COVER SHEET

AS093-005277
S.E.C. Registration Number

LBC EXPRESS HOLDINGS, INC.
(formerly FEDERAL
RESOURCES INVESTMENT
GROUP INC.).
(Company's Full Name)

LBC HANGAR, GENERAL
AVIATION CENTRE, DOMESTIC
AIRPORT ROAD, PASAY CITY
(Business Address : No. Street/City/Province)

Mahleene G. Go
Contact Person

888-0999
Company Telephone Number

12 (Month) 31 (Day)
Fiscal Year

SEC FORM 17-Q
FORM TYPE

2ND Monday of June of each year
Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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, 2015**

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

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

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

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

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

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

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

9. **No. 35 San Antonio Street, San Francisco del Monte, Quezon City 1105**
Former name, former address and former fiscal year, if changed since last report

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON SHARES	**100,000,000**

11. Are any or all of the securities listed on a Stock Exchange?
Yes [X] No [ ]
If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
COMMON SHARES - PHILIPPINE STOCK EXCHANGE

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[ ] No [X]

PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements

The Unaudited Interim Consolidated Financial Statements of the Group for the period ending September 30, 2015 and Notes to Consolidated Financial Statements are hereto attached as Annex "A".

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

Period ended September 30, 2015 compared to the period ended September 30, 2014

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

Service Revenues

The Company's service revenues increased by 9% to ₱5,710 million for the period ended September 30, 2015 from ₱5,215 million for the period ended September 30, 2014, primarily due to an increase in revenues from the Logistics segment attributable to growth in both retail and corporate sales.

Logistics

Revenues from the Logistics segment grew by 12% to ₱4,655.5 million for the period ended September 30, 2015 from ₱4,165.3 million for the period ended September 30, 2014, primarily due to a growth in the volume and rate of air cargo services rendered. The growth in volume of services was mainly attributable to the horizontal growth of the Company, evidenced by the addition of 91 new branches in the Philippines and one new branch in the Middle East. This growth also resulted in an increment in the Company's volumes from cargo forwarding services during the year.

Price increase is also implemented at an average of 2% to 5% for Middle East and 7% to 9% for Philippines, effective January and April, 2015, respectively.

Money Transfer Services

Revenues from the Money Transfer Services segment is at par at P1,050.0 million in 2015 and 2014.

Cost of Services

Cost of services improved by 4% to ₱3,838.3 million for the period ended September 30, 2015 from ₱3,993.5 million for the period ended September 30, 2014, primarily due to one-off transactions incurred in prior year. As to percentage to revenue, the total decrease in cost of services is 9% or P534.3 million.

In 2014, the Company spent an estimate of P100-million freight and trucking cost for the donations to the victims of typhoon Yolanda which occurred in November 2013.

Majority of donations were from international affiliates, where the company paid for the transport fees. Further, the impact of port congestion last year which is due to government regulation for truck ban in city of Manila was estimated at P250.0 million. Non incurrence of these costs resulted to decrease in cost of delivery by 4% as percentage to revenue, thus, an improvement to the Company's gross profit.

The Company implemented the Voluntary Early Retirement Program (VERP) in 2014 which resulted to severance expense amounting to P150.0 million. Noted decrease in salaries and benefits for 2015 is 8%.

Depreciation expense is also reduced by 5% as a result of change in useful life of leasehold improvement from 5 years to 8 years and vehicle from 5 years to 10 years.

Gross Profit

Gross profit increased by 9% to ₱1,872.2 million for the period ended September 30, 2015 from ₱1,221.9 million for the period ended September 30, 2014, primarily due to the increase in volume and rate of air and courier services and improvement in costs of delivery, salaries and benefits and depreciation expenses.

Operating Expenses

Operating expenses increased by 21% to ₱1,355.2 million for the period ended September 30, 2015 from ₱1,118.3 million for the period ended September 30, 2014, primarily due to rental of cloud server from IBM and use of network infrastructure from PLDT, both contracts entered in 2015. Total expense incurred from these transactions is P39 million.

Salaries and benefits also increased by 20% as a result of higher headcount by 28%to 652 as of August 31, 2015 from 511 as of September 30, 2014, which comprise of organic and inorganic employees. Higher cost is also driven by annual appraisal which is by 5% in average.

Higher spending in advertising and promotion by 19% is noted primarily due to the launch of brand ambassador in 2015 and higher commitment for other institutional programs.

Set up of general provisions for allowance for bad debts and claims and losses also contributed to the increase in operating expenses. Allowance for bad debts is based on 2% of outstanding balance of receivable while claims and losses is set at 2% of corporate accounts revenue.

Expansion of Philippine branches resulted to higher taxes and licenses by 36%.

Other Income, Net

Other income, net which comprise of foreign exchange gain, gain on sale of disposal of assets and other miscellaneous expense increased by 69% to ₱81.2 million for the year period ended September 30, 2015 from ₱48.1 million for the period ended September 30, 2014 due to higher earnings from foreign exchange trading.

Finance Costs, Net

Finance costs, net increased by 30% to ₱27.7 million for the period ended September 30, 2015 from ₱21.2 million for the period ended September 30, 2014, primarily due to higher outstanding loan balance and interest rates from average of 4.29% in 2014 to

4.72% in 2015.

Income before Income Tax

Income before income tax increased by 338% to ₱570.5 million for the period ended September 30, 2015 from ₱130.5 million for the period ended September 30, 2014, primarily due to improvement in revenue and cost of services.

Income Tax Expense

Income tax expense increased by 305% to ₱181.2 million for the period ended August 31, 2015 from ₱44.7 million for the period ended August 31, 2014, in line with the growth in operating income subject to income taxes.

Net Income for the Year

As a result of the foregoing, the Company's profit for the year increased by 356% to ₱336.9 million for the period ended September 30, 2015 from ₱85.8 million for the period ended September 30, 2015.

FINANCIAL CONDITION

As of September 30, 2015 compared to as of December 31, 2014

Assets

Current Assets

Cash and cash equivalents increased by 63% to ₱862.8 million as September 30, 2015 from ₱527.9 million as of December 31, 2014.

Due from related parties increased by 120% to ₱3,270.8 million as of September 30, 2015 from ₱1,533.6 million as of December 31, 2014, primarily due to recognition of acquisition of FED by LBCDC which was not settled as at end of the period, and monthly advance funding to LBC Development amounting to P35.0 million and additional advances to Lovable Commerce, Inc. amounting to P67.9 million.

Trade and other receivables increased by 16% to ₱1,035.9 million as of September 30, 2015 from ₱894 million as of December 31, 2014, primarily due to growth of corporate accounts in the Logistics segment.

Prepayments and other current assets increased by 9% to ₱295.9 million as of September 30, 2015 from ₱269.4 million as of December 31, 2014, primarily due to higher prepaid advertising attributable to launching of brand ambassador and sponsorship fee for Ronda Pilipinas 2016.

Non-current Assets

Property and equipment, net, increased by 9% to ₱693.5 million as of September 30, 2015 from ₱636.9 million as of December 31, 2014, primarily due to business expansion which led to acquisitions for leasehold improvements which increased by 15% and computer hardware by 18% at book value.

Intangibles, net, increased by 31% to ₱335.3million as of September 30, 2015 from ₱256.6 million as of December 31, 2014, primarily due to additional costs for SAP and Vistra amounting to P69.5 million.

Available for sale investment, decreased by 18% to P228.2 million as of September 30, 2015 from P253.6 million as of December 31, 2014 due to lower market price from P1.42/share to P1.17/share.

Deferred tax assets, net, increased by 10% or P26.5 million to P283.4 million as of September 30, 2015 from P256.9 million as of December 31, 2014 as a result of higher non-deductible expenses from retirement benefit and allowance for doubtful accounts.

Security deposits, increased by 19% to ₱205.5million as of September 30, 2015 from ₱172.8 million as of December 31, 2014, primarily due to increase in branches.

Other noncurrent assets, increased by 7% to P59.4 million as of September 30, 2015 from P55.4 million as of December 31, 2014 which resulted from the net effect of increase in noncurrent portion of input tax on capital assets and decrease/amortization of noncurrent rent.

Liabilities

Current Liabilities

Accounts payable and accrued expenses increased by 10% to ₱1,709.2 million as of September 30, 2015 from ₱1,564.5 million as of December 31, 2014, primarily due to higher operating expenses. New contract entered with IBM for use of cloud server and additions to SAP implementation costs also add to the outstanding balance. Further, provisions set up for claims and losses resulted to higher accrual.

Due to related parties increased by 24% to ₱1,563.7 million as of September 30, 2015 from ₱183.2 million as of December 31, 2014, primarily due to recognition of consideration for the purchases of 85% ownership over LBCDE from LBC Development and due to Ronda Pilipinas sponsorship payable to LBC Development.

Notes payable increased by 44% to ₱1,031.1 as of September 30, 2015 from ₱714.8 million as of December 31, 2014, primarily due to new loan availment from CTBC bank amounting to P150.0 million to finance the DSWD project and additional P100 million loan from BDO.

Income tax payable increased by 1,504% to ₱149.7 million as of September 30, 2015 from ₱9.3 million as of December 31, 2014, in line with the growth in operating income subject to income taxes.

Transmission liability increased by 14% to ₱407.5 million as of September 30, 2015 from ₱359.0 million as of December 31, 2014, primarily due to higher volume and amount of money remittance transactions for the last day of the operations of the period.

Current portion of finance lease liabilities decreased by 8% to ₱54.5million as of August 31, 2015 from ₱59.0 million as of December 31, 2014 due to amortization of existing leases.

Non-current Liabilities

Retirement benefit obligation increased by 13% to ₱611.8million as of September 30, 2015 from ₱541.9 million as of December 31, 2014 due to retirement benefit expense for the period.

Finance lease liabilities (net of current portion) decreased by 23% to ₱94.0 million as of September 30, 2015 from ₱122.6 million as of December 31, 2014 due to amortization of existing leases.

LIQUIDITY

Cash Flows

Period ended September 30, 2015 compared to the period ended September 30, 2014

Cash flow 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 ₱397.9 million, and ₱242.3 million for the period ended September 30, 2015 and 2014, respectively.

For the period ended September 30, 2015, cash flow from operating activities were derived from the normal operations and advances from Parent company to finance working capital requirement.

Income tax payable as of November 30, 2013 amounting to P202.3 million was settled in 2014 resulting to significant outflow for the period.

Cash flows from investing activities

Cash flow used investing activities for the period ended September 30, 2015 and 2014were ₱313.4 million and ₱414.5 million, respectively.

Additions to property and equipment, as part of the expansion, had the largest impact on cash flow from investing activities for the period ended September 30, 2015. For the period ended September 30, 2014, there is significant outflow for SAP implementation project.

Cash flow from financing activities

Cash flow from financing activities for the period ended September 30, 2015 were ₱254.1 million and ₱274.7 million, respectively.

Inflow is primarily from loans from bank which increased from P714.8 million as of November 30, 2014 to P1,031.1 million as of September 30, 2015.This is of the same case as the period ended September 30, 2014 in which notes payable balance increased from P227.7 million to P462.5 million.

PART II – OTHER INFORMATION

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

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.

FEDERAL RESOURCES INVESTMENT GROUP, INC.

ENRIQUE V REY JR.
Investor Relations Officer
November 13, 2015

Oscar A. Torres

OSCAR A. TORRES
CFO
November 13, 2015

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

(formerly known as Federal Resources Investment Group Inc.)

Unaudited Interim Consolidated Financial Statements
As at September 30, 2015 and
for the Nine Months Ended September 30, 2015 and 2014
(With Comparative Consolidated Statement of Financial Position as at December 31, 2014)

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

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(With Comparative Audited Figures as at December 31, 2014)

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 3, 20 and 21)	**₱862,781,941**	₱527,891,420
Trade and other receivables (Notes 4, 20 and 21)	**1,035,910,677**	893,897,160
Due from related parties (Notes 13, 20 and 21)	**1,944,995,798**	1,533,559,803
Prepayments and other current assets (Notes 5, 20 and 21)	**294,926,998**	269,426,038
Total Current Assets	**4,138,615,414**	3,224,774,421
Noncurrent Assets		
Property and equipment (Note 6)	**693,464,791**	636,852,792
Intangible assets (Note 7)	**335,322,515**	256,562,306
Available-for-sale investment (Notes 8, 20 and 21)	**228,200,397**	276,961,165
Deferred tax asset (Note 17)	**283,408,787**	256,860,938
Security deposits (Notes 18, 20 and 21)	**205,530,973**	172,812,042
Other noncurrent assets (Note 5)	**59,367,827**	55,360,597
Total Noncurrent Assets	**1,805,295,290**	1,655,409,840
	₱5,943,910,704	₱4,880,184,261
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 9, 20 and 21)	**₱1,709,226,804**	₱1,564,525,916
Due to a related party (Notes 13, 20 and 21)	**1,563,709,157**	183,193,282
Notes payable (Notes 11, 20 and 21)	**1,031,113,333**	714,780,000
Transmissions liability (Notes 10, 20 and 21)	**407,481,271**	358,958,329
Income tax payable	**149,730,890**	9,335,159
Current portion of lease liabilities (Notes 18, 20 and 21)	**54,460,309**	59,002,150
Total Current Liabilities	**4,915,721,764**	2,889,794,836
Noncurrent Liabilities		
Retirement benefit liability (Note 19)	**611,800,752**	541,906,264
Lease liabilities (Notes 18, 20 and 21)	**93,982,045**	122,617,675
Total Noncurrent Liabilities	**705,782,797**	664,523,939
	5,621,504,561	3,554,318,775
Equity		
Equity attributable to shareholders of the Parent Company		
Capital stock (Note 12)	**100,000,000**	40,899,000
Share premium	**71,081,190**	71,081,190
Equity reserve	**(343,490,462)**	929,200,314
Retained earnings (Note 12)	**414,129,041**	133,861,985
Accumulated comprehensive income	**116,227,210**	164,748,060
	357,946,979	1,339,790,549
Non-controlling interests	**(35,540,836)**	(13,925,063)
Total Equity	**322,406,143**	1,325,865,486
	₱5,943,910,704	₱4,880,184,261

See accompanying Notes to Interim Consolidated Financial Statements.

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

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Nine Months Ended September 30	
	2015	2014
REVENUE		
Service fees (Note 22)	**₱5,710,502,543**	₱5,215,438,753
COST OF SERVICES (Note 14)	**3,838,304,206**	3,993,496,613
GROSS PROFIT	**1,872,198,337**	1,221,942,140
OPERATING EXPENSES (Note 15)	**1,355,172,812**	1,118,307,266
OTHER INCOME (CHARGES)		
Foreign exchange gains - net (Note 20)	**86,552,253**	50,477,259
Interest income	**1,346,150**	202,642
Interest expense (Notes 11 and 18)	**(29,044,039)**	(21,451,501)
Others - net (Note 16)	**(5,338,078)**	(2,351,776)
	53,516,286	26,876,624
INCOME BEFORE INCOME TAX	**570,541,811**	130,511,498
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 17)	**181,203,266**	44,716,069
NET INCOME FOR THE PERIOD	**389,338,545**	85,795,429
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	**82,566**	–
Items that may be reclassified to profit or loss in subsequent periods		
Unrealized fair value gain (loss) on available-for-sale investment (Note 8)	**(48,760,768)**	–
Currency translation loss - net	**(3,764,516)**	–
	(52,442,718)	14,758,000
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**₱336,895,827**	₱100,553,429
NET INCOME (LOSS) ATTRIBUTABLE TO:		
Shareholders of the Parent Company	**407,032,450**	96,790,301
Non-controlling interests	**(17,693,905)**	(10,994,872)
NET INCOME FOR THE PERIOD	**₱389,338,545**	₱85,795,429
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:		
Shareholders of the Parent Company	**358,511,600**	110,461,367
Non-controlling interests	**(21,615,773)**	(9,907,938)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**₱336,895,827**	₱100,553,429
BASIC/DILUTED EARNINGS PER SHARE (Note 23)	**₱8.02**	₱2.37

See accompanying Notes to Interim Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

(Formerly known as FEDERAL RESOURCES INVESTMENT GROUP INC.)

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		For the Nine Months Ending September 30				For the Three Months Ending September 30		
		2015		2014		**2015**		2014
REVENUES								
Service fees	₱	**5,710,502,543**	₱	5,215,438,753	₱	**1,968,980,928**	₱	1,742,379,939
COST OF SERVICES		**(3,838,304,206)**		3,993,496,613		**1,290,239,723**		1,262,801,479
GROSS PROFIT		**1,872,198,337**		1,221,942,140		**678,741,205**		479,578,460
Operating expenses		**1,355,172,812**		1,118,307,266		**538,243,654**		367,703,498
Other income / (expenses)		**53,516,286**		26,876,624		**11,493,218**		122,777
PROFITBEFORE TAX		**570,541,811**		130,511,498		**151,990,769**		111,997,739
Income tax expense		**(181,203,266)**		(44,716,069)		**(50,797,081)**		(49,473,851)
NET INCOME		**389,338,545**		85,795,429		**101,193,688**		62,523,888
OTHER COMPREHENSIVE INCOME (LOSS)		**(52,442,718)**		14,758,000		**(27,085,523)**		(57,314,489)
TOTAL COMPREHENSIVE INCOME	₱	**336,895,827**	₱	100,553,429	₱	**74,108,165**	₱	5,209,399
Shareholders of the Parent Company		**407,032,450**		96,790,301		**106,298,946**		67,893,542
Non-controlling interests		**(17,693,905)**		(10,994,872)		**(5,105,258)**		(5,369,654)
NET INCOME FOR THE PERIOD		**389,338,545**		85,795,429		**101,193,688**		62,523,888
Total comprehensive income attributable to:								
Shareholders of the Parent Company		**358,511,600**		110,461,367		**79,669,949**		7,697,967
Non-controlling interests		**(21,615,773)**		(9,907,938)		**(5,561,784)**		(2,488,568)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		**336,895,827**		100,553,429		**74,108,165**		5,209,399
WEIGHTED AVERAGE NO. OF SHARES OUTSTANDING		**50,749,167**		40,899,000		**50,749,167**		40,899,000
BASIC/DILUTED LOSS PER SHARE	₱	**8.02**	₱	2.37		**2.09**	₱	1.66

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

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 12)	**Share Premium**	**Equity reserve**	**Retained Earnings** (Note 12)	**Accumulated comprehensive income (loss)** (Notes 8 and 19)	**Total**	**Non-controlling interests**	**Total equity**
				For the Nine Months Ended September 30, 2015				
Balances as at January 1, 2015	**₱100,000,000**	**₱71,081,190**	**(₱343,490,462)**	**₱7,096,591**	**₱164,748,060**	**(₱564,621)**	**(₱13,925,063)**	**(₱14,489,684)**
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)**	**–**	**(21,615,773)**	**336,895,827**
Balances as at September 30, 2015	**₱100,000,000**	**₱71,081,190**	**(₱343,490,462)**	**₱414,129,041**	**₱116,227,210**	**₱357,946,979**	**(₱35,540,836)**	**₱322,406,143**
				For the Nine Months Ended September 31, 2014				
Balances as at January 1, 2014	₱40,899,000	₱71,081,190	(₱929,200,314)	(₱118,672,961)	₱161,718,229	₱1,196,501,467	(₱861,055)	₱421,465,556
Comprehensive income:								
Net income	–	–	–	97,877,235	–	–	(10,994,872)	85,795,429
Other comprehensive income	–	–	–	–	13,671,066	–	1,086,934	14,758,000
Total comprehensive income	–	–	–	97,877,235	13,671,066	–	(₱9,907,938)	100,553,429
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–
Stock dividends	–	–	–	–	–	–	–	–
Balances as at September 30, 2014	₱40,899,000	₱71,081,190	(₱929,200,314)	(₱20,795,726)	₱175,389,295	₱1,196,501,467	(₱10,768,993)	₱522,018,985

See accompanying Notes to Interim Consolidated Financial Statements.

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**570,541,811**	81,037,647
Adjustments for:		
Depreciation and amortization (Notes 6 and 7)	**188,067,331**	204,869,906
Retirement benefit expense (Notes 14 and 15)	**69,977,054**	88,641,556
Interest expense (Notes 11 and 18)	**29,044,039**	21,451,501
Unrealized foreign exchange losses (gains)	**(19,307,110)**	9,519,452
Interest income	**(1,346,150)**	(202.642)
Loss on disposal of property and equipment (Note 6)	**(679,034)**	165,078
Operating income before changes in working capital	**836,297,941**	405,482,498
Changes in working capital:		
Decrease (increase) in:		
Trade and other receivables	**(139,805,517)**	(201,761,988)
Due from related parties	**(392,129,215)**	(362,236,918)
Prepayments and other assets	**(28,939,651)**	(135,990,632)
Security deposits	**(32,718,931)**	(18,867,874)
Increase in:		
Accounts payable and accrued expenses (Note 26)	**130,654,226**	478,644,988
Due to a related party	**42,078,475**	25,551,034
Transmissions liability	**48,522,942**	235,060,105
Net cash generated from operations	**463,960,270**	425,881,214
Interest received	**1,346,150**	202,642
Income tax paid (including creditable withholding taxes)	**(67,380,154)**	(183,760,030)
Net cash provided by operating activities	**397,447,822**	242,323,826
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Notes 6 and 25)	**(228,601,592)**	(113,968,212)
Additions to intangible assets (Note 7)	**(91,641,685)**	(301,004,683)
Proceeds from disposal of property and equipment	**6,795,455**	427,265
Net cash used in investing activities	**(313,447,822)**	(414,545,630)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	**741,333,333**	462,524,040
Payments of notes payable	**(425,000,000)**	(227,700,975)
Interest paid	**(29,044,039)**	(21,451,501)
Payments of lease liabilities	**(33,177,471)**	61,278,722
Net cash generated from financing activities	**254,111,823**	274,650,286
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(3,739,746)**	5,606,771
NET INCREASE IN CASH AND CASH EQUIVALENTS	**334,850,521**	108,035,253
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**527,891,420**	509,389,398
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**862,741,941**	617,424,651

See accompanying Notes to Interim Consolidated Financial Statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Federal Resources Investment Group Inc. (referred to as the "Parent Company" or "FED"), formerly Federal Chemicals, Inc. was registered with the Securities and Exchange Commission (SEC) on July 12, 1993. FED 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, through its subsidiaries, engage, maintain and operate a regular pick-up and delivery services on sea and air freight shipments, both incoming and outgoing with necessary storage, brokerage, transportation and allied facilities. Federal Resources Investment Group Inc. and Subsidiaries (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 ultimate parent of the Parent Company is LBC Development Corporation (LBCDC).

On October 12, 2015, the SEC approved the change in name of the Parent Company to LBC Express Holdings, Inc.

The previous registered office and principal place of business of FED 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.

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

On April 23, 2015, the Board of Directors (BOD) of FED approved the issuance of 59,101,000 common shares, at ₱1.00 per share, out of the unissued portion of the Parent Company's authorized capital stock to LBCDC.

On May 18, 2015, FED 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 FED or approximately 59.10% of the total authorized capital stock of FED, 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, FED'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 FED by a former stockholder which transpired on April 28, 2015 amounting to ₱58,805,165. Accordingly, FED 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 FED to “LBC Express Holdings, Inc.”;
- The amendment of the secondary purpose of FED which is primarily to align the purpose to that of a holding company;
- The transfer of FED’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 FED from seven to nine;
- The increase in the authorized capital stock of FED 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 FED 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 September 18, 2015, the BOD determined and fixed the amount of the increase in authorized capital stock of FED 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 ₱1.00 per share, and authorized the filing of the increase in authorized capital stock with the SEC.

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

- The acquisition by FED 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 FED 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 FED 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 FED, 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 FED of LBCE;
- Funding the acquisition of other potential investments, whether or not related to the business of LBCE; and
- Ensuring compliance by FED 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 FED 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, FED 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 FED 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, FED 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 FED'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 FED 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 FED. On the same date, SEC issued a certificate of filing of FED's amended Articles of Incorporation and amended By-Laws.

2. Summary of Significant Accounting Policies

<u>Basis of Preparation</u>

The interim 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 consolidated financial statements are presented in Philippine Peso. All amounts are rounded off to the nearest peso, except when otherwise indicated.

In a Deed of Transfer dated September 24, 2015, FED purchased from LBCDC the shares of stock of LBC Express, Inc. (LBCE) through a cash transaction (see Note 1). For accounting purposes, the acquisition of LBCE by FED is accounted for similar to a reverse acquisition method of accounting. In accounting for a reverse acquisition, LBCE was deemed to be the accounting acquirer. In substance, LBCDC, through its subsidiary LBCE, will acquire FED in line with its plan of a backdoor listing. The legal parent, FED, is identified as the accounting acquiree as

LBCE is adjudged to be the entity that gained control over FED. Accordingly, the consolidated financial statements of the Group have been prepared as a continuation of consolidated financial statements of LBC Express, Inc. and Subsidiaries (LBC Group). The comparative December 31, 2014 information presented in the consolidated financial statements are those of LBC Group and not those originally presented in the previous 2014 financial statements of the Parent Company (accounting acquiree). Because the consolidated financial statements represent a continuation of the consolidated financial statements of LBC Group, except their capital structure, the consolidation will reflect the following:

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

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

b) the retained earnings and other equity balances of LBC Group (i.e. not those of the Parent Company) plus the retained earnings and other equity balances of Parent Company from the date the common control was established;

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 LBC Group for the full period.

<u>After the asset purchase transaction (as at and for the nine months ended September 30, 2015)</u>

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 and other equity balances (other than the legal capital) of the Parent Company; and

d) the consolidated statement of comprehensive income reflects that of LBC Group for the full period; and that of the Parent Company from the date common control was established.

The accounting similar to a reverse acquisition applies only to the consolidated financial statements. The Parent Company financial statements will continue to represent Federal Resources Investment Group Inc. as a stand-alone entity.

<u>Statement of Compliance</u>
The accompanying interim consolidated financial statements of the Group have been prepared in accordance with the Philippine Accounting Standard 34, *Interim Financial Reporting*.

Basis of Consolidation

The interim 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, 2015 to September 30, 2015.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim 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, 2014, 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.

Effective January 1, 2016

- 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.

Significant Accounting Judgments, Estimates and Assumptions
The preparation of the interim 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 consolidated financial statements are consistent with those used in the annual consolidated financial statements as at and for the year ended December 31, 2014.

3. Cash and Cash Equivalents

This account consists of:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Cash on hand	**₱173,542,357**	₱185,772,473
Cash in banks	**670,084,402**	323,808,832
Cash equivalents	**19,155,182**	18,310,115
	₱862,781,941	₱527,891,420

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, 2015 (Unaudited)	December 31, 2014 (Audited)
Trade receivables	**₱970,226,082**	₱771,723,647
Allowance for impairment	**(39,891,364)**	(8,429,845)
	930,334,718	763,293,802
Other receivables:		
Advances to officers and employees	**37,779,554**	44,750,326
Others	**67,796,405**	85,853,032
	₱1,035,910,677	₱893,897,160

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

The Group performed reassessment of the collectability of its receivables and as a result, recognized additional provision for impairment losses and directly wrote-off trade receivables, where probability of collection has been determined as doubtful and remote. These were recognized under operating expenses in the interim consolidated statements of comprehensive income (see Note 15).

The analysis of allowance for impairment is as follows:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Balance at beginning of period	**8,429,845**	22,398,084
Provisions (Note 15)	**31,461,519**	6,545,265
Write-off	**-**	(4,748,686)
Recovery (Note 16)	**-**	(15,764,818)
	39,891,364	8,429,845

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. Other receivables include claims from a cash deposit with a local bank and a receivable from trustee bank of the Group's plan assets.

5. Prepayments and Other Current Assets

This account consists of:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Prepayments:		
Rent	**₱45,334,435**	₱60,968,637
Advertising	**42,743,956**	602,422
Insurance	**10,549,781**	7,269,778
Taxes	**7,070,372**	3,718,792
Software maintenance	**11,318,966**	3,616,639
Licenses	**50,027**	2,270,015
Others	**9,723,860**	7,319,750
Other current assets:		
Materials and supplies	**99,801,079**	93,502,529
Input value-added tax (VAT)	**59,226,657**	86,649,823
Creditable withholding taxes (CWT)	**63,472,692**	54,868,250
Short-term cash investments (Note 20)	**5,003,000**	4,000,000
	354,246,431	324,786,635
Less noncurrent portion of:		
VAT on capital assets	**22,542,337**	31,764,202
Prepaid rent	**36,825,490**	23,596,395
	59,349,827	55,360,597
	₱94,926,998	₱269,426,038

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, 2015 and 2014 amounted to ₱ 435 million and ₱422 million, respectively (see Note 14).

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

Prepaid advertising consist 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, 2015 (Unaudited)					
	Transportation Equipment	**Leasehold Improvements**	**Furniture, Fixtures and Office Equipment**	**Computer Hardware**	**Construction in Progress**	**Total**
Costs						
At beginning of period	**557,959,485**	**994,574,429**	**485,087,319**	**379,626,597**	**34,643,995**	**2,451,891,825**
Additions	**11,151,381**	**28,631,218**	**31,823,821**	**31,606,668**	**134,701,188**	**237,914,276**
Reclassification	**-**	**92,623,658**	**6,614,723**	**24,738,660**	**(123,977,042)**	**-**
Disposals	**(19,242,430)**	**(349,112)**	**-**	**-**	**-**	**(19,591,542)**
At end of the period	**549,868,436**	**1,115,480,193**	**523,525,863**	**435,971,925**	**45,368,142**	**2,670,214,559**
Accumulated Depreciation and Amortization						
At beginning of period	**379,458,148**	**706,521,612**	**423,155,506**	**305,903,767**	**-**	**1,815,039,033**
Depreciation and amortization (Notes 14 and 15)	**33,795,983**	**69,742,519**	**31,520,436**	**40,126,917**	**-**	**175,185,855**
Disposals	**(13,466,258)**	**(8,862)**	**-**	**-**	**-**	**(13,475,120)**
At end of the period	**399,787,873**	**776,255,269**	**454,675,942**	**346,030,684**	**-**	**1,976,749,768**
Net Book Value	**150,080,563**	**339,224,923**	**68,849,921**	**89,941,242**	**45,368,142**	**693,464,791**

	For the year ended December 31, 2014 (Audited)					
	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Construction in Progress	Total
Costs						
At beginning of year	549,391,635	881,736,998	456,348,599	323,435,089	40,538,105	2,251,450,426
Additions	115,993,386	112,837,431	28,738,720	23,100,762	27,725,636	308,395,935
Reclassification	–	–	–	33,619,746	(33,619,746)	–
Disposals	(107,425,536)	–	–	(529,000)	–	(107,954,536)
At end of year	557,959,485	994,574,429	485,087,319	379,626,597	34,643,995	2,451,891,825
Accumulated Depreciation and Amortization						
At beginning of year	429,584,694	585,709,615	384,760,577	257,168,985	–	1,657,223,871
Depreciation and amortization(Notes 14 and 15)	55,542,441	120,811,997	38,394,929	48,994,172	–	263,743,539
Disposals	(105,668,987)	–	–	(259,390)	–	(105,928,377)
At end of year	379,458,148	706,521,612	423,155,506	305,903,767	–	1,815,039,033
Net Book Value	178,501,337	288,052,817	61,931,813	73,722,830	34,643,995	636,852,792

7. Intangible Assets

The rollforward analysis of this account follows:

	For the nine months ended September 30, 2015 (Unaudited)		
	Software	**Development in Progress**	**Total**
Costs			
At beginning of the period	**₱113,797,585**	**₱227,626,996**	**₱ 341,424,581**
Additions	**22,187,241**	**69,454,444**	**91,641,685**
At end of the period	**135,984,826**	**297,081,440**	**433,066,266**
Accumulated Amortization			
At beginning of the period	**84,862,275**	**-**	**84,862,275**
Amortization (Note 15)	**12,881,476**	**-**	**12,881,476**
At end of the period	**97,743,751**	**-**	**97,743,751**
Net Book Value	**₱38,241,075**	**₱297,081,440**	**₱335,322,515**

	For the year ended December 31, 2014 (Audited)		
	Software	Development in Progress	Total
Costs			
At beginning of year	₱97,309,106	₱9,488,281	₱106,797,387
Additions	16,488,479	218,138,715	234,627194
At end of the year	113,797,585	227,626,996	341,424,581
Accumulated Amortization			
At beginning of year	72,479,555	-	72,479,555
Amortization (Note 15)	12,382,720	-	12,382,720
At end of the year	84,862,275	-	84,862,275
Net Book Value	₱28,935,310	₱227,626,996	₱256,562,306

8. Available-for-Sale Investment

AFS investment mainly represents the Group’s investment in the quoted shares of stock of Araneta Properties, Inc.

Movement of the AFS investment follows:

	For the nine months ended September 30, 2015 (Unaudited)	For the year ended December 31, 2014 (Audited)
Balance at beginning of the period	**₱ 276,961,165**	₱ 283,887,317
Unrealized fair value loss	**(48,760,768)**	(6,926,152)
	₱228,200,397	₱276,961,165

9. Accounts Payable and Accrued Expenses

This account consists of:

	For the nine months ended September 30, 2015 (Unaudited)	For the year ended December 31, 2014 (Audited)
Trade payables	**₱964,186,335**	₱879,680,503
Accruals:		
Salaries and wages	**226,039,838**	205,939,865
Taxes	**49,338,110**	155,485,273
Government agencies contributions payables	**357,834,168**	205,259,863
Advertising	**90,164,996**	91,456,613
Non-trade payables	**21,663,357**	26,703,799
	₱1,709,226,804	₱1,564,525,916

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 ₱407.48 million and ₱358.96 million as at September 30, 2015 and December 31, 2014, 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, 2015 and December 31, 2014 are described below:

September 30, 2015 (Unaudited)

Bank/Related Party	**Date of Availment**	**Outstanding Balance**	**Maturity**	**Interest Rate**	**Payment Terms**
Banco de Oro	Mar-15; Apr-15	**₱ 401,333,333**	Various maturities in 2015 and 2016	Fixed rate, 4.25%	Interest payable every month, principal to be paid on maturity date
Unionbank of the Philippines	Mar-15	**90,000,000**	Sep-15	Fixed rate, 6.00%	Interest payable every month, principal to be paid on maturity date
Rizal Commercial Banking Corporation	Various availments in 2015	**300,000,000**	Various maturities in 2015 and 2016	Fixed rate, 6.00%	Interest payable every month, principal to be paid on maturity date
CTBC	Jul-15	**150,000,000**	Sep-15	5%	Principal and interest amount due on maturity date
LBC Mundial Corporation (Note 13)	Various availments in 2014	**89,780,000**	Nov-15	Fixed rate, 5%	Interest payable every month, principal to be paid on maturity date
		₱ 1,031,113,333			

		December 31, 2014 (Audited)			
Bank	Date of Availment	Outstanding Balance	Maturity	Interest Rate	Payment Terms
Banco de Oro	Various availments in 2014	₱225,000,000	Various maturities in 2014 and 2015	Fixed rate, 4.00%	Interest payable every month, principal to be paid on maturity date
Unionbank of the Philippines	September 2014	100,000,000	March 2015	Fixed rate, 8.00%	Interest payable every month, principal to be paid on maturity date
Rizal Commercial Banking Corporation	Various availments in 2014	300,000,000	Various maturities in 2014 and 2015	Fixed rate, 6.00%	Interest payable every month, principal to be paid on maturity date
LBC Mundial Corporation (Note 13)	Various availments in 2014	89,780,000	November 2015	Fixed rate, 5.00%	Interest payable every month, principal to be paid on maturity date
		₱714,780,000			

Interest expense amounted to ₱29.04 million and ₱21.45 million for the nine months ended September 30, 2015 and 2014, 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, 2015 and December 31, 2014follow:

Authorized shares	**100,000,000**	**100,000,000**
Par value per share	**₱1**	**₱1**
Issued and outstanding shares	**100,000,000**	**40,899,000**

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, 2015 and for the year ended December 31, 2014 are as follows:

	Transaction amounts for the nine months ended September 30, 2015 (Unaudited)	Outstanding Receivable (Payable) balance as at September 30, 2015 (Unaudited)	Terms	Conditions
Due from related parties				
Ultimate parent company				
a.) Advances	**₱354,588,272**	**₱2,402,395,334**	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**	**₱852,181,540**	Non-interest bearing; due and demandable	Unsecured, no impairment
Key management personnel				
a.) Advances	**₱12,000,000**	**₱16,284,395**	Non-interest bearing; due and demandable	Unsecured, no impairment
		P 3,270,861,269		
Due to related party				
Ultimate parent company				
c.) Royalty fee (Note 15)	**₱137,430,795**	**(1,449,457,127)**	Non-interest bearing; due and demandable	Unsecured
Notes payable				
Affiliate				
d.) Notes payable (Note 11)	-	**(₱89,780,000)**	Interest payable every month; principal to be paid on maturity date	Unsecured
Key management personnel				
Salaries and wages	**₱58,418,924**			
Other short-term employee benefits	**₱8,425,739**			
Retirement benefits	**₱16,611,863**	**(₱24,472,030)**		
		(₱1,563,709,157)		

	Transaction amounts for the nine months ended September 30, 2014 (Unaudited)	Outstanding Receivable (Payable) balance as at December 31, 2014 (Audited)	Terms	Conditions
Due from related parties				
Ultimate parent company				
a.) Advances	₱441,658,748	₱721,941,921	Non-interest bearing; due and demandable	Unsecured, no impairment
Affiliates				
b.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee	189,794,855	807,333,487	Non-interest bearing; due and demandable	Unsecured, no impairment
Key management personnel				
a.) Advances	–	4,284,395	Non-interest bearing; due and demandable	Unsecured, no impairment
		₱1,533,559,803		
Receivables				
Officers and stockholders				
e.) Advances	₱–	₱2,702,436	Non-interest bearing; due and demandable	Unsecured, with impairment
Affiliate				
f.) Advances	–	1,371,127	Non-interest bearing; due and demandable	Unsecured, no impairment
		₱4,073,563		
Due to related party				
Ultimate parent company				
c.) Royalty fee (Note 15)	₱83,500,790	(₱173,657,922)	Non-interest bearing; due and demandable	Unsecured
Affiliates				
a.) Advances	9,535,360	(9,535,360)	Non-interest bearing; due and demandable	Unsecured, no impairment
Officer				
g.) Advances	686,000	(1,924,000)	Non-interest bearing; due and demandable	Unsecured
		(₱185,117,282)		
Notes payable				
Affiliate				
d.) Notes payable (Note 11)	₱89,780,000	(₱89,780,000)	Interest payable every month; principal to be paid on maturity date	Unsecured
Key management personnel				
Salaries and wages	₱31,838,904	₱–		
Other short-term employee benefits	4,211,741	–		
Retirement benefits	10,547,215	(21,676,250)		
		(₱21,676,250)		

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 2015 and 2014of 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.

d. The Group received advances from its related party for working capital requirements and is not collateralized by any of the Group's assets (see Note 11).

e. In previous years, the Parent Company granted noninterest-bearing loans to its President and Vice Chairman of its BOD, related company owned by the Vice Chairman of the BOD and other Parent Company officers. These loans have no fixed term of repayment. The balance of such loans as of September 30, 2015 and December 31, 2014, which is shown as part of Receivables amounted to ₱1.87 million and ₱2.70 million, respectively, with allowance for impairment losses amounting to ₱1.87 million as of September 30, 2015 and December 31, 2014.

f. The Parent Company made advances to Fedchem Manufacturing and Distribution, Inc. (FMDI) amounting to ₱1.37 million and is classified under receivables in the statements of financial position. The same arose from the Parent Company's purchasing and selling activities in prior years. FMDI is a related company, which is also controlled by the Company's officers. The advances were recovered and collected in full on January 20, 2015.

g. Since FED does not have current commercial operation, cash requirement to cover operating expenses are provided by a certain officer. The cash advances are not subject to interest and have no fixed repayments period.

14. Cost of Services

This account consists of:

	For the nine months ended	
	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Cost of delivery and remittance	**₱1,292,490,751**	₱1,372,761,297
Salaries and benefits	**1,257,739,552**	1,373,642,750
Utilities and supplies	**435,023,617**	421,606,056
Rent (Note 18)	**352,633,343**	322,228,571
Professional fees	**205,431,936**	173,039,136
Depreciation and amortization (Notes 6 and 7)	**139,537,480**	147,497,107
Retirement benefit expense	**58,091,986**	78,043,797
Transportation and travel	**35,107,373**	43,038,507
Others	**62,248,168**	61,639,392
	₱3,838,304,206	₱3,993,496,613

Others comprises mainly of insurance, taxes and licenses and repairs and maintenance.

15. Operating Expenses

This account consists of:

	For the nine months ended	
	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Salaries and wages	**₱295,723,616**	₱246,769,023
Advertising and promotion	**266,216,279**	223,324,136
Rent (Note 18)	**146,105,642**	77,190,509
Royalty (Note 13)	**137,430,795**	125,354,327
Utilities and supplies	**111,455,504**	132,162,022
Taxes and licenses	**70,536,886**	51,720,855
Professional fees	**63,251,442**	52,568,866
Travel and representation	**61,345,990**	48,858,926
Depreciation and amortization (Notes 6 and 7)	**48,529,851**	57,372,799
Software maintenance costs	**39,194,117**	38,354,608
Claims and losses	**37,047,216**	18,592,023
Provision for doubtful accounts (Note 4)	**31,461,519**	27,332
Retirement benefit expense	**11,885,067**	10,597,759
Others	**34,988,888**	35,414,081
	₱1,355,172,812	₱1,118,307,266

Others mainly comprise of derecognized liabilities and assets (net), donation, insurance and repairs and maintenance. Derecognized liabilities (assets) consist of adjustments resulting from assessment performed by management on the realizability and recoverability.

16. **Other Income (Charges) - Net**

Others comprises mainly of gain or loss on sale of property and equipment, accruals and other provisions amounting to ₱53.5 million and ₱26.9 million for the nine months ended September 30, 2015 and 2014, respectively.

17. **Income Taxes**

Details of the Group's deferred income tax assets (liabilities) as at September 30, 2015 and December 31, 2014 follow:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Retirement benefit liability	**₱183,540,226**	₱162,571,879
Accrued salaries and benefits	**57,407,183**	52,333,949
NOLCO	**13,524,136**	24,825,429
Rent payable		
Allowance for impairment loss on receivables	**11,967,409**	2,528,954
Unrealized foreign exchange losses (gains)	**5,792,133**	3,807,780
Capitalized borrowing costs	**(1,046,671)**	(1,046,671)
MCIT		
Accrued severance liability	**-**	107,404
Deferred lease payable	**11,441,297**	10,666,165
	₱282,625,713	₱255,794,889

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

	For the nine months ended	
	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Current	**₱207,775,885**	₱100,280,774
Deferred	**(26,572,620)**	(55,564,705)
	₱181,203,266	₱44,716,069

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, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Cost of services (Note 14)	**₱352,633,343**	₱322,228,571
Operating expenses (Note 15)	**146,105,642**	77,190,509
	₱498,738,985	₱399,419,080

The Group has outstanding refundable security deposits arising from the said operating lease agreements amounting to ₱205.53 million and ₱172.81 million as at September 30, 2015 and December 31, 2014, respectively.

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

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Not later than 1 year	**₱526,294,103**	₱580,764,520
Later than 1 year but not later than 5 years	**2,578,841,092**	2,845,746,135

(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, 2015 and December 31, 2014 arising from these leases follows:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Gross finance lease obligations		
Not later than one year	**₱66,072,573**	₱72,069,054
Later than 1 year but not later than 5 years	**67,753,822**	106,345,364
	133,828,396	178,414,418
Future finance lease charges on the finance lease		
Not later than one year	**(11,614,264)**	(13,066,904)
Later than 1 year but not later than 5 years	**(11,909,434)**	(19,281,572)
	(23,523,699)	(32,348,476)
	₱110,304,697	₱146,065,942

The present value of minimum lease payments is as follows:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Not later than 1 year	**₱54,460,309**	₱59,002,150
Later than 1 year but not later than 5 years	**55,844,388**	87,063,792

19. **Retirement Benefits**

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

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Present value of defined benefit obligation	**₱ 660,296,754**	₱588,667,848
Fair value of plan assets	**(48,496,002)**	(46,761,584)
	₱611,800,752	₱541,906,264

The pension cost for the interim period and the present value of the defined benefit obligation as of September 30, 2015 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, 2015 and December 31, 2014.

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, 2015 and December 31, 2014 with all other variables held constant.

	Effect on other comprehensive income	
Change in share price	**September 30, 2015 (Unaudited)**	September 30, 2014 (Unaudited)
Increase by 5%	11,410,020	14,725,752
Decrease by 5%	(11,410,020)	(14,725,752)

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, 2015		
	Due in less than one year	**Due in more than one year**	**Total**
Cash and cash equivalents (Note 3)	**689,239,584**	**-**	**689,239,584**
Trade and other receivables (Note 4)	**962,738,634**	**35,392,489**	**998,131,123**
Due from related parties (Note 13)	**1,944,996,128**	**-**	**1,944,996,128**
Security deposits (Note 18)	**-**	**205,530,973**	**205,530,973**
Short-term investment (Note 6)	**5,003,000**	**-**	**5,003,000**

	3,601,977,346	**240,923,462**	**3,842,900,808**

	December 30, 2014		
	Due in less than one year	**Due in more than one year**	**Total**
Cash and cash equivalents (Note 4)	342,118,947	-	342,118,947
Trade and other receivables (Note 5)	849,146,834	-	849,146,834
Due from related parties (Note 14)	1,533,559,803	-	1,533,559,803
Security deposits (Note 19)	-	172,812,042	172,812,042
Short-term investment (Note 6)	4,000,000	-	4,000,000
	2,728,825,584	172,812,042	2,901,637,626

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, 2015		
	Due in less than one year	**Due in more than one year**	**Total**
Accounts payable and accrued expenses (Note 9)	**1,263,161,454**	**33,869,093**	**1,297,030,547**
Due to related parties (Note 13)	**1,449,457,127**	**-**	**1,449,457,127**
Notes payable (Note 11)	**1,034,303,609**	**-**	**1,034,303,609**
Transmission liability (Note 10)	**407,481,271**	**-**	**407,481,271**
Lease liabilities (Note 18)	**66,072,573**	**67,753,822**	**133,828,396**
	4,220,476,034	**101,622,916**	**4,322,098,950**

	December 30, 2014		
	Due in less than one year	**Due in more than one year**	**Total**
Accounts payable and accrued expenses (Note 9)	1,203,780,780	-	1,203,780,780
Due to related parties (Note 13)	183,193,282	-	183,193,282
Notes payable (Note 11)	735,329,925	-	735,329,925
Transmission liability (Note 10)	358,958,329	-	358,958,329
Lease liabilities (Note 18)	72,069,054	106,345,364	178,414,418
	2,533,331,370	106,345,364	2,659,676734

Notes payable and lease liabilities include future interest payments.

Payable to government agencies at September 30, 2015 and December 31, 2014 amounting to ₱407.18 million and to₱360.75million, 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. In addition, the Group has outstanding notes payable in US Dollar ($) as at September 30, 2015 and December 31, 2014. 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, 2015 (Unaudited)											
	Dirham	**Peso Equivalent**	**Saudi Riyal**	**Peso Equivalent**	**Bahraini Dinar**	**Peso Equivalent**	**Kuwaiti Dinar**	**Peso Equivalent**	**Qatari Riyal**	**Peso Equivalent**	**US Dollar**	**Peso Equivalent**
Assets:												
Cash and cash equivalents	**186,758**	**2,346,296**	**2,521,215**	**31,394,920**	**27,690**	**3,436,998**	**31,130**	**4,789,297**	**149,187**	**1,917,572**	–	–
Trade and other receivables	**575,155**	**7,225,845**	**1,020,534**	**12,707,996**	**5,437**	**674,816**	**12,517**	**1,925,763**	**44,836**	**576,298**	–	–
Security deposit	**433,417**	**5,445,148**	**3,000**	**37,357**	**3,250**	**403,410**	**5,470**	**841,538**	**130,500**	**1,677,378**	–	–
Liabilities:											–	–
Accounts payable and accrued expenses	**(663,207)**	**(8,332,072)**	**(425,672)**	**(5,300,599)**	–	–	–	**(15,319,320)**	**(43,655)**	**(561,124)**	–	–
Due to related parties	–						**(18,097)**	**(2,784,154)**	**(12,969)**	**(166,699)**	**(2,000,000)**	**(89,780,000**
Net foreign currency denominated assets (liabilities)	**532,123**	**6,685,217**	**3,119,076**	**38,839,675**	**36,376**	**4,515,224**	**31,021**	**(10,546,875)**	**267,898**	**3,443,425**	**(2,000,000)**	**(89,780,000)**

The spot exchange rates used were ₱12.56 to AED 1, ₱12.55 to SAR 1, ₱124.13 to DNR 1, ₱153.85 to KWD 1,₱12.85 to QAR 1 in 2015, ₱44.89 to USD in 2015.

	December 31, 2014 (Audited)											
	Dirham	Peso Equivalent	Saudi Riyal	Peso Equivalent	Bahraini Dinar	Peso Equivalent	Kuwaiti Dinar	Peso Equivalent	Qatari Riyal	Peso Equivalent	US Dollar	Peso Equivalent
Assets:												
Cash and cash equivalents	AED 118,922	₱1,453,227	SAR 2,718,153	₱32,509,110	DNR 25,666	₱3,056,307	KWD 60,387	₱9,219,887	QAR 396,737	₱4,891,924	USD–	₱–
Trade and other receivables	504,678	6,167,165	843,545	10,088,798	1,428	170,046	8,179	1,248,770	49,428	609,473	–	–
Due from related parties	5,319,544	65,004,828	–	–	–	–	14,433	2,203,630	241,878	2,982,447	–	–
Security deposit	400,665	4,896,126	3,000	35,880	3,197	380,699	5,470	835,160	100,500	1,239,205	–	–
Liabilities:											–	–
Accounts payable and accrued expenses	(626,182)	(7,651,944)	(627,510)	(7,505,020)	(30,703)	(3,656,113)	(97,494)	(14,885,384)	(122,111)	(1,505,672)	–	–
Due to related parties	(2,769,246)	(33,840,186)	(130,763)	(1,563,925)	–	–	–	–			–	–
Notes payable	–	–	–	–	–	–	–	–			(2,000,000)	(89,780,000)
Net foreign currency denominated assets (liabilities)	AED 2,948,381	₱36,029,216	SAR 2,806,425	₱33,564,843	(DNR 412)	(₱49,061)	(KWD 9,025)	(₱1,377,937)	QAR 666,432	₱8,217,377	(USD2,000,000)	(₱89,780,000)

The spot exchange rates used were ₱12.22 to AED 1, ₱11.96 to SAR 1, ₱119.08 to DNR 1, ₱152.68 to KWD 1, ₱12.33 to QAR 1 in 2014, ₱44.89 to USD in 2014.

The Group recognized (₱3.76) million net foreign exchange gains (loss), for the nine months ended September 30, 2015, 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, 2015	December 31, 2014
Cash and cash equivalents (Note 4)	**689,239,584**	342,118,947
Trade and other receivables (Note 5)	**998,131,123**	849,146,834
Due from related parties (Note 14)	**1,944,995,798**	1,533,559,803
Security deposits (Note 19)	**205,530,973**	172,812,042
Short-term investment (Note 6)	**5,003,000**	4,000,000
	3,842,900,478	2,901,637,626

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

As of September 30, 2015 and December 31, 2014, the credit quality per class of financial assets is as follows:

	September 30, 2015				
	Neither past due nor impaired			**Past due and / or**	
	High Grade	**Standard**	**Substandard grade**	**Individually impaired**	**Total**
Cash and cash equivalents	**689,239,584**	**-**	**-**	**-**	**689,239,584**
Receivables:					
Trade and other receivables	**795,858,015**	**-**	**-**	**242,164,472**	**1,038,022,487**
Due from related parties	**1,944,996,128**	**-**	**-**	**-**	**1,944,996,128**
Security deposits	**205,530,973**	**-**	**-**	**-**	**205,530,973**
Short term-investments	**5,003,000**	**-**	**-**	**-**	**5,003,000**
	3,640,627,700	**-**	**-**	**242,164,472**	**3,882,792,172**

	December 31, 2014				
	Neither past due nor impaired			Past due and / or	
	High Grade	Standard	Substandard grade	Individually impaired	Total
Cash and cash equivalents	342,118,947	-	-	-	342,118,947
Receivables:					
Trade and other receivables	652,429,448	-	-	205,147,231	857,576,679
Due from related parties	1,533,559,803	-	-	-	1,533,559,803
Security deposits	172,812,042	-	-	-	172,812,042
Short term-investments	4,000,000	-	-	-	4,000,000
	2,704,920,240	-	-	205,147,231	2,910,067,471

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, 2015 and December 31, 2014, the aging analyses of the Group's past due and/or impaired receivables are as follows:

	September 30, 2015				
		Past due but not impaired		**Impaired**	
	1 to 30 days	**31 to 90 days**	**Over 90 days**	**Financial assets**	**Total**
Trade and other receivables	56,037,968	54,556,027	91,679,112	39,891,364	242,164,471

	December 31, 2014				
		Past due but not impaired		Impaired	
	1 to 30 days	31 to 90 days	Over 90 days	Financial assets	Total
Trade and other receivables	60,536,572	59,743,585	76,617,229	8,249,845	205,147,231

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 ₱1.153 billion and ₱1.041 billion as at September 30, 2015 and December 31, 2014, 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 the Group initially measures the deposit at fair value and subsequently at amortized cost using effective interest method.

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 AFS investment is classified under the Level 1 category as at September 30, 2015 and December 31, 2014.

During the nine months ended September 30, 2015 and year ended December 31, 2014, 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, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Logistics		
Retail	3,276,912,603	2,945,791,128
Corporate	1,378,623,390	1,219,466,264
	4,655,535,993	4,165,257,392
Money transfer services		
Domestic	971,791,762	976,660,464
International inbound	83,174,788	73,520,897
	1,054,966,550	1,050,181,361
	5,710,502,543	5,215,438,753

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, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Net income attributable to equity holder of the Parent Company	**407,032,450**	96,790,301
Divided by the weighted average number of common shares outstanding	**50,749,167**	40,899,000
	₱8.02	₱2.37

24. Book Value Per Share

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Total Equity	**322,406,143**	1,325,865,486
Divided by the number of common shares outstanding	**100,000,000**	40,899,000
	₱3.22	₱32.42

25. Other Matters

Closure of LBC Development Bank

On September 9, 2011, the BSP, through Monetary Board Resolution No. 1354, resolved to close and thereby placed LBC Bank'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's closure and receivership, as discussed in Note 13, 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 as represented by its statutory liquidator, PDIC, sent letters to the Parent Company demanding collection of the amounts totaling to ₱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. No actual cases have been filed against the Group to date regarding these collection letters and the allegations. Management believes that these allegations have no basis, and PDIC has not provided the Group's legal counsel with evidence or documents to assess the soundness of such allegations.

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. As of September 11, 2015, no case has yet been filed before the court.

In the opinion of management, in concurrence with its legal counsel, the aggregate potential liability, if any, arising there from will not have a material effect on the Group's consolidated financial condition and performance.

Share Purchase Agreements with Affiliates

In early 2014, the Parent Company entered into separate Share Purchase Agreements (SPA) with owners of each of LBC Holdings USA Corporation, LBC Mabuhay Remittance Sdn. Bhd. (Brunei), LBC Express Airfreight (S) Pte. Ltd. (Singapore), LBC Mabuhay (Malaysia) Sdn. Bhd., LBC Mabuhay (B) Sdn. Bhd. (Brunei) and LBC Express Ltd. (London) (the Prospective Subsidiaries) to acquire 100% of the equity interest held by the common beneficial shareholders of the Parent Company in these affiliates (except with respect to LBC Holdings USA Corporation, for which the Parent Company has the right to acquire 100% of the equity interest of its operating subsidiaries). Pursuant to the terms of these SPAs, the completion of the acquisitions are subject to meeting all applicable government and/or regulatory body approvals, requirements and processes, including the transfer of any business licenses where so required. Following the completion of the acquisitions, the Parent Company will hold 100% of the equity interest in the Prospective Subsidiaries (except with respect to LBC Holdings USA Corporation, for which LBC Express, Inc. will own 100% of the equity interest of its operating subsidiaries). Each of these Prospective Subsidiaries operates under the "LBC" brand and is beneficially owned in part or in whole by Araneta Family who are also beneficial shareholders of the Parent Company and beneficial shareholders of LBC Development Corporation. The Prospective Subsidiaries have historically been managed and operated as separate and independent entities from the Parent Company and until the acquisitions of the Prospective Subsidiaries are completed, have and will continue to deal with the Parent Company on an arms-length basis and remain distinct legal entities with respect to liability. Following the expected completion of the acquisitions of the Prospective Subsidiaries, substantially all of the Araneta Family's interests in the cargo, freight forwarding and money transfer businesses will be consolidated as subsidiaries of the Parent Company. The respective parties to the Share Purchase Agreements are currently revisiting the agreement with regard to timing, regulatory requirements and tax implications. As of September 11, 2015, said acquisitions have not been completed.

26. **Notes to Cash Flows**

As at September 30, 2015, the Group has unpaid purchases of property and equipment amounting to ₱93 million.