,335,502	2,367,834	₱29,700,689	25,237	₱3,154,390	61,108	₱9,401,231	209,675	₱2,715,997	–	₱–	–	₱–
Trade and other receivables	259,833	3,329,994	129,341	1,622,376	1,414	176,737	18,106	2,785,538	30,092	389,793	–	–	–	–
Due from related parties							14,433	2,220,462	–	–	742,135	34,931,568	1,433,332	50,764,040
Security deposit	462,714	5,930,096	3,000	37,630	3,250	406,220	1,825	280,769	132,500	1,716,321	–	–	–	–
Liabilities:														
Accounts payable and accrued expenses	(2,431,465)	(31,171,381)	(953,587)	(11,961,223)	(9,919)	(1,239,783)	(140,656)	(21,639,385)	(231,062)	(2,993,031)	–	–	–	–
Due to related parties	(501,395)	(6,425,831)	–	–	–	–	(23,222)	(3,572,615)	(47,059)	(609,573)	–	–	–	–
Net foreign currency denominated assets (liabilities)	390,792	₱4,998,380	1,546,588	₱19,399,472	19,982	₱2,497,564	(68,406)	(₱10,524,000)	94,146	₱1,219,507	742,135	₱34,931,568	1,433,332	₱50,764,040

The translation exchange rates used were ₱12.82 to AED 1, ₱12.54 to SAR 1, ₱124.99 to DNR 1, ₱153.85 to KWD 1, ₱12.95 to QAR 1 in 2015, ₱47.07 to USD in 2015.

The Group recognized ₱79.19 million and ₱86.55 million net foreign exchange gains, for the nine months ended September 30, 2016 and 2015, respectively, arising from the translation of the Group's cash and cash equivalents, trade and other receivables, trade payables and notes payable and completed foreign currency transactions throughout the periods.

Credit risk

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. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on regular basis which aims to reduce the Group's exposure to bad debts at a minimum level. Given the Group's diverse base of customers, it is not exposed to large concentrations of credit risk.

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

The Group's exposure to credit risk, which comprises cash and cash equivalents, receivables, due to related parties and other financial assets, arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.

The maximum credit risk exposure of the Group's financial assets, which is equal to the carrying amounts in the consolidated statements of financial position, is shown below:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Cash and cash equivalents (Note 3)	**₱1,070,296,014**	₱810,573,018
Trade and other receivables (Note 4)	**885,365,310**	1,005,168,866
Due from related parties (Note 13)	**2,019,346,779**	1,763,046,757
Security deposits (Note 18)	**211,116,312**	209,930,934
Available for sale (Note 8)	**150,437,881**	–
Short-term investment (Note 5)	**11,139,577**	140,290,200
	₱4,347,701,873	₱3,929,009,775

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

As of September 30, 2016 and December 31, 2015, the credit quality per class of financial assets is as follows:

	September 30, 2016 (Unaudited)				
	Neither past due nor impaired			**Past due and / or Individually**	
	High Grade	**Standard**	**Substandard grade**	**impaired**	**Total**
Cash and cash equivalents	**₱1,070,296,014**	**₱–**	**₱–**	**₱–**	**₱1,070,296,014**
Receivables:					
Trade and other receivables	**725,093,564**	–	–	**160,271,746**	**885,365,310**
Due from related parties	**2,019,346,779**	–	–	–	**2,019,346,779**
Security deposits	**211,116,312**	–	–	–	**211,116,312**
Available for sale	**150,437,881**	–	–	–	**150,437,881**
Short term-investments	**11,139,577**	–	–	–	**11,139,577**
	₱4,187,430,127	**₱–**	**₱–**	**₱160,271,746**	**₱4,347,701,873**

	December 31, 2015 (Audited)				
	Neither past due nor Impaired			Past due and / or Individually	
	High Grade	Standard	Substandard grade	impaired	Total
Cash and cash equivalents	₱810,573,018	₱–	₱–	₱–	₱810,573,018
Receivables:					
Trade and other receivables	882,737,751	–	–	122,431,115	1,005,168,866
Due from related parties	1,763,046,757	–	–	–	1,763,046,757
Security deposits	209,930,934	–	–	–	209,930,934
Short term investments	140,290,200	–	–	–	140,290,200
	₱3,806,578,660	₱–	₱–	₱122,431,115	₱3,929,009,775

The Group's basis in grading its receivables is as follow:

High grade - these are receivables which have a high probability of collection (i.e., the counterparty has the apparent ability to satisfy its obligation and the security on receivables readily enforceable).

Standard - these are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but have been outstanding for a certain period of time.

Substandard - these are receivables that can be collected provided the Group makes persistent effort to collect them.

Cash in banks and cash equivalents are deposited/placed in banks that are stable as they qualify either as universal or commercial banks. Universal and commercial banks represent the largest single group, resource-wide, of financial institutions in the country the Group is operating. They offer the widest variety of banking services among financial institutions. These financial assets are classified as high grade due to the counterparties' low probability of insolvency.

As of September 30, 2016 and December 31, 2015, the aging analyses of the Group's past due and/or impaired receivables are as follows:

	September 30, 2016 (Unaudited)				
		Past due but not impaired		**Impaired**	
	1 to 30 days	**31 to 90 days**	**Over 90 days**	**Financial assets**	**Total**
Trade and other receivables	**₱38,105,437**	**₱13,374,968**	**₱39,665,378**	**₱69,125,963**	**₱160,271,746**

	December 31, 2015 (Audited)				
		Past due but not impaired		Impaired	
	1 to 30 days	31 to 90 days	Over 90 days	Financial assets	Total
Trade and other receivables	₱50,299,498	₱14,088,359	₱18,151,894	₱39,891,364	₱122,431,115

There are no collaterals held by the Group with respect to trade and other receivables that have been identified as past due but not impaired.

Capital management

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

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

The capital that the Group manages is equal to the total equity attributable to shareholders of the Parent Company amounting to ₱2.798 billion and ₱1.628 billion as at September 30, 2016 and December 31, 2015, respectively.

21. **Fair Values**

Fair Value Information

The carrying amounts of cash and cash equivalents, trade and other receivables, due from related parties, short-term cash investments, accounts payable, due to a related party and accrued expenses, notes payable and transmissions liability approximate their fair value. These financial instruments are relatively short-term in nature.

Security deposits' carrying amount approximates fair value since it is guaranteed to be refunded at the same amount at the end of the contract term.

Lease liabilities approximate its fair value since these liabilities are derived from discounting future cash flows using prevailing market rates for similar types of loans. The annual discount rate used for the four year term of finance lease obligation is 8.00%.

The Group's unquoted AFS investment presented under current is classified under the Level 2 category while the quoted investment under noncurrent assets is classified under the Level 1 category as at September 30, 2016 and December 31, 2015.

During the nine months ended September 30, 2016 and year ended December 31, 2015, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

22. **Segment Reporting**

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

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

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

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

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

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

	September 30, 2016 (Unaudited)	September 30, 2015 (Unaudited)
Logistics		
Retail	**₱3,621,112,584**	₱3,276,912,603
Corporate	**1,849,231,107**	1,378,623,390
	5,470,343,691	4,655,535,993

(forward)

Money transfer services		
Domestic	**794,283,916**	971,791,762
International inbound	**94,686,060**	83,174,788
	888,969,976	1,054,966,550
	₱6,359,313,667	₱5,710,502,543

Seasonality of Operations

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

23. Basic/Diluted Earnings Per Share

	For the nine months ended	
	September 30, 2016 (Unaudited)	September 30, 2015 (Unaudited)
Net income attributable to equity holder of the Parent Company	**₱627,346,860**	₱407,032,450
Divided by the weighted average number of common shares outstanding	**1,425,865,471**	1,425,865,471
	₱0.44	₱0.29

24. Book Value Per Share

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Total Equity	**₱2,798,331,691**	₱1,627,701,207
Divided by the number of common shares outstanding	**1,425,865,471**	1,425,865,471
	₱1.96	₱1.14

25. **Other Matters**

Closure of LBC Development Bank, Inc.
On September 9, 2011, the BSP, through Monetary Board Resolution No. 1354, resolved to close and thereby placed LBC Development Bank Inc.'s assets and affairs under receivership. Further on December 8, 2011, the Philippine Deposit Insurance Company (PDIC) demanded that LBC Holdings USA Corporation (LBC US) pay for its alleged outstanding obligations to LBC Bank amounting to approximately ₱1.00 billion, a claim that LBC US has denied as being baseless and unfounded. No further demand on this matter has been made by the PDIC since then, although there are no assurances that the claim has been waived or abandoned in whole or in part, or that the PDIC will not institute relevant proceedings in court or serve another demand letter on the LBC US.

In relation to LBC Development Bank Inc.'s closure and receivership, as discussed in Note 14, the receivables amounting to ₱295.00 million were written-off in 2011.

On March 17 and 29, 2014, the legal counsel representing LBC Development Bank Inc. as represented by its statutory liquidator, PDIC, sent letters to the LBC Express, Inc. demanding collection of the amounts totaling ₱1.79 billion. On March 24 and 29, 2014, July 29, 2014, June 17, 2015 and June 26, 2015, the same legal counsel sent collection letters addressed to LBC Systems, Inc. [Formerly LBC Mundial Inc.] [Formerly LBC Mabuhay USA Corporation], demanding collection of the amounts aggregating to ₱911.59 million.

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

On November 2, 2015, LBC Development Bank, Inc., through PDIC, filed a case against LBC Express, Inc. and LBC Development Corporation, among other respondents, for a total collection of ₱1.82 billion. The case is in relation to the March 17, 2014 demand letter representing collection of unpaid service fees due from June 2006 to August 2011 and service charges on remittance transactions from January 2010 to September 2011. The increase in the amount from the demand letter to the amount contained in the case was explained by PDIC in the complaint as attributable to their discovery that the supposed payments of LBC Express, Inc. seem to be unsupported by actual cash inflow to LBC Development Bank.

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

On January 12, 2016, LBC Express, Inc. filed with the regional trial court, its Motion to Dismiss the Complaint for the collection of the sum of ₱1.82 billion and on January 21, 2016, filed its Urgent Motion to Approve the Counterbond and Discharge the Writ of Attachment.

On February 17, 2016, the regional trial court issued the order to lift and set aside the writ of preliminary attachment. The order to lift and set aside the preliminary attachment directs the sheriff of the court to deliver to LBC Express Inc. and LBC Development Corporation all properties previously garnished pursuant to the writ of preliminary attachment. The counterbond delivered by LBC Express, Inc. and LBC Development Corporation shall stand in place of the properties so released and shall serve as security to satisfy any final judgment in the case.

As of March 9, 2016, there is no outcome yet of the Motion to Dismiss the Complaint for collection of the sum of ₱1.82 billion. The ultimate outcome of the case cannot be presently determined.

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

Dividend Declaration
On October 11, 2016, the BOD of LBCH approved the Company's authority to declare cash dividends of ₱0.22 per one outstanding common share held by stockholders. The record date of the entitlement to said dividends shall be on November 10, 2016 and payment date shall be on November 29, 2016.

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

SUPPLEMENTARY SCHEDULES

- Supplementary schedules required by Annex 68-E
- Reconciliation of retained earnings available for dividend declaration
- Map of the relationships of the companies within the group
- Schedule of financial soundness indicators
- Schedule of all the effective standards and interpretation

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS
SEPTEMBER 30, 2016

Name of issuing entity and association of each issue	Number of shares	Amount shown in the balance sheet	Income received and accrued
Quoted			
Available-for-sale financial assets			
Araneta Properties, Inc.	194,963,074	₱760,355,989	₱–
Non-quoted			
Loans and receivables			
Cash in bank and cash equivalents		1,070,296,014	–
Trade and other receivables		885,365,310	–
Due from related parties		2,019,346,779	–
Security deposits		211,116,312	–
Available for sale		150,437,881	
Short term investments		11,139,577	–
Subtotal		4,347,701,873	–
Grand Total		₱5,108,057,862	₱–

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, 2016

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Fernando G. Araneta, *Chief Strategy Officer*	₱9,284,395	₱–	₱–	₱–	₱9,284,395	₱–	₱9,284,395
Others	–	12,599	–	–	12,599	–	12,599
Total	₱9,284,395	₱12,599	₱–	₱–	₱9,296,994	₱–	₱9,296,994

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

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

SEPTEMBER 30, 2016

Name of Subsidiaries	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
LBC Express, Inc.	₱6,863,559	₱5,660,173	₱-	₱–	₱12,523,732	₱–	₱12,523,732
LBC Express, Inc. - MM	133,096,667	171,888,558	(166,665,891)	–	138,319,334	–	138,319,334
LBC Express, Inc. - SCC	30,290,079	121,075,578	(124,557,809)	–	26,807,848	–	26,807,848
LBC Express, Inc. - NEMM	33,987,405	83,296,389	(87,620,674)	–	29,663,120	–	29,663,119
LBC Express, Inc. - NWMM	45,588,991	86,247,915	(89,444,011)	–	42,392,895	–	42,392,895
LBC Express, Inc. - EMM	27,520,048	53,743,168	(54,030,586)	–	27,232,630	–	27,232,630
LBC Express, Inc. - SMM	32,488,226	92,439,264	(96,431,474)	–	28,496,016	–	28,496,016
LBC Express, Inc. - CMM	31,912,075	77,072,173	(77,479,123)	–	31,505,125	–	31,505,125
LBC Express, Inc. - SL	77,550,508	156,753,905	(159,792,423)	–	74,511,990	–	74,511,990
LBC Express, Inc. - SEL	51,486,142	106,175,713	(102,884,301)	–	54,777,554	–	54,777,554
LBC Express, Inc. - CL	40,837,195	112,815,178	(112,821,886)	–	40,830,488	–	40,830,488
LBC Express, Inc. - NL	43,903,827	109,275,135	(111,542,468)	–	41,636,494	–	41,636,494
LBC Express, Inc. - VIS	89,345,681	162,411,693	(164,617,146)	–	87,140,228	–	87,140,228
LBC Express, Inc. - WVIS	57,032,948	102,523,853	(100,010,264)	–	59,546,537	–	59,546,537
LBC Express, Inc. - MIN	65,616,333	124,351,333	(114,012,337)	–	75,955,329	–	75,955,329
LBC Express, Inc. - SEM	45,361,439	81,673,528	(75,491,295)	–	51,543,672	–	51,543,672
LBC Express, Inc. - SMCC	14,559,432	25,040,805	(21,875,862)	–	17,724,375	–	17,724,375
LBC Express, Inc. - ESI	3,625,505	22,450,560	(26,287,600)	–	(211,536)	–	(211,536)
LBC Express, Inc. - SCS	33,383,931	149,536,246	(148,071,203)	–	34,848,974	–	34,848,975
LBC Systems, Inc.	(60,655,873)	31,099,317	(25,130,357)	–	(54,686,913)	–	(54,686,912)
LBC Express WLL	(6,415,148)	(29,539,457)	32,459,762	–	(3,494,840)	–	(3,494,840)
LBC Express Bahrain WLL	(25,035,210)	(2,486,739)		–	(27,521,949)	–	(27,521,949)
LBC Express LLC	(38,414,310)	(13,963,766)		–	(52,378,076)	–	(52,378,076)
	₱733,929,450	₱1,829,540,522	(₱1,826,306,948)	₱–	₱737,163,028	₱–	₱737,163,028

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE D: INTANGIBLE ASSETS
SEPTEMBER 30, 2016

Description	Beginning balance	Additions at cost	Reclassification	Charged to expenses	Other changes	Ending balance
Software	₱32,693,711	₱302,021	₱197,698,822	(₱22,275,631)	(₱25,972)	₱ 123,983,205
Development in Progress	243,687,774	9,065,063	(₱197,698,822)	–	–	55,054,015
	₱276,381,485	₱9,367,084	₱–	(₱22,275,631)	(₱25,972)	₱263,446,966

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE E: LONG TERM DEBT
SEPTEMBER 30, 2016

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current liabilities" in related balance sheet	Amount shown under caption "Noncurrent liabilities" in related balance sheet
Notes Payable	₱1,479,455,229	₱755,705,229	₱723,750,000
Obligation under finance lease	₱81,524,122	₱41,883,182	₱39,640,940

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES
SEPTEMBER 30, 2016

Name of related party	Balance at beginning of period	Balance at end of period
LBC Development Corporation	₱17,522,728	₱23,946,852
Other affiliates (various)	2,443,523	1,628,004
	₱19,966,251	₱25,574,856

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS
SEPTEMBER 30, 2016

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

NOT APPLICABLE

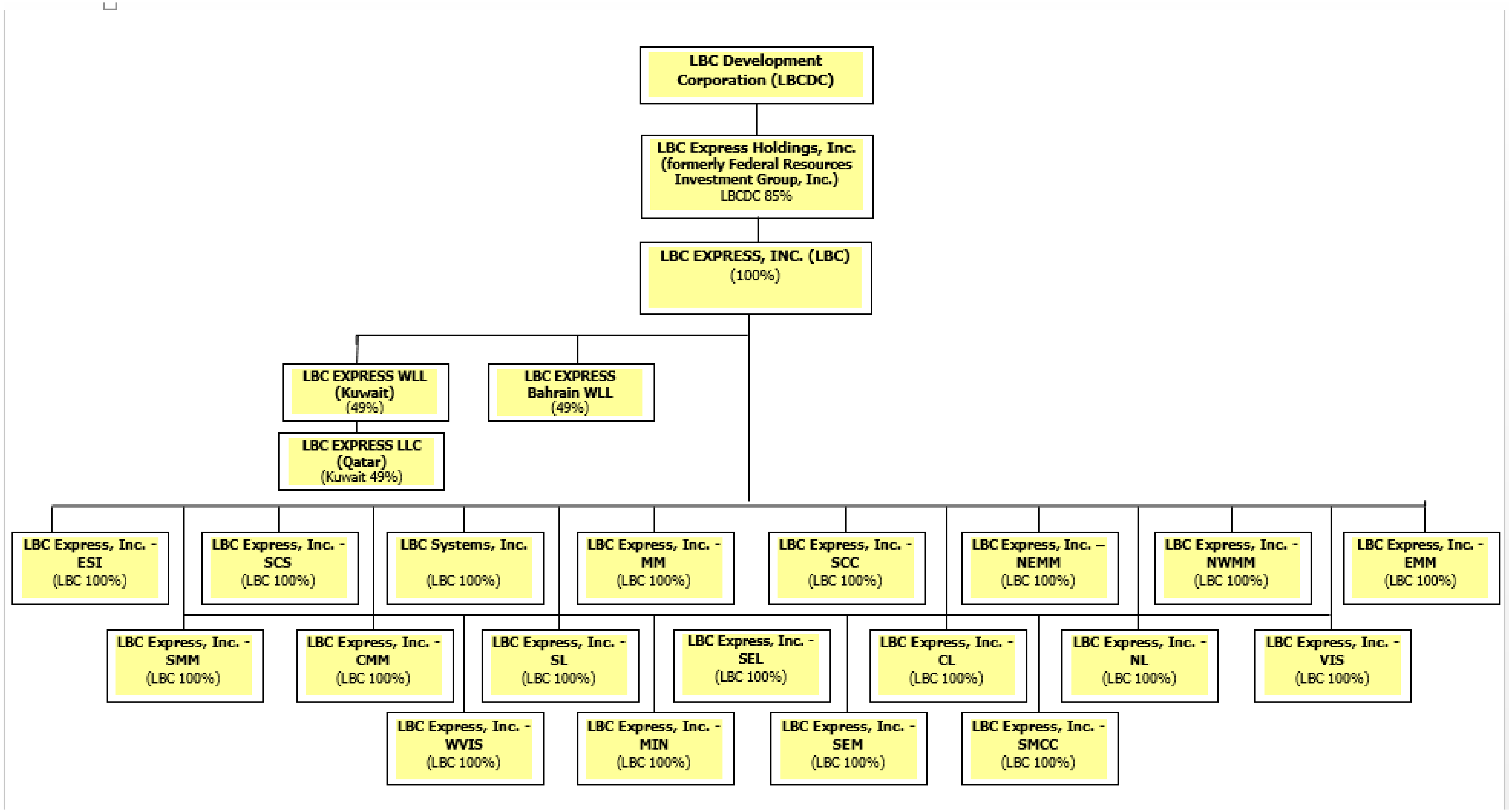
LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE H: CAPITAL STOCK
SEPTEMBER 30, 2016

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - ₱1 par value	2,000,000,000	1,425,865,471	−	1,205,974,632	1,995	219,888,844

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
SEPTEMBER 30, 2016



RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
As of September 30, 2016

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIRIES
General Aviation Center, Domestic Airport, Pasay City, Metro Manila

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	₱174,498,871
Add: Net Income actually earned/realized during the period	
Net income during the period closed to Retained Earnings	620,546,787
Less:	
Equity in net income of associate/joint venture	–
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents); Unrealized actuarial gain	–
Fair value adjustment (M2M gains)	–
Fair value adjustment of investment property resulting to gain	–
Adjustment due to deviation from PFRS/GAAP gain	–
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–
Amount of deferred tax asset that reduced the amount of income tax expense and increased the net income and retained earnings	(246,267,345)
Subtotal	(246,267,345)
Add: Non actual losses	
Depreciation on revaluation increment (after tax)	–
Adjustment due to deviation from PFRS / GAAP – loss	–
Loss on fair value adjustment of investment property (after tax)	–
Add(Less):	
Dividend declarations during the period	–
Appropriations of Retained Earnings during the period	–
Reversals of appropriations	–
Effects of prior period adjustments	–
Treasury shares	–
Effect of pooling-of-interest method	–
Total Retained Earnings, end available for dividend	**₱548,778,313**

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIRIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016 AND FOR THE YEAR ENDED DECEMBER 31, 2015

Financial Soundness Indicators

Below are the financial ratios that are relevant to the Group for the six months ended September 30, 2016 and for the year ended December 31, 2015:

Financial ratios		**September 2016**	December 2015
Current ratio	Current assets / Current liabilities	**1.75:1**	1.18:1
Debt to equity ratio	Total liabilities / Stockholders' Equity	**1.49:1**	2.66:1
Debt to total assets ratio	Total liabilities / Total assets	**0.60:1**	0.73:1
Return on average assets	Net income attributable to Parent Company / Average assets	**9.70%**	8.11%
Book value per share	Stockholders' equity / Total number of shares	**₱1.96**	₱1.14
Earnings per share	Net income / Total number of shares	**₱0.44**	₱0.29

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

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

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

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of September 30, 2016:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of September 30, 2016**		**Adopted**	**Not Early Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✔		
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✔
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✔
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✔
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✔
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✔
	Amendments to PFRS 1: Government Loans			✔
PFRS 2	Share-based Payment			✔
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✔
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✔
PFRS 3 (Revised)	Business Combinations	✔		
IFRS 4	Insurance Contracts			✔
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2016		Adopted	Not Early Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✔
PFRS 6	Exploration for and Evaluation of Mineral Resources			✔
PFRS 7	Financial Instruments: Disclosures	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✔		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✔		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✔		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✔		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
PFRS 8	Operating Segments	✔		
PFRS 9	Financial Instruments	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
PFRS 10	Consolidated Financial Statements	✔		
PFRS 11	Joint Arrangements			✔
PFRS 12	Disclosure of Interests in Other Entities	✔		
PFRS 13	Fair Value Measurement	✔		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✔		
	Amendment to PAS 1: Capital Disclosures	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✔
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✔		
PAS 2	Inventories	✔		
PAS 7	Statement of Cash Flows	✔		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2016		Adopted	Not Early Adopted	Not Applicable
PAS 10	Events after the Reporting Period	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2016		Adopted	Not Early Adopted	Not Applicable
PAS 11	Construction Contracts			✔
PAS 12	Income Taxes	✔		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✔		
PAS 16	Property, Plant and Equipment	✔		
PAS 17	Leases	✔		
PAS 18	Revenue	✔		
PAS 19	Employee Benefits	✔		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✔		
PAS 19 (Amended)	Employee Benefits	✔		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✔
PAS 21	The Effects of Changes in Foreign Exchange Rates	✔		
	Amendment: Net Investment in a Foreign Operation	✔		
PAS 23 (Revised)	Borrowing Costs	✔		
PAS 24 (Revised)	Related Party Disclosures	✔		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✔		
PAS 27	Consolidated and Separate Financial Statements	✔		
PAS 27 (Amended)	Separate Financial Statements	✔		
PAS 28	Investments in Associates			✔
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✔
PAS 29	Financial Reporting in Hyperinflationary Economies			✔
PAS 31	Interests in Joint Ventures			✔
PAS 32	Financial Instruments: Disclosure and Presentation	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✔
	Amendment to PAS 32: Classification of Rights			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2016		Adopted	Not Early Adopted	Not Applicable
	Issues			
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✔		
PAS 33	Earnings per Share	✔		
PAS 34	Interim Financial Reporting	✔		
PAS 36	Impairment of Assets	✔		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✔		
PAS 38	Intangible Assets	✔		
PAS 39	Financial Instruments: Recognition and Measurement	✔		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✔
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✔
	Amendments to PAS 39: The Fair Value Option			✔
PAS 39	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✔
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✔
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✔
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✔
	Amendment to PAS 39: Eligible Hedged Items			✔
PAS 40	Investment Property			✔
PAS 41	Agriculture			✔
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✔
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✔
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*			✔
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✔
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of September 30, 2016**		**Adopted**	**Not Early Adopted**	**Not Applicable**
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✔
IFRIC 8	*Scope of PFRS 2*			✔
IFRIC 9	Reassessment of Embedded Derivatives			✔
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✔
IFRIC 10	*Interim Financial Reporting and Impairment*	✔		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✔
IFRIC 12	Service Concession Arrangements			✔
IFRIC 13	Customer Loyalty Programmes			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2016		Adopted	Not Early Adopted	Not Applicable
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✔
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✔
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✔
IFRIC 17	Distributions of Non-cash Assets to Owners			✔
IFRIC 18	Transfers of Assets from Customers			✔
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✔
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✔
IFRIC 21	Levies			✔
SIC-7	Introduction of the Euro			✔
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✔
SIC-12	Consolidation - Special Purpose Entities			✔
	Amendment to SIC - 12: Scope of SIC 12			✔
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✔
SIC-15	Operating Leases - Incentives			✔
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✔
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✔
SIC-29	Service Concession Arrangements: Disclosures.			✔
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✔
SIC-32	Intangible Assets - Web Site Costs	✔		

Standards tagged as “Not applicable” have been adopted by the Group but have no significant covered transactions for the year ended September 30, 2016.

Standards tagged as “Not adopted’ are standards issued but not yet effective as of September 30, 2016. The Group will adopt the Standards and Interpretations when these become effective.