SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

**INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

   [ ] Preliminary Information Statement

   [✓] Definitive Information Statement

2. Name of Registrant as specified in its charter	:	**LBC EXPRESS HOLDINGS, INC. (Formerly Federal Resources Investment Group, Inc.) ("LBCH" or the "Company")**
3. Province, country or other jurisdiction of incorporation or organization	:	**Philippines**
4. SEC Identification Number	:	**AS93-005277**
5. BIR Tax Identification Number	:	**002-648-099-000**
6. Address of Principal Office	:	**LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila**
Postal Code	:	**1300**
7. Registrant's telephone number, including area code	:	**(632) 8856 8510**
8. Date, time and place of the meeting of security holders	:	**28 November 2022, Monday, 2:00 PM, to be conducted online.** **The Chairman will conduct the online meeting from the principal place of business of the Company at LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila.**
9. Approximate date on which the Information Statement is first to be sent or given to security holders	:	**7 November 2022**
10. In case of Proxy Solicitations: *Name of Person Filing the Statement/Solicitor:*	:	**Not applicable**
Address and Telephone No.	:	**Not applicable**

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of each class	Number of Common Stock Outstanding or Amount of Debt Outstanding (As of 31 October 2022)
Common Shares	**1,425,865,471**

12. Are any or all of registrant's securities listed on a Stock Exchange?

Yes [✓]   No [ ]

If yes, disclose the name of such Stock Exchange and the class of securities listed therein.

The Common Shares of LBC Express Holdings, Inc. are listed on the Philippine Stock Exchange.

WE ARE NOT ASKING YOU FOR A PROXY.
YOU ARE NOT BEING REQUESTED TO SEND US A PROXY.

A copy of this Information Statement may be accessed through the Corporation's website: http://lbcexpressholdings.com

LBC Express Holdings, Inc.
LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Please be advised that the Annual Meeting of the stockholders of **LBC Express Holdings, Inc.** (the "**Company**") for the year 2022 will be conducted **online** on **28 November 2022, Monday,** at **2:00 PM** Stockholders who wish to participate in the proceedings may do so by signing on at the following URL address: http://www.lbcexpressholdings.com/2022-annual-general-meeting.

The Chairman will conduct the online meeting from the principal place of business of the Company at LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila.

The following shall be the agenda of the meeting:

1. Call to Order
2. Proof of Service of Notice
3. Certification of Presence of Quorum
4. Approval of the Minutes of the Annual Stockholders' Meeting held on 9 August 2021
5. Report of Management
6. Approval of the Annual Report and Audited Financial Statements of the Company for the year ended 31 December 2021
7. Ratification of all acts of the Board of Directors and Officers since the 2021 Annual Stockholders' Meeting adopted in the ordinary course of business
8. Election of the Members of the Board of Directors including the Independent Directors for the Ensuing Year and the Directors
9. Appointment of the Company's External Auditors for Fiscal Year 2022
10. Other Matters

The minutes of the 2021 Annual Meeting of Stockholders, the Information Statement (which includes the Management Report), SEC Form 17A (Annual Report) and other pertinent documents will be made available at the website of the Company, http://www.lbcexpressholdings.com/, and the Philippine Stock Exchange (PSE) EDGE portal.

The Board of Directors has set **8 November 2022**, as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Stockholders' Meeting.

Given the current circumstances and in order to ensure the safety and welfare of our stockholders in light of the COVID-19 situation, the Company will dispense with the physical attendance of stockholders at the meeting. Consequently, attendance will only be by remote communication, with voting being accomplished in absentia through the Company's online voting system at URL address: http://www.lbcexpressholdings.com/2022-annual-general-meeting or through the Chairman of the meeting, as proxy.

Stockholders intending to participate by remote communication should pre-register with the Company via LBCH's Electronic Registration and Online-voting System (E-ReV System) at URL address: http://www.lbcexpressholdings.com/2022-annual-general-meeting during the given registration period and in any case, no later than **21 November 2022.**

Following such pre-registration and subject to validation procedures, stockholders may vote either electronically via the E-ReV System, no later than **28 November 2022** or submit duly accomplished proxies on or before **21 November 2022** to the Office of the Corporate Secretary at Picazo Buyco Tan Fider & Santos Law Office, Penthouse, Liberty Center, 104 H.V. Dela Costa Street, Salcedo Village, Makati City and/or by email to cpalmagil@picazolaw.com or mggo@picazolaw.com. Validation of proxies is set on **23 November 2022** at 2:00 pm.

The detailed rules and procedures for participating in the meeting through remote communication and for casting their votes in absentia are set forth in the Information Statement.

<u>The Company is not soliciting proxies</u>.

CRISTINA S. PALMA GIL-FERNANDEZ
Corporate Secretary

AGENDA DETAILS AND RATIONALE[1]

1. Call to Order

The Chairman of the Board of Directors, Mr. Miguel Angel A. Camahort., will call the meeting to order.

2. Certification of Notice and Quorum

The Corporate Secretary, Atty. Cristina S. Palma Gil-Fernandez will certify that copies of the Notice of Meeting were duly published in the business section of two (2) newspapers of general circulation, and will certify the number of shares represented in the meeting, for the purpose of determining the existence of quorum to validly transact business.

Pursuant to Sections 23 and 57 of the Revised Corporation Code and SEC Memorandum Circular No. 6, Series of 2020, the Corporation has set up a designated web address which may be accessed by the stockholders to participate and vote in absentia on the agenda items presented for resolution at the meeting. A stockholder who votes in absentia or who participates by remote communication shall be deemed present for purposes of quorum.

The following are the rules and procedures for the conduct of the meeting:

(i) Stockholders may attend the meeting remotely through LBCH's Electronic Registration and Online-voting (E-ReV) System (the "E-ReV System"). Stockholders may send their questions or comments prior to the meeting by e-mail at info@lbcexpressholdings.com. The E-ReV System shall include a mechanism by which questions may be posted live during the meeting. The Company will endeavor to answer all questions submitted prior to and in the course of the meeting, or separately through the Company's Investor Relations Office.

(ii) Each of the Agenda items which will be presented for resolution will be shown on the screen during the live streaming as the same is taken up at the meeting.

(iii) Stockholders must register through the Company's E-ReV System to personally participate in the meeting by remote communication and to be included in determining quorum, together with the stockholders who voted by proxy.

(iv) Voting shall only be allowed for stockholders registered in the E-ReV System at http://www.lbcexpressholdings.com/2022-annual-general-meeting or through the Chairman of the meeting as proxy.

(v) All the items in the Agenda for the approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the issued and outstanding voting stock represented at the meeting.

(vi) Election of directors will be by plurality of votes and every stockholder will be entitled to cumulate his votes.

(vii) The Company's stock transfer agent and Corporate Secretary will tabulate and validate all votes received.

[1] Annex to Notice of Meeting for 2021 Annual Stockholder's Meeting.

3. Approval of the minutes of the last stockholders' meeting held on 9 August 2021

The minutes of the last Annual Meeting of Stockholders held on 9 August 2021 will be presented for approval by the stockholders, in keeping with Section 49(a) of the Revised Corporation Code.

4. Presentation and Adoption of the President's Report and Annual Report and Approval of the Audited Financial Statements for the year 2021

The President's Report and the Annual Report of the Company for the year 2021 and the audited financial statements of the Company for the year ended 31 December 2021 will be presented for the information, understanding, and approval of the stockholders. The President's Report and Annual Report for 2021 will provide context and details on the financial performance and results of operations of the Company for 2021. This report and presentation are in line with the Company's thrust to observe and abide by the best corporate governance practices. It will allow stockholders to understand the financial condition of the Company and they will be given the opportunity to propound questions to management on matters relating to the performance of the Company.

The comments and feedback from the stockholders and their approval or disapproval of these reports and the financial statements will provide guidance to the Board of Directors in the management of the business of the Company.

5. Ratification of all acts of the Board of Directors and Management since the last annual stockholders' meeting held on 9 August 2021

The ratification of all acts and resolutions of the Board of Directors and all the acts of management taken or adopted since 9 August 2021 will be sought from the stockholders during the meeting.

The ratification of the acts and resolutions of the Board and management will also serve as an avenue for the stockholders to better understand how the Board manages the business and operations of the Company. The ratification will also serve as confirmation by the stockholders that they approve of the manner by which the Board and management of the Company have been running its business and affairs.

6. Election of the Directors (including the Independent Directors) of the Company for the ensuing fiscal year

The Corporate Secretary will present the names of the persons who have qualified and have been duly nominated for election as directors and independent directors of the Company consistent with the Company's By-Laws and Manual on Corporate Governance and other applicable laws and regulations.

The election of the members of the Board of Directors allows the stockholders to directly participate in the selection of the individuals who will serve in the Board which exercises the corporate powers of the Company.

The procedure for voting by remote communication, in absentia or by proxy, including cumulative voting, is provided in this Information Statement.

7. Appointment of the external auditor of the Company for 2022

The approval of the stockholders of the company is being sought for the appointment of SyCip Gorres Velayo & Co. as the external auditor of the Company.

8. Other business that may properly be brought before the meeting.

Stockholders may be requested to consider such other issues/matters as may be raised throughout the course of the meeting.

9. Adjournment.

After all business has been considered and resolved, the Chairman shall declare the meeting adjourned.

Stockholders who will not, are unable or do not expect to attend the meeting in person but would like to be represented thereat may choose to execute and send a duly accomplished proxy to the Office of the Corporate Secretary (Atty. Cristina S. Palma Gil-Fernandez) at Picazo Buyco Tan Fider & Santos Law Office, Penthouse, Liberty Center, 104 H.V. Dela Costa Street, Salcedo Village, Makati City, on or before 21 November 2022. A sample proxy form is provided below. Stockholders may likewise email a copy of the accomplished proxy form to cpalmagil@picazolaw.com.

PROXY

The undersigned stockholder of **LBC Express Holdings, Inc.** (the "Company") hereby appoints the Chairman of the meeting, as attorney-in-fact or proxy, with power of substitution, to represent and vote _______________ shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Stockholders' Meeting of the Company to be held on **28 November 2022, Monday**, **2:00 PM,** to be conducted online, and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of the Minutes of the Annual Stockholders' Meeting held on 9 August 2021.
   ❑ For ❑ Against ❑ Abstain

2. Notation of the President's Report and Approval of the 2021 Audited Financial Statements
   ❑ For ❑ Against ❑ Abstain

3. Ratification of all acts of the Board of Directors and Management since the last Annual Stockholders' Meeting held on 9 August 2021.
   ❑ For ❑ Against ❑ Abstain

4. Election of Directors for the ensuing year (Please indicate number of votes)

NAME	FOR	AGAINST	ABSTAIN
Miguel Angel A. Camahort			
Rene E. Fuentes			
Enrique V. Rey, Jr.			
Augusto G. Gan			
Mark Werner J. Rosal			
Jason Michael Rosenblatt			
Anthony A. Abad			
Ferdinand D. Tolentino			
Victor Y. Lim Jr.			

5. Appointment of SyCip Gorres Velayo & Co. as External Auditors
   ❑ For ❑ Against ❑ Abstain

6. Other Matters
   ❑ For ❑ Against ❑ Abstain

Printed Name of the Stockholder	**Signature of Stockholder/ Authorized Signatory**	**Date**

Instructions

This proxy should be received by the Corporate Secretary on or before **21 November 2022**, the deadline for submission of proxies.

This proxy, when properly executed, will be voted in the manner as directed herein by the stockholder(s). If no direction is made, this proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the Information Statement.

A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy will also considered revoked if the stockholder attends the meeting in person and expresses his intention to vote in person.

Notarization of this proxy is not required.

WE ARE NOT ASKING YOU FOR A PROXY.
YOU ARE NOT BEING REQUESTED TO SEND US A PROXY.

INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, Time, and Place of Meeting of Security Holders

The Annual Meeting of the stockholders of LBC Express Holdings, Inc. (the "**Company**") will be held on **28 November 2022, Monday, 2:00 P.M. to be conducted via remote communication.**

The Chairman will conduct the online meeting from the principal place of business of the Company at the LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila.

However, considering the COVID 19 pandemic and to conform with the government's mandate to exercise social distancing and to avoid mass gatherings, attendance and voting in the AGM by the stockholders shall be done only via remote communication by signing in through http://www.lbcexpressholdings.com/2022-annual-general-meeting. Stockholders may attend the meeting remotely through the *Zoom* application, with links to be posted LBCH's website.

The mailing address of the Company is at LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila.

This Information Statement will be first sent or given to security holders (by posting on PSE Edge and the Company's website) on or around **7 November 2022**.

The requirements and procedure for registration, participating and voting are set forth in **Annex "A"** to the Information Statement.

Item 2. Dissenters' Right of Appraisal

Under Sections 41 and 80 of the Revised Corporation Code, the following are the instances when a stockholder may exercise his appraisal right:

1. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets of the Company; and

3. In case of merger or consolidation.

4. In case of investment of corporate funds for any purpose other than the primary purpose of the corporation

In order that a dissenting stockholder may exercise his appraisal right, such dissenting stockholder must have voted against the proposed corporate action at the annual meeting. Within thirty (30) days after the date of the annual meeting at which meeting such stockholder voted against the corporate action, the dissenting stockholder shall make a written demand on the Company for the fair value of his shares held. If the proposed corporate action is implemented, the Company shall pay the dissenting stockholder upon surrendering the certificates of stock representing his shares, the fair value of said shares on the day prior to the date on which the vote was taken. If the dissenting stockholder and the Company cannot agree on the fair value of the shares within sixty (60) days from the date of stockholders' approval of the corporate action, then the determination of the fair value of the shares shall be determined by three (3) disinterested persons, one (1) of whom shall be named by the dissenting stockholder, one (1) by the Company and a third to be named by the two (2) already chosen. The findings of the majority of the appraisers shall be final and their award shall be paid by the Company within thirty (30) days after such award is made. The procedure to be followed in exercising the appraisal right shall be in accordance with Sections 80 to 85 of the Revised Corporation Code.

There are no matters or proposed actions as specified in the Notice of Annual Stockholders' Meeting that will give rise to a possible exercise by shareholders of their appraisal rights as provided in the Corporation Code of the Philippines and summarized above.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

Other than the election to office to include the nomination and election of directors and independent directors, there are no matters to be acted upon in which any director or executive officer is involved or had a direct, indirect, or substantial interest. Furthermore, no director has informed the registrant, in writing or otherwise, that he/she intends to oppose any action to be taken by the registrant at the Meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

As of 31 October 2022, the number of shares outstanding of LBC Express Holdings, Inc. ("LBCH" or the "Company") is 1,425,865,471 shares with par value of One Peso (Php1.00) per share.

All stockholders of record at the close of business hours on 8 November 2022 (the "Record Date") are entitled to notice and to vote at the Annual Stockholders' Meeting.

A common stockholder entitled to vote at the Meeting shall have the right to vote in person or by proxy the number of shares registered in his name in the stock and transfer book of the Company as of the Record Date. With respect to the election of directors, said stockholder may vote such number of shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

For this year's meeting, the Board of Directors had adopted a resolution to allow stockholders entitled to notice of, and to attend the meeting, to exercise their right to vote *in absentia*.

As of the end of 31 October 2022, LBCH has 484 registered holders of common shares. The following are the list of the top twenty (20) stockholders of the Company as of 31 October 2022:

Rank	Name of stockholder	Nature of shares	Number of shares	Percentage
1	LBC Development Corporation	Common	1,205,974,632	84.58%
2	Vittorio Paulo P. Lim	Common	59,663,948	4.18%
3	Mariano D. Martinez Jr.	Common	59,663,946	4.18%
4	Lowell L. Yu	Common	59,663,946	4.18%
5	PCD Nominee Corporation - Filipino	Common	39,781,666	2.79%
6	PCD Nominee Corporation – Non-Filipino	Common	593,322	0.04%
7	Ferdinand S. Santos	Common	10,000	Nil
8	Andy Lantin	Common	5,000	Nil
9	Alfonso B. Cabual	Common	3,000	Nil
10	Jennifer H. Leong	Common	3,000	Nil
11	Beatriz M. Llamado	Common	2,000	Nil
12	Alexander D. Loquias	Common	2,000	Nil
13	Paz C. Maga	Common	2,000	Nil
14	Almar S. Molina	Common	2,000	Nil
15	Benjie C. Moralda	Common	2,000	Nil
16	Olivia R. Morata	Common	2,000	Nil

17	Nasario M. Morcozo	Common	2,000	Nil
18	Inocencio Narisma	Common	2,000	Nil
19	Emetrrio Natel	Common	2,000	Nil
20	Ramil C. Nombre	Common	2,000	Nil
21	Graspe L. Obiso	Common	2,000	Nil
Subtotal for Top 20 Stockholders		Common	1,425,382,460	99.99%
Others		Common	483,011	0.01%
TOTAL ISSUED AND OUTSTANDING			1,425,865,471	100%

Security Ownership of Certain Record and Beneficial Owners as of 31 October 2022.

The Company has no knowledge of any person who, as of 31 October 2022, was directly or indirectly the beneficial owner of more than five percent (5%) of the Company's outstanding shares of common stock or who has voting power of investment with respect to shares comprising more than five percent (5%) of the Company's outstanding shares of common stock except as stated below:

Title of Class	Name	Address	No. of Shares Held	Name of Beneficial Owner	Citizenship	%
Common Shares	LBC Development Corporation	LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City	1,206,178,232[2]	The record owner is the beneficial owner of the shares indicated	Filipino	84.59%

For purposes of this annual stockholders' meeting, the person who will vote on behalf of LBC Development Corporation is Mr. Miguel Angel A. Camahort.

Security Ownership of Directors and Management as of 31 October 2022

The following table shows the shareholdings beneficially held by the directors and executive officers of the Company as of 31 October 2022.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	% of Total Outstanding Shares
		Direct	Indirect		
Common	Rene E. Fuentes	1	N/A	Filipino	0.0
Common	Enrique V. Rey, Jr.	1	N/A	Filipino	0.0
Common	Augusto G. Gan	1	N/A	Filipino	0.0
Common	Miguel Angel A. Camahort	1	N/A	Filipino	0.0
Common	Jason Michael Rosenblatt	1	N/A	American	0.0
Common	Mark Werner J. Rosal	1,000	N/A	Filipino	0.0
Common	Solita V. Delantar	1	N/A	Filipino	0.0
Common	Victor Y. Lim Jr.	1	228,899	Filipino	0.0
Common	Anthony A. Abad	101	N/A	Filipino	
N/A	Rosalie H. Infantado	0	N/A	Filipino	0
N/A	Cristina S. Palma Gil-Fernandez.	0	N/A	Filipino	0
N/A	Mahleene G. Go.	0	N/A	Filipino	0

[2]Comprised of direct ownership over 1,205,974,632 common shares, and indirect ownership of 203,600 shares, for a total of 1,206,178,232 shares.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	% of Total Outstanding Shares
		Direct	Indirect		
N/A	Ernesto C. Naval III	0	N/A	Filipino	0
N/A	Jeric C. Baquiran	0	N/A	Filipino	0
TOTAL		**1,108**			**0.0**

Voting Trust Holders of 5% or More

As of 31 October 2022, the Company is not aware of any voting trust or similar agreements involving the securities of the Company or of any person who holds more than five percent (5%) of a class of securities under a voting trust or similar agreements.

Change in Control

On 18 May 2015, LBC Development Corporation subscribed to 59,101,000 common shares of the Company (equivalent to 59.10% of the total issued and outstanding capital stock of the Company as of said date) which resulted in LBC Development Corporation acquiring control of the Company.

On 18 September 2015, LBC Development Corporation subscribed to an additional 1,146,873,632 common shares which were issued on 12 October 2015 following the approval by the SEC of the Company's application to increase its authorized capital stock from ₱100,000,000.00 divided into 100,000,000 common shares with par value of ₱1.00 per share, to ₱2,000,000,000.00 divided into 2,000,000,000 common shares with par value of ₱1.00 per share. As of the date of this Report, LBC Development Corporation holds a total of 1,206,178,232 common shares of the Company or 84.59% of the Company's total issued and outstanding capital stock of the Company.

As of 31 October 2022, there are no arrangements which would delay, defer or prevent a change in control of the Company.

Item 5. Directors and Executive Officers

The following served as Directors of the Company for the year 2021, and, with the exception of Ms. Solita V. Delantar, have been nominated as Directors of the Company for the year 2022:

Name	Age	Nationality	Position	Current Term[3]	Period during which individual has served as such
Miguel Angel A. Camahort	60	Filipino	Chairman of the Board	2021 to 2022	Since 2015
Enrique V. Rey, Jr.	52	Filipino	Director	2021 to 2022	Since 2015
Rene E. Fuentes	49	Filipino	Director	2021 to 2022	Since 2015
Mark Werner J. Rosal	47	Filipino	Director	2021 to 2022	Since 2015
Augusto G. Gan	59	Filipino	Director	2021 to 2022	Since 2015
Anthony A. Abad	58	Filipino	Independent Director	2021 to 2022	Since 2017
Jason Michael Rosenblatt	45	American	Director	2021 to 2022	Since 2018
Solita V. Delantar[4]	78	Filipino	Independent Director	2021 to 2022	Since 2014

[3] The "Current Term" commenced since election by the Stockholders in the last Annual General Meeting held on 23 November 2020. The aforementioned directors continue to serve until their successors are elected and are qualified.

[4] Ms. Solita V. Delantar resigned as an independent director, Chairwoman of the Audit Committee, member of the Corporate Governance Committee, and member of the Board Risk Oversight Committee of LBC Express Holdings, Inc. effective on 15 July 2022.

Name	Age	Nationality	Position	Current Term[3]	Period during which individual has served as such
Victor Y. Lim, Jr.	74	Filipino	Independent Director	2021 to 2022	Since 2020

In addition to the foregoing, Mr. Ferdinand D. Tolentino, is nominated as an independent Director for 2022 and will stand for election during the Annual General Meeting.

The business experience of each of the foregoing nominated directors is set forth below.

Miguel Angel A. Camahort
Chairman of the Board and President

Mr. Miguel Angel A. Camahort is the Chairman of the Board of Directors and President of LBCH. He is also the President and Chief Operating Officer of LBC Express, Inc. ("LBCE")., the operating company of LBCH. Prior to joining the LBC Group, Mr. Camahort was Senior Vice-President and Chief Operating Officer of Aboitiz One, Inc. from 2007 to 2009, and Aboitiz Transport System Corporation (ATSC) Solutions Division from 2004 to 2007. He also served as a Senior Vice-President and Chief Operating Officer of Aboitiz Transport System Corp. (formerly, William, Gothong & Aboitiz, Inc.) in the Freight Division from 1999 to 2003; prior to which, he was President of Davao Integrated Stevedoring Services Corporation (DIPSCCOR), from 1999 to 2003. Mr. Camahort holds a Bachelor of Science degree in Business Administration and Economics from Notre Dame de Namur University (formerly, the College of Notre Dame) in California, U.S.A.

Enrique V. Rey, Jr.
Director

Mr. Enrique V. Rey Jr. assumed the position of Investor Relations Officer of the Company on September 2015 and elected as the Chief Finance Officer of LBCH on September 2017 after being an officer-in-charge for the same position since December 2015. Mr. Rey, Jr. was also a director of LBC Systems, Inc. from 2008 to 2010 and LBC Mundial Inc. from 2005 to 2008. Prior to joining the Company, Mr. Rey, Jr. worked for Coca-Cola Phil ATS, where he was the Senior Head of Sales from 2003 to 2005 and the Associate Vice President for Institutional Sales from 2000 to 2003. Mr. Rey, Jr. attended De La Salle University and completed a Management program at the Ateneo Business School. Mr. Rey, Jr. has also attended INSEAD and received training in Finance. Since 2010, Mr. Rey, Jr. has been a member of the Institute of Internal Auditors.

Rene E. Fuentes
Director

Mr. Rene E. Fuentes is currently the Executive Vice-President and Chief Operating Officer of the International Sales and Operations division of LBCE, the operating company of LBCH. He previously held the Senior Vice-President for Global Retail Operations position of the same company, from 2015 to 2019. Prior to joining the LBC Group in 2001, Mr. Fuentes served as President of Documents Plus, Inc. from 1996 to 2001, and as Regional Manager, Vice-President of EFC Food Corporation from 1996 to 2001. Mr. Fuentes attended the De La Salle University, and completed a Key Executive Program in November 2013 at the Harvard Business School.

Mark Werner J. Rosal
Director

Atty. Mark Rosal became a Director of LBCH on 28 April 2015. Born in Cebu City, Atty. Rosal, prior to taking up Law, obtained a Bachelor's Degree in Physical Therapy from the Cebu Velez College, and is a registered Physical Therapist. Atty. Rosal subsequently graduated in the top 5% of his law school batch at the University of San Carlos, Cebu City, in 2002, and was admitted to the Philippine Bar in 2003. He spent his early years in the practice of law at Balgos and Perez Law Offices and Angara Cruz Concepcion Regala and Abello (ACCRALAW). Currently, he is the Managing Partner of Rosal Bacalla Fortuna Helmuth and Virtudazo Law Offices, a Cebu-based law firm. Atty. Rosal's field of practice is Corporate Law, Mergers and Acquisitions, Real Estate Law, Estate Planning, and Company Labor Law matters. He holds various positions and performs multiple roles in various private corporations such as Cebu Agaru Motors Inc., Wide Gain Property Holdings, Inc., Sem-Ros Food Corp, Rural Bank of Talisay, (Cebu) Inc., and OneMeridaLand Corp.

Augusto G. Gan
Director

Mr. Augusto G. Gan was appointed Director of LBCH in September 2015. He has also been a Director of LBCE, the operating company of LBCH, since 2013. Mr. Gan concurrently serves as a Director of Atlantic Gulf and Pacific Company, Investment and Capital Corp. of the Philippines, Pick Szeged ZRT and Sole-Mizo Zrt. He is also the Managing Director of Ganesp Ventures and the Chairman of the Board of Anders Consulting Ltd. Previously, Mr. Gan was the President of the Delphi Group from 2001 to 2012 and the Chief Executive Officer of Novasage Incorporations (HK) from 2006 to 2007. He has also served as a Director of AFP Group Ltd. (HK) from 2005 to 2007 and ISM Communication from 2003 to 2004, as well as the Chairman of the Boards of Cambridge Holdings from 1995 to 2000 and Qualibrand Industries from 1988 to 2001. Mr. Gan holds a Master in Business Management degree from the Asian Institute of Management.

Anthony A. Abad
Independent Director

Atty. Anthony A. Abad is currently Chief Executive Officer and Managing Director of TradeAdvisors, as well as a partner of Abad Alcantara & Associates. He is also the Chairman for the Philippines of the Commission on Competition, International Chamber of Commerce, and Legal Advisor to the International Finance Corporation. He graduated from the Harvard University John F. Kennedy School of Government, with a Master's Degree in Public Administration; and a Fellow in Public Policy and Management at the Harvard Institute for International Development. Atty. Abad graduated from the Ateneo de Manila School of Law with a Juris Doctor degree, and a Bachelor of Arts degree, Major in Economics (Honors). Other current engagements include: Bloomberg Philippines, Anchor; Ateneo Center for International Economic Law, Director; Ateneo de Manila University, Professor; World Trade Organization, Panelist. Previously, Atty. Abad was Key Expert, Trade Policy & Export Development Trade Assistant for the European Union, Chairman and Secretary's Technical Advisor at the Department of Agriculture, and President and CEO of the Philippine International Trading Corporation.

Jason Michael Rosenblatt
Director

Mr. Jason Rosenblatt is currently a Partner at Crescent Point, a private equity and investment firm based in Singapore. Mr. Rosenblatt assumed a director position at LBC Express Holdings, Inc. in March 2018. His previous positions include: Laurasia Capital Management, Partner; Standard Bank, Global Head of Special Situations; DKR Oasis, Head of Principal Strategies; Ritchie Capital Management, Director;McKinsey Company, Associate; and Bank One, Associate.

Solita V. Delantar
Independent Director

Ms. Solita V. Delantar was appointed Director of LBCH in March 2014. She concurrently serves as Independent Director on the Board of Directors at Anchor Land Holdings, Inc., and Vice President at PONTICELLI, Inc. (since 2006). Previously, Ms. Delantar served as Vice-President, Human Resources Management & Development Administration (November 1999 - September 2003), Consultant (July 1997-July 1998), Vice-President, Finance & Administration (May 1988 - June 1996) and various other positions at Honda Philippines, Inc. Ms. Delantar is a Certified Public Accountant, Fellow in Personal Management and professional business mediator. From September 1998 to March 2007, she served as a Member of the Professional Board of Accountancy, which administers licensure examinations for CPAs. Ms. Delantar received her Bachelor of Science degree in Commerce with a major in Accounting from Far Eastern University and participated in a Bachelor of Laws program at Ateneo de Manila University.

Victor Y. Lim, Jr.
Independent Director

Mr. Victor Y. Lim, Jr. was appointed as a Director of LBCH on 5 October 2020. He is currently serving as the President of Yuchengco Lim Development Corp. (since 1996), Chairman of V2S Property Developers Co., Inc. (since 2009), Chairman of Tune Abe Investment Corporation (since 2018), President of Banco Mexico Inc. (since 2014), a Director of Premier Horizon Alliance Corporation (since 2015), a Director of I-Pay Commerce Ventures, Inc. (since 2016), a Member of the Financial Executives Institute of the Philippines (since 1976) where he served as President in 1995, a Member of the Management Association of the Philippines (since 1996), a Trustee of Ateneo Scholarship Foundation Inc. (since 1986) where he served as Chairman thereof from 1989 to 1991, and is a Committee Chairman and member of the Rotary Club of Pasig (since 2008). Mr. Lim holds a Bachelor of Science in Economics degree from the Ateneo de Manila University and a Masters in Business Management degree from the Asian Institute of Management.

Ferdinand D. Tolentino
Independent Director

Mr. Ferdinand D. Tolentino is a private law practitioner, and an infrastructure of counsel of one midsize law-office. Previously, Mr. Tolentino served as a Board Director and Chairman (Board Audit and Compliance Committee) of Small Business Corporation (March 2016 to May 2021), a Deputy Executive Director of Public-Private Partnership of the Philippines (March 2012 to November 2013), an Independent Director of CLSA Philippines (2011 to 2012), a Director - Tax Services of Isla Lipana & Co. (Pricewaterhouse Coopers) (September 2003 to December 2007), and a Commissioner at the Tariff Commission (April 2001 to August 2003). Mr. Tolentino holds a Master's Degree in Commercial Law (LLM) from the London School of Economics and Political Science (University of London), a Graduate Diploma in Urban and Regional Planning from the University of the Philippines (Diliman), a Juris Doctor degree from the Ateneo De Manila School of Law, and a Bachelor of Arts in Economics from the Ateneo De Manila College of Arts and Sciences.

The following served as Officers of the Company for the year 2021:

Name	Age	Nationality	Position
Miguel Angel A. Camahort	60	Filipino	Chief Executive Officer, Chairman of the Board, and President
Enrique V. Rey, Jr.	52	Filipino	Investor Relations Officer and Chief Finance Officer
Rosalie H. Infantado	46	Filipino	Treasurer
Cristina S. Palma Gil-Fernandez.	54	Filipino	Corporate Secretary
Mahleene G. Go.	41	Filipino	Assistant Corporate Secretary, Corporate Information Officer and Compliance Officer
Ernesto C. Naval III	29	Filipino	Assistant Corporate Information Officer
Jeric C. Baquiran	44	Filipino	Chief Audit Executive

The business experience of each of the Company’s officers is set forth below.

Miguel Angel A. Camahort
Chief Executive Officer and President

Please refer to the table of directors above.

Enrique V. Rey Jr.
Investor Relations Officer and Chief Finance Officer

Please refer to the table of directors above.

Rosalie H. Infantado
Treasurer

Ms. Infantado assumed the position of Treasurer of LBCH in September 2017. She graduated with a Bachelor of Science degree, Major in Accountancy from the Polytechnic University of the Philippines in 1997. She is currently Vice-President - Financial Reporting and Analysis at LBCE, and has been a Certified Public Accountant since 1998. With 20 years of experience in accounting, audit, and financial reporting, Ms. Infantado’s previous professional experiences include employment at prestigious companies such as KPMG Philippines (Manabat SanAgustin & Co.), Concordia Advisors (Bermuda) Ltd., CITI Hedge Fund Services, Ltd. (Bermuda), and PriceWaterhouseCooper Philippines.

Cristina S. Palma-Gil Fernandez
Corporate Secretary

Atty. Palma Gil-Fernandez assumed the position of Corporate Secretary of LBCH in September 2015. Atty. Palma Gil-Fernandez graduated with a Bachelor of Arts degree, Major in History (Honors) from the University of San Francisco in 1989, and with a Juris Doctor degree, second honors, from the Ateneo de Manila University in 1995. She is currently a Partner at Picazo Buyco Tan Fider & Santos Law Offices and has more than 27 years of experience in corporate and commercial law, with emphasis on the practice areas of banking, securities and capital markets (equity and debt), corporate reorganizations and restructurings and real estate. She currently serves as a Corporate Secretary of several large Philippine corporations, including three (3) other publicly-listed Philippine corporations, and as Assistant Corporate Secretary to one of the largest publicly-listed infrastructure companies in the Philippines.

Mahleene G. Go
Assistant Corporate Secretary, Corporate Information Officer and Compliance Officer

Atty. Mahleene G. Go assumed the position of Assistant Corporate Secretary, Compliance Officer and Corporate Information Officer of the Company in September 2015. Atty. Go graduated with the degree of Bachelor of Arts, Major in Political Science, from the University of the Philippines in 2001, and with the degree of Juris Doctor from Ateneo De Manila University-School of Law in 2005. She also received a Certificate of Mandarin Language Training for International Students from 2011 to 2012 in Peking University, Beijing, China. She served as a Junior Associate at Picazo Buyco Tan Fider & Santos Law Offices from 2007 to 2010 and 2012 and is currently a Partner at the same office.

Ernesto C. Naval III
Alternate Corporate Information Officer

Atty. Ernesto C. Naval III assumed the position of Alternate Corporate Information Officer of LBCH in June 2018. Born on November 4, 1992, Atty. Naval graduated with the degree of Bachelor of Science, Management, from the Ateneo De Manila University in 2013, and with the degree of Juris Doctor from Ateneo de Manila School of Law in 2017. He is a Senior Associate at Picazo Buyco Tan Fider & Santos Law Offices from 2018 to the present.

Jeric C. Baquiran
Chief Audit Executive

Mr. Jeric C. Baquiran was appointed Chief Audit Executive of the Company in March 2019. He joined LBCE in 2006, and since 2015 has led the Corporate Audit department for the company, as Senior Manager of the Corporate Audit Department. Mr. Baquiran graduated from Saint Mary's University, Bayombong, with a Bachelor of Science degree in Accountancy in 1999. He passed the Certified Public Accountancy Licensure Examination in May 2000. Prior to joining LBC, he held audit positions at DCCD Engineering Corporation (2000 to 2003), and Lapanday Foods Corporation (2003 to 2005).

The Board has established committees to assist in exercising its authority in monitoring the performance of the business of the Company. The committees, as detailed below, provide specific and focused means for the Board to address relevant issues including those related to corporate governance.

The committees and their respective membership are set forth below:

	Committees			
	Audit	**Corporate Governance**	**Related Party Transactions**	**Board Risk Oversight**
Solita V. Delantar	Chairman	Member		Member
Victor Y. Lim Jr.	Member	Member	Member	Chairman
Anthony A. Abad	Member	Chairman	Chairman	
Enrique V. Rey, Jr.				Member
Augusto G. Gan			Member	

<u>Information Required of Directors and Executive Officers</u>

Directors and Executive Officers

As of the date of this Information Statement, the following persons have been nominated to the Board for election at the Annual Stockholders' Meeting and have accepted their nomination:

MIGUEL ANGEL A. CAMAHORT
ENRIQUE V. REY, JR.
MARK WERNER J. ROSAL
VICTOR Y. LIM JR. as independent director
FERDINAND D. TOLENTINO as independent director
ANTHONY A. ABAD as independent director

RENE E. FUENTES
AUGUSTO G. GAN
JASON MICHAEL ROSENBLATT

Except for those nominated as independent directors, the nominees to the Board of Directors were formally nominated to the Corporate Governance Committee of the Board by a shareholder of the Company, LBC Development Corporation. Mr. Ferdinand D. Tolentino, Mr. Victor Y. Lim, Jr. and Mr. Anthony A. Abad are being nominated as independent directors. The nominated independent directors, having possessed the qualifications and none of the disqualifications of an independent director, were nominated by Klarence Tan Dy in accordance with the guidelines for the nomination and election of independent directors pursuant to Rule 38 of the Securities Regulation Code (SRC). Klarence Tan Dy is not related to any of the nominees including Mr. Ferdinand D. Tolentino, Mr. Victor Y. Lim Jr., and Mr. Anthony A. Abad.

The qualifications of all nominated directors, including the nominated independent directors, have been pre-screened in accordance with the Corporate Governance Manual and By-Laws of the Company.

Only the nominees whose names shall appear on the final list of candidates are eligible for election as directors (independent or otherwise), in accordance with the procedure set forth in the By-Laws of the Company. No other nominations will be entertained after the preparation of the final list of candidates and no further nominations shall be entertained or allowed during the Annual Stockholders' Meeting.

The Certifications of Independent Directors are attached hereto as **Annex "B".**

The Secretary's Certificate attesting to the fact that none of the directors and officers of the Corporation holds any position in any capacity in any government agency or instrumentality is hereto attached as **Annex "C"**.

Significant Employees

None. While the Company values its workforce, the business of the Company is not highly dependent on the services of personnel outside of Senior Management.

Family Relationships

There are no family relationships between Directors and members of the Company's senior management known to the Company.

Involvement in Certain Legal Proceedings

The Company believes that, except as discussed below, none of the Company's directors, nominees for election as director, or executive officers have in the five-year period prior to the date of this Prospectus: (1) had any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time; (2) have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses; (3) have been the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or (4) have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, such judgment having not been reversed, suspended, or vacated.

On 9 September 2011, pursuant to Monetary Board Resolution No. 1354, the Monetary Board prohibited LBC Bank (which is controlled by the Araneta Family) from doing business in the Philippines, ordered it closed, and placed it under the receivership of the PDIC based on the following:

1. LBC Bank has insufficient realizable assets to meet liabilities;

2. LBC Bank cannot continue in business without involving probable losses to its depositors and creditors; and

3. LBC Bank has willfully violated the Cease and Desist Order of the Monetary Board dated 12 March 2010 for acts or transactions which are considered unsafe and unsound banking practices and other acts or transactions constituting fraud or dissipation of the assets of the institution and considering the failure of the Board of Directors/management of LBC Bank to restore the bank's financial health and viability despite considerable time given to address the financial problems, and that the bank had been accorded due process.

The PDIC thereafter stepped in as receiver and prepared its report on LBC Bank's status. Based on the Rehabilitation Report of PDIC, the conclusion/ recommendation was that LBC Bank could not be rehabilitated or otherwise placed in such a condition that it can be permitted to resume business with safety to its depositors, creditors, and the general public considering that:

1. the estimated realizable value of its assets (ERVA) as of 31 December 2011 in the amount of ₱1.7 billion is deficient by ₱4.96 billion to cover estimated liabilities aggregating to ₱6.6 billion. Additional capital infusion of ₱5.96 billion is needed to meet the ₱1 billion minimum capital requirement for a thrift bank with head office located in Metro Manila; and

2. the rehabilitation proposal submitted by the LBC Group of Companies and the Rizal Banking Corporation via asset purchase agreement was found not viable.

On 5 July 2012, the MB of the BSP issued Resolution No. 1088 directing PDIC to proceed with the liquidation of LBC Bank on the basis of the Rehabilitation Report.

The PDIC has filed various criminal and administrative complaints against certain members of the Araneta Family in relation to the receivership of LBC Bank, which are described below:

- Mr. Juan Carlos Araneta, Mr. Santiago Araneta, Mr. Fernando Araneta and Ms. Ma. Monica G. Araneta (the "Araneta Siblings") were named as respondents in their capacity as stockholders and/or directors LBC Bank in a complaint for estafa, falsification of commercial documents and conducting business in an unsafe and unsound manner that was filed by the PDIC with the Department of Justice (the "DOJ"). The complaint is entitled *"Philippine Deposit Insurance Corporation vs. Ma. Eliza G. Berenguer, et. al."* and docketed as NPS Docket No. XVI-INV-15D-00125. PDIC alleged that the Araneta Siblings, in conspiracy with the other respondents, made it appear that they infused capital into LBC Bank in the amount of approximately 39 Million Pesos to cover a capital deficiency as required by the BSP. The Araneta Siblings denied the allegations, stating that they actually paid for the subscription, as shown by PDIC's own evidence, that no evidence was presented to show conspiracy, and that as mere stockholders and/or directors, they are not involved with the day-to-day management of the bank and how the bank used the money subject of the case. On 18 April 2016, the complaint against all the respondents was dismissed by the investigating prosecutor. The PDIC filed a Petition for Review with the Secretary of Justice ("SOJ") on 25 May 2016. The appeal is currently pending with the SOJ.

- Mr. Juan Carlos Araneta, Mr. Santiago Araneta and Mr. Fernando Araneta were named as respondents in their capacity as stockholders and/or directors of LBC Bank in a complaint for syndicated estafa, falsification of commercial documents and conducting business in an unsafe and unsound manner that was filed by the PDIC with the DOJ. The complaint is entitled *"Philippine Deposit Insurance Corporation vs. Ma. Eliza G. Berenguer, et. al."* and docketed as NPS Docket No. XVI-INV-15H-00315. PDIC alleged, among others, that LBC Bank took out a 30 Million Peso loan from Chinabank "to generate funds for the purpose of remittance." The loan, however, was allegedly not recorded as "Bills Payable" nor as any other liability in LBC Bank's books. PDIC claims that the loan proceeds were transferred to LBC Development Corporation who used the funds to partially pay LBC Bank for advances of remittances. LBC Bank then allegedly paid the loan to Chinabank prior to maturity date using LBC Bank's own funds. The Aranetas denied the allegations, stating, among others, that the approval of the resolution granting the corporation the authority to obtain a loan was a regular action of the members of the board of directors in the normal and ordinary course of business, and they cannot be held liable individually as directors for the mere approval of a regular corporate action. In a resolution dated 27 March 2019, the complaint against all the respondents was dismissed by the investigating prosecutor. The resolution was belatedly furnished to the PDIC and thus, it only appealed to the SOJ on or about 14 October 2021. The Aranetas and other respondents filed their comment to the appeal on 2 November 2021. The appeal is currently pending with the SOJ.

- Mr. Juan Carlos Araneta, Mr. Santiago Araneta and Mr. Fernando Araneta were named as respondents in their capacity as stockholders and/or directors of LBC Bank in a complaint for syndicated estafa, falsification of commercial documents and conducting business in an unsafe and unsound manner that was filed by the PDIC with the DOJ. The complaint is entitled *"Philippine Deposit Insurance Corporation vs. Ma. Eliza G. Berenguer, et. al."* and docketed as NPS Docket No. XVI-INV-15J-00397. PDIC alleged that LBC Bank obtained three loans from Chinabank in the amount of approximately 50 Million Pesos, which were secured by a Hold-Put Agreement on LBC's existing Foreign Currency Deposit Unit Time Deposits of various LBC affiliate companies with Chinabank. The loans all indicated that the proceeds were intended for LBC Bank's "working capital" and yet were not recorded as "Bills Payables" or liabilities in the books of LBC Bank. The proceeds from the loan were allegedly credited by Chinabank to LBC Bank's Current/Savings Bank Account, and then used as partial payment for "advance to affiliates". Thereafter, LBC Bank used the proceeds of the matured time deposits to pay the loans to Chinabank. The Aranetas denied the allegations, stating, among others, that the approval of the resolution granting the corporation the authority to obtain loans was a regular action of the members of the board of directors in the normal and ordinary course of business, and they cannot be held liable individually as directors for the mere approval of a regular corporate action. The case was submitted for resolution of the investigating prosecutor on 25 May 2016. In a joint resolution dated 20 June 2022, the investigating prosecutor jointly resolved this case and the succeeding case (NPS Docket No. XVI-INV-15K-00414) and dismissed both of them. After their motion for reconsideration was denied, the PDIC appealed to the SOJ on or about 26 July 2022. The Aranetas and other respondents filed a joint comment dated 16 August 2022. In a resolution dated 29 September 2022, the SOJ dismissed the appeal of the PDIC. The PDIC filed a motion for reconsideration on or about 14 October 2022. The appeal is currently pending with the SOJ.

- Mr. Juan Carlos Araneta, Mr. Santiago Araneta and Mr. Fernando Araneta were named as respondents in their capacity as stockholders and/or directors of LBC Bank in a complaint for syndicated estafa, falsification of commercial documents and unsound business practices that was filed by the PDIC with the DOJ. The complaint is entitled *"Philippine Deposit Insurance Corporation vs. Ma. Eliza G. Berenguer, et. al."* and docketed as NPS Docket No. XVI-INV-15K-00414. PDIC alleged that Foreign Currency Remittances received by LBC Mabuhay were not deposited to LBC Bank's Dollar Account with CalBank resulting in funding gaps or "short remittances." Despite this, LBC Bank continued to pay the full amount of the remittance instructions resulting in Advances by LBC Bank in favor of LBC Mabuhay, supposedly in violation of the Memorandum of Understanding between LBC Bank and the BSP The Aranetas denied the allegations, stating, among others, that as mere stockholders and/or directors, they are not involved in the day-to-day management and operations of the bank and thus could not have participated in the actions alleged in the complaint. The case was submitted for resolution of the investigating prosecutor on 25 May 2016 and is still currently pending. In a joint resolution dated 20 June 2022, the investigating prosecutor jointly resolved this case and the preceeding case (NPS Docket No. XVI-INV-15J-00397) and dismissed both of them. After their motion for reconsideration was denied, the PDIC appealed to the SOJ on or about 26 July 2022. The Aranetas and other respondents filed a joint comment dated 16 August 2022. In a resolution dated 29 September 2022, the SOJ dismissed the appeal of the PDIC. The PDIC filed a motion for reconsideration on or about 14 October 2022. The appeal is currently pending with the SOJ.

- Mr. Juan Carlos Araneta, Mr. Santiago Araneta, Mr. Fernando Araneta and Mr. Carlos G. Araneta were named as respondents in their capacity as stockholders and/or directors of LBC Bank in a complaint for unsafe and unsound business practices that was filed by the PDIC with the prosecutor's office. The complaint is entitled *"Philippine Deposit Insurance Corporation vs. Juan Carlos G. Araneta, et. al."* and docketed as NPS Docket No. XVI-INV-16D-00128. PDIC alleged that the respondents committed acts or omissions constituting unsafe and unsound business practice by entering into Service Agreements with LBC Express, whose terms were supposedly manifestly and grossly disadvantageous to Bank. The respondents allegedly failed to enforce payment of service fees, thereby causing undue injury and/or unwarranted benefits, advantage, or preference to LBC Express through manifest partiality and bad faith that resulted in a material loss or damage to the liquidity or solvency of LBC Bank and to the latter's depositors, creditors, and the general public. The Aranetas denied the allegations, stating, among others, that as mere stockholders and/or directors, they are not involved in the day-to-day management and operations of the bank and thus could not have participated in the actions alleged in the complaint. They further allege that the complaint does not actually impute any specific criminal action to each of them individually. In a resolution dated 20 February 2018, the complaint against all the respondents was dismissed by the investigating prosecutor. The PDIC filed a Petition for Review with the SOJ on or about 25 February 2019. The appeal is currently pending with the SOJ.

- An administrative complaint was filed by the PDIC before the Office of the Special Investigation (OSI) BSP against Mr. Juan Carlos Araneta, Mr. Santiago Araneta, and Mr. Fernando Araneta, together with other respondents in their capacity as stockholders and/or directors of LBC Bank. The administrative complaint is based on the same complaint discussed in the preceding paragraph. The administrative complaint is entitled *"Philippine Deposit Insurance Corporation vs. Ma. Eliza G. Berenguer, et. al."* and docketed as OSI-AC-No. 2016-003. The Aranetas adopted the same defences as discussed in the preceding paragraph. After a preliminary investigation, the OSI issued a Resolution dated 14 September 2017, finding a *prima facie* case of unsound banking practice against the Aranetas and the former LBC Bank president, while dismissing the case against the other respondents who were former employees of LBC Bank for lack of evidence. The OSI denied the Aranetas' motion for reconsideration in a Resolution dated 6 March 2018. The OSI filed formal charges against the Aranetas and the former LBC Bank president with the Supervised Banks Complaints Evaluation Group (SBCEG) of the BSP on or about 12 March 2018. The case before the SBCEG is entitled *"In Re: Administrative Case against Ma. Eliza G. Berenguer, et. al.,"* and docketed as Administrative Case No. 2018-092. The Aranetas have filed their respective Answers to the formal charges and intend to present their evidence when the case is set for trial. On 7 August 2018, the Aranetas filed a motion to suspend the proceedings before the BSP because the civil case described in the Legal Proceedings section below (Civil Case No. 15-1258) involves the same issues and thus represents a prejudicial question. In the resolution dated 3 November 2021, the Special Hearing Panel granted the motion and suspended the proceedings until the Civil Case is resolved with finality. The PDIC filed a motion for reconsideration which was denied. Thus, the PDIC appealed to the Court of Appeals last 23 September 2022, which is docketed as CA-G.R. No. 175378 and is still pending resolution. In the meantime, the BSP proceedings remain suspended, pending the outcome of the Civil Case and/or the appeal.

- Mr. Juan Carlos Araneta, Mr. Fernando Araneta, and Mr. Santiago Araneta were named as respondents in their capacity as directors of LBC Bank in a complaint for violation of Section 55.1 (a) of the General Banking Law and Subsection X306.3 of the Manual of Regulations for Banks in relation to Section 36 of the New Central Bank Act that was filed by the Bangko Sentral ng Pilipinas (BSP) with the DOJ. The complaint is entitled *"Bangko Sentral ng Pilipinas vs. Ma. Eliza G. Berenguer, et. al."* and docketed as NPS Docket No. XVI-INV-16L-00383. The complaint alleged that the amortizations for certain loans by related parties were allegedly simulated and that the Bank did not receive actual payment. Furthermore, the same loans by such related parties were allowed to be renewed and restructured under terms favourable to the borrowers, to the prejudice of the bank. The case is currently undergoing preliminary investigation before the city prosecutor. The Aranetas have denied the accusations and emphasized that they were not aware of nor did they participate in any alleged simulation of payments. They also maintain that the evidence filed by the BSP does not show their knowledge or involvement. They also approved the renewal and restructuring terms only after the Credit Group of LBC Bank performed due diligence and made recommendations.

In a resolution dated 29 June 2022, the investigating prosecutor found probable cause to charge the Aranetas and other respondents with 2 counts of violating Sec. 55.1(a) of RA 8791 in relation to Sec. 36 of RA 7653 and 1 count for violating Subsection X306.3 of the MORB in relation to Sec.36 of RA 7653. The Aranetas and other respondents filed a Petition for Review to the SOJ on 29 July 2022, appealing the adverse resolution. The SOJ issued a resolution dated 6 October 2022, denying the appeal but the Aranetas filed a motion for reconsideration 14 October 2022. The motion for reconsideration is still pending resolution of the SOJ.

In the meantime, the Makati City Prosecutor proceeded to file the aforementioned 3 criminal charges against the Aranetas, which were docketed as Criminal Case Nos. R-MKT-22-02606, Criminal Case Nos. R-MKT-22-02607, and Criminal Case Nos. R-MKT-22-02608 and raffled to Branch 137 of the Makati City Regional Trial Court (Makati RTC). The Aranetas have all been admitted to bail and allowed provisional liberty. The arraignment and pre-trial is currently scheduled on 29 November 2022, in light of the pending appeals to the SOJ and a motion to quash and dismiss the informations filed by the Aranetas and other accused.

O 16 November 2018, Mr. Santiago Araneta and Mr. Juan Carlos Araneta received, via registered mail, letters from the BSP ISD II, informing them that the Monetary Board, under Resolution No. 1716 dated 28 October 2018 has approved the inclusion of their names in the BSP Masterlist of Watchlisted Persons – Disqualification File "B" (Temporary) (the "BSP Watchlist") and temporarily disqualifying them from becoming a director and/or officer in any BSP-supervised financial institution. Mr. Fernando Araneta received the same letter on 21 November 2018. As a result of their inclusion in the BSP Watchlist, Mr. Santiago Araneta and Mr. Fernando Araneta vacated their positions as directors of LBC Express, and an election was held last 6 December 2018 to fill in the positions they vacated.

All of the legal proceedings against any director, officer, and controlling person are all updated as of date of the Information Statement.

Certain Relationships and Related Transactions

LBC Express Holdings and its subsidiaries in their ordinary course of business, engage in transactions with related parties and affiliates consisting of its parent company (LBC Development Corporation) and entities under common control. These transactions include royalty, service and management fee arrangements and loans and advances.

It is a policy of the Company that related party transactions are entered into on terms which are not more favorable to the related party than those generally available to third parties dealing at arm's length basis and are not detrimental to unrelated shareholders. All related party transactions shall be reviewed by the appropriate approving authority, as may be determined by the board of directors. In the event of a related party transaction involving a director, the relevant director should make a full disclosure of any actual or potential conflict of interest and must abstain from participating in the deliberation and voting on the approval of the proposed transaction and any action to be taken to address the conflict.

Please refer to Note 18 (Related Party Transactions) of the Notes to the 2021 Consolidated Financial Statements.

The Company, inclusive of its subsidiaries (collectively, the "Group") has the following major transactions with related parties:

Royalty Fee and Licensing Agreement with Parent Company

LBCE, a subsidiary of the Company, and LBC Development Corporation have entered into a trademark licensing agreement dated 29 November 2007 under which LBC Development Corporation has granted the LBCE the full and exclusive right within the Philippines to use LBC Marks including the names "LBCE," "LBC Express," "LBC", "Hari Ng Padala" (Tagalog for "King of Forwarding Services"), "We Like to Move It", and "WWW.LBCEXPRESS.COM" as well as the "LBC" corporate logo, the "Team LBC Hari Ng Padala" logo, and the "We Like to Move It" logo.

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

Cash Advances to and from Related Parties

The Group 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.

Fulfillment Fee and Brokerage Fee

In the normal course of business, the Group fulfills the delivery of balikbayan boxes, documents, parcels and money remittances, 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 based on agreed rates.

LBCE acquires services from Orient Freight International Incorporated, which include sea freight and brokerage mainly for the cargoes coming from international origins. These expenses are billed to the origins at cost.

Guarantee Fee

LBCE entered into a loan agreement with BDO which is secured with real estate mortgage on various real estate properties owned by the Group's affiliate. In consideration of the affiliate's accommodation to the LBCE request to use these properties as loan collateral, the Group agreed to pay the affiliate, every April 1 of the year starting 1 April 2016, a guarantee fee of 1% of the outstanding loan and until said properties are released by the bank as loan collateral. On 15 April 2021, the Board of Directors of the Company approved the collateralization of the Company's time deposit of up to Php 437,100,000 by way of hold-out on such amount, in substitution of the aforementioned affiliate's property collateral.

Business Combinations

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

On 1 July 2019, LBCE sold all its QUADX Inc. shares to LBC Development Corporation for ₱186.02 million, payable no later than two years from the date of sale, subject to any extension as may be agreed in writing by the parties. On the same date, LBCE, LBC Development Corporation and QUADX Inc. entered into a Deed of Assignment of Receivables whereas LBCE agreed to assign, transfer and convey its receivables from QUADX Inc. as of 31 March 2019 amounting to ₱832.64 million to LBC Development Corporation which shall be paid in full, from time to time starting 1 July 2019 and no later than two years from the date of the execution of the Deed, subject to any extension as may be agreed in writing by LBCE and LBC Development Corporation . In July 2021, LBCE and LBCDC entered into amended agreements to extend payment of consideration for the sale of QUADX shares and the Assignment of Receivables to a date no later than two years form the amendment.

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

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

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

On 17 December 2020, TBAI's application of its authorized capital stock for Preferred A and B Shares was approved by SEC. The approval resulted to the conversion of the 20,000,000 Common Shares purchased by LBCE from the common shareholder to 20,000,000 non-voting Preferred A Shares and 1,250 Common Shares will then represent 24.86% of the total outstanding Common Shares. Please refer to the Notes of the 2020 Consolidated Financial Statements of the Group, under p. 68 thereof, under the section "18 – Related Party Transactions – (g)".

Notes receivable

In November 2011, LBC Mundial Corporation paid-off LBC Express Holdings USA Corporation's outstanding mortgage loan which is consolidated into a long-term promissory note amounting to US$ 1,105,148 at 4% interest, payable in 180 equal monthly installments. As of 31 December 2021, total outstanding notes receivable amounted to ₱22.39 million, ₱18.26 million of which is presented as noncurrent under "Other noncurrent assets". Interest income earned from notes receivable amounted to P0.80 million and P1.16 million for the years ended December 31, 2021 and 2020.

Dividend Declaration of the Company

On 19 October 2020, the Board of Directors of the Company approved the declaration of cash dividends amounting to ₱285.17 million or ₱0.20 for every issued and outstanding share.

On 12 September 2019, the Board of Directors of the Company approved the declaration of cash dividends amounting to P356.47 million or ₱0.25 for every issued and outstanding share.

On 20 December 2018, the Board of Directors of the Company approved the declaration of cash dividends amounting to ₱285.17 million or ₱0.20 for every issued and outstanding share.

On 8 February 2019, through a Memorandum of Agreement, LBC Development Corporation and the Company agreed to offset the dividends payable by the Company to LBC Development Corporation against the latter's payable to the Group amounting to ₱229.37 million of the total amount of dividends declared by the Company as aforesaid. The ₱241.19 million pertains to the share in dividends of LBC Development Corporation while the ₱43.98 million pertains to the share of other minority shareholders in the Company.

Dividend Declaration of Foreign Subsidiaries

On 7 May 2019, the BOD of LBC Express Shipping Company WLL (Kuwait) declared cash dividends of KWD 2,500 per common share held by stockholders. The related noncontrolling interest amounting to P20.93 million is presented in the 2019 consolidated statement of changes in equity.

On 15 November 2020, the BOD of LBC Mabuhay (Malaysia) Sdn Bhd declared cash dividends of P20.18 million (MYR 1,700,000). The related dividends to noncontrolling interest amounting to P1.75 million (MYR 127,503) was paid in 2021.

On 5 November 2020, the BOD of LBC Express Shipping Company WLL (Kuwait) declared cash dividends of KWD 800 per common share held by stockholders. The related dividends to noncontrolling interest amounting to P6.51 million is presented in the 2020 consolidated statement of changes in equity.

On 27 October 2020, the BOD of LBC Mabuhay Remittance Sdn Bhd declared cash dividends of BND300,000 (P10.74 million). The related dividends to noncontrolling interest amounting to BND150,000 (P5.38 million) is presented in the 2020 consolidated statement of changes in equity.

On 21 March 2022, the BOD of LBC Express Shipping Company WLL (Kuwait) declared cash dividends of KWD 600 per common share. The record date of entitlement to the said cash dividend is on November 30, 2021.

Appraisals and Performance Report of the Board

As of date, there is no formal appraisal or assessment process in respect of Board performance, although attendance by directors in board meetings are strictly monitored.

Resignation of Directors

Ms. Solita V. Delantar resigned as an independent director, Chairwoman of the Audit Committee, member of the Corporate Governance Committee, and member of the Board Risk Oversight Committee of LBC Express Holdings, Inc. effective on 15 July 2022. Such resignation was not due to any disagreement with the Company relative to its operations, policies and practices.

Apart from the foregoing, no other director has resigned from, or declined to stand for re-election to the Board since the date of the 2021 Annual Stockholders' Meeting.

<u>Item 6. Compensation of Directors and Executive Officers</u>

Compensation

The Company's president and its next highest-ranking officers are as follows:

Name	Position
Miguel Angel A. Camahort	Chief Executive Office, Chairman of the Board, and President
Enrique V. Rey, Jr.	Chief Finance Officer, Investor Relations Officer, and Chief Risk Officer
Rosalie H. Infantado	Treasurer
Cristina S. Palma Gil-Fernandez	Corporate Secretary
Mahleene G. Go	Assistant Corporate Secretary, Corporate Information Officer and Compliance Officer

The following table identifies and summarizes the aggregate compensation of the Company's President and the four most highly compensated executive officers of the Company in fiscal years 2019, 2020, and 2021, and 2022 (projected):

	Year	Salary	Bonus	Others	Total[1]
					(₱)

	Year	Salary	Bonus	Others	Total[1]
					(₱)
President and the four most highly compensated executive officers named above and aggregate compensation paid to all officers as a group[5]	December 2018 to November 2019	50,282,697	11,932,424	12,256,929	74,472,050
	December 2019 to November 2020	55,203,935	6,993,147	14,182,316	76,379,398
	December 2020 to November 2021	61,153,534	0	15,556,736	76,710,270
	December 2021 to September 2022	49,401,391	0	13,098,695	62,500,086
	Projected October and November 2022	12,145,747	0	2,629,100	14,774,847

Note:

(1) Includes salary, bonuses and other income.

The President, the Chief Finance Officer and the Treasurer do not receive any compensation from the Company. The compensation of those three officers is paid by the Company's subsidiary, LBC Express. The individuals who hold those positions, Mr. Camahort, Mr. Rey, Ms. Infantado, and Mr. Baquiran, have been working for the Group even prior to the Corporate Reorganization of the Company in 2015 which resulted in the Company becoming the parent company of LBC Express. After such Corporate Reorganization, the compensation for services they rendered to the Group continued to be paid by LBC Express.

The incumbent Corporate Secretary, Assistant Corporate Secretary/Corporate Information Officer/Compliance Officer, and Alternate Corporate Information Officer are not executive officers of the Company. They do not receive any compensation from the Company in their personal capacities as such officers.

The said positions are filled-in by Picazo Buyco Tan Fider and Santos ("Picazo Law"), retained counsel of the Company. Picazo Law provides its lawyers to service the requirements of the Company, pursuant to a retainer agreement for general and external legal services, in consideration for which Picazo Law is paid its standard retainer fees.

EMPLOYMENT CONTRACTS

Standard Arrangement

Other than payment of reasonable per diem as may be determined by the Board for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or were compensated, directly or indirectly, for any services provided as a director and for their committee participation or special assignments for 2010 up to the present.

[5] This aggregate compensation amount excludes Atty. Fernandez and Atty. Go, who are not employees of the Company. They do not receive any compensation from the Company in their personal capacities as such officers.

Other Arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or to be compensated, directly or indirectly, during 2021 for any service provided as a director.

Warrants and Options Outstanding

There are no outstanding warrants or options held by the President, the named executive officers, and all officers and directors as a group.

Item 7. Independent Public Accountants

The external auditor of the Company is the accounting firm of SyCip Gorres Velayo & Co. ("SGV & Co."). The Board, upon the recommendation of the Company's Audit Committee, approved the reappointment of SGV & Co. as the Company's independent auditor for 2021 based on their performance and qualifications.

The reappointment of SGV and Co. will be presented to the stockholders for their approval at the Annual Stockholders' Meeting.

Representatives of SGV & Co. for the current year and for the most recently completed fiscal year are expected to be present at the Annual Stockholders' Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The consolidated financial statements of the Company as of and for the year ended 31 December 2021, 2020, 2019, and 2018 were audited by SGV & Co., a member firm of Ernst & Young Global Limited.

SGV & Co. has acted as the Company's independent auditor since fiscal year 2014. Dolmar C. Montanez is the current audit partner for the Company and has served as such since fiscal year 2014. The Company has not had any material disagreements on accounting and financial disclosures with its current independent auditor for the same periods or any subsequent interim period. SGV & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

Audit and Audit-related Fees

The following table sets forth the aggregate fees billed for each of the last two years for professional services rendered by SGV & Co.:

	2021	**2020**
	(₱ in millions)	**(₱ in millions)**
In millions		
Audit and Audit-Related Fees(1)	₱2.01	₱5.63
Total	₱2.01	₱5.63

(1) *Audit and Audit-Related Fees. This category includes the audit of annual financial statements, review of interim financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years*

In relation to the audit of the Company's annual financial statements, the Company's Corporate Governance Manual, provides that the audit committee shall, among other activities, (i) review the reports submitted by the internal and external auditors; (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors; and (iii) coordinate, monitor and facilitate compliance with laws, rules and regulations.

The Audit Committee consists of at least three appropriately qualified non-executive members of the board of directors, the majority of whom, including the Chairman, is an Independent Director. The Audit Committee, with respect to an external audit, shall:

(i) Perform oversight functions over the Company's external auditors. The Audit Committee should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.

(ii) Prior to the commencement of the audit, discuss with the external auditor the nature, scope, and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.

(iii) Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's annual report.

(iv) Review the reports submitted by the external auditors.

Item 8. Compensation Plans

During the Annual Stockholders' Meeting held on 13 August 2007, the stockholders owning or representing at least two thirds (2/3) of the outstanding capital stock approved the stock option for the Company's deserving employees, officers and board members to be derived from the Company's unissued authorized capital stock up to the extent of ten percent (10%) of the outstanding capital stock of the Company, subject for approval by the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE).

The terms and conditions governing the stock option plan still have to be determined and approved by the Board of Directors. The application for said stock option plan has not been filed yet with the SEC and PSE. There are no stock warrants or options outstanding.

While the Company currently does not have any intention of issuing stock option plans, it reserves the right to issue the same in the future subject to applicable regulations.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

There are no actions or matters to be discussed in the Annual Stockholders' Meeting with respect to the authorization or issuance of any securities.

Item 10. Modification or Exchange of Securities

There are no actions or matters to be discussed in the Annual Stockholders' Meeting with respect to the modification of any class of securities of the Company, or the issuance or authorization for issuance of one (1) class of securities of the Company in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

(i) Management's Discussion and Analysis of Financial Condition and Results of Operations are attached hereto as **Annex "D"**.

(ii) The Annual Report for the year ended 31 December 2021 are attached hereto as **Annex "E"**.

(iii) The Quarterly Report for the quarter ending 30 June 2022 is attached herewith as **Annex "F".**

Item 12. Mergers, Consolidations, Acquisitions, and Similar Matters

There are no actions or matters to be discussed in the Annual Stockholders' Meeting with respect to mergers, consolidations, acquisitions, sales, or other transfers of all or any substantial part of the assets of the Company, liquidation or dissolution of the Company, and similar matters.

Description of the business of the registrant and its significant subsidiaries

As of 31 October 2022, this is the list of the subsidiaries of LBCH:

	Country of incorporation	Principal activities
LBCE	Philippines	Logistics and money remittance
LBC Express - MM, Inc.	Philippines	Logistics and money remittance
LBC Express - CL, Inc.	Philippines	Logistics and money remittance
LBC Express - NL, Inc.	Philippines	Logistics and money remittance
LBC Express - VIS, Inc.	Philippines	Logistics and money remittance
LBC Express - SL, Inc.	Philippines	Logistics and money remittance
LBC Express - SCS, Inc.	Philippines	Logistics and money remittance
LBC Express Corporate Solutions, Inc.	Philippines	Logistics and money remittance
LBC Express - CMM, Inc.	Philippines	Logistics and money remittance
LBC Express - EMM, Inc.	Philippines	Logistics and money remittance
LBC Express - MIN, Inc.	Philippines	Logistics and money remittance
LBC Express - SMM, Inc.	Philippines	Logistics and money remittance
LBC Express - SEL, Inc.	Philippines	Logistics and money remittance
LBC Express - WVIS, Inc.	Philippines	Logistics and money remittance
LBC Express - SEM, Inc.	Philippines	Logistics and money remittance
LBC Express - SCC, Inc.	Philippines	Logistics and money remittance
South Mindanao Courier Co., Inc.	Philippines	Logistics and money remittance
LBC Express - NEMM, Inc.	Philippines	Logistics and money remittance
LBC Express - NWMM, Inc.	Philippines	Logistics and money remittance
LBC Systems, Inc.	Philippines	Logistics and money remittance
LBC Express Bahrain WLL	Bahrain	Logistics
LBC Express Shipping Company WLL	Kuwait	Logistics
LBC Express LLC (1)	Qatar	Logistics
LBC Mabuhay Saipan Inc.	Saipan	Logistics and money remittance
LBC Aircargo (S) PTE. LTD	Singapore	Logistics
LBC Express Airfreight (S) PTE. LTD.	Singapore	Logistics
LBC Money Transfer PTY Limited	Australia	Money remittance
LBC Australia PTY Limited	Australia	Logistics
LBC Mabuhay (Malaysia) SDN BHD.	Malaysia	Logistics
QuadX Pte. Ltd.	Singapore	Digital logistics

	Country of incorporation	Principal activities
LBC Mabuhay (B) Sdn Bhd	Brunei	Logistics
LBC Mabuhay Remittance Sdn Bhd	Brunei	Money remittance
LBC Mundial Corporation	United States of America	Logistics and money remittance
LBC Mundial Nevada Corporation	United States of America	Logistics and money remittance
LBC Business Solutions North America Corp. (2)		
LBC Mabuhay North America Corporation	United States of America	Logistics and money remittance
LBC Mundial Cargo Corporation	Canada	Logistics
LBC Mabuhay Remittance Corporation	Canada	Money remittance
LBC Mabuhay Hawaii Corporation	United States of America	Logistics and money remittance
Mermaid Co., Ltd	Japan	Logistics

Note:

1) This entity is a subsidiary of LBC Express Shipping Company WLL which has 49% ownership interest.
2) On 1 January 12021, LBC Mundial Corporation acquired 100% ownership interest of LBC Business Solutions North America Corp.

On 31 October 2019, the Board of Directors of the Company approved the purchase of 100% of the shares in Mermaid Co., Ltd., a company which is engaged in providing services for the shipping of household and other goods from expatriates living in Japan to their respective home countries, known as the “Balikbayan Box”.

On 12 December 2019, the purchase of Mermaid Co. Ltd. was completed upon approval of the relevant government agencies.

Patents, Trademarks, Licenses, Franchises, Concessions, Royalty, Agreement or Labor contracts including duration

The Company uses a variety of registered names and marks, including the names “LBCE,” “LBC Express,” “LBC”, “Hari Ng Padala” (Filipino for “King of Forwarding Services”) and “WWW.LBCEXPRESS.COM” as well as the traditional and the re-designed “LBC” corporate logos (including the new slogan “We like to move it”), the “Team LBC Hari Ng Padala” logo and “LBC Remit Express” logo in connection with its business. Except for the “LBC Remit Express” design and logo registered on 26 July 2012 and expires on 26 July 2022) and the LBC in rectangular box and Pesopak logo (registered on 31 May 2012 and expires on 31 May 2022), which are owned directly by the Company, these marks (collectively, the “LBC Marks”) are owned and licensed to the Company by LBC Development Corporation, the Company’s parent company, pursuant to a trademark licensing agreement entered into on 9 November 2007. Under the terms of this agreement, the Company has the full and exclusive right to utilize the LBC Marks in consideration for a fixed royalty fee of 3.5% of the Company’s annual gross revenues (defined as all revenue from sales of products and services, direct and indirect, relating to the Company’s business operations). Pursuant to an addendum signed on 25 October 2013, the fixed royalty fee was lowered to 2.5%, effective 1 December 2013. Under the agreement, the Company also has the right to extend the use of the LBC marks to its subsidiaries (defined as companies in which the Company holds at least 67% of the voting rights) within the Philippines, as well as to its remittance and cargo/courier/freight forwarding fulfillment service partners and agents in the Philippines and abroad, subject to certain terms and conditions. In practice, foreign agents of the Company are granted very limited use of the “LBC” brand and logos pursuant to the individual agency agreements entered into between them and the Company.

The LBC Marks have also been registered in each major jurisdiction in the Company’s international network. LBC Development Corporation is currently in the process of registering the LBC Marks in the International Register pursuant to the Protocol Relating to the Madrid Agreement (the “Protocol”), which will grant the LBC Marks intellectual property protection in the jurisdictions of all Contracting Parties (as such term is defined in the Protocol). LBC Development Corporation is also currently in the process of registering the LBC Marks in jurisdictions within the Company's international network not covered by the Protocol.

On 4 August 2017, the trade licensing agreement was amended and both parties agreed to discontinue royalty payments for the use of LBC Marks in recognition of LBCE's own contribution to the value and goodwill of the trademark effective 4 September 2017.

Governmental approval of principal products and services

Republic Act No. 776 ("RA 776") and Executive Order No. 514 ("EO 514") are the principal statutes that provide the regulatory framework for freight forwarding by air and sea, respectively.

Freight Forwarding by Air

Under RA 776, an air freight forwarder is defined as an indirect air carrier which, in the ordinary and usual course of its undertaking, assembles and consolidates or provides for assembling and consolidating such property or performs or provides for the performance of break-bulk and distributing operations with respect to consolidated shipments, and is responsible for the transportation of property from the point of receipt to point of destination and utilizes for the whole or any part of such transportation the services of a direct air carrier. As mandated by RA 776, an airfreight forwarder shall only be allowed to engage in its allowed activities as stated in the law if it has, in force, a permit or any other form of authorization issued by the Civil Aeronautics Board ("CAB"). RA 776 states that only "citizens of the Philippines" may engage in domestic air commerce or air transportation, which includes air freight forwarding. For this purpose, a "citizen of the Philippines" means (a) an individual who is a citizen of the Philippines, or (b) a partnership of which each member is such an individual, or (c) a corporation or association created or organized under the laws of the Philippines, of which the directing head and two-thirds or more of the Board of Directors and other managing officers are citizens of the Philippines, and in which 60% of the voting interest is owned or controlled by persons who are citizens of the Philippines.

Each permit/certificate issued by the CAB shall be effective from the date specified therein and shall continue in effect until suspended or revoked or until the CAB shall certify that operation thereunder has ceased. If any service authorized by a permit/certificate is not inaugurated within a period of 90 days after the date of authorization as shall be fixed by the CAB or after such other period as may be designated by the CAB, the CAB may by order or direct that such permit/certificate shall thereupon cease to be effective to the extent of such service. No permit/certificate shall be issued for a period of more than 25 years.

Freight Forwarding by Sea

Under EO 514, the Philippine Shippers' Council was converted into a regular agency of the Department of Trade and Industry ("DTI") known as Philippine Shippers' Bureau ("PSB").

Under the PSB Rules, an international freight forwarder ("IFF") is defined as a local entity that acts as a cargo intermediary and facilitates transport of goods on behalf of its client without assuming the role of a carrier. An IFF can also perform other forwarding services, such as booking cargo space, negotiating freight rates, preparing documents, advancing freight payments, providing packing/crating, trucking and warehousing, engaging as an agent/representative of a foreign Non-Vessel Operating Common Carrier ("NVOCC") cargo consolidator named in a Master Bill of Lading as consignee of a consolidated shipment, and other related undertakings. The required minimum paid up capital of an IFF is ₱2,000,000.00 while its required minimum insurance coverage is ₱500,000.00. In contrast, a domestic freight forwarder ("DFF") is defined as an entity that facilitates and provides the transport of cargo and distribution of goods within the Philippines on behalf of its client. The required minimum capital of a DFF is ₱250,000.00 while its required minimum insurance coverage is ₱250,000.00.

An IFF and DFF shall secure an accreditation with the PSB in order to conduct sea freight forwarding activities. The PSB issues a Certificate of Accreditation to a DFF and IFF to engage in the specific sea freight forwarding functions and/or category/ies it can operate. Every branch of a DFF and IFF must first be accredited before said branch can legally engage in the freight forwarding business. The Certificate of Accreditation has a life span of two years unless sooner cancelled under the PSB Rules. Its life span may also be cut short when it is automatically, or deemed revoked. The said Certificate shall not be transferred, alienated or inherited, in any manner. Official representatives of an accredited IFF or DFF firm are required to obtain PSB IDs. The life span of a PSB ID is co-terminus with the life span of the Certificate of Accreditation. Thus, the cancellation, suspension, expiration or automatic/deemed revocation of the Certificate of Accreditation shall result in the automatic cancellation, suspension, expiration or revocation of the PSB ID.

Regulation of Private Express and Messengerial Delivery Services in the Philippines

Under Republic Act No. 7354, otherwise known as the "Postal Service Act of 1992", the Department of Transportation and Communications (the "DOTC") was given the exclusive power and authority to regulate the postal delivery services industry or those engaged in domestic postal commerce, including the registration and prequalification of any natural or juridical person, other than freight forwarders, who engage in the business of letter and parcel messengerial services, door-to-door delivery, or the transporting of the property of others that are similar to mail or parcel. Pursuant to such authority, on 23 January 2001, the DOTC issued Department Circular No. 2001-01 known as the "Rules and Regulations in the Processing, Hearing and Adjudication of Applications for Authority to Operate Private Express and/or Messenger Delivery Service, and in Investigation of Complaints in connection with the Operation of such Services" (the "DOTC Rules").

The DOTC Rules provide that only Filipino citizens or corporations or partnerships duly registered with the Securities and Exchange Commission, at least 60% of whose capital stock or shares is owned by Filipino citizens may apply to operate private express and/or messenger delivery services in the Philippines. Further, the executive and managing officers of such applicant are also required to be citizens of the Philippines. If assessed favorably, and after complying with the substantive and procedural requirements under the DOTC Rules, the applicant may be granted an authority by the Secretary of the DOTC to operate private express and/or messenger delivery services, which authority may be renewed, upon application, on a graduated scale (i.e., 1 to 5 years) and shall be renewable thereafter every five years. A copy of the authority granted shall also be furnished to the Private Express and Messengerial Association of the Philippines. Moreover, the authority granted may be amended, suspended, or cancelled when the public interest so requires or whenever the holder thereof has violated any order, rule or regulation prescribed by the DOTC.

The Commission on Information and Communication Technology ("CICT") was created in 2004 and attached to the Office of the President by Executive Order No. 269. The CICT was the primary policy, implementing, and regulating entity for the promotion and development of integrated and strategic information and communications technology systems and communication facilities and services. Among the functions transferred to the CICT included the responsibilities of the DOTC relating to communications, and the authority to establish and prescribe rules and regulations for the operation and maintenance of a nationwide postal system that shall include mail processing, delivery services, and money order services.

In 2011, President Aquino issued Executive Order No. 47 renaming the CICT as the Information and Communications Technology Office ("ICTO"), transferring the former's functions to the latter, and placed the ICTO under the technical and administrative supervision of Department of Science and Technology ("DOST"). Among others, the ICTO is tasked with the implementation of the government's ICT-related initiatives.

Applications for authority or renewal of authority to operate private express and/or messengerial delivery entities as described earlier, are currently dealt with by the ICTO.

Regulation of Remittance Agents in the Philippines

Under BSP Circular No. 471, series of 2005, all qualified persons or non-bank institutions who intend to act as foreign exchange dealers/money changers and/or remittance agents are required to register with the BSP, before they can operate as such. Upon approval of the application of the foreign exchange dealer/money changer or remittance agent, a certificate of registration shall be issued by the BSP.

All foreign exchange dealers/money changers and/or remittance agents are likewise required to comply with the applicable provisions of Republic Act No. 7653 (The New Central Bank Act) and Republic Act No. 9160, as amended by Republic Act No. 9194, and further amended by Republic Act No. 10167, or the Philippine Anti-Money Laundering Act of 2001.

Effect of existing or probable government regulations on the business

The Company has been intently monitoring the effects of Republic Act No. 10963, otherwise known as the “Tax Reform for Acceleration and Inclusion” Act (the “TRAIN Act”) on prices, focusing on utilities and oil as these have a direct and indirect effect on the Company’s costs. The second package of Corporate Tax Reform Program, was formerly known as the Corporate Income Tax and Incentives Reform Act (“**CITIRA**”), and is now referred to as the Corporate Recovery and Tax Incentives for Enterprises Act (“**CREATE**”). On 26 November 2020, the Senate approved CREATE on third and final reading through Senate Bill No. 1357. On 3 February 2021, CREATE was ratified by Congress, and on 26 March 2021, CREATE was signed into law. CREATE reforms corporate income tax rates and certain tax incentives such as income tax holidays currently being enjoyed by entities such as those registered with the PEZA.

As the Company continues to expand its branch network, warehouse & distribution network, an increase in utility and oil prices will affect the Company’s costs which are directed to support increases in sales volumes. The Company is likewise preparing for the effects that an increase oil prices may have on its carriers and service partners (airlines, shipping lines, trucking companies).

Aside from the TRAIN Law, there are no existing or probable governmental regulation that are material to the business of the Company.

Major risks involved in each of the business of the company and subsidiaries.

A significant portion of the Company’s business activities are conducted in the Philippines and a significant portion of its assets are located in the Philippines, which exposes the Company and its subsidiaries to risks associated with the Philippines, including the performance of, and impacts of global conditions on, the Philippine economy. Some of these risks include the following:

- Any political instability in the Philippines may adversely affect the Company’s business, results of operations or financial condition.
- There is no guarantee that future events will not cause political instability in the Philippines. Such instability may disrupt the country and its economy, as well as commercial traffic into and out of the Philippines, which could materially and adversely affect the Company’s business, financial condition and results of operations. Acts of terrorism, clashes with separatist groups and violent crimes could destabilize the country and could have a material adverse effect on the Company’s business and financial condition.
- Territorial and other disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.
- Investors may face difficulties enforcing judgments against the Company.
- Corporate governance and disclosure standards in the Philippines may be less stringent than those in other countries.
- The sovereign credit ratings of the Philippines may adversely affect the Company’s business.
- The occurrence of natural catastrophes could adversely affect the Company’s business, financial condition or results of operations.
- Volatility in the value of the Peso against the U.S. dollar and other currencies could adversely affect the Company’s business.

Legal Proceedings

Due to the nature of the Group’s business, it is involved in various legal proceedings, both as plaintiff and defendant, from time to time. Such litigation involves, among others, claims against the Group for non-delivery, loss or theft of packages and documents, mis-release of remittances, labor disputes, as well as cases filed by the Group against employees and others for theft and similar offenses.

Except as disclosed below, neither the Company nor any of its Subsidiaries have been or are involved in, or the subject of, any governmental, legal or arbitration proceedings which, if determined adversely to the Company or the relevant Subsidiary's interests, would have a material effect on the business or financial position of the Company or any of its Subsidiaries.

On 2 November 2015, LBC Bank, through its receiver/liquidator, the PDIC, filed a case against LBC Express and LBC Development Corporation, together with other respondents, for a total collection of ₱1.82 billion. The PDIC seeks to collect allegedly unpaid service fees due from June 2006 to August 2011 and service charges on remittance transactions from January 2010 to September 2011. The case is entitled "LBC Development Bank, as represented by its receiver/liquidator, the Philippine Deposit Insurance Corporation, vs. LBC Express, Inc., LBC Development Corporation, LBC Properties, Inc., Juan Carlos Araneta, Santiago G. Araneta, Fernando G. Araneta, Monica G. Araneta, Carlos G. Araneta, Ma. Eliza G. Berenguer, Ofelia F. Cuevas, Apolonia L. Ilio, Joseph Jeffrey Rodriguez, and Arlan T. Jurado," and docketed as Civil Case No. 15-1258. It was initially raffled to Branch 143 of the Makati City Regional Trial Court.

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

On 12 January 2016, LBC Express and LBC Development Corporation filed with the court a Motion to Dismiss the Complaint for the collection of the sum of ₱1.82 billion. Also on 21 January 2016, they filed an Urgent Motion to Approve the Counterbond and Discharge the Writ of Attachment.

On 17 February 2016, the court issued an order to lifting and setting aside the writ of preliminary attachment. The said order directed the sheriff of the court to deliver to LBC Express. and LBC Development Corporation all properties previously garnished pursuant to the writ of preliminary attachment. The counterbond delivered by LBC Express and LBC Development Corporation, which is for an amount equal to ₱1.82 billion, the total amount of the claim, shall stand in place of the properties so released and shall serve as security to satisfy any final judgement against LBC Express or LBC Development Corporation in the case. Furthermore, LBC Development Corporation has expressly undertaken to both the Company and LBC Express to fund, through additional equity in LBC Express, any amount that the latter may be adjudged to pay in the case.

Pursuant to the said order setting aside the writ of preliminary attachment and garnishment, RCBC Stock Transfer Department has effected, as of 13 July 2016, the lifting of the (i) tagging of LBC Express Development Corporation's 1,205,974,632 shares in the Company and (ii) garnishment of PLDT preferred shares of LBC Development Corporation.

In a Joint Resolution dated 28 June 2016, the court resolved to deny the Motion to Dismiss filed by LBC Express, as well as the other defendants. On 18 July 2016, LBC Express, together with the other defendants, filed motions for reconsideration of the Joint Resolution. In its Resolution dated 16 February 2017, the court resolved to deny the defendants' Motion for Reconsideration and directed the defendants to file their respective Answers within the remaining period. On 24, April 2017, LBC Express and LBC Development Corporation filed a Petition for Certiorari with the Court of Appeals, assailing the Joint Resolution denying the motions to dismiss. The Petition for Certiorari is entitled "LBC Express, Inc. and LBC Development Corporation vs. Hon. Maximo M. De Leon and LBC Development Bank, as represented by its receiver/liquidator, the Philippine Deposit Insurance Corporation," and docketed as CA-G.R. SP No. 150698.

On 10 April 2017, the other defendants filed their respective Answers while LBC Express and LBC Development Corporation filed their Answer on 11 April 2017. Initially, the court issued a resolution dated 15 June 2017 declaring the LBC Express, LBC Development Corporation and the other defendants in default. On 7 July 2017, LBC Express, LBC Development Corporation and the other defendants filed their respective Verified Omnibus Motions for Reconsideration, to Lift the Order of Default, and to Suspend Proceedings, praying for the reversal of the order of default and the suspension of the proceedings pending such motion. The other defendants also filed an Urgent Motion for Inhibition. The court then issued a Joint Resolution dated 20 July 2017, lifting the order of default and admitting all of the Answers filed by the defendants, including LBC Express and LBC Development Corporation. The judge of Branch 143 also granted the urgent motion for inhibition and the case was re-raffled to Branch 142. The PDIC filed a Motion for Reconsideration dated 7 August 2017 of the Joint Resolution. The defendants, including LBC Express and LBC Development Corporation, have filed oppositions and the said motion is currently pending resolution.

The parties were then referred to mediation and Judicial Dispute Resolution (JDR) in order to discuss the possibility of amicable settlement. Although LBC Express is open to an amicable settlement, negotiations did not prosper and mediation was terminated on 8 December 2017, while JDR was terminated on 19 January 2018.

The case was re-raffled to Branch 134 of the Makati RTC. The Acting Presiding Judge issued an Order dated 12 April 2018, setting the case for preliminary conference on 31 May 2018. However, the counsels have agreed to file a joint motion to defer or suspend the preliminary conference, in order to continue the discussion of an amicable settlement. The PDIC, LBC Express, LBC Development Corporation, and the other defendants filed a Joint Motion to Suspend Proceedings, praying that the Makati RTC postpone pre-trial in order to give the parties an additional opportunity to discuss amicable settlement. In the Order dated 25 May 2018, the Makati RTC granted said Joint Motion, suspending the proceedings and deferring the pre-trial to 6 September 2018.
Thereafter, a new Presiding Judge was appointed to Branch 134 of the Makati RTC, and subsequently the scheduled pre-trial on 6 September 2018 was deferred by the new Presiding Judge.

On or about 3 September 2018, the PDIC filed a motion to issue alias summons to five (5) individual defendants, who were former officers and directors of LBC Bank. For reasons not explained by the PDIC, it had failed to cause the service of summons upon five of the individual defendants and hence, the court had not acquired jurisdiction over them.

On 26 October 2018, the Motion to Defer Pre-Trial scheduled on 15 November 2018 was filed because the PDIC was still trying to serve summons on the five (5) individual defendants and thus, for orderly proceedings, pre-trial should be deferred until the court acquires jurisdiction over them.

At the hearing held on 9 November 2018, which the PDIC did not attend, the judge directed the PDIC's counsel to coordinate with the Sheriff and cause the service of summons promptly. The judge then rescheduled the pre-trial to 23 January 2019. On 21 November 2018, the comment from the PDIC was received, arguing that pre-trial can proceed, even without the presence of the five (5) individuals because they are merely necessary parties to the case, and not indispensable parties.

As of early January 2019, the alias summons was served on only two of the individual defendants, who filed their respective Motions to Dismiss in November 2018 and January 2019. The PDIC filed its comments thereto and both Motions to Dismiss were deemed submitted for resolution.

On 18 January 2019, the PDIC filed a Pre-Trial Brief. LBC Express, LBC Development Corporation and the other defendants, on 21 January 2019, filed a Motion, asking the court to direct the PDIC to explain in writing its compliance with the previous order to cause the service of summons on the remaining five (5) individual defendants and to defer pre-trial until the court has acquired jurisdiction over them.

On 23 January 2019, the Judge ordered the PDIC to file its comment to the Motion and rescheduled the pre-trial to 21 February 2019.

The PDIC filed a Comment with Motion to Declare Defendants in Default, arguing that the pre-trial should proceed and that the current defendants are just delaying the proceedings. The PDIC also explained its efforts to serve summons on the five (5) individuals but admitted that it had only served summons of two of the individual defendants. The PDIC also stated that it is filing another motion for the issuance of another round of alias summons for the three (3) remaining defendants.

On 4 February 2019, LBC Express, LBC Development Corporation and the other defendants filed a Reply arguing that: (a) the PDIC never explained the three (3) -year delay in serving summons on the other defendants, (b) it is the PDIC's omission that have made the proceedings disorderly because not all of the defendants are at the pre-trial state, and (c) to avoid complications, the pre-trial should be deferred until the court has acquired jurisdiction over all defendants.

The court conducted a hearing on 1 February 2019 on the Motion to Declare Defendants in Default and granted time to submit comment thereto. LBC Express, LBC Development Corporation and the other defendants filed a Comment/Opposition on 11 February 2019, arguing that there is no basis to consider the current defendants in default because they are appearing at every hearing and that there are pending motions citing just and valid reasons to defer pre-trial, considering that summons are still being served on some defendants. Emphasis was given in particular that once jurisdiction is acquired over individual defendants, they will file their own answers, raising their own defenses, which should be considered at pre-trial. Also, it is mandatory to refer them to mediation and Judicial Dispute Resolution (JDR) for possible amicable settlement of the entire case. Even if mediation and JDR fail, the current judge is required by procedural rules to raffle the case to another branch so that his judgment is not influenced by matters discussed during JDR.

On 18 February 2019, a Pre-Trial Brief was filed by LBC Express, LBC Development Corporation and the other defendants, without prejudice to the defendants' pending motions to defer Pre-Trial.

At the hearing scheduled on 21 February 2019, the Judge took note of all the pending motions and said that they are deemed submitted for resolution. In the meantime, the Judge directed the parties to perform a pre-marking of all their documentary exhibits before the clerk of court. The Judge then rescheduled Pre-Trial to 28 March 2019.

On 6 March 2019, with respect to CA-G.R. SP No. 150698, LBC Express and LBC Development Corporation received a copy of the Court of Appeals' Decision dated 28 February 2019, denying the Petition for Certiorari. The Court of Appeals ruled that the PDIC representative was sufficiently authorized to sign the verification and the PDIC does not need to secure prior approval of the liquidation court to file the case. LBC Express and LBC Development Corporation filed a motion for reconsideration last 21 March 2019. On 18 July 2019, they received a copy of the Court of Appeals' resolution denying the motion for reconsideration. LBC Express and LBC Development Corporation filed an appeal to the Supreme Court on 2 September 2019 assailing the Court of Appeals Decision and Resolution. The appeal with the Supreme Court is entitled "LBC Express, Inc. and LBC Development Corporation v. Hon. Maximo M. De Leon, Presiding Judge of the Regional Trial Court of Makati Branch 143 and LBC Development Bank as represented by its receiver/liquidator, the Philippine Deposit Insurance Corporation" and docketed as G.R. No. 248539. The appeal is assigned to the Third Division of the Supreme Court. In the appeal, LBC Express and LBC Development Corporation are praying for the dismissal of the Complaint because the PDIC failed to obtain leave from the liquidation court to file the Complaint before the Regional Trial Court, contrary to the provisions of the Rules of Court and established jurisprudence. PDIC has already filed its Comment to the Petition for Review while LBC Express and LBC Development Corporation filed their respective Reply thereto on 14 October 2020. The Supreme Court has not resolved the appeal as of today.

The Pre-Trial scheduled for 28 March 2019 was subsequently reset to 2 May 2019, due to the order of Executive Judge for courts to conduct records disposal during the week of 28 March 2019.

The PDIC pre-marked its evidence during pre-marking conferences held last 6 and 11 March 2019. LBC Express, LBC Development Corporation and the other defendants continued pre-marking its evidence on 22 March 2019 and 10, 11, 12, 24, 29 and 30 April 2019.

At the pre-trial hearing on 2 May 2019, the judge released his Order, whereby he: (a) noted that several of the individual defendants have already received summons, (b) consequently, granted the motion of LBC Express to defer pre-trial proceedings in order to have an orderly and organized pre-trial, (c) cancelled the pre-trial hearing until the other defendants have filed their answers, and (d) denied the PDIC's motion to declare the defendants in default. The judge also denied the motion to dismiss of Santiago G. Araneta, and later on the judge denied the motion for reconsideration of the said individual defendant. Subsequently, the Santiago G. Araneta filed his Answer.

Thereafter, three out of the four (4) individual defendants, ie. Juan Carlos G. Araneta, Fernando G. Araneta and Ma. Eliza G. Berenguer, received summons and filed motions to dismiss the case, all of which were denied by the court. Juan Carlos G. Araneta and Fernando G. Araneta then filed their motion for reconsideration but was denied by the court in an Order dated 23 April 2020.

On 13 July 2020, the said two (2) individual defendants filed their Answer to the Complaint. On the other hand, Ma. Eliza G. Berenguer filed a motion for reconsideration of the order denying her motion to dismiss. The court has not resolved her motion for reconsideration yet. When the motion for reconsideration of Ma. Eliza G. Berenguer is resolved by the court, she will have to file her Answer to the Complaint with the court.

On 15 December 2020, we received PDIC's Motion to Declare Carlos G. Araneta in Default dated 9 December 2020, alleging that summons was served on Carlos G. Araneta on 16 April 2019 yet more than a year and 6 months has passed without an answer being filed. On 21 December 2020, Juan Carlos G. Araneta filed his Comment/Opposition to PDIC's Motion to Declare Carlos G. Araneta in Default dated 9 December 2020, alleging that he is known and called by his friends and colleagues as "Carlos" and his middle initial is "G", which stands for Gonzalez, and that he has duly filed his Answer on 13 July 2020. On 14 January 2021, PDIC filed its Reply with Motion to Show Cause. On 19 January 2021, Juan Carlos G. Araneta filed his Manifestation and Comment/Opposition to the Motion to Show Cause.

Meanwhile, on 16 January 2021, summons, together with a copy of the Complaint were served on LBC Properties, Inc., another defendant in this case. LBC Properties, Inc. therefore had until 15 February 2021 within which to file its Answer to the Complaint. On 11 February 2021, LBC Properties, Inc. filed its Answer with Compulsory Counterclaims of even date.

The Motion for Reconsideration of Ma. Eliza G. Berenguer and Motion to Show Cause of PDIC was set for hearing on 5 February 2021 at 8:30 a.m. In addition, hearing on 5 February 2021 was also set for the marking of the parties' additional exhibits and/or initial setting for pre-trial.

During the hearing on 5 February 2021, the court reset the pre-trial to 3 March 2021 due to the parties' pending motions.

During the hearing on 3 March 2021, the court reset the pre-trial to 15 April 2021, insisting that the parties' duly authorized representatives must be present.

The pre-trial scheduled on 15 April 2021 and the preliminary conferences for marking of exhibits scheduled on 21 and 23 April 2021 did not proceed because courts in National Capital Region are physically closed as directed by the Supreme Court in Administrative Circulars Nos. 21-2021 and 22-2021.

On 24 May 2021, Ma. Eliza G. Berenguer filed her Answer with Compulsory Counterclaims.

From June 2021 to September 2022, the parties held several preliminary conferences before the Clerk of Court to mark their documentary exhibits and to conduct pre-trial proceedings.

At the hearing last 29 September, 2022, the pre-trial proceedings were finally terminated. The court scheduled hearings for the presentation of the parties' witnesses and evidence on the following dates: 11, 18, 25 January 2023 and 1, 8, 15, 22 February 2023, and 1, 8, 15 March 2023. Notwithstanding the trial dates, the parties were referred to mediation for 30 days to discuss possible amicable settlement, which is scheduled on 10 November 2022.

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

National taxes

LBCE and its certain subsidiaries are currently involved in assessments for national taxes and the outcome is not currently determinable.

The estimate of the probable costs for the resolution of this assessment has been developed in consultation with the Group's legal counsel and based upon an analysis of potential results. The inherent uncertainty over the outcome of this matter is brought about by the differences in the interpretation and application of laws and rulings. Management believes that the ultimate liability, if any, with respect to this assessment, will not materially affect the financial position and performance of the Group.

Without prejudice to the results of the assessment, the Group paid tax advance to the taxation authority amounting to ₱2.03 billion, ₱1.50 billion of which was paid as of 31 December 2021 and the remaining amount was paid in January to March 2022. Management assessed that these tax advance payments can be refunded or used to settle specific tax liabilities, if there's any, or be used as tax credit for tax liabilities in the succeeding years, and as such, recognized prepaid taxes under "*Prepayments and other current assets*" under Note 7 of the Notes to the 2021 Consolidated Financial Statements.

Item 13. Acquisition or Disposition of Property

There are no actions or matters to be discussed in the Annual Stockholders' Meeting with respect to the acquisition or disposition of any significant Company property.

Item 14. Restatement of Accounts

There are no actions or matters to be discussed in the Annual Stockholders' Meeting with respect to the restatement of any asset, capital, or surplus account of the Company.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The following are to be submitted for approval during the Annual Stockholders' Meeting:

(i) Minutes of the Annual Stockholders' Meeting held on 9 August 2021;

(ii) President's Report based on the Annual Report and 2021 Audited Consolidated Financial Statements of the Company;

(iii) Approval of the Annual Report and Audited Financial Statements for the fiscal year ended 31 December 2021;

Item 16. Matters Not Required to be Submitted

There is no action to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

Item 18. Other Proposed Actions

(i) Election of the members of the Board of Directors, including independent directors, for the ensuing calendar year;

(ii) Reappointment of external auditors;

(iii) General ratification of all the acts and proceedings of the incumbent Board of Directors and Management from the date following the last annual stockholders' meeting which are covered by resolutions duly adopted in the normal course of trade or business such as:

a. Approval of the minutes of previous meetings;
b. Approval of the audited financial statements;
c. Approval of the schedule, venue, and agenda of the Annual Stockholders' Meeting.

Item 19. Voting Procedures

Manner of Voting

In all items for approval, except in the election of directors, each share of stock entitles its registered owner to one vote.

For the purpose of electing directors, a stockholder may vote such number of his shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them in the same principle among as many candidates as he shall see fit.

Considering the COVID 19 pandemic and to conform with the government's mandate to exercise social distancing and to avoid mass gatherings, voting may only be done *in absentia* or through the submission of a duly executed proxy in favor of the Chairman.

Stockholders as of Record Date who have successfully registered their intention to participate in the annual meeting via remote communication and to vote in absentia, duly verified and validated by the Company shall be provided with unique log-in credentials to securely access the voting portal and participate and watch the online meeting of the stockholders of the Company. A stockholder voting electronically in absentia shall be deemed present for purposes of quorum.

The Corporate Secretary will be responsible for counting votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies.

Vote Required

With respect to the election of directors, candidates who received the highest number of votes shall be declared elected.

With respect to the adoption of the Audited Financial Statements for the year ended 31 December 2021, approval of minutes of the annual stockholders' meeting held on 9 August 2021, the approval of the President's Report, election of the members of the Board of Directors, including independent directors, for the ensuing calendar year, and reappointment of external auditors, the approval or ratification of the other actions set forth above, the vote of majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve such matters.

Method of counting votes

The Corporate Secretary will be responsible for counting votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies at the Annual Meeting of the stockholders.

Considering the COVID 19 pandemic and to conform with the government's mandate to exercise social distancing and to avoid mass gatherings, voting may only be done by remote communication, in absentia or by proxy.

All votes received shall be tabulated by the Office of the Corporate Secretary with the assistance of the Company's stock transfer agent. The Corporate Secretary shall report the partial results of voting during the meeting. The actual voting results shall be reflected in the minutes of the meeting.

The requirements and procedure for registration, participating and voting are set forth in **Annex "A"** to the Information Statement.

UNDERTAKING

UPON WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. SUCH WRITTEN REQUEST SHOULD BE ADDRESSED TO:

THE OFFICE OF THE CORPORATE SECRETARY
Penthouse, Liberty Center,
104 H.V. dela Costa Street,
Salcedo Village, Makati City

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in ____________________, on November 4, 2022.

LBC EXPRESS HOLDINGS, INC.

BY:

____

MIGUEL ANGEL A. CAMAHORT
President, Chief Executive Officer, and Chairman of the Board

Signature page to the Information Statement

ANNEX A

VIRTUAL ANNUAL STOCKHOLDERS' MEETING
AND REQUIREMENTS AND PROCEDURES
FOR ELECTRONIC VOTING IN ABSENTIA

The Annual Meeting of the stockholders of LBC EXPRESS HOLDINGS, INC. ("LBCH" or the "Company") will be held on Monday, **28 November 2022 at 2:00 p.m.**

In order to ensure the safety and welfare of our stockholders in light of the COVID-19 situation, the Company will dispense with the physical attendance of stockholders at the meeting and will allow attendance only by remote communication and by voting in absentia, or voting through the Chairman of the meeting as proxy. Should circumstances change such that public mass gatherings will no longer pose a health risk to the public, the Company will timely notify the stockholders if physical attendance will be allowed at the meeting by 28 November 2022. If such will be the case, the guidelines therefor will be provided through a disclosure at the Philippine Stock Exchange or publication of a notice in a newspaper of general circulation.

Pursuant to Sections 23 and 57 of the Revised Corporation Code and SEC Memorandum Circular No. 6, Series of 2020, the Corporation has set up a designated web address which may be accessed by the stockholders to participate and vote in absentia on the agenda items presented for resolution at the meeting. A stockholder who votes in absentia or who participates by remote communication shall be deemed present for purposes of quorum.

The following are the rules and procedures for the conduct of the meeting:

(i) Stockholders may attend the meeting remotely through Zoom with links to be posted in LBCEH's website (the "Website"). Stockholders may send their questions or comments prior to the meeting by e-mail at info@lbcexpressholdings.com. The Company's Electronic Registration and Voting (E-ReV) System shall include a mechanism by which questions may be posted live during the meeting. The Company will endeavor to answer all questions submitted prior to and in the course of the meeting, or separately through the Company's Investor Relations Office.

(ii) Each of the Agenda items which will be presented for resolution will be shown on the screen during the live streaming as the same is taken up at the meeting.

(iii) Stockholders must register through the Company's E-ReV System to personally participate in the meeting by remote communication and to be included in determining quorum, together with the stockholders who voted by proxy.

(iv) Voting shall only be allowed for stockholders registered in the E-ReV System at http://www.lbcexpressholdings.com/2022-annual-general-meeting or through the Chairman of the meeting as proxy.

(v) All the items in the Agenda for the approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the issued and outstanding voting stock represented at the meeting.

(vi) Election of directors will be by plurality of votes and every stockholder will be entitled to cumulate his votes.

(vii) The Company's stock transfer agent and Corporate Secretary will tabulate and validate all votes received.

Registration Period

Registration to vote in absentia or via an absentee ballot may be made through the Electronic Registration and Voting (E-ReV) System at http://www.lbcexpressholdings.com/2022-annual-general-meeting (the "E-ReV System") from 9:00 a.m. of 7 November 2022 until 5:00 p.m. of 21 November 2022. Beyond this time and date, a stockholder may no longer be allowed to personally participate in the Annual Meeting of the stockholders but may still vote through the Chairman of the meeting as proxy, by submitting a duly accomplished proxy form, on or before 21 November 2022.

Registration Requirements

The following are needed for the online registration:

A. For individual Stockholders

1. The unique Stockholder ID which the Stockholder should request from Rizal Commercial Banking Corporation, the stock transfer agent (STA) of LBCH, before commencing with the online registration. Stockholders may reach the LBCH STA within the Registration Period, Monday to Friday from 9:00 a.m. to 5:00 p.m.
2. Full name of the Stockholder;
3. Valid and current email address;
4. Valid and current contact number, including the area code (landline or mobile number);
5. Citizenship/Nationality; and
6. Digital copy of the Stockholder's valid and unexpired government-issued ID (in JPG format).

B. For corporate Stockholders

1. Secretary's certificate or equivalent document (in case of a non-resident stockholder) attesting to the authority of the representative to vote for and on behalf of the corporation;
2. The unique Stockholder ID which the Stockholder should request from the LBCH STA before commencing with the online registration. Stockholders may reach the LBCH STA within the Registration Period, Monday to Friday from 9:00 a.m. to 5:00 p.m.
3. Full name of the Stockholder's Representative;
4. Valid and current email address of the Stockholder's Representative;
5. Valid and current contact number (landline or mobile number) of the Stockholder's Representative;
6. Citizenship/Nationality of the Stockholder's Representative; and
7. Digital copy of the valid and unexpired government-issued ID of the Stockholder's Representative (in JPG format).

C. For Stockholders with shares under Broker Accounts (PCD Nominees)

In addition to the requirements specified in Item A or B above:

1. A certification from the stockholder's broker on the Stockholder's shareholdings in the Company as of the Record Date (in JPG format); and
2. The unique Broker's ID assigned to stockholder's broker by the PCD, together with sub-ID number assigned by such broker to the stockholder, which the stockholder should request from such broker before commencing with the online registration.

In all cases, incomplete or inconsistent information may result in an unsuccessful registration. As a result, stockholders will not be allowed access to vote electronically *in absentia* but may still vote through the Chairman of the meeting as proxy, by submitting a duly accomplished proxy form, on or before 21 November 2022.

Online Registration Procedure

1. Prior to online registration:

    (a) For shareholders holding share certificates, contact the LBCH STA via email to secure your unique Stockholder ID. Stockholders are encouraged to secure said unique Stockholder ID via email at **tcnepomuceno@rcbc.com** as this has been set up as the primary manner for securing such ID. When contacting the LBCH STA, please be prepared to indicate your stock certificate number/s and corresponding number of shares.

    (b) For stockholders whose shares are lodged under broker accounts, in addition to Item 1 (a) above, please contact your respective brokers to secure the necessary requirements under Item C (Registration Requirements).

2. Log-in into the LBCH's E-ReV System using your unique individual Stockholder ID/Broker's ID. Please ensure that you have prepared the necessary information and requirements.
3. Read the Data Privacy Notice in the E-ReV System. If you agree to its terms, please check the box signifying your consent to the processing of your personal information which shall be used solely for purposes of Annual Stockholders' Meeting of LBCH.
4. Enter the information required in the respective fields and upload the digital copies of your valid government-issued photo ID. When all information and digital copies have been uploaded, please click the "Submit" button.

Reminders:

- Please take note of your Stockholder ID/Broker ID and Authentication Code (as described below) and keep them in a safe place. While the Company shall endeavor to take all reasonable steps to generate replacements, the Company cannot in any way guarantee that it will be able to do so in a timely manner.
- A Stockholder's online registration cannot be completed if any of the mandatory requirements are not submitted.
- Only Stockholders who submitted the complete requirements thru the E-ReV System by 21 November 2022, 5:00 P.M., are entitled to personally participate in the Annual Stockholders' Meeting of LBCH.
- In any event, stockholders whose registration cannot be completed may still vote through the Chairman of the meeting as proxy, by submitting a duly accomplished proxy form, on or before 21 November 2022.
- In case of any issues relating to your registration in the E-ReV System, or in case you lose your Stockholder ID or Authentication Code, please send an email to info@lbcexpressholdings.com.

Verification of Stockholder Registrations

The Company or the LBCH STA shall verify the information and details submitted through the Electronic Voting in Absentia System, starting on 7 November 2022.

After verification of complete submission of the required information and documents, the stockholder shall receive an e-mail confirming registration in the E-ReV System through the stockholder's e-mail address provided in such registration. Such e-mail confirmation shall include the stockholder's unique Authentication Code (for use during the online AGM) and detailed instructions on how to participate and cast votes in the Annual Meeting of the stockholders of the Company.

In the event that you have not received such e-mail notification by 21 November 2022 please call or contact the Company or the LBCH STA.

Annual Meeting of the Stockholders

The Annual Meeting of the stockholders of LBCH shall be broadcasted online. The procedure for online voting, as well as the manner by which stockholders may bring up questions or concerns to the Board of Directors, shall be emailed to stockholders who successfully registered before the lapse of the Registration Period and whose registration has been verified.

Data Privacy

Each individual stockholder's (or that of the corporate stockholder's Authorized representative) data will be collected, stored, processed and used exclusively for the purposes of electronic registration in the E-Rev System of LBCH for Annual Meeting of the stockholders. Personal information will be processed and retained in accordance with the Data Privacy Act of 2012 and applicable regulations. The detailed data privacy policy of the Company may be accessed through the Company's website.

ANNEX B

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **VICTOR Y. LIM, JR.** Filipino, of legal age, and a resident of 82 Sanso Street, Corinthian Gardens, Quezon City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of LBC Express Holdings, Inc. (the "Corporation").

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Yuchengco Lim Development Corp.	President	1996 to present
V2S Property Developers Co., Inc.	Chairman	2009 to present
Tune Abe Investment Corporation	Chairman	2018 to present
Banco Mexico Inc.	President	2014 to present
Premier Horizon Alliance Corporation	Director	2015 to present
I-Pay Commerce Ventures, Inc.	Director	2016 to present
Rotary Club of Pasig	Member Committee Chairman	2008 to present
Financial Executives Institute of the Philippines (FINEX)	Regular Member Past President	1976 to 2006 (1995)
Management Association of the Philippines (MAP)	Regular Member Life Member	1996 to 2016 2016 to present
Ateneo Scholarship Foundation Inc.	Chairman Trustee	1989 to 1991 1986 to Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. To the best of my knowledge, I am not subject of any pending criminal or administrative investigation or proceeding.

5. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

6. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Done this OCT 1 8 2022 in MAKATI CITY City.

--Signature page follows--

VICTOR Y. LIM JR.
Affiant

SUBSCRIBED AND SWORN to before me this OCT 18 2022 in MAKATI CITY, affiant exhibiting to me his SSS ID NO. 03-1471132-8 issued on ____________ at ____________ and expiring on ____________.

Doc. No. 74;
Page No. 16;
Book No. I;
Series of 2022.

CELINA MARIE S. HILARIO
Appointment No. M-328
Notary Public for Makati City
Until December 31, 2023
Liberty Center-Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 80942
PTR No. 9015883/Makati City/05-26-2022
IBP No. 214005/Makati City/05-22-2022
MCLE Exempted-Admitted to the bar in 2022

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **ANTHONY A. ABAD,** Filipino, of legal age, and a resident of 2 Balmori Street, San Lorenzo Village, Makati City after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of LBC Express Holdings, Inc. (the "Corporation") and have been its independent director since 2017.

2. I am affiliated with the following companies or organizations:

Company/Organization	**Position/Relationship**	**Period of Service**
TRADEADVISORS	CEO and Managing Director	2005-present
ABAD I ALCANTARA I ASSOCIATES (TradeLawyers)	Partner	2014-present
WORLD TRADE ORGANIZATION (WTO/OMC)	Panelist, Dispute Settlement Panel	2011-present
BLOOMBERG TV PHILIPPINES	Anchor/Host	2015-present
ATENEO DE MANILA UNIVERSITY	Professor	1998-present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. To the best of my knowledge, I am not subject of any pending criminal or administrative investigation or proceeding.

5. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

6. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Done this __________________ in ___________City.

--Signature page follows--

ANTHONY A. ABAD
Affiant

SUBSCRIBED AND SWORN to before me this OCT 25 2022 in PASAY CITY, affiant exhibiting to me his PASSPORT NO. P8826420B issued on FEB. 2, 2022 at DFA MANILA and expiring on FEB. 1, 2032.

Doc. No. 289;
Page No. 59;
Book No. VII;
Series of 2022.

NOEL L. DUQUE
NOTARY PUBLIC
Until December 31, 2022 Comm. 21-01
10 E-COM Center MOA, Pasay City
IBP No. 195542/01-04-22/PPLM
PTR No. 7696510/01-03-22/PC
Roll No. 48387 MCLE VI-022292/4-14-22

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **FERDINAND D. TOLENTINO,** Filipino, of legal age, and a resident of 107 Remarville Avenue, Quezon City, Philippines, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of LBC Express Holdings, Inc. (the "Corporation").

2. I am affiliated or have been previously affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Small Business Corporation	Board Member and Committee Chairman	March 2016 to May 2021
Public-Private Partnership of the Philippines	Deputy Executive Director	March 2012 to November 2013
CLSA Philippines	Independent Director	2011 to 2012
Isla Lipana & Co. (Pricewaterhouse Coopers)	Director, Tax Services	September 2003 to December 2007
Tariff Commission	Commissioner	April 2001 to August 2003

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. To the best of my knowledge, I am not subject of any pending criminal or administrative investigation or proceeding.

5. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

6. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Done this ____________________ in ________City.

--Signature page follows--

Ferdinand D. Tolentino

Ferdinand D. Tolentino

FERDINAND D. TOLENTINO
Affiant

SUBSCRIBED AND SWORN to before me this OCT 25 2022 in PASAY CITY, affiant exhibiting to me his LTO Driver's License Number N13-83-019258 issued last 5 October 2022 at LTO DLRO Shaw Center Mall, Mandaluyong and expiring on 8 October 2032.

NOEL L. DUQUE
NOTARY PUBLIC
Until December 31, 2022 Comm 21-01
10 E-COM Center MOA, Pasay City
IBP No. 195542/01-04-22/PPLM
PTR No. 7696510/01-03-22/PC
Roll No. 48387 MCLE VI-022292/4-14-22

Doc. No. 303;
Page No. 62;
Book No. VII;
Series of 2022.

ANNEX C

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S

SECRETARY'S CERTIFICATE

I, **CRISTINA S. PALMA GIL-FERNANDEZ,** Filipino, of legal age, with office address at the Penthouse, Liberty Center, 104 H.V. Dela Costa Street, Salcedo Village, Makati City, after being duly sworn in accordance with law, hereby depose and state that:

1. I am the incumbent Corporate Secretary of **LBC EXPRESS HOLDINGS, INC.** (hereinafter the "Corporation"), a corporation organized and existing under and by virtue of the laws of the Republic of the Philippines, with office located at LBC Hangar, General Aviation Center, Domestic Airport Road, Pasay City, Metro Manila, Philippines.

2. Based on the respective representations and certifications of the directors and officers of the Corporation, as well as the records of the Corporation presently in my custody, none of the directors or officers of the Corporation holds any positon in any capacity in any government agency or instrumentality.

IN WITNESS WHEREOF, I have hereunto set my hand this NOV 04 2022 in Makati City, Metro Manila.

CRISTINA S. PALMA GIL-FERNANDEZ
Corporate Secretary

SUBSCRIBED AND SWORN TO before me this NOV 04 2022 in Makati City, Metro Manila, affiant exhibiting to me her Passport with Passport No. P5655630A issued in DFA NCR South on 18 January 2018.

Doc. No. 179;
Page No. 37;
Book No. I;
Series of 2022.

CELINA MARIE S. HILARIO
Appointment No. M-328
Notary Public for Makati City
Until December 31, 2023
Liberty Center-Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 80942
PTR No. 9015883/Makati City/05-26-2022
IBP No. 214005/Makati City/05-22-2022
MCLE Exempted-Admitted to the bar in 2022

ANNEX D

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

DESCRIPTION OF CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME LINE ITEMS

The following table sets forth details for the Company and its subsidiaries (the "Group") service revenues, cost of services, gross profit, net income and other income line items for the periods indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the years ended December 31							For the six-months ended June 30			
	2019	2020	2021	2020 vs 2019		2021 vs 2020		2021	2022	2022 vs 2021	
Amounts in (₱ millions)	**Audited**	**Audited**	**Audited**	**Amount**	**% change**	**Amount**	**% change**	**Unaudited**	**Unaudited**	**Amount**	**% change**
Service Revenue	15,210.0	14,117.1	16,249.7	(1,092.9)	(7%)	2,132.6	15%	8,413.9	7,738.2	(675.7)	(8%)
Cost of Services	(11,263.8)	(10,650.5)	(12,638.3)	613.3	(5%)	(1,987.8)	19%	(6,295.6)	(6,034.4)	261.2	(4%)
Gross Profit	3,946.2	3,466.6	3,611.4	(479.6)	(12%)	144.8	4%	2,118.3	1,703.8	(414.5)	(20%)
Operating Expenses	(2,666.0)	(2,676.1)	(3,512.4)	(10.1)	0%	(836.3)	31%	(1,323.6)	(1,261.7)	61.9	(5%)
Operating Income	1,280.2	790.5	99.0	(489.7)	(38%)	(691.5)	(88%)	794.7	442.1	(352.6)	(44%)
Other Income (Charges)	(444.3)	(402.8)	(790.4)	41.5	(9%)	(387.6)	96%	(331.7)	(540.0)	(208.3)	63%
Income (Loss) before Income Tax	835.8	387.7	(691.4)	(448.1)	(54%)	(1,079.1)	(278%)	463.0	97.9	(365.1)	(79%)
Benefit from (Provision for) Income Tax	(360.0)	(186.5)	(162.2)	173.5	(48%)	24.3	(13%)	(144.8)	22.5	167.3	(116%)
Net Income (Loss)	475.8	201.2	(853.6)	(274.6)	(58%)	(1,054.8)	(524%)	318.2	(75.4)	(393.6)	(124%)
Other comprehensive income (loss)	(49.0)	(199.4)	(42.2)	(150.4)	307%	157.2	(79%)	(10.1)	219.8	229.9	(2,276%)
Total comprehensive income (Loss)	426.8	1.8	(895.7)	(425.0)	(100%)	(897.5)	(49,861%)	308.1	144.3	(163.8)	(53%)
Net income attributable to:											
Shareholders of LBC Express Holdings, Inc.	446.9	2.5	(907.7)	(444.4)	(99%)	(910.2)	(36,408%)	301.2	133.6	(167.6)	(56%)
Non-controlling interests	(20.1)	(0.7)	11.9	19.4	(97%)	12.6	(1,800%)	6.9	10.7	3.8	55%

Six months ended June 30, 2022 compared to the six months ended June 30, 2021

Service Revenue

The Company's service revenue declined by 8% to ₱7,738.22 million for the six months ended June 30, 2022, from ₱8,413.87 million for the six months ended June 30, 2021, mainly from domestic logistics segment which are partially covered by 8% growth in sales from overseas as there is steady growth in air cargo volume and rate alignment in several countries.

Cost of Services

Cost of services is down by 4% to ₱6,034.44 million for the six months ended June 30, 2022, from ₱6,295.57 million for the six months ended June 30, 2021, pertaining to lower cost of delivery and remittance by 11%. The reduction is caused by volume lower during the period and improved productivity resulting to decline in cost of contractual employees.

The reductions were offset by surge in cost of freight sea as general price increase were implemented by shipping lines, both in the domestic and overseas setting. Further, increasing fuel prices were also a factor of the fluctuation.

Gross Profit

Gross profit is lower by 20% to ₱1,703.78 million for the six months ended June 30, 2022, from ₱2,118.30 million for the six months ended June 30, 2021, primarily attributable to decrease in volume and increase in cost of freight sea as well as fuel.

Operating Expenses

Operating expenses decreased by 5% to ₱1,261.71 million for the six months ended June 30, 2022, from ₱1,323.57 million for the six months ended June 30, 2021, due to lower spend for COVID19 related expenses such as medical supplies, medical professional fees, and employee shuttle services.

The decrease is compensated with the higher commission expense as overseas revenue grew by 8%. Software maintenance and subscription cost also escalated resulting from the renewal of the enterprise agreement. Further, there is a rise in advertising expense by 23% covering different mediums to reach customers.

Operating Income

Operating income is at ₱442.07 million for the six months ended June 30, 2022, from ₱794.73 million for the six months ended June 30, 2021, attributable to decline in gross profit.

Other charges, net increased to ₱539.99 million for the six months ended June 30, 2022, from ₱331.74 million for the six months ended June 30, 2021, mainly driven by the foreign exchange losses incurred amounting to ₱111.60 million for the six months ended June 30, 2022, compared to gains amounting to ₱16.69 million for the six months ended June 30, 2021. These losses were mostly related to the valuation of bond payable. Further, 'Loss on derivatives' recognized during the period is also higher by ₱79.5 million.

Net Income (Loss) after tax

The Group incurred net loss after tax of ₱75.41 million for the six months ended June 30, 2022, compared to net income after tax of ₱318.17 million for the six months ended June 30, 2021, relative to shortfall in revenue by 8%, surge in sea freight and fuel prices, and non-operating losses from foreign exchange and convertible instrument.

Year ended December 31, 2021 compared to the year ended December 31, 2020

Service Revenue

The Company's service revenue increased by 15% to ₱16,249.71 million for the year ended December 31, 2021 from ₱14,117.07 million for the year ended December 31, 2020. Improvement of revenue is mainly from logistics segment with overall growth of 16%.

The increase in logistics revenue, both in domestic and overseas market, is driven by the improvement in sales performance of existing branches after the worldwide quarantine last year. There are also 61 new Philippine retail branches that contributed additional volume.

Cost of Services

Cost of services increased by 19% to ₱12,638.27 million for the year ended December 31, 2021 from ₱10,650.48 million for the year ended December 31, 2020.

Cost of delivery and remittance are higher relative to increase in volume. In 2020, the Group largely utilized the use of RORO, in place of airline cargo space in transporting domestic cargo amid the pandemic due to the interrupted air traffic schedules and unavailability of flights. As operations returned to partial normalcy, there was an increase in the share of cargo moved via air which resulted to higher costs in 2021 as air cargo rates remained aggressive. Further, there was an increase of fuel prices as early as last year. Relatively a rise in materials and supplies cost is noted to the relative increase of volume for cargo acceptances.

In relation to the implemented processes to ensure safety, security measures as well as enforced social distancing, the Company added domestic warehouses and sorting facilities in mid-2020 which contributed to increase in manpower cost, utilities and depreciation and amortization for fixed and right-of-use assets.

Gross Profit

Gross profit increased by 4% to ₱3,611.45 million for the year ended December 31, 2021 from ₱3,466.59 million for the year ended December 31, 2020 primarily attributable to increase in volume.

Operating Expenses

Operating expenses increased by 31% to ₱3,512.41 million for the year ended December 31, 2021 from ₱2,676.10 million for the year ended December 31, 2020 primarily caused by the following:

- Normalized operations after the pandemic in 2020 resulted to higher expenses.
- Increase in utilities and supplies which accounts for medical and sanitation supplies and test kits for the period.
- Commission expenses increased by 38% which is relative to the higher volume of sales in overseas from partner agents.
- Escalation in required software maintenance cost resulting from renewal of existing agreements.

Operating Income

The Group's income from operations declined to ₱99.04 million for the year ended December 31, 2021 from ₱790.49 million for the year ended December 31, 2020 attributable to higher operating expenses by 31% and lower gross margin as a result of increased cost of services.

Other Charges, Net

Other charges, net increased to ₱790.40 million for the year ended December 31, 2021 from ₱402.82 million for the year ended December 31, 2020 mainly driven by the 'loss on derivatives' incurred during the period which is higher by ₱407.23 million from ₱51.10 million in 2020 to ₱458.33 million in 2021.

Interest expense is also higher by ₱12.05 million related to notes payable, bond payable and lease liabilities.

Net Income (Loss) after tax

The Group incurred net losses after tax amounting to ₱853.57 million for the year ended December 31, 2021 as compared to net income of ₱201.22 million for the year ended December 31, 2020 mainly due to the following:

- Expenses incurred by the Group in response to the pandemic, such as medical and sanitation supplies, vaccine donations, rapid testing costs, employee vaccinations, and other pandemic support activities
- Increase in loss on derivative; offset by
- Higher sales volume which resulted to 4% increase in gross profit.

<u>**Year ended December 31, 2020 compared to the year ended December 31, 2019**</u>

Service Revenue

The Company's service revenue decreased by 7% to ₱14,117.07 million for the year ended December 31, 2020 from ₱15,209.96 million for the year ended December 31, 2019. The downturn in revenue is attributable to the fall of demand during the worldwide lockdown caused by the COVID19 pandemic in the second quarter of the year. The Group's selected branches were still open and delivery remained operational, but the lead times are extended due to security and travel restrictions. Revenues by the third and fourth quarter recouped as a factor of strong demand recovery and subsequent normalization of operations.

Cost of Services

Cost of services were reduced by 5% to ₱10,650.47 million for the year ended December 31, 2020 from ₱11,263.79 million for the year ended December 31, 2019, relative to lower volume of acceptance in the second quarter of 2020 caused by the pandemic.

Cost of delivery and remittance decreased by 13% driven by the decline in volume and the use of a more cost-efficient method of transporting cargo.

Rent expense is lower by 22% mainly due to renewal of various branch lease contracts, in which the accounting treatment shifted from operating lease to recognition of right-of-use assets in accordance with PFRS16. There were also rent discounts granted to the Group during the community quarantine resulting to lower rent expense.

Transportation and travel also declined by 21% relative to community restrictions.

The reductions above were offset by the following:

- The movement in depreciation and amortization showed an increase of 5% due to the recognized amortization of right-of-use assets associated with the new warehouses and renewal of branch lease contracts previously treated as operating lease; and
- Increase in salaries and benefits by 2% relative to the manpower for new warehouses.

Gross Profit

Gross profit decreased by 12% to ₱3,466.59 million for the year ended December 31, 2020 from ₱3,946.17 million for the year ended December 31, 2019 primarily attributable to the following:

- Decrease in revenue by 7% due to low volume during the pandemic;
- Higher depreciation and amortization by 5% related to increase in amortization of right-of-use assets and additional capital expenditures for new branches and warehouses; and
- Increase in salaries and benefits by 2% relative to the manpower for new warehouses.

Operating Expenses

Operating expenses increased by 0.4% to ₱2,676.10 million for the year ended December 31, 2020 from ₱2,665.98 million for the year ended December 31, 2019, caused by the following:

- Utilities and supplies is higher by 40% driven by the medical and sanitation supplies incurred by the Group as a response to COVID19 pandemic;
- Provision for expected credit losses grew by 58% due to assumption changes considering the impact of the global pandemic to clients and to the timing of collection; and
- Further on the pandemic response, there are face mask donations and use of shuttle services due to limited available public transportation.

The above-mentioned increases were offset by advertising and promotion which was controlled down to ₱312.05 million for the year ended December 31, 2020 from ₱446.35 million for the year ended December 31, 2019.

Operating Income

Operating income declined to ₱790.49 million for the year ended December 31, 2020 from ₱1,280.19 million for the year ended December 31, 2019 attributable to the following:

- Decrease in gross profit by 12% mainly due to lower sales volume for the period; and
- Higher operating expenses relative to the costs incurred for medical and sanitation supplies,

donations of face masks and shuttle services as the Group's response to COVID19 pandemic.

Other Charges, Net
Other Charges, net decreased to ₱402.82 million for the year ended December 31, 2020 from ₱444.34 million for the year ended December 31, 2019 driven by the decline in loss on derivatives by ₱591.40 million. This is offset by the impact of the gain on disposal of subsidiary in 2019 amounting to ₱443.76 million and decrease in interest income.

Net Income after tax
The Group's net income after tax decreased to ₱201.22 million for the year ended December 31, 2020 from ₱475.82 million income for the year ended December 31, 2019, driven by the following:

- Shortfall on revenue by 7% due to the impact of COVID-19 pandemic to retail and corporate customers in local and overseas operations;
- Higher depreciation and amortization by 5% related to increase in amortization of right-of-use assets and additional capital expenditures for new branches and warehouses;
- Increase in salaries and benefits by 2% relative to the manpower for new warehouses; and
- Operating expenses increased mostly from COVID19 related expenses including medical and sanitation supplies, testing kits, medical professional fees, shuttle bus rentals and donation of face masks.

For the year ended December 31, 2019 compared with the year ended December 31, 2018

Service Revenues
The Company's service revenues increased by 23% to ₱15,227.05 million for the year ended December 31, 2019 from ₱12,325.58 million for the year ended December 31, 2018. This growth was principally due to the increase in revenues from both logistics and remittance segment by 25% and 3%, respectively.

There is also a continuous growth in the domestic business mainly from the opening of 70 retail branches, introduction of new products in mid-2018, and domestic retail price increase effective October 2018.

Net contributed revenue of the businesses acquired in 2019 is ₱1,781.11 million.

Cost of Services

Cost of services is higher by 29% to ₱11,263.79 million for the year ended December 31, 2019 from ₱8,704.63 million for the year ended December 31, 2018, relative to the growth in volume for logistics and money transfer services, thus, a 23% surge in cost of delivery and remittance. Further, there is an increase in domestic air freight cost per kilo effective October 2019.

Salaries and benefits related to operations is up by 42% largely from the acquisition of entities in 2019 and 2018.

The net movement in depreciation and rental showed an increase of 33% which arises from the adoption of PFRS16 wherein right-of-use assets were recognized and amortized through time. There are also additional capital expenditures mostly on leasehold improvements and computer equipment associated with the construction or relocation/renovation of branches.

Utilities and supplies expense increased by 15% or ₱151.00 million, driven by higher data connectivity and security expenses primarily from operations of new branches and warehouses.

Gross Profit

Gross profit is favorable by 9% to ₱3,946.17 million for the year ended December 31, 2019 from ₱3,620.96 million for the year ended December 31, 2018, attributable to the increase in revenue amounts from logistic and remittance segment. This is the result of the initiative to expand location and business combination since last year.

Operating Expenses

Operating expenses is higher by 18% to ₱2,665.98 million for the year ended December 31, 2019 from ₱2,253.30 million for the year ended December 31, 2018, caused by the following:

Commission expense, which is mostly related to agents from international subsidiaries, increased by ₱134.21 million during the year, traceable to North America entities which joined the group during the year.

Advertising and promotion expenses grew by 41% or ₱129.06 million, mainly from parallel increases in production costs, radio advertisements, as well as costs for digital/online campaigns and sponsorship. The fluctuation pertains also to the marketing/promotion expenses of newly purchased subsidiaries.

Professional fee is higher by 48% or ₱90.79 million which can be traced from the acquired entities in 2018 and 2019. These fees include payroll, tax and accounting consultancy fees.

Dues and subscriptions were also higher 45% or by ₱28.58 million, primarily attributable to the rate increase for one of the major Information Technology service providers and new subscription to cloud, other software services and applications.

Other Charges, Net

Other charges, net amounting to ₱444.34 million loss for the year ended December 31, 2019 as compared to ₱449.05 million income in 2018 resulted from the following:

- Loss on derivative amounting to ₱642.51 million for the year ended December 31, 2019 as compared to the ₱454.20 million gain last year, is mainly due to the changes in assumptions used in valuation.
- Foreign exchange gain, net is lower by ₱127.50 million which resulted from the foreign exchange trading, and revaluation of US dollar denominated bank and time deposit accounts.
- Interest expense went up by ₱162.50 million mostly from the adoption of PFRS16 which requires recognition of interest from lease liabilities.
- The above mentioned were negated with the gain recognized from a sale of subsidiary on July 1, 2019 and gain on bargain purchase from business combination completed during the year.

Net income after tax

Net income after tax was lower at ₱475.82 million for the year ended December 31, 2019 from ₱1,349.03 million for the year ended December 31, 2018, primarily due to the following:

- Loss on derivative attributable to the convertible instrument amounting to ₱642.51 million.
- Lower foreign exchange gain by ₱127.50 million;
- First time adoption of PFRS16 resulted to higher depreciation and interest expense, partially offset by the decline in rentals.
- Net income from operation stand at ₱1,783.36 million in 2019 which is 11% higher compared to ₱1,603.52 for the year ended 2018.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of December 31						**For the six-months ended June 30**			
	2019		**2020**		**2021**		**2021**		**2022**	
Amounts in (₱ millions)	Audited	% of Total	Audited	% of Total	Audited	% of Total	Unaudited	% of Total	Unaudited	% of Total
ASSETS										
Current Assets										
Cash and cash equivalents	4,418.7	31%	5,246.1	33%	3,475.1	22%	5,386.9	34%	3,014.3	19%
Trade and other receivables	1,537.8	11%	1,983.4	13%	2095.6	13%	1,806.9	11%	2,019.9	13%
Due from related parties	1,103.8	8%	1,115.2	7%	1,118.6	7%	1,131.3	7%	1,162.3	7%
Investment at fair value through profit or loss	15.6	0%	14.9	0%	15.7	0%	15.1	0%	2.1	0%
Available-for-sale investments	--	0%	--	0%	--	0%	--	0%	--	0%
Prepayments and other current assets	807.8	6%	896.4	6%	2,909.4	18%	1,109.2	7%	3,540.5	22%
Total Current Assets	7,883.7	56%	9,256.0	59%	9,614.4	60%	9,449.4	60%	9,739.2	60%
Noncurrent Assets										
Property and equipment	2,110.7	15%	2,031.8	13%	1,899.7	12%	1,952.6	12%	2,013.1	12%
Right-of-use assets	1,885.8	13%	2,197.9	14%	2,213.3	14%	2,356.6	15%	1,974.6	12%
Intangible assets	363.7	3%	321.7	2%	268.0	2%	290.7	2%	258.1	2%
Investment at fair value through other comprehensive income	286.7	2%	232.1	1%	189.2	1%	230.2	1%	345.3	2%
Deferred tax assets - net	377.6	3%	443.6	3%	462.1	3%	365.8	2%	510.5	3%
Security deposits	330.6	2%	359.6	2%	401.6	3%	381.5	2%	417.7	3%
Investment in associate	250.6	2%	314.3	2%	354.8	2%	332.5	2%	351.3	2%
Advances for future investment in shares	78.7	1%	--	0%	--	0%	--	0%	--	0%
Goodwill	286.9	2%	286.9	2%	287.0	2%	286.9	2%	287.0	2%
Other noncurrent assets	238.5	2%	217.8	1%	227.5	1%	212.6	1%	211.0	1%
Total Noncurrent Assets	6,209.8	44%	6,405.7	41%	6,303.4	40%	6,409.4	40%	6,368.5	40%
Total Assets	14,093.7	100%	15,661.7	100%	15,917.8	100%	15,858.8	100%	16,107.6	100%
LIABILITIES AND EQUITY										
Current Liabilities										
Accounts and other payables	3,242.2	30%	2,985.5	24%	3,358.2	24%	2,774.3	22%	3,108.3	22%

Due to related parties	33.6	0%	40.2	0%	36.4	0%	42.3	0%	37.1	0%
Dividends payable	14.8	0%	5.7	0%	--	0%	--	0%	--	0%
Current portion of notes payable	376.7	3%	1,100.0	9%	1,160.6	8%	1,155.3	9%	1,381.0	10%
Transmissions liability	586.9	5%	1,081.6	9%	903.0	7%	826.9	7%	752.1	5%
Income tax payable	43.4	0%	47.6	0%	55.8	0%	23.4	0%	43.3	0%
Current portion of lease liabilities	645.0	6%	817.0	6%	942.8	7%	914.3	7%	885.0	6%
Derivate Liability	2,048.7	19%	2,099.8	17%	2,558.1	18%	2,261.8	18%	2,799.6	20%
Bond Payable	1,247.0	12%	1,377.7	11%	1,702.1	12%	1,501.4	12%	1,988.0	14%
Total Current Liabilities	8,238.2	76%	9,555.2	75%	10,717.1	77%	9,499.7	76%	10,994.4	79%
Noncurrent Liabilities										
Retirement benefit liability	637.8	6%	764.9	6%	803.7	6%	764.2	6%	876.7	6%
Notes payable-net of current portion	553.1	5%	779.7	6%	832.1	6%	671.0	5%	754.3	5%
Deferred Tax Liability - net	--	0%	22.0	0%	15.0	0%	18.0	0%	--	0%
Lease liabilities – net of current portion	1,356.7	13%	1,551.4	12%	1,477.8	11%	1,618.5	13%	1,278.0	9%
Other non-current liabilities	39.8	0%	17.4	0%	0.7	0%	8.3	0%	0.3	0%
Total Noncurrent Liabilities	2,587.4	24%	3,135.4	25%	3,129.3	23%	3,079.9	24%	2,909.3	21%
Total Liabilities	10,825.6	100%	12,690.6	100%	13,846.3	100%	12,579.6	100%	13,903.8	100%
Equity										
Equity attributable to shareholders of the parent company										
Capital stock	1,425.9	44%	1,425.9	48%	1,425.9	69%	1,425.9	43%	1,425.9	65%
Retained earnings	1,621.4	50%	1,536.5	52%	670.2	32%	1,847.0	56%	587.3	27%
Accumulated comprehensive income (loss)	193.7	6%	(4.1)	0%	(45.5)	(2%)	(13.4)	0%	171.1	8%
Non-controlling interests	27.2	1%	12.8	0%	20.9	1%	19.7	1%	19.7	1%
Total Equity	3,268.1	100%	2,971.1	100%	2,071.5	100%	3,279.2	100%	2,203.9	100%
Total Liabilities and Equity	14,093.7	100%	15,661.7	100%	15,917.8	100%	15,858.8	100%	16,107.6	100%

FINANCIAL CONDITION

As of June 30, 2022 compared to as of December 31, 2021

Assets

Current Asset
Cash and cash equivalents decreased by 13% to ₱3,014.33 million as of June 30, 2022, from ₱3,475.11 million as of December 31, 2021. Refer to analysis of cash flows in "Liquidity" section below.

Trade and other receivable, net decreased to ₱2,019.91 million as of June 30, 2022, from ₱2,095.62 million as of December 31, 2021, due to settlements from both outside and related parties.

Due from related parties increased by 4% to ₱1,162.30 million as of June 30, 2022, from ₱1,118.61 million as of December 31, 2021, mostly related to the dividend receivable from an associate.

Investments at fair value through profit and loss declined to ₱2.14 million as of June 30, 2022, from ₱15.69 million as of December 31, 2021, due to sale of investments.

Prepayments and other current assets increased by 22% to ₱3,540.50 million as of June 30, 2022 from ₱2,909.41 million as of December 31, 2021, because of the additional advance payments for national taxes which can be refunded or be used to settle specific tax liabilities, if there's any, or be used as tax credit for future tax liabilities.

Noncurrent Assets

Property and equipment, net increased by 6% to ₱2,013.08 million as of June 30, 2022, from ₱1,899.75 million as of December 31, 2021, primarily due to additions amounting to ₱329.39 million, offset by depreciation amounting to ₱198.77 million and net book value of disposal amounting to ₱18.21 million.

Right-of-use assets, net is lower by 11% to ₱1,974.57 million as of June 30, 2022, from ₱2,213.34 million as of December 31, 2021, mainly due to amortization that amounts to ₱498.63 million, offset by net additions of ₱248.63 million resulting from renewals

Intangible assets, net is lower by 4% to ₱258.06 million as of June 30, 2022, from ₱268.04 million as of December 31, 2021, driven by amortization of ₱26.72 million, offset by ₱16.10 million additions for the period.

Investment at fair value through other comprehensive income is up by 83% to ₱345.26 million as of June 30, 2022 from ₱189.21 million as of December 31, 2021, relative to movement in market price from ₱0.97/share to ₱1.77/share.

Investment in associate decreased by 1% to ₱351.27 million as of June 30, 2022, from ₱354.79 million as of December 31, 2021 due to cash dividends received, offset by the share in net income of the associates during the period.

Deferred tax assets - net increased by 10% to ₱510.51 million as of June 30, 2022, from ₱462.14 million as of December 31, 2021 largely because of the additional income tax deferred recognized related to NOLCO, MCIT and unrealized foreign exchange losses.

Liabilities

Accounts and other payable is lower by 7% to ₱3,108.30 million as of June 30, 2022, from ₱3,358.18 million as of December 31, 2021. Majority of the variance represents the decrease in contract liabilities related to undelivered cargoes.

Notes payable (current and noncurrent) increased to ₱2,135.33 million as of June 30, 2022, from ₱1,992.73 million as of December 31, 2021, driven by the availment of loan amounting to ₱458.17 million, offset by the settlement amounting to ₱315.56 million during the period.

Transmissions liability went down by 17% to ₱752.11 million as of June 30, 2022, from ₱903.00 million as of December 31, 2021, mainly attributable to transactions claimed during the period and decrease in merchant liabilities.

Lease liabilities (current and noncurrent) is lower by 11% to ₱2,163.02 million as of June 30, 2022, from ₱2,420.60 million as of December 31, 2021, primarily pertaining to lease payments during the period.

Bond payable increased by 17% to ₱1,987.97 million as of June 30, 2022, from ₱1,702.09 million as of December 31, 2021, mainly from the accretion of interest amounting to ₱136.01 million and foreign exchange loss recognized amounting to ₱148.97 million.

Derivative liability increased to ₱2,799.62 million as of June 30, 2022, from ₱2,558.12 million as of December 31, 2021, related to the loss on valuation incurred for the period amounting to ₱241.50 million.

As of December 31, 2021, compared to as of December 31, 2020

Assets

Current Assets
Cash and cash equivalents decreased by 34% to ₱3,475.11 million as of December 31, 2021 from ₱5,246.05 million as of December 31, 2020. Refer to analysis of cash flows in "Liquidity" section below.

Trade and other receivables, net increased to ₱2,095.62 million as of December 31, 2021 from ₱1,983.37 million as of December 31, 2020 mainly driven by increase in 'Trade receivable - related parties' by 18% because of the higher volume of acceptances from overseas bound to Philippines.

Investment at fair value through profit or loss is higher by 5% to ₱15.69 million as of December 31, 2021 from ₱14.94 million as of December 31, 2020 driven by the fair value gain and related foreign exchange gain amounting to ₱0.02 million and ₱0.73 million, respectively.

Prepayments and other current assets increased to ₱2,909.41 million as of December 31, 2021 from ₱896.45 million as of December 31, 2020 primarily due to the following attributes:

- Advance payments for national taxes which can be refunded or be used to settle specific tax liabilities, if there's any, or be used as tax credit for future tax liabilities;
- Additional restricted cash representing LBCH's time deposit guarantee to LBCE loans; and
- Acquired vaccines for COVID19.

Noncurrent Assets
Property and equipment, net decreased by 7% to ₱1,899.75 million as of December 31, 2021 from ₱2,031.82 million as of December 31, 2020, primarily due to net depreciation of assets.

Right-of-use assets, net is higher by 1% to ₱2,213.34 million as of December 31, 2021 from ₱2,197.90 million as of December 31, 2020, mainly due to additions of ₱1,067.75 million, offset by amortization of

₱1,034.49 million for the year. There is also the effect of lease modifications and changes in foreign exchange rates.

Intangible assets, net is lower by 17% to ₱268.04 million as of December 31, 2021 from ₱321.69 million as of December 31, 2020, driven by amortization of ₱93.74 million, offset by ₱39.26 million additions for the period.

Investment at fair value through other comprehensive income is down by 18% to ₱189.21 million as of December 31, 2021 from ₱232.12 million as of December 31, 2020, relative to movement in market price from ₱1.19/share to ₱0.97/share.

Investment in associates is up by 13% to ₱354.79 million as of December 31, 2021 from ₱314.28 million as of December 31, 2020 due to share in net income of the associates during the year.

Deferred tax assets - net increased by 4% to ₱462.14 million as of December 31, 2021 from ₱443.56 million as of December 31, 2020 mainly from NOLCO and MCIT recognized for the year; offset by the impact of CREATE Law transition.

Liabilities

Accounts and other payables is up by 12% to ₱3,358.18 million as of December 31, 2021 from ₱2,985.54 million as of December 31, 2020, primarily due to increase in trade payable and accruals for manpower cost and advertising as operating costs were higher this year relative to increase in revenue.

Notes payable (current and noncurrent) increased to ₱1,992.73 million as of December 31, 2021 from ₱1,879.73 million as of December 31, 2020, driven by availments amounting to ₱508.86 million, offset by settlements amounting to ₱395.86 million.

Transmission liability went down by 17% to ₱903.00 million as of December 31, 2021 from ₱1,081.61 million as of December 31, 2020, mainly attributable to decline in merchant liabilities.

Income tax payable is higher by 17% to ₱55.82 million as of December 31, 2021 from ₱47.62 million as of December 31, 2020 mainly due to increase in taxable income related to foreign subsidiaries.

Lease liabilities (current and noncurrent) is higher by 2% to ₱2,420.60 million as of December 31, 2021 from ₱2,368.33 million as of December 31, 2020, primarily pertaining to additions to right-of-use assets amounting to ₱1,067.75 million, offset by lease payments during the period amounting to ₱1,098.94 million. There is also the movement related to lease modification, rent concession and accretion of interest.

Dividends payable amounting to ₱5.69 million as of December 31, 2020 represent remaining balance of cash dividends declared by LBCH and a partially owned subsidiary in 2020. This was paid in January 2021.

Bond payable increased by 24% to ₱1,702.09 million as of December 31, 2021 from ₱1,377.72 million as of December 31, 2020, mainly from the accretion of interest amounting to ₱239.49 million and foreign exchange loss recognized amounting to ₱84.87 million.

Derivative liability increased to ₱2,558.12 million as of December 31, 2021 from ₱2,099.79 million as of December 31, 2020, related to the loss on valuation incurred for the period amounting to ₱458.33 million.

Other liabilities account is lower by 96% to ₱0.70 million as of December 31, 2021 from ₱17.45 million in 2020 due to settlements during the year.

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

Assets

Current Asset:
Cash and cash equivalents increased by 19% to ₱5,246.05 million as of December 31, 2020 from ₱4,418.67 million as of December 31, 2019. Refer to analysis of cash flows in "Liquidity" section below.

Trade and other receivable, net is higher by 29% at ₱1,983.37 million as of December 31, 2020 from ₱1,537.85 million as of December 31, 2019, mostly from receivable from outside parties by 33% and from related parties by 9% relative to increase in volume. This is offset by the impact of upward movement in allowance for impairment losses by 12%.

Due from related parties is higher by 1% to ₱1,115.17 million as of December 31, 2020 from ₱1,103.81 million as of December 31, 2019, mainly attributable to the advances made during the year.

Investment at fair value through profit or loss dropped by 4% to ₱14.94 million as of December 31, 2020 from ₱15.63 million as of December 31, 2019, primarily from the impact of unrealized foreign exchange loss due to declining exchange rate, partially offset by the fair value gain during the year.

Prepayments and other current assets increased by 11% to ₱896.44 million as of December 31, 2020 from ₱807.78 million as of December 31, 2019, mainly traceable to the following:

- Higher prepaid taxes by ₱41.89 million mostly pertaining to federal and state taxes in US entities;
- Increase in materials and supplies by ₱70.07 million related to packaging and indirect materials in branches; offset by
- Reduction in restricted cash in banks ₱20.97 million representing matured deposits.

Non-current Assets
Property and equipment, net decreased by 4% to ₱2,031.82 million as of December 31, 2020 from ₱2,110.74 million as of December 31, 2019, primarily due to net depreciation of existing assets.

Right-of-use assets, net is higher by 17% to ₱2,197.90 million as of December 31, 2020 from ₱1,885.83 as of December 31, 2019, mainly due to additions amounting to ₱1,148.16 million and amortization of ₱490.09 million for the year.

Intangibles, net is lower by 12% to ₱321.69 million as of December 31, 2020 from ₱363.75 million as of December 31, 2019, driven by the additions of ₱60.19 million and amortization of ₱100.76 million for the year.

Investment at fair value through other comprehensive income is down by 18% to ₱232.12 million as of December 31, 2020 from ₱286.74 million as of December 31, 2019, relative to movement in market price from ₱1.73/share to ₱1.19/share.

Investment in associate increased by 25% to ₱314.28 million as of December 31, 2020 from ₱250.64 million as of December 31, 2019 mainly due to investment in Terra Barbaza Aviation, Inc. (TBAI). On December 17, 2020, the application for authorized capital stock for Preferred A and B Shares of TBAI is approved by SEC. The approval resulted to the conversion of the 20,000,000 Common Shares purchased by LBCE from the common shareholder to 20,000,000 non-voting Preferred A Shares and 1,250 Common Shares will then represent 24.787% of the total outstanding Common Shares. Before approval, the acquisition cost is presented in 'advances for future investment in shares'.

Deferred tax assets - net increased by 17% to ₱443.56 million as of December 31, 2020 from ₱377.56 million as of December 31, 2019 mainly attributable to additional deferred tax recognized related to retirement during the year.

Security deposits is higher by 9% to ₱359.63 million as of December 31, 2020 from ₱330.62 million as of December 31, 2019 associated with the deposits for new warehouses and branches.

Other noncurrent assets went down by 9% to ₱217.81 million as of December 31, 2020 from ₱238.46 million as of December 31, 2019, due to amortization of loans receivables.

Liabilities

Accounts and other payables were down by 8% to ₱2,985.54 million as of December 31, 2020 from ₱3,242.18 million as of December 31, 2019, primarily due to settlement of trade payables including bank financing of land acquired in 2019. This is partially offset by increases in contract liabilities as a factor of extended delivery lead time based on new service level agreements and higher accrual for manpower costs relative to increase in headcount.

Due to related parties increased by 20% to ₱40.21 million as of December 31, 2020 from ₱33.61 million as of December 31, 2019, mostly from payable related to digital advertisements in which payments were initially paid by an affiliate.

Notes payable (current and noncurrent) increased to ₱1,879.73 million as of December 31, 2020 from ₱929.72 million as of December 31, 2019, driven by availment to finance the unpaid balance of the land and other capital expenditures.

Transmissions liability went up by 84% to ₱1,081.61 million as of December 31, 2020 from ₱586.89 million as of December 31, 2019, mainly attributable to unclaimed transactions as of the end of the reporting period.

Income tax payable increased by 10% to ₱47.62 million as of December 31, 2020 from ₱43.36 million as of December 31, 2019, resulting from higher taxable income in the last quarter of 2020.

Lease liabilities (current and noncurrent) is higher by 18% to ₱2,368.33 million as of December 31, 2020 from ₱2,001.75 million as of December 31, 2019, pertaining to additions to right-of-use assets amounting to ₱1,156.75 million, offset by lease modifications, payments and rent concessions during the period amounting to ₱781.51 million.

Dividend payable amounting to ₱5.69 million as of December 31, 2020 and ₱14.78 million as of December 31, 2019 represents the outstanding balance of the dividend declared by LBCH and one of its foreign subsidiaries.

Bond payable increased by 10% to ₱1,377.72 million as of December 31, 2020 from ₱1,247.02 million as of December 31, 2019, mainly from the accretion of interest amounting to ₱203.65 million offset by the foreign exchange gain recognized amounting to ₱72.95 million due to lower exchange rate.

Derivative liability increased to ₱2,099.79 million as of December 31, 2020 from ₱2,048.68 million as of December 31, 2019, related to the loss on valuation incurred for the period amounting to ₱51.10 million.

Retirement benefit obligation increased by 20% to ₱764.89 million as of December 31, 2020 from ₱637.79 million as of December 31, 2019 driven by net benefit cost and remeasurements recognized in statements of comprehensive income amounting to ₱196.00 million, offset by the contributions for the year amounting to ₱68.22 million.

Deferred tax liability amounting to ₱21.99 million as of December 31, 2020 mainly includes deferred tax liability from unrealized foreign exchange gains in LBCH.

Other liabilities account is lower by 56% to ₱17.48 million as of December 31, 2020 from ₱39.79 million in 2019 due to settlements during the year.

<u>As of December 31, 2019 compared to as of December 31, 2018</u>

Assets

Current Assets

Cash and cash equivalents increased by 7% to ₱4,418.67 million as at December 31, 2019 from ₱4,137.44 million as at December 31, 2018.

Trade and other receivable, net is lower by 6% at ₱1,537.85 million as at December 31, 2019 from ₱1,642.13 million as at December 31, 2018 mainly due to sale of a subsidiary in which all receivables related to this entity were no longer included in the year.

Due from related parties is higher by 98% to ₱1,103.81 million as at December 31, 2019 from ₱557.96 million as of December 31, 2018, mainly from the assignment of receivable from QuadX Inc. to LBC Development Corporation (LBCDC).

Investment at fair value through profit or loss is lower by 88% to ₱15.63 million as at December 31, 2019 from ₱131.29 million as at December 31, 2018, primarily from redemption of investments amounting to ₱280.48 million during the year. This was offset by placement of ₱171.00 million for working capital requirement. Related unrealized foreign exchange loss and unrealized fair value loss as at December 31, 2019 amounted to ₱0.63 million and ₱5.29 million, respectively.

Prepayments and other current assets increased by 25% to ₱807.78 million as at December 31, 2019 from ₱647.52 million as at December 31, 2018, mainly traceable to prepaid taxes and insurance, existing short-term cash investment in the books of an acquired entity in 2019 amounting to ₱128.65 million and current portion of loan receivable from Transtech Co. Ltd. amounting to ₱6.09 million.

Non-current Assets

Property and equipment, net increased by 47% to ₱2,110.74 million as at December 31, 2019 from ₱1,436.08 million as at December 31, 2018, primarily due to the purchase of parcels of land.

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

Intangibles, net declined by 35% to ₱363.75 million as at December 31, 2019 from ₱555.37 million as at December 31, 2018. The decrease was mainly due to sale of a subsidiary for which carrying value of ₱179.11 million was derecognized.

Investment at fair value through other comprehensive income, decrease by 15% to ₱286.74 million as at December 31, 2019 from ₱337.45 million as at December 31, 2018, relative to movement in market price from ₱1.73/share to ₱1.47/share.

Investment in associate increased by 5% to ₱250.64 million at December 31, 2019 from ₱239.02 million as at December 31, 2018 due to equity share in earnings including other comprehensive income of ₱26.62 million, offset by dividend income of ₱15 million.

Security deposit increased by 6% to ₱330.62 million as at December 31, 2019 from ₱312.43 million as at December 31, 2018 due to branches opened, additional security deposit requirement of renewed leases and deposits from acquired businesses.

Deferred tax assets - net increased by 25% to ₱377.56 million as of December 31, 2019 from ₱302.28 million as of December 31, 2018 mainly attributable to the deferred tax recognized related to accrued retirement liability, provision for bonus and leave credits, allowance for impairment losses and PFRS 16 related adjustments which are future tax deductible.

Advances for future investment in shares decreased by 82% to ₱78.73 million as of December 31, 2019 from ₱439.82 million as of December 31, 2018. The beginning balance represents the payment for acquisition of shares of North America entities, wherein the approval was granted effective January 1 and July 1, 2019. In 2019, LBC Express subscribed 29,436,968 shares of Terra Barbaza Aviation, Inc. (TBAI) at ₱1.75 per share. LBC Express used its outstanding advances to TBAI amounting to ₱51.51 million as payment for the total subscription price. LBC Express also subscribed 20,001,250 Common Shares in TBAI from its shareholder amounting to ₱27.21 million representing 25% ownership. Currently, TBAI is in the process of increasing its authorized capital stock. Once the application for the increase in authorized capital stock is approved by SEC, 20,000,000 of the Common Shares purchased by LBC Express will be converted to 20,000,000 nonvoting Preferred A shares. Subsequently, the remaining 1,250 Common Shares, will represent 24.86% of the total outstanding Common Shares.

Other noncurrent assets increased by 72% to ₱238.46 million as at December 31, 2019 from ₱138.93 million as at December 31, 2018 mainly due to loan receivable amounting to ₱83.73 million and note receivable of ₱26.81 million during the year.

On September 25, 2019, the Company entered into a loan agreement with Transtech Co. Ltd amounting to US $1.8 million at 2.3% interest per annum. Notes receivable includes the promissory note from an employee and LBC Holdings USA Corporation (LBC Holdings USA).

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

The net decline in goodwill amounting to ₱205.56 million is mainly due to the sale of a subsidiary reducing the account by ₱225.81 million and an increase of ₱19.60 million related to newly acquired equity interest during the year.

Liabilities

Accounts and other payables were up by 16% to ₱3,242.18 million as at December 31, 2019 from ₱2,806.17 million as of December 31, 2018, primarily due to the unpaid acquisitions of property and equipment as at December 31 is higher by ₱641.82 million, mainly from purchase of land;

Due to related parties amounting to ₱33.61 million as at December 31, 2019 is below December 31, 2018 balance amounting to ₱93.99 million attributable to the sale of subsidiary in 2019.

Dividends payable decreased by 95% to ₱14.78 million as at December 31, 2019 from ₱285.17 million due to the settlement and offsetting agreements made during the year. For the year 2019, through a Memorandum of Agreement, LBC Development Corporation (the Ultimate Parent Company) assigned to the Company a portion of its payable to LBC Express for which the latter applied against dividends payable of the Company with a total amount of ₱493.29 million.

Notes payable (current and noncurrent) increased by 27% to ₱929.72 million as at December 31, 2019 from ₱829.50 million as at December 31, 2018, primarily due to additional notes payable availed amounting to ₱400.00 million and settlement of ₱299.78 million during the year.

Transmissions liability up by 8% to ₱586.89 million as at December 31, 2019 from ₱543.90 million as of December 31, 2018, mainly attributable to a higher amount of merchant liability (from bills payment) and transmission liability by the newly acquired businesses, LBC North America entities, which are not yet claimed as of date.

Lease liabilities (current and noncurrent) is significantly increased to ₱2,001.75 million as at December 31, 2019 from ₱140.07 million as of December 31, 2018, driven by the adoption of PFRS16 which requires recognition of lease liability related to the operating leases.

Bond payable increased by 13% to ₱1,247.02 million as at December 31, 2019 from ₱1,108.42 million as at December 31, 2018, mainly from the accretion of interest, offset by the gain on foreign exchange translation by ₱45.32 million.

Derivative liability increased by 46% to ₱2,048.68 million as at December 31, 2019 from ₱1,406.18 million as of December 31, 2018, related to change in market data assumptions used in valuation.

Income taxes payable is lower by 66% to ₱43.36 million as at December 31, 2019 from ₱₱126.57 million as at December 31, 2018 primarily resulting from impact of PFRS16 to profit and loss.

Retirement benefit obligation decreased by 5% to ₱637.79 million as at December 31, 2019 from ₱672.27 million as of December 31, 2018 driven by significant amount of contributions in 2019, net actuarial gain and effect of disposal of a subsidiary.

Other liabilities account is lower by 50% to ₱39.79 million as at December 31, 2019 from ₱79.99 million in 2018 due to settlements during the year.

LIQUIDITY AND CAPITAL RESOURCES

The Group's principal sources of liquidity were from operations and financing availments for working capital and capital expenditures for the year ended December 31, 2021 and 2020. The main outflow for 2021 is mainly from advance payments for national taxes as previously discussed. For the years ended December 31, 2018, and 2019, the Group also resorted to long-term financing through bank loans. On a consolidated basis, as of December 31, 2021 the Company had cash and cash equivalents totalling ₱3,475.1 million. The Company expects that its principal uses of cash for the fiscal year 2022will be for its operations as well as its organic growth strategies.

Cash Flows

The following table sets forth selected information from the Company's consolidated statements of cash flows for the periods indicated:

	For the years ended December 31	For the six-months ended June 30

	2019	2020	2021	2021	2022
Amounts in (₱ millions)	Audited	Audited	Audited	Unaudited	Unaudited
Net cash provided by (used in) operating activities	2,114.4	1,791.1	(446.7)	936.5	282.6
Net cash generated from (used in) investing activities	(895.0)	(468.2)	(335.6)	(187.6)	(315.1)
Net cash generated from (used in) financing activities	(897.5)	(367.7)	(1,107.2)	(649.0)	(478.0)
Net increase (decrease) in cash and cash equivalents	321.9	955.2	(1,889.5)	100.0	(510.5)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(40.7)	(127.8)	118.6	40.9	49.7
Cash and cash equivalents					
Beginning of year/period	4,137.4	4,418.7	5,246.1	5,246.1	3,475.1
End of year/period	**4,418.7**	**5,246.1**	**3,475.1**	**5,386.9**	**3,014.3**

LIQUIDITY

Cash Flows

Six months ended June 30, 2022 compared to the six months ended June 30, 2021

Cash flows from operating activities

The Company's net cash from operating activities is primarily affected by income before income tax, depreciation and amortization, retirement benefit expense, interest expense, unrealized foreign exchange gain, gain on derivative, equity in net earnings of associates and changes in working capital. The Company's cash inflows from these activities amounted to ₱282.62 million and ₱936.52 million for the six months ended June 30, 2022 and 2021, respectively.

Cash flows from investing activities

Cash used in investing activities for the six months ended June 30, 2022 and 2021 amounted to ₱315.06 million and ₱187.57 million, respectively. For the six months ended June 30, 2022, the Company spent ₱351.82 million from the acquisition of property and equipment and intangible assets.

Cash flow from financing activities

Net cash used in financing activities for the six months ended June 30, 2022 and 2021 amounted to ₱478.04 million and ₱648.99 million, respectively. In 2022 and 2021, cash used comprise primarily of payments of lease liabilities and notes payable.

Year ended December 31, 2021 compared to the year ended December 31, 2020

Cash flows from operating activities

The Company's net cash from operating activities is primarily affected by loss before income tax, depreciation and amortization, retirement benefit expense, interest expense, unrealized foreign exchange gain, gain on derivative, equity in net earnings of associates and changes in working capital. The Company's cash flows from these activities resulted to a net cash outflow of ₱446.70 million for the year ended December 31, 2021 and net cash inflow of ₱1,791.05 million for the year ended December 31, 2020. The outflow in 2021 is primarily because of the movement in working capital. Cash inflow before changes in working capital is ₱1,726.07 million and ₱2,286.69 million for 2021 and 2020, respectively.

Cash flows from investing activities

Cash used in investing activities for the year ended December 31, 2021 and 2020 amounted to ₱335.64 million and ₱468.15 million, respectively. For the year ended December 31, 2021, the Company spent ₱384.27 million from the acquisition of property and equipment and intangible assets.

Cash flow from financing activities

Net cash used in financing activities for the year ended December 31, 2021 and 2020 amounted to ₱1,107.20 million and ₱367.68 million, respectively. Financing activities include payments of finance lease obligations, notes payable and related interests.

Years ended December 31, 2020 and December 31, 2019

Cash flows from operating activities

The Company's net cash from operating activities is primarily affected by income before income tax, depreciation and amortization, retirement benefit expense, interest expense, unrealized foreign exchange gain, gain on derivative, equity in net earnings of an associate and changes in working capital. The Company's cash flows from these activities resulted to a net cash inflow of ₱1,791.05 million and ₱2,144.40 million for the year ended December 31, 2020 and 2019, respectively. For the year ended December 31, 2020, inflow from operating activities were generally from normal operations.

Cash flows from investing activities

Cash used in investing activities for the year ended December 31, 2020 and 2019 amounted to ₱468.15 million and ₱895.02 million, respectively. For the year ended December 31, 2020, the Company spent ₱383.46 million from the acquisition of land, property and equipment and intangible assets.

Cash flow from financing activities

Net cash used in financing activities for the year ended December 31, 2020 and 2019 amounted to ₱367.68 million and ₱897.48 million, respectively. This is mainly due to payment of lease liabilities and other noncurrent liabilities, interest, dividends and notes payable with an aggregate amount of ₱1,559.50 million, offset by the proceed from notes availment of ₱1,191.82 million.

Years ended December 31, 2019 and December 31, 2018

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, unrealized foreign exchange gain, loss on derivative, gain from bargain purchase, gain from sale of subsidiary, equity in net earnings of an associate and changes in working capital. The Company's net cash from operating activities were ₱2,114.40 million and ₱1,616.78 million for the year ended December 31, 2019 and 2018, respectively. The inflow from operating activities were generally from normal operations.

Cash flows from investing activities
Cash used in investing activities for the year ended December 31, 2019 and 2018 amounted to ₱895.02 million and ₱910.50 million. Major investing activities for the period includes acquisition of land, business combination and granting of loans receivable.

Cash flow from financing activities
Net cash used in financing activities for the year ended December 31, 2019 and 2018 amounted to ₱897.47 million and ₱472.06 million, respectively. Transactions for the year include dividends, availment and settlement of notes payable and the impact of the adoption of PFRS16 in leases.

CAPITAL EXPENDITURES

The Group’s capital expenditures for the years ended December 31, 2019, 2020, and 2021 and for the period ended June 30, 2022 were ₱1,796.38 million, ₱416.14 million, ₱314.51 million, and ₱140.01 million, respectively. The table below sets forth the primary capital expenditures of the Group over the same periods.

	For the years ended December 31			For the 6-months ended June 30
	2019	**2020**	**2021**	**2022**
Transportation equipment	58.86	66.29	18.31	4.04
Leasehold improvements...........................	283.03	158.36	141.00	79.22
Furniture, fixtures and office equipmnt.....	80.42	90.45	74.80	21.43
Computer hardware..................................	342.81	101.04	80.40	35.32
Land………………………………………..	1,031.26	0.00	0	0
Total capital expenditures	**1,796.38**	**416.14**	314.51	140.01

LBC Express’ capital expenditure plans currently comprise the establishment of additional branches, the improvement of existing branches and further updates to its IT infrastructure.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table sets forth the Group’s contractual obligations and commitments as of June 30, 2022:

Contractual Obligations and Commitments

	Principal (₱ millions) Total	Payments Fiscal 2021	Due by Fiscal 2022 – 2025	Period Fiscal 2026 onwards
Lease liabilities	2,405.1	885.0	1,221.6	298.6
Other liabilities	9.1	8.8	0.3	-
Total	2,414.2	893.8	1,221.9	298.6

The table below sets forth key financial performance indicators for the Group for the years ended December 31, 2019, 2020, 2021, and for the six (6) months ending June 30, 2022:

Financial Key Performance Indicators

	For the years ended December 31			For the six-months ended June 30	
	2019	**2020**	**2021**	**2021**	**2022**
	Audited	Audited	Audited	Unaudited	Unaudited
Gross profit (service fees less cost of services) (₱ millions)	3,946.2	3,466.6	3,611.4	2,118.3	1,703.8
Operating income(1) (₱ millions)	1,280.2	790.5	99.0	794.7	442.1
EBITDA(2) (₱ millions)	2,533.9	2,201.1	1,320.5	1,455.4	851.3
EBITDA margin (3)(%)	17%	16%	8%	17%	11%
Net income (4) (₱ millions)	475.8	201.2	(853.6)	318.2	(75.4)
Net profit margin (5) (%)	3%	1%	(5%)	4%	(1%)
Total debt(6) (₱ millions)	6,299.9	7,764.8	8,693.9	8,151.6	9,095.1
Net cash(7) (₱ millions)	(1,881.21)	(2,518.71)	(5,218.8)	(2,764.6)	(6,080.7)

Notes:

(1) Operating income is calculated as income before income tax, interest expense-net and income (expense) related to convertible bonds.

(2) EBITDA is calculated as income before income tax plus depreciation and amortization and interest expense-net. EBITDA is not a measure of performance under IFRS or PFRS, and investors should not consider EBITDA in isolation or as alternatives to net profit as an indicator of the Group's operating performance or to cash flow from operating, investing and financing activities as a measure of liquidity or any other measures of performance under PFRS. Because there are various EBITDA calculation methods, the Group's presentation of this measure may not be comparable to similarly titled measures used by other companies.

(3) EBITDA as a percentage of service revenues.

(4) Net income before other comprehensive income.

(5) Net income as a percentage of service revenues.

(6) *Total debt includes notes payable (current and non-current portion), lease liabilities in years presented prior to 2019 (current and non-current, excluding deferred lease liability arising from PAS 17 adjustment), convertible instrument and other liabilities (including current portion presented under Accounts Payable).*

(7) *Calculated as total cash and cash equivalents less total debt.*

FINANCIAL RATIOS

		2019	**2020**	**2021**	**June 30, 2022**
Current ratio	Current Assets/Current Liabilities	1.60:1	0.97:1	0.90:1	0.89:1
Debt to equity ratio (3)	Total Liabilities/Stockholders' Equity	3.31:1	4.26:1	6.75:1	6.37:1
Debt to total assets ratio(3)	Total Liabilities/Total Assets	0.77:1	0.81:1	0.87:1	0.86:1
Return on average assets(3)	Net income attributable to Parent Company/Average Assets(1)	3.88%	1.35%	(5%)	(1%)
Book value per share(3)	Stockholders' Equity (including non-controlling interest)/Total Number of Shares	₱2.29	₱2.08	₱1.44	₱1.53
Earnings/(Loss) per share(2)	Net Income or (Loss) attributable to Parent Company/ Weighted Average Number of Common Shares Outstanding	₱0.35	₱0.14	₱(0.61)	₱(0.06)

Notes:

(1) *Average assets is Total Assets at the beginning of the period plus Total Assets at the end of the period, divided by two.*

(2) *Basic and diluted earnings/(Loss) per share are the same for 2016 and 2017. Diluted earnings/(loss) per share for 2018 is ₱0.68.*

(3) *Excluding adjustments related to PFRS 16, Leases*

DEBT OBLIGATIONS AND FACILITIES

The Group's debt obligations mainly comprise loan and notes availments from various local banks, and the bonds payable to CP Briks.

As of December 31, 2021, long-term notes payable amounted to ₱832.1 million, representing the outstanding noncurrent portion of various loans from Unionbank availed in 2019, 2020 and 2021.

As of December 31, 2021, the bond payable and the derivative liability amounted to ₱1,702.1 million and ₱2,558.1 million, respectively, resulting from the issuance of a seven-year secured convertible instrument (the “Convertible Bonds”), in favor of CP Briks in the aggregate principal amount of US$50.0 million, convertible at any time into agreed number of common shares of the Company at the option of the holder at ₱13.00 per share conversion price (using the US$1=₱50 exchange rate). The instrument is due in 2024 or the seventh anniversary from the issuance date.

The Company has covenants under the Convertible Bonds which are standard and customary for transactions of similar nature, including financial covenants to ensure that, on a consolidated basis, (a) the ratio of total debt (excluding the Convertible Bonds) to EBITDA for any relevant period shall not exceed 2.5:1; (b) the ratio of EBITDA to finance charges for any relevant period shall not be less than 5.0:1; and (c) the ratio of total debt (excluding the Convertible Bonds) on each relevant date to shareholders’ equity for that relevant period shall be no more than 1:1. The determination and calculation of the foregoing financial ratios are subject to the terms of the LBC Convertible Instrument.[1] The Company also has a covenant to ensure that neither it or its Subsidiaries shall incur, create or permit to subsist or have outstanding indebtedness, as defined in the Omnibus Agreement, or enter into agreement or arrangement whereby it is entitled to incur, create or permit to subsist any indebtedness.

OFF BALANCE SHEET ARRANGEMENTS

As of December 31, 2021 the Group had no off-balance sheet arrangements.

FINANCIAL RISK DISCLOSURE

The Group has been intently monitoring the effects of Republic Act No. 10963, otherwise known as the “Tax Reform for Acceleration and Inclusion” Act (the “TRAIN Act”) on prices, focusing on utilities and oil as these have a direct and indirect effect on the Group’s costs. As the Group continues to expand its branch network, warehouse & distribution network, an increase in utility and oil prices will affect the Group’s costs which are directed to support increases in sales volumes. The Group is likewise preparing for the effects that an increase in oil prices may have on its carriers and service partners (airlines, shipping lines, trucking companies).

QUALITATIVE AND QUANTITATIVE DISCLOSURE OF MARKET RISK

The Group is exposed to various types of market risks in the ordinary course of business, including foreign exchange rate risk, credit risk, interest rate risk and liquidity risk.

Foreign Exchange Rate Risk

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

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

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

[1] The calculation of these financial ratios are not the same with the manner of calculation of the Company’s key performance indicators.

The Group primarily reduces foreign currency exchange rate exposure by entering into currency forward contracts from time to time, as well as managing the timing of payments and settlements.

Credit Risk

Credit risk is the risk that one (1) party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Group is exposed to credit risk through its cash and cash equivalents, trade and other receivables, net, due from related parties and security deposits. Cash and cash equivalents are generally deposited in universal banks as defined by the Philippine Banking System. Universal banks are considered as stable and are the single largest group of financial institutions in the country. Generally, the Group manages its credit risk from trade and other receivables and due from related parties by clearly delineating risk limits and implementing strict requirements relating to the creditworthiness of the counterparty throughout the life of the transaction. With respect to managing its credit risk from security deposits, the Group transacts only with counterparties that have passed its vendor accreditation process and are in good financial standing.

Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments recognized in the consolidated statement of financial position and on some financial instruments not recognized in the financial position. The Group's exposure to interest rate risk relates primarily to the its short-term investments and short-term debt obligations. The Group manages its exposures in interest rate risk by closely monitoring the same with various banks and other financial instruments and maximizing borrowing period based on market volatility of interest rates.

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 regularly monitors its cash position to ensure that maturing liabilities will be adequately met by maintaining sufficient cash, having access to committed credit facilities and the ability to close out market positions on certain short-term financial instruments.

Price Risk

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

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

SEASONALITY

The Group tends to experience increased volume in remittance transmission as well as cargo throughput during the months of June and July, corresponding to the start of the school year, and during the months of October and November, in anticipation of the holiday season.

KNOWN TRENDS, EVENTS OR UNCERTAINTIES

There are no material (i) known trends, events or uncertainties with material impact on liquidity, (ii) events that will trigger direct or contingent financial obligation that is material to the company (including any default or acceleration of an obligation, (iii) material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period, (iv) material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures, and (v) any other known trends, events or uncertainties with material impact on sales.

MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION

The PSE is the principal market for the Company's shares. As of the latest practicable trading date, 31 October 2022, the total number of shares held by the public was 219,457,232 common shares or 15.39% of the total issued and outstanding capital stock of LBCH.

The high and low sale prices of the shares of stock of the Company for each quarter during the last three (3) calendar years are as follows:

YEAR	Q1		Q2		Q3		Q4	
	High	Low	High	Low	High	Low	High	Low
2022	24.95	21.7	26	19.02	23.85	18.1	-	-
2021	17.28	15.32	18.38	15.36	18.36	16.00	24.95	16.00
2020	13.98	7.51	14.90	10.50	16.10	12.12	17.00	13.20
2019	17.50	14.02	15.80	13.44	14.90	13.52	15.98	11.50

The stock price of each common share of LBCH as of the close of the latest practicable trading date, 31 October 2022 is P16.02.

STOCKHOLDERS

As of the end of 31 October 2022, LBCH has 484 registered holders of common shares. The following are the top 20 registered holders

Rank	Name of stockholder	Nature of shares	Number of shares	Percentage
1	LBC Development Corporation	Common	1,205,974,632	84.58%
2	Vittorio Paulo P. Lim	Common	59,663,948	4.18%
3	Mariano D. Martinez Jr.	Common	59,663,946	4.18%
4	Lowell L. Yu	Common	59,663,946	4.18%
5	PCD Nominee Corporation - Filipino	Common	39,781,666	2.78%
6	PCD Nominee Corporation – Non-Filipino	Common	593,322	0.04%
7	Ferdinand S. Santos	Common	10,000	Nil
8	Andy Lantin	Common	5,000	Nil
9	Alfonso B. Cabual	Common	3,000	Nil
10	Jennifer H. Leong	Common	3,000	Nil
11	Beatriz M. Llamado	Common	2,000	Nil
12	Alexander D. Loquias	Common	2,000	Nil
13	Paz C. Maga	Common	2,000	Nil
14	Almar S. Molina	Common	2,000	Nil
15	Benjie C. Moralda	Common	2,000	Nil
16	Olivia R. Morata	Common	2,000	Nil
17	Nasario M. Morcozo	Common	2,000	Nil
18	Inocencio Narisma	Common	2,000	Nil
19	Emetrrio Natel	Common	2,000	Nil

20	Ramil C. Nombre	Common	2,000	Nil
21	Graspe L. Obiso	Common	2,000	Nil
Subtotal for Top 20 Stockholders		Common	1,425,382,460	99.99%
Others		Common	483,011	0.01%
TOTAL ISSUED AND OUTSTANDING			1,425,865,471	100%

DIVIDENDS

Dividend Policy

The Company does not have a specific dividend policy. Dividends are declared and paid out of the surplus of the Company at such intervals as the Board of Directors of the Company may determine, depending on various factors such as the operating and expansion needs of the Company. Dividends may be in the form of stock and/or cash dividends, subject always to:

(a) All requirements of the Revised Corporation Code as well as all other applicable laws, rules, regulations and/or orders;

(b) Any banking or other funding covenants by which the Company is bound from time to time; and

(c) The operating and expansion requirements of the Company as mentioned above.

The Company's direct subsidiary, LBC Express, has adopted the same dividend policy.

Dividend History

On October 19, 2020, the Board of Directors of the Company approved the declaration of cash dividends amounting to ₱285.17 million or ₱0.20 for every issued and outstanding share.

On September 12, 2019, December 20, 2018, April 19, 2017 and October 11, 2016, the Board of Directors of the Company approved the declaration of cash dividends amounting to ₱ P356.47 million or ₱0.25 for every issued and outstanding common share, ₱285.17 million or ₱0.20 for every issued and outstanding share, ₱827.00 million or ₱0.58 for every issued and outstanding common share and ₱313.69 million or ₱0.22 for every issued and outstanding common share, respectively.

On February 8, 2019, June 9, 2017 and November 29, 2016, through a Memorandum of Agreement, LBC Development Corporation and the Company agreed to offset the dividends payable by the Company to LBC Development Corporation against the latter's payable to the Group amounting to ₱229.37 million, ₱699.47 million and ₱265.31 million, respectively. The ₱241.19 million, ₱699.47 million and ₱265.31 million pertain to the share in dividends of LBC Development Corporation while the ₱43.98 million. ₱127.54 million and ₱48.38 million pertain to the share of non-controlling interest.

RECENT SALES OF UNREGISTERED SECURITIES

Not applicable.

CORPORATE GOVERNANCE

The Company submitted its Manual on Corporate Governance to the Philippine SEC on May 26, 2017 in compliance with Philippine SEC Memorandum Circular No. 19 series of 2016.

As of 31 October 2022, the Company remains substantially in compliance with and has no material deviation from its Manual and no sanctions were imposed on any director, officer or employee on account of non-compliance with the same.

The Manual assists the Company in monitoring and assessing its level of compliance with leading practices on good corporate governance as specified in pertinent SEC circulars. Aside from establishing specialized committees to aid in complying with the principles of good corporate governance, the Manual also outlines specific investor's rights and protections and enumerates particular duties expected from the Board members, officers and employees. It also features a disclosure system which highlights adherence to the principles of transparency, accountability and fairness. The Compliance Officer is tasked with the formulation of specific measures to determine the level of compliance with the Manual by the Board members and members of the Committees. There has been no deviation from the Manual's standards as of 31 October 2022.

The Company and its respective directors, officers and employees have complied with the best practices and principles on good corporate governance as embodied in its Corporate Governance Manual. An evaluation system has been established by the Company to measure or determine the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance.

The Company has a robust internal audit system as well as external audit engagements. The Company also plans to engage the services of an external firm to independently review its governance practices and in the process create an evaluation system that is independent.

Pursuant to SEC Memorandum Circular No. 15, series of 2017 mandating all publicly-listed companies to submit an Integrated Annual Corporate Governance Report (I-ACGR), the Company filed its 2021 I-ACGR on 30 May 2022.

ANNEX E

From: ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>
Sent: Monday, 16 May 2022 6:16 pm
To: lbch@lbcexpressholdings.com
Subject: Re: LBC EXPRESS HOLDINGS, INC._SEC Form 17-A (FY 2021)_16 May 2022

Your report/document has been SUCCESSFULLY ACCEPTED by ICTD.
(Subject to Verification and Review of the Quality of the Attached Document)
Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 15 days from receipt through the SEC Express System at the SEC website at www.sec.gov.ph

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NOTICE

Please be informed that pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (PDF) **Secondary Reports** such as: 17-A, 17-C, 17-L, 17-Q, ICASR, 23-A, 23-B, I-ACGR, Monthly Reports, Quarterly Reports, Letters, through email at

ictdsubmission@sec.gov.ph

Note: All submissions through this email are no longer required to submit the hard copy thru mail, eFAST/OST or over- the- counter.

For those applications that require payment of filing fees, these still need to be filed and sent via email with the SEC RESPECTIVE OPERATING DEPARTMENT.

Further, note that other reports shall be filed thru the **ONLINE SUBMISSION TOOL (OST)** such as:
AFS, GIS, GFFS, LCFS, LCIF, FCFS. FCIF, IHFS, BDFS, PHFS etc. ANO, ANHAM, FS-PARENT, FS-CONSOLIDATED, OPC_AO, AFS WITH NSPO FORM 1,2,3 AND 4,5,6, AFS WITH NSPO FORM 1,2,3 (FOUNDATIONS)

FOR MC28, please email to:

https://apps010.sec.gov.ph

For your information and guidance.

Thank you and keep safe.

C O V E R   S H E E T
for
SEC FORM 17-A (ANNUAL REPORT)

SEC Registration Number

A S 9 3 0 0 5 2 7 7

COMPANY NAME

L B C   E X P R E S S   H O L D I N G S ,   I N C .   A N D
S U B S I D I A R I E S

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	+63 2 8856-8510	-

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: **December 31, 2021**

2. SEC Identification Number: **AS93-005277**

3. BIR Tax ID No.: **002-648-099-000**

4. Exact Name of issuer as specified in its charter: **LBC EXPRESS HOLDINGS, INC. (formerly Federal Resources Investment Group Inc.)**

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

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

7. Address of principal office and postal code: **LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila 1300**

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

9. Former name, former address, former fiscal year (if changed since last report):

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

10. Securities registered pursuant to Section 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

    As of December 31, 2021:

Title of each class	Number of shares issued and outstanding
Common Shares	1,425,865,471[1]
Bond payable	1,702,087,740[2]
Derivative Liability	2,558,118,548[2]

11. Are any or all of these securities listed on a Stock Exchange? Yes (x) No ( )

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

[1] Inclusive of 1,388,357,471 common shares which are exempt from registration.
[2] Related to convertible instrument at an aggregate principal amount of $50 million.
[3] As of December 31, 2021, 40,899,000 common shares have been listed with the Philippine Stock Exchange. The remaining 1,384,966,471 are subject of listing applications filed with the Philippine Stock Exchange.

12. Check whether the issuer:

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

Yes (x) No ( )

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

Yes (x) No ( )

13. Aggregate market value of voting stock held by non-affiliates is **₱4,860,977,689 as of May 13, 2022.**[4]

DOCUMENTS INCORPORATED BY REFERENCE

14. Briefly describe documents incorporated by reference and identify the part of the SEC Form 17-A into which the document is incorporated:

(a) **2021 Consolidated Audited Financial Statements** (incorporated as reference for items 6, 7 and 12 of SEC Form 17-A

(b) 2021 Sustainability Report

[4] Inclusive of common shares with pending listing applications.

Unless otherwise specified or the context otherwise requires, all references to the “Company” are to LBC Express Holdings, Inc. (**LBCH**), its subsidiary LBC Express, Inc. (**LBCE**) and the subsidiaries of the latter on a consolidated basis. However, references to the “Company”, when used in the context prior to the corporate reorganization, are to Federal Resources Investment Group, Inc.

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

BUSINESS DEVELOPMENT

CORPORATE REORGANIZATION

The Company was incorporated and registered with the Securities and Exchange Commission (**SEC**) as “Federal Chemicals, Inc.” on July 12, 1993. At the time, the Company was principally engaged in the business of manufacturing various adhesives and sealants and other chemicals for hardware, construction, do-it-yourself and industrial applications. The Company has been a publicly-listed company since December 21, 2001, and was traded under the ticker symbol “FED” on the Philippine Stock Exchange (**PSE**).

On September 28, 2007, the change in corporate name from Federal Chemicals, Inc. to Federal Resources Investment Group, Inc. as well as the change in the primary purpose of the Company to that of a holding company was approved by the SEC.

On April 23, 2015, the Board of Directors of the Company approved the issuance of 59,101,000 common shares, at ₱1.00 per share, out of the unissued portion of the Company’s authorized capital stock to LBC Development Corporation, subject to acceptable documentation being arrived at, as well as the fulfillment of such conditions agreed upon by the parties, including a mandatory tender offer, where required under relevant laws and regulations.

The Company needed to raise additional capital through the issuance of new shares out of the unissued portion of the Company’s authorized capital stock for general corporate purposes. Further, such infusion was preparatory to a potential additional investment of LBC Development Corporation into the Company as a result of the ongoing due diligence on the Company.

On May 18, 2015, the Company and LBC Development Corporation entered into a Deed of Subscription, whereby LBC Development Corporation, subject to the completion of the mandatory tender offer, subscribed to 59,101,000 common shares out of the unissued authorized capital stock of the Company or 59.10% of the authorized capital stock of the Company. The consideration for the subscribed shares was ₱59,101,000 or ₱1.00 per share.

On May 22, 2015, LBC Development Corporation filed with the SEC its mandatory tender offer report for all the outstanding shares of the Company for a tender offer price of ₱1.00 per share. The mandatory tender offer period commenced on June 8, 2015 and ended on July 7, 2015. On July 14, 2015, LBC Development Corporation filed with the SEC its final tender offer report.

On July 22, 2015, the Company issued the stock certificates covering the subscribed shares to LBC Development Corporation.

On July 29, 2015 and in consonance with such change in control, the Board of Directors of the Company approved the acquisition by the Company of all the outstanding shares of stock of

LBC Express, Inc., at the time a wholly-owned subsidiary of LBC Development Corporation, at the book value of not less than ₱1 billion. The Board also approved the following:

(i) increase in the authorized capital stock of the Company from ₱100 million to up to ₱3 billion in which subsequently approved by SEC on September 18, 2015 at ₱2 billion;
(ii) the issuance of shares out of the increase in authorized capital stock or out of the unissued capital stock to LBC Development Corporation and/or to other investors and/or third parties for the purpose of (a) funding the acquisition by the Company of all the outstanding shares of stock of LBC Express, Inc.; (b) funding the acquisition of other potential investments, whether or not related to the business of LBC Express, Inc.; and (c) ensuring compliance by the Company with the minimum public ownership requirements of the PSE;
(iii) the change in the name of the Company to "LBC Express Holdings, Inc."; and
(iv) the change of the trading symbol "FED" to "LBC".

On September 4, 2015, the stockholders of the Company approved all of the foregoing matters.

On September 18, 2015, pursuant to the authority to issue shares out of the increase in authorized capital stock or out of the unissued capital stock to LBC Development Corporation, the Company and LBC Development Corporation entered into Subscription Agreements, whereby LBC Development Corporation subscribed to, and the Company agreed to issue, 1,146,873,632 additional Common Shares at a subscription price of ₱1.00 per share or an aggregate subscription price of ₱1,146,873,632 (the **Additional Subscriptions**), consisting of 475,000,000 shares issued from the increase in the authorized capital stock of the Company and 671,873,632 shares issued out of the authorized and unissued capital stock of the Company, following the approval by the SEC of the increase in the authorized capital stock of the Company from ₱100,000,000.00 divided into 100,000,000 Common Shares with par value of ₱1.00 per Share, to ₱2,000,000,000.00 divided into 2,000,000,000 Common Shares with par value of ₱1.00 per Share. Notices of exemption for the Additional Subscriptions were filed with the SEC on October 13, 2015.

On September 24, 2015, the Company purchased from LBC Development Corporation a total of 1,041,180,493 shares of stock in LBC Express, Inc. for an aggregate purchase price of ₱1,384,670,966.

On October 2, 2015, the Company entered into Subscription Agreements with each of Vittorio P. Lim, Mariano D. Martinez, Jr., and Lowell L. Yu (collectively, the **Subscribers**), wherein subject to the approval by the SEC of the Capital Increase, the Subscribers agreed to subscribe, and the Company agreed to issue, a total of 178,991,839 Common Shares of the Company at the par value of ₱1.00 per share or an aggregate subscription price of ₱178,991,839.00 out of the authorized and unissued capital stock of the Company. The foregoing subscription was undertaken to ensure compliance by the Company with the PSE Minimum Public Ownership requirement of at least 10% of the outstanding capital stock of the Company. A notice of exemption for the subscription was filed with the SEC on October 13, 2015.

Involvement in Bankruptcy or Receivership Proceedings

As of the end of December 2021, the Company was not involved in any bankruptcy, receivership or any similar proceedings.

Material Reclassification, Merger, Consolidation or Purchase or Sale of a Significant Amount of Assets (not in the ordinary course of business)

On September 24, 2015, the LBCH purchased from LBC Development Corporation (LBCDC) a total of 1,041,180,493 shares of stock in LBCE for an aggregate purchase price of ₱1,384,670,966.

On June 20, 2017, the BOD approved the issuance of convertible instrument. The proceeds of the issuance of convertible instrument will be used to fund the growth of the business of the Parent Company, including capital expenditures and working capital. Accordingly, on August 4, 2017, LBCH issued, in favor of CP Briks Pte. Ltd, a seven-year secured convertible instrument in the aggregate principal amount of US$50.0 million (₱2,518.25 million) convertible at any time into 192,307,692 common shares of LBCH at the option of CP Bricks Pte. Ltd at ₱13.00 per share conversion price, subject to adjustments in accordance with the terms and conditions of the instrument. The instrument (to the extent that the same has not been converted by CP Briks as the holder or by the Parent Company) is redeemable, at the option of CP Bricks Pte. Ltd, beginning on the 30th month from issuance date at the redemption price equal to the principal amount plus internal rate of return ranging from 10% to 13%. The agreement also contains redemption in cash by the Parent Company at a price equal to the principal amount of the bond plus an internal rate of 13% (decreasing to 12%, 11% and 10% on the 4th, 5th and 6th anniversary of the issuance date, respectively) in case of a Change of Control as defined under the agreement.

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

As of December 31, 2021, the carrying value of bond payable amounted to ₱1,702.09 million and the fair value of the derivative liability amounted to ₱2,558.12 million. The fair value changes of the derivative liability recognized as "Loss on derivative" amounted to ₱458.33 million in 2021 and ₱51.10 million in 2020. Interest expense arising from the accretion of interest on the bond payable amounted to ₱239.49 million in 2021 and ₱203.65 million in 2020.

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

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

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

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

QUADX Inc. owns and operates e-commerce websites and primarily offers shipping, re-packing and consolidation facilities, multi-payment platforms, and digital services that serves clients in the Philippines.

The increase in authorized capital stock of QUADX Inc. was approved by the SEC on June 14, 2018, the same date that the Parent Company accounted the business combination under the acquisition method.

On May 29, 2019, the Parent Company sold its 1,860,214 shares in QUADX Inc. to LBCE, which shares represent 86.11% ownership in QUADX Inc., subject to the terms and conditions agreed upon under a Deed of Absolute Sale of Shares, for an aggregate purchase price of ₱186.02 million.

On July 1, 2019, LBCE, under a Deed of Absolute Sale of Shares, sold its 1,860,214 shares in QUADX, Inc. to LBCDC for an aggregate purchase price of ₱186.02 million.

The divestment of QUADX Inc. shares was made pursuant to plans of the Group to refocus the strategic direction for QUADX Inc., with a view of turning around losses.

Overseas Entities
All entities acquired from overseas, except QuadX Pte. Ltd, are entities under common control of the Araneta family.

QuadX Pte. Ltd.
On April 4, 2018, the BOD of the Parent Company approved the acquisition of 86.11% equity interest in QuadX Pte. Ltd., an entity domiciled in Singapore, through the following: (a) the purchase of 862 ordinary shares of QuadX Pte. Ltd. held by an individual shareholder, at the sale price of USD1.00 per share; and (b) the subscription to 85,248 ordinary shares out of the unissued capital stock of QuadX Pte. Ltd. at the subscription price of USD1.00 per share.

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

QuadX Pte. Ltd. is engaged in digital logistics business. The acquisition is expected to contribute to the global revenue stream of the Group.

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

LBC Express Airfreight (S) Pte. Ltd., LBC Aircargo (S) Pte. Ltd., LBC Money Transfer PTY Limited and LBC Australia PTY Limited
On June 27, 2018, the BOD of the Parent Company approved the purchase of shares of various overseas entities. On the same date, the following Share Purchase Agreements (SPAs) were executed by the Parent Company and Jamal Limited, a transitory seller, for a total purchase price of US $4.60 million or ₱245.67 million under the SPAs. Jamal Limited, a third party, purchased these entities from

Advance Global Systems Limited, an entity under common control, prior to sale to the Parent Company.

Details follow:

Entity Name	Number of shares	Purchase price	Primary operation	Place of business
LBC Express Airfreight (S) Pte. Ltd. (LBC Singapore)	10,000	$2,415,035	Logistics	Singapore
LBC Aircargo (S) Pte. Ltd. (LBC Taiwan)	94,901	146,013	Logistics	Taiwan
LBC Money Transfer PTY Limited (LBC Australia Money)	10	194,535	Remittance	Australia
LBC Australia PTY Limited (LBC Australia Cargo)	223,500	1,843,149	Logistics	Australia

The transfer of the ownership of the shares and all rights, titles and interests thereto shall take place following the payment of the considerations defined. These entities operate as logistics and money remittance companies on the countries where they are domiciled.

LBC Mabuhay (Malaysia) SDN BHD

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

LBC Mabuhay (B) Sdn Bhd and LBC Mabuhay Remittance Sdn Bhd

On October 15, 2018, the Parent Company acquired 50% ownership of LBC Mabuhay Remittance SDN BHD and LBC Mabuhay (B) SDN BHD for total purchase price of US $557,804 and US $225,965, respectively, equivalent to ₱42.39 million. These entities operate as logistics and money remittance companies in Brunei, respectively.

Entities under LBC Holdings USA Corporation

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

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

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

- LBC Mundial Corporation (LBC Mundial) which operates as a cargo and remittance company in California, USA. The Parent Company purchased 4,192,546 shares or 100% of the total outstanding shares from LBC Holdings USA Corporation. LBC Mundial wholly owns LBC Mundial Nevada Corporation which operates as a cargo company in Nevada, USA.

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

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

Mermaid Co. Ltd.

On October 31, 2019, the Parent Company acquired 100% ownership of Mermaid, Co. Ltd. for total purchase price of US $200,000. Mermaid Co. Ltd. operates a service for the shipping of household and other goods from expatriates living in Japan to their respective home countries, known as the "Balikbayan Box".

On December 12, 2019, the purchase of Mermaid Co. Ltd. was completed upon approval of the relevant government agencies.

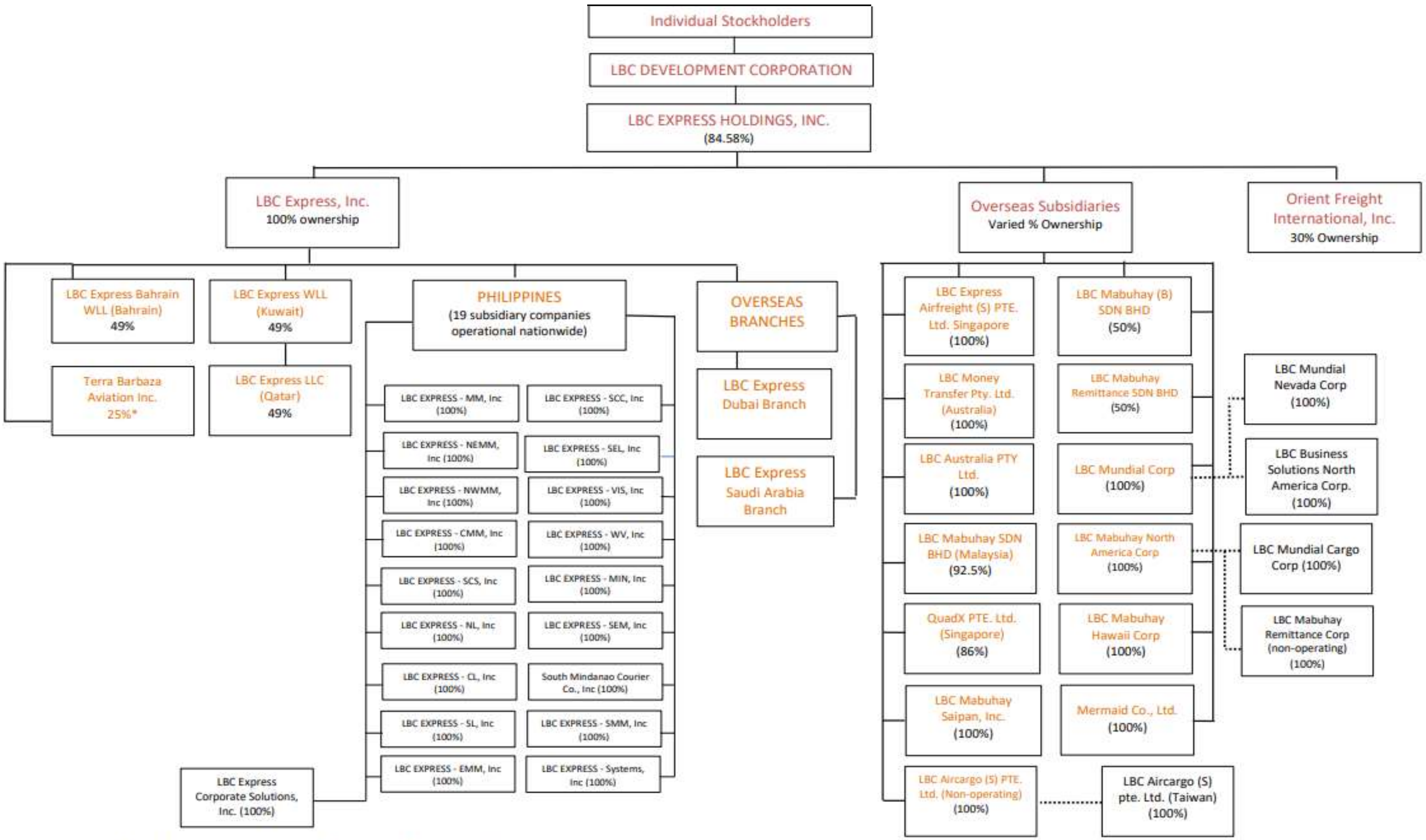
LBC HISTORY

LBC Express, Inc. was initially founded in 1950s as "Luzon Brokerage Corporation." It subsequently changed its name to "LBC Air Cargo, Inc." and operated as a brokerage and air cargo agent. A few years after incorporation, LBCE evolved into an express delivery service, becoming the first Filipino-owned private courier company to provide time-sensitive deliveries in the Philippines and offer customers an alternative to the Government-owned and operated postal service. In 1973, LBCE pioneered 24-hour door-to-door express delivery and messengerial services in the Philippines, providing greater convenience to its existing customers and further expanding its market share. LBCE's name was formally changed to "LBC Express, Inc." on April 26, 1988 to reflect the express delivery services that had come to form its hallmark business. In the 1990s, LBCE adopted the slogan "*Hari ng Padala*", or Filipino for "King of Forwarding Services." LBCE has now become the market leader in the Philippine domestic air freight forwarding market and, for the year ended November 30, 2012, had a market share of 41.8% of the domestic air freight forwarding industry in terms of throughput by weight, according to data from the CAB. While LBCE's logistics business still primarily comprises retail express courier and freight forwarding services, it has also expanded its product mix to offer services targeted at corporate customers, including full container load and less-than-container load sea freight forwarding and end-to-end logistics solutions.

In the early 1980s, LBCE entered into the domestic remittance business, leveraging the existing branch network of its logistics business as customer contact points for remittance acceptance and fulfillment, growing this business at low marginal cost. Beginning in 1999, LBCE expanded its money transfer services segment by offering bill payment collection services in the Philippines by serving as a third party collection agent for various vendors throughout the Philippines. In 2006, LBCE also began providing corporate remittance fulfillment services, such as payouts of government Social Security System benefits, payroll and insurance benefits on behalf of third parties, as well as remittance encashments for customers of its local remittance partner, Palawan Pawnshop.

LBCE commenced its international money transfer operations in 1987 by establishing relationships with agents and affiliates in the United States and steadily expanding its network elsewhere globally to provide fulfillment services for inbound international remittances. LBCE later leveraged the network of its overseas affiliates to expand its Logistics business internationally as well. Today, LBCE provides courier and freight forwarding services in 22 countries and territories outside of the Philippines and fulfillment services for inbound remittances originating from over 30 countries and territories outside the Philippines, including the United States, Canada, the Asia Pacific region, Europe and the Middle East.

The following diagram illustrates the operating ownership structure of the Company as of December 31, 2021:



**25% ownership of Terra Barbaza Aviation Inc. is based on common stock with voting rights.*

The consolidated financial statements include the financial statements of LBCH and the following subsidiaries:

	Country of incorporation	Principal activities	Ownership Interest 2021	Ownership Interest 2020
LBC Express, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - MM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - CL, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - NL, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - VIS, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - SL, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - SCS, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express Corporate Solutions, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - CMM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - EMM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - MIN, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - SMM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - SEL, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - WVIS, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - SEM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - SCC, Inc.	Philippines	Logistics and money remittance	100%	100%
South Mindanao Courier Co., Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - NEMM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - NWMM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Systems, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express Bahrain WLL	Bahrain	Logistics	49%	49%
LBC Express Shipping Company WLL	Kuwait	Logistics	49%	49%
LBC Express LLC (1)	Qatar	Logistics	49%	49%
LBC Mabuhay Saipan Inc.	Saipan	Logistics and money remittance	100%	100%
LBC Aircargo (S) PTE. LTD	Singapore	Logistics	100%	100%
LBC Aircargo (S) PTE. LTD - Taiwan Branch	Taiwan	Logistics	100%	100%
LBC Express Airfreight (S) PTE. LTD.	Singapore	Logistics	100%	100%
LBC Money Transfer PTY Limited	Australia	Money remittance	100%	100%
LBC Australia PTY Limited	Australia	Logistics	100%	100%
LBC Mabuhay (Malaysia) Sdn Bhd.	Malaysia	Logistics	93%	93%
QuadX Pte. Ltd.	Singapore	Digital logistics	86%	86%
LBC Mabuhay (B) Sdn Bhd	Brunei	Logistics	50%	50%
LBC Mabuhay Remittance Sdn Bhd	Brunei	Money remittance	50%	50%
LBC Mundial Corporation	United States of America	Logistics and money remittance	100%	100%
LBC Mundial Nevada Corporation	United States of America	Logistics and money remittance	100%	100%
LBC Business Solutions North America Corp. (3)	United States of America	Logistics	100%	
LBC Mabuhay North America Corporation	United States of America	Logistics and money remittance	100%	100%
LBC Mundial Cargo Corporation	Canada	Logistics	100%	100%
LBC Mabuhay Remittance Corporation	Canada	Money remittance	100%	100%
LBC Mabuhay Hawaii Corporation	United States of America	Logistics and money remittance	100%	100%
Mermaid Co., Ltd.	Japan	Logistics	100%	100%

Note:

(1) This entity is a subsidiary of LBC Express Shipping Company WLL which has 49% ownership interest.

(2) On January 1, 2021, LBC Mundial Corporation acquired 100% ownership interest of LBC Business Solutions North America Corp.

BUSINESS

SERVICES

The Group's business is principally comprised of two major segments: (a) Logistics; and (b) Money Transfer Services.

The Group's Logistics products serves Retail (C2C) and Corporate/Institutional (B2B/B2C) customers. 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 include Domestic Remittance services (available as branch retail services), Bills Payment collection, and Corporate Remittance Payout services. International Money Transfer Services are also offered overseas through the Group's own branches, and through partners, which encompasses International Inbound Remittance services.

The table below presents the above-mentioned components of the Group's revenue associated with its business segments, for the years indicated.

In PHP 'millions	For the year ended December 31, 2021		
Segments	Logistics	Money transfer services	Total
Type of Customer			
Retail	₱12,544.56	₱559.37	₱13,103.93
Corporate	3,112.59	33.19	3,145.78
Total revenue from contracts with customers	**₱15,657.15**	**₱592.56**	**₱16,249.71**
Geographic Markets			
Domestic	₱10,047.71	₱272.04	₱10,319.75
Overseas	5,609.44	320.52	5,929.96
Total revenue from contracts with customers	**₱15,567.15**	**₱592.56**	**₱16,249.71**

In PHP 'millions	For the year ended December 31, 2020		
Segments	Logistics	Money transfer services	Total
Type of Customer			
Retail	₱10,463.29	₱529.88	₱10,993.17
Corporate	3,081.79	42.11	3,123.90
Total revenue from contracts with customers	**₱13,545.08**	**₱571.99**	**₱14,117.07**
Geographic Markets			
Domestic	₱9,309.20	₱314.48	₱9,623.68
Overseas	4,235.88	257.51	4,493.39
Total revenue from contracts with customers	**₱13,545.08**	**₱571.99**	**₱14,117.07**

In PHP 'millions	For the year ended December 31, 2019		
Segments	Logistics	Money transfer services	Total
Type of Customer			
Retail	₱9,944.62	₱925.77	₱10,870.39
Corporate	4,273.05	66.52	4,339.56
Total revenue from contracts with customers	**₱14,217.66**	**₱992.29**	**₱15,209.96**
Geographic Markets			
Domestic	₱10,255.60	₱659.08	₱10,914.68
Overseas	3,962.06	333.21	4,295.28
Total revenue from contracts with customers	**₱14,217.66**	**₱992.29**	**₱15,209.96**

As of December 31, 2021, the Logistics business of the Group accounts for approximately 96% of its total revenues while Money Transfer Services accounts for the remaining 4%.

Retail Logistics comprised 80%, 77%, and 70%, respectively, of the Group's service revenue from Logistics for the years ended December 31, 2021, 2020 and 2019. The Group's primary retail logistics offerings are its "Express" products (courier and air cargo forwarding) and *balikbayan* boxes.

For the year ended December 31, 2021, service fees from international outbound remittances amounted to ₱0.99 million, and ₱0.37 million in 2020 (nil for 2019).

For the years ended December 31, 2021, 2020 and 2019, service fees from international inbound remittances were ₱320.52 million, ₱257.51 million, and ₱333.21 million, accounting for 54%, 45%, and 34%, respectively, of the Group's total service revenues from Money Transfer Services.

Logistics

The Logistics business is the Group's primary source of revenue. The Group serves two primary customer segments within the Logistics business: (a) Retail (C2C) customers; and (b) Corporate/Institutional (B2B/B2C) customers. The main services offered to Retail customers include Courier, Air Cargo Forwarding and *Balikbayan* box services. The main services offered to Corporate clients include, in addition to Courier and Freight Forwarding services, Specialized Corporate Solutions, or Corporate Logistics services, tailored to the specific needs of the client.

As of December 31, 2021, the Group has offered Logistics services at 1,617 Company-owned branches in the Philippines and 71 Company-owned branches, and 624 Partner-agent branches, in 29 other countries and territories worldwide.

Retail Logistics

Retail Logistics comprised 80%, 77%, and 70%, respectively, of the Group's service revenue from Logistics for the years ended December 31, 2021, 2020 and 2019. The Group's primary Retail Logistics offerings are its "Express" products (comprised of Courier and Air Cargo forwarding) and *Balikbayan* boxes.

Courier

Courier services are the Group's express messengerial services and refer to deliveries of parcels (i.e. letters and small packages typically weighing three kilograms or less) by land and/or air on a time-sensitive basis. LBCE generally makes domestic courier deliveries within 24 hours of acceptance and international courier deliveries within one to three days of acceptance, depending on the origin and destination country. The Group is limited in liability for delays caused by certain *force majeure* and other events that may prevent it from making an on-time delivery. The fees for courier services are based on weight, dimensions and final destination, and the Group imposes add-on charges for extra services such as pick-up in certain areas outside of the National Capital Region of the Philippines, additional insurance and same-day delivery service. In 2021, however, due to the various quarantine situations imposed by the government in view of the Covid-19 pandemic, service level agreements were extended beyond the standard timeframes.

Air Cargo

Cargo refers to larger packages and boxes (typically weighing over three kilograms). As with courier services, the Company generally makes express deliveries of domestic air cargo within 24 hours of acceptance, while international air cargo is generally delivered within one to three days of acceptance, depending on the destination country. The Company charges for air cargo forwarding and items delivered by ground based on volumetric weight (a function of both the actual weight and dimensions of the cargo) and final destination, as well as add-on charges for extra services such as pick-up in certain areas, additional insurance and same-day delivery service. In 2021, however, due to the various quarantine situations imposed by the government in view of the Covid-19 pandemic, service level agreements were extended beyond the standard timeframes.

Balikbayan Boxes

The *balikbayan* box is a box shipment of personal effects cargo sent by retail customers to friends and family, domestically and internationally. *Balikbayan* boxes are forwarded by the Group by way of sea transport and generally delivered within 35 days of acceptance from the sender, subject to *force majeure* and other unforeseen events. Because the Group charges for sea freight forwarding based on standard dimensions of the box rather than weight, *balikbayan* boxes provide a low cost option to customers making shipments of various items. They are also a means for customers to ship certain items that cannot be shipped by air, such as liquids and aerosols. Accordingly, *balikbayan* boxes are frequently used by overseas Filipinos to send large numbers or volumes of consumer products, such as clothing, home goods and personal care items, to recipients in the Philippines. *Balikbayan* boxes come in a variety of dimensions and typically weigh between 30 to 80 kilograms. In 2021, however, due to the various quarantine situations imposed by the government in view of the Covid-19 pandemic, service level agreements were extended beyond the standard timeframes.

Corporate Logistics

The Company provides services to a varied portfolio of corporate and institutional customers, which include consumer goods manufacturers, food products producers, pharmaceutical companies, educational institutions, financial services companies and others, including several well-known multinational corporations. In addition to fulfilling the express delivery needs of corporate clients through courier and air cargo forwarding services, the Company also provides the following services:

Specialized Corporate Solutions (SCS)

SCS refers to the end-to-end tailored logistics services provided by the Company to corporate clients with specific requirements.

As part of SCS, the Company provides transportation of mail, parcels and cargo via air, land and sea. The Company offers sea freight forwarding services domestically for both full container load (FCL) and less-than-container load (LCL) shipments. LCL services are particularly attractive for small and medium-sized businesses with relatively lower volume shipping requirements. Corporate clients have the option of dropping off their shipments at the Company's container freight stations located near local ports or requesting a pick-up from the Company. The Company also offers flexible payments modes, including payment at origin, payment at destination, payment on account of shipper, and payment on account of consignee. Shipping times for sea freight are more protracted than for air freight, ranging from three to seven days for domestic shipments and seven to 45 days for international shipments. In recent years, the volume of sea freight forwarding services provided by the Company has increased due to the growth in its corporate client portfolio.

The Company also expanded SCS to include value-added services such as onsite operations, cold chain, warehousing, and cross-border logistics. The palette of available onsite operations includes warehouse storage, cross-docking (the temporary storage of arriving order and subsequent breaking-down and reassembly for truck delivery), inventory management, reverse logistics, pick-up of pallets and containers, order fulfillment services at the customer's own warehouse, specialized packaging and re-packaging (such as ice gelling for pharmaceutical products), open-checking services, cash on delivery (collection of value of item from consignee upon delivery and remittance of value to shipper) and delivery and discrepancy reporting, among others, which are in addition to its customary courier and freight forwarding services.

The Company performs services for corporate clients both pursuant to long-term contracts and on a per-transaction basis. SCS contracts typically have terms of one to three years. The Company extends credit facilities to most of its corporate clients, following a standard credit check procedure when first engaging a new client.

In recent years, the Company has increased its focus on its corporate logistics business and aims to continue expanding its corporate client portfolio and service offerings going forward.

Money Transfer Services

Money Transfer services are the Group's second primary business segment and comprise both domestic and international money transfer services.

Domestic

Domestic Money Transfer services include (a) Remittances and (b) Bills Payment collection and Corporate Remittance Payout services. For the years ended December 31, 2021, 2020 and 2019, service fees from domestic Money Transfer Services were ₱272.04 million, ₱314.48 million, and ₱659.08 million, respectively, representing 46%, 55%, and 66%, respectively, of the Company's total service revenues from Money Transfer Services.

Remittances

Remittances are transfers of funds between customers from one location to another. The Company is licensed by the *Bangko Sentral ng Pilipinas* (**BSP**) to serve as a remittance agent in the Philippines for both domestic remittances (wherein both the sender and the beneficiary are located within the Philippines) and international inbound remittances (wherein the sender is located outside the Philippines and the beneficiary is located within the Philippines). Retail customers in the Philippines, particularly the unbanked population and others who are underserved by traditional banking institutions, account for the majority of the Company's Domestic Remittance customers. The Company offers Domestic Remittance services in the form of branch retail remittance services.

- *Branch retail services* enable customers who make remittances at any Company-owned branch in the Philippines to choose among the following fulfillment options for their beneficiaries:

    - *Instant branch pick-up (Instant Pera Padala "IPP")*, a real-time cash pick-up remittance facility in which funds become instantaneously available for pick-up by the remitter's beneficiary once the sending party has made the payment at a Company-owned branch; the sending party can designate any pick-up location or geographic zone within the Company's domestic network (including both Company-owned branches and branches of its partners, Palawan Pawnshop, Cebuana Lhuillier);

    - *"Pesopak*," a service by which remittances are delivered directly to the beneficiary's doorstep, providing an attractive option for situations in which beneficiaries cannot or do not want to visit a branch; the Company offers next day delivery for *Pesopak* in almost all areas in the Philippines; and

    - *Remit-to-account ("RTA")*, a service by which funds accepted from a sender at a Company branch will be directly deposited to the designated local bank account of the beneficiary.

LBCE charges a service fee for processing Domestic Remittances according to a progressive schedule based on the value of the remittance. Fees may also vary depending on the chosen method of fulfillment. For example, Remit-To-Account (RTA) and *Pesopak* deliveries may incur additional service charges. The significant majority of remittances made by customers of LBCE are for sums equivalent to approximately ₱13,000 or less.

Bills Payment Collection and Corporate Remittance Payouts

LBCE serves as a third party bills payment collection sub-agent for approximately 8 creditors in the Philippines. Through the LBCE Bills Payment collection service, customers of these merchants and other creditors can settle their accounts by submitting their payment along with the billing notice issued by the merchant to any company-owned branch in the Philippines. LBCE processes Bills Payment collections through the same integrated point-of-sale (**POS**) system used by the LBCE for acceptance of parcels, cargo and remittances. LBCE ceased its service contract with CIS Bayad Center, Inc. in August 2021.

The Company also provides Payout services for various corporations and organizations. For example, the Company provides Payroll services for certain companies, whereby employees can collect salary checks at an LBC branch. As part of its reciprocal agreements with Palawan Pawnshop, Cebuana/PJ Lhuillier, M. Lhuillier, and Petnet, Inc. (Western Union), LBCE also provides encashment services for beneficiaries of senders who make a remittance at a Palawan Pawnshop, Cebuana/PJ Lhuillier, M.Lhuillier or Western Union branch.

International

The Company provides fulfillment services for international inbound remittances from over 10 countries and territories overseas to the Philippines through its overseas branches and affiliates and its network of international remittance agents.

To expand its international reach, LBCE has also entered into agreements with affiliates and remittance fulfillment agents in countries and territories outside of the Philippines. These agents include International Remittance houses such as in the Asia-Pacific region: in Hong Kong, Pacific Ace Forex H.K. Limited; in Malaysia, SMJ TERATAI SDN. BHD., TML Remittance Center SDN. BHD., Merchantrade Asia SDN. BHD., Tranglo; in Taiwan, Fastpay Intl Ltd..; in Japan, TransRemittance Co. Ltd., Japan Remit Finance Co. Ltd.; in Singapore, Kabayan Remittance Pte. Ltd.; in Israel, WIC Worldcom Finance Ltd.; in the Middle East continent; in the United Arab Emirates, Al Ansari Exhchange LLC., Instant Cash FZE.; in the European continent, Money Exchange SA, Spain; Intel Express Georgia, Georgia; Philippines Remittances Ltd., and Worldremit Ltd. in the United Kingdom; in the North American region; Uremit International Corp. and Atin Ito Variety Bakery & Remittance Ltd., Canada; Remitly Inc., Intermex Wire Transfer LLC, Limica Corporation (Guam), XOOM Corporation, Envios De Valores La Nacional Corp., Sigue Corporation, and Placid NK Corporation, in the United States of America, among others.

International remittances are also encashed by LBCE from Philippine-based companies with international presence, such as Petnet Inc. (under Western Union), Pinoy Express Hatid Padala Services, Inc., New York Bay Philippines, Inc., Filremit Corp., Fastremit Service Inc., I-Remit Inc., Betur Inc. (DBA COINS PH), Pisopay.Com Inc., True Money Philippines Inc., Optimum Exchange Remit Inc., Ayannah Business Solutions, Inc., Atomtrans Tech Corp., Uniteller Filipino, Inc., among others.

For this same purpose, the Company also has partnerships with Philippine financial institutions with strong international and local presence such as Asia United Bank Corporation, Bank of Commerce, China Banking Corporation, Metropolitan Bank & Trust Company and Subsidiaries, Rizal Commercial Banking Corporation, Bank of the Philippine Islands, and Landbank of the Philippines, among others, as well as other pawnshop/money service businesses such as Eight Under Par, Inc. (Palawan Pawnshop), Cebuana Lhuillier Services Corporation (Cebuana Lhuillier), Michel J. Lhuillier Financial Services, Inc. (MJ Lhuillier), and P.J. Lhuillier, Inc., PETNET, Inc., among others.

Through the extended networks of its partners and agents, the Company provided fulfillment services for inbound remittances, although it transacts only with its direct agents. Under the terms of the fulfillment partnership agreements that the Company enters into, direct agents are permitted only limited use of the "LBC" name, trademarks and other protected signs when transacting business on behalf of the Company and still carrying on business under their own corporate and trade names. The Company receives a fixed percentage of the agent's revenues in exchange for its services in relation to inbound international remittances. The Company requires most of its remittance agents to maintain a revolving fund for advance funding cover, which must be replenished when the balance falls beneath a set threshold. This is to ensure that the Company bears minimal credit risk when making payouts on behalf of international agents. In addition, most of the agreements have in place a maximum remittance value per transaction as a further risk mitigation tool, typically ranging from ₱75,000 to ₱100,000.

The basic process for domestic remittances is as follows:

- Remittances from origins are accepted via point-of-sale system. Encashment branch will check the possible match using the Auto-Scrubbing Process (Sender and Beneficiary names are checked against the International Sanctions List) and ensure the validity of transaction. Data processing will be performed as well as fund allocation. Payout, delivery, credit to bank et.al are the methods in fulfillment of the transactions.

As with domestic remittances, beneficiaries of international inbound remittances can avail of instant branch pick-up services at any location within the Group's domestic network as soon as the transaction is processed into the Group's POS system from its overseas branch or agent-operated location. Beneficiaries of inbound international remittances can also arrange for the money to be delivered to their door, have the sums credited to a pre-paid remittance card or have proceeds deposited directly into a bank account. The Group charges a service fee for processing international remittances according to a progressive schedule based on value of the remittance and pick-up destination of the remittance. Although mobile remit confirmation codes are not yet sold internationally, the Group does enable online remit services from the United States, in which the sender can remit funds to a Philippine beneficiary through the Group's website using a debit card. The significant majority of remittances made by customers of the Group are for sums equivalent to approximately ₱10,000 to ₱15,000 or less.

For the year ended December 31, 2021, service fees from international outbound remittances amounted to ₱0.99 million, and ₱0.28 million for 2020 (nil for 2019).

For the years ended December 31, 2021, 2020 and 2019, service fees from international inbound remittances were ₱320.52 million, ₱257.51 million, and ₱333.2 million, accounting for 54%, 45%, and 34%, respectively, of the Company's total service revenues from Money Transfer Services.

OPERATIONS

LBC's Courier and Freight Forwarding services utilize transport by air, sea and land and a network of strategically located warehouses, distribution centers and delivery hubs to provide end-to-end delivery services for its Retail customers and Corporate/Institutional clients.

Logistics

Logistics entails the management of the flow of goods from a point of origin to a specified destination, including any ancillary services that may be required to facilitate the process, such as storage and packaging.

Air Freight Forwarding

Domestic

The Group's end-to-end domestic air freight forwarding services involve the following steps: (1) acceptance (by pick-up or drop-off at a branch) (2) ground transport to a regional warehouse/distribution center, (3) primary sorting, (4) loading to aircrafts (for air transport), (5) withdrawal by the receiving distribution center/delivery hub, (6) secondary sorting (if required) and (7) ground transport for delivery to final destination.

- Acceptance is the receipt by the Group of the customer's parcels and cargo, either through its pick-up service or at one of the Group's 1,617 customer contact points in the Philippines where customers can drop off parcels and cargo. All parcels and cargo must be accompanied by a waybill from the customer providing the recipient's name, shipping address, description of contents, estimated value and other pertinent information. Upon receipt of the customer's parcel or cargo, the receiving agent affixes a barcode onto the package and scans the package, beginning the tracking process. The parcel or package is rescanned at every subsequent touch point throughout the transport process until its final destination.

- At the close of business each day (approximately 7:00 p.m.), all packages are delivered by the Group's vehicle fleet to a regional warehouse / distribution center, from any of 31 warehouses in the country. The Company has two primary distribution centers: the Central Exchange, located at the Group's corporate headquarters in the General Aviation Center of the old domestic airport in Manila, where all packages collected from, passing through or destined for Metro Manila are aggregated, and the Cebu Central Exchange, functioning similarly to the Central Exchange in Manila. Packages collected in other areas are aggregated at any one of 31 warehouses located near airports throughout the country. Upon receipt, the Exchange teams "scan-in" all packages and print manifest (i.e. an itemized inventory) listings of all the barcodes "scanned." The manifest is used to check the number of shipments "scanned in" against the number of shipments that are later "scanned out."

- Throughout the night, the Exchange teams engage in primary sorting, and label parcels and cargo bound for different destinations across the Philippines to prepare them for onward transmission by air, sea or land. All packages to be transported by air are scanned by X-ray machines for detection of illegal and contraband goods. In the Central Exchange, the Company houses its own X-ray machines which are located adjacent but within the facility, and operated by independent airline employees. This bypasses the need to transport the cargo to the airline carriers' facilities for scanning, increasing the efficiency of the Company's sorting process.

- By morning, all packages bound for other provinces and cities are loaded onto the first and second flights of the day operated by Cebu Pacific Air and Philippine Airlines, among others.

- When the planes arrive at the destination airport, a team of employees withdraws shipments and again scans the barcodes and sorts the items, segregating parcels and cargo destined for different zones. The items may also be sorted at the Company's 179 regional delivery hubs (secondary distribution centers) for more efficient distribution to smaller cities and municipalities.

- Packages are then loaded onto the Group's delivery vehicles, which either transport the items to a delivery hub for secondary sorting, or directly to the final destination if already within the zone of delivery.

In 2021, however, due to the various quarantine situations imposed by the government in view of the Covid-19 pandemic, service level agreements were extended beyond the standard timeframes. The Group's Domestic Air Forwarding services were diverted into land and sea forwarding (by way of RORO) due to the unavailability of airline forwarding services.

International

The Group's international Air Freight Forwarding and Courier services involve a similar process as its domestic Air Freight Forwarding and Courier services, namely (1) acceptance (by pick-up or drop-off at an international LBCE-owned, or affiliate-owned branch or agent-operated location), (2) ground transport to a regional hub / distribution center, (3) primary sorting, (4) loading to international aircraft, (5) withdrawal of cargo by Philippine associates at the Central Exchange in Manila or Cebu, (6) secondary sorting, (7) further forwarding by air to regional destinations (if necessary) and (8) ground transport, via Company-owned and third party trucks, for delivery to final destination. In the case of shipments originating from overseas, LBCE's overseas branch, affiliate or agent, as applicable, is responsible for all of the steps from acceptance of the parcel/cargo through loading of the parcel/cargo onto the Philippine-bound airline carrier.

In the case of shipments originating from the Philippines and sent overseas, the overseas branch, affiliate or agent, as applicable, is responsible for all of the steps from acceptance of the parcel/cargo at the international destination to secondary sorting and delivery of the item to its final destination by ground.

International shipments utilize the same, integrated barcoding and scanning system as domestic shipments, enabling a seamless exchange between the Group's domestic team and its overseas teams.

In 2021, however, due to the various quarantine situations imposed by the government in view of the Covid-19 pandemic, service level agreements were extended beyond the standard timeframes.

Ground Delivery Fleet

Ground transport forms a key component of nearly all forms of delivery and forwarding services offered by the Group. Motorcycles and trucks are used for door-to-door pickup and delivery of parcels, cargo and money remittances, as well as ground transport of items destined for onward forwarding by air or sea. The vehicle fleet is also an integral part of the Group's contingency planning in the event that air and/or sea transport become unavailable. The Group also, from time to time, engages third-party trucking and transportation companies.

For items that are transported entirely by ground, parcels and packages undergo (1) acceptance (by pick-up or drop off at a branch), (2) ground transport to the regional distribution center, (3) primary sorting, (4) ground transport to a delivery hub for secondary sorting (if required) and (5) ground transport to the final destination.

As of December 31, 2021, the Company has a fleet of 3,405 vehicles (including 2,634 motorcycles and 771 delivery vans). The Company's drivers and couriers are trained in vehicle operation safety, customer service, cash handling and other procedures. Vehicles are acquired on a lease-to-own basis pursuant to finance leases with a typical term of three to five years to ownership. The Company's vehicle fleet undergoes maintenance on a regularly scheduled basis, and vehicles are typically replaced every ten years. The Group began re-fleeting most of its delivery trucks, in 2014, and motorcycles, in the latter part of 2017. Comprehensive insurance is maintained for all vehicles.

Sea Cargo Forwarding

As of the end of December 2021, the Group's Sea Cargo forwarding services are available domestically in Manila, Cebu, Bacolod, Iloilo, Davao, Cagayan de Oro and General Santos, and internationally in 29 countries and territories outside the Philippines.

The Group does not own ships and contracts with third party shipping carriers for these services. Domestic sea transport is provided by Oceanic Container Lines, Inc., 2Go Freight, Lorenzo Shipping Lines, Gothong Southern and Asian Marine Transport Corporation, among others, while international sea transport is provided through Orient Freight International, an international freight forwarding agency in which LBCH acquired a 30% stake in 2018. This allows the Company to contract directly with international shipping carriers rather than rely on another international freight forwarder. The Company's sea cargo forwarding services are separated into Retail operations and Corporate operations.

Retail

Retail sea cargo denotes *balikbayan* boxes, which are primarily international inbound shipments and intra-Philippine shipments.

The basic forwarding process for *Balikbayan* Boxes is as follows:

- Acceptance of *Balikbayan* Boxes is handled by the LBCE (in the case of domestic shipments) or an LBCE overseas branch, overseas subsidiaries or affiliate (in the case of inbound international shipments). *Balikbayan* Boxes are typically picked up by delivery trucks, as they tend to be larger in terms of weight and volume.

- Upon acceptance, all cargo is input into the Company's VISTRA acceptance system by a delivery team, which produces a delivery dispatch report and cross checks each shipment for discrepancies when units are consigned to the international freight forwarder.

- *Balikbayan* Boxes are sorted and placed into containers at the local warehouse or distribution center of the Group's branch or affiliate/agent. Once a container is full, the Group can arrange for pick-up from the international freight forwarder or local shipping partner, as applicable. Because the throughput of goods shipped by the Group is substantial, containers are usually filled within one to two days.

- The Group's international freight forwarder (in the case of inbound international shipments) or the Group's local shipping partners (in the case of domestic shipments) will then collect the cargo from the warehouse or distribution center and load the items onto a ship.

- International inbound *Balikbayan* Boxes are in transit for three (3) to seven (7) days (for shipments within Asia) or 30 to 45 days (for shipments from Europe or North America) prior to arriving in Manila. All such *Balikbayan* Boxes are received by the international freight forwarder at either of the ports in Manila, Subic, Zambales, or Cagayan de Oro and consigned to the Group at the Vitas Harbor Center Warehouse. Intra-Philippine shipments, which generally take between two and five days to arrive at their destination, are received at regional warehouses and distribution centers. For international inbound shipments, the Group's customs brokers facilitate procedures necessary to be undertaken with the Philippine Bureau of Customs, while its international freight forwarder arranges for customs brokerage in the international jurisdictions.

- At the Vitas Harbor Center Warehouse or any of the regional warehouses and distribution centers, boxes are again scanned, inspected for any damage and sorted for further forwarding to their final destination by ground transport or re-directed to a domestic shipping company for further sea transport if necessary. International inbound *Balikbayan* Boxes are received by Group's overseas branches and affiliates and sorted for final delivery. *Balikbayan* Boxes are randomly scanned in the United States and in the Philippines via X-ray machines to prevent entry of illegal goods and money laundering.

Corporate

For Corporate Sea Cargo shipments, LBCE provides forwarding services for both Full Container Load (FCL) and Less than Container Load (LCL) shipments. LBCE's Corporate Sea Cargo forwarding services include, among others, Pier-to-Pier service (in which a customer's shipment is delivered to a receiving office at the destination pier for pickup by the receiving party) and Pier-to-Door service (in which the customer's shipment is delivered to the address of the receiving party). Corporate clients can either drop-off their cargo at LBCE's container freight stations or arrange for pick-up by LBCE's delivery fleet.

For corporate customers who wish to make regular use of the LBCE's services, the company assigns an account executive to be in-charge of obtaining details of the shipments and advising the customer on the readiness process and approval of credit terms. In addition, after shipments are completed, an account coordinator reports a summary of the transactions and the Billing and Collection department bills and collects payment for the shipments.

All corporate shipments are aggregated and sorted at the Company's container freight stations located near the local ports. Container freight stations are separate from the receiving warehouse for the retail *balikbayan* boxes.

Specialized Corporate Solutions

Under SCS, the Group provides transportation of mail, parcels and cargo via air, land and sea for its corporate clients, as well as value-added services such as onsite operations, and warehousing, among others. The transportation service operates in substantially the same manner as the general logistics operations described above.

Money Transfer Services

Remittances

Infrastructure
The Group leverages the branch network and vehicle fleet used for its Logistics services as a platform for its remittance services. The extensive geographic reach of its branch network, its large fleet of delivery vehicles, the existing workforce of trained employees and the availability of cash funds at each of the Group branches from its logistics operations enable the Group to offer remittance services at very low additional operating cost. As the remittance business has grown into a significant portion of its business, the Group has increased the number of customer contact points for its remittance services by entering into fulfillment partnership agreements with agents and affiliates domestically and internationally.

The Global Remittance Team is in charge of operating the Group's remittance business. With respect to domestic remittances, its primary duties include, among others, reviewing daily acceptance values; forecasting the daily funding needs of each branch to meet fulfillment obligations; ensuring the proper safeguarding of cash at branches; overseeing the transport and deposit of cash into the Group's regional bank accounts (from which local managers of the branch offices can withdraw the funds); establishing and training branch employees in cash acceptance, Anti-Money Laundering (AML), customer identification and other policies; and reporting covered transactions and suspicious transactions to the BSP. With respect to international remittances, its primary duties include monitoring balances of revolving accounts and settlement of payments. The Global Remittance Team uses data collected from the Group's front-end POS software to analyze end-of-day acceptance information at all of the branch locations. This enables the Global Remittance Team to estimate the funding requirements for each branch on a daily basis. The Group is in the process of transitioning its POS system into a more fully integrated system with the rest of its business operating software.

Domestic Partners

To expand its domestic network for remittance services, LBC Express Inc. and Eight Under Par, Inc. (a Philippine corporation doing business under the trade name "Palawan Pawnshop") entered into a non-exclusive agreement in June 2012 to serve as reciprocal fulfillment agents within the Philippines. A similar partnership was entered into by the Company with Cebuana Lhuillier Services Corporation (under the trade name "Cebuana Lhuillier") in 2019. Through these agreements, all of Palawan Pawnshop's 3,800 branches and Cebuana Lhuillier's 2,500 branches in the Philippines are available to provide instant branch pick-up services for beneficiaries of LBCE's remittance customers, and all of LBCE's 1,617 branches in the Philippines in turn provide the same service for Palawan Pawnshop's customers. All partners collect a reciprocal percentage of service fees for performing services on behalf the other.

The Group believes that its strategic partnerships with Palawan Pawnshop, Cebuana Lhuillier, MLhuillier, and PJ Lhuillier, among others, have enabled it to greatly expand its geographical reach in the Philippines and provide more services to more customers, particularly in areas where it has fewer Company-owned branches, at minimal expense. In 2018, Petnet, Inc. (Western Union) became an international fulfillment partner, extending the group's reach and network to more customers worldwide, through Western Union's approximately 500,000 agents in 220 countries.

The basic process for Domestic Remittances is as follows:

- Branch Retail services enable customers who make Remittances at any of the 1,617 Company-owned branches in the Philippines to choose among the fulfillment options for their beneficiaries. Upon acceptance from the sender, there is an online facility processes the request. An encashment alert is sent to the specified branch and the latter ensures fund availability to serve the consignee.

    - *Instant branch pick-up (Instant Pera Padala "IPP")*, a real-time cash pick-up remittance facility by which funds become instantaneously available for pick-up by the remitter's beneficiary once the sending party has made the payment at any of the 1,617 Company-owned branches or Palawan Pawnshop and/or Cebuana Lhuillier partner branches; the sending party can designate any pick-up location or geographic zone within the Company's domestic network;

    - *"Pesopak*," a service by which remittances are delivered directly to the beneficiary's doorstep

- *"Remit-to-account" (RTA)*, a service by which funds accepted from a sender at a Company branch will be directly deposited to the designated local bank account of the beneficiary

International Remittance Agents

To expand its international reach, LBCE has also entered into agreements with affiliates and remittance fulfillment agents in countries and territories outside of the Philippines. These agents include International Remittance houses such as in the Asia-Pacific region: in Hong Kong, Pacific Ace Forex H.K. Limited; in Malaysia, SMJ TERATAI SDN. BHD., TML Remittance Center SDN. BHD., Merchantrade Asia SDN. BHD., Tranglo; in Taiwan, Fastpay Intl Ltd..; in Japan, TransRemittance Co. Ltd., Japan Remit Finance Co. Ltd.; in Singapore, Kabayan Remittance Pte. Ltd.; in Israel, WIC Worldcom Finance Ltd.; in the Middle East continent; in the United Arab Emirates, Al Ansari Exhchange LLC., Instant Cash FZE.; in the European continent, Money Exchange SA, Spain; Intel Express Georgia, Georgia; Philippines Remittances Ltd., and Worldremit Ltd. in the United Kingdom; in the North American region; Uremit International Corp. and Atin Ito Variety Bakery & Remittance Ltd., Canada; Remitly Inc., Intermex Wire Transfer LLC, Limica Corporation (Guam), XOOM Corporation, Envios De Valores La Nacional Corp., Sigue Corporation, and Placid NK Corporation, in the United States of America, among others.

International remittances are also encashed by LBCE from Philippine-based companies with international presence, such as Petnet Inc. (under Western Union), Pinoy Express Hatid Padala Services, Inc., New York Bay Philippines, Inc., Filremit Corp., Fastremit Service Inc., I-Remit Inc., Betur Inc. (DBA COINS PH), Pisopay.Com Inc., True Money Philippines Inc., Optimum Exchange Remit Inc., Ayannah Business Solutions, Inc., Atomtrans Tech Corp., Uniteller Filipino, Inc., among others.

For this same purpose, the Company also has partnerships with Philippine financial institutions with strong international and local presence such as Asia United Bank Corporation, Bank of Commerce, China Banking Corporation, Metropolitan Bank & Trust Company and Subsidiaries, Rizal Commercial Banking Corporation, Bank of the Philippine Islands, and Landbank of the Philippines, among others, as well as other pawnshop/money service businesses such as Eight Under Par, Inc. (Palawan Pawnshop), Cebuana Lhuillier Services Corporation (Cebuana Lhuillier), Michel J. Lhuillier Financial Services, Inc. (MJ Lhuillier), and P.J. Lhuillier, Inc., PETNET, Inc., among others.

Through the extended networks of its partners and agents, the Company provided fulfillment services for inbound remittances, although the it transacts only with its direct agents. Under the terms of the fulfillment partnership agreements that the Company enters into, direct agents are permitted only limited use of the "LBC" name, trademarks and other protected signs when transacting business on behalf of the Company and still carrying on business under their own corporate and trade names. The Company receives a fixed percentage of the agent's revenues in exchange for its services in relation to inbound international remittances. The Company requires most of its remittance agents to maintain a revolving fund for advance funding cover, which must be replenished when the balance falls beneath a set threshold. This is to ensure that the Company bears minimal credit risk when making payouts on behalf of international agents. In addition, most of the agreements have in place a maximum remittance value per transaction as a further risk mitigation tool, typically ranging from ₱75,000 to ₱100,000.

The basic process for domestic remittances is as follows:

- Remittances from origins are accepted via point-of-sale system. Encashment branch will check the possible match using the Auto-Scrubbing Process (Sender and Beneficiary names are checked against the International Sanctions List) and ensure the validity of transaction. Data processing will be performed as well as fund allocation. Payout, delivery, credit to bank et.al are the methods in fulfillment of the transactions.

Bills Payment Collection and Corporate Remittance Payouts

The Company offers Bills Payment services for several corporations, and also contracts directly with certain organizations, such as private insurance companies and certain employers, to serve as a Corporate Payout agent.

The basic process for bills payment collection and corporate remittance payouts is as follows:

- **Via POS.** The customer fills out details necessary for the transaction onto the Bills Payment form available at the branch, in which the branch associate will enter to the POS. The cash transaction amount and pass-on fee is collected from the customer, if applicable. The branch does the data sending (from local server to production server). The LBC Backroom will perform all necessary validation procedures before the closing of the transaction.

- **Via PCS.** The customer fills out the details necessary for the transaction onto the Bills Payment form available at the branch, which the branch associate will enter onto the PCS. The cash transaction amount and pass-on fee is collected from the customer, if applicable. The LBC Backroom will perform all necessary validation procedures before the closing of the transaction.

Corporate transactions. The Company also provides Payout services for various corporations and organizations. The processor will acknowledge corporate transactions via email and validate payments by corporate client. The LBC backroom will confirm fund allocation, assign tracking numbers and perform recording to complete the transaction processing.

Cash on Delivery / Cash on Pick-Up ("COD/COP")

More and more Filipinos are doing their shopping online. Since 2017, the e-commerce industry has been growing exponentially, with digital marketplaces registering record sales and consistent growth. The Philippines has also ranked first in social media use and time spent online, which makes the country an ideal market for e-commerce to thrive and sustain vigorous activity.

One of the many challenges faced by many e-commerce merchants were payment gateways/options. A majority of online sellers are also considered "casual sellers" or "social sellers" and with most of them unbanked, completing a transaction had been a challenge. LBCE's inception of a payment solution bundled with logistics capabilities was "Cash On Delivery" (COD) and "Cash On Pick-up" (COP) service.

With this innovative new service, LBCE has enabled more merchants, including "casual or social sellers" to enter into and participate regularly in the thriving e-commerce arena. With "COD/COP," merchants have LBC deliver their goods and collect payment for them, which in turn can either be remitted to their appointed bank accounts or picked up from a designated LBC branch.

This pioneering service has helped spur the further growth of the e-commerce industry in the country, enabling trade, commerce, and generated income for many—promoting the Company's strategy of financial inclusivity and wide accessibility of services.

"COD/COP" utilizes both of LBCE's core business/services: logistics, as a courier of parcels & boxes, and money remittance, as a payment collection channel and payout conduit. Furthermore, LBC serves as a venue for transactions or "trading place": COP guarantees convenient and seamless transactions between merchant and buyer, a buyer may opt for any of LBCE's 1,617 branches as a pick- up point for their items purchased. COD offers the more established delivery scheme: LBC delivery associates collect payments from buyers upon delivery of the items, and these are delivered to any designated address, be it residential, office, or any other location. The collection of payments on behalf of the merchants from the buyers offer safe, reliable and guaranteed assurance for merchants engaging in online selling transactions. LBCE's expansive nationwide network and serviceable areas also allows for buyers to shop from anywhere in the Philippines, and sellers to reach more customers nationwide. COD/COP rates are competitively priced, providing value for money for merchants and buyers, along with LBC's guaranteed service levels.

COD/COP can be availed of at any LBC branch, without any other obligations or contracts; transactions are immediately processed upon fulfillment of the prescribed forms available at the branch. There is no need to create an "account" on online shopping sites, or to maintain any minimum volume of transactions to start an online or "social selling" business. In 2021, LBC's COD/COP service was also made available through online platforms/channels, primarily via www.lbcexpress.com

MARKETING AND SALES

The Group believes that strategic marketing and targeted sales are crucial to maintaining its competitive advantage over competitors. The Group regularly advertises on television, radio and billboards, as well as in print and on the Internet. The Group also brands its ground fleet with the "LBC" logo. In addition, it has dedicated teams to promote the value of its brand among general consumers as well as to manage long-term corporate client relationships. It also engages in several community outreach initiatives in line with its commitment to corporate social responsibility.

Brand Equity

The Group considers the "LBC" brand, which has been cultivated over the Group's over 60-year operating history, to be an integral component of its operational success. The Group believes that the brand, the distinctive red and white "LBC" logo and the Group's key marketing slogans (formerly, "*Hari ng Padala*," and currently, "We Like To Move It") have become associated with its reputation for being a convenient, affordable and reliable provider of its services. As part of its marketing strategy, the Group outfits its delivery fleet, branch offices, advertisements and other marketing materials with the "LBC" logo and believes that its brand equity is one asset that puts it ahead of its competitors in gaining market share in a fierce competitive environment.

The "LBC" brand was one of Reader's Digest's Trusted Brand Winners: Platinum Award in Philippine Airfreight/Courier Service Category and Brand Gold Award Remittance Category in 2017. According to the LISBON Survey, a survey conducted by Market Research Solutions, Inc., an independent marketing and research firm, the Company was considered one of the Best-in-Class Companies in the Philippines for both the freight forwarding and remittance industries in 2012, the Company achieved 81% brand awareness/market reach for sea cargo, the highest in the segment, with the closest competitor achieving 47% recognition.

LBC remains to be one of the Philippines' most recognized brands. A pioneer in its industry in the Philippines, and now with 1,617 branches nationwide with presence in 29 countries around the globe, in the service of Global Filipinos everywhere, sustained by a presence in traditional and increased visibility digital media platforms including social media, the brand's equity is at the strongest it's ever been.

In November 2013, the Company and LBC Development Corporation undertook a re-launch of the "LBC" brand name to emphasize the entrepreneurial and adaptive spirit of the Company that is complementary to its long heritage. The marketing campaign features a new formulation of the Company as not simply a mover of goods but also a mover of space ("space where people can reconnect and relate") with the aim of highlighting the human connection in the services provided by the Company to its customers. Pursuant to the same marketing campaign, the Company has also re-designed its logo and changed its corporate slogan to "We like to move it," highlighting the corporate logistics segment of its business.

In 2017, the Company launched "*Totoo ang Ligaya*," a global campaign particularly directed toward its millions of customers in various parts of the world. This was a follow-up to the widely successful 2016 campaign launched called "*Aming Ligaya*." Previous campaigns also included, in 2015, "Paulo", a sales & marketing campaign highlighting the remittance business, and 2014's Global Brand Ambassador Endorser Campaign "Everywhere," featuring mega endorser Kris Aquino.

Complementing its ongoing digital transformation, LBCE launched a brand campaign in 2018. The campaign showed how the LBC brand has evolved to serve the growing needs of its different customers – both in the retail space and in the corporate landscape, and in the new arena of "social selling." It captures how the brand offers customized solutions to service ever-changing needs and grows with various markets as they progress in life. This spirit of change and service is aptly captured in the campaign's manifesto, "*Let's Move*."

The campaign rolled out in the Philippines and in the various countries where LBC has an established presence. It was launched and released in both traditional media channels and the digital space. It has helped fortify the brand's already top-of-mind position with consumers.

Marketing and Communications during Covid-19

In 2021, the Group's Marketing and Communications focused on how the Company had ensured service capabilities and safety to all its stakeholders. A completely online platform was launched in June 2020, providing a safe and convenient way for customers to send packages and money without the need to queue or fill out forms at branches. "LBC Online" is available through the LBC Express website. Within 2020, approximately 200,000 users signed up, and to date, more than 2 million bookings have been made through this online platform. Also in 2020, a Rider Pickup service was launched and made available through the online platform. IPP Online, also available through this platform, enables customers to send money online, in the safety and convenience of their own homes or locations. These online services have remained popular throughout 2021, providing convenient solutions for customers, allowing for transactions to be made at the convenience of their homes/offices.

SoShop!

The SoShop! program was launched by LBC Express in 2020 to provide E-commerce solutions to a growing customer base of online businesses and social sellers. The program includes end-to-end services such as Cash on Delivery (COD), Cash on Pick Up (COP), and LBC Online. This program was availed of by approximately 30,000 customers in 2020 and around 140,000 additional customers in 2021.

SoShop! encourages usage and retention for the Company's current base of customers, while also attracting new customers. SoShop! members enjoy perks and privileges, are invited to join special events, and offered tools designed to help them grow their businesses and scale revenues. The program provided members the opportunity for education and engagement, making them enabled and empowered and part of a growing community. A SoShop! Online Bazaar was held with over 150 seller participants, a first in the country. Members are also given access to free webinars hosted by LBC together with partners such as Facebook, Google, Canva, Prosperna, Sharetreats.

Advertising

With the advent of digital media, the Group has since shifted its Advertising strategy, and focuses its initiatives in the digital/online platforms, specifically social media. However, the Group still advertises over media channels such as radio and out-of-home (OOH). The Group also sponsors community events such as the Ronda Pilipinas, the largest Philippine cycling race, and sporting events. However, in 2020, the Group directed its focus on communicating its dynamic and agile adaption to the times, through a campaign called #WeMoveForYou. This campaign communicated the Groups' available services, and awareness on how to stay safe during the pandemic.

The Group's Online Tools such as Branch Tracker, Delivery Area Lockdown Tracker, as well as Advisories were created and launched to serve all internal and external stakeholders.

INFORMATION TECHNOLOGY

Operational

The Group is committed to continuing to invest in state-of-the-art IT systems to maintain its competitive edge and more effectively deliver quality service to its customers. The company embarks on a massive enterprise-wide digital transformation program with RAMCO Logistics and Interblocks systems. RAMCO Logistics covers the need of all the business operations from Transportation to warehousing to order management for Parcel/courier service providers, forwarders, 3PL who are seeking high performance logistics software. RAMCO Logistics solution allows LBC to standardize its process for the logistic segment of the business into one technology and application platform, thus eliminating redundancy in operations and achieving absolute data integrity and scope for planning and optimization.

For the money segment of the Group, it has partnered with Hitachi Digital Payment Solutions Philippines, Inc. formerly Interblocks, a leading provider and innovator of integrated, electronic payment processing solutions that empower Banks & Financial Service Providers across global markets. The Group will utilize Hitachi Digital Payment Solutions, Inc. ibSuite platform to drive a broad range of solutions in Service Delivery, Payments, Cards, Virtual Banking and Mobile Commerce, Interblocks combines strong financial transaction integrity and tight data security into all of its solutions, delivering a totally integrated, consistent and rich experience across all customer touch points.

In addition, the Group has outfitted each of its couriers with handheld scanners, which will increase efficiency and minimize human error in documenting daily pick-ups and deliveries. In FY 2019, all old handhelds were replaced with latest model together with SOTI Mobility Management that will help the business eliminate handheld device downtime. The Group has also implemented a put-to-light sorting technology for its non-bulk mail, which will help automate some aspects of the parcel sorting process.

The Group has also upgraded its current network infrastructure to allow for a more secure and reliable environment. It upgraded its connectivity bandwidth and implemented a Software Defined Wide Area Network (SD WAN) to provide added network security and reliability. This has enabled the Group to improve its network availability significantly. The group also invested on Security Operation Center (SOC) in partnership with DTSI/NTT Security to provide 24/7 real time threat detection with capabilities on global intelligence correlation, multi-stage attack detection and anomaly threat analysis.

Business Management

The Group uses a comprehensive suite of customized business management solutions software designed and licensed by SAP. The Group has utilized SAP's Financial Accounting and Controlling (SAP FICO), Sales and Distribution (SAP SD) and Materials Management (SAP MM) modules. The Group has migrated SAP System Landscape to SAP HANA Enterprise Cloud which enables scalability with low risk deployments and leverage on SAP HEC's Fully Managed Services which covers Infrastructure and Database related activities. Thus, free-up IT resources and saves on cost for the company. SAP Financial modules were also rolled-out to Middle East countries like UAE, KSA, Kuwait and Bahrain for ease of financial reporting and consolidation and in compliance with the VAT Implementation in the Gulf Cooperation Council (GCC) Region.

As part of the digital transformation program, the Group has utilized Data Analytics for both predictive and operational purposes. It has also utilized its GPS data to create a database for last meter deliveries. It has also allowed itself to do paperless transactions through its handheld devices. The Group is also maximizing the use of Power BI (Business Intelligence) for its operational and financial reports allowing it to be able to make well informed decisions based on real time data.

Online and Mobile Platform

To enhance the customer experience, the Group has developed a digital platform that enables online real-time transaction processing and customer service through its website (www.lbcexpress.com). Currently, the Group's website contains several interactive features for its customers, including package tracking, rate calculators and scheduling of pick-ups for parcels and cargo, as well as real-time customer service support through the "Live Talk" capability. Another added value to customer experience is the company's launch of Chatbot through its Facebook account. This will eventually be available in the website to respond to package tracking, rate calculator and branch locator. The company launched LBC Online and IPP Online in June 2020 through its website. LBC Online is a digital service to bridge LBC closer to the customers through online innovation where customers can book packages, process shipping and manage their money remittance all in a click while at the comfort of their home. IPP Online is the company's digital innovation to its current Instant Peso Padala product. This service allows the customer to send money anywhere and anytime which his recipient can claim at any LBC branch or Remittance partner nationwide. The website is mobile responsive allowing the same functionality from any mobile device.

Information Technology has enabled the group to realign technology to bring a positive difference to its business, in terms of value, quality and productivity. IT enables data-driven business planning, effective marketing, automate operations, real-time monitoring and instant customer support.

The Group is currently in the process of modernizing its legacy system. In 2015, the LBC NRT system was upgraded to LBC POS system. A new data-sending technology was implemented in 2018 through VISTRA PH system to replace LBC POS. The company has started to implement Customer Relationship Management (CRM) and Warehouse modules of Ramco Systems in 2020. Ramco will be the new enterprise-wide system that will cover the logistic and human resource segment of LBC.

Despite the challenges and circumstances in 2020, the LBC Information Technology team was able to continuously deploy projects to help the Group maintain relevance within the prevailing situation, enabling various contactless solutions for all stakeholders convenience and safety. In March 2020, a seamless transition from the traditional physical office set-up to a work-from-home arrangement was ensured, while maintaining data security. This extended from and included all back office operations, including the contact center. Online Pickup for cargo and IPP Online for remittance, and several other enhancements on the Group's online platform were released in line with the customer needs was launched in June 2020. Timely advisories to customers of the Company's Service Level Agreements and delivery/pickup zones, dependent varying LGU guidelines were updated on a daily basis, starting in June 2020.

Digital Transformation

Achieving the Group's vision is anchored on its ability to digitally transform the way they do things; the "Way We Move". However, Digital Transformation is not only just about incorporating the technological tools needed to change the organization; it is a massive undertaking given the scale of the Group and understanding that changes will only begin once mindsets of the human elements are also shifted. This "Change Management" for a 70+ year-old company, a heritage brand, will include over 11,000 associates across the globe, and a vast network of brick and mortar stores, hubs, and warehouses.

For the customers: Evolving consumer behavior and preferences are driving the way LBC wants to approach business. Our Group will be introducing solutions for a market that is connected 24/7, time-starved, with demands anchored on technology's ability to respond at the speed of need.

In response to customer demand, LBC recognizes that we cannot continue running our business with the current processes and technologies. Automation of all key processes is needed to survive and to be relevant in the industry.

The Group's core logistics applications are upgrading to automate all manual processes. Operations will significantly change once fully implemented. The Group will also be introducing additional products and services to customers of all segments.

For the partners: Boundaries among suppliers, service providers and consumers are evolving quickly, as a result of rapid shifts in technological advances. This entails a fundamental rethinking about how LBC streamlines internal processes, and will prioritize, ever more, driving speed and efficiency.

LBC's Digital Transformation will accelerate business activities, processes and competencies that will, in turn, impact the stakeholders in strategic and meaningful ways. The Group will harness Digital Transformation to radically improve internal performance, partner relationships, and expand reach across different business segments. The Group aims to:

- Further develop the first mile to make us accessible for pick-ups for the retail market, and small-corporate accounts (MSMEs);
- Set up our cross-border operations to capture the e-Commerce market at its origin, making LBC an end-to-end logistics service provider;
- Partner with other logistics service providers through crowdsourcing, making our pick-up and delivery operations "burstable";
- Utilize crowdsourcing to fulfill the need for surge of volume, thus providing a cost-effective solution to demand;
- Expand our Returns Services to Reverse Logistics through reselling, liquidation or disposal of returned items;
- Expand money transaction through digital currency solutions, allowing peer-to-peer payments or C2B payments; and
- Ensure improved efficiencies in our hubs.

All these initiatives will be driven by technology and supported by skilled workforce.

LBC has invested on Digital Transformation to ensure that infrastructure and systems will support our automated processes, and to enable better decision making through information transparency and integrity across all touchpoints.

STATUS OF ANY PUBLICLY-ANNOUNCED NEW PRODUCT OR SERVICE

No new products or services were publicly announced in 2021.

COMPETITION

Logistics

The Group is known to be a leader in the Philippine retail logistics industry. It has been the top importer of *balikbayan* boxes in terms of throughput for the past 20 years. Although the Group has a leading position and significant market share in the courier and air freight forwarding industry, the Group faces competition from AP Cargo Logistics Network Corporation, JRS Business Corporation, Airfreight 2100, Inc., Cargo Padala Express Forwarding Service Corporation, Libcap Super Express Corporation and 2Go Express, Inc. The Group's international competitors include DHL, FedEx and UPS. However, international freight forwarders have historically not been strong competitors of the Group in the Philippines due to certain restrictions on foreign ownership in the cargo industry in the Philippines, as well as the high barriers to entry created by the dispersed geography of the archipelagic nation.

In the corporate logistics industry, the large industry players in the Philippines are 2Go Freight and Fast Cargo, Inc. The main international competitors for the corporate sector are DHL, FedEx and UPS. Although the Group's market share is still relatively small in the corporate logistics industry, its corporate logistics segment has maintained strong growth since the Group first formally introduced these services as a separate business line in 2010. The Company seeks to increase its market share by leveraging its existing brand and network from its retail services.

Money Transfer Services

According to Ken Research, the Group is one of the top five non-bank providers of domestic remittance services by remittance volume as well as one of the top five non-bank providers of international inbound remittances in the Philippines by remittance volume in calendar year 2012. The Group competes against Philippine banks and various non-banks, such as pawnshops, for its international and domestic remittance services. Philippine banks, such as BDO Unibank, Inc., Bank of the Philippine Islands, Philippine National Bank, Metrobank and RCBC, account for the significant majority of market share in terms of volume for both domestic and international remittances. However, because the Group targets the unbanked population in the Philippines (which account for the majority of Filipinos), the Group believes its domestic remittance business has significant room for additional growth. The Group's main non-bank competitors in the remittance industry include M. Lhuillier, Cebuana Lhuillier, iRemit and Western Union, however, the Company has also embarked on partnerships with these competitors, in order to mutually grow the industry's market penetration by extending each brand's networks. The Group believes that high barriers to entry, including regulatory licenses and a distribution network, make it unlikely that there will be additional material competitors in the future. For the bills payment segment, the Group's largest competitors are bills payment outlets owned and operated by the SM group of companies at its various malls, as well as various banks.

QUALITY ASSURANCE AND INTERNAL CONTROLS

Quality Assurance

The Group recognizes that quality is an integral part of doing business. This is viewed as one of the primary responsibilities in dealing with our stakeholders. LBC is driven by its brand promise, "A Friend who makes your day," in ensuring that quality is effectively carried out in all aspects, particularly by growing profitable revenues and optimize operational costs; executing processes with clarity, certainty and convenience, driving operational excellence and building an agile organization. In 2019, LBC celebrates its 9th consecutive year of having certified to ISO 9001:2015 standards. This is a manifestation that LBC consistently conforms to an international quality management system standard based on a risk-based thinking approach following a Plan-Do-Check-Act framework.

The Group is committed to providing high quality service for customers in all areas of its business. To this end, it has in place standards and procedures to ensure a quality, reliable and seamless customer experience. The Group has in place the following procedures to monitor the quality of its services on a regular basis, as well as plan for contingencies that may otherwise cause an interruption in its business.

Discrepancy Reporting and Undeliverable Items

To ensure that loss and damage is minimal, the Group trains all relevant employees in the proper handling of parcels and cargo. It also has in place stringent procedures for scanning of shipments at all touch points. Upon withdrawal of an item at a distribution center, a manifest of all scanned barcodes is printed, which is later checked against outgoing shipments. Pursuant to the Group’s standard operating procedures, all shipping discrepancies must be reported as they occur, with team leaders at the Central Exchange and regional distribution centers responsible for preparing preventive and corrective action, as well as compiling and providing discrepancy reports to the management on a regular basis. Discrepancies include damage, incomplete addresses, misrouted parcels and cargo, shipments to out-of-delivery-zone addresses, pilferage and improper acceptance.

When shipments are undeliverable because, for example, a recipient is unknown or not found at the destination address, or the destination address is not locatable, the Group will send out multiple notices to the sender, including initially an e-mail, followed up by a phone call and, as a last resort, a letter by registered mail. Shipments that remain unclaimed following these procedures (which typically take place over the course of six months to a year) are auctioned, with proceeds generally donated to charity after deducting costs incurred by the Group for storage and other related expenses.

Cash Collection and Management

The Group has implemented strict and comprehensive cash collection and management policies and procedures to minimize operational errors and promote customer trust. For example, every Group branch office is required to set up “cash sanctuaries” to minimize financial loss in the event of a robbery. In addition, the Group also sets strict limits on the amount of cash each branch is permitted to hold before the branch is required to make cash deposits at a bank, as well as value limits on cash deliveries of *Pesopak*.

Compliance with the Group’s cash collection and management policies and procedures is monitored through random audits conducted by the Group’s general accounting staff. Each branch has a team leader who is responsible for appointing two cash custodians, one primary cash custodian and one back-up cash custodian, maintaining a team resolution (which is signed by all branch associates and delineates the type of funds kept by the cash custodians) and producing readily-available documents showing proper cash turn-over among associates. The primary cash custodian is required to properly account for cash under safekeeping on a daily basis and ensure that there is no mingling of Group funds with customer funds. Every branch associate is required to undertake precautions to safeguard the cash within his or her branch office.

Business Continuity

The success of the Group's business is particularly dependent on the efficient and uninterrupted flow of its operations.

To safeguard against unanticipated interruptions in its business, the Group has instated the following business continuity plans and procedures:

- *Information Technology*. With respect to technology, the Group has back-up servers managed by its IT service provider with built-in redundancies for its various systems in which operational and customer data is stored. In the event of system downtimes, the Group has in place a back-up system whereby communication is maintained through mobile text messaging.

- *Transportation (Logistics).* Although the Group relies on airline and shipping carriers for its daily freight forwarding operations, it also has in place alternative procedures in the event that an airline or shipping carrier is unavailable. For example, when flights are grounded due to severe weather, the Group's vehicle fleet is capable of making deliveries by ground. Although ground deliveries may take longer than air cargo shipments, this enables the Group to continue its service even when other modes of transportation may be unavailable. When its usual shipping carriers are unavailable, the Group also makes use of its vehicle fleet. The vehicles can make deliveries to any region accessible by land, or can make use of RORO ("roll-on-roll-off") car ferries to reach locations that require sea transport.

- *Funding Insufficiencies (Remittances).* Although the Global Remittance Team monitors and makes daily estimates of the funding needs of each branch, on occasion, there may be insufficient funds at a given location to encash a remittance. In such a case, the Group has in place procedures for either nearby branches to deliver the necessary sums, or for authorized personnel to withdraw the cash from one of the Group's local bank accounts.

The ongoing Covid-19 pandemic has tested and challenged the Group's Business Continuity programs and protocols. The Group was able to continuously operate through the previous year's circumstances, within its expansive operations in the Philippines, and around the globe.

COVID RESPONSE

The Board of Directors and Management of LBC Express Holdings, Inc., and its operating company LBC Express, Inc., are cognizant of the risks for exposure to public health & safety of COVID-19, and enjoin the nation in its efforts to mitigate these risks within its operations.

The Management continuously aims to protect its employees and serve its customers, and has taken measures to ensure these for definitive reassurance of all stakeholders. The Group's Management has and will exercise all efforts to provide business continuity across the enterprise; extraordinary measures and contingencies are in effect to ensure this.

Adjustments in service level agreements with customers pertinent to air forwarding alternatives were properly communicated to all concerned. These were regularly reassessed to ensure continuous service. The management abided by government directives, and re-assessed the impacts of these on a daily basis. Commensurate adjustments to internal protocols and directives to employees were likewise effected, as well as to customer-facing procedures.

PHILIPPINES

The Covid-19 pandemic has allowed technology-based companies to significantly fulfil market demands and needs by offering alternative services both for finance and logistics, the Group has successfully played a role in bridging gaps within the virtual money space and cargo movement. The brick and mortar business model in the Philippines has proven to be efficient in both first-mile and last-mile fulfilment segments, however, the Group's partnerships with several banks and eWallet operators made its offerings effective as LBC became their Cash-In ("First Mile") and Cash-Out ("Last Mile") conduit, necessary for its "Middle Mile" to work. The 1,600-strong branch network of LBC has contributed in making online financial services convenient for Filipinos to learn and adapt to the ongoing situation.

In logistics, LBC has opened more opportunities for Filipinos to become entrepreneurs with its services like Cash On Delivery (COD) and Cash On Pick-Up (COP), available for retail E-commerce customers. This service, created for and targeted to Small-Medium Entrepreneurs (SMEs), Social Sellers and Buyers, Filipinos were able to sell goods and services online, and utilize LBC as a "middle man" for payments and fulfilment. The Group's brick and mortar stores are likewise utilized as "PUDO" (Pick-Up and Drop-Off) points for physical payment and cargo movement requirements. LBC is a first mover on this space, and it is continuously enhancing its offerings to adapt to the continuous shifts and movements of online selling and buying behaviors.

Since 2019, and further enhanced in 2020 and 2021, LBC services are available through its online platforms, where customers can avail of the Group's services without leaving their homes or offices. Online Booking for logistics is available, and is fulfilled either through Pick-Up or Drop-Off at any LBC branches. Online Remittance services are also made available for customers to send money anytime online. COD/COP services can also be booked/availed of via the LBC online platform.

In 2020 and 2021, Contactless Delivery was also implemented by the Group, whereby couriers capture photographs as Proof Of Delivery (POD), instead of having consignees physically affix their signatures on manifests. Nationwide implementation of this service enhancement was completed in September 2021. Likewise in 2021, nationwide implementation of Retail Pick-Up Service was implemented, where customers can book their packages to be picked up at their homes/offices or any address they prefer, instead of physically bringing their packages to an LBC branch.

Many initiatives and protocols were implemented in LBC branches since the beginning of the Covid-19 pandemic, including Safety Protocols for Frontliners (All Frontliners are required to wear protective gear such as face masks, face shields and gloves while attending to customers). Among the approximately 4,000 LBC branch frontliners nationwide, branch operations were unaffected and the virus' spread was effectively prevented and controlled. Social Distancing and limiting the number of customers allowed inside each branch was also immediately implemented, as well as protective counter shields installed in approximately 600 branches with high foot traffic. All branches are disinfected twice daily, provide customers with access to disinfectant/alcohol upon entry and during transaction, and all accepted shipments are disinfected before movement out of the branch. Within 2020 and 2021, there were no recorded incidents where customers were found to have been infected with the virus, from any of the LBC branches nationwide.

To hasten transactions of customers and shorten their queuing time within an LBC branch, a QMS (Queuing Management System) was also installed in high traffic branches. The system also allows customers to wait at another location around the vicinity of the branch, and are alerted via SMS text message when their transaction is ready to be accepted at the branch.

The Group's Logistics Systems continued to operate despite the Covid-19 pandemic. Retail and Corporate Customers were continuously and uninterruptedly served amid the various national and local challenges. In 2020 and 2021, additional Exchange warehouses were established, to cater to the volume increases and likewise in order to observe proper Social Distancing at all service locations; additional Roro trucks were acquired, to move shipments to the Visayas and Mindanao areas due to the reduced airline capacity and infrequency of flights; a pick-up service was introduced to provide options to and convenience for customers, with 100% booked pick-ups served; capacities and resources were reinforced by hiring additional manpower to ensure a continuous flow of operations. The Group fulfilled uninterrupted service and zero backlogs in distribution, while regularly disinfecting all warehouses and all cargo, and implemented all Covid-19 precautionary measures such as regular disinfection of facilities, trucks and cargo. This included installation of misting tents in major facilities and the installation of protective barriers/shields in all service hubs.

LBC has continued to be united, active, agile and resilient in the continuous response to the challenges of the pandemic caused by the COVID-19. In 2021, the Group continued in its efforts to ensure workplace safety by putting protocols in place and measures to ensure that health and safety of the employees and the workplace is prioritized. LBC's "*BakUNA Sa Lahat"* Campaign aimed to "Educate. Encourage. Engage" employees, and ensure awareness of the COVID-19 vaccine, and its effectiveness and impact. The Company mobilized a mega-vaccination site in NCR for all employees, dependents, including agency-hires and external partners, which included a drive-thru vaccination site catering to senior citizens. This likewise supported the national drive to vaccinate the entire population of the country, in a concerted effort to keep our customers and workplaces safe.

LBC Express, Inc. started its vaccination roll-out as early as August of 2021. The "*BakUNA Sa Lahat"* campaign was considered a success, due to ample, advanced planning, and mobilization. The campaign likewise aims to move beyond more than just inoculations, but also to educate employees and their family members, in the hopes that we all achieve 100% herd immunity.

To date, the Group has successfully administered first, second, and third doses of the Covid-19 vaccine to its employees, their dependents, as well as external partners. The vaccination program will continue to be rolled out, as the need for boosters arises.

Other activities are currently included in the daily Standard Operating Procedures across the enterprise, such as: twice daily announcement thru PA System of safety reminders regarding safety protocols, thermal scanner use at every entrance, office set-ups adherent to social distancing standards, and practiced as the new normal, sanitation, UV light use and hand washing areas in each facility. Furthermore, scheduled spraying of food-grade disinfectant solution to the following: all incoming and outgoing shipments, all offices and warehouses, all trucks and vans; installation of misting tents at every entrance of major facilities.

Testing for Covid-19 also continued in 2021, with the aim of early detection and mitigation of the virus' spread. Early isolation has also been made possible by this, as a precautionary measure, reducing the further risks in the workplace. During these isolation periods, employees' leaves are paid, and these employees are provided constant monitoring by nurses. The Group also swiftly provided guidance and protocols relayed from government regulations (primarily from IATF and DOLE) to all employees. Enterprise-wide townhalls, among other communications, provided guidance and assistance to leaders across the country, which, in turn, aided them in reassuring their teams.

In 2021, the Group also continued to adapt, allowing for flexible working arrangements, ensuring continuity of business and necessary support operations. Backroom/Support/HeadQuarters units have some employees working onsite, and some working from home. Consistent reporting and continuous support and communications with various teams have allowed for a smooth transition and uninterrupted workflows.

Employee health & safety has been the top priority of LBC. Enlisted below are the various initiatives implemented by the Group:

Various types of Leaves:

- Provided Home Quarantine leaves with Pay to Employees experiencing flu-like symptoms and in compliance to DOH guidance/advisory.

- Daily Monitoring of employees in Quarantine list. Nurses checking health status of concerned employee and provide health tips/ advice until they recuperate and complete the required quarantine days.
- Functional Teams and HR Generalists supported leaders and employees by monitoring employee's health and provide advice regarding quarantine leave and varying scenarios.
- Provided work from home arrangements to backroom /shared service positions to support the LBC front-liners and the Company as whole

Support for all LBC employees:

- Ongoing Rapid Testing since early May 2020, continued into 2021. Increased frequency of testing in large site areas and those with high cases per DOH guidance
- "*Bakuna sa Lahat"* Program launched, aimed to Educate, Encourage, Engage employees, and ensure awareness of the COVID-19 vaccine, and its effectiveness and impact.
- Top level support, via released affirmative statements, in support of the vaccination program
- 2 major facilities as accredited vaccination sites: LBC Pasay Vaccination Center and LBC Paranaque Vaccination Center (NCR Mega Vaccination site) for employees, their dependents, agency-hires, external truckers and partners
- The Group also partnered with 75 Accredited Hospital Service Providers (HSPs) for employees outside of NCR (all organic/inorganic/agency/direct) and their dependents, for free
- Various communications via email blasts / E-news released, pertinent to the smooth implementation of the vaccinations, as well as DOH / IATF advisories, videos, announcements, reminders on health, vaccinations, and continuous health monitoring.
- Total vaccines administered through LBC in 2021: 16,041
- The LBC Digital University was launched to provide curated learning on demand, anytime, anywhere.
- The Global Movers Awards was entitled "Real Life Heroes" to highlight that despite the pandemic we award and recognize excellent performing teams and individuals.
- Shuttle services continued to be provided the entire year of 2021

- Scheduled releasing of the usual cash benefits e.g. 13th month, 14th month
- Scheduled release of medicine of allowance and instead of regular release as gift certificate the company opted to credit via payroll.
- Two (2) Livelihood Programs were rolled out in 2021 to augment the family income of the LBC employees, for their dependents and family members to participate in. Examples of these learning sessions are: Online Selling, Food Party Trays, How to Start a Dog Bakery, Mutual Funds and the Stock Market, Smoothies, Hydroponics, Coffee Making and Selling, among others.

In 2021, the Group had also issued copious amounts of supplies, for the use of employees in the workplace, and for their overall health and well-being. Details are as follows:

Personal use:

Rubbing Alcohol/Disinfectant	20,822	gallons
Washable Mask	71,504	pieces
Face Shield	17,908	pieces
Vitamin C	1,465,900	pieces
Disposable Gloves	434,900	pairs

On-site Disinfection Materials:

Disinfectant Chemicals & Lysol (Gallon/Can)	3,649	Gallons
Disinfection Pressure Pump Spray	2,347	Pieces
Thermal Scanner	621	pieces
Disinfection Fumigating Machine	43	Pieces
UV Lights	8	Facilities
Air Purifier	73	Pieces

In addition, the following Disinfection Control areas were installed in Delivery Hubs: 20 Additional Handwashing Areas, 23 Disinfecting Foot Bath areas, 106 Sanitation Stations.

SUPPLIERS

The Group has a broad base of suppliers. The Group is not dependent on one or a limited number of suppliers. The Group adheres to a Sourcing/Purchasing procedure which begins from the receipt of request for quotation or approved requisition of Stock Items, Non-stock Items, Services and Capital Expenditures to monitoring of delivery of stocks and/or services. These procedures adhere to Policies & Procedures such as: Three Canvassing Policy, Bids and Awards Policy, Policy on Construction of Facilities implemented by the Company's Sourcing & Procurement team. Likewise, a Procurement Manual is in place, which contains, among others, the following:

- Accreditation Requirements for Suppliers / Contractors
- Guidelines on Requesting, Office Supplies, Marketing Collaterals, Computer Peripherals and Uniforms
- Timeline for Purchase Order Processing and Delivery
- Process flow in Purchase Order creation for Regular Materials and Supplies
- Materials and Supplies Dispatch procedure
- Domestic Purchasing Process
- International Purchasing Process
- Vendor Evaluation Form

CUSTOMERS

The Group has a broad market base, including local and foreign individual and institutional clients. The Group does not have a customer that will account for 20% or more of its revenues.

TRANSACTIONS WITH RELATED PARTIES

Please refer to item 12 ("Certain Relationships and Related Transactions") of this Report.

INTELLECTUAL PROPERTY

The Group uses a variety of registered names and marks, including the names "LBC Express, Inc.," "LBC Express," "LBC", "*Hari Ng Padala*" (Filipino for "King of Forwarding Services") and "WWW.LBCEXPRESS.COM" as well as the traditional and the re-designed "LBC" corporate logos (including the new slogan "We Like To Move It"), the "Team LBC *Hari Ng Padala*" logo and "LBC Remit Express" logo in connection with its business. Except for the "LBC Remit Express" design and logo (registered on July 26, 2012 and expires on July 26, 2022) and the LBC in rectangular box and *Pesopak* logo (registered on May 31, 2012 and expires on May 31, 2022), which are owned directly by the Company, these marks (collectively, the "LBC Marks") are owned and licensed to the Company by LBC Development Corporation, the Company's parent company, pursuant to a trademark licensing agreement. Under the terms of this agreement, the Company has the full and exclusive right to utilize the LBC Marks in consideration for a fixed royalty fee of 3.5% of the Company's annual gross revenues (defined as all revenue from sales of products and services, direct and indirect, relating to the Company's business operations). Pursuant to an addendum signed October 25, 2013, the fixed royalty fee was lowered to 2.5%, effective December 1, 2013.

Under the agreement, the Company also has the right to extend the use of the LBC marks to its subsidiaries (defined as companies in which the Company holds at least 67% of the voting rights) within the Philippines, as well as to its remittance and cargo/courier/freight forwarding fulfillment service partners and agents in the Philippines and abroad, subject to certain terms and conditions. In practice, foreign agents of the Company are granted very limited use of the "LBC" brand and logos pursuant to the individual agency agreements entered into between them and the Company.

The LBC Marks have also been registered in each major jurisdiction in the Company's international network. LBC Development Corporation is currently in the process of registering the LBC Marks in the International Register pursuant to the Protocol Relating to the Madrid Agreement (the "Protocol"), which will grant the LBC Marks intellectual property protection in the jurisdictions of all Contracting Parties (as such term is defined in the Protocol). LBC Development Corporation is also currently in the process of registering the LBC Marks in jurisdictions within the Company's international network not covered by the Protocol.

On August 4, 2017, the trade licensing agreement was amended and both parties agreed to discontinue royalty payments for the use of LBC Marks in recognition of LBCE's own contribution to the value and goodwill of the trademark effective September 4, 2017.

GOVERNMENT PERMITS AND LICENSES

The Group secures various approvals, permits and licenses from the appropriate government agencies or authorities as part of the normal course of its business.

EMPLOYEES

As of December 31, 2021, the Group had, on a consolidated basis, 11,277 full-time regular employees, compared to 9,938 full-time regular employees as of December 31, 2020. The Group continues to add to its workforce on a regular basis in line with the growth of its business.

Under the Group's hiring policy, all branch employees must have at minimum a college degree, while exchange associates and drivers and couriers are generally required to have completed a two-year vocational course or the second year of college. Employees of the Group in the Philippines are primarily trained in-house.

The Group maintains a non-contributory defined benefit plan covering all qualified employees in the Philippines.

The following table sets out the number of employees of the Group by job function as of December 31, 2021:

	Number of Employees
Management and Administrative Associates	225
Central Exchange and Regional Distribution Center Associates	382
Branch Associates	4,811
Drivers and Couriers	3,079
Other	2,780
Total	**11,277**

Note:
(1) Figures presented do not include probational employees (i.e. individuals who had been employed by the Company for less than six-months as of the period indicated).

As of the end of December 2021, four Company subsidiaries in the Philippines have entered into collective bargaining agreements with their respective employees, with approximately 1,000 employee memberships. Approximately 600 of these employees in the Philippines belong to one of the six labor unions (for four subsidiaries) and the remaining approximately 130 employees belong to one of the other five labor unions. The Group believes that there is sufficient coverage by its other, non-unionized subsidiaries to provide back-up support in the event of a disruptive labor dispute at any given unionized subsidiary. In addition, because freight forwarding and messengerial services may be considered indispensable to national interest in the Philippines, the Secretary of the Department of Labor and Employment in the Philippines has the discretion to end strikes or certify the same to the National Labor Relations Commission for compulsory arbitration pursuant to Article 263(g) of the Philippine Labor Code, even in cases involving private providers of such services. Such cessation order or arbitration certification would have the effect of automatically enjoining an intended or impending strike or, if one has already taken place, of requiring all striking or locked out employees to immediately return to work and all employers to immediately resume operations. The Company has not experienced any disruptive labor disputes, strikes or threats of strikes for at least the past decade. Management believes that the Company's relationship with its employees in general is satisfactory.

The Group complies with minimum compensation and benefits standards as well as all other applicable labor and employment regulations in all of the jurisdictions in which it operates. The Group has in place internal control systems and risk management procedures, primarily overseen by its Corporate Compliance Group, Labor Department and Legal Department, to monitor its continued compliance with labor, employment and other applicable regulations.

In addition to full-time employees, the Group relies on contractors for the peak seasons, such as during the Easter and Christmas seasons, to satisfy increased demand for services.

RISKS

The Group is subject to certain operational, regulatory and financial risks as follows:

- A significant portion of the Group's business activities are conducted in the Philippines and a significant portion of its assets are located in the Philippines, which exposes the Group to risks associated with the Philippines, including the performance of, and impacts of global conditions on, the Philippine economy.
- The Group's business is particularly dependent on the quality as well as the efficient and uninterrupted operation of its IT and computer network systems, and disruptions to these systems could adversely affect its business, financial condition and results of operations.
- The Group may not be able to expand its domestic branch network and its product offerings and expand into new geographical markets or develop its existing international operations successfully, which could limit the Group's ability to grow and increase its profitability.
- If consumer confidence in the Group and the "LBC" brand deteriorates, the Group's business, financial condition and results of operations could be adversely affected.
- The Group relies on third party contractors to provide various services, and unsatisfactory or faulty performance of these contractors could have a material adverse effect on the Group's business.
- The Group faces risks from increases in freight and transportation costs.
- The Group operates in competitive industries, which could limit its ability to maintain or increase its market share and maintain profitability.
- Any deterioration in the Group's employee relations, or any significant increases in the cost of labor, could materially and adversely affect the Group's operations.
- The Group does not own any real property and the Group may be unable to renew leases at the end of their lease periods or obtain new leases on acceptable terms.
- The Group may encounter difficulties in managing the operations of its agents and affiliates effectively.
- The Group's businesses are subject to regulation in the Philippines, and any changes in Government policies could adversely affect the Group's operations and profitability.
- The Group is subject to numerous U.S. and international laws and regulations intended to help detect and prevent money laundering, terrorist financing, fraud and other illicit activity. Failure by the Group, its agents and affiliates to comply with these laws and regulations and increased costs or loss of business associated with compliance with these laws and regulations could have a material adverse effect on the Group's business, financial condition and results of operations.
- The Group faces risks from trade restrictions.
- Any inability of the Group to secure renewals or new licenses for its money transfer operations may have a material adverse effect on its business, prospects, financial condition and results of operations.
- Risks associated with the Group's money transfer operations outside the Philippines could adversely affect the Group's business, financial condition and results of operations.

Item 2. PROPERTIES

REAL PROPERTY

On April 15, 2019, LBCE entered into a Contract to Sell (CTS) with a third party for the purchase of parcels of land for a total consideration of ₱916.89 million. As stipulated in the Contract, within 10 days of the signing of the CTS, LBCE paid the initial down payment amounting to ₱183.38 million. Subsequently, the second payment of ₱91.69 million was settled by LBCE within 15 business days upon presentation of the seller of the new subdivided title, while the remaining purchase price amounting to ₱641.82 million shall be paid through a bank financing not later than one year from the

CTS date. Subsequently on February 10, 2020, LBCE availed a bank loan to settle the remaining unpaid purchase price wherein the same property was used as collateral to secure the bank loan. Capitalized direct expenses include transfer fees, capital gains tax, documentary stamp taxes and notarial fees amounting to ₱114.37 million.

The Group's registered office is located at the LBC Hangar at the General Aviation Center in the Old Domestic Airport, Pasay City pursuant to a lease with the Manila International Airport Authority. The LBC Hangar houses the Central Exchange, as well as the Company's Information Technology Team and Global Remittance Team. The aggregate floor space of the LBC Hangar is approximately 2,160 sq. m.

In addition, the Group leases the spaces for all of its 1,617 Company-owned branches in the Philippines, as well as its regional distribution centers, delivery hubs, container freight stations and warehouses. The average term of these leases is three to seven years, with renewal options under most of the lease agreements. Branch offices are refurbished approximately every five to seven years, and the Company considers strategic relocation of branch offices from time to time to meet changing market demands.

For its general and administrative activities, the Group leases a 2,820 sq. m. office space at the Two-E-com Centre in Pasay City, Metro Manila, and a 1,126.97 sq. m. office space at the Ocean Breeze also in Pasay City, Metro Manila, both located near its registered office at the LBC Hangar.

For the years ended December 31, 2021, 2020 and 2019, the Company's total expenses related to leases were ₱1,474.34 million, ₱1,215.15 million, and ₱1,237.68 million, respectively.

EQUIPMENT

Other property and equipment owned by the Group in the Philippines primarily comprises its fleet of 3,405 vehicles (2,634 motorcycles and 771 vans, excluding those acquired through operating lease), servers, computers and peripheral equipment, software, vaults, handheld scanners, X-ray scanners and its bulk mail sorting machine.

Item 3. LEGAL PROCEEDINGS

Due to the nature of the Group's business, it is involved in various legal proceedings, both as plaintiff and defendant, from time to time. Such litigation involves, among others, claims against the Group for non-delivery, loss or theft of packages and documents, mis-release of remittances, labor disputes, as well as cases filed by the Group against employees and others for theft and similar offenses.

Except as disclosed below, neither the Company nor any of its subsidiaries have been or are involved in, or the subject of, any governmental, legal or arbitration proceedings which, if determined adversely to the Company or the relevant subsidiary's interests, would have a material effect on the business or financial position of the Company or any of its subsidiaries.

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

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

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

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

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

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

LBCE and LBCDC, the ultimate Parent Company, together with other defendants, filed motions to dismiss the Complaint on January 12, 2016 for the collection of the sum of ₱1.82 billion. On January 21, 2016, LBCE and LBCDC filed its Urgent Motion to Approve the Counterbond and Discharge the Writ of Attachment.

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

In a Joint Resolution dated June 28, 2016, the RTC denied the motions to dismiss filed by all the defendants, including LBCE and LBCDC. Motions for reconsideration filed by the defendants were subsequently denied by the RTC in the Resolution dated February 16, 2017. On April 24, 2017, LBCE and LBCDC filed a Petition for Certiorari with the Court of Appeals, challenging the RTC's June 28, 2016 Joint Resolution. The Petition for Certiorari is entitled *"LBC Express, Inc. and LBC Development Corporation vs. Hon. Maximo M. De Leon and LBC Development Bank, as represented by its receiver/liquidator, the Philippine Deposit Insurance Corporation,"* and docketed as CA-G.R. SP No. 150698.

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

July 21, 2017, LBCE received the Joint Resolution dated July 20, 2017, granting the Verified Omnibus Motions and the Motion for Inhibition, thereby lifting the order of default and admitting the Answers filed by all defendants.

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

From August 10, 2017 to January 19, 2018, LBCE, LBCDC, the other defendants and PDIC were referred to mediation and Judicial Dispute Resolution (JDR) but were unable to reach a compromise agreement. The RTC ordered the mediation and JDR terminated and the case raffled to a new judge who will preside over the trial. The case was re-raffled to Branch 134 of the Makati Regional Trial Court.

On or about September 3, 2018, PDIC filed motions to issue alias summons to five individual defendants, who were former officers and directors of LBC Bank. For reasons not explained by PDIC, it had failed to cause the service of summons upon five of the individual defendants and hence, the court had not acquired jurisdiction over them.

On October 26, 2018, the Motion to Defer Pre-Trial scheduled on November 15, 2018 was filed because the PDIC was still trying to serve summons on the five individual defendants and thus, for orderly proceedings, pre-trial should be deferred until the court acquires jurisdiction over them.

At the hearing held on November 9, 2018, which the PDIC did not attend, the judge directed PDIC's counsel to coordinate with the Sheriff and cause the service of summons promptly. The judge then rescheduled the pre-trial to January 23, 2019. On November 21, 2018, comment from the PDIC was received, arguing that pre-trial can proceed, even without the presence of the five individuals because there are merely necessary parties to the case, and not indispensable parties.

As of early January 2019, the alias summons was served on only two of the individual defendants, in which they filed Motion to Dismiss on November 2018 and January 2019. The PDIC filed its comments thereto and both Motions to Dismiss were deemed submitted for resolution.

On January 18, 2019, PDIC filed a Pre-Trial Brief. LBCE and the other defendants, on January 21, 2019, filed a Motion, asking the RTC to direct the PDIC to explain in writing its compliance with the previous order to cause the service of summons on the remaining five individual defendants and to defer pre-trial until the court has acquired jurisdiction over them.

On January 23, 2019, the judge ordered the PDIC to file its comment to the Motion and rescheduled the pre-trial to February 21, 2019.

The PDIC filed a Comment with Motion to Declare Defendants in Default, arguing that the pre-trial should proceed and that the current defendants are just delaying the proceedings. The PDIC also explained its efforts to serve summons on the five individuals but admitted that it had only served summons of two of the individual defendants. The PDIC also stated that it is filing another motion for the issuance of another round of alias summons for the three remaining defendants.

On February 4, 2019, a Reply was filed arguing that: (a) the PDIC never explained the three-year delay in serving summons on the other defendants, (b) it is the PDIC's omission which have made the proceedings disorderly because not all of the defendants are at the pre-trial state, and (c) to avoid complications, the pre-trial should be deferred until the court has acquired jurisdiction over all defendants.

The court conducted a hearing on February 1, 2019 on the Motion to Declare Defendants in Default and granted time to submit comment thereto. A comment opposition was filed on February 11, 2019, arguing that there is no basis to consider the current defendants in default because they are appearing at every hearing and that there are pending motions citing just and valid reasons to defer pre-trial, considering that summons are still being served on some defendants. Emphasis was given in particular that once jurisdiction is acquired over individual defendants, they will file their own answers, raising their own defenses, which should be considered at pre-trial. Also, it is mandatory to refer them to mediation and JDR for possible amicable settlement of the entire case. Even if mediation and JDR fail, the current judge is required by procedural rules to raffle the case to another branch so that his judgment is not influenced by matters discussed during JDR.

On February 18, 2019, a Pre-Trial Brief was filed by LBCE and the other defendants, without prejudice to the defendants' pending motions to defer Pre-Trial.

At the hearing scheduled on February 21, 2019, the judge took note of all the pending motions and said that they are deemed submitted for resolution. In the meantime, the judge directed the parties to perform a pre-marking of all their documentary exhibits before the clerk of court. The judge then rescheduled Pre-Trial to March 28, 2019.

On March 6, 2019, with respect to CA-G.R. SP No. 150698, LBCE and LBCDC received a copy of the Court of Appeals' Decision dated February 28, 2019, denying the Petition for Certiorari. The Court of Appeals ruled that the PDIC representative was sufficiently authorized to sign the verification and the PDIC does not need to secure prior approval of the liquidation court to file the case. LBCE and LBCDC filed a motion for reconsideration on March 21, 2019. On 18 July 2019, they received a copy of the Court of Appeals' resolution denying the motion for reconsideration. LBCE and LBCDC filed an appeal to the Supreme Court on September 2, 2019 assailing the Court of Appeals Decision and Resolution. The appeal with the Supreme Court is entitled *"LBC Express, Inc. and LBC Development Corporation v. Hon. Maximo M. De Leon, Presiding Judge of the Regional Trial Court of Makati Branch 143 and LBC Development Bank as represented by its receiver/liquidator, the Philippine Deposit Insurance Corporation"* and docketed as G.R. No. 248539. The appeal was initially assigned to the Third Division of the Supreme Court. In the appeal, LBCE and LBCDC are praying for the dismissal of the Complaint because PDIC failed to obtain leave from the liquidation court to file the Complaint before the Regional Trial Court, contrary to the provisions of the Rules of Court and established jurisprudence. PDIC has filed its Comment on January 11, 2020. The Supreme Court has not resolved the appeal as of today.

Meanwhile, PDIC has pre-marked its evidence during pre-marking conferences held on March 6 and 11, 2019. LBCE on the other hand pre-marked its evidence on March 22, 2019 and on April 10, 11, and 24, 2019.

LBCE was informed by the court staff that due to the order of Executive Judge for court records inventory and disposal, the pre-trial scheduled for March 28, 2019 will be reset to May 2, 2019.

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

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

Meanwhile, on January 16, 2021, summons, together with a copy of the Complaint were served on LBC Properties, Inc., another defendant in this case. On February 11, 2021, LBC Properties, Inc. filed its Answer to the Complaint.

The last remaining individual defendant filed her Answer on May 24, 2021.

PDIC, LBCE, LBCDC and the other defendants pre-marked their respective documentary exhibits on May 26, 2021, July 6, 9 and 12, 2021, and November 8, 2021.

The court set the pre-trial on March 16, 2022. On May 16, 2022, one of the individual defendants moved for the resetting thereof because she was not able to compare the documents previously marked by PDIC and the other defendants. The judge allowed the comparison of documents on March 24 and 29, 2022 and reset the pre-trial to April 21, 2022.

As scheduled, PDIC, LBCE, LBCDC and the other defendants pre-marked their respective documentary exhibits on March 24 and 29, 2022.

On April 13, 2022, LBC Properties, Inc. filed a Manifestation and Motion to Resolve Affirmative Defenses, prayed that the court resolve the affirmative defenses raised in its answer.

On April 19, 2022, an individual defendant filed a similar Motion to Resolve Affirmative Defenses.

On April 21, 2022, the court allowed the cancellation of the pre-trial to afford the parties time to facilitate the early termination of the case and reset it to May 26 and June 23, 2022.

On November 8, 2021, PDIC, LBCE, LBCDC and the other defendants completed the pre-marking of their respective documentary exhibits. The parties are now waiting for notice from the RTC for the continuation of the pre-trial proper. The court has scheduled the continuation of the pre-trial proper on May 26, 2022 and June 23, 2022.

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

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Except for matters taken up during the annual meeting of the stockholders of LBCH held on August 9, 2021, there was no other matter submitted to a vote of security holders during the period covered by this Report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION

LBCH common shares are listed with the PSE. As at the end of December 2021, the total number of shares held by the public was 219,457,232 common shares or 15.39% of the total issued and outstanding capital stock of the LBCH.

The following table sets forth the share prices of LBCH's common shares for each quarter of the years 2021, 2020, 2019, 2018, 2017, and 2016:

Quarter	High (₱)	Low (₱)
2021		
4th	24.95	16.00
3rd	18.36	16.00
2nd	18.38	15.36
1st	17.28	15.32
2020		
4th	17.00	13.20
3rd	16.10	12.12
2nd	14.90	10.50
1st	13.98	7.51
2019		
4th	15.98	11.50
3rd	14.90	13.52
2nd	15.80	13.44
1st	17.50	14.02
2018		
4th	15.00	13.52
3rd	15.36	14.20
2nd	15.78	14.08
1st	19.90	14.00
2017		
4TH	17.90	14.54
3RD	16.36	15.00
2ND	18.72	14.00
1ST	15.86	13.02
2016		
4TH	14.50	11.50
3RD	16.98	11.32
2ND	24.80	11.32
1ST	27.55	15.02

The stock price of common share of LBCH as of the close of the latest practicable trading date, May 13, 2022, is Php 22.15.

STOCKHOLDERS

As of end of December 2021, LBCH has 487 registered holders of common shares. The following are the top 20 registered holders of the common shares:

	Name of Stockholder	Nationality	Number Of Shares Held	Percentage
1	LBC Development Corporation	Filipino	1,205,974,632	84.58%
2	Lim, Vittorio Paulo P.	Filipino	59,663,948	4.18%
3	Martinez Jr., Mariano D.	Filipino	59,663,946	4.18%
4	Yu, Lowell L.	Filipino	59,663,946	4.18%
5	PCD Nominee Corporation	Filipino	39,789,066	2.79%
6	PCD Nominee Corporation	Non-Filipino	565,922	0.04%
7	Santos, Ferdinand S.	Filipino	10,000	0.0007%
8	Ko Mei Nga	Filipino	10,000	0.0007%
9	Tia, Tommy Kin Hing	Chinese	10,000	0.0007%
10	Lantin, Andy	Filipino	5,000	0.0004%
11	Cabual, Alfonso B.	Filipino	3,000	0.0002%
12	Leong, Jennifer H.	Filipino	3,000	0.0002%
13	Llamado, Beatriz M.	Filipino	2,000	0.0001%
14	Loquias, Alexander D.	Filipino	2,000	0.0001%
15	Maga, Paz C.	Filipino	2,000	0.0001%
16	Molina, Almar S.	Filipino	2,000	0.0001%
17	Moralda, Benjie C.	Filipino	2,000	0.0001%
18	Morata, Olivia R.	Filipino	2,000	0.0001%
19	Morcozo, Nasario M.	Filipino	2,000	0.0001%
20	Narisma, Inocencio	Filipino	2,000	0.0001%

DIVIDENDS

Dividend Policy

The Company has adopted a dividend policy to distribute to its shareholders a portion of its funds that are surplus subject to the operating and expansion needs of the Company, as determined by the board of directors of the Company, in the form of stock and/or cash dividends, subject always to:

(a) All requirements of the Corporation Code of the Philippines as well as all other applicable laws, rules, regulations and/or orders;

(b) Any banking or other funding covenants by which the Company is bound from time to time; and

(c) The operating and expansion requirements of the Company as mentioned above.

The Company's subsidiary, LBC Express, Inc. has adopted the same dividend policy.

Cash dividends are subject to approval by the Company's Board of Directors without need of stockholders' approval. However, property dividends, such as stock dividends, are subject to the approval of the Company's Board of Directors and stockholders.

The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company.

Dividend History

On March 21, 2022, the BOD of LBC Express Shipping Company WLL (Kuwait) declared cash dividends of KWD 600 per common share. The record date of entitlement to the said cash dividend is on November 30, 2021.

On October 19, 2020, the BOD of LBCH approved the declaration of cash dividends of amounting to ₱285.17 million or ₱0.20 for every issued and outstanding shares.

On October 27, 2020, the BOD of Mabuhay Remittance Sdn Bhd declared cash dividends of BND300,000 (₱10.74 million). The related dividends to noncontrolling interest amounting to BND150,000 (₱5.38 million) is presented in the consolidated statement of changes in equity.

On November 5, 2020, the BOD of LBC Express Shipping Company WLL (Kuwait) declared cash dividends of KWD 800 per common share held by stockholders. The related dividends to noncontrolling interest amounting to ₱6.51 million is presented in the consolidated statement of changes in equity.

On November 15, 2020, the BOD of LBC Mabuhay (Malaysia) Sdn Bhd declared cash dividends of ₱20.18 million (MYR1,700,000). The related dividends to noncontrolling interest amounting to ₱1.75 million (MYR127,503) remains unpaid and is presented in the consolidated statement of changes in equity as of December 31, 2020.

On September 12, 2019, the BOD of LBCH approved the declaration of cash dividends amounting to ₱356.47 million, ₱14.78 million of which remains unpaid as of December 31, 2019.

On May 7, 2019, the BOD of LBC Express Shipping Company WLL (Kuwait) declared cash dividends of KWD 2,500 per common share held by stockholders. The related noncontrolling interest amounting to ₱20.93 million is presented in the consolidated statement of changes in equity.
On December 20, 2018, the BOD of LBCH approved the declaration of cash dividends amounting to ₱285.17 million.

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

On October 11, 2016, the BOD of LBCH approved the declaration of cash dividends amounting to ₱313.69 million (nil in 2015).

On February 8, 2019, June 9, 2017 and November 29, 2016, through a Memorandum of Agreement, LBCDC and LBCH agreed to offset the dividends payable by LBCH to LBCDC against the latter's payable to the Group amounting to ₱ 229.37 million, ₱ 699.47 million and ₱ 265.31 million, respectively. The ₱241.19 million, ₱699.47 million and ₱265.31 million pertain to the share in dividends of LBCDC while the ₱43.98 million, ₱127.54 million and ₱48.38 million pertain to the share of non-controlling interest.

RECENT SALE OF SECURITIES

There are no recent sale of unregistered securities or exempt securities or recent issuance of securities constituting an exempt transaction.

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

KEY PERFORMANCE INDICATORS

Financial Ratios:

		2021	2020	2019
Current ratio	Total Current Assets / Total Current Liabilities	**0.90**	0.97*	1.60
Acid Test Ratio	Total Current Assets - Prepayments and other current assets / Total Current Liabilities	**0.63**	0.87*	1.43
Solvency Ratio	Net income after tax less non-cash expenses / Total Liabilities	**0.12**	0.15	0.25
Debt-to-equity ratio	Total Liabilities / Stockholder's equity attributable to Parent Company	**6.75**	4.29	3.31
Asset-to-equity ratio	Total Assets / Stockholder's equity attributable to Parent Company	**7.76**	5.29	4.31
Interest rate coverage ratio	Income before interest and tax expense / Interest expense	**(0.55)**	1.88	3.16
Return on equity	Net income attributable to Parent Company / Stockholder's equity attributable to Parent Company	**(0.42)**	0.07	0.15
Debt-to-total assets ratio	Total liabilities / Total assets	**0.87**	0.81	0.77
Return on average assets	Net income attributable to Parent Company / Average assets	**(0.05)**	0.01	0.04
Net profit margin	Net income attributable to Parent Company / Service Fee	**(0.05)**	0.01	0.03
Book value per share	Stockholder's equity attributable to Parent Company / Total number of shares	**1.44**	2.07	2.29
Basic earnings per share	Net income attributable to Parent Company / Weighted average of common shares outstanding	**(0.61)**	0.14	0.35
Diluted earnings per share	Net income attributable to Parent Company after impact of conversion of bonds payable / Adjusted weighted average number of common shares for diluted EPS	**(0.61)**	0.14	0.35

**as restated*

RESULTS OF OPERATIONS

Year ended December 31, 2021 compared to the year ended December 31, 2020

Service Revenue

The Company's service revenue increased by 15% to ₱16,249.71 million for the year ended December 31, 2021 from ₱14,117.07 million for the year ended December 31, 2020. Improvement of revenue is mainly from logistics segment with overall growth of 16%.

The increase in logistics revenue, both in domestic and overseas market, is driven by the improvement in sales performance of existing branches after the worldwide quarantine last year. There are also 61 new Philippine retail branches that contributed additional volume.

Cost of Services

Cost of services increased by 19% to ₱12,638.27 million for the year ended December 31, 2021 from ₱10,650.48 million for the year ended December 31, 2020.

Cost of delivery and remittance are higher relative to increase in volume. In 2020, the Group largely utilized the use of RORO, in place of airline cargo space in transporting domestic cargo amid the pandemic due to the interrupted air traffic schedules and unavailability of flights. As operations returned to partial normalcy, there was an increase in the share of cargo moved via air which resulted to higher costs in 2021 as air cargo rates remained aggressive. Further, there was an increase of fuel prices as early as last year. Relatively a rise in materials and supplies cost is noted to the relative increase of volume for cargo acceptances.

In relation to the implemented processes to ensure safety, security measures as well as enforced social distancing, the Company added domestic warehouses and sorting facilities in mid-2020 which contributed to increase in manpower cost, utilities and depreciation and amortization for fixed and right-of-use assets.

Gross Profit

Gross profit increased by 4% to ₱3,611.45 million for the year ended December 31, 2021 from ₱3,466.59 million for the year ended December 31, 2020 primarily attributable to increase in volume.

Operating Expenses

Operating expenses increased by 31% to ₱3,512.41 million for the year ended December 31, 2021 from ₱2,676.10 million for the year ended December 31, 2020 primarily caused by the following:

- Normalized operations after the pandemic in 2020 resulted to higher expenses.
- Increase in utilities and supplies which accounts for medical and sanitation supplies and test kits for the period.
- Commission expenses increased by 38% which is relative to the higher volume of sales in overseas from partner agents.
- Escalation in required software maintenance cost resulting from renewal of existing agreements.

Operating Income

The Group's income from operations declined to ₱99.04 million for the year ended December 31, 2021 from ₱790.49 million for the year ended December 31, 2020 attributable to higher operating expenses by 31% and lower gross margin as a result of increased cost of services.

Other Charges, Net

Other charges, net increased to ₱790.40 million for the year ended December 31, 2021 from

₱402.82 million for the year ended December 31, 2020 mainly driven by the 'loss on derivatives' incurred during the period which is higher by ₱407.23 million from ₱51.10 million in 2020 to ₱458.33 million in 2021.

Interest expense is also higher by ₱12.05 million related to notes payable, bond payable and lease liabilities.

Net Income (Loss) after tax

The Group incurred net losses after tax amounting to ₱853.57 million for the year ended December 31, 2021 as compared to net income of ₱201.22 million for the year ended December 31, 2020 mainly due to the following:

- Expenses incurred by the Group in response to the pandemic, such as medical and sanitation supplies, vaccine donations, rapid testing costs, employee vaccinations, and other pandemic support activities
- Increase in loss on derivative; offset by
- Higher sales volume which resulted to 4% increase in gross profit.

Year ended December 31, 2020 compared to the year ended December 31, 2019

Service Revenue

The Company's service revenue decreased by 7% to ₱14,117.07 million for the year ended December 31, 2020 from ₱15,209.96 million for the year ended December 31, 2019. The downturn in revenue is attributable to the fall of demand during the worldwide lockdown caused by the COVID19 pandemic in the second quarter of the year. The Group's selected branches were still open and delivery remained operational, but the lead times are extended due to security and travel restrictions. Revenues by the third and fourth quarter recouped as a factor of strong demand recovery and subsequent normalization of operations.

Cost of Services

Cost of services were reduced by 5% to ₱10,650.48 million for the year ended December 31, 2020 from ₱11,263.79 million for the year ended December 31, 2019, relative to lower volume of acceptance in the second quarter of 2020 caused by the pandemic.

Cost of delivery and remittance decreased by 13% driven by the decline in volume and the use of a more cost-efficient method of transporting cargo.

Rent expense is lower by 22% mainly due to renewal of various branch lease contracts, in which the accounting treatment shifted from operating lease to recognition of right-of-use assets in accordance with PFRS16. There were also rent discounts granted to the Group during the community quarantine resulting to lower rent expense.

Transportation and travel also declined by 21% relative to community restrictions.

The reductions above were offset by the following:

- The movement in depreciation and amortization showed an increase of 5% due to the recognized amortization of right-of-use assets associated with the new warehouses and renewal of branch lease contracts previously treated as operating lease; and
- Increase in salaries and benefits by 2% relative to the manpower for new warehouses.

Gross Profit

Gross profit decreased by 12% to ₱3,466.59 million for the year ended December 31, 2020 from ₱3,946.17 million for the year ended December 31, 2019 primarily attributable to the following:

- Decrease in revenue by 7% due to low volume during the pandemic;

- Higher depreciation and amortization by 5% related to increase in amortization of right-of-use assets and additional capital expenditures for new branches and warehouses; and
- Increase in salaries and benefits by 2% relative to the manpower for new warehouses.

Operating Expenses
Operating expenses increased by 0.4% to ₱2,676.10 million for the year ended December 31, 2020 from ₱2,665.98 million for the year ended December 31, 2019, caused by the following:

- Utilities and supplies is higher by 40% driven by the medical and sanitation supplies incurred by the Group as a response to COVID19 pandemic;
- Provision for expected credit losses grew by 58% due to assumption changes considering the impact of the global pandemic to clients and to the timing of collection; and
- Further on the pandemic response, there are face mask donations and use of shuttle services due to limited available public transportation.

The above-mentioned increases were offset by 'Advertising and promotion' which was controlled down to ₱312.05 million for the year ended December 31, 2020 from ₱446.35 million for the year ended December 31, 2019.

Operating Income
Operating income declined to ₱790.49 million for the year ended December 31, 2020 from ₱1,280.19 million for the year ended December 31, 2019 attributable to the following:

- Decrease in gross profit by 12% mainly due to lower sales volume for the period; and
- Higher operating expenses relative to the costs incurred for medical and sanitation supplies, donations of face masks and shuttle services as the Group's response to COVID19 pandemic.

Other Charges, Net
Other charges, net decreased to ₱402.82 million for the year ended December 31, 2020 from ₱444.34 million for the year ended December 31, 2019 driven by the decline in 'loss on derivatives' by ₱591.40 million. This is offset by the impact of the gain on disposal of subsidiary in 2019 amounting to ₱443.76 million and decrease in interest income.

Net Income after tax
The Group's net income after tax decreased to ₱201.22 million for the year ended December 31, 2020 from ₱475.82 million income for the year ended December 31, 2019, driven by the following:

- Shortfall on revenue by 7% due to the impact of COVID-19 pandemic to retail and corporate customers in local and overseas operations;
- Higher depreciation and amortization by 5% related to increase in amortization of right-of-use assets and additional capital expenditures for new branches and warehouses;
- Increase in salaries and benefits by 2% relative to the manpower for new warehouses; and
- Operating expenses increased mostly from COVID19 related expenses including medical and sanitation supplies, testing kits, medical professional fees, shuttle bus rentals and donation of face masks.

Year ended December 31, 2019 compared to the year ended December 31, 2018

Service Revenues
The Company's service revenues increased by 23% to ₱15,209.96 million for the year ended December 31, 2019 from ₱12,325.58 million for the year ended December 31, 2018. This growth was principally due to the increase in revenues from both logistics and remittance segment by 25% and 3%, respectively.

There is also a continuous growth in the domestic business mainly from the opening of 70 retail branches, introduction of new products in mid-2018 and domestic retail price increase effective October 2018.

Net contributed revenue of the businesses acquired in 2019 is ₱1,781.11 million.

Cost of Services

Cost of services is higher by 29% to ₱11,263.79 million for the year ended December 31, 2019 from ₱8,704.63 million for the year ended December 31, 2018, relative to the growth in volume for logistics and money transfer services, thus, a 23% surge in cost of delivery and remittance. Further, there is an increase in domestic air freight cost per kilo effective October 2019.

Salaries and benefits related to operations is up by 42% largely from the acquisition of entities in 2019 and 2018.

The net movement in depreciation and rental showed an increase of 33% which arises from the adoption of PFRS16 wherein right-of-use assets were recognized and amortized through time. There are also additional capital expenditures mostly on leasehold improvements and computer equipment associated with the construction or relocation/renovation of branches.

Utilities and supplies expense increased by 15% or ₱151.00 million, driven by higher data connectivity and security expenses primarily from operations of new branches and warehouses.

Gross Profit

Gross profit is favorable by 9% to ₱3,946.17 million for the year ended December 31, 2019 from ₱3,620.96 million for the year ended December 31, 2018, attributable to the increase in revenue amounts from logistic and remittance segment. This is the result of the initiative to expand location and business combination since last year.

Operating Expenses

Operating expenses is higher by 18% to ₱2,665.98 million for the year ended December 31, 2019 from ₱2,253.31 million for the year ended December 31, 2018, caused by the following:

Commission expense, which is mostly related to agents from international subsidiaries, increased by ₱134.21 million during the year, traceable to North America entities which joined the group during the year.

Advertising and promotion expenses grew by 41% or ₱129.06 million, mainly from parallel increases in production costs, radio advertisements, as well as costs for digital/online campaigns and sponsorship. The fluctuation pertains also to the marketing/promotion expenses of newly purchased subsidiaries.

Professional fee is higher by 48% or ₱90.79 million which can be traced from the acquired entities in 2018 and 2019. These fees include payroll, tax and accounting consultancy fees.

Dues and subscriptions were also higher 45% or by ₱28.58 million, primarily attributable to the rate increase for one of the major Information Technology service providers and new subscription to cloud, other software services and applications.

Other Expense, Net

Other expense, net amounting to ₱444.34 million loss for the year ended December 31, 2019 as compared to ₱449.05 million income in 2018 resulted from the following:

- Loss on derivative amounting to ₱642.51 million for the year ended December 31, 2019 as compared to the ₱454.20 million gain last year, is mainly due to the changes in assumptions used in valuation.
- Foreign exchange gain, net is lower by ₱127.50 million which resulted from the foreign exchange trading, and revaluation of US dollar denominated bank and time deposit accounts.
- Interest expense went up by ₱162.50 million mostly from the adoption of PFRS16 which requires recognition of interest from lease liabilities.
- The above mentioned were negated with the gain recognized from a sale of subsidiary on July 1, 2019 and gain on bargain purchase from business combination completed during the year.

Net Income after tax
Net income after tax was lower at ₱475.82 million for the year ended December 31, 2019 from ₱1,349.03 million for the year ended December 31, 2018, primarily due to the following:

- Loss on derivative attributable to the convertible instrument amounting to ₱642.51 million.
- Lower foreign exchange gain by ₱127.50 million;
- First time adoption of PFRS16 resulted to higher depreciation and interest expense, partially offset by the decline in rentals; and
- Net income from operation stand at ₱1,783.36 million in 2019 which is 11% higher compared to ₱1,603.52 for the year ended 2018.

FINANCIAL CONDITION

As of December 31, 2021, compared to as of December 31, 2020

Assets

Current Assets
Cash and cash equivalents decreased by 34% to ₱3,475.11 million as of December 31, 2021 from ₱5,246.05 million as of December 31, 2020. Refer to analysis of cash flows in “Liquidity” section below.

Trade and other receivables, net increased to ₱2,095.62 million as of December 31, 2021 from ₱1,983.37 million as of December 31, 2020 mainly driven by increase in ‘Trade receivable - related parties’ by 18% because of the higher volume of acceptances from overseas bound to Philippines.

Investment at fair value through profit or loss is higher by 5% to ₱15.69 million as of December 31, 2021 from ₱14.94 million as of December 31, 2020 driven by the fair value gain and related foreign exchange gain amounting to ₱0.02 million and ₱0.73 million, respectively.

Prepayments and other current assets increased to ₱2,909.41 million as of December 31, 2021 from ₱896.45 million as of December 31, 2020 primarily due to the following attributes:

- Advance payments for national taxes which can be refunded or be used to settle specific tax liabilities, if there’s any, or be used as tax credit for future tax liabilities;
- Additional restricted cash representing LBCH’s time deposit guarantee to LBCE loans; and
- Acquired vaccines for COVID19.

Noncurrent Assets
Property and equipment, net decreased by 7% to ₱1,899.75 million as of December 31, 2021 from ₱2,031.82 million as of December 31, 2020, primarily due to net depreciation of assets.

Right-of-use assets, net is higher by 1% to ₱2,213.34 million as of December 31, 2021 from ₱2,197.90 million as of December 31, 2020, mainly due to additions of ₱1,067.75 million, offset by amortization of ₱1,034.49 million for the year. There is also the effect of lease modifications and changes in foreign exchange rates.

Intangible assets, net is lower by 17% to ₱268.04 million as of December 31, 2021 from ₱321.69 million as of December 31, 2020, driven by amortization of ₱93.74 million, offset by ₱39.26 million additions for the period.

Investment at fair value through other comprehensive income is down by 18% to ₱189.21 million as of December 31, 2021 from ₱232.12 million as of December 31, 2020, relative to movement in market price from ₱1.19/share to ₱0.97/share.

Investment in associates is up by 13% to ₱354.79 million as of December 31, 2021 from ₱314.28 million as of December 31, 2020 due to share in net income of the associates during the year.

Deferred tax assets - net increased by 4% to ₱462.14 million as of December 31, 2021 from ₱443.56 million as of December 31, 2020 mainly from NOLCO and MCIT recognized for the year; offset by the impact of CREATE Law transition.

Liabilities

Accounts and other payables is up by 12% to ₱3,358.18 million as of December 31, 2021 from ₱2,985.54 million as of December 31, 2020, primarily due to increase in trade payable and accruals for manpower cost and advertising as operating costs were higher this year relative to increase in revenue.

Notes payable (current and noncurrent) increased to ₱1,992.73 million as of December 31, 2021 from
₱1,879.73 million as of December 31, 2020, driven by availments amounting to ₱508.86 million, offset by settlements amounting to ₱395.86 million.

Transmission liability went down by 17% to ₱903.00 million as of December 31, 2021 from ₱1,081.61 million as of December 31, 2020, mainly attributable to decline in merchant liabilities.

Income tax payable is higher by 17% to ₱55.82 million as of December 31, 2021 from ₱47.62 million as of December 31, 2020 mainly due to increase in taxable income related to foreign subsidiaries.

Lease liabilities (current and noncurrent) is higher by 2% to ₱2,420.60 million as of December 31, 2021 from ₱2,368.33 million as of December 31, 2020, primarily pertaining to additions to right-of-use assets amounting to ₱1,067.75 million, offset by lease payments during the period amounting to ₱1,098.94 million. There is also the movement related to lease modification, rent concession and accretion of interest.

Dividends payable amounting to ₱5.69 million as of December 31, 2020 represents remaining balance of cash dividends declared by LBCH and a partially owned subsidiary in 2020. This was paid in January 2021.

Bond payable increased by 24% to ₱1,702.09 million as of December 31, 2021 from ₱1,377.72 million as of December 31, 2020, mainly from the accretion of interest amounting to ₱ 239.49 million and foreign exchange loss recognized amounting to ₱84.87 million.

Derivative liability increased to ₱2,558.12 million as of December 31, 2021 from ₱2,099.79 million as of December 31, 2020, related to the loss on valuation incurred for the period amounting to ₱458.33 million.

Other liabilities account is lower by 96% to ₱0.70 million as of December 31, 2021 from ₱17.45 million in 2020 due to settlements during the year.

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

Assets

Current Asset
Cash and cash equivalents increased by 19% to ₱5,246.05 million as of December 31, 2020 from ₱4,418.67 million as of December 31, 2019. Refer to analysis of cash flows in "Liquidity" section below.

Trade and other receivable, net is higher by 29% at ₱1,983.37 million as of December 31, 2020 from ₱1,537.85 million as of December 31, 2019, mostly from receivable from outside parties by 33% and from related parties by 9% relative to increase in volume. This is offset by the impact of upward movement in allowance for impairment losses by 12%.

Due from related parties is higher by 1% to ₱1,115.17 million as of December 31, 2020 from ₱1,103.81 million as of December 31, 2019, mainly attributable to the advances made during the year.

Investment at fair value through profit or loss dropped by 4% to ₱14.94 million as of December 31, 2020 from ₱15.63 million as of December 31, 2019, primarily from the impact of unrealized foreign exchange loss due to declining exchange rate, partially offset by the fair value gain during the year.

Prepayments and other current assets increased by 11% to ₱896.45 million as of December 31, 2020 from ₱807.78 million as of December 31, 2019, mainly traceable to the following:

- Higher prepaid taxes by ₱41.89 million mostly pertaining to federal and state taxes in US entities;
- Increase in materials and supplies by ₱70.07 million related to packaging and indirect materials in branches; offset by
- Reduction in restricted cash in banks ₱20.97 million representing matured deposits.

Noncurrent Assets
Property and equipment, net decreased by 4% to ₱2,031.82 million as of December 31, 2020 from ₱2,110.74 million as of December 31, 2019, primarily due to net depreciation of existing assets.

Right-of-use assets, net is higher by 17% to ₱2,197.90 million as of December 31, 2020 from ₱1,885.83 as of December 31, 2019, mainly due to additions amounting to ₱1,148.16 million and amortization of ₱818.02 million for the year.

Intangibles, net is lower by 12% to ₱321.69 million as of December 31, 2020 from ₱363.75 million as of December 31, 2019, driven by the additions of ₱60.19 million and amortization of ₱100.76 million for the year.

Investment at fair value through other comprehensive income is down by 18% to ₱232.12 million as of December 31, 2020 from ₱286.74 million as of December 31, 2019, relative to movement in market price from ₱1.73/share to ₱1.19/share.

Investment in associate increased by 25% to ₱314.28 million as of December 31, 2020 from ₱250.64 million as of December 31, 2019 mainly due to investment in Terra Barbaza Aviation, Inc. (TBAI). On December 17, 2020, the application for authorized capital stock for Preferred A and B Shares of TBAI is approved by SEC. The approval resulted to the conversion of the 20,000,000 Common Shares purchased by LBCE from the common shareholder to 20,000,000 non-voting Preferred A Shares and 1,250 Common Shares will then represent 24.787% of the total outstanding Common Shares. Before approval, the acquisition cost is presented in 'advances for future investment in shares'.

Deferred tax assets - net increased by 17% to ₱443.56 million as of December 31, 2020 from ₱377.56 million as of December 31, 2019 mainly attributable to additional deferred tax recognized related to retirement during the year.

Security deposits is higher by 9% to ₱359.63 million as of December 31, 2020 from ₱330.62 million as of December 31, 2019 associated with the deposits for new warehouses and branches.

Other noncurrent assets went down by 9% to ₱217.81 million as of December 31, 2020 from ₱238.46 million as of December 31, 2019, due to amortization of loans receivables.

Liabilities

Accounts and other payables were down by 8% to ₱2,985.54 million as of December 31, 2020 from ₱3,242.18 million as of December 31, 2019, primarily due to settlement of trade payables including bank financing of land acquired in 2019. This is partially offset by increases in contract liabilities as a factor of extended delivery lead time based on new service level agreements and higher accrual for manpower costs relative to increase in headcount.

Due to related parties increased by 20% to ₱40.21 million as of December 31, 2020 from ₱33.61 million as of December 31, 2019, mostly from payable related to digital advertisements in which payments were initially paid by an affiliate.

Notes payable (current and noncurrent) increased to ₱1,879.73 million as of December 31, 2020 from ₱929.72 million as of December 31, 2019, driven by availment to finance the unpaid balance of the land and other capital expenditures.

Transmissions liability went up by 84% to ₱1,081.61 million as of December 31, 2020 from ₱586.89 million as of December 31, 2019, mainly attributable to unclaimed transactions as of the end of the reporting period.

Income tax payable increased by 10% to ₱47.62 million as of December 31, 2020 from ₱43.36 million as of December 31, 2019, resulting from higher taxable income in the last quarter of 2020.

Lease liabilities (current and noncurrent) is higher by 18% to ₱2,368.33 million as of December 31, 2020 from ₱2,001.75 million as of December 31, 2019, pertaining to additions to right-of-use assets amounting to ₱1,156.75 million, offset by lease modifications, payments and rent concessions during the period amounting to ₱781.51 million.

Dividends payable amounting to ₱5.69 million as of December 31, 2020 and ₱14.78 million as of December 31, 2019 represents the outstanding balance of the dividend declared by LBCH and one of its foreign subsidiaries.

Bond payable increased by 10% to ₱1,377.72 million as of December 31, 2020 from ₱1,247.02 million as of December 31, 2019, mainly from the accretion of interest amounting to ₱203.65 million offset by the foreign exchange gain recognized amounting to ₱72.95 million due to lower exchange rate.

Derivative liability increased to ₱2,099.79 million as of December 31, 2020 from ₱2,048.68 million as of December 31, 2019, related to the loss on valuation incurred for the period amounting to ₱51.10 million.

Retirement benefit obligation increased by 20% to ₱764.89 million as of December 31, 2020 from ₱637.79 million as of December 31, 2019 driven by net benefit cost and remeasurements recognized in statements of comprehensive income amounting to ₱196.00 million, offset by the contributions for the year amounting to ₱68.22 million.

Deferred tax liability amounting to ₱21.99 million as of December 31, 2020 mainly includes deferred tax liability from unrealized foreign exchange gains in LBCH.

Other liabilities account is lower by 56% to ₱17.48 million as of December 31, 2020 from ₱39.79 million in 2019 due to settlements during the year.

As of December 31, 2019, compared to as of December 31, 2018

Assets

Current Assets
Cash and cash equivalents increased by 7% to ₱4,418.67 million as of December 31, 2019 from ₱4,137.44 million as of December 31, 2018. Refer to analysis of cash flows in "Liquidity" section below.

Trade and other receivable, net is lower by 6% at ₱1,537.85 million as of December 31, 2019 from ₱1,642.13 million as of December 31, 2018 mainly due to sale of a subsidiary in which all receivables related to this entity were no longer included in the year.

Due from related parties is higher by 98% to ₱1,103.81 million as of December 31, 2019 from ₱557.96 million as of December 31, 2018, mainly from the assignment of receivable from QuadX Inc. to LBC Development Corporation (LBCDC).

Investment at fair value through profit or loss is lower by 88% to ₱15.63 million as of December 31, 2019 from ₱131.29 million as of December 31, 2018, primarily from redemption of investments amounting to ₱280.48 million during the year. This was offset by placement of ₱171.00 million for working capital requirement. Related unrealized foreign exchange loss and unrealized fair value loss as of December 31, 2019 amounted to ₱0.63 million and ₱5.29 million, respectively.

Prepayments and other current assets increased by 25% to ₱807.78 million as of December 31, 2019 from ₱647.52 million as of December 31, 2018, mainly traceable to prepaid taxes and insurance, existing short-term cash investment in the books of an acquired entity in 2019 amounting to ₱128.65 million and current portion of loan receivable from Transtech Co., Ltd. amounting to ₱6.09 million.

Noncurrent Assets

Property and equipment, net increased by 47% to ₱2,110.74 million as of December 31, 2019 from ₱1,436.08 million as of December 31, 2018, primarily due to the purchase of parcels of land.

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

Intangibles, net declined by 35% to ₱363.75 million as of December 31, 2019 from ₱555.37 million as of December 31, 2018. The decrease was mainly due to sale of a subsidiary for which carrying value of ₱179.11 million was derecognized.

Investment at fair value through other comprehensive income, decrease by 15% to ₱286.74 million as of December 31, 2019 from ₱337.45 million as of December 31, 2018, relative to movement in market price from ₱1.73/share to ₱1.47/share.

Investment in associate increased by 5% to ₱250.64 million at December 31, 2019 from ₱239.02 million as of December 31, 2018 due to equity share in earnings including other comprehensive income of ₱26.62 million, offset by dividend income of ₱15 million.

Security deposit increased by 6% to ₱330.62 million as of December 31, 2019 from ₱312.43 million as of December 31, 2018 due to branches opened, additional security deposit requirement of renewed leases and deposits from acquired businesses.

Deferred tax assets - net increased by 25% to ₱377.56 million as of December 31, 2019 from ₱302.28 million as of December 31, 2018 mainly attributable to the deferred tax recognized related to accrued retirement liability, provision for bonus and leave credits, allowance for impairment losses and PFRS 16 related adjustments which are future tax deductible.

Advances for future investment in shares decreased by 82% to ₱78.73 million as of December 31, 2019 from ₱439.82 million as of December 31, 2018. The beginning balance represents the payment for acquisition of shares of North America entities, wherein the approval was granted effective January 1 and July 1, 2019. In 2019, LBCE subscribed 29,436,968 shares of Terra Barbaza Aviation, Inc. (TBAI) at ₱1.75 per share. LBCE used its outstanding advances to TBAI amounting to ₱51.51 million as payment for the total subscription price. LBCE also subscribed 20,001,250 Common Shares in TBAI from its shareholder amounting to ₱27.21 million representing 25% ownership. Currently, TBAI is in the process of increasing its authorized capital stock. Once the application for the increase in authorized capital stock is approved by SEC, 20,000,000 of the Common Shares purchased by LBCE will be converted to 20,000,000 nonvoting Preferred A shares. Subsequently, the remaining 1,250 Common Shares, will represent 24.86% of the total outstanding Common Shares.

Other noncurrent assets increased by 72% to ₱238.46 million as of December 31, 2019 from ₱138.93 million as of December 31, 2018 mainly due to loan receivable amounting to ₱83.73 million and note receivable of ₱26.81 million during the year.

On September 25, 2019, LBCH entered into a loan agreement with Transtech Co., Ltd amounting to US $1.8 million at 2.3% interest per annum. Notes receivable includes the promissory note from an employee and LBC Holdings USA Corporation (LBC Holdings USA).

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

The net decline in goodwill amounting to ₱205.56 million is mainly due to the sale of a subsidiary reducing the account by ₱225.81 million and an increase of ₱19.60 million related to newly acquired equity interest during the year.

Liabilities

Accounts and other payables were up by 16% to ₱3,242.18 million as of December 31, 2019 from ₱2,806.17 million as of December 31, 2018, primarily due to the unpaid acquisitions of property and equipment as of December 31 is higher by ₱641.82 million, mainly from purchase of land;

Due to related parties amounting to ₱33.61 million as of December 31, 2019 is below December 31, 2018 balance amounting to ₱93.99 million attributable to the sale of subsidiary in 2019.

Dividends payable decreased by 95% to ₱14.78 million as of December 31, 2019 from ₱285.17 million due to the settlement and offsetting agreements made during the year. For the year 2019, through a Memorandum of Agreement, LBC Development Corporation (the Ultimate Parent Company) assigned to LBCH a portion of its payable to LBCE for which the latter applied against dividends payable of LBCH with a total amount of ₱493.29 million.

Notes payable (current and noncurrent) increased by 27% to ₱929.72 million as of December 31, 2019 from ₱829.50 million as of December 31, 2018, primarily due to additional notes payable availed amounting to ₱400.00 million and settlement of ₱299.78 million during the year.

Transmissions liability up by 8% to ₱586.89 million as of December 31, 2019 from ₱543.90 million as of December 31, 2018, mainly attributable to a higher amount of merchant liability (from bills payment) and transmission liability by the newly acquired businesses, LBC North America entities, which are not yet claimed as of date.

Lease liabilities (current and noncurrent) is significantly increased to ₱2,001.75 million as of December 31, 2019 from ₱140.07 million as of December 31, 2018, driven by the adoption of PFRS16 which requires recognition of lease liability related to the operating leases.

Bond payable increased by 13% to ₱1,247.02 million as of December 31, 2019 from ₱1,108.42 million as of December 31, 2018, mainly from the accretion of interest, offset by the gain on foreign exchange translation by ₱45.32 million.

Derivative liability increased by 46% to ₱2,048.68 million as of December 31, 2019 from ₱1,406.18 million as of December 31, 2018, related to change in market data assumptions used in valuation.

Income taxes payable is lower by 66% to ₱43.36 million as of December 31, 2019 from ₱126.57 million as of December 31, 2018 primarily resulting from impact of PFRS16 to profit and loss.

Retirement benefit obligation decreased by 5% to ₱637.79 million as of December 31, 2019 from ₱672.27 million as of December 31, 2018 driven by significant amount of contributions in 2019, net actuarial gain and effect of disposal of a subsidiary.

Other liabilities account is lower by 50% to ₱39.79 million as of December 31, 2019 from ₱79.99 million in 2018 due to settlements during the year.

LIQUIDITY

Cash Flows

Year ended December 31, 2021 compared to the year ended December 31, 2020

Cash flows from operating activities
The Company's net cash from operating activities is primarily affected by loss before income tax, depreciation and amortization, retirement benefit expense, interest expense, unrealized foreign exchange gain, gain on derivative, equity in net earnings of associates and changes in working capital. The Company's cash flows from these activities resulted to a net cash outflow of ₱446.70 million for the year ended December 31, 2021 and net cash inflow of ₱1,791.05 million for the year ended December 31, 2020. The outflow in 2021 is primarily because of the movement in working capital. Cash inflow before changes in working capital is ₱1,726.07 million and ₱2,286.69 million for 2021 and 2020, respectively.

Cash flows from investing activities
Cash used in investing activities for the year ended December 31, 2021 and 2020 amounted to ₱ 335.64 million and ₱468.15 million, respectively. For the year ended December 31, 2021, the Company spent ₱384.27 million from the acquisition of property and equipment and intangible assets.

Cash flow from financing activities
Net cash used in financing activities for the year ended December 31, 2021 and 2020 amounted to ₱1,107.20 million and ₱367.68 million, respectively. Financing activities include payments of finance lease obligations, notes payable and related interests.

Years ended December 31, 2020 and December 31, 2019

Cash flows from operating activities
The Company's net cash from operating activities is primarily affected by income before income tax, depreciation and amortization, retirement benefit expense, interest expense, unrealized foreign exchange gain, gain on derivative, equity in net earnings of an associate and changes in working capital. The Company's cash flows from these activities resulted to a net cash inflow of ₱1,791.05 million and ₱2,144.40 million for the year ended December 31, 2020 and 2019, respectively. For the year ended December 31, 2020, inflow from operating activities were generally from normal operations.

Cash flows from investing activities
Cash used in investing activities for the year ended December 31, 2020 and 2019 amounted to ₱468.15 million and ₱895.02 million, respectively. For the year ended December 31, 2020, the Company spent ₱383.46 million from the acquisition of land, property and equipment and intangible assets.

Cash flow from financing activities
Net cash used in financing activities for the year ended December 31, 2020 and 2019 amounted to ₱367.68 million and ₱897.47 million, respectively. This is mainly due to payment of lease liabilities and other noncurrent liabilities, interest, dividends and notes payable with an aggregate amount of ₱1,559.50 million, offset by the proceed from notes availment of ₱1,191.82 million.

Years ended December 31, 2019 and December 31, 2018

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, unrealized foreign exchange gain, loss on derivative, gain from bargain purchase, gain from sale of subsidiary, equity in net earnings of an associate and changes in working capital. The Company's net cash from operating activities were ₱2,114.40 million and ₱1,616.78 million for the year ended December 31, 2019 and 2018, respectively. The inflow from operating activities were generally from normal operations.

Cash flows from investing activities
Cash used in investing activities for the year ended December 31, 2019 and 2018 amounted to ₱895.02 million and ₱910.50 million. Major investing activities for the period includes acquisition of land, business combination and granting of loans receivable.

Cash flow from financing activities
Net cash used in financing activities for the year ended December 31, 2019 and 2018 amounted to ₱897.47 million and ₱472.06 million, respectively. Transactions for the year include dividends, availment and settlement of notes payable and the impact of the adoption of PFRS16 in leases.

Item 7. FINANCIAL STATEMENTS

The 2021 consolidated financial statements of the Company are incorporated herein the accompanying index to exhibits.

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

The consolidated financial statements of the Company as of and for the year ended December 31, 2021 and 2020 were audited by SGV & Co., a member firm of Ernst & Young Global Limited.

SGV & Co. has acted as the Company's independent auditor since fiscal year 2014. Dolmar C. Montanez is the current audit partner for the Company starting financial year 2021. The Company has not had any material disagreements on accounting and financial disclosures with its current independent auditor for the same periods or any subsequent interim period. SGV & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The following table sets forth the aggregate fees billed for each of the last two years for professional services rendered by SGV & Co.

	2021	2020
In millions (₱)		
Audit and Audit-Related Fees[1]	₱2.01	₱5.63
Total	₱2.01	₱5.63

(1) Audit and Audit-Related Fees. This category includes the audit of annual financial statements, review of interim financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years.

SGV & Co. did not provide services for tax accounting, compliance, advice, planning and any other form of tax services to the Company in the last two fiscal years. Other than the audit of the annual financial statements and the review of the interim financial statements, SGV & Co. did not provide any other services to the Company in the last two fiscal years.

In relation to the audit of the Company's annual financial statements, the Company's Corporate Governance Manual, provides that the audit committee shall, among other activities (i) review the reports submitted by the internal and external auditors; (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors; and (iii) coordinate, monitor and facilitate compliance with laws, rules and regulations.

The Audit Committee is composed of at least three appropriately qualified non-executive members of the Board of Directors, the majority of whom, including the Chairman, is an Independent Director. The Audit Committee, with respect to an external audit:

- Perform oversight functions over the Company's external auditors. It ensures the independence of internal and external auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.

- Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.

- Evaluate and determine the non-audit work, if any, of the external auditor, and periodically review the non-audit fees paid to the external auditor in relation to the total fees paid to him and to the Company's overall consultancy expenses. The committee should disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's annual report and annual corporate governance report;

- Review the reports submitted by the external auditors.

The following are the members of the Company's Audit Committee:

a) Solita V. Delantar - Chairman
b) Victor Y. Lim, Jr. - Member
c) Anthony A. Abad - Member

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND EXECUTIVE OFFICERS

DIRECTORS

LBCH's by-laws and articles of incorporation provide for the election of nine directors, two of whom shall be independent directors. The Board of Directors is responsible for the direction and control of the business affairs, and management of the company, and the preservation of its assets and properties. No person can be elected as a director of the company unless he is pre-screened by the Corporate Governance (formerly Nomination and Renumeration) Committee and is a registered owner of at least one common share of the capital of LBCH.

The Company's Corporate Governance Committee is composed of the following:

a) Anthony A. Abad - Chairman
b) Solita V. Delantar - Member
c) Victor Y. Lim, Jr. - Member

The table below sets forth each member of the LBCH's Board of Directors:

Name	Nationality	Age	Position
Miguel Angel A. Camahort	Filipino	59	Chairman of the Board
Rene E. Fuentes	Filipino	48	Director
Enrique V. Rey, Jr.	Filipino	51	Director
Augusto G. Gan	Filipino	59	Director
Mark Werner J. Rosal	Filipino	47	Director
Jason Michael Rosenblatt	American	45	Director
Anthony A. Abad	Filipino	58	Independent Director
Solita V. Delantar	Filipino	78	Independent Director
Victor Y. Lim, Jr.*	Filipino	74	Independent Director

* *Elected by the Board of Directors on 5 October 2020 to replace Mr. Luis N. Yu, Jr. and to serve the latter's unexpired term.*

The business experience of each of the directors is set forth below.

Miguel Angel A. Camahort
Chairman of the Board

Mr. Miguel Angel A. Camahort is the Chairman of the Board of Directors and President of LBCH. He is also the President and Chief Operating Officer of LBCE., the operating company of LBCH. Prior to joining the LBC Group, Mr. Camahort was Senior Vice-President and Chief Operating Officer of Aboitiz One, Inc. from 2007 to 2009, and Aboitiz Transport System Corporation (ATSC) Solutions Division from 2004 to 2007. He also served as a Senior Vice-President and Chief Operating Officer of Aboitiz Transport System Corp. (formerly, William, Gothong & Aboitiz, Inc.) in the Freight Division from 1999 to 2003; prior to which, he was President of Davao Integrated Stevedoring Services Corporation (DIPSCCOR), from 1999 to 2003. Mr. Camahort holds a Bachelor of Science degree in Business Administration and Economics from Notre Dame de Namur University (formerly, the College of Notre Dame) in California, U.S.A.

Rene E. Fuentes
Director

Mr. Rene E. Fuentes is currently the Executive Vice-President and Chief Operating Officer of the International Sales and Operations division of LBCE., the operating company of LBCH. He previously held the Senior Vice-President for Global Retail Operations position of the same company, from 2015 to 2019. Prior to joining the LBC Group in 2001, Mr. Fuentes served as President of Documents Plus, Inc. from 1996 to 2001, and as Regional Manager, Vice-President of EFC Food Corporation from 1996 to 2001. Mr. Fuentes attended the De La Salle University, and completed a Key Executive Program in November 2013 at the Harvard Business School.

Enrique V. Rey, Jr.
Director

Mr. Enrique V. Rey Jr. assumed the position of Investor Relations Officer of the Company on September 2015 and elected as the Chief Finance Officer of LBCH on September 2017 after being an officer-in-charge for the same position since December 2015. Mr. Rey, Jr. was also a director of LBC Systems, Inc. from 2008 to 2010 and LBC Mundial Inc. from 2005 to 2008. Prior to joining the Company, Mr. Rey, Jr. worked for Coca-Cola Phil ATS, where he was the Senior Head of Sales from 2003 to 2005 and the Associate Vice President for Institutional Sales from 2000 to 2003. Mr. Rey, Jr. attended De La Salle University and completed a Management program at the Ateneo Business School. Mr. Rey, Jr. has also attended INSEAD and received training in Finance. Since 2010, Mr. Rey, Jr. has been a member of the Institute of Internal Auditors.

Augusto G. Gan
Director

Mr. Augusto G. Gan was appointed Director of LBCH in September 2015. He has also been a Director of LBC Express, Inc., the operating company of LBCH, since 2013. Mr. Gan concurrently serves as a Chairman of Atlantic Gulf and Pacific Company, Investment and Capital Corp. of the Philippines, Director of Pick Szeged ZRT and Sole-Mizo Zrt. He is also the Managing Director of Ganesp Ventures and the Chairman of the Board of Anders Consulting Ltd. Previously, Mr. Gan was the President of the Delphi Group from 2001 to 2012 and the Chief Executive Officer of Novasage Incorporations (HK) from 2006 to 2007. He has also served as a Director of AFP Group Ltd. (HK) from 2005 to 2007 and ISM Communication from 2003 to 2004, as well as the Chairman of the Boards of Cambridge Holdings from 1995 to 2000 and Qualibrand Industries from 1988 to 2001. Mr. Gan holds a Master in Business Management degree from the Asian Institute of Management.

Mark Werner J. Rosal
Director

Atty. Mark Rosal became a Director of LBCH on April 28, 2015. Born in Cebu City, Atty. Rosal, prior to taking up Law, obtained a Bachelor's Degree in Physical Therapy from Cebu Velez College in 1997, and passed the board exams for Physical Therapy, the same year. Atty. Rosal subsequently graduated in the top 5 of his law school batch at the University of San Carlos, Cebu City, in 2002, and was admitted to the Philippine Bar in 2003. He spent his early years in the practice of law at Balgos and Perez Law Offices and Angara Cruz Concepcion Regala and Abello (ACCRALAW). Currently, he is the Managing Partner of Rosal Bacalla Fortuna Helmuth-Vega and Virtudazo Law Offices, a Cebu-based law firm. Atty. Rosal's field of practice is Corporate Law, Mergers and Acquisitions, Real Estate Law, Estate Planning, Banking Laws, and Company Labor Law matters. He holds various positions and performs multiple roles in various private corporations such as Cebu Agaru Motors Inc., Wide Gain Property Holdings, Inc., Sem-Ros Food Corp , Rural Bank of Talisay, (Cebu) Inc., and OneMeridaLand Corp..

Jason Michael Rosenblatt
Director

Mr. Jason Rosenblatt is currently a Partner at Crescent Point, a private equity and investment firm based in Singapore. Mr. Rosenblatt assumed a director position at LBC Express Holdings, Inc. in March 2018. His previous positions include: Laurasia Capital Management, Partner; Standard Bank, Global Head of Special Situations; DKR Oasis, Head of Principal Strategies; Ritchie Capital Management, Director; McKinsey Company, Associate; and Bank One, Associate.

Anthony A. Abad
Independent Director

Atty. Anthony A. Abad is currently Chief Executive Officer and Managing Director of TradeAdvisors, as well as a partner of Abad Alcantara & Associates. He is also the Chairman for the Philippines of the Commission on Competition, International Chamber of Commerce, and Legal Advisor to the International Finance Corporation. He graduated from the Harvard University John F. Kennedy School of Government, with a Master's Degree in Public Administration; and a Fellow in Public Policy and Management at the Harvard Institute for International Development. Atty. Abad graduated from the Ateneo de Manila School of Law with a Juris Doctor degree, and a Bachelor of Arts degree, Major in Economics (Honors). Other current engagements include: Bloomberg Philippines, Anchor; Ateneo Center for International Economic Law, Director; Ateneo de Manila University, Professor; World Trade Organization, Panelist. Previously, Atty. Abad was Key Expert, Trade Policy & Export Development Trade Assistant for the European Union, Chairman and Secretary's Technical Advisor at the Department of Agriculture, and President and CEO of the Philippine International Trading Corporation.

Victor Y. Lim, Jr.
Independent Director

Mr. Victor Y. Lim, Jr. was appointed as a Director of LBCH on 5 October 2020. He is currently serving as the President of Yuchengco Lim Development Corp. (since 1996), Chairman of V2S Property Developers Co., Inc. (since 2009), Chairman of Tune Abe Investment Corporation (since 2018), President of Banco Mexico Inc. (since 2014), a Director of Premier Horizon Alliance Corporation (since 2015), a Director of I-Pay Commerce Ventures, Inc. (since 2016), a Member of the Financial Executives Institute of the Philippines (since 1976) where he served as President in 1995, a Member of the Management Association of the Philippines (since 1996), a Trustee of Ateneo Scholarship Foundation Inc. (since 1986) where he served as Chairman thereof from 1989 to 1991, and is a Committee Chairman and member of the Rotary Club of Pasig (since 2008). Mr. Lim holds a Bachelor of Science in Economics degree from the Ateneo de Manila University and a Masters in Business Management degree from the Asian Institute of Management.

Solita V. Delantar
Independent Director

Ms. Solita V. Delantar was appointed Director of LBCH in March 2014. She concurrently serves as Independent Director on the Board of Directors at Anchor Land Holdings, Inc., Executive Director at PMAP Human Resources Management Foundation (since July 2013) and Vice President at PONTICELLI, Inc. (since 2006). Previously, Ms. Delantar served as Vice-President, Human Resources Management & Development Administration (November 1999 - September 2003), Consultant (July 1997-July 1998), Vice-President, Finance & Administration (May 1988 - June 1996) and various other positions at Honda Philippines, Inc. Ms. Delantar is a Certified Public Accountant, Fellow in Personal Management and professional business mediator. From September 1998 to March 2007, she served as a Member of the Professional Board of Accountancy, which administers licensure examinations for CPAs. Ms. Delantar received her Bachelor of Science degree in Commerce with a major in Accounting from Far Eastern University and participated in a Bachelor of Laws program at Ateneo de Manila University.

MANAGEMENT AND OFFICERS

LBCH's executive officers and management team cooperate with its Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review. The table below sets forth each member of the LBCH's management:

Name	Nationality	Age	Position
Miguel Angel A. Camahort	Filipino	59	Chief Executive Officer and President
Enrique V. Rey, Jr.	Filipino	51	Investor Relations Officer, Chief Finance Officer and Chief Risk Officer
Cristina S. Palma Gil-Fernandez	Filipino	52	Corporate Secretary
Rosalie H. Infantado	Filipino	46	Treasurer
Mahleene G. Go	Filipino	41	Assistant Corporate Secretary, Corporate Information Officer and Compliance Officer
Ernesto C. Naval III	Filipino	29	Alternate Corporate Information Officer
Jeric C. Baquiran	Filipino	44	Chief Audit Executive

The business experience of each of the LBCH's officers is set forth below.

Miguel Angel A. Camahort
Chief Executive Officer and President

Please refer to the table of directors above.

Enrique V. Rey Jr.
Chief Finance Officer, Investor Relations Officer

Please refer to the table of directors above.

Cristina S. Palma-Gil Fernandez
Corporate Secretary

Atty. Palma Gil-Fernandez assumed the position of Corporate Secretary of LBCH in September 2015. Atty. Palma Gil-Fernandez graduated with a Bachelor of Arts degree, Major in History (Honors) from the University of San Francisco in 1989, and with a Juris Doctor degree, second honors, from the Ateneo de Manila University in 1995. She is currently a Partner at Picazo Buyco Tan Fider & Santos Law Offices and has 25 years of experience in corporate and commercial law, with emphasis on the practice areas of banking, securities and capital markets (equity and debt), corporate reorganizations and restructurings and real estate. She is the Corporate Secretary to a number of Philippine Corporations, including three (3) publicly-listed corporations. She is also the Assistant Corporate Secretary to one of the largest publicly-listed infrastructure companies in the country.

Rosalie H. Infantado
Treasurer

Ms. Infantado assumed the position of Treasurer of LBCH in September 2017. She graduated with a Bachelor of Science degree, Major in Accountancy from the Polytechnic University of the Philippines in 1997. She is currently Vice-President - Financial Reporting and Analysis at LBC Express, Inc., and has been a Certified Public Accountant since 1998. With 20 years of experience in accounting, audit, and financial reporting, Ms. Infantado's previous professional experiences include employment at prestigious companies such as KPMG Philippines (Manabat SanAgustin & Co.), Concordia Advisors (Bermuda) Ltd., CITI Hedge Fund Services, Ltd. (Bermuda), and PriceWaterhouseCooper Philippines.

Mahleene G. Go
Assistant Corporate Secretary, Corporate Information Officer and Compliance Officer

Atty. Mahleene G. Go assumed the position of Assistant Corporate Secretary, Compliance Officer and Corporate Information Officer of LBCH in September 2015. Born on April 25, 1980, Atty. Go graduated with the degree of Bachelor of Arts, Major in Political Science, from the University of the Philippines in 2001, and with the degree of Juris Doctor from Ateneo De Manila University-School of Law in 2005. She also received a Certificate of Mandarin Language Training for International Students from 2011 to 2012 in Peking University, Beijing, China. She served as a Junior Associate at Picazo Buyco Tan Fider & Santos Law Offices from 2007 to 2010 and 2012 and is currently a Senior Associate at the same office.

Ernesto C. Naval III
Alternate Corporate Information Officer

Atty. Ernesto C. Naval III assumed the position of Alternate Corporate Information Officer of LBCH in June 2018. Born on November 4, 1992, Atty. Naval graduated with the degree of Bachelor of Science, Management, from the Ateneo De Manila University in 2013, and with the degree of Juris Doctor from Ateneo de Manila School of Law in 2017. He is a Junior Associate at Picazo Buyco Tan Fider & Santos Law Offices from 2018 to the present.

Jeric C. Baquiran
Chief Audit Executive

Mr. Jeric C. Baquiran was appointed Chief Audit Executive of the Company in March 2019. He joined LBC Express in 2006, and since 2015 has lead the Corporate Audit department for the company, as Senior Manager of the Corporate Audit Department. Mr. Baquiran graduated from Saint Mary's University, Bayombong, with a Bachelor of Science degree in Accountancy in 1999. He passed the Certified Public Accountancy Licensure Examination in May 2000. Prior to joining LBC, he held audit positions at DCCD Engineering Corporation (2000 to 2003), and Lapanday Foods Corporation (2003 to 2005).

The Board has established committees to assist in exercising its authority in monitoring the performance of the business of the Company. The committees, as detailed below, provide specific and focused means for the Board to address relevant issues including those related to corporate governance.

	Committees			
	Audit	**Corporate Governance**	**Related Party Transactions**	**Board Risk Oversight**
Solita V. Delantar	Chairman	Member		Member
Victor Y. Lim, Jr.	Member	Member	Member	Chairman
Anthony A. Abad	Member	Chairman	Chairman	
Enrique V. Rey, Jr.				Member
Augusto G. Gan			Member	

SIGNIFICANT EMPLOYEES

The Company considers its entire work force as significant employees. Everyone is expected to work together as a team to achieve the Company's goals and objectives.

FAMILY RELATIONSHIPS

As at the date of this Report, there are no family relationships between Directors and members of the Company's senior management known to the Company.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

The Company believes that none of the Company's directors, nominees for election as director, or executive officers have in the five-year period prior to the date of this Report: (1) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time; (2) have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses; (3) have been the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or (4) have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, such judgment having not been reversed, suspended, or vacated.

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

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

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

On March 17, 2014, PDIC's external counsel sent a demand/collection letter to LBC Express, Inc. (LBCE), for collection of alleged amounts totaling ₱1.76 billion representing unpaid service fees due from June 2006 to August 2011 and service charges on remittance transactions from January 2010 to September 2011. On March 29, 2014, PDIC's external counsel also sent demand/collection letters to LBCE and LBCDC for collection of the additional amounts of ₱27.17 million and ₱30 million respectively, representing alleged unwarranted reduction of advances made by the Bank.

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

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

LBCE and LBCDC, the ultimate Parent Company, together with other defendants, filed motions to dismiss the Complaint on January 12, 2016 for the collection of the sum of ₱1.82 billion. On January 21, 2016, LBCE and LBCDC filed its Urgent Motion to Approve the Counterbond and Discharge the Writ of Attachment.

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

In a Joint Resolution dated June 28, 2016, the RTC denied the motions to dismiss filed by all the defendants, including LBCE and LBCDC. Motions for reconsideration filed by the defendants were subsequently denied by the RTC in the Resolution dated February 16, 2017. On April 24, 2017, LBCE and LBCDC filed a Petition for Certiorari with the Court of Appeals, challenging the RTC's June 28, 2016 Joint Resolution. The Petition for Certiorari is entitled *"LBC Express, Inc. and LBC Development Corporation vs. Hon. Maximo M. De Leon and LBC Development Bank, as represented by its receiver/liquidator, the Philippine Deposit Insurance Corporation,"* and docketed as CA-G.R. SP No. 150698.

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

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

From August 10, 2017 to January 19, 2018, LBCE, LBCDC, the other defendants and PDIC were referred to mediation and Judicial Dispute Resolution (JDR) but were unable to reach a compromise agreement. The RTC ordered the mediation and JDR terminated and the case raffled to a new judge who will preside over the trial. The case was re-raffled to Branch 134 of the Makati Regional Trial Court.

On or about September 3, 2018, PDIC motions to issue alias summons to five individual defendants, who were former officers and directors of LBC Bank. For reasons not explained by PDIC, it had failed to cause the service of summons upon five of the individual defendants and hence, the court had not acquired jurisdiction over them.

On October 26, 2018, the Motion to Defer Pre-Trial scheduled on November 15, 2018 was filed because the PDIC was still trying to serve summons on the five individual defendants and thus, for orderly proceedings, pre-trial should be deferred until the court acquires jurisdiction over them.

At the hearing held on November 9, 2018, which the PDIC did not attend, the judge directed PDIC's counsel to coordinate with the Sheriff and cause the service of summons promptly. The judge then rescheduled the pre-trial to January 23, 2019. On November 21, 2018, comment from the PDIC was received, arguing that pre-trial can proceed, even without the presence of the five individuals because there are merely necessary parties to the case, and not indispensable parties.

As of early January 2019, the alias summons was served on only two of the individual defendants, in which they filed Motion to Dismiss on November 2018 and January 2019. The PDIC filed its comments thereto and both Motions to Dismiss were deemed submitted for resolution.

On January 18, 2019, PDIC filed a Pre-Trial Brief. LBCE and the other defendants, on January 21, 2019, filed a Motion, asking the RTC to direct the PDIC to explain in writing its compliance with the previous order to cause the service of summons on the remaining five individual defendants and to defer pre-trial until the court has acquired jurisdiction over them.

On January 23, 2019, the judge ordered the PDIC to file its comment to the Motion and rescheduled the pre-trial to February 21, 2019.

The PDIC filed a Comment with Motion to Declare Defendants in Default, arguing that the pre-trial should proceed and that the current defendants are just delaying the proceedings. The PDIC also explained its efforts to serve summons on the five individuals but admitted that it had only served summons of two of the individual defendants. The PDIC also stated that it is filing another motion for the issuance of another round of alias summons for the three remaining defendants.

On February 4, 2019, a Reply was filed arguing that: (a) the PDIC never explained the three-year delay in serving summons on the other defendants, (b) it is the PDIC's omission which have made the proceedings disorderly because not all of the defendants are at the pre-trial state, and (c) to avoid complications, the pre-trial should be deferred until the court has acquired jurisdiction over all defendants.

The court conducted a hearing on February 1, 2019 on the Motion to Declare Defendants in Default and granted time to submit comment thereto. A comment opposition was filed on February 11, 2019, arguing that there is no basis to consider the current defendants in default because they are appearing at every hearing and that there are pending motions citing just and valid reasons to defer pre-trial, considering that summons are still being served on some defendants. Emphasis was given in particular that once jurisdiction is acquired over individual defendants, they will file their own answers, raising their own defenses, which should be considered at pre-trial. Also, it is mandatory to refer them to mediation and JDR for possible amicable settlement of the entire case. Even if mediation and JDR fail, the current judge is required by procedural rules to raffle the case to another branch so that his judgment is not influenced by matters discussed during JDR.

On February 18, 2019, a Pre-Trial Brief was filed by LBCE and the other defendants, without prejudice to the defendants' pending motions to defer Pre-Trial.

At the hearing scheduled on February 21, 2019, the judge took note of all the pending motions and said that they are deemed submitted for resolution. In the meantime, the judge directed the parties to perform a pre-marking of all their documentary exhibits before the clerk of court. The judge then rescheduled Pre-Trial to March 28, 2019.

On March 6, 2019, with respect to CA-G.R. SP No. 150698, LBCE and LBCDC received a copy of the Court of Appeals' Decision dated February 28, 2019, denying the Petition for Certiorari. The Court of Appeals ruled that the PDIC representative was sufficiently authorized to sign the verification and the PDIC does not need to secure prior approval of the liquidation court to file the case. LBCE and LBCDC filed a motion for reconsideration on March 21, 2019. On 18 July 2019, they received a copy of the Court of Appeals' resolution denying the motion for reconsideration. LBCE and LBCDC filed an appeal to the Supreme Court on September 2, 2019 assailing the Court of Appeals Decision and Resolution. The appeal with the Supreme Court is entitled *"LBC Express, Inc. and LBC Development Corporation v. Hon. Maximo M. De Leon, Presiding Judge of the Regional Trial Court of Makati Branch 143 and LBC Development Bank as represented by its receiver/liquidator, the Philippine Deposit Insurance Corporation"* and docketed as G.R. No. 248539. The appeal was initially assigned to the Third Division of the Supreme Court. In the appeal, LBCE and LBCDC are praying for the dismissal of the Complaint because PDIC failed to obtain leave from the liquidation court to file the Complaint before the Regional Trial Court, contrary to the provisions of the Rules of Court and established jurisprudence. PDIC has filed its Comment on January 11, 2020. The Supreme Court has not resolved the appeal as of today.

Meanwhile, PDIC has pre-marked its evidence during pre-marking conferences held on March 6 and 11, 2019. LBCE on the other hand pre-marked its evidence on March 22, 2019 and on April 10, 11, and 24, 2019.

LBCE was informed by the court staff that due to the order of Executive Judge for court records inventory and disposal, the pre-trial scheduled for March 28, 2019 will be reset to May 2, 2019.

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

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

Meanwhile, on January 16, 2021, summons, together with a copy of the Complaint were served on LBC Properties, Inc., another defendant in this case. On February 11, 2021, LBC Properties, Inc. filed its Answer to the Complaint.

The last remaining individual defendant filed her Answer on May 24, 2021.

PDIC, LBCE, LBCDC and the other defendants pre-marked their respective documentary exhibits on May 26, 2021, July 6, 9 and 12, 2021, and November 8, 2021.

The court set the pre-trial on March 16, 2022. On May 16, 2022, one of the individual defendants moved for the resetting thereof because she was not able to compare the documents previously marked by PDIC and the other defendants. The judge allowed the comparison of documents on March 24 and 29, 2022 and reset the pre-trial to April 21, 2022.

As scheduled, PDIC, LBCE, LBCDC and the other defendants pre-marked their respective documentary exhibits on March 24 and 29, 2022.

On April 13, 2022, LBC Properties, Inc. filed a Manifestation and Motion to Resolve Affirmative Defenses, prayed that the court resolve the affirmative defenses raised in its answer.

On April 19, 2022, an individual defendant filed a similar Motion to Resolve Affirmative Defenses.

On April 21, 2022, the court allowed the cancellation of the pre-trial to afford the parties time to facilitate the early termination of the case and reset it to May 26 and June 23, 2022.

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

National taxes
LBCE and its certain subsidiaries are currently involved in assessments for national taxes and the outcome is not currently determinable.

The estimate of the probable costs for the resolution of this assessment has been developed in consultation with the Group's legal counsel and based upon an analysis of potential results. The inherent uncertainty over the outcome of this matter is brought about by the differences in the interpretation and application of laws and rulings. Management believes that the ultimate liability, if any, with respect to this assessment, will not materially affect the financial position and performance of the Group.

Without prejudice to the results of the assessment, the Group paid tax advance to the taxation authority amounting to ₱2.03 billion, ₱1.50 billion of which was paid as of December 31, 2021 and the remaining amount was paid in January to March 2022. Management assessed that these tax advance payments can be refunded or used to settle specific tax liabilities, if there's any, or be used as tax credit for tax liabilities in the succeeding years, and as such, recognized prepaid taxes under "Prepayments and other current assets".

Item 10. EXECUTIVE COMPENSATION

COMPENSATION

There are no employees under LBC Express Holdings, Inc.

Standard Arrangements

Other than payment of reasonable per diem as may be determined by the Board of Directors for every meeting, there are no standard arrangements pursuant to which directors of LBCH are compensated, or were compensated, directly or indirectly, for any services provided as a Director and for their committee participation or special assignments for 2010 up to the present.

Other Arrangements

There are no other arrangements pursuant to which any director of LBCH was compensated, or to be compensated, directly or indirectly, during 2020 for any service provided as a Director.

EMPLOYMENT CONTRACTS

LBCH has no special employment contracts with the named Executive Officers.

WARRANTS AND OPTIONS OUTSTANDING

There are no outstanding warrants or options held by the President, the named Executive Officers, and all Officers and Directors as a group.

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Record and Beneficial Owners of more than 5% of the LBCH's voting securities as of December 31, 2021.

Title of Class	Name and Address of Record Owner and Relationship to Issuer	Name of Beneficial Owner	Citizenship	No. of Common Shares Held in LBCH	% of Total Outstanding Shares of LBCH
Common	LBC Development Corporation General Aviation Center, Domestic Airport Compound, Pasay City (stockholder)	The record owner is the beneficial owner of the shares indicated	Filipino	1,206,178,232	84.59%

Security Ownership of Directors and Officers as of December 31, 2021

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common	Rene E. Fuentes	1- direct	Filipino	0.0%
Common	Enrique V. Rey, Jr.	1- direct	Filipino	0.0%
Common	Augusto G. Gan	1- direct	Filipino	0.0%
Common	Miguel Angel A. Camahort	1- direct	Filipino	0.0%
Common	Mark Werner J. Rosal	1,000 - direct	Filipino	0.0%
Common	Solita V. Delantar	1- direct	Filipino	0.0%
Common	Victor Y. Lim, Jr.	1- direct; 228,899 indirect	Filipino	0.0%
Common	Antonio A. Abad	101-direct	Filipino	0.0%
Common	Jason Michael Rosenblatt	1-direct	Filipino	0.0%

Voting Trust Holders of five percent or More

There were no persons holding more than five percent of a class of shares of LBCH under a voting trust or similar agreement as at the date of this Prospectus.

<u>CHANGE IN CONTROL</u>

On May 18, 2015, LBC Development Corporation subscribed to 59,101,000 common shares of the Company (equivalent to 59.10% of the total issued and outstanding capital stock of the Company as of said date) which resulted in LBC Development Corporation acquiring control of the Company.

On September 18, 2015, LBC Development Corporation subscribed to an additional 1,146,873,632 common shares which were issued on October 12, 2015 following the approval by the SEC of the Company's application to increase its authorized capital stock from ₱100,000,000.00 divided into 100,000,000 common shares with par value of ₱1.00 per share, to ₱2,000,000,000.00 divided into 2,000,000,000 common shares with par value of ₱1.00 per share. As of the date of this Report, LBC Development Corporation holds a total of 1,206,178,232 common shares of the Company or 84.59% of the Company's total issued and outstanding capital stock of the Company.

As at December 31, 2021, there are no arrangements which would delay, defer or prevent a change in control of the Company.

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

RELATED PARTY TRANSACTIONS

The Company and its subsidiaries in their ordinary course of business, engage in transactions with related parties and affiliates consisting of its parent company (LBC Development Corporation) and entities under common control. These transactions include royalty, service and management fee arrangements and loans and advances.

It is a policy of the Company that related party transactions are entered into on terms which are not more favourable to the related party than those generally available to third parties dealing at arm's length basis and are not detrimental to unrelated shareholders. All related party transactions shall be reviewed by the appropriate approving authority, as may be determined by the board of directors. In the event of a related party transaction involving a director, the relevant director should make a full disclosure of any actual or potential conflict of interest and must abstain from participating in the deliberation and voting on the approval of the proposed transaction and any action to be taken to address the conflict.

Please refer to Note 18 ("Related Party Transactions") to the notes to the 2021 consolidated financial statements of the Company which is incorporated herein in the accompanying index to exhibits.

The Company has the following major transactions with related parties:

Royalty Fee and Licensing Agreement with Parent Company

LBC Express, Inc. and LBC Development Corporation have entered into a trademark licensing agreement dated November 29, 2007 under which LBC Development Corporation has granted the Company the full and exclusive right within the Philippines to use LBC Marks including the names "LBC Express, Inc.," "LBC Express," "LBC", "*Hari Ng Padala*" (Filipino for "King of Forwarding Services") and "WWW.LBCEXPRESS.COM" as well as the "LBC" corporate logo and the "Team LBC *Hari Ng Padala*" logo.

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

Cash Advances to and from Related Parties

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.

Fulfillment Fee and Brokerage Fees

In the normal course of business, the Group fulfills the delivery of *balikbayan* boxes and money remittances 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 based on agreed rates.

LBCE acquires services from OFII which include sea freight and brokerage mainly for the cargoes coming from international origins. These expenses are billed to the origins at cost.

Guarantee Fee

LBCE entered into a loan agreement with BDO which is secured with real estate mortgage on various real estate properties owned by the Group's affiliate. In consideration of the affiliate's accommodation to the Company's request to use these properties as loan collateral, the Group agreed to pay the affiliate, every April 1 of the year starting April 1, 2016, a guarantee fee of 1% of the outstanding loan and until said properties are released by the bank as loan collateral.

On April 15, 2021, the Board of Directors of LBCH approved to guarantee the loan and allowed to hold out its time deposit amounting to ₱382.59 million. Such guarantee shall substitute the existing real estate mortgage on the affiliate's real estate properties as security.

Business Combinations

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

On July 1, 2019, LBCE sold all its QUADX Inc. shares to LBCDC for ₱186.02 million, payable no later than two years from the date of sale, subject to any extension as may be agreed in writing by the parties. On the same date, LBCE, LBCDC and QUADX Inc. entered into a Deed of Assignment of Receivables whereas LBCE agreed to assign, transfer and convey its receivables from QUADX Inc. as of March 31, 2019 amounting to ₱832.64 million to LBCDC which shall be paid in full, from time to time starting July 1, 2019 and no later than two years from the date of the execution of the Deed, subject to any extension as may be agreed in writing by LBCE and LBCDC. In 2021, LBCE and LBCDC entered into amended agreements to extend the payment of consideration for the sale of QUADX shares and the Assignment of Receivables to a date no later than two years from the amendment.

On March 7, 2018, the BOD of the Parent Company approved the purchase of shares of the entities under LBC Holdings USA Corporation. The acquisition is expected to benefit the Group by contributing to its global revenue streams. On the same date, the share purchase agreements (SPA) were executed by the Parent Company and LBC Holdings USA Corporation with a total share purchase price amounting to US $8.34 million, subject to certain closing conditions. The transfer of the ownership of the shares and all rights, titles and interests thereto shall take place following the payment of the consideration defined and shall be subject to the necessary approvals of the US regulatory bodies that oversee and/or regulate the Companies. On various dates in 2019, the Parent Company was granted the regulatory approvals on the purchase of LBC Mundial Corporation, LBC Mabuhay North America Corporation and LBC Mabuhay Hawaii Corporation (see Note 4).

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

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

On December 17, 2020, TBAI's application of its authorized capital stock for Preferred A and B Shares is approved by SEC. The approval resulted to the conversion of the 20,000,000 Common Shares purchased by LBCE from the common shareholder to 20,000,000 non-voting Preferred A Shares and 1,250 Common Shares will then represent 24.86% of the total outstanding Common Shares.

Notes receivable

In November 2011, LBC Mundial Corporation paid-off LBC Holdings USA Corporation's outstanding mortgage loan which is consolidated into a long-term promissory note amounting to $1,105,148 at 4% interest, payable in 180 equal monthly installments. As of December 31, 2021, total outstanding notes receivable amounted to ₱18.26 million of which is presented as noncurrent under "Other noncurrent assets". Interest income earned from notes receivable amounted to ₱0.80 million and ₱1.16 million in 2021 and 2020, respectively.

Dividends

On March 21, 2022, the BOD of LBC Express Shipping Company WLL (Kuwait) declared cash dividends of KWD 600 per common share. The record date of entitlement to the said cash dividend is on November 30, 2021.

On October 19, 2020, the BOD of LBCH approved the declaration of cash dividends of amounting to 285.17 million

On October 27, 2020, the BOD of LBC Mabuhay Remittance Sdn Bhd declared cash dividends of BND300,000 (₱10.74 million). The related noncontrolling interest amounting to BND150,000 (₱5.38 million) is presented in the consolidated statement of changes in equity.

On November 5, 2020, the BOD of LBC Express Shipping Company WLL (Kuwait) declared cash dividends of KWD 800 per common share held by stockholders. The related noncontrolling interest amounting to ₱6.51 million is presented in the consolidated statement of changes in equity.

In 2021 and 2020, OFII declared dividends amounting to ₱25.50 million and ₱21.00 million, respectively. No impairment loss was recognized for the investment in associate in 2021 and 2020.

On November 15, 2020, the BOD of LBC Mabuhay (Malaysia) Sdn Bhd declared cash dividends of ₱20.18 million (MYR1,700,000). The related noncontrolling interest amounting to ₱1.75 million (MYR127,503) remains unpaid and is presented in the consolidated statement of changes in equity as of December 31, 2020.

PARENT COMPANY/MAJOR HOLDERS

As of the date of this Report, LBC Development Corporation owns 84.59% of the total issued and outstanding capital stock of the Company.

PART IV - CORPORATE GOVERNANCE

Item 13. CORPORATE GOVERNANCE

Please refer to the Integrated Annual Corporate Governance Report submitted on May 28, 2021.

PART V - EXHIBITS AND SCHEDULES

Item 14. REPORTS ON SEC FORM 17-C

(a) Exhibits - Please accompanying index to exhibits

(b) Reports on SEC Form 17-C

The following current reports have been reported by LBC Express Holdings, Inc. during the year 2021:

	Disclosure	Date of Report
1	Designation of Corporation's authorized filer to act for the Corporation in the submission of reportorial requirements with SEC through the Online Submission Tool (OST)	April 7, 2021
2	Approval of the Consolidated Audited Financial Statements of the Company and its Subsidiaries (and standalone audited financial statement of the parent company) as of 31 December 2020	April 14, 2021
3	Guarantee of Subsidiary Loan	April 15, 2021
4	Amended Disclosure on Approval of the Consolidated Audited Financial Statements of the Company and its Subsidiaries (and standalone audited financial statement of the parent company) as of 31 December 2020	April 19, 2021
5	Loan Agreement between LBC Express, Inc. and Union Bank of the Philippines	May 31, 2021
6	Notice of 2021 Annual Stockholder's Meeting	June 7, 2021
7	Results of the 2021 Annual Stockholder's Meeting of LBC Express Holdings, Inc.	August 9, 2021
8	Results of the 2021 Organizational Meeting of the Board of Directors	August 9, 2021
9	Appointment of Corporation's Attorney-in-Fact and Proxy in the Annual Stockholders' Meeting of LBC Mabuhay (B) Sdn Bhd and LBC Mabuhay Remittance Sdn Bhd	October 21, 2021
10	Additional Investments by LBC Express Holdings, Inc. in its wholly-owned subsidiary, LBC Express, Inc.	November 8, 2021

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned thereunto duly authorized, in the City of MAKATI CITY on MAY 16 2022.

LBC EXPRESS HOLDINGS, INC.

By:

Miguel Angel A. Camahort
Chairman, President and Chief Executive Officer

MAY 16 2022

SUBSCRIBED AND SWORN to before me this ____ day of _________ 2022, affiants exhibiting to me their respective competent evidence of identities, as follows:

Name	Competent ID	Date and Place of Issue
Miguel A. Camahort	Passport No. P9504934B	April 5, 2022; DFA Manila

KATHRINE T. TING
Appointment No. M-572
Notary Public for Makati City
Until December 31, 2020
Liberty Center-Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 73546
PTR No. 8855516/Makati City/01-04-2022
IBP No. 171542/PPLM/01-03-2022
MCLE Exempted-Admitted to the bar in 2019
Extended Until June 30, 2022

Doc. No. 70;
Book No. 15;
Page No. X;
Series of 2022.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned thereunto duly authorized, in the City of MAKATI CITY on MAY 16 2022.

LBC EXPRESS HOLDINGS, INC.

By:

Enrique V. Rey, Jr.
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this MAY 16 2022 day of ____ 2022, affiants exhibiting to me their respective competent evidence of identities, as follows:

Name	Competent ID	Date and Place of Issue
Enrique V. Rey, Jr.	Passport No. P9504935B	April 5, 2022; DFA Manila

Doc. No. 69;
Book No. 15;
Page No. X;
Series of 2022.

KATHRINE T. TING
Appointment No. M-572
Notary Public for Makati City
Until December 31, 2020
Liberty Center-Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 73546
PTR No. 8855516/Makati City/01-04-2022
IBP No. 171542/PPLM/01-03-2022
MCLE Exempted-Admitted to the bar in 2019
Extended Until June 30, 2022

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned thereunto duly authorized, in the City of MAKATI CITY on MAY 16 2022.

LBC EXPRESS HOLDINGS, INC.

By:

Rosalie H. Infantado
Treasurer

SUBSCRIBED AND SWORN to before me this ____ day of MAY 16 2022 2022, affiants exhibiting to me their respective competent evidence of identities, as follows:

Name	Competent ID	Date and Place of Issue
Rosalie H. Infantado	Passport No. P3399617B	01 October 2019 / DFA Manila

Doc. No. 68;
Book No. 15;
Page No. X;
Series of 2022.

KATHRINE T. TING
Appointment No. M-572
Notary Public for Makati City
Until December 31, 2020
Liberty Center-Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 73546
PTR No. 8855516/Makati City/01-04-2022
IBP No. 171542/PPLM/01-03-2022
MCLE Exempted-Admitted to the bar in 2019
Extended Until June 30, 2022

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this is to certify that the undersigned reviewed the contents of the document and to the best of her knowledge, belief, and on the basis of certain representations of the relevant officers of the Corporation, the information set forth in this document are true, complete, and correct.

IN WITNESS WHEREOF, I have hereunto set my hand on MAY 1 6 2022 in MAKATI CITY City.

LBC EXPRESS HOLDINGS, INC.

By:

Cristina S. Palma Gil

CRISTINA S. PALMA GIL-FERNANDEZ
Corporate Secretary

MAY 1 6 2022

SUBSCRIBED AND SWORN to before me this ____ day of _________ 2022, affiant exhibiting to me her competent evidence of identiy, as follows:

Name	Competent ID	Date and Place of Issue
Cristina S. Palma Gil-Fernandez	Philippine Passport No. P5655630A	18 January 2019 DFA-NCR South

Doc. No. 245;
Book No. VII;
Page No. 10;
Series of 2022.

PAOLO DANIEL ROLANDO R. ANONUEVO
Appointment No. M-198
Notary Public for Makati City
Until December 31, 2022
Liberty Center-Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 75352
PTR No. 8855518/Makati City/01-04-2022
IBP No. 171541/RSM/01-03-2022
MCLE Exempted-Admitted to the bar in 2020

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	9	3	0	0	5	2	7	7	

COMPANY NAME

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	8-856-8522	N/A

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

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Enrique V. Rey, Jr.	evrey@lbcexpress.com	8-856-8510	–

CONTACT PERSON's ADDRESS

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

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

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

LBC Express Holdings, Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of LBC Express Holdings, Inc. and its subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein and submits the same to the stockholders.

SGV & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature: ____________________
MIGUEL ANGEL A. CAMAHORT
Chief Executive Officer and President

Signature: ____________________
ENRIQUE V. REY, JR.
Chief Finance Officer

Signed this 16th day of May 2022.

RECEIVED

MAY 16 2022

SUBSCRIBED AND SWORN to before me in City of Pasay on MAY 1 6 2022 affiants personally appeared before me and exhibited to me their Tax Identification Nos.

NAME	TIN
Miguel Angel A. Camahort	101-292-392
Enrique V. Rey, Jr.	172-264-046

Doc. No. 430 :
Page No. 87 :
Book No. V :
Series of 2022.

NOEL L. DUQUE
NOTARY PUBLIC
Until December 31, 2022 Comm. 21-01
10 E-COM Center MOA, Pasay City
IBP No. 195542/01-04-22/PPLM
PTR No. 7696510/01-03-22/PC
Roll No. 48387 MCLE VI-022292/4-14-22

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
LBC Express Holdings, Inc. and Subsidiaries
LBC Hangar, General Aviation Centre
Domestic Airport Road
Pasay City, Metro Manila

MAY 16 2022

Opinion

We have audited the consolidated financial statements of LBC Express Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 29 to the consolidated financial statements which describes the uncertainty related to the outcome of the case filed against LBC Express, Inc. (LBCE), among other respondents, by LBC Development Bank, Inc., as represented by its receiver and liquidator, the Philippine Deposit Insurance Corporation (PDIC) for collection of an alleged amount of ₱1.82 billion, and the recognition of advance tax payments amounting to ₱1.50 billion as an asset in relation to the ongoing assessment for national taxes of LBCE and its certain subsidiaries. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

National Taxes and Provisions and Contingencies

The Group is involved in assessments for national taxes and paid ₱1.50 billion tax advance to the tax authority. Also, the Parent Company's subsidiary, LBCE, among other respondents, is involved in a case filed by LBC Development Bank, Inc., as represented by its receiver and liquidator, the PDIC, for collection of an alleged amount of ₱1.82 billion. The claim pertains to allegedly unpaid service fees from June 2006 to August 2011 and unpaid service charges on remittance transactions from January 2010 to September 2011.

These matters are significant to our audit because the determination of whether any provision for potential liability should be recognized and the estimation of such amount, if any, require significant judgment by management. The inherent uncertainty over the outcome of these matters is brought about by the differences in the interpretation and implementation of the laws and tax rulings. We also considered the recognition of tax advance payment as a key audit matter because of the materiality of the amount involved, and the significant management judgment required in assessing whether it gives a right to receive economic benefits in the future.

The Group's disclosures about these matters are included in Notes 3, 7 and 29 to the consolidated financial statements.

Audit Response

We involved our internal specialists in the evaluation of management's assessment on (a) whether any provision for potential liability should be recognized and the estimation of such amount; and (b) whether the tax advance payment gives a right to receive future economic benefits in the future. We held discussions with and obtained the written replies of the Group's external legal/tax counsels on the status of the case/assessment and their assessment of any potential liability and right to receive economic benefits in the future. For the legal case, we sent a confirmation letter to PDIC and obtained their reply which was provided to the Group for reconciliation with their accounting records. For the tax assessment and tax advance payment, we obtained correspondences with the relevant tax authorities and evaluated the tax position of the management by considering the tax laws, rulings and jurisprudence. We traced the tax advance payments to the supporting documents. We also reviewed the Group's disclosures about these matters and the basis of management's assessment.

Recoverability of Goodwill

Under PAS 36, *Impairment of Assets*, the Group is required to perform an impairment test on goodwill annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. As of December 31, 2021, the Group has goodwill that is primarily attributable to LBC Aircargo (S) PTE LTD, LBC Australia PTY Limited, LBC Money Transfer PTY Limited and Mermaid Co. Ltd., each of which is considered to be a separate cash generating unit (CGU), amounting to ₱287.02 million which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically for the annual revenue growth rates and long-term revenue growth rates and discount rates.

The Group's disclosures on goodwill are included in Note 4 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include annual revenue growth rates, long-term revenue growth rates and discount rates. We compared the key assumptions used, such as the annual revenue growth rates and long-term revenue growth rates against the historical performance of the CGU, market and industry outlook and other relevant external data, taking into consideration the impact associated with coronavirus pandemic. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of goodwill.

Fair value measurement of derivative

The Group has derivative liability of ₱2.56 billion recorded at fair value. This derivative requires valuation technique that includes non-observable inputs, requiring significant management's judgment. Certain valuation inputs used to determine fair value that are non-observable includes stock price volatility, forward foreign currency exchange rates and credit spread. The valuation of the derivative is sensitive to these inputs as they are subject to judgment and are forward-looking in nature which could be affected by future economic and market conditions. We considered this as a key audit matter because of the materiality of the amount involved, and the significant judgment in determination of the non-observable inputs.

The Group's disclosures on the derivative liability are included in Notes 3, 16, 24 and 25 to the consolidated financial statements.

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Audit Response

With the assistance of our valuation specialist, we performed an independent valuation to assess the modelling assumptions and significant inputs used to estimate the fair value of the derivative, which involved independently obtaining significant inputs from external sources and maximizing observable inputs, if available. We utilized the assistance of our valuation specialist to evaluate the methodologies applied against industry practice and performed a recalculation of these adjustments. We also reviewed the Group's disclosures related to the fair value measurement of derivatives.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2021 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) for the year ended December 31, 2021, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dolmar C. Montañez.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
Tax Identification No. 925-713-249
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 112004-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-119-2022, January 20, 2022, valid until January 19, 2025
PTR No. 8854339, January 3, 2022, Makati City

May 16, 2022

MAY 16 2022

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020 (As restated - Note 16)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 24 and 25)	**₱3,475,114,354**	₱5,246,052,475
Trade and other receivables (Notes 4, 6, 18, 24 and 25)	**2,095,623,716**	1,983,366,602
Due from related parties (Notes 18, 24 and 25)	**1,118,607,712**	1,115,174,011
Investment at fair value through profit or loss (Notes 10, 24 and 25)	**15,689,658**	14,942,602
Prepayments and other current assets (Notes 7, 12, 24 and 25)	**2,909,408,332**	896,445,303
Total Current Assets	**9,614,443,772**	9,255,980,993
Noncurrent Assets		
Property and equipment (Note 8)	**1,899,747,227**	2,031,815,630
Right-of-use assets (Note 22)	**2,213,339,401**	2,197,897,942
Intangible assets (Note 9)	**268,043,165**	321,694,139
Investment at fair value through other comprehensive income (Notes 10, 24 and 25)	**189,208,271**	232,121,488
Deferred tax assets - net (Note 21)	**462,136,952**	443,560,985
Security deposits (Note 22)	**401,641,394**	359,627,688
Investment in associates (Note 11)	**354,792,313**	314,283,719
Goodwill (Note 4)	**287,024,985**	286,887,944
Other noncurrent assets (Notes 7, 12, 18 and 24)	**227,452,561**	217,807,631
Total Noncurrent Assets	**6,303,386,269**	6,405,697,166
	₱15,917,830,041	₱15,661,678,159
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 13, 18, 24 and 25)	**₱3,358,183,020**	₱2,985,543,685
Due to related parties (Notes 18, 24 and 25)	**36,427,312**	40,213,210
Dividends payable (Notes 17, 18, 24 and 25)	–	5,686,654
Current portion of notes payable (Notes 15, 24 and 25)	**1,160,604,568**	1,100,015,633
Transmissions liability (Notes 14, 18, 24 and 25)	**902,996,491**	1,081,611,192
Income tax payable	**55,817,966**	47,624,988
Current portion of lease liabilities (Notes 22, 24 and 25)	**942,830,985**	816,980,388
Derivative liability (Notes 16, 24 and 25)	**2,558,118,548**	2,099,785,841
Bond payable (Notes 16, 24 and 25)	**1,702,087,740**	1,377,723,388
Total Current Liabilities	**10,717,066,630**	9,555,184,979
Noncurrent Liabilities		
Retirement benefit liability - net (Note 23)	**803,742,647**	764,885,679
Notes payable - net of current portion (Notes 15, 24 and 25)	**832,121,957**	779,711,006
Deferred tax liabilities (Note 21)	**14,976,832**	21,986,728
Lease liabilities - net of current portion (Notes 22, 24 and 25)	**1,477,767,231**	1,551,353,925
Other noncurrent liabilities (Notes 9, 13, 24 and 25)	**669,349**	17,447,095
Total Noncurrent Liabilities	**3,129,278,016**	3,135,384,433
	13,846,344,646	12,690,569,412
Equity		
Equity attributable to shareholders of the Parent Company		
Capital stock (Note 17)	**1,425,865,471**	1,425,865,471
Retained earnings (Note 17)	**670,248,037**	1,536,482,182
Accumulated comprehensive loss (Note 17)	**(45,493,308)**	(4,063,817)
	2,050,620,200	2,958,283,836
Non-controlling interests	**20,865,195**	12,824,911
Total Equity	**2,071,485,395**	2,971,108,747
	₱15,917,830,041	₱15,661,678,159

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2021	2020	2019
SERVICE REVENUE (Note 26 and 30)	**₱16,249,712,573**	₱14,117,067,433	₱15,209,955,603
COST OF SERVICES (Note 19)	**12,638,265,180**	10,650,476,106	11,263,787,160
GROSS PROFIT	**3,611,447,393**	3,466,591,327	3,946,168,443
OPERATING EXPENSES (Note 20)	**3,512,405,436**	2,676,101,032	2,665,982,484
OPERATING INCOME	**99,041,957**	790,490,295	1,280,185,959
OTHER INCOME (CHARGES)			
Equity in net earnings of an associate (Note 11)	**69,198,233**	5,075,718	26,154,472
Foreign exchange gains - net (Notes 20 and 24)	**40,158,439**	33,005,948	35,773,986
Interest income (Notes 5, 7, 12 and 18)	**8,132,382**	22,051,000	46,607,074
Fair value gain (loss) on investment at fair value through profit or loss (Note 10)	**15,861**	36,523	(5,292,340)
Interest expense (Notes 8, 9, 15, 16, 18 and 22)	**(452,736,382)**	(440,683,545)	(386,392,125)
Loss on derivative (Note 16)	**(458,332,707)**	(51,104,280)	(642,506,134)
Gain on disposal of a subsidiary (Note 4)	–	–	443,755,622
Others - net (Note 4)	**3,164,966**	28,800,553	37,556,063
	(790,399,208)	(402,818,083)	(444,343,382)
INCOME (LOSS) BEFORE INCOME TAX	**(691,357,251)**	387,672,212	835,842,577
PROVISION FOR INCOME TAX (Note 21)	**(162,208,644)**	(186,456,602)	(360,022,399)
NET INCOME (LOSS)	**(853,565,895)**	201,215,610	475,820,178
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not to be reclassified to profit or loss in subsequent periods			
Unrealized fair value loss on equity investment at fair value through other comprehensive income (Notes 10 and 17)	**(42,913,217)**	(54,616,820)	(50,715,620)
Remeasurement gain (loss) on retirement benefit plan - net of tax (Notes 17 and 23)	**(17,081,097)**	(65,097,523)	27,696,955
Share in other comprehensive income (loss) of an associate (Notes 11 and 17)	**(3,189,639)**	(239,704)	464,363
Items that may be reclassified to profit or loss in subsequent periods			
Currency translation gain (loss) - net	**21,032,256**	(79,458,703)	(26,439,558)
	(42,151,697)	(199,412,750)	(48,993,860)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱895,717,592)**	₱1,802,860	₱426,826,318
NET INCOME (LOSS) ATTRIBUTABLE TO:			
Shareholders of the Parent Company (Note 28)	**(₱866,234,145)**	₱200,283,516	₱494,574,503
Non-controlling interests	**12,668,250**	932,094	(18,754,325)
NET INCOME (LOSS)	**(₱853,565,895)**	₱201,215,610	₱475,820,178
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Shareholders of the Parent Company	**(₱907,663,636)**	₱2,542,093	₱446,923,742
Non-controlling interests	**11,946,044**	(739,233)	(20,097,424)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱895,717,592)**	₱1,802,860	₱426,826,318
EARNINGS (LOSS) PER SHARE (Note 28)			
Basic	**(₱0.61)**	₱0.14	₱0.35
Diluted	**(₱0.61)**	₱0.14	₱0.35

See accompanying Notes to Consolidated Financial Statements.

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

	For the Year Ended December 31, 2021					
	Equity Attributable to Shareholders of the Parent Company					
	Capital Stock (Notes 1 and 17)	**Retained Earnings** (Note 17)	**Accumulated Comprehensive Income (Loss)** (Note 17)	**Total**	**Non-controlling Interests**	**Total Equity**
Balances at beginning of year	**₱1,425,865,471**	**₱1,536,482,182**	**(₱4,063,817)**	**₱2,958,283,836**	**₱12,824,911**	**₱2,971,108,747**
Comprehensive income (loss):						
Net income (loss)	**–**	**(866,234,145)**	**–**	**(866,234,145)**	**12,668,250**	**(853,565,895)**
Other comprehensive loss	**–**	**–**	**(41,429,491)**	**(41,429,491)**	**(722,206)**	**(42,151,697)**
Total comprehensive income (loss)	**–**	**(866,234,145)**	**(41,429,491)**	**(907,663,636)**	**11,946,044**	**(895,717,592)**
Dividends declared (Note 17)	**–**	**–**	**–**	**–**	**(3,905,760)**	**(3,905,760)**
Balances at end of year	**₱1,425,865,471**	**₱670,248,037**	**(₱45,493,308)**	**₱2,050,620,200**	**₱20,865,195**	**₱2,071,485,395**

	For the Year Ended December 31, 2020					
	Equity Attributable to Shareholders of the Parent Company					
	Capital Stock (Notes 1 and 17)	Retained Earnings (Note 17)	Accumulated Comprehensive Income (Loss) (Note 17)	Total	Non-controlling Interests	Total Equity
Balances at beginning of year	₱1,425,865,471	₱1,621,371,760	₱193,677,606	₱3,240,914,837	₱27,198,868	₱3,268,113,705
Comprehensive income (loss):						
Net income	–	200,283,516	–	200,283,516	932,094	201,215,610
Other comprehensive loss	–	–	(197,741,423)	(197,741,423)	(1,671,327)	(199,412,750)
Total comprehensive income (loss)	–	200,283,516	(197,741,423)	2,542,093	(739,233)	1,802,860
Dividends declared (Note 17)	–	(285,173,094)	–	(285,173,094)	(13,634,724)	(298,807,818)
Balances at end of year	₱1,425,865,471	₱1,536,482,182	(₱4,063,817)	₱2,958,283,836	₱12,824,911	₱2,971,108,747

	For the Year Ended December 31, 2019					
	Equity Attributable to Shareholders of the Parent Company					
	Capital Stock (Notes 1 and 17)	Retained Earnings (Note 17)	Accumulated Comprehensive Income (Note 17)	Total	Non-controlling Interests	Total Equity
Balances at beginning of year	₱1,425,865,471	₱1,483,263,625	₱241,328,367	₱3,150,457,463	(₱14,711,365)	₱3,135,746,098
Comprehensive income (loss):						
Net income	–	494,574,503	–	494,574,503	(18,754,325)	475,820,178
Other comprehensive loss	–	–	(47,650,761)	(47,650,761)	(1,343,099)	(48,993,860)
Total comprehensive income (loss)	–	494,574,503	(47,650,761)	446,923,742	(20,097,424)	426,826,318
Issuance of additional noncontrolling interest:						
Non-controlling interests arising from additional investment	–	–	–	–	4,943,610	4,943,610
Disposal of a subsidiary (Note 4)	–	–	–	–	77,998,195	77,998,195
Dividends declared (Note 17)	–	(356,466,368)	–	(356,466,368)	(20,934,148)	(377,400,516)
Balances at end of year	₱1,425,865,471	₱1,621,371,760	₱193,677,606	₱3,240,914,837	₱27,198,868	₱3,268,113,705

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱691,357,251)**	₱387,672,212	₱835,842,577
Adjustments for:			
Depreciation and amortization (Notes 2, 8, 9, 19, 20 and 22)	**1,567,289,559**	1,394,771,804	1,358,221,618
Loss on derivative (Note 16)	**458,332,707**	51,104,280	642,506,134
Interest expense (Notes 8, 9, 15, 16, 18 and 22)	**452,736,382**	440,683,545	386,392,125
Unrealized foreign exchange loss (gain)	**12,574,119**	15,309,384	(27,114,808)
Retirement expense, net of benefits paid and contribution to retirement plan (Notes 19, 20 and 23)	**2,496,695**	34,094,533	12,013,117
Loss (gain) on disposal of property and equipment (Note 8)	**1,345,517**	(1,192,575)	2,001,348
Fair value loss (gain) on investment at fair value through profit or loss (Note 10)	**(15,861)**	(36,523)	5,292,340
Interest income (Notes 5, 7, 12 and 18)	**(8,132,382)**	(22,051,000)	(46,607,074)
Equity in net earnings of an associate (Note 11)	**(69,198,233)**	(5,075,718)	(26,154,472)
Gain on remeasurement of lease liability (Note 22)	**–**	(8,592,082)	–
Gain on bargain purchase (Note 4)	**–**	–	(20,474,024)
Gain on disposal of a subsidiary (Note 4)	**–**	–	(443,755,622)
Operating income before changes in working capital	**1,726,071,252**	2,286,687,860	2,678,163,259
Changes in working capital:			
Decrease (increase) in:			
Trade and other receivables	**(111,296,675)**	(455,381,714)	(1,075,260,707)
Prepayments and other assets	**(2,004,250,332)**	(104,261,471)	(283,410,485)
Security deposits	**(41,642,524)**	(29,813,889)	(24,664,884)
Other noncurrent assets	**(8,777,688)**	13,847,850	(81,049,657)
Increase (decrease) in:			
Accounts and other payables (Note 27)	**325,460,134**	(239,553,346)	1,364,855,738
Transmissions liability	**(180,723,260)**	495,785,340	(2,324,547)
Net cash generated from operations	**(295,159,093)**	1,967,310,630	2,576,308,717
Interest received	**8,132,382**	22,051,000	46,607,074
Income tax paid	**(159,671,756)**	(198,308,390)	(508,516,906)
Net cash provided by (used in) operating activities	**(446,698,467)**	1,791,053,240	2,114,398,885
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received (Note 18)	**25,500,000**	21,000,000	7,500,000
Decrease (increase) in due from related parties (Note 27)	**16,972,753**	(16,039,896)	(54,088,893)
Proceeds from:			
Disposal of property and equipment and intangible assets (Notes 8 and 9)	**5,466,746**	3,379,014	8,866,161
Redemption of investments classified as investment at fair value through profit or loss (Note 10)	**–**	–	280,748,100
Acquisitions of:			
Property and equipment (Notes 8 and 27)	**(343,325,290)**	(415,223,558)	(1,065,364,093)
Intangible assets (Notes 9 and 27)	**(40,137,646)**	(60,186,899)	(118,090,942)

(Forward)

	Years Ended December 31		
	2021	2020	2019
Subsidiaries, net of cash acquired (Note 4)	**(₱120,090)**	₱–	₱578,902,978
Investment in an associate (Note 11)	–	(1,081,701)	–
Investments at fair value through profit or loss (Note 10)	–	–	(171,000,000)
Decrease in cash due to disposal of a subsidiary (Note 4)	–	–	(362,489,501)
Net cash used in investing activities	**(335,643,527)**	(468,153,040)	(895,016,190)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from notes payable (Notes 15 and 27)	**508,858,400**	1,191,823,000	400,000,000
Increase (decrease) in due to related parties (Note 27)	**(3,785,897)**	(7,032,879)	43,215,678
Payments of:			
Dividends (Note 27)	**(5,686,654)**	(294,261,690)	(133,570,637)
Interest (Note 27)	**(87,058,743)**	(235,176,606)	(201,007,631)
Notes payable (Notes 15 and 27)	**(395,858,514)**	(241,818,583)	(299,777,778)
Lease and other noncurrent liabilities (Note 27)	**(1,123,666,823)**	(781,209,783)	(706,334,104)
Net cash used in financing activities	**(1,107,198,231)**	(367,676,541)	(897,474,472)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,889,540,225)**	955,223,659	321,908,223
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**118,602,104**	(127,840,437)	(40,678,114)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**5,246,052,475**	4,418,669,253	4,137,439,144
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱3,475,114,354**	₱5,246,052,475	₱4,418,669,253

See accompanying Notes to Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

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

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

Starting September 1, 2021, all LBC branches no longer accept bills payment transactions. The contribution of this revenue type is not material to the Group.

On various dates in 2018 and 2019, the Parent Company acquired, through business combination, fourteen (14) entities. All are domiciled outside the Philippines, except for QUADX Inc. Details of the acquisitions are discussed in Note 4.

On May 29, 2019, the Parent Company sold all its 1,860,214 common shares in QUADX Inc. to LBC Express, Inc. (LBCE) which the latter later sold to LBCDC on July 1, 2019. Details of the disposal are discussed in Note 4.

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

The accompanying consolidated financial statements of the Parent Company and its subsidiaries have been approved and authorized for issue by the Board of Directors (BOD) on May 16, 2022.

2. Summary of Significant Accounting and Financial Reporting Policies

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

Basis of Preparation
The consolidated financial statements of the Group have been prepared using the historical cost basis except for fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and derivatives that have been measured at fair value. The consolidated financial

statements are presented in Philippine Peso (₱), which is also the Group's functional currency. All amounts are rounded off to the nearest peso unit unless otherwise indicated.

Difference in accounting periods
The Group consolidated the non-coterminous financial statements of its subsidiaries using their November 30 fiscal year end except for QuadX Pte. Ltd., and Mermaid Co., Ltd. with December 31 year end which are aligned with the Parent Company since it is impracticable for the said subsidiaries to prepare financial statements as of the same date as the reporting date of the Parent Company.

In 2021, LBC Mabuhay (Malaysia) Sdn. Bhd changed its accounting period end from December 31 to November 30 while in 2020, the Parent Company's subsidiaries, LBC Mabuhay (B) Sdn. Bhd and LBC Mabuhay Remittance Sdn. Bhd changed its accounting period end from June 30 and December 31, respectively, to November 30. These subsidiaries were previously consolidated using coterminous financial statements and are now being consolidated using the non-coterminous financial statements for the eleven months ended November 30.

Except as disclosed below, the Group did not reflect any transactions of entities with non-coterminous financial statements from December 1 to 31 as these are not considered to be significant.

Management exercised judgment in determining whether adjustments should be made in the consolidated financial statements of the Group pertaining to the effects of significant transactions or events of its subsidiaries that occur between December 1, 2021 and 2020 and the year-end date of the Parent Company's financial statements which is December 31, 2021 and 2020.

The consolidated financial statements as of December 31, 2021 were adjusted to effect LBCE's availment and settlement of bank loans in December 2021 amounting to ₱17.86 million and ₱27.72 million, respectively, adjustment to reflect equity share in net earnings of Terra Barbaza Aviation, Inc. (TBAI) amounting to ₱1.09 million and adjustment to reflect the decrease in fair value of investment at FVOCI by ₱9.75 million for the period December 1 to 31, 2021.

The consolidated financial statements as of December 31, 2020 were adjusted to effect LBCE's availment and settlement of bank loans in December 2020 amounting to ₱100.00 million and ₱26.99 million, respectively, adjustment to reflect additional investment in associate related to the purchase of shares of TBAI amounting to ₱79.81 million including the equity share in net earnings of TBAI amounting to ₱1.78 million and adjustment to reflect the decrease in fair value of investment at FVOCI by ₱5.85 million for the period December 1 to 31, 2020.

Aside from these, there were no other significant transactions that transpired between December 1, 2021 to December 31, 2021, and between December 1, 2020 to December 31, 2020.

In 2021, the Group changed its classification of its convertible instrument from noncurrent to current liability. Refer to Note 16 of the consolidated financial statements for detailed discussion.

Statement of Compliance
The accompanying consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation
The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions, including income, expenses and dividends, are eliminated in full. The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as

of December 31, 2021 and 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

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

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

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

The consolidated financial statements include the financial statements of LBCH and the following subsidiaries:

	Country of incorporation	Principal activities	Ownership Interest 2021	2020
LBC Express, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - MM, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - CL, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - NL, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - VIS, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - SL, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - SCS, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express Corporate Solutions, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - CMM, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - EMM, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - MIN, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - SMM, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - SEL, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - WV, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - SEM, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - SCC, Inc.	Philippines	Logistics and money remittance	**100%**	100%
South Mindanao Courier Co., Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - NEMM, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - NWMM, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Systems, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express Bahrain WLL	Bahrain	Logistics	**49%**	49%
LBC Express Shipping Company WLL	Kuwait	Logistics	**49%**	49%
LBC Express LLC [(1)]	Qatar	Logistics	**49%**	49%
LBC Mabuhay Saipan Inc.	Saipan	Logistics and money remittance	**100%**	100%
LBC Aircargo (S) PTE. LTD	Singapore	Logistics	**100%**	100%
LBC Aircargo (S) PTE. LTD Taiwan Cargo branch	Taiwan	Logistics	**100%**	100%
LBC Express Airfreight (S) PTE. LTD.	Singapore	Logistics	**100%**	100%
LBC Money Transfer PTY Limited	Australia	Money remittance	**100%**	100%
LBC Australia PTY Limited	Australia	Logistics	**100%**	100%
LBC Mabuhay (Malaysia) SDN BHD.	Malaysia	Logistics	**93%**	93%
QuadX Pte. Ltd.	Singapore	Digital logistics	**86%**	86%
LBC Mabuhay (B) Sdn Bhd	Brunei	Logistics	**50%**	50%
LBC Mabuhay Remittance Sdn Bhd	Brunei	Money remittance	**50%**	50%
LBC Mundial Corporation	United States of America	Logistics and money remittance	**100%**	100%
LBC Mundial Nevada Corporation	United States of America	Logistics and money remittance	**100%**	100%
LBC Business Solutions North America Corp. [(2)]	United States of America	Logistics	**100%**	–
LBC Mabuhay North America Corporation	United States of America	Logistics and money remittance	**100%**	100%
LBC Mundial Cargo Corporation	Canada	Logistics	**100%**	100%
LBC Mabuhay Remittance Corporation	Canada	Money remittance	**100%**	100%
LBC Mabuhay Hawaii Corporation	United States of America	Logistics and money remittance	**100%**	100%
Mermaid Co., Ltd	Japan	Logistics	**100%**	100%

Note:

1) This entity is a subsidiary of LBC Express Shipping Company WLL which has 49% ownership interest.
2) On January 1, 2021, LBC Mundial Corporation acquired 100% ownership interest over LBC Business Solutions North America Corp. (see Note 4).

The Parent Company, although it owns 49%-50% of the voting share of LBC Express Bahrain WLL, LBC Express Shipping Company WLL, LBC Express LLC, LBC Mabuhay (B) Sdn Bhd and LBC Mabuhay Remittance Sdn Bhd, in substance controls the said entities since: (a) the activities of the subsidiaries are being conducted on behalf of the Parent Company according to its specific business need so that the Parent Company obtains benefits from the subsidiaries' operations; and (b) the Parent

Company has the decision-making powers to obtain the majority of the benefits of the activities of the subsidiaries.

The money remittance business in the Philippines is performed by LBCE and the subsidiaries only act as service agents for LBCE.

Non-Controlling Interests
As at December 31, 2021, the Group has subsidiaries with non-controlling interests. Percentage of equity held by non-controlling interests in 2021 and 2020 are as follows:

	Country of incorporation	**2021**	2020
LBC Express Bahrain, WLL	Bahrain	**51%**	51%
LBC Express Shipping Company WLL	Kuwait	**51%**	51%
LBC Express LLC	Qatar	**26%**	26%
LBC Mabuhay (Malaysia) SDN BHD.	Malaysia	**7%**	7%
QuadX Pte. Ltd.	Singapore	**14%**	14%
LBC Mabuhay (B) Sdn Bhd	Brunei	**50%**	50%
LBC Mabuhay Remittance Sdn Bhd	Brunei	**50%**	50%

Business Combination and Goodwill
Business combinations are accounted for using the acquisition method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any noncontrolling interest in the acquiree. For each business combination, the acquirer measures acquirer's the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed in the consolidated statement of comprehensive income.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units.

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with PFRS 8, *Operating Segment.*

Where goodwill forms part of a cash-generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill or profit or loss is recognized as a result.

Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

A business combination involving entities under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that the control is not transitory. This will include transactions, subsidiaries or businesses between entities within a group. Common control business combinations are outside the scope of PFRS 3, *Business Combination.* The Group elected to account for its common control business combinations using acquisition method considering that the business combinations have commercial substance from the perspective of the Parent Company. This is applied consistently for similar transactions. Adjustments are made to reflect fair values of the assets and liabilities at the date of acquisition. Goodwill and gain in a bargain purchase are recognized as a result of the business combinations (see Note 4).

Acquisition and Disposal of Subsidiary

In 2021, LBC Mundial Corporation acquired 100% ownership interest over LBC Business Solutions North America Corp. (see Note 4). There were no disposals of subsidiary in 2021.

There were no acquisitions and disposals of subsidiary in 2020.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the consolidated financial statement are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2020, except for the adoption of the new standards effective as of January 1, 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective, except for the Amendments to PFRS 16, *COVID-19-related Rent Concessions*.

Except as otherwise stated, the adoption of the new accounting standards, amendments and interpretations which apply for the first time in 2021, do not have an impact on the consolidated financial statement of the Group.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

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

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

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

  The amendments are effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

  The Group adopted the amendment beginning January 1, 2021. The Group has assessed that all lease concessions have met the criteria set by PFRS 16 and elected to apply the practical expedient hence, treated these lease concessions not as lease modifications but as variable lease payments. For the year ended December 31, 2021, the Group presented these lease concessions as reduction of amortization expense under 'Cost of services' amounting to ₱29.41 million (see Note 22).

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Group shall also disclose information about:

  - The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021.

Future Changes in Accounting Policy

The Group will adopt the following standards and interpretations when these become effective. Except as otherwise stated, the Group does not expect the adoption of these standards to have a significant impact on the consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

    An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts.

  On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Deferred effectivity

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

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

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

The significant accounting policies that have been used in the preparation of the financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when it is:

- Expected to be settled in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as noncurrent.

Deferred tax assets and deferred tax liability are classified as noncurrent assets and noncurrent liabilities, respectively.

Cash and Cash Equivalents
Cash and cash equivalents are stated at face value. Cash includes cash on hand and cash in banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the dates of placement and that are subject to an insignificant risk of changes in value. Cash in banks and cash equivalents earn interest at prevailing bank deposit rates.

Fair Value Measurement
The Group measures financial instruments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset on the highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Assets and Financial Liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity of another entity.

Financial Assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15. Refer to the accounting policies for *Revenue from contracts with customers.*

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a l frame established by regulation or convention in the market place (regular way purchases or sales) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The classification of financial instruments at initial recognition depends on the contractual terms and the business model for managing the instruments. Financial instruments are initially measured at fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit and loss (FVPL)

Accordingly, the Group classifies and measures its quoted and unquoted investments at FVOCI and FVPL, respectively.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The subsequent measurement of financial assets depends on the classification as described below:

Business model assessment
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- the expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Contractual cash flows assessment
For each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Financial assets at amortized cost (debt instrument)
This category is the most relevant to the Group. The Group measures its financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

This category generally applies to cash and cash equivalents, short-term cash investments, trade and other receivables, loans receivable, notes receivable, due from related parties and restricted cash under other current assets.

Financial assets at fair value through OCI (debt instruments)
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and;
- Selling and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial measurement, such financial assets are subsequently measured at fair value with unrealized gains and losses recognized in OCI. Impairment losses on such financial assets are accounted for as an adjustment to the unrealized gains and losses in OCI, with a corresponding charge to profit or loss. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for debt instruments at amortized cost.

Where the Group holds more than one investment in the same security, they are deemed to be disposed on a first-in first-out basis. On derecognition, unrealized gains or losses previously recognized in OCI are reclassified from OCI to profit or loss under operating income.

As at December 31, 2021 and 2020, the Group has no debt instruments at FVOCI.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

After initial measurement, such equity investments are subsequently measured at fair value with unrealized gains and losses recognized in OCI. Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognized in profit or loss as other operating income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such dividends are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

As at December 31, 2021 and 2020, the Group measures its quoted investment in share of stock at FVOCI (see Note 10).

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in profit or loss.

Financial assets at FVPL are subsequently measured at fair value with net changes in fair value recognized in profit or loss as other income (charges).

As at December 31, 2021 and 2020, the Group measures its investment in unquoted unit investment trust fund at FVPL (see Note 10).

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECL) for all debt instruments not held through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade and other receivables, the Group has elected to use the simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix based on loss rate approach that is based on the Group's historical credit loss experience for the past five years, adjusted for forward looking factors specific to the debtors and the economic environment (i.e., non-performing loans and gross domestic product).

For due from related parties and cash and cash equivalents, restricted cash, loans receivable and notes receivable, the Group applies the general approach.

The Group considers a financial asset in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of served invoices which is administrative in nature which may extend the definition of default to 180 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to impairment loss.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts and other payables (excluding taxes and government contribution payable), due to related parties, notes payable, transmissions liability, lease liabilities, dividends payable, other noncurrent liabilities and bond payable.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied.

The Group's derivative liability is classified under this category (Notes 16, 24 and 25).

Embedded Derivatives
An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

The Parent Company assesses whether embedded derivatives are required to be separated from the host contracts when the Parent Company first becomes a party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives are bifurcated from their host contracts, when the following conditions are met:

(a) the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial assets and liabilities at FVPL;
(b) when their economic risks and characteristics are not closely related to those of their respective host contracts; and
(c) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. Changes in fair values are included in profit or loss. The embedded derivatives of the Parent Company pertain to the equity conversion and redemption options components of the issued convertible debt instrument.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of profit or loss.

This category generally applies to 'accounts and other payables' (except taxes and government contribution payable), 'due to related parties', 'notes payable', 'transmissions liability', 'lease liabilities', 'dividends payable', 'bond payable' and 'other noncurrent liabilities' presented in the consolidated statement of financial position.

<u>Reclassification</u>
If the business model under which the Group holds the financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. Reclassification of financial assets designated at FVPL at initial recognition is not permitted.

'*Day 1' difference*
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the

transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Derecognition of Financial Assets and Financial Liabilities

Financial asset
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

a) the rights to receive cash flows from the asset have expired, or
b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of Financial Assets and Financial Liabilities
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Prepayments and Other Assets
Prepayments are recognized when payment has been made in advance for the purchase of goods or services for which delivery or performance has not yet occurred. This also includes advance payments of the Group to the tax authority in relation to an ongoing tax assessment. The Group recognizes the advance payments as an asset if it gives a right to receive future economic benefits in the form of a refund, or by using it to settle tax liabilities, or as tax credit in the future. Prepayments are measured at undiscounted amounts and derecognized in the consolidated statement of financial position as they expire with the passage of time, or through use and consumption.

Creditable withholding taxes (CWT) are amounts withheld from income, which are applied as credit against income taxes, subject to documentary requirements. Creditable withholding taxes that are expected to be utilized as payment for income taxes within 12 months are classified as current asset.

Materials and supplies are initially measured at the cost of purchase, which comprise the purchase price less trade discounts, rebates and other similar deductions. Materials and supplies are subsequently measured at the lower of cost and net realizable value. Cost is determined using average cost formula. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Materials and supplies are derecognized when consumed.

Input tax represents the value-added tax (VAT) due or paid on purchases of goods and services subjected to VAT that the Group can claim against any future liability to the tax authority for output VAT on sale of goods and services subjected to VAT. The input tax can also be recovered as tax credit under certain circumstances against future income tax liability of the Group upon approval of the BIR. Input tax is stated at its estimated net realizable values. Input tax also includes deferred input VAT on unpaid purchase of services which are incurred and billings which have been received as of reporting date, and input VAT arising from the purchase of capital goods exceeding ₱1.00 million deferred for the succeeding period. Noncurrent portion of input VAT is deferred and amortized over the useful life of the capital goods or sixty (60) months, whichever is lower.

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

Property and Equipment

Property and equipment, except land, are stated at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment loss. The initial cost of property and equipment comprises its purchase price, taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization is calculated on a straight-line method over the following estimated useful lives of the property and equipment:

	Years
Computer hardware	3
Furniture, fixtures and office equipment	3 to 5
Transportation equipment	3 to 10
Leasehold improvements	8 years or lease term (whichever is shorter)

Construction in progress is stated at cost. Construction in progress is not depreciated until such time as the relevant assets are completed and available for use.

The assets' residual value, estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment or if constructed in a leased asset, whichever is shorter between the lease term and useful life.

The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss (calculated as the difference between the net disposal proceeds and the carrying amount of the property and equipment) is credited to or charged against profit or loss in the year the property and equipment is derecognized.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category that is consistent with the function of the intangible assets. The useful life of the Group's software is three to five years.

Intangible assets with indefinite useful lives (i.e., goodwill) are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in operating expenses. During the period of development, the asset is tested for impairment annually.

Security Deposits
Security deposits are recognized when payment has been made to suppliers which will be applied to outstanding payables of the Group on the termination of the related agreements and are recognized at cost.

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

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

The Group's investment in the associate is accounted for under the equity method of accounting. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

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

The aggregate of the Group's share of profit or loss and other comprehensive income of an associate is shown on the face of the consolidated statement of comprehensive income and represents profit or loss after tax and other comprehensive income after tax of the associate.

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

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

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

Impairment of Nonfinancial Assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset

exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Employee Benefits
The Group has a noncontributory defined retirement benefit plan. The net defined retirement benefit liability or asset is the aggregate of the present value of the defined retirement benefit liability at the end of reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- service costs
- net interest on the net defined benefit liability or asset
- remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by an independent qualified actuary.

Net interest on the net defined retirement benefit liability or asset is the change during the period in the net defined retirement benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined retirement benefit liability or asset. Net interest on the net defined retirement benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined retirement benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements recognized in OCI account, "Remeasurement gains (losses) on retirement benefit plan", are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related liabilities). If the fair value of the plan assets is higher than the present value of the defined retirement benefit liability, the measurement of the resulting defined retirement benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit retirement liability is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefits
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either the Group's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave credits in excess of 45 days is expected to be settled wholly within twelve months after the end of the annual reporting date. Employees of certain foreign subsidiaries are also entitled to long service leaves as mandated by local laws over and above their annual leave if they work for a certain length of time which are taken on a pro-rata basis when the employee ceases to work. Earned leave credits is recognized as a liability and settled when the employee leaves the Group subject to certain conditions.

<u>Equity</u>
The Group considers the underlying substance and economic reality of its own equity instruments and not merely its legal form in determining its proper classification.

Capital stock
The Group records common stocks at par value and the amount of the contribution in excess of par value is accounted for as an additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds.

Retained earnings
Retained earnings represent accumulated earnings of the Group less dividends declared, and any adjustments arising from application of new accounting standards, policies or corrections of errors applied retrospectively. Dividends on common stocks are recognized as a liability and deducted from equity when declared.

Revenue Recognition

Revenue from contracts with customers
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

Service revenue
The Group is in the business of logistics and money remittance which are sold separately as identified and have distinct contracts with customers.

The Group recognizes logistics revenue over time using output method wherein revenue is recognized on the basis of direct measurement of the value to the customer relative to the remaining services promised under the contract. The measurement of progress used the estimated period travelled (measured in days) of the goods being delivered over the period of the date of acceptance up to the delivery date.

Service arising from money transfer is considered to have been rendered when the principal amount of money has been transferred to the intended branch and the same is ready for withdrawal by the intended beneficiary.

Contract liability
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). A contract liability is recognized as revenue when the Group performs under the contract. This applies to deferred revenue for which the Group has received the consideration from the customer, but the logistics service has not been completely fulfilled. These are subsequently charged as service revenue over the period of delivery.

Interest income
Interest income is recognized on a time-proportion basis using the effective interest method. Interest income from bank deposits is presented net of applicable tax withheld by the banks.

Other income
Other income is recognized when earned.

Costs and Expense Recognition
Costs and expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be reliably measured.

Costs and expenses are recognized in profit or loss:

- on the basis of a direct association between the costs incurred and the earning of specific items of income;
- on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or

- immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets of 2 to 20 years.

The right-of-use assets are also subject to impairment. See discussion on impairment of non-financial assets.

Lease liabilities

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases (STL) and leases of low-value assets

The Group applies the STL recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Group applies the low-value assets recognition exemption to leases of underlying assets with a value, when new, of US$5,000 or ₱260,000 and below. Lease payments on short-term leases and low-value assets are recognized as expense on a straight-line basis over the lease term.

<u>Income Taxes</u>
The tax expense for the period comprises of current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity.

Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. When income tax paid exceeds income tax due, the excess is recognized as prepaid tax in the consolidated statement of financial position. When income tax due exceeds income tax paid, the excess is recognized as income tax payable in the consolidated statement of financial position. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided using the balance sheet liability method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and net operating losses carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from MCIT and NOLCO can be utilized.

Deferred tax assets are not recognized when they arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting income nor taxable income or loss. Deferred tax assets are recognized only to the extent that it is probable that the deductible temporary differences associated with investment in subsidiaries and associates will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized. Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures. Deferred tax liabilities are also not provided on taxable temporary differences associated with investment in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Movements in the deferred tax assets and liabilities arising from changes in tax rates are credited to or charged against income for the period.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign Currencies

The Group's consolidated financial statements are presented in Philippine Peso, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss except for monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognized in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Group consolidation

On consolidation, the assets and liabilities of foreign operations are translated into Philippine Peso at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Earnings Per Share ("EPS")
Basic EPS is calculated by dividing income applicable to common shares by the weighted average number of common shares outstanding during the year with retroactive adjustments for stock dividends. Diluted EPS is computed in the same manner as basic EPS, however, net income attributable to common shares and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

Segment Reporting
The Executive Committee is the Group's chief operating decision-maker. Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee. The Executive Committee, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement. Provisions are included in current liabilities, except for those with maturities greater than 12 months after the reporting period, which are then classified as noncurrent liabilities. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is recognized in profit or loss.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefit is probable.

Events after the Reporting Date
Post year-end events up to the date when the consolidated financial statements are authorized for issue that provide additional information about the Group's position at each reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements, when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Management believes the following represent a summary of these significant judgments, estimates and assumptions:

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Consolidation of entities in which the Group holds 50% or less than 50% ownership

LBCE has assessed that it controls the entities located in Bahrain, Kuwait, Qatar and Brunei even at 49% - 50% ownership due to the following reasons:

(a) it has the power to direct the relevant activities (e.g. operations, hiring of people, setting up of rates) of the entities. It has the full discretion on its day to day operations and decides on major transactions these entities enter into.
(b) it is exposed to variable returns of the entities.
(c) given its participation in the relevant activities of the entities, it is able to affect the returns of the entities.

Determining functional currency

The entities within the Philippines have determined that its functional currency is the Philippine Peso while the subsidiaries that are operating outside the Philippines determines their own functional currencies. It is the currency of the primary economic environment in which the entities operate.

Identifying performance obligations

The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract. The management has assessed that the identified performance obligations of the Group are distinct and separately identifiable and are outlined in the contract.

Determining timing of revenue recognition and measurement of progress of performance obligation

The Group determined that the revenue for its logistics services is to be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Group's performance of the obligation as the Group delivers the goods.

The Group has determined that the output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in delivering the services. The measurement of progress used the estimated period travelled (measured in days) of the goods being delivered over the period of the date of acceptance up to the delivery date. Due to the COVID-19 pandemic, the Group reassessed the period of the date of acceptance up to delivery date and revised its assumptions in determining its contract liabilities.

Determining provisions and contingencies and recognition of tax advance payments as asset

The Group is currently involved in various legal proceedings and assessments for national taxes. The estimate of the probable costs for the resolutions of these claims has been developed in consultation with outside counsels handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings and assessments.

The Group recognizes the tax advance payments as an asset since it gives a right to receive future economic benefits, either in the form of (1) a refund, (2) or by using it to settle tax liability, (3) or as tax credit in the future. The Group assessed, in consultation with its legal counsel, that the right is not a contingent asset despite the ambiguity in tax regulations and process that governs the payment. The tax advance payment is recoverable upon the completion of the tax assessment and upon the application to claim for tax credit. The Group expects to recover the tax advance payments within twelve months after the reporting date.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Assessing impairment losses on financial assets

The Group uses a provision matrix to calculate ECLs for financial assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., non-performing loans and gross domestic product) are expected to deteriorate over the next year which can lead to an increase in prices of basic goods and services, the historical default rates are adjusted.

At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions, and ECLs, which have been adjusted to consider a range of possible outcomes, is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group has considered the impact of COVID-19 pandemic in its calculation of ECL by revisiting the propriety of customer segmentation, ensuring that the loss rates have been appropriately adjusted to reflect the expected future changes for future looking information based on the current economic condition, and revising the probability weighting rates for each macroeconomic scenario per customer segment.

Further details on the expected credit losses are disclosed in Note 6.

Evaluating impairment of goodwill

Goodwill impairment testing requires an estimation of the recoverable amount which is the fair value less cost to sell or value-in-use of the cash-generating units to which the goodwill is allocated. Estimating value-in-use amount requires management to make an estimate of the expected future cash flows for the cash-generating units and to choose suitable discount rates to calculate the present value of cash flows. The Group's impairment test for goodwill on acquisitions discussed in Note 4 is based on value-in-use calculations using a discounted cash flow model.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the annual revenue growth rate and long-term growth rate used, considering the impact of COVID-19 pandemic.

Further details on goodwill are disclosed in Note 4.

Estimating pension cost
The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and attrition. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rate of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation adjusted based on the manner of cash outflow of settling the pension liability.

The mortality rate is based on publicly available mortality tables in the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increase is based on expected salary rate increase over the duration of the obligation. Attrition rate is based on historical experiences. Further details about the assumptions used are provided in Note 23.

Leases - Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Further details on lease liabilities are disclosed in Note 22.

Estimating fair value of embedded derivatives
The fair value of embedded derivatives, related to the issuance of convertible instrument recorded in the consolidated statement of financial position as derivative liability, is measured using binomial pyramid model. The inputs to this model are taken from a combination of observable markets and unobservable market data. Changes in inputs about these factors could affect the reported fair value of the embedded derivatives and impact profit or loss.

Further details on embedded derivatives are disclosed in Notes 16 and 25.

Evaluation of nonfinancial assets for impairment
The Group reviews its nonfinancial assets for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in the asset's market value of net realizable value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends including the impact of COVID-19 pandemic.

Based on management's assessment, its nonfinancial assets (such as property and equipment, right-of-use assets, intangible assets, security deposits, investment in associates and other noncurrent assets) are recoverable as of December 31, 2021 and 2020. Further details on the nonfinancial assets are disclosed in Notes 7, 8, 9, 11 and 22.

Recognizing deferred tax assets
The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Realization of future tax benefit related to deferred tax assets is dependent on the Group's ability to generate future taxable income during the periods in which they are expected to be recovered. The Group has considered factors in reaching a conclusion as to the amount of deferred tax assets recognized as at December 31, 2021 and 2020. Management believes that the Group will be able to generate future taxable income to allow for the realization of deferred tax assets.

Further details on taxes are disclosed in Note 21.

4. **Business Combinations, Goodwill and Disposal of a Subsidiary**

On January 1, 2021, LBC Mundial Corporation acquired 1,000 shares of common stock of LBC Business Solutions North America Corp. (LSN) for a total purchase price of US $2,500 or ₱0.12 million. LSN is a non-vessel operating common carrier registered in the United States. The fair values of identifiable assets acquired and liabilities assumed as at the date of acquisition as shown below:

Percentage of ownership of LBC Mundial	100%
Assets	₱5,907,900
Liabilities	5,924,851
Net assets	(16,951)
Add: Purchased goodwill	137,041
Purchase consideration	₱120,090

The goodwill amounting to ₱0.14 million represents the fair value of expected synergies, revenue growth and future developments that do not meet the recognition criteria for intangible assets.

There were no contingent considerations in the above acquisition.

The revenue and net income of the acquired entity from January 1 to December 31, 2021 included in the consolidated statement of comprehensive income amounted to ₱46.73 million and ₱3.53 million, respectively.

Business Combinations in 2019

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

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

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

- LBC Mundial Corporation (LBC Mundial) which operates as a cargo and remittance company in California, USA. The Parent Company purchased 4,192,546 shares or 100% of the total outstanding shares from LBC Holdings USA Corporation. LBC Mundial wholly owns LBC Mundial Nevada Corporation which operates as a cargo company in Nevada, USA.

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

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

Mermaid Co. Ltd.
On October 31, 2019, the Parent Company acquired all 180 shares of Mermaid Co. Ltd., for a total purchase price of US $200,000 or ₱10.21 million. Mermaid operates as a service for the shipping of household and other goods from expatriates living in Japan to their respective home countries, known as the "Balikbayan Box". On December 12, 2019, the purchase of Mermaid was completed upon approval of Governmental Authorities of Japan.

Identifiable assets acquired and liabilities assumed

The fair values of the identifiable assets acquired and liabilities assumed, including goodwill, as at the date of acquisitions are shown below:

	LBC Mundial Corporation and Subsidiary	**LBC Mabuhay North America Corporation and Subsidiaries**	**LBC Mabuhay Hawaii Corporation**	**Mermaid Co., Ltd.**	**Total**
Percentage of ownership of Parent Company	100%	100%	100%	100%	
Assets					
Cash and cash equivalents	₱416,992,734	₱135,914,809	₱36,067,228	₱134,807	₱589,109,578
Trade receivables	9,163,278	637,890	5,067	182,521	9,988,756
Receivable from related parties	30,133,703	7,036,075	452,802	–	37,622,580
Notes receivable, current	4,247,143	–	–	–	4,247,143
Prepayments and other current assets	40,832,026	9,176,472	3,609,667	4,384,621	58,002,786
Total current assets	501,368,884	152,765,246	40,134,764	4,701,949	698,970,843
Right-of-use assets	166,435,879	13,413,892	10,665,735	–	190,515,506
Property and equipment	3,274,227	82,025	491,098	305,970	4,153,320
Intangibles	–	–	–	189,789	189,789
Deferred tax assets	–	452,765	–	–	452,765
Notes receivable, noncurrent	31,538,054	–	–	–	31,538,054
Security deposit	8,894,924	1,496,027	782,903	–	11,173,854
Other noncurrent assets	7,908,600	8,009,888	2,565,346	–	18,483,834
Total noncurrent assets	218,051,684	23,454,597	14,505,082	495,759	256,507,122
Total assets	719,420,568	176,219,843	54,639,846	5,197,708	955,477,965
Liabilities					
Accounts and other payables	101,525,750	35,127,065	9,406,274	9,526,091	155,585,180
Payable to related parties	3,335,795	63,974,339	–	5,060,886	72,371,020
Transmission liability	36,637,211	1,461,726	7,217,883	–	45,316,820
Income tax payable	34,770,283	3,004,012	3,927,678	–	41,701,973
Lease liabilities	166,435,879	13,413,892	10,910,415	–	190,760,186
Total liabilities	342,704,918	116,981,034	31,462,250	14,586,977	505,735,179
Net assets (liabilities) attributable to Parent Company	**376,715,650**	**59,238,809**	**23,177,596**	**(9,389,269)**	**449,742,786**
Add: Purchased goodwill	–	655,654	–	19,595,869	20,251,523
Less: Gain on bargain purchase	14,818,114	–	5,655,910	–	20,474,024
Purchase consideration	**₱361,897,536**	**₱59,894,463**	**₱17,521,686**	**₱10,206,600**	**₱449,520,285**

The total goodwill of ₱20.25 million arising from the above acquisitions represents the fair value of the expected synergies, revenue growth and future development that do not meet the recognition criteria for intangible assets.

Purchase consideration and net cash flows

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

	LBC Mundial Corporation and Subsidiary	LBC Mabuhay North America Corporation and Subsidiaries	LBC Mabuhay Hawaii Corporation	Mermaid Co., Ltd.	Total
Application of 2018 advances for future investment in shares	₱361,897,536	₱59,894,464	₱18,031,608	₱–	₱439,823,608
Cash paid in 2019	–	–	–	(10,206,600)	(10,206,600)
Cash acquired in 2019	416,992,734	135,914,809	36,067,228	134,807	589,109,578

The purchase considerations for the acquisitions of LBC US Entities are paid in full which were paid in advance by the Parent Company in 2018. The gain on bargain purchase was recognized under "Others - net" of "Other income (charges)" in the consolidated statements of comprehensive income.

The revenue and net income included in the statement of comprehensive income of each of the acquired entities from the acquisition dates to December 31, 2019 follows:

	LBC Mundial Corporation and Subsidiary	LBC Mabuhay North America Corporation and Subsidiaries	LBC Mabuhay Hawaii Corporation	Mermaid Co., Ltd.	Total
Share in revenue	₱1,577,681,870	₱389,396,161	₱57,504,330	₱–	₱2,024,582,361
Share in net income	58,909,340	32,452,260	1,212,153	–	92,573,753

Had the business combinations took place at the beginning of 2019, the contribution in revenue and net income (loss) in the consolidated statement of comprehensive income of the acquired entities for the year ended December 31, 2019 would have been as follow:

	LBC Mundial Corporation and Subsidiary	LBC Mabuhay North America Corporation and Subsidiaries	LBC Mabuhay Hawaii Corporation	Mermaid Co., Ltd.	Total
Share in revenue	₱1,747,424,949	₱398,101,467	₱142,096,777	₱8,808,979	₱2,296,432,172
Share in net income (loss)	64,164,718	6,542,091	12,381,077	(901,906)	82,185,980

Disposal of QUADX Inc.

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

On July 1, 2019, LBCE then sold all its QUADX Inc. shares to LBCDC for the same cash consideration payable no later than two years from the date of sale, subject to any extension as may be agreed in writing by the parties. On the same date, LBCE, LBCDC and QUADX entered into a Deed of Assignment of Receivables whereas LBCE agreed to assign, transfer and convey its receivables from QUADX as of March 31, 2019 to LBCDC which shall be paid in full, from time to time starting July 1, 2019 and no later than two years from the date of the execution of the Deed, subject to any extension as may be agreed in writing by LBCE and LBCDC. In 2021, LBCE and LBCDC entered into amended agreements to extend the payment of consideration for the sale of QUADX shares and the Assignment of Receivables to a date no later than two years from the amendment.

QUADX Inc. owns, maintains and operates an e-com website including but not limited to an online marketplace, online marketing services, and an online retail store. The divestment by the Parent Company of its QUADX Inc. shares is being made pursuant to the plans of the Parent Company to refocus the strategic direction for QUADX Inc., which may include implementing certain organizational changes, with a view of turning around the losses of QUADX Inc.

Following the loss of control of QUADX Inc., LBCH derecognized the carrying amounts of the assets (including goodwill) and liabilities of QUADX Inc. and the carrying amount of NCI including any components of OCI attributable to NCI. LBCH also recognized the fair value of the consideration received and any resulting difference as gain or loss in profit and loss attributable to the Parent Company.

The carrying amounts of assets and liabilities which were derecognized as at the date of disposal of QUADX, Inc. and the net effect of the sale are shown below:

Carrying Values	June 30, 2019
Assets	
Cash and cash equivalents	₱362,489,501
Trade receivables	175,125,106
Prepayments and other current assets	176,198,512
Total current assets	713,813,119
Right-of-use asset	83,095,195
Property and equipment	149,263,508
Intangible assets	179,116,525
Security deposit	17,645,728
Goodwill	225,809,663
Total noncurrent assets	654,930,619
Total assets	1,368,743,738
Liabilities	
Accounts and other payables	1,571,695,687
Deferred tax liability	15,572,341
Due to related parties	191,958,000
Lease liabilities- current portion	42,245,711
Total current liabilities	1,821,471,739
Retirement benefit liability	7,052,146
Lease liabilities- noncurrent portion	49,854,132
Total noncurrent liabilities	56,906,278
Total liabilities	1,878,378,017
Net liabilities	(509,634,279)
Fair value of intangible assets	(51,907,801)
Total net liabilities	(561,542,080)
Net liabilities attributable to Parent Company (86.11%)	(483,543,885)
Less: Goodwill	225,809,663
Net liabilities attributable to Parent Company - after goodwill	(257,734,222)
Transaction price	(186,021,400)
Gain on sale of QUADX Inc.	(₱443,755,622)

Impairment testing of Goodwill
The Group performed its annual impairment testing of goodwill amounting to ₱287.02 million as of December 31, 2021 which are primarily related to the acquisitions of LBC Aircargo (S) PTE LTD (LBC Taiwan Cargo), LBC Australia PTY Limited (LBC Australia Cargo), LBC Money Transfer PTY Limited (LBC Australia Money) and Mermaid Co. Ltd. The impairment testing performed considered the impact of COVID-19 pandemic in the assumptions.

Key Assumptions Used in Value-in-Use Calculations
The key assumptions used in determining the recoverable amount based on value-in-use calculations as of December 31, 2021 and 2020 are as follows:

Goodwill arising from the acquisition of LBC Taiwan Cargo, LBC Australia Cargo, LBC Australia Money and Mermaid Co. Ltd amounted to ₱168.37 million, ₱75.63 million, ₱15.83 million and ₱19.60 million, respectively. The value-in-use calculation is based on the forecast approved by the management over an explicit period of five years.

The projected cash flows are based on the following plan of the management:

- To capture the demands driven by the growing population of Filipino community in the area. These include the opening of additional branch and introduction of online booking, new promotions and bundled products.
- To expand business partnerships.
- To expand operations by offering cargo deliveries via air and sea through its agents. This also includes management's initiatives in promoting and creating awareness of their services.

The key assumptions used in the value-in-use calculations are mostly sensitive to annual revenue growth rate, long-term revenue growth rate beyond explicit forecast period and discount rate.

Revenue is projected to increase at a compounded annual growth rate of 8.00% to 14.10% and 10.04% to 13.11% in 2021 and 2020, respectively, and long-term growth rate of 1.00% to 2.00% in 2021 and 2020. Direct costs and capital expenditures are forecasted to follow the trend of revenue except for those that are non-variable but with various cost reduction initiatives such as constant negotiation with its suppliers. Discount rate used in 2021 and 2020 are 7.45% to 11.23% and 9.06% to 13.81%, respectively. This is based on a risk adjusted discount rate using the using weighted average cost of capital adjusted to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Based on the assessment of the value-in-use of the acquirees, the recoverable amount of the acquirees exceeded their carrying amounts plus goodwill, hence, no impairment was recognized as at December 31, 2021 and 2020 in relation to the goodwill.

5. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand	**₱335,985,780**	₱489,482,813
Cash in banks	**3,130,317,764**	2,829,691,499
Cash equivalents	**8,810,810**	1,926,878,163
	₱3,475,114,354	₱5,246,052,475

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

Cash in banks and cash equivalents earn interest ranging from 0.13% to 1.63%, 0.05% to 2.63% and 0.25% to 6% per annum in 2021, 2020 and 2019, respectively. Interest income earned from cash and cash equivalents amounted to ₱3.94 million, ₱18.29 million and ₱43.04 million in 2021, 2020 and 2019, respectively.

6. Trade and Other Receivables

This account consists of:

	2021	2020
Trade receivable - outside parties	**₱1,765,451,381**	₱1,768,010,128
Trace receivable - related parties (Note 18)	**400,054,004**	338,853,930
	2,165,505,385	2,106,864,058
Less allowance for impairment losses	**222,496,135**	193,699,800
	1,943,009,250	1,913,164,258
Other receivables:		
Advances to officers and employees	**99,860,489**	30,734,852
Others	**52,753,977**	39,467,492
	₱2,095,623,716	₱1,983,366,602

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

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

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

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

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

	2021	2020
Balance at beginning of year	**₱193,699,800**	₱172,728,970
Provision for expected credit losses (Note 20)	**33,855,547**	53,387,878
Accounts written-off	**(5,005,431)**	(29,457,407)
Recoveries	**(53,781)**	(2,959,641)
Balance at end of year	**₱222,496,135**	₱193,699,800

7. Prepayments and Other Assets

This account consists of:

	2021	2020
Prepayments:		
Taxes	**₱1,520,657,880**	₱61,892,570
Employee benefits	**59,068,210**	18,345,731
Insurance	**28,980,507**	20,022,880
Rent	**16,335,239**	17,610,598
Software maintenance	**8,153,527**	13,389,683
Transportation supplies	**8,030,315**	13,080,083
Dues and subscriptions	**2,647,614**	4,900,634
Advertising	**412,452**	595,529
Others	**23,122,011**	31,934,886
Restricted cash	**429,515,375**	10,373,664
Creditable withholding taxes (CWTs)	**262,711,434**	152,747,522
Materials and supplies	**240,349,518**	216,672,206
Input VAT	**228,846,668**	282,064,886
Short-term cash investments	**130,415,569**	124,175,918
Loans receivable (Note 12)	**83,364,721**	81,371,302
Advance payment to a supplier	**31,270,510**	9,000,000
Deferred input VAT	**21,611,207**	18,587,778
Notes receivable (Note 18)	**18,259,200**	21,342,954
Electronic wallet	**5,892,738**	6,354,979
Others	**17,216,198**	9,789,131
	3,136,860,893	1,114,252,934
Less: noncurrent portion	**227,452,561**	217,807,631
	₱2,909,408,332	₱896,445,303

Details of noncurrent portion follow:

	2021	2020
VAT on capital goods	**₱85,094,557**	₱101,571,438
Loans receivable (Note 12)	**77,139,361**	75,606,982
Advance payment to a supplier	**31,270,510**	9,000,000
Notes receivable (Note 18)	**18,259,200**	21,342,954
Prepaid rent	**538,796**	2,495,392
Others	**15,150,137**	7,790,865
	₱227,452,561	₱217,807,631

Prepaid taxes include advance payment for national taxes which can be refunded or be used to settle specific tax liabilities, if there's any, or be used as tax credit for future tax liabilities (see Note 29). Prepaid taxes also include unamortized portion of business permits.

Prepaid employee benefits pertain to advance payments to employees which will be consumed through future employee services.

Prepaid insurance, software maintenance, transportation supplies, and advertising are payments made in advance which will be applied against future billings due within 12 months.

Other prepayments pertain to advance payments to suppliers and service providers.

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

Materials and supplies consist of office supplies, packing materials and official receipts to be used in the Group's operations. Materials and supplies recognized under cost of services in profit or loss in 2021, 2020 and 2019 amounted to ₱734.56 million, ₱629.98 million and ₱582.52 million, respectively (see Note 19).

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

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

Loans receivable pertains to receivable of the Parent Company from Transtech Co., Ltd (see Note 12).

Restricted cash represents cash deposits, in the name of LBCE, with a maturity of one year and assigned to specific customers as a performance guarantee. This also includes time deposits of the Parent Company used as loan guarantee.

The interest income earned from the short-term cash investments and restricted cash amounted to ₱1.57 million, ₱0.62 million and ₱1.83 million in 2021, 2020 and 2019, respectively.

Advance payment to a supplier pertains to payment to a service provider intended for the purchase of a software.

Deferred input VAT pertains to input tax on unpaid services which are incurred, in which billing has been received as of reporting date.

Notes receivable pertains to receivable from LBC Holdings USA Corporation (see Note 18).

Electronic wallet represents revolving fund intended for the G-Cash wallet loading services offered by the Group.

The noncurrent portion of prepaid rent pertains to advance payments for rental of the Group's leases of low-value assets. These payments are to be applied in the last two to three months of the lease term which is beyond 12 months after balance sheet date.

8. Property and Equipment

The rollforward analysis of this account follows:

	2021						
	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Land	Construction in Progress	Total
Costs							
Balances at beginning of year	**₱592,501,539**	**₱1,884,325,235**	**₱504,769,473**	**₱1,043,113,395**	**₱1,031,257,734**	**₱17,184,070**	**₱5,073,151,446**
Additions	**18,307,920**	**7,343,290**	**74,804,477**	**80,402,721**	**–**	**164,152,534**	**345,010,942**
Reclassifications	**–**	**133,653,276**	**–**	**–**	**–**	**(133,653,276)**	**–**
Disposals	**(9,877,131)**	**(12,017,957)**	**(5,988,663)**	**(2,264,744)**	**–**	**–**	**(30,148,495)**
Effect of changes in foreign currency exchange rates	**1,662,420**	**1,621,211**	**468,856**	**693,410**	**–**	**–**	**4,445,897**
Balances at end of year	**602,594,748**	**2,014,925,055**	**574,054,143**	**1,121,944,782**	**1,031,257,734**	**47,683,328**	**5,392,459,790**
Accumulated depreciation and amortization							
Balances at beginning of year	**349,382,550**	**1,482,794,408**	**380,995,662**	**828,163,196**	**–**	**–**	**3,041,335,816**
Depreciation and amortization (Notes 19 and 20)	**58,280,861**	**191,915,477**	**77,055,328**	**141,215,507**	**–**	**–**	**468,467,173**
Disposals	**(4,170,749)**	**(10,157,944)**	**(5,988,663)**	**(2,211,717)**	**–**	**–**	**(22,529,073)**
Effect of changes in foreign currency exchange rates	**2,283,705**	**1,210,948**	**391,970**	**1,552,024**	**–**	**–**	**5,438,647**
Balances at end of year	**405,776,367**	**1,665,762,889**	**452,454,297**	**968,719,010**	**–**	**–**	**3,492,712,563**
Net book value	**₱196,818,381**	**₱349,162,166**	**₱121,599,846**	**₱153,225,772**	**₱1,031,257,734**	**₱47,683,328**	**₱1,899,747,227**

	2020						
	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Land	Construction in Progress	Total
Costs							
Balances at beginning of year	₱607,588,702	₱1,731,966,989	₱635,785,721	₱942,680,948	₱1,031,257,734	₱6,370,930	₱4,955,651,024
Additions	66,291,097	48,351,022	90,451,637	101,039,102	–	120,823,256	426,956,114
Reclassifications	–	110,010,116	–	–	–	(110,010,116)	–
Disposals	(78,617,079)	(4,572,214)	(221,262,526)	–	–	–	(304,451,819)
Effect of changes in foreign currency exchange rates	(2,761,181)	(1,430,678)	(205,359)	(606,655)	–	–	(5,003,873)
Balances at end of year	592,501,539	1,884,325,235	504,769,473	1,043,113,395	₱1,031,257,734	17,184,070	5,073,151,446
Accumulated depreciation and amortization							
Balances at beginning of year	373,345,035	1,255,480,892	534,980,566	681,109,471	–	–	2,844,915,964
Depreciation and amortization (Notes 19 and 20)	55,550,137	233,077,679	67,679,524	147,407,508	–	–	503,714,848
Disposals	(76,599,165)	(4,428,663)	(221,237,552)	–	–	–	(302,265,380)
Effect of changes in foreign currency exchange rates	(2,913,457)	(1,335,500)	(426,876)	(353,783)	–	–	(5,029,616)
Balances at end of year	349,382,550	1,482,794,408	380,995,662	828,163,196	–	–	3,041,335,816
Net book value	₱243,118,989	₱401,530,827	₱123,773,811	₱214,950,199	₱1,031,257,734	₱17,184,070	₱2,031,815,630

Depreciation and amortization charges were recognized as follows:

	2022	2020	2019
Cost of services (Note 19)	**₱443,023,002**	₱471,088,950	₱452,061,329
Operating expenses (Note 20)	**25,444,171**	32,625,898	50,008,821
	₱468,467,173	₱503,714,848	₱502,070,150

In 2015, LBCE purchased a computer hardware on a long-term payment arrangement. The liability is non-interest bearing and payable over 60 months. As of December 31, 2020, the outstanding liability amounted to ₱1.13 million (nil in 2021), which is reported under 'Accounts and other payables' in the consolidated statements of financial position (see Note 13). Interest expense arising from the amortization of the deferred interest amounted to ₱0.01 million, ₱0.88 million and ₱2.23 million in 2021, 2020 and 2019, respectively.

On April 15, 2019, LBCE entered into a Contract to Sell (CTS) with a third party for the purchase of parcels of land for a total consideration of ₱916.89 million. The land will be used as the future office site of the Group. LBCE paid ₱275.07 million in 2019, while the remaining purchase price amounting to ₱641.82 million shall be paid through a bank financing not later than one year from the CTS date. Subsequently on February 10, 2020, LBCE availed a bank loan to settle the remaining unpaid purchase price wherein the same property was used as collateral to secure the bank loan (see Note 15).

In 2021 and 2019, the Group recognized loss on sale and retirement of assets amounting to ₱1.35 million and ₱2.00 million, respectively while in 2020 the Group recognized a gain on sale and retirement of assets amounting to ₱1.19 million. This is presented in 'Others-net' in 'Other income (charges)', in the consolidated statements of comprehensive income.

There were no capitalized borrowing costs as of December 31, 2021 and 2020.

There are no other property and equipment pledged as security for liabilities except for Land (see Note 15).

9. Intangible Assets

The rollforward analysis of this account follows:

	2021		
	Software	**Development in Progress**	**Total**
Costs			
Balances at beginning of year	**₱562,272,298**	**₱73,947,217**	**₱636,219,515**
Additions	**34,815,924**	**4,446,434**	**39,262,358**
Reclassification	**10,301,957**	**(10,301,957)**	**–**
Effect of changes in foreign currency exchange rates	**3,763,912**	**190,319**	**3,954,231**
Balances at end of year	**611,154,091**	**68,282,013**	**679,436,104**
Accumulated Amortization			
Balances at beginning of year	**314,525,376**	**–**	**314,525,376**
Amortization (Notes 19 and 20)	**93,738,817**	**–**	**93,738,817**
Effect of changes in foreign currency exchange rates	**3,128,746**	**–**	**3,128,746**
Balances at end of year	**411,392,939**	**–**	**411,392,939**
Net book value	**₱199,761,152**	**₱68,282,013**	**₱268,043,165**

	2020		
	Software	Development in Progress	Total
Costs			
Balances at beginning of year	₱546,200,840	₱71,564,823	₱617,765,663
Additions	26,397,504	33,789,395	60,186,899
Reclassification	31,081,055	(31,081,055)	–
Retirement	(38,030,856)	–	(38,030,856)
Effect of changes in foreign currency exchange rates	(3,376,245)	(325,946)	(3,702,191)
Balances at end of year	562,272,298	73,947,217	636,219,515
Accumulated Amortization			
Balances at beginning of year	254,018,765	–	254,018,765
Amortization (Notes 19 and 20)	100,760,882	–	100,760,882
Retirement	(38,030,856)	–	(38,030,856)
Effect of changes in foreign currency exchange rates	(2,223,415)	–	(2,223,415)
Balances at end of year	314,525,376	–	314,525,376
Net book value	₱247,746,922	₱73,947,217	₱321,694,139

In 2017, LBCE purchased an IT security tool, a new payroll system and a logistics software on a non-interest-bearing long-term payment arrangement payable over 36 months, 60 months and 60 months, respectively. As at December 31, 2021 and 2020, the outstanding liability related to purchase of these intangible assets amounted to ₱20.41 million and ₱38.06 million, respectively; ₱0.67 million and ₱17.45 million, respectively, of which is presented under "Other noncurrent liabilities" in the consolidated statements of financial position. Interest expense arising from the amortization of deferred interest amounted to ₱1.46 million, ₱2.35 million and ₱4.11 million in 2021, 2020 and 2019, respectively.

In 2018, a web filtering software was acquired on an interest-bearing payment arrangement over 18 months. The outstanding liability related to the purchase was already fully paid in 2020. Interest expense arising from the amortization of deferred interest amounted to ₱0.01 million and ₱0.17 million in 2020 and 2019 (nil in 2021), respectively.

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

There were no capitalized borrowing costs in 2021 and 2020.

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

Investment at FVPL represent the Group's investment in unit investment trust fund.

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

Movements of the investments at FVPL and FVOCI follow:

FVPL	2021	2020	2019
Balance at beginning of year	**₱14,942,602**	₱15,629,263	₱131,294,744
Unrealized foreign exchange gain (loss)	**731,195**	(723,184)	(625,041)
Unrealized fair value gain (loss) during the year	**15,861**	36,523	(5,292,340)
Additions	–	–	171,000,000
Redemption	–	–	(280,748,100)
Balance at end of year	**₱15,689,658**	₱14,942,602	₱15,629,263

FVOCI	2021	2020	2019
Balance at beginning of year	**₱232,121,488**	₱286,738,308	₱337,453,928
Unrealized fair value loss during the year	**(42,913,217)**	(54,616,820)	(50,715,620)
Balance at end of year	**₱189,208,271**	₱232,121,488	₱286,738,308

The unrealized fair value gain (loss) related to investment at FVPL is presented under 'Other income (charges)' in the consolidated statements of comprehensive income.

Movement in unrealized gain (loss) on investment at FVOCI follow:

	2021	2020	2019
Balance at beginning of year	**(₱31,990,274)**	₱22,626,546	₱73,342,166
Unrealized loss during the year from quoted investments	**(42,913,217)**	(54,616,820)	(50,715,620)
Balance at end of year (Note 17)	**(₱74,903,491)**	(₱31,990,274)	₱22,626,546

11. **Investment in Associates**

Investment in Terra Barbaza Aviation, Inc. (TBAI)

On December 17, 2020, the application for authorized capital stock for Preferred A and B Shares of TBAI was approved by SEC. The approval resulted to the conversion of the 20,000,000 Common Shares purchased by LBCE from the common shareholder to 20,000,000 non-voting Preferred A Shares and 1,250 Common Shares will then represent 24.787% of the total outstanding Common Shares. TBAI is engaged in the business of providing flight services by means of helicopters, airplanes and other aircraft to transport executives in the Philippines.

Movement in the investment in TBAI is as follows:

	2021	2020
Costs		
Balances at beginning of year	**₱79,809,022**	₱–
Addition	–	79,809,022
Balances at end of year	**79,809,022**	79,809,022
Accumulated Equity on Net Earnings		
Balances at beginning of year	**1,783,992**	–
Equity share in net earnings	**2,988,686**	1,783,992
Balances at end of year	**4,772,678**	1,783,992
Carrying Value	**₱84,581,700**	₱81,593,014

The summarized statements of financial position of TBAI follows:

	2021	2020
Current assets	**₱48,750,398**	₱49,488,072
Noncurrent assets	**400,926,490**	411,985,141
Current liabilities	**(20,194,813)**	(44,048,613)
Equity	**429,482,075**	417,424,600
Proportion of Group's ownership	**24.787%**	24.787%
Group's share in identifiable asset	**106,455,722**	103,467,036
Negative goodwill	**(22,955,723)**	(22,955,723)
Cost directly attributable to the investment	**1,081,701**	1,081,701
Carrying amount of the investment	**₱84,581,700**	₱81,593,014

The summarized statement of comprehensive income of TBAI follows:

	2021	2020
Revenue	**₱64,356,669**	₱26,430,344
Cost and expenses	**52,299,195**	19,233,057
Net income	**12,057,474**	7,197,287
Group's share in total comprehensive income	**₱2,988,686**	₱1,783,992

Investment in Orient Freight International, Inc. (OFII)
On March 19, 2018, the Parent Company invested in 30% of OFII, a company involved in freight forwarding, warehousing and customs brokerage businesses operating within the Philippines. In relation to the acquisition of shares, the Parent Company shall also exert commercially reasonable efforts to direct a certain amount of additional annual recurring logistics service business to OFII for a period of five years from closing date.

In 2021 and 2020, OFII declared dividends amounting to ₱25.50 million and ₱21.00 million, respectively (see Note 18). No impairment loss was recognized for the investment in associate in 2021 and 2020.

Movement in the investment in OFII is as follows:

	2021	2020
Costs		
Balances at beginning and end of year	**₱227,916,452**	₱227,916,452
Accumulated Equity on Net Earnings		
Balances at beginning of year	**4,549,594**	22,257,868
Equity share in net earnings	**66,209,547**	3,291,726
Less: Dividend income (Note 18)	**(25,500,000)**	(21,000,000)
Balances at end of year	**45,259,141**	4,549,594
Other Comprehensive Income		
Balances at beginning of year	**224,659**	464,363
Equity share in other comprehensive income	**(3,189,639)**	(239,704)
Balances at end of year	**(2,964,980)**	224,659
Carrying Value	**₱270,210,613**	₱232,690,705

The summarized statements of financial position of OFII follows:

	2021	2020
Current assets	₱624,227,827	₱595,803,889
Noncurrent assets	153,437,020	190,480,192
Current liabilities	(259,414,233)	(284,954,232)
Noncurrent liabilities	(58,746,905)	(80,309,957)
Equity	459,503,709	421,019,892
Proportion of Group's ownership	30.00%	30.00%
Group's share in identifiable asset	137,851,113	126,305,968
Goodwill	132,359,500	132,359,500
Other adjustments	–	(25,974,763)
Carrying amount of the investment	₱270,210,613	₱232,690,705

The summarized statement of comprehensive income of OFII follows:

	2021	2020
Revenue	₱1,109,568,650	₱550,593,274
Cost and expenses	888,870,161	539,620,853
Net income	220,698,489	10,972,421
Other comprehensive income	(10,632,130)	(799,012)
Total comprehensive income	₱210,066,359	₱10,173,409
Group’s share in total comprehensive income	₱63,019,908	₱3,052,023

12. **Loans Receivables and Trademark Agreement with Transtech**

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

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

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

In 2021, 2020 and 2019, LBCH incurred royalty fee amounting to ₱6.18 million, ₱6.21 million and ₱1.59 million, respectively. The related payable was offset to LBCH’s interest receivable and loan receivable from Transtech amounting to ₱1.82 million and ₱4.36 million in 2021, ₱1.98 million and ₱4.56 million, respectively in 2020 and ₱0.06 million and ₱1.53 million, respectively, in 2019. Effect of foreign currency exchange rate related to interest receivable and loan receivable offsetting amounted to ₱4.98 million and ₱0.32 million in 2021 and 2020 (nil in 2019).

Loans receivable as at December 31, 2021 and 2020 is as follows:

	2021	2020
Current portion*	**₱6,225,360**	₱5,764,320
Noncurrent portion**	**77,139,361**	75,606,982
	₱83,364,721	₱81,371,302

**Presented under 'Prepayment and other current assets'*
***Presented under 'Other noncurrent assets'*

Interest income earned amounted to ₱1.82 million, ₱1.98 million and ₱0.53 million in 2021, 2020 and 2019, respectively.

13. **Accounts and Other Payables and Other Noncurrent Liabilities**

This account consists of:

	2021	2020
Trade payable - outside parties	**₱1,167,808,166**	₱1,091,635,283
Trade payable - related parties (Note 18)	**20,092,792**	25,498,565
Accruals:		
Salaries, wages and other benefits	**400,389,183**	378,967,627
Claims (Note 18)	**206,523,420**	46,696,727
Advertising	**122,366,348**	36,294,322
Contracted jobs	**120,746,192**	211,674,549
Rent and utilities	**119,801,530**	161,124,705
Taxes	**98,105,441**	32,606,690
Outside services	**19,503,347**	20,636,652
Software maintenance	**19,122,150**	16,487,655
Professional fees	**16,620,908**	23,450,583
Others	**78,676,525**	44,023,492
Taxes payable	**525,086,785**	485,732,906
Contract liabilities	**331,378,718**	305,719,056
Government agencies contributions payables	**36,120,161**	32,075,622
Others	**75,841,354**	72,919,251
	₱3,358,183,020	₱2,985,543,685

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

Accrued salaries and wages pertain to unpaid salaries and employees' allowances and benefits.

Other accruals mainly pertain to liabilities of the Group related to operations which are awaiting actual billings from suppliers (except for taxes).

Taxes payable mainly include withholding taxes on payment to suppliers and employees' compensation which are settled on a monthly basis and deferred output VAT on uncollected receivables from VATable sales.

Contract liabilities pertain to payments received in advance from customers for services which have not yet been performed and are expected to be realized within the year.

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

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

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

Movements in other liabilities are as follows:

	2021	2020
Balance at beginning of year	**₱39,191,334**	₱80,339,409
Principal payments	**(20,248,814)**	(44,384,659)
Amortization of deferred interest	**1,467,572**	3,236,584
	20,410,092	39,191,334
Less: current portion*	**19,740,743**	21,744,239
Noncurrent portion	**₱669,349**	₱17,447,095

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

14. Transmissions Liability

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

Transmissions liability amounted to ₱903.00 million (₱3.31 million of which is payable to an affiliate) and ₱1,081.61 million (₱1.19 million of which is payable to an affiliate) as at December 31, 2021 and 2020, respectively (see Note 18).

15. Notes Payable

The Group has outstanding notes payable to various local banks. The details of these notes as at December 31, 2021 and 2020 are described below:

			2021			
Bank		**Date of Availment**	**Outstanding Balance**	**Maturity**	**Interest Rate**	**Terms**
a.	**Unionbank of the Philippines**	**April 2019**	**₱39,000,000**	**April 2024**	**7.826%, fixed rate**	**Clean; Interest and principal to be paid quarterly**
b.	**Unionbank of the Philippines**	**June 2019**	**11,000,000**	**April 2024**	**7.053%, fixed rate**	**Clean; Interest and principal payable every quarter**
c.	**Rizal Commercial Banking Corporation**	**October 2019**	**13,888,889**	**October 2022**	**6.55%, fixed rate**	**Clean; Interest and principal payable every month**
d.	**Unionbank of the Philippines**	**April 2020**	**125,000,000**	**April 2023**	**6.00%, subject to repricing**	**Clean; Interest and principal payable every quarter**

(Forward)

Bank		Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
			2021			
e.	Unionbank of the Philippines	December 2020	₱66,666,667	December 2023	5.00%, subject to repricing	Clean; Interest and principal payable every quarter
f.	Unionbank of the Philippines	July 2021	36,000,000	January 2022	5.25%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
g.	Unionbank of the Philippines	August 2021	524,937,569	August 2026	4.25%, subject to repricing	With mortgage; Interest and principal to be paid quarterly
h.	Rizal Commercial Banking Corporation	October 2021	158,400,000	April 2022	4.5%, fixed rate	Clean; Interest payable every month, principal payable upon maturity
i.	Banco de Oro	October 2021	100,000,000	April 2022	4.25%, fixed rate	Clean; Interest payable every month, principal payable upon maturity
j.	Unionbank of the Philippines	October 2021	47,000,000	April 2022	4.75%, subject to repricing	Clean; Interest and principal payable every quarter
k.	Banco de Oro	October 2021	20,000,000	April 2022	4.25%, fixed rate	Clean; Interest payable every month, principal payable upon maturity
l.	Banco de Oro	October 2021	381,375,000	May 2026	4.25%, subject to repricing	With mortgage; Interest payable every month, principal payable quarterly
m.	Rizal Commercial Banking Corporation	November 2021	111,600,000	May 2022	4.50%, fixed rate	Clean; Interest payable every month, principal payable upon maturity
n.	Banco de Oro	November 2021	48,000,000	May 2022	4.25%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
o.	Banco de Oro	December 2021	130,000,000	May 2022	4.25%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
p.	Rizal Commercial Banking Corporation	December 2021	81,000,000	January 2022	4.50%, fixed rate	Clean; Interest payable every month, principal payable upon maturity
q.	Rizal Commercial Banking Corporation	December 2021	81,000,000	January 2022	4.50%, fixed rate	Clean; Interest payable every month, principal payable upon maturity
r.	Unionbank of the Philippines	December 2021	17,858,400	December 2031	4.25%, fixed rate	Clean; Interest and principal payable every quarter
Total			₱1,992,726,525			
Current portion			₱1,160,604,568			
Noncurrent portion			₱832,121,957			

	2020				
Bank	Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
a. Unionbank of the Philippines	April 2019	₱54,600,000	April 2024	7.826%, fixed rate	Clean; Interest and principal to be paid quarterly
b. Unionbank of the Philippines	June 2019	15,400,000	April 2024	7.053%, fixed rate	Clean; Interest and principal payable every quarter
c. Rizal Commercial Banking Corporation	October 2019	30,555,556	October 2022	6.55%, fixed rate	Clean; interest and principal payable every month
d. Unionbank of the Philippines	April 2020	208,333,333	April 2023	6.00%, subject to repricing	Clean; Interest and principal payable every quarter
e. Unionbank of the Philippines	December 2020	100,000,000	December 2023	5.00%, subject to repricing	Clean; Interest and principal payable every quarter
f. Unionbank of the Philippines	July 2020	44,000,000	January 2021	5.75%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
g. Banco de Oro	February 2020	588,337,750	February 2025	4.25%, subject to repricing	With Mortgage; Interest payable every month, monthly principal payment of ₱5.34 million and lump-sum payment at the end of 5th year
h. Rizal Commercial Banking Corporation	October 2020	188,000,000	April 2021	5.625%, fixed rate	Clean; Interest payable every month, principal payable upon maturity
l. Banco de Oro	Various availments in 2016	452,500,000	May 2021	4.25%, subject to repricing	With mortgage; Interest payable every month, principal payable quarterly
n. Banco de Oro	November 2020	55,500,000	May 2021	4.25%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
o. Banco de Oro	June 2020	142,500,000	June 2021	4.25%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
Total		₱1,879,726,639			
Current portion		₱1,100,015,633			
Noncurrent portion		₱779,711,006			

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

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

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

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

e. On December 9, 2020, LBCE availed a 3-year interest-bearing loan from a UBP amounting to ₱100.00 million to finance its capital expenditures. In 2021, ₱33.33 million of the loan was settled by LBCE.

f. A short-term loan availed with UnionBank of the Philippines (UBP) in August 2019 amounting to ₱50.00 million was rolled over in July 2020. This was subsequently rolled over in January and July 2021 with a maturity date of January 2022.

g. On February 10, 2020, LBCE availed a 5-year interest bearing loan amounting to ₱641.82 million to finance the 70% balance of the acquisition of land, recorded under property and equipment with a carrying amount of ₱1,031.26 million, which served as a collateral for the loan. On August 5, 2021, the loan was taken out via UBP with principal amounting to ₱552.57 million, a 5-year interest-bearing loan with maturity date of August 2026.

   While the loan remains unpaid, LBCE shall not, without prior consent of the bank, permit any material change in the character of its business and controlling ownership; shall not undertake corporate reorganization; and amend Articles of Incorporation and By-laws. LBCE shall not participate in merger and consolidation except when it is the surviving corporation, nor sell, lease, mortgage or otherwise encumber or dispose of any asset owned, except (i) in the ordinary course of the business and (ii) to any consolidated subsidiary, person or entity which, upon such disposal, shall become a consolidated subsidiary of LBCE. There shall be no voluntary suspension of operations or dissolution of affairs. No dividend shall be declared to its stockholders other than dividends payable solely in shares of capital stock. In the event of default, LBCE shall not pay any loans or advances from its stockholders, affiliates, subsidiaries, or related entities. Further, LBCE shall ensure, that:

   - The ratio of its consolidated debt to equity shall not exceed 4.0x, computed net of lease liabilities; and
   - Current ratio shall not be lower than 0.8x.

h. On May 4, 2020, LBCE availed a 90-day interest-bearing loan amounting to ₱200.00 million to finance its working capital requirements. This was rolled over in August 2020, October 2020, April 2021, and October 2021.

i. On October 18, 2021, LBCE availed a short-term interest-bearing loan with BDO amounting to ₱100.00 million to finance other capital expenditures.

j. LBCE availed a short-term interest-bearing loan in October 2021 with UBP to finance working capital requirement amounting to ₱47.00 million.

k. On October 22, 2021, LBCE availed a short-term loan interest-bearing with BDO amounting to ₱20.00 million to finance other capital expenditures.

l. The Notes Facility Agreement entered into by the Company with Banco De Oro (BDO) in 2016 is with a credit line facility amounting to ₱800.00 million. The loan is secured by a real estate mortgage on land owned by the Company’s affiliate (see Note 15). In June 2021, the term was extended up to October 2021 and secured by time deposit hold-out. In October 2021, it was further extended up to May 2026.

   On April 15, 2021, the Board of Directors of LBCH approved to guarantee the loan and allowed to hold out its time deposit amounting to ₱382.59 million. Such guarantee shall substitute the existing real estate mortgage on the affiliate's real estate properties as security.

m. On November 24, 2021, LBCE availed a short-term loan with Rizal Commercial Banking Corporation (RCBC) amounting to ₱124.00 million to finance other capital expenditures.

n. LBCE availed a short-term loan in December 2018 with Banco de Oro (BDO) to finance working capital requirement amounting to ₱60.00 million. This was rolled over in October 2019, June 2020, November 2020, May 2021 and November 2021 with maturity date of May 2022.

o. LBCE availed a short-term loan in 2018 amounting to ₱150.00 million to finance working capital requirement. This was rolled over in June 2020, December 2020 and June 2021 with maturity date of May 2022.

p. On December 17, 2021, LBCE availed a short-term loan interest bearing with RCBC amounting to ₱100.00 million to finance other capital expenditures.

q. On December 17, 2021, LBCE availed a short-term loan interest bearing with RCBC amounting to ₱100.00 million to finance other capital expenditures.

r. On December 27, 2021, LBCE availed a 10-year interest bearing loan with UBP amounting to ₱17.86 million to finance other capital expenditures

Interest expense amounted to ₱88.36 million, ₱88.25 million, and ₱53.11 million in 2021, 2020 and 2019, respectively.

The loans were used primarily for working capital requirements and capital expenditures and are not subject to any loan covenants with exception to the matters discussed above. As of December 31, 2021 and 2020, the Group is compliant with its debt covenants.

Movements in the notes payable account are as follows:

	2021	2020
Balance at beginning of year	**₱1,879,726,639**	₱929,722,222
Availments	**508,858,400**	1,191,823,000
Payments	**(395,858,514)**	(241,818,583)
Balance at end of year	**₱1,992,726,525**	₱1,879,726,639

16. Convertible Instrument

This account consists of:

	2021	2020
Derivative liability		
Balances at beginning of year	**₱2,099,785,841**	₱2,048,681,561
Fair value loss on derivative	**458,332,707**	51,104,280
Balances at end of year	**₱2,558,118,548**	₱2,099,785,841
Bond payable		
Balances at beginning of year	**₱1,377,723,388**	₱1,247,021,058
Accretion of interest	**237,694,548**	201,855,843
Unrealized foreign exchange loss (gain)	**84,871,054**	(72,952,263)
Amortization of issuance cost	**1,798,750**	1,798,750
Balances at end of year	**₱1,702,087,740**	₱1,377,723,388

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

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

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

The Parent Company also has full or partial right to convert the shares subject to various conditions including pre-approval of the PSE of the listing of the conversion shares and other conditions to include closing sale price and daily trading volume of common shares trading on the Principal Market and upon plan of offering, placement of shares or similar transaction with common share price at a certain minimum share price. On August 9, 2021, the Parent Company's stockholders approved the issuance of common shares for potential exercise of conversion rights. As at report date, there has been no conversion nor redemption of the convertible instrument.

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

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

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

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

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

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

The determination and calculation of the foregoing financial ratios are based on the agreement and interpretation of relevant parties subject to the terms of the convertible instrument. The Group is in compliance with the above covenants as at December 31, 2021, the latest Relevant Period subsequent to the issuance of the convertible instrument. Relevant period means each period of twelve (12) months ending on the last day of the Parent Company's financial year.

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

a. On August 4, 2017, LBCE and LBCDC agreed for LBCE to discontinue royalty for the use of LBC Marks (see Note 18).

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

    i. Effective January 1, 2019, the Parent Company was granted the regulatory approvals on the purchase of the following entities under LBC USA Corporation:

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

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

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

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

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

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

vi. On October 15, 2018, the Parent Company acquired the following overseas entities:

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

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

Upon completion of the acquisitions discussed in (i) to (vi) above, the Parent Company will have acquired equity interests in twelve overseas entities which are affiliated to the Parent Company and LBCDC. In accordance with the directions from LBCDC, the Parent Company intends to complete the acquisition of the remaining overseas entity in 2021, after which the Group expects (on the basis of LBCDC's manifestations) settlement by LBCDC of all of its obligations to the Parent Company, except for the assigned receivables from QUADX Inc. which will be settled based on agreed terms. In 2021, LBCE and LBCDC entered into amended agreements to extend the payment of consideration for the sale of QUADX shares and the Assignment of Receivables to a date no later than two years from the amendment (see Note 18). As at report date, LBCDC has not settled its obligations to the Parent Company pending completion of acquisition of the remaining overseas entity.

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

Starting 2020, the Parent Company has no unconditional right to defer payment for more than twelve months after each reporting date. Accordingly, the convertible instrument was reclassified from noncurrent liability to current liability in the December 31, 2021 consolidated financial statements and in the comparative period whereby derivative liability and bond payable amounting to ₱2,099.79 million and ₱1,377.72 million, respectively, as of December 31, 2020 have been reclassified from noncurrent liability to current liability. The reclassification has no impact also on any loan covenant and to the consolidated statements of comprehensive income and cash flows for the year ended December 31, 2020.

17. Equity

Capital Stock
As of December 31, 2021 and 2020, the details of the Parent Company's capital stock follow:

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

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

	Number of shares registered	**Issue/ Offer price**	**Date of approval**	**Number of holders as of yearend**
At January 1, 2015	40,899,000	₱1/share		
Add: Additional issuance	1,384,966,471	₱1/share	July 22, October 16 and October 21, 2015	
December 31, 2015-2016	1,425,865,471			485
Add: Movement	–			1
December 31, 2017	1,425,865,471			486
Add: Movement	–			1
December 31, 2018-2021	1,425,865,471			487

Retained earnings
The unappropriated retained earnings include accumulated equity in undistributed net earnings of the consolidated subsidiaries amounted to ₱1,476.34 million and ₱1,563.00 million as of December 31, 2021 and 2020, respectively. These are not available for dividend declaration until declared by the BOD of the respective subsidiaries.

In accordance with the Revised Securities Regulation Code Rule 68, the Parent Company's retained earnings available for dividend declaration as of December 31, 2020 amounted to ₱223.41 million (nil in 2021).

Cash dividends
On March 21, 2022, the BOD of LBC Express Shipping Company WLL (Kuwait) declared cash dividends of KWD 600 per common share. The record date of entitlement to the said cash dividend is on November 30, 2021.

On October 19, 2020, the BOD of LBCH approved the declaration of cash dividends of amounting to ₱285.17 million, ₱3.94 million of which remains unpaid as of December 31, 2020.

On October 27, 2020, the BOD of LBC Mabuhay Remittance Sdn Bhd declared cash dividends of BND300,000 (₱10.74 million). The related dividends to noncontrolling interest amounting to BND150,000 (₱5.38 million) is presented in the consolidated statement of changes in equity.

On November 5, 2020, the BOD of LBC Express Shipping Company WLL (Kuwait) declared cash dividends of KWD 800 per common share held by stockholders. The related dividends to noncontrolling interest amounting to ₱6.51 million is presented in the consolidated statement of changes in equity.

On November 15, 2020, the BOD of LBC Mabuhay (Malaysia) Sdn Bhd declared cash dividends of ₱20.18 million (MYR1,700,000). The related dividends to noncontrolling interest amounting to ₱1.75 million (MYR127,503) remains unpaid and is presented in the consolidated statement of changes in equity as of December 31, 2020.

On September 12, 2019, the BOD of LBCH approved the declaration of cash dividends amounting to ₱356.47 million, ₱14.78 million of which remains unpaid as of December 31, 2019.

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

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

Accumulated comprehensive loss
Details of accumulated comprehensive loss as at December 31 follow:

	2021	2020
Remeasurement gain on retirement benefit plan, net of tax (Note 23)	**₱112,460,039**	₱129,541,136
Unrealized fair value gain on investment at FVOCI (Note 10)	**(74,903,491)**	(31,990,274)
Share in other comprehensive income of an associate (Note 11)	**(2,964,980)**	224,659
Currency translation loss, net of tax	**(88,608,812)**	(109,641,068)
	(₱54,017,244)	(₱11,865,547)
Accumulated comprehensive loss attributable to:		
Controlling interest	**(₱45,493,308)**	(₱4,063,817)
Non-controlling interest	**(8,523,936)**	(7,801,730)
	(₱54,017,244)	(₱11,865,547)

18. 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 outside the Group. These transactions include royalty, delivery, service and management fees and loans and cash advances. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

Details of related party transactions and balances as at and for the years ended December 31 follow:

	2021			
	Amount/Volume	**Receivable (Payable)**	**Terms**	**Conditions**
Due from related parties (Trade receivables)				
Entities under common control				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 6 and 26)	**₱71,719,648**	**₱400,054,004**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
Due from related parties (Non-trade receivables)				
Ultimate parent company				
b.) Advances	**₱105,259**	**₱1,018,322,966**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
Entities under common control				
b.) Advances	**61,104,168**	**58,446,685**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
Beneficial Owners				
b.) Advances	**–**	**37,709,077**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
h.) Notes receivable current portion	**–**	**4,128,984**	**Interest-bearing; fixed monthly payment**	**Unsecured, no impairment**
		₱1,118,607,712		
Due from related parties (Other noncurrent assets)				
Entities under common control				
h.) Other noncurrent assets	**₱–**	**₱18,259,200**	**Interest-bearing; fixed monthly payment**	**Unsecured, no impairment**
Dividend receivable				
i.) Associate (Note 11)	**₱25,500,000**	**₱–**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
Due to related parties (Trade payables)				
Ultimate Parent Company				
d.) Royalty fee (Note 13)	**₱–**	**(₱137,585)**	**Noninterest-bearing; due and demandable**	**Unsecured**
Associate				
f.) Sea freight and brokerage (Note 13)	**366,487,290**	**(19,955,207)**	**Noninterest-bearing; due and demandable**	**Unsecured**
e.) Guarantee fee	**2,976,191**	**–**	**Noninterest-bearing; due and demandable**	**Unsecured**
		(₱20,092,792)		
Due to a related party (Non-trade payables)				
Beneficial Owners				
b.) Advances	**₱58,648,356**	**(₱35,993,123)**	**Noninterest-bearing; due and demandable**	**Unsecured**
Officer				
b.) Advances	**–**	**(434,190)**	**Noninterest-bearing; due and demandable**	**Unsecured**
		(₱36,427,313)		

	2021			
	Amount/Volume	**Receivable (Payable)**	**Terms**	**Conditions**
Due to a related party (Transmissions liability)				
Subsidiaries - under common control				
a.) Money remittance payable (Note 14)	**₱3,609,071**	**(₱3,314,463)**	**Noninterest-bearing; due and demandable**	**Unsecured**
Due to a related party (Accrued claims and losses)				
a.) Accrued claims and losses	**₱9,010,270**	**(₱2,570,814)**	Noninterest-bearing; due and demandable	Unsecured

	2020			
	Amount/Volume	Receivable (Payable)	Terms	Conditions
Due from related parties (Trade receivables)				
Subsidiaries - under common control				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 6 and 26)	₱74,764,484	₱338,853,930	Noninterest-bearing; due and demandable	Unsecured, no impairment
Due from related parties (Non-trade receivables)				
Ultimate parent company				
b.) Advances	₱39,599	₱1,018,793,934	Noninterest-bearing; due and demandable	Unsecured, no impairment
Subsidiaries - under common control				
b.) Advances	48,264,285	54,889,024	Noninterest-bearing; due and demandable	Unsecured, no impairment
Beneficial Owners				
b.) Advances	35,030,678	37,709,077	Noninterest-bearing; due and demandable	Unsecured, no impairment
h.) Notes receivable current portion	–	3,781,976	Interest-bearing; fixed monthly payment	Unsecured, no impairment
		₱1,115,174,011		
Due from related parties (Other noncurrent assets)				
Subsidiaries - under common control				
h.) Other noncurrent assets	₱–	₱21,342,954	Interest-bearing; fixed monthly payment	Unsecured, no impairment
Due from related parties (Advances for future investments in shares)				
Affiliates - under common control				
g.) Advances for future investments in shares	₱1,081,701	₱–	Noninterest-bearing; for settlement of the subscription of shares	Unsecured, no impairment
Dividend receivable				
i.) Associate (Note 11)	₱21,000,000	₱–	Noninterest-bearing; due and demandable	Unsecured, no impairment
Due to related parties (Trade payables)				
Ultimate Parent Company				
d.) Royalty fee (Note 13)	₱–	(₱131,132)	Noninterest-bearing; due and demandable	Unsecured
Associate				
f.) Sea freight and brokerage (Note 13)	658,750,174	(25,367,433)	Noninterest-bearing; due and demandable	Unsecured
e.) Guarantee fee	7,142,857	–	Noninterest-bearing; due and demandable	Unsecured
		(₱25,498,565)		

	2020			
	Amount/Volume	Receivable (Payable)	Terms	Conditions
Due to a related party (Non-trade payables)				
Beneficial Owners				
b.) Advances	₱92,113,553	(₱39,790,868)	Noninterest-bearing; due and demandable	Unsecured
Officer				
b.) Advances	–	(422,342)	Noninterest-bearing; due and demandable	Unsecured
		(₱40,213,210)		
Due to a related party (Transmissions liability)				
Subsidiaries - under common control				
a.) Money remittance payable (Note 14)	₱54,818,597	(₱1,191,967)	Noninterest-bearing; due and demandable	Unsecured
Due to a related party (Accrued claims and losses)				
a.) Accrued claims and losses	₱1,826,707	(₱1,927,605)	Noninterest-bearing; due and demandable	Unsecured
Dividends payable				
Parent Company				
c.) Dividends declared and payable (Note 17)	₱285,173,094	(₱3,940,068)	Noninterest-bearing; due and demandable	Unsecured, no impairment
Affiliates - under common control				
c.) Dividends declared and payable (Note 17)	13,634,724	(1,746,586)	Noninterest-bearing; due and demandable	Unsecured, no impairment
		(₱5,686,654)		

Compensation of Key Management Personnel:

	For the years ended December 31	
	2021	2020
Salaries and wages	**₱83,753,694**	₱99,850,158
Retirement benefits (Note 23)	**9,822,786**	9,185,155
Other short-term employee benefits	**22,956,033**	22,360,820
	₱116,532,513	₱131,396,133

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

The Group is charged penalties by its affiliate for the Group's failure to meet the maximum period of delivery as contained in the service level agreement. Total claims and losses recognized amounting to ₱9.01 million and ₱1.83 million in 2021 and 2020, respectively, is shown as a reduction in 'Service fees'. Outstanding payable for these penalties amounting to ₱2.57 million and ₱1.93 million as of December 31, 2021 and 2020, respectively, is recognized as 'Accrued claims' under 'Accounts and other payables' in the consolidated statements of financial position.

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

In prior years, the Group has outstanding advances of ₱295.00 million to LBC Development Bank, an entity under common control of LBCDC. In 2011, management assessed that these advances are not recoverable. Accordingly, the said asset was written-off from the books in 2011 (see Note 29).

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

On July 1, 2019, LBCE sold all its QUADX shares to LBCDC for ₱186.02 million, payable no later than two years from the date of sale, subject to any extension as may be agreed in writing by the parties. On the same date, LBCE, LBCDC and QUADX Inc. entered into a Deed of Assignment of Receivables whereas LBCE agreed to assign, transfer and convey its receivables from QUADX as of March 31, 2019 amounting to ₱832.64 million to LBCDC which shall be paid in full, from time to time starting July 1, 2019 and no later than two years from the date of the execution of the Deed, subject to any extension as may be agreed in writing by LBCE and LBCDC. In July 2021, LBCE and LBCDC entered into amended agreements to extend the payment of consideration for the sale of QUADX shares and the Assignment of Receivables to a date no later than two years from the amendment.

Upon completion of the acquisition of the remaining entity, as disclosed in Note 16, LBCH expects settlement by LBCDC of all of its obligations to LBCH, except for the assigned receivables from QUADX Inc. which will be settled based on abovementioned agreed terms.

c.) On October 19, 2020, the BOD of LBCH approved the declaration of cash dividends of amounting to ₱285.17 million, ₱3.94 million of which remains unpaid as of December 31, 2020.

On November 15, 2020, the BOD of LBC Mabuhay (Malaysia) Sdn Bhd declared cash dividends of ₱20.18 million (MYR1,700,000). The related dividends to noncontrolling interest amounting to ₱1.75 million (MYR127,503) remains unpaid and is presented in the consolidated statement of changes in equity as of December 31, 2020.

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

e.) As discussed in Note 15, the Group entered into a loan agreement with BDO which is secured with real estate mortgage on various real estate properties owned by the Group's affiliate. Effective April 1, 2016, in consideration of the affiliate's accommodation to the Group's request to use these properties as loan collateral, the Group agreed to pay the affiliate in 12 equal monthly installments, a guarantee fee of 1% of the face value of the loan and until said properties are released by the bank as loan collateral. The guarantee fee is reported as part of interest expense in the consolidated statements of comprehensive income amounting to ₱2.98 million and ₱7.14 million in 2021 and 2020, respectively.

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

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

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

On December 17, 2020, TBAI's application of its authorized capital stock for Preferred A and B Shares was approved by the SEC. The approval resulted to the conversion of the 20,000,000 Common Shares purchased by LBCE from the common shareholder to 20,000,000 non-voting Preferred A Shares and 1,250 Common Shares will then represent 24.787% of the total outstanding Common Shares (see Note 11).

h.) In November 2011, LBC Mundial Corporation paid-off LBC Holdings USA Corporation's outstanding mortgage loan which is consolidated into a long-term promissory note amounting to $1,105,148 at 4% interest, payable in 180 equal monthly installments. As of December 31, 2021, total outstanding notes receivable amounted to ₱18.26 million of which is presented as noncurrent under "Other noncurrent assets". Interest income earned from notes receivable amounted to ₱0.80 million and ₱1.16 million in 2021 and 2020, respectively.

i.) On July 16, 2021 and June 6, 2020, LBCH recognized cash dividend from OFII amounting to ₱25.50 million and ₱21.00 million, respectively, for its 30% interest on OFII.

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

19. **Cost of Services**

This account consists of:

	2021	2020	2019
Cost of delivery and remittance	**₱5,369,057,747**	₱4,188,630,504	₱4,832,431,987
Salaries, wages and employee benefits	**3,625,881,318**	3,280,627,028	3,215,237,590
Depreciation and amortization (Notes 8, 9 and 22)	**1,396,924,138**	1,219,758,236	1,159,320,196
Utilities and supplies (Note 7)	**1,344,936,067**	1,179,397,655	1,146,927,498
Rent (Note 22)	**294,015,711**	317,963,536	406,727,830
Repairs and maintenance	**188,580,024**	147,502,212	130,612,248
Transportation and travel	**159,455,971**	109,651,609	138,311,964
Retirement benefit expense (Note 23)	**83,856,370**	71,135,555	107,658,451
Insurance	**72,283,860**	66,470,406	63,357,345
Software subscriptions	**27,578,342**	29,334,154	19,069,346
Others	**75,695,632**	40,005,211	44,132,705
	₱12,638,265,180	₱10,650,476,106	₱11,263,787,160

Others pertain to bank charges, bank service fees and other miscellaneous expenses.

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

Operating expenses consist of:

	2021	2020	2019
Salaries, wages and employee benefits	**₱593,841,640**	₱582,747,354	₱603,819,368
Advertising and promotion	**381,258,120**	312,054,003	446,347,513
Travel and representation	**376,543,131**	238,711,185	175,581,692
Utilities and supplies	**319,673,844**	274,244,983	195,986,551
Commission expense	**265,136,574**	192,163,401	184,362,259
Provisions (Notes 6 and 29)	**254,090,737**	53,387,878	33,791,019
Professional fees	**253,627,830**	277,526,088	279,474,804
Donations	**239,738,209**	58,156,002	27,592,948
Taxes and licenses	**222,059,939**	208,831,153	207,271,978
Depreciation and amortization (Notes 8, 9 and 22)	**170,365,421**	175,013,568	198,901,422
Dues and subscriptions	**126,601,222**	106,096,948	92,668,959
Losses	**82,723,926**	29,042,492	36,671,850
Software maintenance costs	**82,566,026**	57,118,090	45,209,189
Retirement benefit expense (Note 23)	**28,413,995**	31,872,420	31,895,990
Insurance	**23,653,145**	23,297,014	23,777,054
Rent (Note 22)	**20,300,618**	21,971,966	46,615,210
Repairs and maintenance	**6,893,160**	5,063,803	4,795,948
Royalty	**6,180,165**	6,208,396	1,585,750
Others	**58,737,734**	22,594,288	29,632,980
	₱3,512,405,436	₱2,676,101,032	₱2,665,982,484

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

Foreign exchange gains - net arises from the following:

	2021	2020	2019
Cash and cash equivalents	**₱135,578,256**	(₱40,488,204)	₱7,542,551
Trade receivable	**1,444,212**	–	–
Equity investment at FVPL	**731,195**	(723,184)	(625,041)
Trade payable	**(4,444,930)**	3,254,566	(8,315,485)
Advances to affiliates - net	**(8,279,240)**	(1,989,493)	(8,147,474)
Bond payable	**(84,871,054)**	72,952,263	45,319,435
	₱40,158,439	₱33,005,948	₱35,773,986

21. Income Taxes

Provision for income tax consists of:

	2021	2020	2019
Current	**₱167,864,734**	₱202,570,425	₱383,692,852
Deferred	**(5,656,090)**	(16,113,823)	(23,670,453)
	₱162,208,644	₱186,456,602	₱360,022,399

Details of the Group's deferred tax assets as at December 31 are as follow:

	2021	2020
Deferred tax assets arising from:		
Retirement benefit liability	**₱197,393,384**	₱226,837,523
Allowance for impairment losses	**57,612,221**	60,258,723
Lease liabilities	**53,772,084**	53,408,435
Accrued employee benefits	**45,238,350**	47,956,855
NOLCO	**42,217,962**	–
MCIT	**23,926,969**	–
Contract liabilities	**15,745,392**	26,017,598
Accelerated depreciation charged to retained earnings	**7,233,642**	10,914,695
Unrealized foreign exchange losses	**1,347,836**	2,822,872
Others	**17,649,112**	15,344,284
	₱462,136,952	₱443,560,985

Details of the Group's deferred tax liabilities as at December 31 are as follow:

	2021	2020
Unrealized foreign exchange gains	**(₱13,815,139)**	(₱20,053,072)
Others	**(1,161,693)**	(1,933,656)
	(₱14,976,832)	(₱21,986,728)

As of December 31, 2021 and 2020, there are no unrecognized deferred tax assets.

The reconciliation between income tax expense at the statutory rate and the actual income tax expense presented in the consolidated statements of comprehensive income for the years ended December 31 follows:

	2021	2020	2019
Income tax at the statutory income tax rate	**(₱172,839,313)**	₱116,301,664	₱250,752,773
Tax effects of items not subject to statutory rate:			
Nondeductible expenses	**389,226,456**	93,365,078	272,805,753
Applied MCIT	**23,926,969**	248,063	–
Effect of lower income tax rate	**278,049**	–	–
Change in income tax rate	**(12,267,365)**	–	–
Nontaxable income	**(16,269,994)**	(12,206,542)	(202,381,696)
Change to OSD of subsidiaries	**(19,870,773)**	(20,637,970)	(19,014,565)
Applied NOLCO	–	16,828,168	–
Derecognition of deferred tax assets	–	6,460,227	–
Movement in unrecognized deferred tax assets	–	–	75,925,562
Expired NOLCO	–	–	1,873,476
Others	**(29,975,385)**	(13,902,086)	(19,938,904)
	₱162,208,644	₱186,456,602	₱360,022,399

In 2021, the Group utilized excess MCIT over RCIT arising from previous periods amounting to ₱23.93 million. In 2020, the Group utilized remaining NOLCO and excess MCIT over RCIT arising from previous periods amounting to ₱56.09 million and ₱0.02 million, respectively. These NOLCO and excess of MCIT over RCIT came from LBCH and other subsidiaries.

In 2021, the Group incurred NOLCO and MCIT amounting to ₱169.25 million and ₱23.93 million, respectively. The NOLCO and MCIT are available for offset against tax due until 2026 and 2024, respectively.

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

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

For the years ended December 31, 2021 and 2020, eighteen (18) of LBCE's Subsidiaries opted to use OSD in computing the current provision for income tax.

Corporate Recovery and Tax Incentives for Enterprises Act or "CREATE"
President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- Foreign-sourced dividends received by domestic corporations are exempt from income tax subject to the following conditions:

    - The funds from such dividends actually received or remitted into the Philippines are reinvested in the business operations of the domestic corporation in the Philippines within the next taxable year from the time the foreign-sourced dividends were received;
    - Shall be limited to funding the working capital requirements, capital expenditures, dividend payments, investment in domestic subsidiaries, and infrastructure project; and
    - The domestic corporation holds directly at least 20% of the outstanding shares of the foreign corporation and has held the shareholdings for a minimum of 2 years at the time of the dividend distribution.

As of December 31, 2020, the foreign-sourced dividends received by the Group have been subjected to applicable regular corporate income tax.

Applying the provisions of the CREATE Act, the Parent Company and its Philippine subsidiaries was subjected to lower regular corporate income tax rate of either 25% or 20% effective July 1, 2020.

This resulted in a lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020 by ₱12.23 million and ₱9.64 million, respectively, and lower net deferred tax assets as of December 31, 2020 and provision for deferred tax for the year then ended by ₱72.41 million and ₱84.51 million, respectively. These reductions were recognized as income tax expense in 2021 consolidated financial statements.

22. **Lease Commitments**

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

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

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

3. Lease agreement with a local bank covering transportation equipment for a period of three to five years. The lease agreement does not include escalation rates on monthly payments.

There are no contingent rents for the above lease agreements.

The amounts recognized in the consolidated statements of financial position and consolidated statements of comprehensive income is shown below:

(a) Right-of-use assets

	For the year ended December 31, 2021			
	Right-of-use assets			
	Office and Warehouses	**Vehicles**	**Computer Equipment**	**Total**
Costs				
Balances at beginning of year	**₱3,227,923,065**	**₱168,732,629**	**₱31,545,380**	**₱3,428,201,074**
Additions	**1,006,256,083**	**40,895,098**	**20,594,965**	**1,067,746,146**
Lease modification	**(9,311,369)**	**–**	**–**	**(9,311,369)**
End of contracts	**(387,282,930)**	**(5,872,643)**	**–**	**(393,155,573)**
Effect of changes in foreign currency exchange rates	**8,603,631**	**939,369**	**664,080**	**10,207,080**
Balances at end of year	**3,846,188,480**	**204,694,453**	**52,804,425**	**4,103,687,358**
Accumulated amortization				
Balances at beginning of year	**1,162,097,555**	**55,584,119**	**12,621,458**	**1,230,303,132**
Amortization (Notes 19 and 20)	**976,716,628**	**45,051,163**	**12,723,064**	**1,034,490,855**
End of contracts	**(378,789,625)**	**(3,064,611)**	**–**	**(381,854,236)**
Effect of changes in foreign currency exchange rates	**5,967,401**	**667,558**	**773,247**	**7,408,206**
Balances at end of year	**1,765,991,959**	**98,238,229**	**26,117,769**	**1,890,347,957**
Net book value	**₱2,080,196,521**	**₱106,456,224**	**₱26,686,656**	**₱2,213,339,401**

	For the year ended December 31, 2020			
	Right-of-use assets			
	Office and Warehouses	Vehicles	Computer Equipment	Total
Costs				
Balances at beginning of year	₱2,411,268,975	₱130,806,818	₱61,353,144	₱2,603,428,937
Additions	1,098,597,888	49,558,928	–	1,148,156,816
Lease modification	(8,368,420)	–	–	(8,368,420)
End of contracts	(267,997,100)	(10,433,254)	(27,939,577)	(306,369,931)
Effect of changes in foreign currency exchange rates	(5,578,278)	(1,199,863)	(1,868,187)	(8,646,328)
Balances at end of year	3,227,923,065	168,732,629	31,545,380	3,428,201,074
Accumulated amortization				
Balances at beginning of year	658,232,882	28,985,675	30,380,308	717,598,865
Amortization (Notes 19 and 20)	769,678,671	37,459,591	10,886,096	818,024,358
End of contracts	(267,997,100)	(10,433,254)	(27,939,577)	(306,369,931)
Effect of changes in foreign currency exchange rates	2,183,102	(427,893)	(705,369)	1,049,840
Balances at end of year	1,162,097,555	55,584,119	12,621,458	1,230,303,132
Net book value	₱2,065,825,510	₱113,148,510	₱18,923,922	₱2,197,897,942

In 2021, 2020 and 2019, the amortization expense recognized under cost of services in the statement of comprehensive income amounted to ₱940.94 million, ₱729.47 million and ₱666.23 million, respectively. In 2021, 2020 and 2019, the amortization expense recognized under operating expenses in the statement of comprehensive income amounted to ₱64.14 million, ₱60.83 million and ₱73.98 million, respectively (see Notes 19 and 20).

Amortization of right-of-use assets recorded in the consolidated statements of comprehensive income is net of the recognized effect of waived rentals for COVID-19 related rent concessions amounting to ₱29.41 million and ₱27.73 million in 2021 and 2020, respectively.

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

Lease modification pertains to contract with the lessor with revised terms effective during the year and moving forward.

(b) Lease liabilities

	December 31, 2021	December 31, 2020
Balances at beginning of year	**₱2,368,334,313**	₱2,001,745,651
Additions	**1,067,746,146**	1,156,748,898
Lease modification	**(20,612,706)**	(16,960,501)
Rent concessions (Note 2)	**(29,407,287)**	(27,728,283)
Payments	**(1,098,942,530)**	(875,211,755)
Accretion of interest	**125,533,733**	138,386,631
Effect of changes in foreign currency exchange rates	**7,946,547**	(8,646,328)
Balances at end of year	**2,420,598,216**	2,368,334,313
Less: current portion	**942,830,985**	816,980,388
Noncurrent portion	**₱1,477,767,231**	₱1,551,353,925

In 2020, the Group recognized gain on remeasurement of lease liability amounting to ₱8.59 million arising from the remeasurement of one of the Group's lease contracts.

Interest expense arising from the accretion of lease liability amounted to ₱125.53 million, ₱138.39 million and ₱135.71 million in 2021, 2020 and 2019, respectively, recognized under 'Other income (charges)' in the consolidated statements of comprehensive income.

The following summarizes the maturity profile of the Group's undiscounted lease payments:

	2021	2020
Less than 1 year	**₱942,830,985**	₱816,980,388
More than 1 year to 2 years	**835,950,854**	741,736,730
More than 2 years to 3 years	**447,894,988**	522,093,223
More than 3 years to 4 years	**289,147,255**	292,689,341
More than 5 years	**361,638,219**	432,368,369
	₱2,877,462,301	₱2,805,868,051

(c) Rent expenses

The rent expenses recognized under cost of services and operating expenses in the consolidated statement of comprehensive income are considered short-term leases or leases of low value assets where the short-term lease recognition exemption is applied.

	2021	2020	2019
Cost of services (Note 19)	**₱294,015,711**	₱317,963,536	₱406,727,830
Operating expenses (Note 20)	**20,300,618**	21,971,966	46,615,210
	₱314,316,329	₱339,935,502	₱453,343,040

The Group maintains security deposits arising from the said lease agreements amounting to ₱401.64 million and ₱359.63 million as of December 31, 2021 and 2020, respectively.

23. Retirement Benefits

The entities under LBC Express, Inc. and Subsidiaries has funded noncontributory defined benefit retirement plans covering all qualified employees. The retirement plan is intended to provide for benefit payments to employees equivalent to 25% to 130% of the employee's final monthly basic salary for every year of credited service. Benefits are paid in lump sum upon retirement or separation in accordance with the terms of the Plan. The Group updates the actuarial valuation every year by hiring the services of a third-party qualified actuary. The latest actuarial valuation report was as of reporting date.

The Retirement Plan Trustee, as appointed by the Group in the Trust Agreement executed between the Group and the duly appointed Retirement Plan Trustee, is responsible for the general administration of the Retirement Plan and the management of the Retirement Fund. The Retirement Plan Trustee may seek the advice of a counsel and appoint an investment manager or managers to manage the Retirement Fund, an independent accountant to audit the Fund and an actuary to value the Retirement Fund. The Group has no transaction either directly or indirectly through its subsidiaries or with its employees' retirement benefit fund.

Under the existing Philippine regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The Group's retirement plan meets the minimum retirement benefit specified under Republic Act 7641.

For the Group's Philippine entities and foreign branches, any qualified employee who voluntarily resigns from the service of the Group after completing at least 10 years of service, shall receive a benefit equal to a percentage of his accrued retirement benefits

Changes in net defined benefit liability in 2021 and 2020 are as follow:

	2021												
		Net benefit cost in consolidated statements of comprehensive income				**Remeasurements in other comprehensive income (Note 13)**							
	January 1, 2021	**Current Service cost**	**Net interest**	**Subtotal**	**Benefits paid from plan assets**	**Benefits paid by the Group**	**Return on plan assets**	**Actuarial changes arising from changes in demographic assumptions**	**Actuarial changes arising from changes in financial assumptions**	**Experience adjustments**	**Subtotal**	**Contributions**	**December 31, 2021**
Present value of defined / benefit obligation	**₱1,039,451,327**	**₱87,312,963**	**₱36,189,555**	**₱123,502,518**	**(₱23,817,791)**	**(₱607,573)**	**₱–**	**₱1,022,976**	**(₱17,315,004)**	**₱44,465,675**	**₱28,173,647**	**₱–**	**₱1,166,702,128**
Fair value of plan assets	**(274,565,648)**	**–**	**(11,232,153)**	**(11,232,153)**	**23,817,791**	**–**	**9,178,882**	**–**	**–**	**–**	**9,178,882**	**(110,158,353)**	**(362,959,481)**
Net defined benefit liability	**₱764,885,679**	**₱87,312,963**	**₱24,957,402**	**₱112,270,365**	**₱–**	**(₱607,573)**	**₱9,178,882**	**₱1,022,976**	**(₱17,315,004)**	**₱44,465,675**	**₱37,352,529**	**(₱110,158,353)**	**₱803,742,647**

	2020												
		Net benefit cost in consolidated statements of comprehensive income				Remeasurements in other comprehensive income (Note 13)							
	January 1, 2020	Current Service cost	Net interest	Subtotal	Benefits paid from plan assets	Benefits paid by the Group	Return on plan assets	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Subtotal	Contributions	December 31, 2020
Present value of defined benefit obligation	₱868,252,210	₱67,504,436	₱50,251,359	₱117,755,795	(₱36,681,324)	(₱697,412)	₱–	₱80,005,344	₱–	₱10,816,714	₱90,822,058	₱–	₱1,039,451,327
Fair value of plan assets	(230,457,525)	–	(14,747,820)	(14,747,820)	36,681,324	–	2,174,403	–	–	–	2,174,403	(68,216,030)	(274,565,648)
Net defined benefit liability	₱637,794,685	₱67,504,436	₱35,503,539	₱103,007,975	₱–	(₱697,412)	₱2,174,403	₱80,005,344	₱–	₱10,816,714	₱92,996,461	(₱68,216,030)	₱764,885,679

The major categories of the Group's plan assets follow:

	2021	2020
Cash and cash equivalents	**₱208,338,742**	₱132,532,838
Debt instruments:		
Government bonds	**171,933,906**	128,771,289
Other bonds	–	4,530,333
Equity instruments	–	3,679,180
Others	**(17,313,167)**	5,052,008
	₱362,959,481	₱274,565,648

All equity and debt instruments held have quoted prices in active market.

The equity instruments are investment in stocks of a holding company of a conglomerate listed in the Philippines stock market engaged in various businesses.

Others include market gain or loss, accrued receivables net of payables and etc.

The Retirement Trust Fund assets are valued by the fund manager at fair value using the mark-to-market valuation.

The Group is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the Group's discretion. However, in the event a benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable by the Group to the Retirement Fund.

The Retirement Plan Trustee monitors regularly the status of the plan assets and liabilities to ensure availability of funds upon retirement of personnel.

The Group expects to contribute ₱219.00 million to the retirement plan in 2022. The retirement plan does not have a formal funding policy. The funding requirement is mainly driven by the availability of excess fund from the Group's operations.

The movement in actuarial gain recognized in other comprehensive income follows:

	2021	2020	2019
Balance at beginning of year	**(₱185,058,766)**	(₱278,055,227)	(₱238,623,797)
Actuarial loss (gain) from defined benefit obligation	**28,173,647**	90,822,058	(37,709,048)
Plan asset remeasurement loss (gain)	**9,178,882**	2,174,403	(1,722,382)
Balance at end of year, gross	**(₱147,706,237)**	(₱185,058,766)	(278,055,227)
Deferred tax effect	**35,246,198**	55,517,630	83,416,568
Balance at end of year, net of tax	**(₱112,460,039)**	(₱129,541,136)	(₱194,638,659)

The principal assumptions used in determining retirement for the defined benefit plans are shown below:

	2021	2020	2019
Discount rate	**3.17% to 5.01%**	3.19% to 3.60%	3.70% to 5.61%
Salary increase	**3.25% to 4.00%**	2.00% to 3.07%	3.00%

Discount rate
The discount rate is determined by reference to spot yield curve at the end of the reporting period based on government bonds with currency and term similar to the estimated term of the benefit obligation. The Group used as reference long-term Philippine Treasury Bonds adjusted to create virtual zero-coupon bonds as of the reporting date and to reflect the term similar to the estimated term of the benefit obligation as determined by the actuary.

Salary increase
This is the expected long-term average rate of salary increase taking into account inflation, seniority, promotion and other market factors. Salary increase comprises of the general inflationary increases plus a further increase for individual productivity, merit and promotion. The future salary increase rates are set by reference over the period over which benefits are expected to be paid.

Demographic assumptions
Assumptions regarding mortality experience are set based on published statistics and experience in the Philippines.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit liability as of the end of reporting date, assuming if all other assumptions were held constant.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which change other than those assumed may be deemed to be more reasonable.

		2021	2020
	Increase (decrease)	**Net defined benefit liability**	Net defined benefit liability
Discount rate	+1.00%	**(₱71,169,201)**	(₱66,819,454)
	-1.00%	**79,846,117**	75,251,760
Salary increase	+1.00%	**80,342,084**	75,535,576
	-1.00%	**(72,882,864)**	(68,291,307)

The weighted average duration of the defined benefit obligation at the end of the reporting period is 5.8 years.

Shown below is the maturity analysis of retirement benefit payments up to ten years:

	2021	2020
Less than 1 year	**₱255,167,499**	₱160,326,997
More than 1 year to 5 years	**559,531,939**	534,362,338
More than 5 years to 10 years	**721,503,878**	573,402,367
	₱1,536,203,316	₱1,268,091,702

24. **Financial Risk Management Objectives and Policies**

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

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

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

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

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

The following table shows the effect on total comprehensive income should the change in the close share price of quoted equity securities occur as of December 31, 2021 and 2020 with all other variables held constant.

	Effect on total comprehensive income	
	2021	2020
Change in share price		
+5.00%	**₱9,460,414**	₱11,606,074
-5.00%	**(9,460,414)**	(11,606,074)
Change in NAV		
+5.00%	**₱784,483**	₱747,130
-5.00%	**(784,483)**	(747,130)

The Group is also exposed to equity price risk in the fair value of the derivative liability due to the embedded equity conversion feature. Furthermore, at a given point in time in the future until maturity date, the derivative liability has a redemption option offering a minimum return in case the value of the conversion feature is low. In 2021, a 5% increase (5% decrease) in the close stock price of the Parent Company's shares affect the total comprehensive income by ₱143.07 million increase (₱125.12 million decrease). In 2020, the impact of the changes in share price in the valuation is minimal.

Interest rate risk and credit spread sensitivity analysis
Except for the credit spread used in the valuation of the convertible instrument, the Group is not significantly exposed to interest rate risk as the Group's interest rate on its cash and cash equivalents and notes payable are fixed and none of the Group's financial assets and liabilities carried at fair

value are sensitive to interest rate fluctuations. Further, the impact of fluctuation on interest rates on the Group's lease liabilities will not significantly impact the results of operations. The Group regularly monitors its interest rate exposure in interest rates movements. Management minimizes its interest rate risk by resorting to short-term financing, as needed, and believes that cash generated from normal operations are sufficient to pay its obligation as they fall due.

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

	Effect in fair value	
	2021	2020
Credit spread +1%	**₱36,737,754**	₱54,515,429
Credit spread -1%	**(35,973,849)**	(54,621,778)

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 and unit investment trust fund which seek to ensure the security and liquidity of investment while optimizing yield.

The following summarizes the maturity profile of the Group's financial assets based on remaining contractual undiscounted collections:

	2021		
	Due in less than one year	**Due in more than one year**	**Total**
Cash and cash equivalents			
Cash in bank	**₱3,130,317,764**	**₱–**	**₱3,130,317,764**
Cash equivalents	**8,810,810**	**–**	**8,810,810**
Short-term investments	**130,415,569**	**–**	**130,415,569**
Restricted cash	**429,515,375**	**–**	**429,515,375**
Receivables			
Trade	**1,943,009,250**	**–**	**1,943,009,250**
Others	**52,753,977**	**–**	**52,753,977**
Due from related parties	**1,118,607,712**	**–**	**1,118,607,712**
FVPL	**15,689,658**	**–**	**15,689,658**
FVOCI	**–**	**189,208,271**	**189,208,271**
Notes receivable	***–**	**18,259,200**	**18,259,200**
Loans receivable	**6,225,360**	**77,139,361**	**83,364,721**
	₱6,835,345,475	**₱284,606,832**	**₱7,119,952,307**

**Current portion is classified under Due from related parties*

	2020		
	Due in less than one year	Due in more than one year	Total
Cash and cash equivalents			
Cash in bank	₱2,829,691,499	₱–	₱2,829,691,499
Cash equivalents	1,926,878,163	–	1,926,878,163
Short-term investments	124,175,918	–	124,175,918
Restricted cash	10,373,664	–	10,373,664
Receivables			
Trade	1,913,164,258	–	1,913,164,258
Others	39,467,492	–	39,467,492
Due from related parties	1,115,174,011	–	1,115,174,011
FVPL	14,942,602	–	14,942,602
FVOCI	–	232,121,488	232,121,488
Notes receivable	*–	21,342,954	21,342,954
Loans receivable	5,764,320	75,606,982	81,371,302
	₱7,979,631,927	₱329,071,424	₱8,308,703,351

**Current portion is classified under Due from related parties*

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

	2021		
	Due in less than one year	**Due in more than one year**	**Total**
Accounts payable and accrued expenses			
Trade payable	**₱1,187,900,958**	**₱–**	**₱1,187,900,958**
Accrued expenses*	**1,103,749,603**	**–**	**1,103,749,603**
Others	**75,841,353**	**–**	**75,841,353**
Due to related parties	**36,427,313**	**–**	**36,427,313**
Notes payable	**1,160,604,568**	**832,121,957**	**1,992,726,525**
Transmissions liability	**902,996,491**	**–**	**902,996,491**
Derivative liability	**2,558,118,548**	**–**	**2,558,118,548**
Bond payable	**1,702,087,740**	**–**	**1,702,087,740**
Lease liabilities	**942,830,985**	**1,934,631,316**	**2,877,462,301**
Other noncurrent liabilities	****–**	**669,349**	**669,349**
	₱9,670,557,559	**₱2,767,422,622**	**₱12,437,980,181**

**Excluding accrued taxes*
***Current portion is classified in 'Others' under Accounts and other payables*

	2020, as restated		
	Due in less than one year	Due in more than one year	Total
Accounts payable and accrued expenses			
Trade payable	₱1,117,133,848	₱–	₱1,117,133,848
Accrued expenses*	948,512,419	–	948,512,419
Others	72,919,251	–	72,919,251
Due to related parties	40,213,210	–	40,213,210
Notes payable	1,100,015,633	779,711,006	1,879,726,639
Transmissions liability	1,081,611,192	–	1,081,611,192
Derivative liability	2,099,785,841	–	2,099,785,841
Bond payable	1,544,078,995	–	1,377,723,388
Lease liabilities	816,980,388	1,988,887,663	2,805,868,051
Dividends payable	5,686,654	–	5,686,654
Other noncurrent liabilities	**–	17,447,095	17,447,095
	₱8,826,937,431	₱2,786,045,764	₱11,446,627,588

**Excluding accrued taxes*
***Current portion is classified in 'Others' under Accounts and other payables*

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 its ultimate parent company to meet any unexpected obligations.

The undrawn loan commitments from long-term credit facilities as of December 31, 2021 and 2020 amounted to ₱1,677.14 million and ₱790.00 million, respectively.

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

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

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

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

	2021	
	Foreign currency	**Peso equivalent**
Assets:		
Euro	**3,445,994**	**198,179,115**
Hongkong Dollar	**29,952,557**	**194,991,141**
US Dollars	**6,124,787**	**310,979,935**
Japanese yen	**1,866,646**	**823,751**
Liabilities:		
US Dollars	**(33,614,340)**	**(1,706,734,499)**

The translation exchange rates used were ₱57.51 to EUR 1, ₱6.51 to HKD 1, ₱50.77 to USD 1, ₱0.44 to JPY 1in 2021.

	2020	
	Foreign currency	Peso equivalent
Assets:		
Euro	3,444,953	197,464,706
Hongkong Dollar	25,086,252	155,785,625
US Dollars	30,700,191	1,474,530,174
Japanese yen	15,897,870	7,313,020
Liabilities:		
US Dollars	(28,815,241)	(1,383,996,025)

The translation exchange rates used were ₱57.32 to EUR 1, ₱6.21 to HKD 1, ₱48.03 to USD 1, ₱0.46 to JPY 1in 2020.

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

Reasonably possible change in foreign exchange rate for every two units of Philippine Peso	Increase (decrease) in income before tax	
	2021	2020
₱2	**₱15,551,288**	₱92,628,050
(2)	**(15,551,288)**	(92,628,050)

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

The Group recognized ₱40.16 million, ₱33.01 million and ₱35.77 million foreign exchange gains - net, for the years ended December 31, 2021, 2020 and 2019, respectively, arising from settled transactions and translation of the Group's cash and cash equivalents, trade receivables and payables, advances to affiliates - net and bond payable (see Note 20).

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

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

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

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

As of December 31, 2021 and 2020, the credit quality per class of financial assets is as follows:

	2021				
	Neither Past Due nor Impaired			**Past due and/or Individually Impaired**	
	High Grade	**Standard**	**Substandard Grade**		**Total**
Cash in banks and cash equivalents	**₱3,139,128,574**	**₱–**	**₱–**	**₱–**	**₱3,139,128,574**
Trade and other receivables	**1,847,003,520**	**–**	**–**	**371,255,842**	**2,218,259,362**
Due from related parties	**1,118,607,712**	**–**	**–**	**–**	**1,118,607,712**
	₱6,104,739,806	**₱–**	**₱–**	**₱371,255,842**	**₱6,475,995,648**

	2020				
	Neither Past Due nor Impaired			Past due and/or	
	High Grade	Standard	Substandard Grade	Individually Impaired	Total
Cash in banks and cash equivalents	₱4,756,569,662	₱–	₱–	₱–	₱4,756,569,662
Trade and other receivables	1,784,493,528	–	–	361,838,022	2,146,331,550
Due from related parties	1,115,174,011	–	–	–	1,115,174,011
	₱7,656,237,201	₱–	₱–	₱361,838,022	₱8,018,075,223

The Group's basis in grading its receivables are 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.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix as at December 31:

	2021				
		Past Due			
	Current	**1-30 days**	**31-90 days**	**Over 90 days**	**Total**
Trade receivables -					
Expected credit loss rate	**0.01%-2.41%**	**0.02%-4.18%**	**0.05%-13.89%**	**0.18%-89.29%**	
Estimated total gross carrying amount at default	**₱1,812,802,646**	**₱131,609,431**	**₱11,838,849**	**₱209,254,459**	**₱2,165,505,385**
Expected credit loss	**27,329,285**	**3,141,826**	**1,643,882**	**190,381,142**	**222,496,135**

	2020				
		Past Due			
	Current	1-30 days	31-90 days	Over 90 days	Total
Trade receivables -					
Expected credit loss rate	0.18%-1.27%	0.34%-9.37%	0.77%-16.74%	4.16%-89.29%	
Estimated total gross carrying amount at default	₱1,763,579,140	₱21,156,330	₱14,029,655	₱308,098,933	₱2,106,864,058
Expected credit loss	22,432,115	1,982,061	2,347,896	166,937,728	193,699,800

There are no collaterals held by the Group with respect to trade 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 Group is subject to externally imposed capital requirements due to debt covenants. The Group is in compliance with the covenants as at December 31, 2021, the latest Relevant Period subsequent to the issuance of the convertible instrument (see Note 16). No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2021 and 2020.

The capital that the Group manages is equal to the total equity as shown in the consolidated statements of financial position at December 31, 2021 and 2020 amounting to ₱2,071.49 million and ₱2,971.11 million, respectively.

25. **Fair Values and Offsetting Arrangements**

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

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

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

The estimated fair value of long-term portion of notes payable is based on the discounted value of future cash flow using applicable rates ranging from 0.99% to 4.82% in 2021 and 1.85% to 2.93% in 2020.

The fair value of the long-term portion of lease liabilities is based on the discounted value of future cash flow using applicable interest rates ranging from 2.68% to 4.20% in 2021 and 1.66% to 2.63% in 2020.

The estimated fair value of other noncurrent liabilities is based on the discounted value of future cash flow using applicable rate of 0.64% to 2.68% in 2021 and 1.83% to 2.08% in 2020.

The estimated fair value of derivative liability as at December 31, 2021 and 2020 is based on an indirect method of valuing multiple embedded derivatives. This valuation technique using binomial pyramid model uses stock prices and stock price volatility. This valuation method compares the fair value of the option-free instrument against the fair value of the hybrid convertible instrument. The difference of the fair values is assigned as the value of the embedded derivatives.

The significant unobservable input in the fair value is the stock price volatility of 24.82% and 24.65% in 2021 and 2020, respectively. In 2021, a 5% increase (5% decrease) in the stock volatility has an effect to the total comprehensive income by ₱40.52 million increase (₱45.29 million decrease).
In 2020, the impact of the changes in stock volatility in the valuation is minimal.

The plain bond is determined by discounting the cash flows, which is simply the principal at maturity, using discount rate of 13.08% and 12.29% in 2021 and 2020, respectively. The discount rate is composed of the matched to maturity risk free rate and the option adjusted spread (OAS) of 12%.

Fair Value Hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

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

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

The quantitative disclosures on fair value measurement hierarchy for financial assets and financial liabilities as of December 31 follow:

	2021				
		Fair value measurements using			
	Carrying values	**Total**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets measured at fair value					
FVOCI	**₱189,208,271**	**₱189,208,271**	**₱189,208,271**	**₱–**	**₱–**
FVPL	**15,689,658**	**15,689,658**	–	–	**15,689,658**
Liability measured at fair value					
Derivative liability	**2,558,118,548**	**2,558,118,548**	–	–	**2,558,118,548**
Liabilities for which fair value are disclosed					
Bond payable	**1,702,087,740**	**1,808,314,496**	–	–	**1,808,314,496**
Long-term notes payable	**832,121,957**	**828,072,404**	–	–	**828,072,404**
Noncurrent lease liabilities	**1,477,767,231**	**2,680,509,906**	–	–	**2,680,509,906**
Other noncurrent liabilities	**669,349**	**1,010,030**	–	–	**1,010,030**

	2020				
		Fair value measurements using			
	Carrying values	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
FVOCI	₱232,121,488	₱232,121,488	₱232,121,488	₱–	₱–
FVPL	14,942,602	14,942,602	–	–	14,942,602
Liability measured at fair value					
Derivative liability	2,099,785,841	2,099,785,841	–	–	2,099,785,841
Liabilities for which fair value are disclosed					
Bond payable	1,377,723,388	1,544,078,995	–	–	1,544,078,995
Long-term notes payable	779,711,006	819,259,138	–	–	819,259,138
Noncurrent lease liabilities	1,551,353,925	1,879,905,946	–	–	1,879,905,946
Other noncurrent liabilities	17,447,095	19,666,795	–	–	19,666,795

For the years ended December 31, 2021 and 2020, 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.

Offsetting of Financial Instruments
The following table represents the recognized financial instruments that are offset as of December 31, 2021 and 2020, respectively, and shows in the 'Net' column the net impact on the consolidated statements of financial position as a result of the offsetting rights.

	December 31, 2021			
Royalty offsetting	**Gross Amount**	**Offsetting**	**Forex**	**Net Amount**
Loan receivable	**₱82,746,587**	**(₱4,359,074)**	**₱4,977,208**	**₱83,364,721**
Interest receivable [1]	**1,824,353**	**(1,824,353)**	**–**	**–**
Royalty payable [2]	**(6,183,427)**	**6,183,427**	**–**	**–**
	₱78,387,513	**₱–**	**₱4,977,208**	**₱83,364,721**

[1] *included in other receivables in trade and other receivables*
[2] *included in others in accounts and other payables*

	December 31, 2020			
Royalty offsetting	Gross Amount	Offsetting	Forex	Net Amount
Loan receivable	₱86,251,729	(₱4,555,267)	(₱324,960)	₱81,371,502
Interest receivable [1]	1,978,089	(1,978,089)	–	–
Royalty payable [2]	(6,208,396)	6,208,396	–	–
	₱82,021,422	(₱324,960)	(₱324,960)	₱81,371,502

[1] *included in other receivables in trade and other receivables*
[2] *included in others in accounts and other payables*

The Parent Company's royalty payable has been offset to its loan receivable and interest receivable (see Note 12).

26. 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 and online and mobile remit) and bills payment collection and corporate remittance payout services. Money transfer services include international presence through its branches which comprises international inbound remittance services.

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

The Group has no significant customer which contributes 10.00% or more to the revenue of the Group.

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

	For the year ended December 31, 2021		
Segments	**Logistics**	**Money transfer services**	**Total**
Type of Customer			
Retail	**₱12,544,555,324**	**₱559,376,586**	**₱13,103,931,910**
Corporate	**3,112,591,826**	**33,188,837**	**3,145,780,663**
Total revenue from contracts with customer	**₱15,657,147,150**	**₱592,565,423**	**₱16,249,712,573**
Geographic Markets			
Domestic	**₱10,047,706,803**	**₱272,045,691**	**₱10,319,752,494**
Overseas	**5,609,440,347**	**320,519,732**	**5,929,960,079**
Total revenue from contracts with customer	**₱15,657,147,150**	**₱592,565,423**	**₱16,249,712,573**

	For the year ended December 31, 2020		
Segments	Logistics	Money transfer services	Total
Type of Customer			
Retail	₱10,463,286,313	₱529,876,299	₱10,993,162,612
Corporate	3,081,793,663	42,111,158	3,123,904,821
Total revenue from contracts with customer	₱13,545,079,976	₱571,987,457	₱14,117,067,433
Geographic Markets			
Domestic	₱9,309,199,788	₱314,475,077	₱9,623,674,865
Overseas	4,235,880,188	257,512,380	4,493,392,568
Total revenue from contracts with customer	₱13,545,079,976	₱571,987,457	₱14,117,067,433

	For the year ended December 31, 2019		
Segments	Logistics	Money transfer services	Total
Type of Customer			
Retail	₱9,944,616,061	₱925,774,882	₱10,870,390,943
Corporate	4,273,045,282	66,519,378	4,339,564,660
Total revenue from contracts with customer	₱14,217,661,343	₱992,294,260	₱15,209,955,603
Geographic Markets			
Domestic	₱10,255,596,454	₱659,080,286	₱10,914,676,740
Overseas	3,962,064,889	333,213,974	4,295,278,863
Total revenue from contracts with customer	₱14,217,661,343	₱992,294,260	₱15,209,955,603

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

The revenue of the Group consists mainly of sales to external customers. Revenue arising from service fees charged to affiliates amounted to ₱71.72 million, ₱74.76 million and ₱231.95 million in 2021, 2020 and 2019, respectively (see Note 18).

27. Notes to Consolidated Statement of Cash Flows

In 2021, the Group has the following non-cash transactions under:

Investing Activities

a.) Unpaid acquisition of property and equipment amounting to ₱8.38 million.

b.) Offsetting of loans receivable and interest against royalty fee recorded under 'accounts and other payables' (see Note 12) amounting to ₱6.18 million.

Financing Activities

			Non-cash activities					
	December 31, 2020	Cash Flows	Leasing arrangements	Interest	Foreign exchange movement	Fair value changes	Dividend declaration	December 31, 2021
Notes payable	**₱1,879,726,639**	**₱112,999,886**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,992,726,525**
Lease and other noncurrent liabilities	**2,385,781,408**	**(1,123,666,823)**	**1,025,672,700**	**125,533,733**	**7,946,547**	**–**	**–**	**2,421,267,565**
Convertible instrument (bond payable and derivative liability)	**3,477,509,229**	**–**	**–**	**239,493,298**	**84,871,054**	**458,332,707**	**–**	**4,260,206,288**
Dividends payable	**5,686,654**	**(5,686,654)**	**–**	**–**	**–**	**–**	**–**	**–**
Interest payable	**4,883,581**	**(87,058,743)**	**–**	**87,709,351**	**–**	**–**	**–**	**5,534,189**
Due to related parties	**40,213,210**	**(3,785,897)**	**–**	**–**	**–**	**–**	**–**	**36,427,313**
Total liabilities from financing activities	**₱7,793,800,721**	**(₱1,107,198,231)**	**₱1,025,672,700**	**₱452,736,382**	**₱92,817,601**	**₱458,332,707**	**₱–**	**₱8,716,161,880**

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

Investing Activities

c.) Unpaid acquisition of property and equipment amounting to ₱6.38 million.

d.) Offsetting of loans receivable and interest against royalty fee recorded under 'accounts and other payables' (see Note 12) amounting to ₱6.53 million.

e.) Reclassification of advances for future investment in shares to investment in associates of ₱79.81 million.

Financing Activities

	December 31, 2019	Cash Flows	Non-cash activities: Leasing arrangements	Interest	Foreign exchange movement	Fair value changes	Dividend declaration	December 31, 2020
Notes payable	₱929,722,222	₱950,004,417	₱–	₱–	₱–	₱–	₱–	₱1,879,726,639
Lease and other noncurrent liabilities	2,041,533,590	(781,209,783)	1,125,457,601	–	–	–	–	2,385,781,408
Convertible instrument (bond payable and derivative liability)	3,295,702,619	–	–	203,654,593	(72,952,263)	51,104,280	–	3,477,509,229
Dividends payable	14,775,250	(294,261,690)	–	–	–	–	285,173,094	5,686,654
Interest payable	3,031,235	(235,176,606)	–	237,028,952	–	–	–	4,883,581
Due to related parties	33,611,365	(7,032,879)	–	–	–	–	13,634,724	40,213,210
Total liabilities from financing activities	₱6,318,376,281	(₱367,676,541)	₱1,125,457,601	₱440,683,545	(₱72,952,263)	₱51,104,280	₱298,807,818	₱7,793,800,721

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

Investing Activities

f.) Unpaid acquisition of property and equipment amounting to ₱653.54 million.

g.) Offsetting of due from LBCDC against dividend payable amounting to ₱493.29 million recorded under ‘Due from related parties’ (see Note 18).

h.) Offsetting of loans receivable and interest receivable against royalty fee recorded under ‘accounts and other payables’ amounting to ₱1.53 million and ₱0.06 million, respectively (Note 12).

i.) Increase in receivable from LBCDC amounting to ₱1,018.66 million arising from the disposal of QUADX, Inc. in which ₱186.02 million pertains to the selling price of QUADX, Inc. and ₱832.64 million pertains to the assigned receivables (see Note 18).

j.) Decrease in due from related parties amounting to ₱78.73 million due to application of payment for advances for future investment in shares.

Financing Activities

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

			Non-cash activities							
	December 31, 2018	Cash Flows	Leasing arrangements	Interest	Offsetting of dividends	Foreign exchange movement	Fair value changes	Effect of business combination and disposal of a subsidiary (Note 4)	Dividend declaration	December 31, 2019
Notes payable	₱829,500,000	₱100,222,222	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱929,722,222
Lease and other noncurrent liabilities	220,055,216	(706,334,104)	2,429,152,135	–	–	–	–	98,660,343	–	2,041,533,590
Convertible instrument (bond payable and derivative liability)	2,514,592,501	–	–	183,923,419	–	(45,319,435)	642,506,134	–	–	3,295,702,619
Dividends payable	285,173,094	(133,570,637)	–	–	(493,293,575)	–	–	–	356,466,368	14,775,250
Interest payable	1,570,160	(201,007,631)	–	202,468,706	–	–	–	–	–	3,031,235
Due to related parties	93,992,129	43,215,678	–	–	–	–	–	(124,530,590)	20,934,148	33,611,365
Total liabilities from financing activities	₱3,944,883,100	(₱897,474,472)	₱2,429,152,135	₱386,392,125	(₱493,293,575)	(₱45,319,435)	₱642,506,134	(₱25,870,247)	₱377,400,516	₱6,318,376,281

28. **Basic/Diluted Earnings (Loss) Per Share**

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

	2021	2020	2019
Net income (loss) attributable to equity holder of the Parent Company	**(₱866,234,145)**	₱200,283,516	₱494,574,503
Add loss impact of assumed conversion of convertible debt	**761,479,296**	203,692,289	794,705,949
	(₱104,754,849)	₱403,975,805	₱1,289,280,452
Weighted average number of common shares outstanding	**1,425,865,471**	1,425,865,471	1,425,865,471
Dilutive shares arising from convertible debt	**194,069,231**	184,753,846	195,169,231
Adjusted weighted average number of common shares for diluted EPS	**1,619,934,702**	1,610,619,317	1,621,034,702
Basic EPS	**(₱0.61)**	₱0.14	₱0.35
Diluted EPS	**(₱0.61)**	₱0.14	₱0.35

The Parent Company did not consider the effect of the assumed conversion of convertible debt since it is anti-dilutive. As such, the diluted EPS presented in the consolidated statements of comprehensive income is the same value as the basic EPS.

29. **Provisions and Contingencies**

Closure of LBC Development Bank, Inc.

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

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

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

PDIC's external counsel sent demand/collection letters to LBC Systems, Inc. [Formerly LBC Mundial Inc.] [Formerly LBC Mabuhay USA Corporation], demanding the payment of various amounts aggregating to ₱911.59 million on March 24 and 29, 2014, and June 17, 2014 and 26, 2015.

On March 17, 2014, PDIC's external counsel sent a demand/collection letter to LBC Express, Inc. (LBCE), for collection of alleged amounts totaling ₱1.76 billion representing unpaid service fees due from June 2006 to August 2011 and service charges on remittance transactions from January 2010 to September 2011. On March 29, 2014, PDIC's external counsel also sent demand/collection letters to LBCE and LBCDC for collection of the additional amounts of ₱27.17 million and ₱30 million respectively, representing alleged unwarranted reduction of advances made by the Bank.

On November 2, 2015, the Bank, represented by the PDIC, filed a case against LBCE and LBCDC, together with other defendants, before the Makati City Regional Trial Court (RTC) for collection of money in the total amount of ₱1.82 billion. PDIC justified the increase in the amount from the demand letter sent on March 17, 2014 as due to their discovery that the supposed payments of LBCE and LBCDC were allegedly unsupported by actual cash inflow to the Bank, which PDIC sought to collect through the respective demand letters sent on March 29, 2014.

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

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

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

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

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

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

On January 18, 2019, PDIC filed its Pre-Trial Brief. LBCE, LBCDC and the other defendants, filed its own Pre-Trial Brief on February 18, 2019 without prejudice to their pending motions to defer Pre-Trial. In the meantime, the parties have proceeded to pre-mark their respective documentary exhibits in preparation for eventual pre-trial.

On May 2, 2019, at the pre-trial hearing, the RTC released an Order, which, among others, granted LBCE's motion to defer pre-trial proceedings in order to have an orderly and organized pre-trial and deferred the pre-trial hearing until the other defendants have received summons and filed their answers.

Later on, three of the four individual defendants received summons and then filed motions to dismiss the case, all of which were denied by the RTC. The three individual defendants filed motions for reconsideration which were eventually denied by the RTC. Thereafter, the two individual defendants filed their Answers to the Complaint with the RTC, and the third individual defendant filed her Answer with Compulsory Counterclaims on May 24, 2021. On December 15, 2020, PDIC filed a motion to declare the fourth individual defendant in default for failure to file an Answer despite receiving the summons. The fourth individual defendant replied that he has filed his Answer to the Complaint on July 13, 2020. PDIC filed its Reply with motion to show cause against the fourth individual defendant on January 14, 2021 and such defendant filed his Manifestation and Comment/Opposition thereto on January 19, 2021.

Meanwhile, on January 16, 2021, summons, together with a copy of the Complaint were served on LBC Properties, Inc., another defendant in this case. On February 11, 2021, LBC Properties, Inc. filed its Answer to the Complaint.

On November 8, 2021, PDIC, LBCE, LBCDC and the other defendants completed the pre-marking of their respective documentary exhibits. The parties are now waiting for notice from the RTC for the continuation of the pre-trial proper. The court has scheduled the continuation of the pre-trial proper on May 26, 2022 and June 23, 2022.

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

National taxes
LBCE and its certain subsidiaries are currently involved in assessments for national taxes and the outcome is not currently determinable.

The estimate of the probable costs for the resolution of this assessment has been developed in consultation with the Group's legal counsel and based upon an analysis of potential results. The inherent uncertainty over the outcome of this matter is brought about by the differences in the interpretation and application of laws and rulings. Management believes that the ultimate liability, if any, with respect to this assessment, will not materially affect the financial position and performance of the Group.

Without prejudice to the results of the assessment, the Group paid tax advance to the taxation authority amounting to ₱2.03 billion, ₱1.50 billion of which was paid as of December 31, 2021 and the remaining amount was paid in January to March 2022. Management assessed that these tax advance payments can be refunded or used to settle specific tax liabilities, if there's any, or be used as tax credit for tax liabilities in the succeeding years, and as such, recognized prepaid taxes under "Prepayments and other current assets" (see Note 7).

The Group does not provide further information required under Philippine Accounting Standards (PAS) 37, *Provisions, Contingent Liabilities and Contingent Assets*, on the ground that it may prejudice the outcome of the assessments.

30. **Impact of COVID-19 Pandemic**

Impact of the recent Coronavirus situation
The declaration of COVID-19 outbreak by the World Health Organization as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the Philippines starting March 16, 2020 have caused disruptions to businesses and economic activities, and its impact on businesses continues to evolve.

In continuing operations during the pandemic period, the Group implements its Business Continuity Plans to continue to fulfill services much needed during this crisis period. The Group's delivery lead times have been adjusted in line with travel restrictions implemented by government authorities. The Group continuously offers contactless delivery, maintains stringent measures and protocols set by the government including social distancing and regular sanitation of branches, hubs and warehouses, and other facilities, including all cargos, and implements other safety and security measures within operations including vaccination of all employees and regular rapid testing of onsite employees.

In 2021, strong demand of recovery and normalization of operations resulted to increase in revenue as compared to 2020. The Group also received rent concessions from lessors since the start of pandemic (see Notes 2 and 22). Further, the Group also incurred COVID-19 pandemic related expenses such as medical and sanitation supplies, donation of vaccine, face shields and face masks, vaccinations given to employees and rapid testing costs.

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

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
LBC Express Holdings, Inc. and Subsidiaries
LBC Hangar, General Aviation Centre
Domestic Airport Road
Pasay City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of LBC Express Holdings, Inc. and its Subsidiaries (the Group) as at and for the years ended December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, included in this Form 17-A, and have issued our report thereon dated May 16, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and, are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
Tax Identification No. 925-713-249
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 112004-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-119-2022, January 20, 2022, valid until January 19, 2025
PTR No. 8854339, January 3, 2022, Makati City

May 16, 2022

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Building a better working world

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**INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors
LBC Express Holdings, Inc. and Subsidiaries
LBC Hangar, General Aviation Centre
Domestic Airport Road
Pasay City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of LBC Express Holdings, Inc. and its Subsidiaries (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated May 16, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
Tax Identification No. 925-713-249
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
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PTR No. 8854339, January 3, 2022, Makati City

May 16, 2022

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

SUPPLEMENTARY SCHEDULES

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS

DECEMBER 31, 2021

Name of issuing entity and association of each issue	Number of shares	Amount shown in the balance sheet	Income received and accrued	Value Based on Market Quotation and End of Reporting Period
Financial assets at fair value through other comprehensive income - Araneta Properties, Inc.	195,060,074	₱189,208,271	₱–	N/A
Financial assets at fair value through profit or loss	–	15,689,658	–	N/A
		204,897,929	–	
Financial assets at amortized costs:				
Cash in bank and cash equivalents	–	3,139,128,574	3,941,179	N/A
Short-term investments		130,415,569	–	N/A
Restricted cash		429,515,375	1,568,655	N/A
Trade and other receivables	–	1,995,763,227	–	N/A
Due from related parties	–	1,118,607,712	–	N/A
Notes receivable (noncurrent)	–	18,259,200	798,194	N/A
Loan receivable (current and noncurrent)	–	83,364,719	1,824,354	N/A
	–	6,915,054,376	8,132,382	
		₱7,119,952,305	₱8,132,382	

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

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

DECEMBER 31, 2021

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Santiago G. Araneta, *Beneficial owner*	₱9,537,387	₱–	₱–	₱–	₱9,537,387	₱–	₱9,537,387
Fernando G. Araneta *Beneficial owner*	18,821,982	–	–	–	18,821,982	–	18,821,982
Monica G. Araneta *Beneficial owner*	9,349,708	–	–	–	9,349,708	–	9,349,708
	₱37,709,077	₱–	₱–	₱–	₱37,709,0 77		₱37,709,077

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

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

DECEMBER 31, 2021

Name of Subsidiaries	Balance at beginning of period	Additions	Amounts collected/paid	Sale of Subsidiary	Current	Not current	Balance at end of period
LBC Express, Inc.	(1,300,212,928)	(3,258,736,206)	4,352,772,635	–	(206,176,500)	–	(206,176,500)
LBC Express - MM, Inc.	103,671,776	273,668,558	(373,437,770)	–	3,902,563	–	3,902,563
LBC Express - SCC, Inc.	19,990,684	67,070,031	(81,645,097)	–	5,415,618	–	5,415,618
LBC Express - NEMM, Inc.	25,080,462	204,393,845	(239,409,179)	–	(9,934,872)	–	(9,934,872)
LBC Express - NWMM, Inc.	35,320,473	141,537,047	(166,324,925)	–	10,532,595	–	10,532,595
LBC Express - EMM, Inc.	27,239,495	115,374,694	(132,491,748)	–	10,122,441	–	10,122,441
LBC Express - SMM, Inc.	17,136,219	121,657,371	(151,799,989)	–	(13,006,399)	–	(13,006,399)
LBC Express - CMM, Inc.	21,083,203	152,252,440	(184,012,361)	–	(10,676,718)	–	(10,676,718)
LBC Express - SL, Inc.	75,536,408	263,078,307	(315,951,272)	–	22,663,442	–	22,663,442
LBC Express - SEL, Inc.	46,917,537	150,276,184	(196,529,702)	–	664,018	–	664,018
LBC Express - CL, Inc.	37,690,952	197,207,465	(224,939,217)	–	9,959,201	–	9,959,201
LBC Express - NL, Inc.	37,122,865	186,478,408	(222,668,574)	–	932,699	–	932,699
LBC Express - VIS, Inc.	68,495,079	249,928,422	(292,509,718)	–	25,913,783	–	25,913,783
LBC Express - WVIS, Inc.	43,566,453	193,303,311	(228,470,444)	–	8,399,319	–	8,399,319
LBC Express - MIN, Inc.	53,662,864	212,853,759	(251,803,074)	–	14,713,549	–	14,713,549
LBC Express - SEM, Inc.	41,952,582	134,762,248	(157,961,209)	–	18,753,622	–	18,753,622
South Mindanao Courier Co., Inc.	15,719,374	36,647,110	(46,432,319)	–	5,934,164	–	5,934,164
LBC Express - ESI, Inc.	(6,544,283)	–	(229,497)	–	(6,773,780)	–	(6,773,780)
LBC Express - SCS, Inc.	70,966,532	188,863,081	(242,765,248)	–	17,064,365	–	17,064,365
LBC Systems, Inc.	(54,270,048)	16,477,619	(18,624,932)	–	(56,417,360)	–	(56,417,360)
LBC Express Shipping Company WLL	35,042,619	(62,320,634)	37,619,311	–	10,341,297	–	10,341,297
LBC Express Bahrain WLL	(29,993,109)	(6,307,588)	(512,247)	–	(36,812,945)	–	(36,812,945)
LBC Express LLC	(70,747,907)	(22,673,122)	18,022,159	–	(75,398,870)	–	(75,398,870)
LBC Mabuhay Saipan, Inc.	(14,781,791)	(10,100,123)	19,877,391	–	(5,004,523)	–	(5,004,523)
LBC Aircargo (S) Pte. Ltd	(145,838,621)	(5,304,915)	(566,458)	–	(151,709,994)	–	(151,709,994)
LBC Money Transfer PTY Limited	(31,115,681)	(9,242,625)	6,921,543	–	(33,436,762)	–	(33,436,762)
LBC Airfreight (S) Pte. Ltd	140,371,882	(53,953,766)	37,895,084	–	124,313,199	–	124,313,199
LBC Australia PTY Limited	16,370,852	(47,486,617)	39,433,206	–	8,317,441	–	8,317,441
LBC Mabuhay (Malaysia) SDN BHD	8,577,339	(17,742,724)	(2,823,328)	–	(11,988,713)	–	(11,988,713)
LBC Mabuhay (B) SDN BHD	19,713,357	(4,290,182)	7,664,325	–	23,087,500	–	23,087,500
LBC Mabuhay Remittance SDN BHD	19,350,164	(8,724,460)	2,601,127	–	13,226,830	–	13,226,830
LBC Mundial Corporation	73,899,247	(403,822,121)	387,754,880	–	57,832,006	–	57,832,006
LBC Mabuhay North America Corporation	206,489	62,512,612	(62,684,293)	–	34,809	–	34,809
LBC Business Solutions North America Corp.	–	168,820,419	(140,332,829)	–	28,487,590	–	28,487,590
QuadX Pte Ltd.	(10,534,372)	–	4,832,801	–	(5,701,570)	–	(5,701,570)
Mermaid Co., Ltd.	(29,086,867)	(14,659,327)	21,841,328	–	(21,904,865)	–	(21,904,865)
	(638,440,700)	(788,201,479)	1,202,310,360	–	(224,331,820)	–	(224,331,820)

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE D: LONG TERM DEBT

DECEMBER 31, 2021

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current liabilities" in related balance sheet	Amount shown under caption "Noncurrent liabilities" in related balance sheet
Notes payable	₱1,992,726,525	₱1,160,604,568	₱832,121,957
Lease liabilities	2,420,598,216	942,830,985	1,477,767,231
Bond payable	1,702,087,740	1,702,087,740	–
Derivative liability	2,558,118,548	2,558,118,548	–
Other liabilities	20,410,092	19,740,743	669,349
	₱8,693,941,121	₱6,383,382,584	₱2,310,558,537

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE E: INDEBTEDNESS TO RELATED PARTIES

DECEMBER 31, 2021

Name of related party	Balance at Beginning of Period	Balance at End of Period
Fernando G. Araneta, *Beneficial owner*	₱41,407	₱43,927
LBC Insurance Agency, Inc.	5,804,559	9,590,493
Blue Eagle and LBC Services Pte. Ltd.	17,066,489	13,341,455
QUADX Inc.	12,291,628	12,992,237
LBC Holdings USA Corporation	4,190,742	–
Others	818,385	459,200
	₱40,213,210	₱36,427,312

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE F: GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2021

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

NOT APPLICABLE

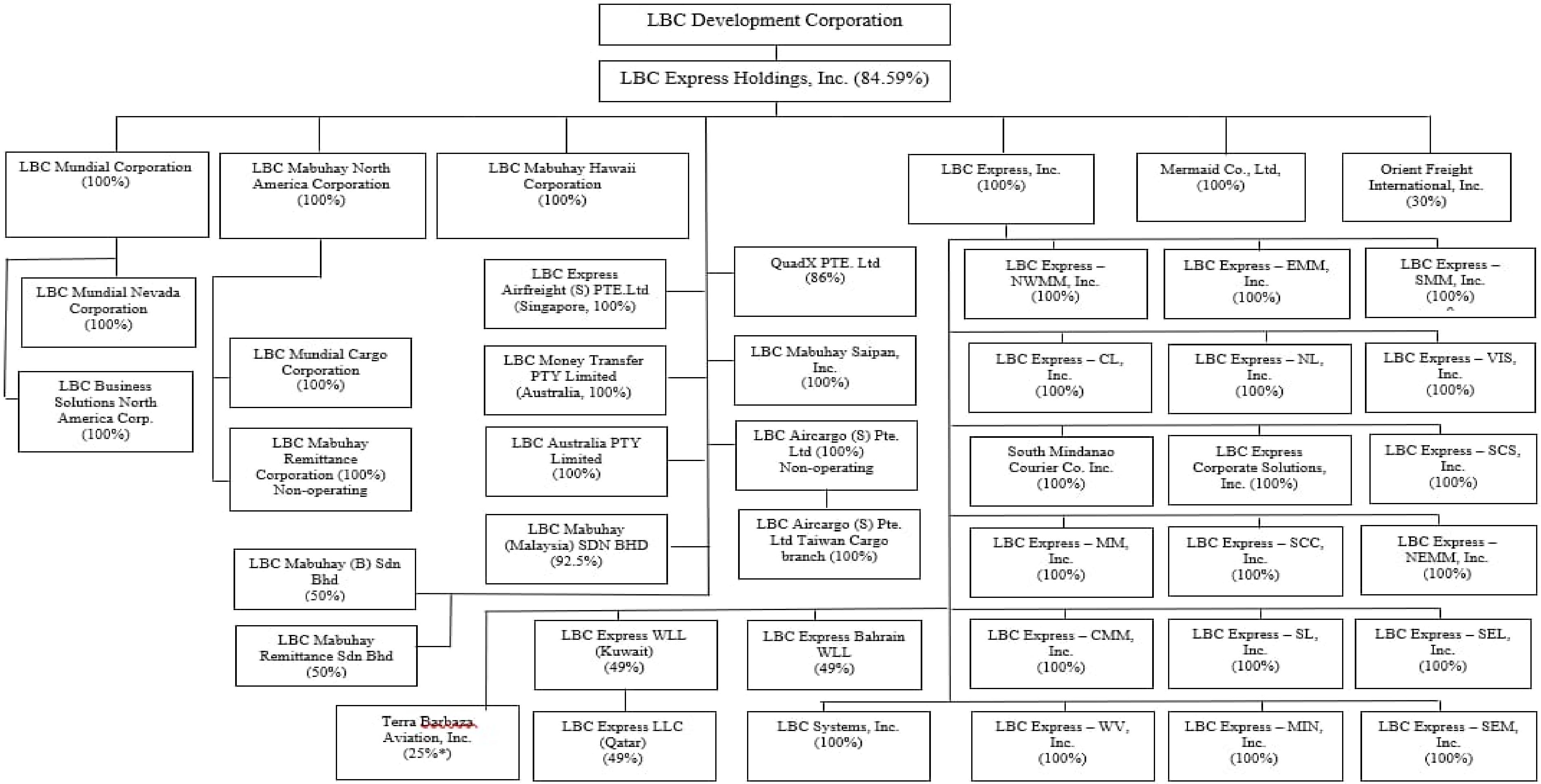
LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE G: CAPITAL STOCK
DECEMBER 31, 2021

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - ₱1 par value	2,000,000,000	1,425,865,471	–	1,206,178,232	230,007	219,457,232

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2021



*25% ownership in Terra Barbaza Aviation, Inc. is based on common stock with voting rights

RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As of DECEMBER 31, 2021

LBC EXPRESS HOLDINGS, INC.
LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila

Unappropriated retained earnings, beginning		**₱767,498,537**
Adjustments:		
Fair value adjustment (M2M gains)	(454,198,052)	
Unrealized foreign exchange gain - net (after tax, except those attributable to cash and cash equivalents)	(89,890,093)	**(544,088,145)**
Unappropriated retained earnings, as adjusted to available for dividend distribution as at January 1, 2021		**223,410,392**
Net loss during the period closed to retained earnings	(663,679,864)	
Less: Non-actual / unrealized income net		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (after tax, except those attributable to cash and cash equivalents)	–	
Unrealized actuarial gain	–	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of investment property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Subtotal	–	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS / GAAP - loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Subtotal	–	
Net loss actually incurred during the period	(663,679,864)	**(663,679,864)**
Add (Less):		
Dividend declarations during the period	–	
Appropriations of retained earnings during the period	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	
Subtotal	–	–
Unappropriated retained earnings as at December 31, 2021		**(₱440,269,472)**
Unappropriated retained earnings available for dividend distribution as at December 31, 2021		**₱–**

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE YEAR ENDED DECEMBER 31, 2021

Financial Soundness Indicators

Below are the financial ratios that are relevant to the Group as of December 31, 2021 and 2020:

Financial ratios	Formula	Current Year		Prior Year	
Current ratio	Total Current Assets	**9,614,443,772**	**0.90**	9,255,980,993	0.97**
	Total Current Liabilities	**10,717,066,630**		9,555,184,979	
Acid Test Ratio	Total Current Assets - Prepayments and other current assets	**6,705,035,440**	**0.63**	8,359,535,690	0.87**
	Current Liabilities	**10,717,066,630**		9,555,184,979	
Solvency Ratio	Net Income After Tax - Non-Cash Expenses*	**1,678,912,469**	**0.12**	1,957,763,272	0.15
	Total Liabilities	**13,846,344,646**		12,690,569,412	
Debt-to-equity ratio	Total Liabilities	**13,846,344,646**	**6.75**	12,690,569,412	4.29
	Stockholder’s Equity attributable to Parent Company	**2,050,620,200**		2,958,283,836	
Asset-to-equity ratio	Total Assets	**15,917,830,041**	**7.76**	15,661,678,159	5.29
	Stockholder’s Equity attributable to Parent Company	**2,050,620,200**		2,958,283,836	
Interest rate coverage ratio	Income (loss) before interest and tax expense	**(246,753,249)**	**(0.55)**	828,355,757	1.88
	Interest expense	**452,736,382**		440,683,545	
Return on equity	Net income (loss) attributable to Parent Company	**(866,234,145)**	**(0.42)**	200,283,516	0.07
	Stockholder’s Equity attributable to Parent Company	**2,050,620,200**		2,958,283,836	
Debt to total assets ratio	Total Liabilities	**13,846,344,646**	**0.87**	12,690,569,412	0.81
	Total Assets	**15,917,830,041**		15,661,678,159	
Return on average assets	Net income (loss) attributable to Parent Company	**(866,234,145)**	**(0.05)**	200,283,516	0.01
	Average assets	**15,789,754,100**		14,877,681,759	
Net profit margin	Net income (loss) attributable to Parent Company	**(866,234,145)**	**(0.05)**	200,283,516	0.01
	Service revenue	**16,249,712,573**		14,117,067,433	
Book value per share	Stockholder’s equity attributable to Parent Company	**2,050,620,200**	**1.44**	2,958,283,836	2.07
	Total number of shares	**1,425,865,471**		1,425,865,471	
Basic earnings per share	Net income (loss) attributable to Parent Company	**(866,234,145)**	**(0.61)**	200,283,516	0.14
	Weighted average number of common shares outstanding	**1,425,865,471**		1,425,865,471	
Diluted earnings per share	Net income (loss) attributable to Parent Company after impact of conversion of convertible instrument	**(866,234,145)**	**(0.61)**	200,283,516	0.14
	Adjusted weighted average number of common shares for diluted EPS	**1,425,865,471**		1,425,865,471	

** Non-cash expenses pertain to depreciation and amortization, provisions, loss on derivative, non-cash interest expense, retirement expense and unrealized foreign exchange gain or loss*
***Prior year, as restated*

Sustainability Report

LBC Express Holdings, Inc.

2 0
2 1

A Proactive Approach to Resilience

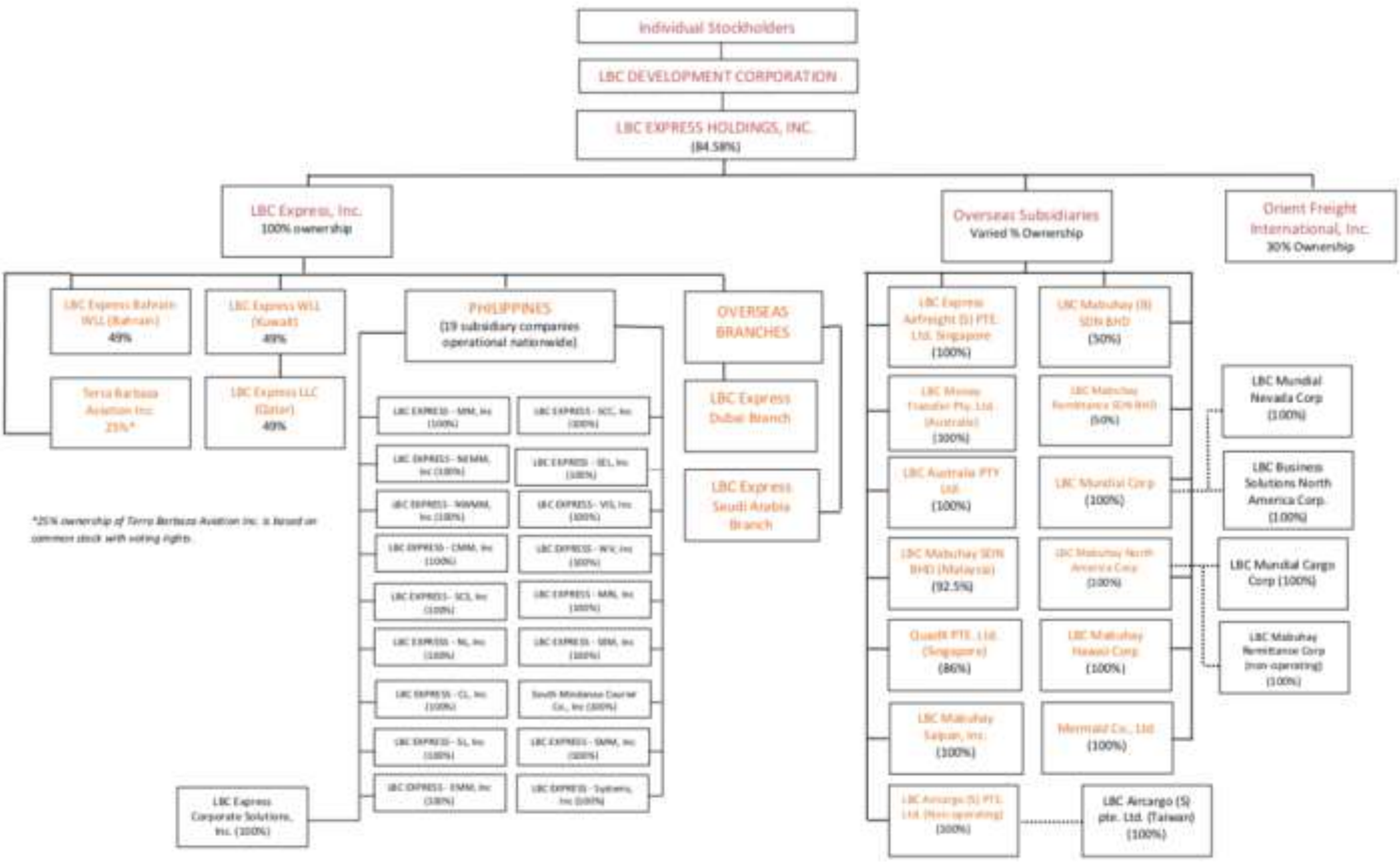
As the long-term impact of the pandemic becomes apparent, we also begin to feel the real impact that is has on every aspect of our business. Now more than ever, we see that our environmental performance, social initiatives, internal operations, governance, and sustainability is crucial, not only to LBC's continued resilience but our continued success.

Our proactive approach to adapting our business to today's rapidly changing world works not just for the survival of our brand, but protecting the interests of our customers, employees, and key stakeholders.

CONTEXTUAL INFORMATION

Company Details	
Name of Organization	LBC Express Holdings, Inc.
Location of Headquarters	Pasay City
Location of Operations	Nationwide, +29 countries
Report Boundary: Legal entities (e.g. subsidiaries) included in this report	LBC Express, Inc., other subsidiaries shown in chart
Business Model, including Primary Activities, Brands, Products, and Services	The Group's business is principally comprised of two major segments: (a) Logistics; and (b) Money Transfer Services. The Group's Logistics products serves Retail (C2C) and Corporate/Institutional (B2B/B2C) customers. 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 include Domestic Remittance services (available as branch retail services), Bills Payment collection, and Corporate Remittance Payout services. International Money Transfer Services are also offered overseas through the Group's own branches, and through partners, which encompasses International Inbound Remittance services.
Reporting Period	2020-2021
Highest Ranking Person responsible for this report	Maria Anna Victoria L. Gomez Corporate Affairs Senior Manager

CONTEXTUAL INFORMATION




We Like To Move It

CONTEXTUAL INFORMATION

THE LBC WAY

What Moves and Drives Us

Our Vision. LBC shall be the access and delivery solutions provider of choice, professionally and technologically equipped to serve Filipino families and business entities through total customer experience.

Our Mission. Linking and bridging customers through our network and innovating new solutions to provide faster, easier, and more cost- effective delivery solutions.

What We Are All About

Our Culture

These are the values that define everything we do in LBC:

- *Humility*
- *Integrity*
- *Trust*
- *Commitment*
- *Social Responsibility*
- *Customer First*
- *Teamwork*
- *Innovative*
- *Positive Thinking*

Our Brand Attributes

Clarity

We believe in providing transparent and timely information to give customers peace of mind. We want to pay particular attention to:

- The process of moving items or money
- The schedule and timing of your delivery
- Clear communication of our cost

Certainty

We believe in providing our various stakeholders with certainty through:

- Presenting relevant options for different needs
- Our staff's commitment to set expectations and deliver on our promises
- Fair and timely updates of information

Convenience

We promise to make your experience as hassle-free as possible by:

- Constantly improving our processes and adding new and relevant capabilities
- Easy access to call center and frontline staff
- Growing of our network coverage

CONTEXTUAL INFORMATION

What We Commit To

Our Brand Promise:

"A friend who makes your day"

LBC is the warm and helpful partner who enjoys moving packages, goods and money for you. We understand that people look forward to what you're sending, so we provide clarity, certainty and convenience to help make everyone's day."

What Inspires Us

Our Brand Tagline:

"We like to move it"

1 **History and Network**
Integrate core competencies to create a solid foundation for our service commitment.

2 **Understand and Learn**
Gain meaningful insight into the evolution of the modern customer and apply to reinvent the business model.

3 **Quality and Service**
Apply new capabilities to win customers through quality and customer satisfaction

4 **Innovate and Execute**
Ensure resilience and agility as well as maintain market position by delivering high value products and services.

CONTEXTUAL INFORMATION

LBC is the Philippines' market leader in retail and corporate courier & cargo, money remittance, and logistics services. With a growing network of over 6,400 branches, hubs & warehouses, partners, and agents in over 20 countries, LBC is committed to moving lives, businesses, and communities and delivering smiles around the world. Listed in the Philippine Stock Exchange through LBC Express Holdings, Inc., LBC aims to deliver value to all of its stakeholders, as it has for over 70 years. Founded in 1945 as a brokerage and air cargo agent, LBC pioneered time-sensitive cargo delivery and 24-hour door-to-door delivery in the Philippines. Today, it is the most trusted logistics brand of the Global Filipino.

MATERIALITY PROCESS

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.

In 2019, we conducted a roundtable interview with senior management and an internal survey of 155 respondents representing all departments across our operations to identify these material sustainability issues.

- **Environment:**
    - Energy use in terms of fuel consumption for vehicles and electricity use and efficiency in operations
    - Use of raw materials and recycled input materials in operations to minimize waste
    - Compliance with laws and regulations
- **Social issues:**
    - Employee hiring and retention
    - Compensation and benefits
    - Employee training and development (including lifelong learning)
- **Product responsibility:**
    - Customer satisfaction
    - Innovation and future technologies
    - Data security, protection and privacy

This report holds information on these key sustainability issues, some of which are actually LBC strongholds that we are quite proud of, such as product responsibility, human resources, and our financial performance. Due to the pandemic, Environmental Data was not collected. We expect to improve on the scope and collection of our environmental data over the next few years.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	*Amount*	*Currency*	*Remarks*
Direct economic value generated (revenue)	16,249,712,573	PhP	In Million Pesos
Direct economic value distributed:			
a. Operating costs	16,150,670,614	PhP	Cost of services and operating expenses
b. Employee wages and benefits	4,331,993,323	PhP	(excludes contracted jobs)
c. Payments to suppliers, other operating costs	325,460,134	Php	Movement in Accounts Payable as documented in the Statement of Cash Flows
d. Dividends given to stockholders and interest payments to loan providers	87,058,744	PhP	
e. Taxes given to government	1,303,406,997	PhP	

ECONOMIC

Economic Performance
Direct Economic Value Generated and Distributed

Growth is our responsibility to the globalized Filipino.
As we expand our presence, LBC remains the brand that they can trust to connect them, no matter where they are in the world, meaningfully back home.

- 16.25 Billion in revenues
- Present in 29 countries worldwide
- 1,617 branches in the Philippines
- 1,219,853 balikbayan boxes delivered
- 340,167 international parcels forwarded
- 9,833 TEU domestic and international sea cargo forwarded
- 20.05 tonnes domestic air cargo forwarded
- 3,405 delivery vehicles
- 2,624 total number of couriers

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

As markets change, LBC also transforms while continuously improving standard of product responsibility and accountability that LBC is known for.

Digital transformation enhances our ability to deliver solutions aligned with our brand attributes and upholding our service principles throughout.

	Target	*2021*	*2020*	*2019*	*2018*
On-time delivery rate	90%	**92%**	86.61%	88.14%	88.09%
Sorting Efficiency	90%	**99.25%**	98.7%	99.31%	99.69%
Customer Care Answer level	95%	**98%**	72%	64%	95%
Customer Care Average handling time (minutes)	3.9	**3.5**	4.44	4.10	3.83
Customer Care Total response time (minutes)	45	**3.5**	9	55	44
Customer Care Complaint management					
• **closure rate**	80%	**100%**	100%	100%	100%
• **closure rate w/in 24 hours**	80%	**93%**	100%	92%	84%

ECONOMIC

Economic Performance
Direct Economic Value Generated and Distributed

Over 520,000 touchpoints + DHL's presence in 220 countries

LBC has been focused on continuously expanding its network, both in the Philippines and globally. This is integral to providing the best possible service to customers, enabling them access to cargo & money services most conveniently and efficiently.

LBC owned	Overseas Branches	**71**		*cargo & money in*
	Philippine Branches	**1, 617**		*cargo & money in & out*
Partners	Overseas Cargo & Money Agents	**624**		*cargo & money in*
Local partners	Palawan Pawnshop branches	**3,800**		*money in & out*
	Cebuana Lhuillier branches	**2,500**		*money in & out*
	Mlhuillier branches	**3,500**		*money in & out*
	PJLhuillier branches	**300**		*money in & out*
	Local banks	**3,300**		*money in*
Partners	Western Union global	**500,000**	agents	*money in & out*
	DHL global	**220**	countries	*cargo out*

ECONOMIC

Covid Response & Recovery

- The Board of Directors and Management of LBC Express Holdings, Inc., and its operating company LBC Express, Inc., are cognizant of the risks for exposure to public health & safety of COVID-19, and enjoin the nation in its efforts to mitigate these risks within its operations.

- The Management continuously aims to protect its employees and serve its customers, and has taken measures to ensure these for definitive reassurance of all stakeholders. The Group's Management has and will exercise all efforts to provide business continuity across the enterprise; extraordinary measures and contingencies are in effect to ensure this.

- Adjustments in service level agreements with customers pertinent to air forwarding alternatives were properly communicated to all concerned. These were regularly reassessed to ensure continuous service. The management abided by government directives, and re-assessed the impacts of these on a daily basis. Commensurate adjustments to internal protocols and directives to employees were likewise effected, as well as to customer-facing procedures.

- All our employees and customers were reassured that the Group was exercising all efforts to ensure public health and safety, and the Group continues to be united with the nation during these trying times. Employee health & safety has been the top priority of LBC.

Covid Response & Recovery

- The Covid-19 pandemic has allowed technology-based companies to significantly fulfil market demands and needs by offering alternative services both for finance and logistics, the Group has successfully played a role in bridging gaps within the virtual money space and cargo movement. The brick and mortar business model in the Philippines has proven to be efficient in both first-mile and last-mile fulfilment segments, however, the Group's partnerships with several banks and eWallet operators made its offerings effective as LBC became their Cash-In ("First Mile") and Cash-Out ("Last Mile") conduit, necessary for its "Middle Mile" to work. The 1,600-strong branch network of LBC has contributed in making online financial services convenient for Filipinos to learn and adapt to the ongoing situation.

- In logistics, LBC has opened more opportunities for Filipinos to become entrepreneurs with its services like Cash On Delivery (COD) and Cash On Pick-Up (COP), available for retail E-commerce customers. This service, created for and targeted to Small-Medium Entrepreneurs (SMEs), Social Sellers and Buyers, Filipinos were able to sell goods and services online, and utilize LBC as a "middle man" for payments and fulfilment. The Group's brick and mortar stores are likewise utilized as "PUDO" (Pick-Up and Drop-Off) points for physical payment and cargo movement requirements. LBC is a first mover on this space, and it is continuously enhancing its offerings to adapt to the continuous shifts and movements of online selling and buying behaviors.

Covid Response & Recovery

- Since 2019, and further enhanced in 2020 and 2021, LBC services are available through its online platforms, where customers can avail of the Group's services without leaving their homes or offices. Online Booking for logistics is available, and is fulfilled either through Pick-Up or Drop-Off at any LBC branches. Online Remittance services are also made available for customers to send money anytime online. COD/COP services can also be booked/availed of via the LBC online platform.
- In 2020 and 2021, Contactless Delivery was also implemented by the Group, whereby couriers capture photographs as Proof Of Delivery (POD), instead of having consignees physically affix their signatures on manifests. Nationwide implementation of this service enhancement was completed in September 2021. Likewise in 2021, nationwide implementation of Retail Pick-Up Service was implemented, where customers can book their packages to be picked up at their homes/offices or any address they prefer, instead of physically bringing their packages to an LBC branch.
- Many initiatives and protocols were implemented in LBC branches since the beginning of the Covid-19 pandemic, including Safety Protocols for Frontliners (All Frontliners are required to wear protective gear such as face masks, face shields and gloves while attending to customers). Among the approximately 4,000 LBC branch frontliners nationwide, branch operations were unaffected and the virus' spread was effectively prevented and controlled. Social Distancing and limiting the number of customers allowed inside each branch was also immediately implemented, as well as protective counter shields installed in approximately 600 branches with high foot traffic. All branches are disinfected twice daily, provide customers with access to disinfectant/alcohol upon entry and during transaction, and all accepted shipments are disinfected before movement out of the branch. Within 2020 and 2021, there were no recorded incidents where customers were found to have been infected with the virus, from any of the LBC branches nationwide.

Covid Response & Recovery

- To hasten transactions of customers and shorten their queuing time within an LBC branch, a QMS (Queuing Management System) was also installed in high traffic branches. The system also allows customers to wait at another location around the vicinity of the branch, and are alerted via SMS text message when their transaction is ready to be accepted at the branch.

- The Group's Logistics Systems continued to operate despite the Covid-19 pandemic. Retail and Corporate Customers were continuously and uninterruptedly served amid the various national and local challenges. In 2020 and 2021, additional Exchange warehouses were established, to cater to the volume increases and likewise in order to observe proper Social Distancing at all service locations; additional Roro trucks were acquired, to move shipments to the Visayas and Mindanao areas due to the reduced airline capacity and infrequency of flights; a pick-up service was introduced to provide options to and convenience for customers, with 100% booked pick-ups served; capacities and resources were

- reinforced by hiring additional manpower to ensure a continuous flow of operations. The Group fulfilled uninterrupted service and zero backlogs in distribution, while regularly disinfecting all warehouses and all cargo, and implemented all Covid-19 precautionary measures such as regular disinfection of facilities, trucks and cargo. This included installation of misting tents in major facilities and the installation of protective barriers/shields in all service hubs.

Covid Response & Recovery

- LBC has continued to be united, active, agile and resilient in the continuous response to the challenges of the pandemic caused by the COVID-19. In 2021, the Group continued in its efforts to ensure workplace safety by putting protocols in place and measures to ensure that health and safety of the employees and the workplace is prioritized. LBC's "BakUNA Sa Lahat" Campaign aimed to "Educate. Encourage. Engage" employees, and ensure awareness of the COVID-19 vaccine, and its effectiveness and impact. The Company mobilized a mega-vaccination site in NCR for all employees, dependents, including agency-hires and external partners, which included a drive-thru vaccination site catering to senior citizens. This likewise supported the national drive to vaccinate the entire population of the country, in a concerted effort to keep our customers and workplaces safe.

97% vaccinated In 2021

- LBC Express, Inc. started its vaccination roll-out as early as August of 2021. The "BakUNA Sa Lahat" campaign was considered a success, due to ample, advanced planning, and mobilization. The campaign likewise aims to move beyond more than just inoculations, but also to educate employees and their family members, in the hopes that we all achieve 100% herd immunity.
- In NCR, 6,452 employees and their dependents were vaccinated through the "BakUNA Sa Lahat" initiative, while 1,798 were vaccinated through their respective local government units (LGU), yielding 98% vaccinated individuals. In North Luzon, a total of 2,330 employees, dependents, and truckers were inoculated; In South Luzon, 2,925 employees, dependents, and truckers were vaccinated. While in Visayas and Mindanao, 2,323 and 2,011 employees, dependents, and truckers were vaccinated respectively. For provincial areas, an overwhelming 9,589 employees, dependents, and truckers were vaccinated yielding a 97% vaccination rate for all regions, across the Group of Companies.

Covid Response & Recovery

- LBC was also able to donate 498 vials covering 4,980 doses of vaccines to various LGUs in NCR and nearby provinces.
- To date, the Group has successfully administered first, second, and third doses of the Covid-19 vaccine to its employees, their dependents, as well as external partners. The vaccination program will continue to be rolled out, as the need for boosters arises.
- Other activities are currently included in the daily Standard Operating Procedures across the enterprise, such as: twice daily announcement thru PA System of safety reminders regarding safety protocols, thermal scanner use at every entrance, office set-ups adherent to social distancing standards, and practiced as the new normal, sanitation, UV light use and hand washing areas in each facility. Furthermore, scheduled spraying of food-grade disinfectant solution to the following: all incoming and outgoing shipments, all offices and warehouses, all trucks and vans; installation of misting tents at every entrance of major facilities.
- Testing for Covid-19 also continued in 2021, with the aim of early detection and mitigation of the virus' spread. Early isolation has also been made possible by this, as a precautionary measure, reducing the further risks in the workplace. During these isolation periods, employees' leaves are paid, and these employees are provided constant monitoring by nurses. The Group also swiftly provided guidance and protocols relayed from government regulations (primarily from IATF and DOLE) to all employees. Enterprise-wide townhalls, among other communications, provided guidance and assistance to leaders across the country, which, in turn, aided them in reassuring their teams.
- In 2021, the Group also continued to adapt, allowing for flexible working arrangements, ensuring continuity of business and necessary support operations. Backroom/Support/HeadQuarters units have some employees working onsite, and some working from home. Consistent reporting and continuous support and communications with various teams have allowed for a smooth transition and uninterrupted workflows.

ENVIRONMENT

- Due to the Covid Pandemic, Environmental data was not gathered in 2021.

SOCIAL

THE LBC HCSS Team has been in the forefront together with all the Leaders of LBC and the directives of the President, united, active, agile and resilient in the continuous response to the challenges of the pandemic caused by the COVID-19. The HCSS team robustly approached Year 2021 with the call of the times in handling the crisis.

In 2021, HCSS still continued ramped up efforts to ensure workplace safety by putting protocols in place and measures to ensure that health and safety of the employees and the workplace is prioritized. The HR initiative, LBC Bakuna Sa Lahat Campaign focused on Educate. Encourage. Engage to ensure employees are aware of the COVID-19 vaccine and its effectiveness and impact when we get the jab. The Company through HR and Administrative Services mobilized a mega-vaccination site in NCR for all employees, dependents, even agency-hires and external partners and even had a with a drive-thru to cater to senior citizens, all to contribute to the Philippines drive to vaccinate our countrymen and for our Company to keep our customers as well as our workplace safe.

LBC Express, Inc. started their vaccination roll-out as early as August of 2021. The ‘BakUNA sa Lahat campaign was a success due to early planning, and mobilization. The campaign aims more than just inoculations, but also educating their employees and family members, while aiming 100% herd immunity.

In NCR, 6,452 employees and their dependents were vaccinated through the ‘BakUNA sa Lahat’ initiative, while 1,798 were vaccinated through their respective local government units (LGU), achieving the 98% vaccinated individuals.

In North Luzon, a total of 2,330 employees, dependents, and truckers were inoculated. In South Luzon, 2,925 employees, dependents, and truckers were vaccinated. While in Visayas and Mindanao, 2,323 and 2,011 employees, dependents, and truckers were vaccinated respectively.

For provincial areas, an overwhelming 9,589 employees, dependents, and truckers were vaccinated giving us a 97% rate for all regions.

SOCIAL

LBC was also able to donate 498 vials covering 4,980 doses of vaccines to various LGUs in NCR and it's nearby provinces.

In the age of innovation, and change, prioritizing employee's well being would most definitely make the business grow. LBC continues to put their customer first, without compromising their employees and dependents health and safety.

SOCIAL

Employee health & safety has been the top priority of LBC.

Supplies have been issued to LBC employees nationwide as to date. Data Covered: March 2020-December 2021.

Alcohol (Gallon)- 20,822
Washable Mask-71, 504
Face Shield-17,908
Vitamin C (Tab/per pcs)- 1,465,900
Disposable Gloves -per pcs.- 434,900

Disinfection Materials:
Disinfectant Chemicals & Lysol (Gallon/Can)- 3,649
Disinfection Pressure Pump Spray – 2,347
Thermal Scanner- 621
Disinfection Fumigating Machine :43
UV Lights -8
Air Purifier-73

LBC is continuously providing these supplies for employees' need as part of their safety and sanitation

Additional Disinfection Controls in Hubs:
20 Additional Handwashing Areas
23 Disinfecting Foot Bath
106 Sanitation Stations

SOCIAL

Employee health & safety has been the top priority of LBC.

Taking care of LBC Employees by giving different types of Leaves:

- Provided Home Quarantine leaves with Pay to Employees experiencing flu-like symptoms and in compliance to DOH guidance/advisory.

- Daily Monitoring of employees in Quarantine list. Nurses checking health status of concerned employee and provide health tips/ advice until they recuperate and complete the required quarantine days.

- Functional Teams and HR Generalists supported leaders and employees by monitoring employee’s health and provide advice regarding quarantine leave and varying scenarios.

- Provided work from home arrangements to backroom /shared service positions to support the LBC front-liners and the Company as whole

SOCIAL

Employee health & safety has been the top priority of LBC.

How we are supporting and taking care of LBC Frontliners who are still actively reporting to continue the services of LBC:

- Ongoing Rapid Testing since early May 2020 to 2021. Increased frequency of testing in large site areas and those with high cases per the DOH
- LBC's Bakuna sa Lahat Program was launched aimed to Educate, Encourage, Engage.
- Townhalls were conducted for Leaders as presented by our Chief People Officer and Physician presenters to
- Top Leaders of LBC released affirmative statements supporting to take the COVID-19 jab
- LBC continued its own medical teams for the testing and vaccinations
- 2 major facilities became accredited vaccination sites: LBC Pasay Vaccination Center ; LBC Paranaque Vaccination Center an NCR Mega Vaccination site catering to employees, and their dependents, agency-hires, external truckers and partners
- Each step in the vaccination area is organized into sections, with posters and marshals to assist. DOH videos also played in the TV for the step on further awareness.
- 75 Accredited Hospital Service Providers (HSPs) LBC partnered with for the medical team to inoculate employees (organic/inorganic agency/direct) and plus up to a max of 5 dependents free
- Email blasts / Enews released on the smooth implementation of the vaccination as well as collage of photos showing those who took the jab – employees, families, senior citizens, medical team/frontline health workers.
- HR-Admin team regularly released communications, DOH / IATF advisories, videos, announcements, reminders on health, vaccinations, and continuous health monitoring.
- Employees provided vaccines to employees and up to 5 dependents. Up to 10 dependents for Officers and up.
- Photo tarpaulins were printed to allow Vaccinees to take photos of themselves taking the jab.

SOCIAL

Employee health & safety has been the top priority of LBC.

- LBC Express, Inc. started their vaccination roll-out as early as August of 2021. The 'BakUNA sa Lahat campaign was a success due to early planning, and mobilization. The campaign aims more than just inoculations, but also educating their employees and family members, while aiming 100% herd immunity.
- In NCR, 6,452 employees and their dependents were vaccinated through the LBC 'BakUNA sa Lahat' initiative, while 1,798 were vaccinated through their respective local government units (LGU), achieving the 98% vaccinated individuals.
- LBC NCR employees with the most main offices and big warehouses/ hubs achieved 98% herd immunity for the primary dose

- In North Luzon, a total of 2,330 employees, dependents, and truckers were inoculated. In South Luzon, 2,925 employees, dependents, and truckers were vaccinated. While in Visayas and Mindanao, 2,323 and 2,011 employees, dependents, and truckers were vaccinated respectively.
- For provincial areas, an overwhelming 9,589 employees, dependents, and truckers were vaccinated giving us a 97% rate for all regions.

- Total vaccinations c/o LBC for 2021 = 16,041 and continues in 2022

- LBC was also able to donate 498 vials covering 4,980 doses of vaccines to various LGUs in NCR and it's nearby provinces.

- Primary COVID 9 vaccines were also provided to 12-below 18 years old or the adolescent segment. Pediatricians were included as part of the Medical Team and set-up mounted in compliance to DOH.

16,041 vaccinations In 2021

SOCIAL

Employee health & safety has been the top priority of LBC.

- Continue disinfection all our facilities twice a day including all cargo that go to our exchange facilities using an industrial type of fumigating machine and food grade disinfectants for all cargo and parcels. Main offices have daily UVC sterilization/disinfection.

- All services of HR can be catered online using the HCSS Partner Suite, Ticketing Management System, online applications and MS forms

- New hires were able to take their New Associate Orientation anywhere via the Learning Management System. As another step, LBC launched its training hub late last year for it's on-the-job trainees as a split arrangement from the main office

- Online / virtual sessions is continuously provided via webinars addressing health concerns, vaccine awareness, education and hesitancy.

- The LBC Digital University was launched to provide curated learning right at your fingertips – on demand, anytime, anywhere. This provides continuous learning of identified employees even despite the crisis and to show that despite the pandemic, we still are able to provide updated /curated learning that never stops.

- Continued developing content that inspires our frontliners - depicting them as not only corporate heroes but "national" heroes as well. Online engagement programs were also rolled-out e.g. Proud Ka-LBC,

- The Global Movers Awards was entitled “Real Life Heroes” to highlight that despite the pandemic we award and recognize excellent performing teams and individuals.

- Shuttle service continued to be provided the entire year of 2021 since 2020

SOCIAL

Employee health & safety has been the top priority of LBC.

As a support to employees in these most difficult times and its worsening condition affecting their financial needs and needed income support, the Company initiated the following:

- Scheduled releasing of the usual cash benefits e.g. 13th month, 14th month

- Scheduled release of medicine of allowance and instead of regular release as gift certificate the company opted to credit via payroll.

- 2 Livelihood Programs were rolled out in 2021 to augment the family income of the LBC employee especially in a time of crisis. Example of sessions are: Online Selling, Food Party Trays, How to Start a Dog Bakery, Mutual Funds and the Stock Market, Smoothies, Hydroponics, Coffee Making and Selling, and many more

EMPLOYEE VACCINATION PROGRAM

LBC Continues to Move by Securing Vaccines for Employees and Dependents

It has been more than a year since the Nation faced the very first lockdown due to the COVID-19 virus. The pandemic situation is still heightened in many areas of the Philippines and the world, and the deadly virus continues to evolve today. Dealing with this significant global crisis has been a challenge to many, including our Company. Despite this difficulty, LBC continues to rise to the challenge with resilience, flexibility, courage and a caring heart. LBC's commitment to every Ka-LBC's safety makes all the difference as we move to make the workplace and the community safer for everyone.

At the start of the Year 2021, with the health and safety of the employees being a priority, initial talks were made by LBC Management to procure COVID-19 vaccines to be given at no cost to LBC Employees. LBC has announced that it has acquired COVID-19 vaccines for its employees through the effort of LBC through the" A Dose of Hope" program. The AstraZeneca vaccines were purchased thru a multi-lateral agreement with the government, the pharmaceutical companies, and "Go Negosyo."

LBC HR released a survey to feel the employee's sentiment over the recently introduced vaccines - Moderna and AstraZeneca. In the same token, respondents, more importantly, were asked if they were willing to get inoculated with the vaccine. Knowing the sentiments of the employees and the need for more education about the vaccines and what they can do.

A "Bakuna sa Lahat" campaign was mapped out to spread awareness and medical facts about the vaccines, especially AstraZeneca, can do. LBC and its Leaders had a very vital role on the COVID-19 Bakuna sa Lahat campaign. The campaign revolved around the three (3) E's: Educate, Encourage, and Engage. With the education facet, information from medical sources to debunk myths and fake news were shared with all employees. It described the facts and effectiveness of the vaccine to which it offered protection against severe and critical hospitalizations.

With Encourage, top LBC Leaders, as lead by LBC President Mr. Mike A. Camahort, together with his ExeCom, shared poster statements to help encourage Ka-LBC's to get jabbed. Several Bakuna sa Lahat Townhalls conducted by medical experts was attended by Leaders and ranks alike to provide answers to burning medical questions further, share the process of how vaccines work, the clinical phase trials it went through, and even the concept of herd immunity and how it can limit the spread of the virus. All the facets, building up to the last arm of the campaign, which is Engage to which we aim to have 100% of all employees inoculated with the COVID-19 vaccine.

Given the surges compounded by new variants entries, the African, UK, Delta and Lambda variants vaccinate as many employees as possible. Our Ka-LBC overseas counterparts and their leaders are also doing their share by taking their COVID-19 vaccination shots as provided free by their country's local government.

LBC truly cares and will provide vaccines for all employees and dependents and even extend to inorganic agency staff and 3rd party truckers. All that Ka-LBCs need to do is show up and take the jab to beat COVID-19 together. #bakunasalahat

SOCIAL

EMPLOYEE VACCINATION PROGRAM

Bakuna Sa Lahat (An LBC COVID-19 Vaccination Program)

As LBC tread beyond the middle of the year, and more and more Filipinos were getting vaccinated at the LGUs starting with the A1 segment Medical Frontliners, then the A2 Senior Citizens, some of our Ka-LBCs jumped in to have their COVID-19 shots at their respective LGUs. At the same time, others eagerly and patiently waited their turn with the AstraZeneca vaccines c/o the Company.

LBC's Management team and main vaccine implementor, Chief People Officer, Mr. Jhayner V. Bufi set the stage with his HR- Admin Mancom on the logistics, the overall vaccine sites, the bio-refs, the teams in charge of the Registration and confirmation up to the inoculation conducted by the Medical Team and database uploading of vaccinees. Two vaccination centers were accredited, i.e. LBC Ocean Breeze Vaccination Site and LBC Pasay Vaccination Site.

On the provincial front, over 100 Hospital Service Providers called HSP's for short was sourced by the HR Generalists to receive the delivered vials of the vaccines and conduct the vaccination to LBC employees and their dependents.

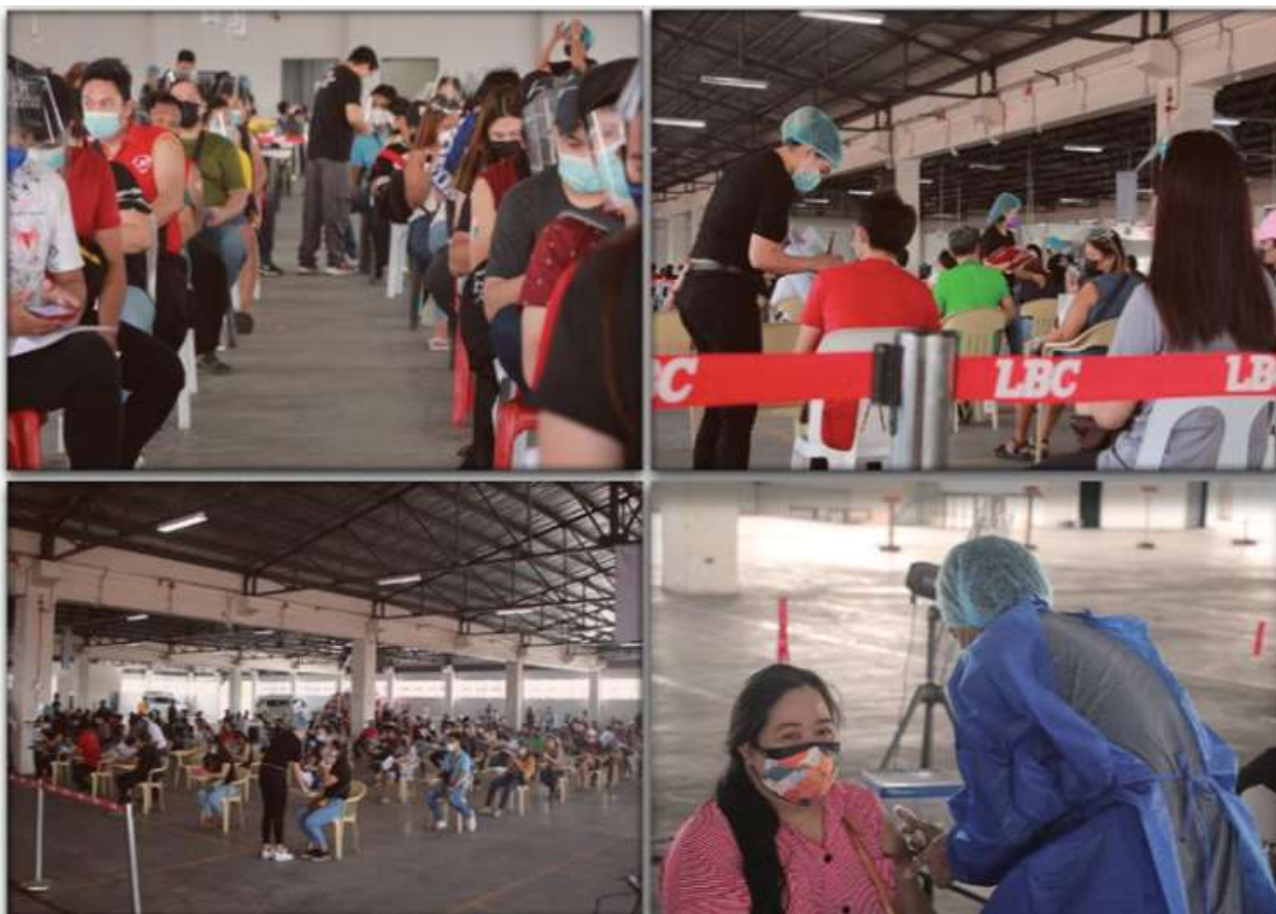
News of the official rollout was sent to NCR employees on July 26 for a 1st dose AZ vaccination at the LBC Express Cargo Exchange located at Km 14 West Service Road, Paranaque, NCR. This NCR mega-vaccination site could hold almost 7,000 employees and dependents who confirmed their willingness to take the shot.

During the vaccination period, employees, organic and inorganic alike, together with their family/household, went through the hassle-free step-by-step vaccination process. LBC, together with the Medical Team, complied with the Department of Health (DOH) standards and steps from the registration to the counselling, screening c/o a Medical Physician, inoculation and monitoring.

Shortly after the kick-off for NCR, our provincial Ka-LBCs took their turn via the HSP's. Photos from our different Ka-LBCs showed happy faces, even with their family members flexing their arms and showing their jabs. They proudly showed their LBC Bakuna sa Lahat sticker logos or posted them at our LBC Bakuna sa Lahat tarpaulins for a photo opportunity as a beautiful remembrance of a milestone event in their lives. Indeed a memorable moment! Thank you, LBC!!!

SOCIAL

EMPLOYEE VACCINATION PROGRAM



SOCIAL

EMPLOYEE VACCINATION PROGRAM

Here's a peek into LBC's COVID-19 Vaccination drive that started last week in LBC's Cargo Exchange warehouse in Paranaque.

A convenient, organized, and safe vaccination program is exclusive for our LBC employees and their dependents, where they get vaccinated for free with the COVID-19 vaccines.

A huge thank you to our LBC employees and their dependents who chose to get

vaccinated with the COVID-19 Vaccines to keep our workplace and community safe. We also wish to thank the entire LBC Leadership Team and the HR-Admin and Medical Teams for their relentless efforts in the fight against COVID-19. Let's continue to move.

Let's get vaccinated! #bakUNAsalahat #ProudKaLBC

LBC Express, Inc.

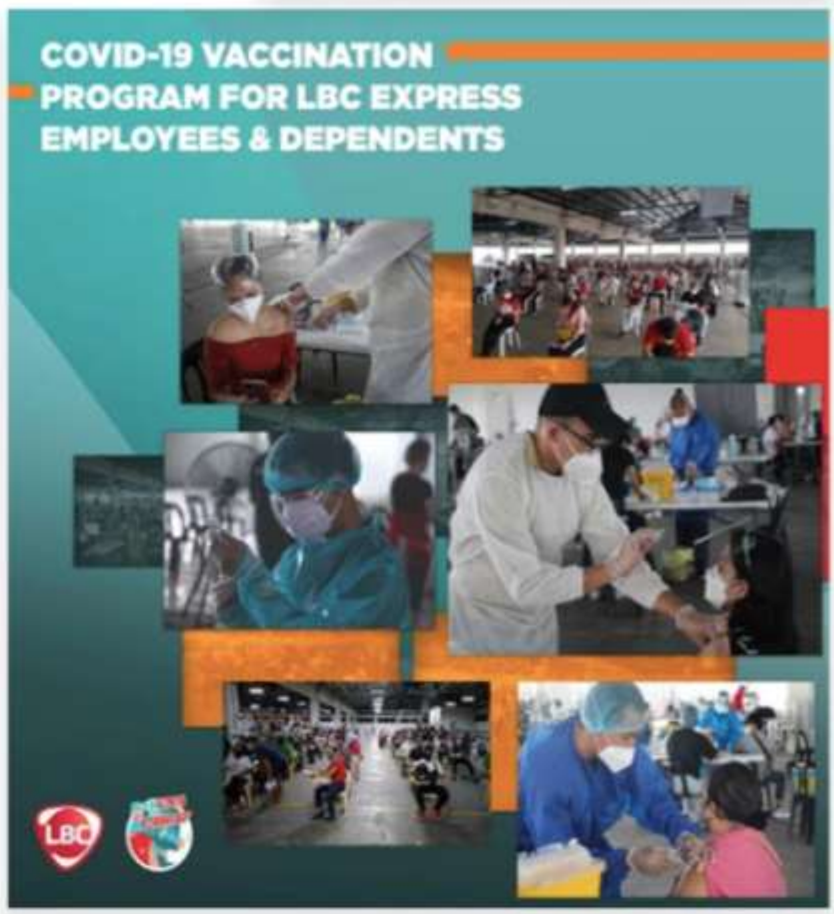
EMPLOYEE VACCINATION PROGRAM

LBC Express values the health, safety and well-being of all our employees.

As part of LBC's Bakuna Sa Lahat campaign, LBC has successfully launched its vaccination rollout last August 2, 2021, at LBC CAREX (Cargo Exchange, Paranaque), catering to LBC employees, including their dependents, for free COVID-19 vaccinations.

Together with the Nation, LBC moves forward to ensure our employees' safety, the workplace, and the Filipino community.

#bakUNAsalahat #ProudKaLBC



EMPLOYEE VACCINATION PROGRAM

North and South Luzon

(Photos were taken at Vigan City Health Office, Baguio City Health Office, Lorma La Union, Opcen Calbayog, Candon City Health Office, Mary Mediatrix Hospital Lipa Batangas)

SOCIAL

EMPLOYEE VACCINATION PROGRAM

Visayas

(Photos were taken at Ace Medical Center, Tacloban Medical City, Festive Walk Mall Annex, Mandurriao, Iloilo, PHO Aklan, and Disney Caticlan, Antique Provincial Health Office, Ciudad Medical de Zamboanga, Odiongan, Romblon)

SOCIAL

EMPLOYEE VACCINATION PROGRAM

Mindanao

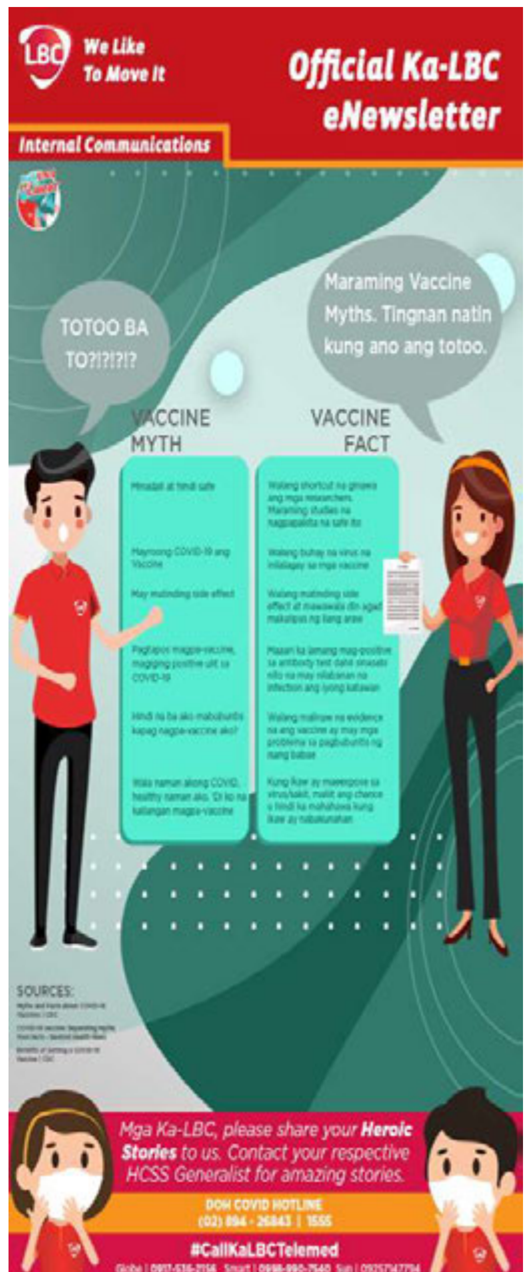
(Photos were taken at Polymedic Medical Cagayan de Oro and Surigao Gymnasium)

SOCIAL

EMPLOYEE VACCINATION PROGRAM

SOCIAL

EMPLOYEE VACCINATION PROGRAM

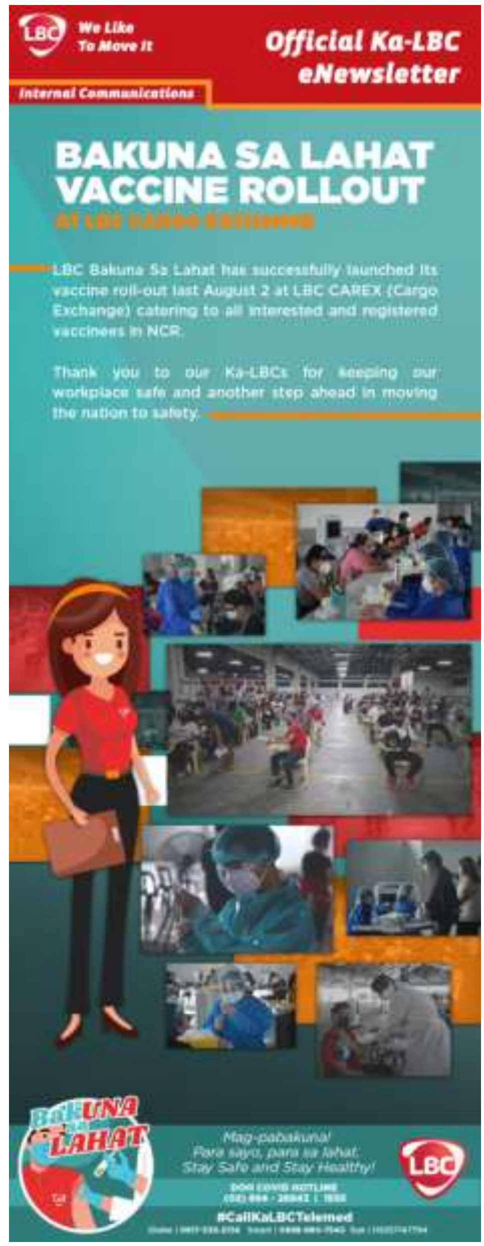


SOCIAL

EMPLOYEE VACCINATION PROGRAM

SOCIAL

EMPLOYEE VACCINATION PROGRAM



SOCIAL

EMPLOYEE DATA

HR INDICES	UPDATE
Organic MRF Report	• 91% of our 2021 New hires for Organic MRF were External Candidates while 9% were Internal candidates.
Headcount Growth (FY 2021 vs FY 2020)	• Organic FY 2021 – 11,320 | FY 2020 – 11,231 (1% growth increase coming from PBO and Systems) • Inorganic FY 2021 – 2319 | FY 2020 – 4710 (-51% decrease from 2020)
Total Attrition Rate	• FY 2021: 1,677 (14.81%) | 2020: 1,819 (16.72%) | 2019: 2,686 (25.99%) (ORGANIC) • FY 2021: 1,956 (70.26%) | 2020: 1,956 (43.68%) | 2019: 1,954 (89.25%) (INORGANIC)
2021 Training Programs & Evaluation	• Total Unique Trained: 2,876 • Operations Training Program: 435 • New Associate Orientation: 2,291 • 3.80 Overall Training Evaluation • 3.81 Program • 3.90 Overall Trainer Evaluation
Engagement Survey	• Engagement Score: 4.59 (2021); 4.45 (2019); 4.14 (2017); 4.17 (2015) • NPS: 88% • Satisfaction Score: 95% (2021); 90% (2019); 84% (2017); 82% (2015) • Top Engagement Drivers: Expectations, Opportunity to Do Best, Mission/Purpose • Bottom Engagement Drivers: Best Friend, Progress, Recognition

SOCIAL

EMPLOYEE SAFETY

ADMIN 2021	UPDATE
Safety & Security: DOLE OSH Requirements	• 100% Compliant for all DOLE OSH audited Hubs, warehouses and branches: Assisted total of 120 branches, 11 facilities and 15 hubs and warehouse • Total of 267 Safety Officer 1 **(May-November 2021)**, 114 First Aiders **(May-July 2021)** Trained/Certified- Nationwide • Acquired Safety Seals for the following offices: 2Ecom, Ocean Breeze 10th & 11th Floor, Hangar, Cebu Warehouse, 5Ecom, Vitas Warehouse, Port Area

EMPLOYEE SERVICES

SERVICES 2021	UPDATE
Certificate of Employment (COE Ramco Automation) (Completed)	• 1st Phase – Data Management team generates COE via Ramco Automation **Date Launched: June 1, 2021** • 2nd Phase – Employees to generate their own Certificate of Employment (COE) directly in Ramco through Employee Self Service Access **Date Launched: October 15, 2021** • 3rd Phase - HR Generalists can already generate/extract the digitally signed Inactive COE through their Ramco HRG Role Accesses **Date Launched: October 22, 2021**
Automated Regularization Memo (Completed)	• Regularization Memo accessed and generated in Ramco **Date Launched: December 18, 2021**
Online HMO LOA Request (Completed)	• Allows the employee to secure LOA without going to an HMO coordinator in the hospital or clinics. **Date Launched: March 15, 2021**

SOCIAL

EMPLOYEE SERVICES

Government Loan Balance Report (Completed)	• Short-term instant cash loan with maximum of (2) months term. **Date Launched: March 29, 2021**
Intellicare HMO Agora App (Completed)	• An online application for members that will enable them to view their HMO account details. **Date Launched : May 11, 2021**
Intellicare HR Access (Completed)	• HR generalist were provided with an online access to basic HMO information of employee and their dependent. This is to provide immediate response to clients with HMO account-related inquiries. **Date Launched: May 25, 2021**
Face Recognition (FR) Implementation in Delivery hubs for SL, NL, VISMIN region (Completed)	• Touchless capturing of time in/out of employees in the delivery hubs nationwide • Faster face enrollment process managed by Payroll team • With centralized timekeeping system and maintenance supported by provider and LBC IT **Date Launched: NL – January 31, 2021** **SL – February 15, 2021** **VIS – April 30, 2021** **MIN – June 30, 2021**
LBC My Card (LMC ATM) (Completed)	• Transition of IPP Payroll crediting to LMC ATM payroll crediting for confidential handling of employee salaries with features same as bank ATMs and simple forms/ID requirements **Date Launched: November 15, 2021**

Ticketing Management System	• FY 2021: 4476 tickets; 4230 closed; 246 open • FY 2022: 1211 tickets; 696 closed; 515 open • Overall Percentage of Open tickets since launch: 13.38% **Launched Date: May 2021**
Online Marketplace	• 2021 Grand Sales Total: 17.21M • Last 3 2021 Sales Figures: **May: 1.071M; November: 1.859M, December: 2.5M**

SOCIAL

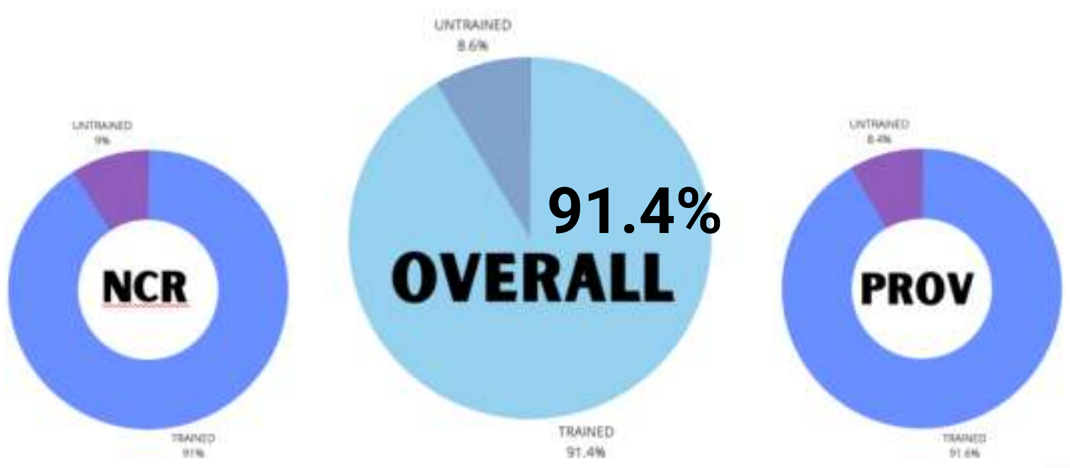
EMPLOYEE TRAINING

2021 Training Programs	• Total Unique Trained: • Operations Training Program: • New Associate Orientation: • Training programs: Career Development & Succession Planning Program: MoVE 1 & 2 | Effective Business Communication| Effective Presentation Skills, Supervisory Development Program, Admin Investigation Program, Managerial Development Program, LPI Training Program for Managers
2021 Training Program Evaluation	• 3.80 Overall Training Evaluation • 3.81 Program • 3.90 Overall Trainer Evaluation
Career Development & Succession Planning Program	• 833 Confirmed CDSP Nominees • 44 Fast-Tracked nominees • 54 CDSP nominees added on Digital University
Better Manager PH	• Rolled out the pilot batch for four identified managers • Pilot batch started 10/2021 and ended January 2022 • Participant Feedback to be launched
Digital University 2021	• 81% have activated their account since launch in November 2021 (683 out of 850) from 27% last December 2021 • 953+ available learning materials (828 USG v 125 Endorsed) • 32.81% of user activity comes from notifications and 18.30% for Related Content • Campaigns for pathways released last January 19 until January 31 • Campaigns for SME curated learnings will start on February 2022 • Followed by specific engagement activities for all learners • Leader’s Digest have been released and updated on the site gaining traction and positive responses from DU takers

SOCIAL

EMPLOYEE TRAINING

NAO COMPLIANCE 2021



Row Labels	Count of NAME
HEADQUARTERS	**115**
COMPLIANCE	1
CORPORATE AUDIT	6
CORPORATE PLANNING	10
FINANCE	35
FOUNDATION	1
GLOBAL MARKETING	31
HUMAN CAPITAL SUCCESS AND SERVICES	26
INFORMATION TECHNOLOGY	5
STRATEGIC BUSINESS UNIT	**440**
CORPORATE SALES	6
INTERNATIONAL SALES AND OPERATIONS	16
PHILIPPINES BRANCH OPERATIONS	418
STRATEGIC DIVISION	**278**
DOMESTIC OPERATIONS AND SUPPORT (CORPORATE OPERATIONS)	38
DOMESTIC OPERATIONS AND SUPPORT (SYSTEMS)	235
SUPPLY CHAIN MANAGEMENT	5
Grand Total	**833**

NCR	VIS	MIN	NL	SL
ASSOCIATE: 170 SUPERVISOR: 112 MIDDLE MANAGEMENT: 12	ASSOCIATE: 92 SUPERVISOR: 62 MIDDLE MANAGEMENT: 2	ASSOCIATE: 95 SUPERVISOR: 56 MIDDLE MANAGEMENT: 1	ASSOCIATE: 37 SUPERVISOR: 21 MIDDLE MANAGEMENT: 2	ASSOCIATE: 104 SUPERVISOR: 45 MIDDLE MANAGEMENT: 4

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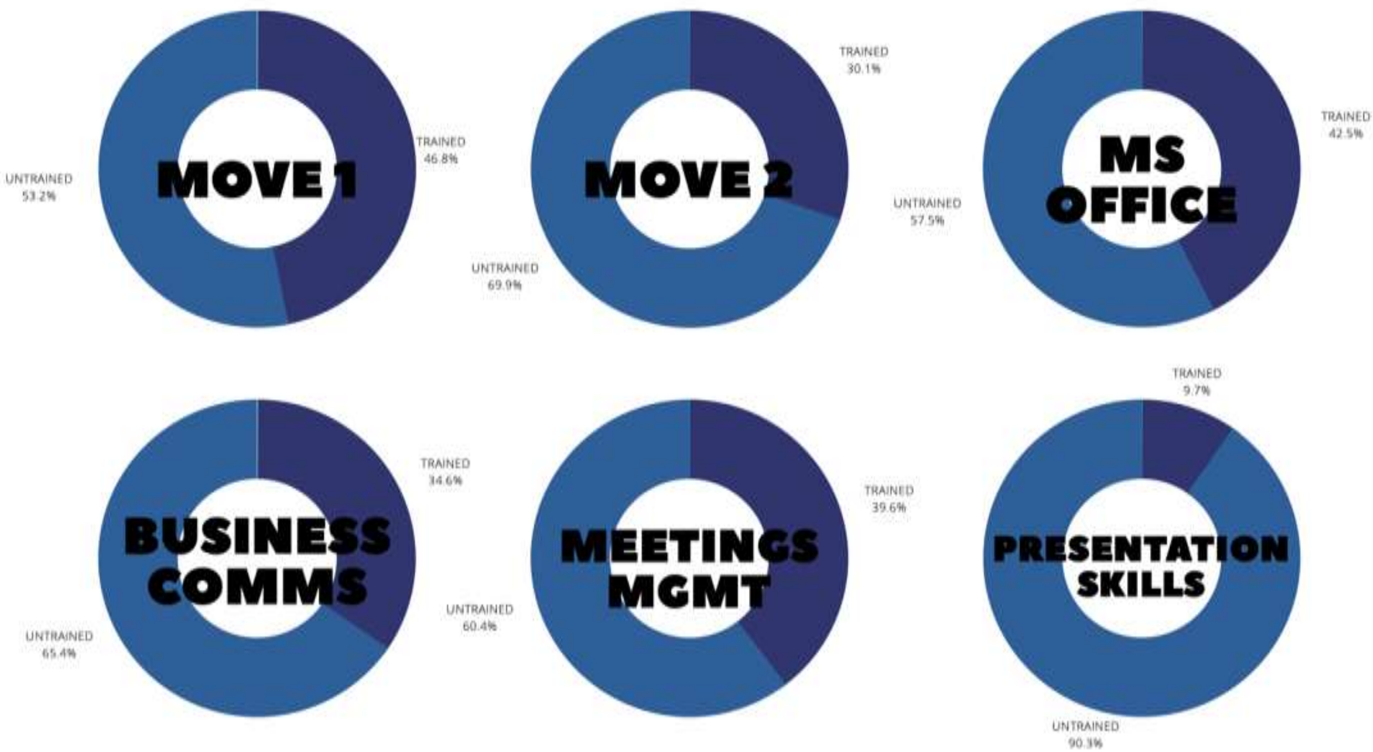
EMPLOYEE TRAINING

CDSP COMPLIANCE 2021



3.80
OVERALL TRAINING EVALUATION FOR 2021
Source: Participant Feedback Form

3.81
OVERALL PROGRAM RATING

3.9
OVERALL TRAINER RATING

SOCIAL

EMPLOYEE TRAINING

WHERE LEARNERS SEE CONTENT

Notification	32.81%
Related Content	18.30%
Search	18.07%
Feed	17.91%
Explore	6.81%
Campaign	5.71%
Linked Content	0.40%

LBC Ka-LBC DIGITAL UNIVERSITY

953+

Available Learning Materials

ap anders pink

getabstract

81%

COVERAGE
683 ACTIVATED ACCOUNTS OUT OF 850

2891

TOTAL VIEWS

SOCIAL

EMPLOYEE TRAINING

SOCIAL

EMPLOYEE TRAINING

SOCIAL

EMPLOYEE ENGAGEMENT

	ENGAGEMENT 2021	UPDATE
1	Monthly Online Activities/ Chill-Out Thursday	• All online activities done (New Year, New Normal, Same Fun, Kilig Delivery, Stress Free Ka-LBC, Mother Knows Best, DADicated to you, Bestie Ko Sa LBC, #Proud Ka-LBC Challenge, LBC sPETacular Selfie, Online Halloween Costume Contest) • All virtual activities done (Self-Healing Yoga and Meditation, Move It, Shake It Sweat It-Fitness Program, LBC Sing Galing Videoke Challenge)
2	Livelihood Programs for Employee's Dependents	• 127 registrants attended the first run: Milk Tea Workshop, Candle Making, Dishwashing Soap Workshop, Virtual Assistant, Social Media 101: How to Market Online, Online freelancing • 130 registrants attended the second run: Alternative Farming, Food Tray Business, Mutual Fund, Finance Talks, Fruit Smoothie Workshop, Cookie Business, Kimchi and Kimbap Workshop, Coffee Workshop
3	Global Movers Awards	• Unboxing event: Dispatched 97 surprise boxes • Cash credited to all winners • GMA Post Video released
4	"BakUNA sa Lahat" Vaccine Campaign	• Vaccination Survey & Sign-Up • Vaccine awareness released via eNews, LBC Express, Inc. Facebook page, Ka-LBC Movers FB Page, & Townhalls/Webinars, Vaccine Awareness videos from DOH • Poster statements encouraging vaccination from LBC Leaders
5	LBC Books (2)	• Book 1: COVID-19: The LBC Story • Book 2: The COVID Effect: Tales of Heroism • For approval/publishing • Copyrighted c/o the National Library dated November 2021

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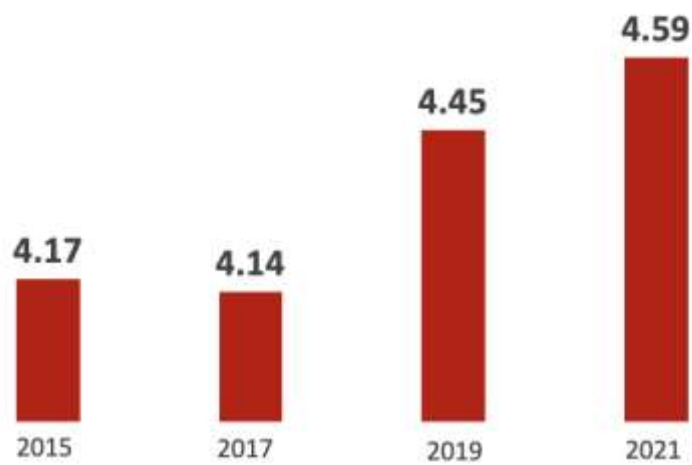
EMPLOYEE ENGAGEMENT

ORG-WIDE ENGAGEMENT SCORE remains high at 4.59, which had an increase compared to the previous years.



How happy are you with LBC as a place to work?

91% Happy

8% Neither Happy nor Unhappy

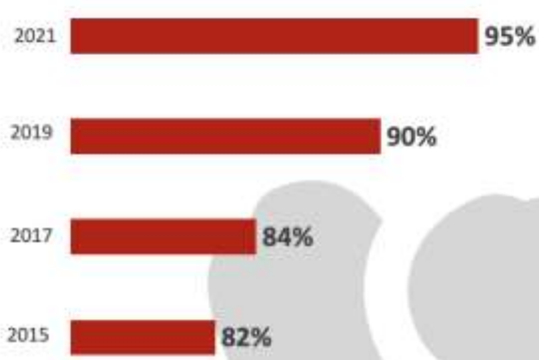
1% Unhappy

SOCIAL

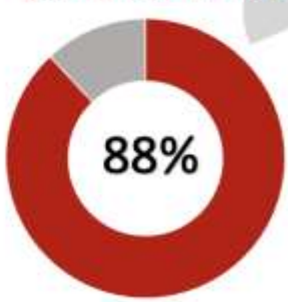
EMPLOYEE ENGAGEMENT

Engagement

SATISFACTION SCORE also remains high at 95%, with an increase of 5% from 2019 score.



How likely are you to recommend LBC to your family and friends as a good place to work in?



Net Promoter Score (NPS) is percentage of promoters minus the percentage of detractors. The Net Promoter Score measures how employees are actively willing to promote LBC as an employer.

Engagement Driver	2015	2017	2019
Expectations	4.50	4.43	4.65
Opportunity to Do Best	4.42	4.36	4.60
Mission/Purpose	4.33	4.25	4.55
Materials & Equipment	4.21	4.26	4.48
Care About Me	4.19	4.17	4.47
Commitment to Quality	4.20	4.17	4.45
Opportunity to Grow	4.21	4.16	4.45
Development	4.14	4.10	4.44
Opinions Count	4.06	4.02	4.45
Best Friend	4.26	4.22	4.38
Progress	3.83	3.90	4.27
Recognition	3.65	3.69	4.19

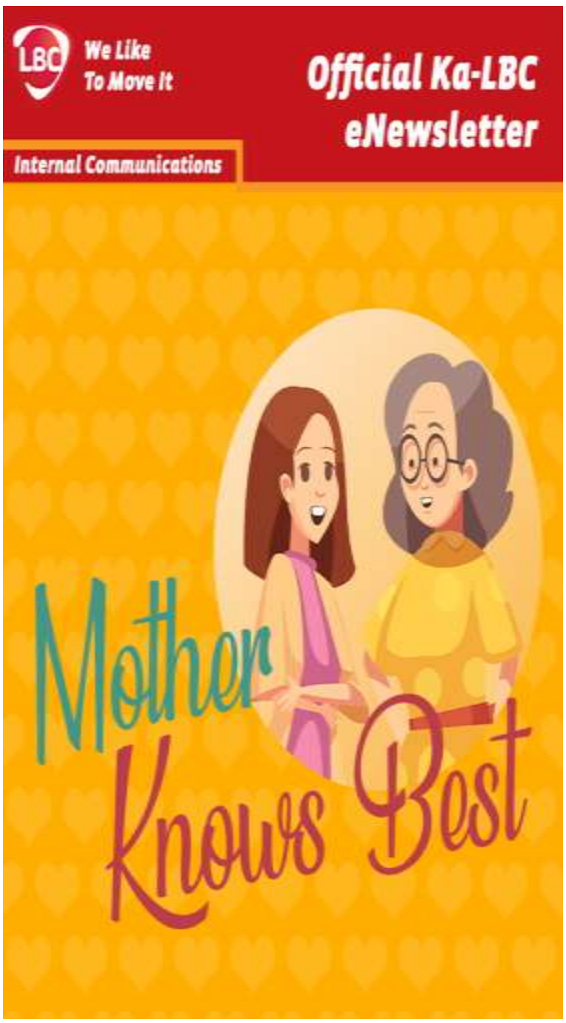
- All Engagement Drivers have shown an increase compared to previous years.
- Top Drivers in the organization are as follows:
  - Expectations
  - Opportunity To Do Best
  - Mission/Purpose
- Bottom Drivers are:
  - Best Friend
  - Progress
  - Recognition
- Recognition and Progress have been consistently at the bottom since 2015.

SOCIAL

EMPLOYEE ENGAGEMENT

SOCIAL

EMPLOYEE ENGAGEMENT



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EMPLOYEE ENGAGEMENT

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EMPLOYEE ENGAGEMENT

Global Movers Award 2021

EMPLOYEE ENGAGEMENT

Global Movers Award 2021

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Global Movers Award 2021

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EMPLOYEE ENGAGEMENT

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EMPLOYEE ENGAGEMENT

Ka-LBC Livelihood Program for Employees' Dependents

Our Engagement Team has embarked on the first-ever online Livelihood Program for Employees' Dependents during the second quarter of this year, 2021. Though this has been part of previous Engagement programs being run as face-to-face sessions, the pandemic did not stop LBC from reaching out to LBC's dependents and doing these helpful initiatives, but this time through online means.

The Ka-LBC Livelihood program is a continuing program under HR Engagement's ENJOY initiative, which focuses on three of the four pillars:Family/Health/Money/Me.

This program aired last August and was viewed 283 times on Ka-LBC Mover's Facebook page is an initiative that endeavours to augment the household income of the LBC employee. By providing these sessions to LBC's dependents, the LBC employees' household has the potential to increase their income by learning with the help of our livelihood workshops, simple business ideas and entrepreneurship basics. They are provided with helpful information and tips to venture and put up a small business.

The entire program was packed with five workshops in a pre-recorded session and with a live Q&A portion at the end. Our Talent Engagement Associate, Luis Mendoza, talked on "The Basics of Entrepreneurship" and "How to Apply your Online Business in BIR" and shared some online business ideas.

The workshops circled on food and other online business trends that emerged during the varied quarantines, like baked sushi or more famously known as sushi-bake, milk tea, candle-making, and DIY dishwashing liquid soaps. Work-from-home jobs have been the new everyday life during the pandemic, so we invited champions in the field of online teaching, virtual assistance, and digital advertising.

Our speakers shared their experiences, knowledge and even shared video demonstrations and tips so that our employees' dependents may learn and may want to consider this flexible and increasingly in-demand jobs this pandemic.

provided their time, expertise and experience and a bit more of what they shared.

Mayi Foronda

Mayi Foronda is the owner of Beneseree, an online store that sells scented candles. During the Livelihood Program, she showed the step-by-step procedure of making aromatic candles.

Joemhel Rocillosa

Joemhel Rocillosa is a repatriated overseas Filipino who presented the process of making dishwashing liquid. This is a good idea if you want to start a simple business where you can earn twice the amount of your capital spending.

Jonah Mendoza

Jonah Mendoza, the owner of Athena's treats, is a young entrepreneur selling flavoured yogurt and cookies online and was also invited to talk. She inspired attendees to be sell goods online.

Engr. Mary De Guzman

In today's world, online Tutoring is the way to go. Our speaker, Engr. Guzman, a dedicated technical consultant and a part-time online tutor, shared the benefits of earning through being an academic online tutor.

Maxine Catubigan

Another in-demand job this pandemic is online freelancing, and our Ka-LBC dependents learned a lot from Maxine Catubigan, a freelance expert for 14 years. She shared her knowledge and expertise in SEO, UI and UX Design, graphic design, video editing, data analytics, and content management.

Princess Daquigan

Having eight years of professional experience in the media industry and digital media, Princess gave a fun talk about Digital Advertising and Branding.

We thank all the speakers and dependents who joined our Ka-LBC Livelihood Program last June. Join us again next time, Ka-LBC, and ensure to have your dependent register next time to help the household start their own business, sustain their business, and further provide for YOUR family's needs Ka-LBC.

SOCIAL

EMPLOYEE ENGAGEMENT

We have successfully hosted the Livelihood Program for Dependents Webinar in 4 sessions last June 29 and June 30 .

127 registrants attended the webinar. The recorded videos were seen/watched 283 times.

Lucky 20 winners won the games.

We have successfully hosted the second run of our Livelihood Program Webinar for Dependents in 3 sessions last October 5 and 6.

We have 130 total number of registrants and 327 total views for the entire program.

Below is the breakdown of the registrants:

October 5 AM and PM		
Business Unit	Department/Unit	No. of registrants
Strategic Division	Corporate Operations	1
	Systems	10
Startegic Business Unit	Philippines	6
	Corporate Sales	1
Headquarters	HCSS	39
	Finance	7
	IT	1
	Global Marketing	3
TOTAL		67

October 6 AM		
Business Unit	Department/Unit	No. of registrants
Strategic Division	Corporate Operations	4
	Systems	3
Startegic Business Unit	Philippines	6
	Corporate Sales	1
Headquarters	HCSS	36
	Finance	7
	IT	1
	Global Marketing	2
	CAD	3
TOTAL		63

LIVELIHOOD PROGRAM		
Date	Registered	Attended
Oct 5 AM	67	96
Oct 5 PM	67	112
Oct 6 PM	63	119
TOTAL	197	327

SOCIAL

Relationship with Community
Significant Impacts on Local Communities

LBC FOUNDATION

MOVE IT FORWARD

134,267 beneficiaries – Long-term

84,712 beneficiaries – Short-term

8 classrooms donated

720 teachers trained

299 scholars

21 medical assistance

SOCIAL

CSR & Volunteer activities

11 volunteer activities nationwide

86 unique volunteers

45 communities served

1,475 families served

1,074 native trees planted in Borbon, Cebu

5 farmers were given livelihood

SOCIAL

In-kind donations

344 boxes donated

116 communities served

10,300 families served

5,096 students served

5,600 parents & teachers served

320 persons served

50 kids served

SOCIAL

Move It Forward

1,279 boxes shipping sponsorship

19 NGO's served

376 communities served

28,715 students served

2,700 families served

1,000 persons served

51 teachers served

11,500 parents served

500 kids served

SOCIAL

Disaster Relief

- 2,196 boxes shipping sponsorship
- 17 NGO served
- 15 LGU served
- 241 communities served
- 5,622 families served
- 12,500 persons served
- 3,100 doctors and nurses served

LBC FOUNDATION
MOVE IT FORWARD

EDUCATION PROGRAM SUMMARY

Infrastructure Building

8 classrooms donated

10,000 students served

4 communities served

Scholarship Grants

12 communities served

122 students served

7	Elementary
66	Junior High School
28	Senior High School
21	College

LBC FOUNDATION
MOVE IT FORWARD

EDUCATION PROGRAM SUMMARY

Assistance for Rescued Children & Women

156 students served

5 communities served

Complementary Support

87,269 students served

76 communities served

Assitance for Blended Learning

36,000 students served

720 teachers served

30 communities served

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL

One-Storey Two-Classroom Budling in Magsaysay National High School-Bamban Ext., Occidental Mindoro

LBC Foundation was able to donate a one-storey two-classroom building in 19th school **Magsaysay National High School-Bamban Extension i**n Magsaysay, Occidental Mindoro last **February 16, 2021.**

This is the 38th & 39th classroom donated by LBC Foundation in partnership with Philam Foundation.

A total of **2,500 students** benefited.

LBC FOUNDATION MOVE IT FORWARD

SOCIAL

One-Storey Two-Classroom Budling in
Lada Elementary School, Brooke’s Point, Palawan

LBC Foundation was able to donate a one-storey two-classroom building in **20th** school the **Lada Elementary School** in Brooke’s Point, Palawan last **April 22, 2021.** This is the **40th** & **41st** classroom donated by LBC Foundation in partnership with Philam Foundation. A total of **2,500 students** benefited.

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL

One-Storey Two-Classroom Budling in Sapang Tagalog Elementary School, Tarlac City

LBC Foundation was able to donate a one-storey two-classroom building in **21st** school the **Sapang Tagalog Elementary School** in Balaoan, La Union last **May 21, 2021.**

This is the 42nd & 43rd classroom donated with Philam Foundation. A total of **2,500 students** benefited.

FOUNDATION

MOVE IT FORWARD

SOCIAL

One-Storey Two-Classroom Budling in Bote Intgrated School, Bato, Catanduanes

LBC Foundation donated the One-storey two-Classroom building in Bato Integrated last **July 31, 2017**, which is our pilot project of LBC Foundation and Philam Foundation.

The classrooms were sits on top of a hill in the highest elevation of the school and facing the Pacific Ocean that's why during typhoon Rolly the wind surpassed the building design.

Last **September 20, 2021**, LBC Foundation turnover a one-storey two classrooms building to **Bote Integrated School** in **Bato, Catanduanes**.

Bote Integrated School is the **22nd** school we assisted thru our Infrastructure project where **2,500 students** benefited.

SOCIAL

Map of LBC Foundation Infrastructure project with:

RED- Philam Foundation
GREEN– Hope for All Foundation
BLUE- Generation Hope

As of December 2021,

22 schools served
45 classrooms donated

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL

Child Sponsorship Program
World Vision

1. For 2021-2022, LBC Foundation has remained **45 sponsored children** through World Vision. ***(See Figure1)*** Through this support the children are not only able to continue going to school but have access to nutritious food, clean water & health care.

Figure 1	
Area Development Program	**Total**
Manila Sponsorship Management Project (BASECO)	11
Aklan	4
SMP Negros Occidental	3
Himaya II Development Project	10
North Cebu	8
UDP Malabon	6
Leyte 2	3
TOTAL	**45**

2. Of the 45 sponsor children, **14 children or 18%** were **Senior High School.** ***(See Figure2)***

Figure 2		
School Level	**Total**	**%**
Grade 12	10	22%
Grade 11	8	18%
Grade 10	14	31%
Grade 9	11	24%
Grade 8	2	5%
Grand Total	**45**	**100 %**

3. Ten (10) children are expected to graduate this August 2022 so they will be dropped from the program: ***(See Figure3)***

Figure 3	
Reason	**No. of Children**
Graduated	10
Dropped	0
Self-supporting	0
NOTE: **TOTAL**	**10**

Dropped- children were dropped because their house was relocated.
Self-supporting- children family or community was removed to the program because they are already self supporting

4. So for the incoming **SY 2022-2023** there will be **35** remaining **sponsored children.**

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL

Community Education and Mentoring Program
Upskills+ Foundation

For SY 2021-2022, LBC Foundation is able to sponsor **45 students**. Breakdown as follows: ***(See Figure 1)***

Figure 1- LBC Scholar

School Level	Total	%
Grade 7	6	13%
Grade 8	1	2%
Grade 9	5	11%
Grade 10	2	4%
Grade 11	4	9%
Grade 12	6	13%
1st Year	6	13%
2nd Year	9	20%
3rd Year	6	13%
TOTAL	**45**	**100 %**

One (1) of the scholar graduated as Dean's lister with a degree in **BS Electronics Engineering.**

Eight (8) of the College scholar received Academic awards for SY 2021-2022 first semester.

Five (5) of the Senior High School scholar were with honors.

For ALS classes, a total of **32 students** were served. Breakdown as follows: ***(See Figure 2)***

Figure 2- ALS student

School Level	Total
Junior High School	25
Elementary	7
TOTAL	32

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL

Kalipay and LBC Foundation Bringing Joy through Education Project
Kalipay Negrense Foundation, Inc.

LBC Foundation provides monetary assistance to cover the following:

a. Salaries and Allowances of 8 teachers
b. Learning materials of 96 children such as modules, school supplies, uniforms, Shoes, and Socks

At present, Kalipay has **96 rescued children** in both shelters. Recovered Treasures houses 65 children and they go to school at Kalipay Learning Center.

Breakdown of Kalipay Children

Kalipay Preschool- Elementary	
School Level	**Total**
DepEd SPED	5
SPED KLC Program	1
SPED Preschool	3
Preschool	8
YS 1	7
YS 2	8
YS 4	16
YS 5	4
YS 6	6

Kalipay Junior HS	
School Level	**Total**
YS 7	5
YS 8	4
YS 9	6
YS 10	3
Kalipay Senior HS	
YS 11	2
TOTAL	**96**

SOCIAL

Education Support to Girl Survivors of Sexual Abuse during COVID-19 Pandemic
Cameleon Association

LBC Foundation provides monetary assistance to cover the following:

a. Salaries and Allowances for the Tutorial, Transportation and Food Allowance, of 5 teachers
b. Purchase of Equipment and Furniture

At present, Cameleon has **60 rescued women** in Passi shelters.

Adopt A School Program – Printing of Modules
Department of Education

Last **April** and **May 2021** LBC Foundation support the **Department of Education** for the **Adopt-A-School – Printing project** by donating printed modules to the learners of **twenty-two (22) school** divisions nationwide.

A total of **76,738** modules were donated.

Schools Division beneficiaries:

Luzon

Province	Donated Modules
1. Benguet	2,945
2. Tabuk	3,000
3. Mt. Province	3,000
4. Kalinga	4,778

Visayas

Province	Donated Modules
5. Sipalay	3,800
6. Antique	3,500
7. Iloilo Province	3,685
8. Himamaylan	4,750
9. Escalante	4,200
10. Siquijor	3,064
11. Bogo	4,458
12. Carcar	6,000

Mindanao

Province	Donated Modules
13. Dapitan	4,000
14. Dipolog	4,000
15. ComVal	2,500
16. Panabo	3,363
17. Tagum	2,880
18. Samal Island	2,315
19. Surigao City	4,000
20. Sur del Norte	2,500
21. Sur del Sur	4,000

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL

Turn-over of Module to Escalante

Turn-over of Module to Carcar

Turn-over of Module to Dapitan

Turn-over of Module to Bogo City

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL

Tatler's Tablet with Access Project
Ayala Foundation

Last **January** and **July 2021** LBC Foundation support the **Tatler's Tablet with Access Project.**

The **Tablets with Access** Project has supported AFI in its goal of helping provide students with the necessary tools to continue their education through distance learning during the pandemic.

A total of **531** beneficiaries.

Breakdown of beneficiaries:

Province	Donated Tablets
Manila	28
CALABARZON	82
MIMAROPA	186
VISAYAS	105
MINDANAO	130
TOTAL	531

CENTEX Manila turnover

CENTEX Batangas turnover

Manlag National High School, El Nido Palawan turnover

SOCIAL

Brigada Eskwela - Brigada Pagbasa Project
Department Education

Last **October 2021** LBC Foundation supported the Department of Education Printing Project.

The Printing Project intentionally target and reach children in need of the printed worksheets provided by the Brigada Pagbasa Project

A total of **20 schools** and **10,000 learner's** beneficiaries nationwide.

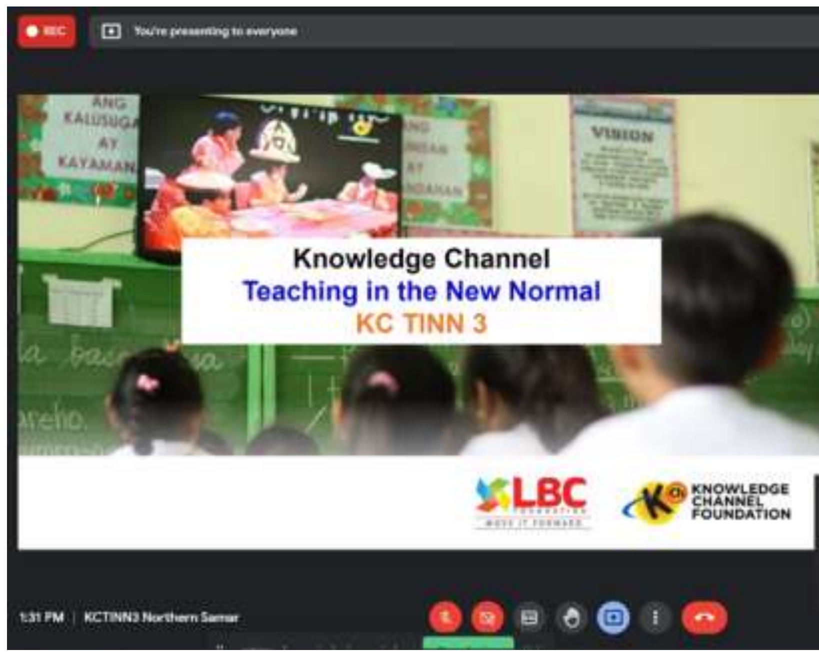
Breakdown of beneficiaries:

Area	Units of Module
Tarlac	1000
Pangasinan	500
Laguna	500
Quezon	1500
Occidental Mindoro	1000
Siquijor	500
Davao City	500
Camiguin	**500**
General Santos	500
Saranggani	500
Siargao	500
Dinagat	500
Surigao City	500
Surigao del Norte	500
Surigao del Sur	500

Photo taken during receipt of Brigada Pagabsa module in Gumaca East Central School

SOCIAL

Teaching in the New Normal Training for Teachers
Knowledge Channel Foundation



LBC Foundation in partnership with Knowledge Channel held a three-day online training for teachers and principals, with synchronous sessions in the morning using google apps, and asynchronous sessions in the afternoon using Facebook messenger.

Participant schools taking the program received a Knowledge Channel's Portable Media Library of more than **1,500** video lessons, educational games, and other learning resources.
Objectives:

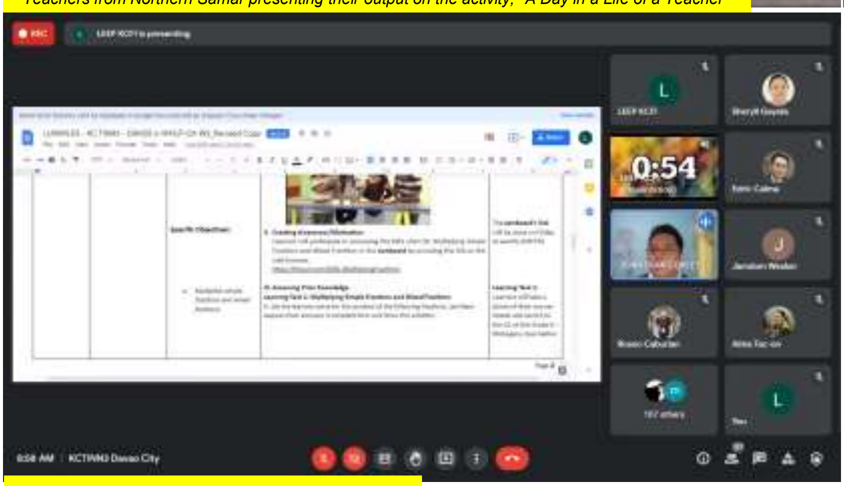
1. Identify and contextualize distance learning pedagogies that teachers.
2. Plan the use and integration of Knowledge Channel's multimedia learning resources into self-learning modules and weekly home learning plans might have been known but may not have fully practiced

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL

Teachers from Northern Samar presenting their output on the activity, "A Day in a Life of a Teacher"

Day 2 DepEd Quirino teachers preparing their WHLPs



Day 3 Presentation of the WHLP of SDO Davao City

Beneficiaries Details

School Divisions	Areas	Princip al	Teache rs
1. DepEd Northern Samar	Bobon Northern Samar	8	120
2. DepEd Quirino-	Diffun II Quirino	8	120
3, DepEd Tarlac	Camiling East Tarlac	8	120
4. DepEd Marawi City-	Angoyao Marawi City	8	120
5. DepEd Davao City-	Tugbok Davao City	8	120
6. DepEd Catanduanes	Bato East Catanduanes	8	120

A total of **6** school divisions, **48** schools, **720** teachers, **36,000** students benefitted.

LBC FOUNDATION
MOVE IT FORWARD

EMPLOYEE WELFARE PROGRAM SUMMARY

Medical Assistance

21 employees and dependents served
(Medical Assistance)

Scholarship Program

21 employees dependent served
(Scholarship Program)

Volunteer Program

86 Total volunteers

86 unique volunteers

11 CSR activities

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL

Medical Assistance

LBC Foundation offers medical assistance to LBC employees & their dependents who are in need of financial assistance for hospitalization expense.

Category type	Amount
ACCIDENT IN LINE OF DUTY	50,000
DREADED DISEASE	50,000
ACUTE ILLNESS	25,000

For the year 2021, **26 employees and dependents** were helped by LBC Foundation.

Category type	Count
Dreaded	12
Acute Illness	14

Membership type	Count
Employee	11
Dependent	15

Total amount used for medical assistance is **P747,702.68**

SOCIAL

Scholarship Program

For **SY 2020-2021**, LBC provides scholarship grants to **21 scholars.**

YEAR LEVEL	# OF SCHOLAR
1st year	8
2nd year	2
3rd year	5
4th year	6
TOTAL	**21**

AREA	# OF SCHOLAR
LUZON	0
VISAYAS	2
MINDANAO	11
NCR	8
TOTAL	**16**

As of December 2020, amount used is P **1,411,187.63**

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL / ENVIRONMENTAL

LBC BIODIVERSITY CHAMPION CHALLENGE

October 1 to December 31, 2021

The Project aims to improve biodiversity by engaging LBC's employees to plant more trees through monthly giving by salary deduction.

The total collected amount from employees pledged was doubled by LBC Foundation to purchase seedlings of native trees and to provide a livelihood to farmers

54 unique volunteers
Who signed up for Monetary Pledge

1,074 native trees planted in Borbon, Cebu

53,700 total pledge
LBCF donated the same amount which result for **107,400**

5 farmers were given livelihood

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL

Let’s Move Christmas - Lil Brave Heart

LBC Foundation distributed the Noche Buena package to 150 parents of children with down syndrome in Taguig

Date	**December 10, 2021**
Beneficiary/ies	150 families
Project areas	Bagumbayan, Taguig City

Distribution of Noche Buena package to Lil’ Brave Heart last Dec. 10, 2021.

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL

Let’s Move Christmas - Kagabay Foundation

LBC Foundation distributed the Noche Buena package to 100 parents in adopted community in Barangay Dela Paz, Antipolo, Rizal

Date	**December 13, 2021**
Beneficiary/ies	100 families
Project areas	Antipolo, Rizal

Distribution of Noche Buena package to Kagabay last Dec. 13, 2021.

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL

Let's Move Christmas - Church of Christ

LBC Foundation distributed the Noche Buena package to 150 families in Church of Christ adopted community in Barangay Catakte, Bustos, Bulacan

Date	**December 9, 2021**
Beneficiary/ies	150 families
Project areas	Bustos, Bulacan

Distribution of Noche Buena package to Church of Christ, Bustos Bulacan last Dec. 9, 2021

SOCIAL

Let’s Move Christmas - Church of Christ

LBC Foundation distributed the Noche Buena package to 150 families in Church of Christ adopted community in Project 7, Quezon City

Date	**December 9, 2021**
Beneficiary/ies	150 families
Project areas	Project 7, Quezon City

Distribution of Noche Buena package to Church of Christ Porject 7, Quezon City last Dec. 9, 2021.

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL

Let’s Move Christmas - Church of Christ

LBC Foundation distributed the Noche Buena package to 150 families in Church of Christ adopted community in San Jose, Montalban, Rizal

Date	December 13, 2021
Beneficiary/ies	150 families
Project areas	Montalban Rizal

Distribution of Noche Buena package to Church of Christ Montalban, Rizalast Dec. 13, 2021.

Let’s Move Christmas - Move.Org Foundation

LBC Foundation distributed the Noche Buena package to 100 families in LBC Foundation adopted community in, MovEd Academy, Tanza, Navotas City

Date	December 10, 2021
Beneficiary/ies	100 families
Project areas	Tanza, Navotas City



Distribution of Noche Buena package to MovEd Academy Dec. 10, 2021.

SOCIAL

Let’s Move Christmas - Donum Dei Society

Date	December 10, 2021
Beneficiary/ies	100 families
Project areas	Paco, Manila

LBC Foundation distributed the Noche Buena packages to 100 families in Donum Dei adopted community Barangay in San Roque, Banana 1, Banana 2, Santiangco and Quirino, Paco, Manila

Distribution of Noche Buena package to Donum Dei Society last Dec. 10, 2021.

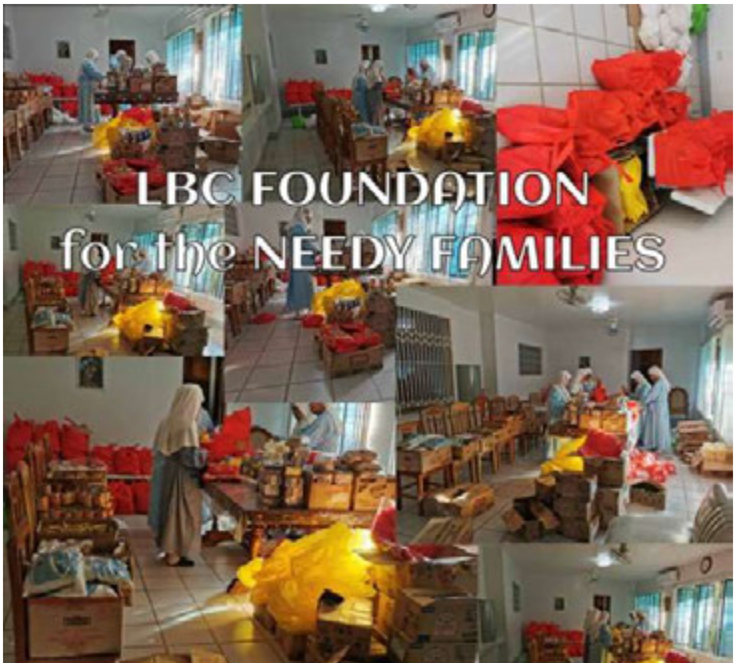
LBC FOUNDATION
MOVE IT FORWARD

SOCIAL

Let's Move Christmas - Monastery of the Holy Spirit

LBC Foundation distributed the Noche Buena package to 100 families in communities of Monastery of the Holy Spirit in Tagbilaran, Bohol

Date	**December 8, 2021**
Beneficiary/ies	100 families
Project areas	Ubujan, Tagbilaran, Bhol



Distribution of Noche Buena package to Monastery of the Holy Spirit last December 8, 2021

SOCIAL

Let’s Move Christmas - St. Mary Magdalene Parish

LBC Foundation distributed the Noche Buena package to 150 families in communities of St. Mary Magdalene Parish in Poblacion South, Lagwe, Ifugao

Date	**December 11, 2021**
Beneficiary/ies	150 families
Project areas	Poblacion South, Lagawe, Ifugao

Distribution of Noche Buena package to St. Mary Magdalene Parish in Lagawe,Ifugao last December 11, 2021

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL

Let’s Move Christmas - Aeta Community in San Clemente

LBC Foundation distributed the Noche Buena package to 100 families in communities of Monastery of the Holy Spirit in Tagbilaran, Bohol

Date	**December 15, 2021**
Beneficiary/ies	325 families, 150 children
Project areas	Brgy. Maasin, San Clemente, Tarlac
No. of Volunteers	32 volunteers participated

Distribution of Noche Buena package to Aetas Community in Tarlac last December 15, 2021

LBC FOUNDATION
MOVE IT FORWARD

SPECIAL PROGRAMS SUMMARY

Move It Forward

- 1,279 boxes shipping sponsorship
- 19 NGOs served
- 376 communities served

Disaster Relief and Recovery Assistance

Disposal Donation

Spreading Joy

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL

Department of Education

LBC Foundation provided 100,000 worth of Shipping sponsorship to the Department of Education to send their donation for blended learning to different areas.

A total of **350 transactions** were made to ship out their donations like tablets, laptops, am radio, modules, printers, cellphone, wifi, modem, routers, etc. bound to different school beneficiaries nationwide.

Donation tablet, laptop and wifi access for Blended Learning

A total of 17,500 students benefited

SOCIAL

One Million Lights Foundation

LBC Foundation provided Shipping sponsorship for One Million Lights Foundation to send solar lamps for distribution for 300 families of El Nido, Palawan

Manlag National High School, El Nido Palawan turnover

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL

Bagong Sikat Integrated School

LBC Foundation sponsored shipping of 4,400 textbooks and workbooks from Don Bosco Press bound to Bagong Sikat Integrated School in San Jose City, Nueva Ecija.

A total of **4,400 learners** beneficiaries.

Republic of the Philippines
Department of Education
REGION III-CENTRAL LUZON
SCHOOLS DIVISION OF SAN JOSE CITY

DEED OF DONATION

KNOW ALL MEN BY THESE PRESENTS:

This Deed of Donation made and executed by

The **LBC Hari ng Padala Foundation, Inc.** herein represented by Ms. **CHRISTINE L. WUTHRICH,** with office address at General Aviation Center, Domestic Road, Pasay City, Philippines, hereinafter called the **DONOR**

\- In favor of -

The **DEPED SAN JOSE CITY - BAGONG SIKAT INTEGRATED SCHOOL,** herein represented by **OSCAR L. TAMBALQUE JR. OIC/HEAD TEACHER III,** with school address at **BAGONG SIKAT, SAN JOSE CITY,** hereinafter called the **DONEE**

WITNESSETH

That for and in consideration of a desire to contribute a share for the cause of the education of Filipino learners through the Adopt-a-School Program of the Department of Education, the **DONOR** has freely and voluntarily given, transferred and conveyed by way of donation to the **DONEE**, its successors and assigns free and clear of any and all liens and encumbrances whatsoever all its rights, interests and title on **MONETARY DONATION WORTH 10,000Php**

IN WITNESS WHEREOF, the **DONOR** has hereto subscribed herself/himself this _______ day of **SEPTEMBER** 2021.

CHRISTINE L. WUTHRICH
DONOR

DEED OF ACCEPTANCE

The DONEE, for and in behalf of the SCHOOLS DIVISION OF SAN JOSE CITY hereby accepts the donation from **LBC Hari ng Padala Foundation, Inc.** thru the Adopt-a-School Program, with the donation package composed of the following:

MONETARY DONATION WORTH 10,000Php

For and in behalf of the recipient schools, the DONEE expresses his most sincere appreciation for the benevolence shown by the DONOR.

In witness whereof, the DONEE has set his hands this **SEPTEMBER** _______, **2021** in **BAGONG SIKAT INTEGRATED SCHOOL.**

OSCAR L. TAMBALQUE JR.
DONEE

Donation tablet, laptop and wifi access for Blended Learning

FOUNDATION
MOVE IT FORWARD

SOCIAL

Ayala Foundation

Aside from donating Tablet with Access, LBC Foundation sponsor the shipping of tablet with access in Ayala Foundation **Tablet with Access Project beneficiaries.**

A total of **603** beneficiaries.

Breakdown of beneficiaries:

Province	Donated Tablet
Manila	28
CALABARZON	82
MIMAROPA	186
VISAYAS	105
MINDANAO	130
TOTAL	531

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL

World Vision Development Foundation

1. LBC Foundation sponsored shipping of 30 laptops for Malagtang Elementary School in Tambogon, Cebu.

A total of **30 teachers and 1,500 learners** benefited.

2. LBC Foundation sponsored shipping of 21 Bikes bound to Molinete Elementary School in Batangas.

A total of **21 teachers and 1,000 learners** benefited.

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL

Adarna Group Foundation

LBC Foundation sponsored shipping of Books and training materials to 23 last-mile schools nationwide for the preparation of the LBC Suporta Eskwela project in partnership with Adarna Foundation and AHA Learning Center.

A total of **11,500** parents benefited.

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL

Yellow Boat of Hope Foundation

LBC Foundation sponsored shipping of 26 boxes of cellphone and gadget donation of Yellow Boat of Hope Foundation to their communities in Bulacan, Sorsogon, Zambales, Samar, Romblon, Capiz, Roxas, Bohol, Cotobato, Zamboanga City, Zamboanga Sibugay, Zamboanga del Norte, and Basilan.

A total of **212 learners** benefited.

SOCIAL

Project Pearls

LBC Foundation sponsors shipping of **6 boxes** of children’s books, stationery, clothes, games, toys, and toiletries from the United Kingdom bound to Manila.

A total of **500 kids** benefited.

Photos of Project Pearls upon receipt of the donations came from donor in UK

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL

Library Renewal Partnerships

LBC Foundation provides shipping sponsorship to Library Renewal Partnerships from their donor in Hongkong bound to their warehouse in Manila Boat Club.

Date	No. of Boxes
June 30, 2021	2 balikbayan boxes
July 4, 2021	3 balikbayan boxes
July 19, 2021	1 balikbayan box
July 27, 2021	2 balikbayan boxes
August 12, 2021	1 balikbayan box
November 16, 2021	1 balikbayan box
TOTAL	**10 balikbayan boxes**

Monastery of the Holy Spirit

LBC Foundation provides shipping sponsorship to Monastery of the Holy Spirit from their donor in Italy bound to their monastery in Ubujan, Tagbilaran, Bojhol.

Date	No. of Boxes
March 2, 2021	2 balikbayan boxes
June 18, 2021	3 balikbayan boxes
October 11, 2021	3 balikbayan boxes
TOTAL	**8 balikbayan boxes**

SOCIAL

Friends of St. Mary Mackillop, Inc.

LBC Foundation assisted the Friends of Saint Mary Mackillop Inc. to send the desktops for our Indigenous children, Alangan-Mangyan Tribe in Baco Oriental Mindoro, Buhid-Mangyan in Bansud Oriental Mindoro and Subanen Tribe in Zamboanga Del Norte.


KATIBAYAN
NG PAGPAPAHALAGA

FRIENDS OF SAINT MARY MACKILLOP INC. FSMM

TAOS PUSONG IPINAGKAKALOOB NG
FRIENDS OF SAINT MARY MACKILLOP INC.
ANG SERTIPIKONG ITO SA

LBC FOUNDATION INC.

sa kanilang walang pag-iimbot na tulong at pag-suporta na maipadala ang siyam (9) na kompyuter para sa mga katutubong mag-aaral ng Zamboanga del Norte at Oriental Mindoro.

Ipinagkakaloob ngayong ika-28 ng Oktubre, taong 2021

"ALONE we can do so LITTLE but, TOGETHER we can do so MUCH."

Rev. Fr. Dean Klayford Bongat
Business Manager

Rev. Fr. Nady M. Meren, SThD
President

FOUNDATION
MOVE IT FORWARD

SOCIAL

Other Organizations - Domestic

- LBC Foundation provides 360 transactions of shipping sponsorship for the Association of Foundations.
- LBC Foundation sponsors shipping of raffle prizes bound to the member organization of the network. A total of 30 transactions nationwide.
- LBC Foundation sponsors shipping of 10 wheelchairs from Manila bound to the beneficiary community of Saripha-Aquil Women Development Foundation, Inc. in Marawi City last November 24, 2021..
- 6 boxes of Philam Foundations bound to Valugan Integrated School in Basco, Batanes were sponsored by LBC Foundation last January 12, 2021.
- LBC Foundation sponsored shipping of 10 boxes of books from Library Renewal in Manila Boat Club bound to Lanao Public Library (Provincial Library of the Provincial Government of Lanao del Sur)
- LBC Foundation sponsored the pick-up and delivery of donations of Ms. Liza Ilarde to public Arts schools adopted by Bikes for the Philippines last May 3, 2021.
- LBC Foundation sponsored shipping of donation items from Liza Ilarde bound to International Justice Mission, Inc. in Dinalupihan, Bataan last May 3, 2021.
- LBC Foundation sponsors shipping of 15 balikbayan boxes of donation items from Las Vegas USA bound to Dipolog City, Zamboanga del Norte and Camiling, Tarlac last December 21, 2021

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL

Disaster Relief

2,196 boxes shipping sponsorship

17 NGO served

15 LGU served

241 communities served

5,622 families served

12,500 persons served

3,100 doctors and nurses serve

SOCIAL

DISASTER RELIEF & RECOVERY ASSISTANCE

2,196 boxes shipping sponsorship

17 NGO served

15 LGU served

TYPHOON MARING
RELIEF OPERATION INITIATIVE

25 communities served

12,500 persons served

SOCIAL

TYPHOON MARING RELIEF ASSISTANCE IN ILOCOS SUR

LBC Foundation provides **58** balikbayan boxes of donation items like Beddings, Clothes, Food items, Food supplements, Toiletries, Shoes and bags, and food containers to affected families of Typhoon Maring in communities in **Candon, Ilocos Sur** last **October 27 & 28, 2021**

A total of **2,000** families benefited

Photos were taken during Donation Distribution in Candon, Ilocos Sur last October 28, 2021

SOCIAL

TYPHOON MARING RELIEF ASSISTANCE IN LA UNION

LBC Foundation provides **16** balikbayan boxes of donation items like Clothes, Shoes, and bags to affected families of Typhoon Maring in communities in **La Union** last **November 4, 2021**.

A total of 500 families benefited

Photos taken during Medical Mission in Silang, Cavite last January 22, 2020

LBC FOUNDATION
MOVE IT FORWARD

TYPHOON ODETTE
RELIEF OPERATION INITIATIVE

146 communities served

4,722 families served

SOCIAL

TYPHOON ODETTE MOVE IT FORWARD FOR LUCKY 8

Photos taken during the arrival of donations to Dumaguete

LBC Foundation assists in the delivery of relief for victims of Typhoon Odette in Dumaguete and Bais

A total of 1,500 families benefited.

LBC Foundation provided 10-wheeler worth of free shipping to Lucky 8 to send their received donations such as tents, solar kits and relief packs bound to Dumaguete. Last December 29, 2021, a total of 789 boxes were fulfilled to deliver. Donations moved by LBC Express from Manila were distributed to 8 barangays in Tayasan and Ayungon in Dumaguete.

Another batch was also given to Lucky 8 to move another 829 boxes of food items, water, solar lamps, and other donated items. Donations were distributed in Dansulan, Bais.

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL

TYPHOON ODETTE RELIEF ASSISTANCE IN PARTNERSHIP WITH HOPE WORLDWIDE PHILIPPINES

LBC Foundation together with Hope Worldwide Philippines sent 100 water filters for 600 families to Ormoc and Bohol

Photos taken during the arrival of water filters to Bohol

On December 29, 2021, LBC Foundation provides free shipping to send water filters of Hope Worldwide Philippines from Aklan, bound to affected areas in Ormoc and Bohol. The 100 water filters were successfully delivered. A total of 600 families was able to receive the said donations.

As part of their appreciation, Hope Worldwide Philippines donated 40 units of water filers to LBC Foundation. It was then donated to Rise Siargao, an implementing organization in Siargao. Water filters were distributed to 300 families in General Luna, Siargao to address the different diseases brought by lack of clean water.

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL

TYPHOON ODETTE RELIEF ASSISTANCE IN PARTNERSHIP WITH COURAGEOUS COMPASSION

LBC Foundation donated water filtration to Dinagat Island through Courageous Compassion that helped 500 families

Photos taken during the arrival of water filtration in Dinagat Island

In partnership with Courageous Compassion, an NGO working in Dinagat Island, LBC Foundation was able to send 34 units of Life Straw Family water filtration. This water filtration helped address the shortage of clean water in all the communities on the island.

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL

TYPHOON ODETTE RELIEF ASSISTANCE IN SIARGAO ISLAND

Photos taken during the arrival of water filtration in Dinagat Island

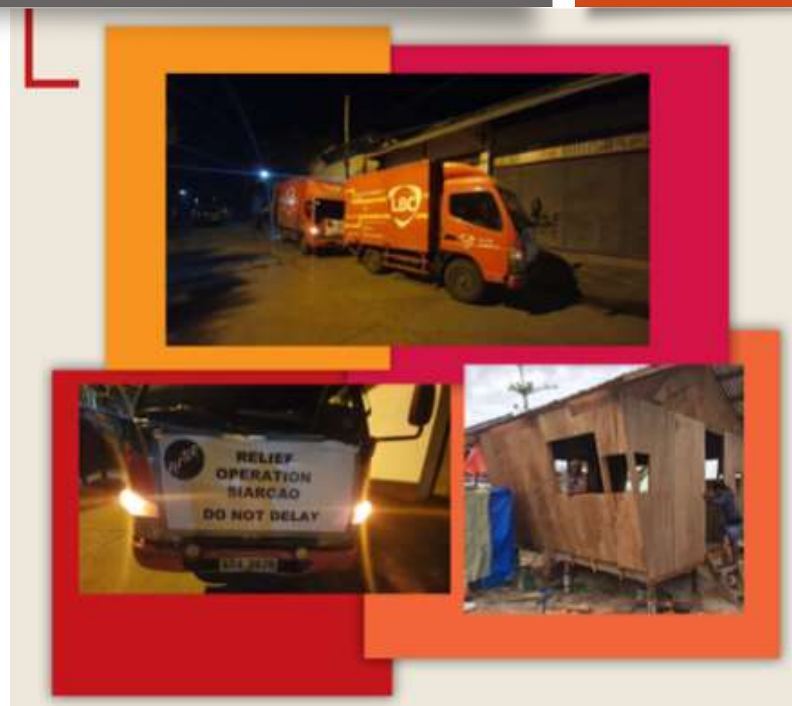
LBC Foundation donated relief packs to Siargao Island.

A total of 65 families benefited

With the help of the disaster response team High bound Mountaineering Club, LBC Foundation reached the municipality of Pilar in Siargao. A total of 65 relief packs were donated to distribute in unprivileged areas in Siargao.

SOCIAL

TYPHOON ODETTE MOVE IT FORWARD FOR RISE SIARGAO



LBC Foundation assists in the delivery of construction materials for 500 families in General Luna through its partnership with Rise Siargao.

Last January 11, 2022, LBC Foundation lent 2 units of 6-wheeler trucks to move roofs, cement, plywood, and other construction materials to be given by Rise Siargao, to 500 families in General Luna, Siargao. All construction materials were picked-up from Butuan, then traveled to Surigao port, trucks were loaded on the vessel to its destination in General Luna, Siargao.

LBC FOUNDATION

MOVE IT FORWARD

SOCIAL

RELIEF ASSISTANCE TO LBC EMPLOYEES

LBC Foundation relief assistance to LBC employees affected by Typhoon Odette

A total of 827 employees and their families benefited.

Photos taken during receipt of the donation to the affected areas.

LBC Foundation provided monetary and in-kind relief assistance to LBC employees affected by Typhoon Odette last December 22, 2021. In partnership with LBC HCSS department, donations were provided to 827 employees. Monetary assistance was given to employees through their payroll bank account. In-kind donations were distributed by HR Generalist with the assistance of Area Heads.

LBC FOUNDATION

MOVE IT FORWARD

SOCIAL

TYPHOON ODETTE RECOVERY ASSISTANCE

LBC Foundation provides further monetary assistance to help LBC employees rebuild their homes

A total of 737 families benefited

In partnership with LBC Express, LBC Foundation will provide monetar assistance to 737 employees whose houses were moderately anc severely damaged by Typhoon Odette. Said amount will be added tc LBC Express monetary assistance and will be a paid out to the employee's payroll bank account.

LBC FOUNDATION
MOVE IT FORWARD

COVID RELIEF OPERATION INITIATIVE

70 communities served

900 families served

3,100 frontlines served

SOCIAL

PROVIDE COVID ESSENTIALS TO DIFFERENT HOSPITALS

LBC Foundation donated 12 boxes of PPE, Surgical Gloves, N95 face masks, Medical Supplies, and a Thermal Scanner.

Photos taken during the delivery of PPEs to Corrompido Specialty Hospital in Leyte last March 30, 2021


Photos taken during the delivery of PPEs to Havilah Polymedic

Date	Hosptal Name	No. of Boxes	No. of Beneficiaries
March 30	Corrompido Specialty Hospital	1 box	500
April 8	Havilah Polymedic	1 box	500
April 28	Sogod Emergency Hospital	1 box	500
October 21	Adventist Medical Center	1 box	500

A total of **2,000 doctors** and **nurses** benefited.

SOCIAL

COVID PANDEMIC RELIEF ASSISTANCE TO CORON

LBC Foundation donated 80,000 financial assistance to support the Islas Calamianes Corporation Charity program in the Municipal Government of Coron. The monetary were used to purchase milk and food items that were distributed to families. Furthermore, some of the funds were used to gas and fuel expenses of the vehicle to cater to frontliners that will be assisting the communities in

A total of **200 families** benefitted.

PROVIDE FOOD PACKS THROUGH UPSKILLS+ FOUNDATION

LBC Foundation provides a monetary donation to **Upskills+ Foundation** to provide food packs to families in their communities in Tondo, Bulacan, Cavite, and Baguio. A total of **700 families** benefited.

SOCIAL

PROVIDE COVID ESSENTIALS TO DELOS SANTOS MEDICAL CENTER

LBC Foundation donated 11 boxes of PPE, Surgical Gloves, and N95 face masks last January 13 and January 20, 2021.

A total of **500 doctors** and **nurses** benefited.

PROVIDE COVID ESSENTIALS TO LUNG CENTER OF THE PHILIPPINES

LBC Foundation donated 12 boxes of PPE, Surgical Gloves, and N95 face masks last January 13 and January 20, 2021.

A total of **600 doctors** and **nurses** benefited.

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL / ENVIRONMENTAL (ZERO—WASTE)

DISPOSAL DONATION

FROM UNCLAIMED CARGO

344 boxes donated

116 communities served

Unclaimed Cargo

Disposed items from unclaimed cargo are sorted for sale and/or donation. Items such as electronics, appliances, house decor, some brand new clothes, shoes or bags are sold in bazaars to LBC employees to raise funds for LBC Foundation

Other items are donated to LBCF's NGO partners (next slide)

	International and North America	Domestic	Total
Received	197	10,569 parcels and kilo boxes	10,766
Repacked	106	456	562
Donated	89	255	344
Sold	2	20	22
For Donation	0	0	0
For Bazaar	15	181	196

•A total of **10,766** parcels, kilo boxes, and Balikbayan boxes were turned over to LBCF for disposal.

•As of 2021, LBCF raised a total of **P 746,857.00** from the sale of disposal items.

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL /
ENVIRONMENTAL (ZERO—WASTE)

Donations to Napilas Integrated School

LBC Foundation donated to the school as part of the support of the Foundation to the Brigada Eskwela program of DepEd

5 boxes of COVID Essentials and school supplies

Donations were distributed to **300 parents** last October 8, 2021

SOCIAL / ENVIRONMENTAL (ZERO—WASTE)

Donations to Napilas Integrated School

LBC Foundation donated to the school as part of the support of the Foundation to the Brigada Eskwela program of DepEd

9 boxes of clothes, bags, and shoes

Donations were distributed to **300 parents** last October 25, 2021

SOCIAL / ENVIRONMENTAL (ZERO—WASTE)

Donations in support to Brigada Eskwela of Department of Education

LBC Foundation donated in-kind COVID Essentials donations to selected schools nationwide. A total of 5,000 parents, teachers, school personnel as well as students benefited.

School Name	No. of Boxes	Items donated
Sampaloc Elementary School	3 boxes	Disposable Facemask, Washable Facemask, Face shield
Gumaca East Central School	4 boxes	Washable Facemask, School Supplies, Face shield
Macalelon Central School	4 boxes	Disposable Facemask, Washable Facemask, School Supplies
Bala Elementary School	4 boxes	Disposable Facemask, Washable Facemask, School Supplies
Camiling North Elementary School	4 boxes	Disposable Facemask, Washable Facemask, School Supplies
Maasim Central Elementary School	3 boxes	Disposable Facemask, Washable Facemask, School Supplies

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL / ENVIRONMENTAL (ZERO—WASTE)

Gumaca East Central School

Agusan Pequeno Ntional HS

San Francisco HS

SOCIAL / ENVIRONMENTAL (ZERO—WASTE)

Donations to Upskills+ Foundation

59 boxes of clothes, shoes, bags, food, medicine, toys and food container for their family beneficiaries in Tondo, Cavite, Bulacan and Baguio.

A total of **2,000 families** benefited.

Photo taken during one of the delivery of donation to Upskills+ Foundation in Tondo, Manila

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL / ENVIRONMENTAL (ZERO—WASTE)

Donations to Monastery of the Holy Spirit

18 boxes of clothes, shoes, bags, food, medicine, toys and food container for their family beneficiaries in Ubujan, Tagbilaran, Bohol

A total of **1,000 families** benefited.

Photo of donation bound to Monastery of the Hly Spirit in Tagbilaran, Bohol

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL / ENVIRONMENTAL (ZERO—WASTE)

Donations to Missionaries of the Poor

3 boxes of washable masks, assorted foods, and 3 sacks of Rice donated to abandoned children and elders. A total of 50 children and elders served.

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL / ENVIRONMENTAL (ZERO—WASTE)

Donations to Kagabay

21 boxes of assorted donation items, and washable masks for their communities in Antipolo, Quezon City, Paranaque, and Laguna. A total of **1,000 families** benefited.

Photos taken during fire in Paranaque where LBC donationwere distributed

LBC FOUNDATION

MOVE IT FORWARD

SOCIAL / ENVIRONMENTAL (ZERO—WASTE)

Donations to One Project Indigo

54 boxes of assorted clothes, shoes, bags, toys, and beddings donated to One Project Indigo through the effort of Ms. Ruby Santos. Donations were distributed to the indigenous community in Bukidnon and Cagayan de Oro. A total of **4,000 families** benefited.

Photo was taken during distribution of donations to IP communities in San Miguel, Maramag, Bukidnon, Oct. 27, 2021

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL / ENVIRONMENTAL (ZERO—WASTE)

Donations to Library Renewal Partnerships

- **42 boxes** of assorted books were donated to LRP last February 19, 2021 and November 6, 2021.
- Books donated will be used for the rebuilt library of LRP in areas affected by typhoon Odette.
- A total of **1,000 students** benefited.

Donations to Kalipay Negrense

- **21 boxes** of assorted clothes, shoes, beddings, toys, PPE and school supplies

Donations to Fr. Will Samson

- **51 boxes** of assorted COVID essentials, books, school supplies, toys, and foods for the adopted communities of the church in Tondo, Manila last April 27, 2021, and June 30, 2021.
- A total of **1,000 families** benefited.

LBC FOUNDATION
MOVE IT FORWARD

SOCIAL / ENVIRONMENTAL (ZERO—WASTE)

Donations to St. Peter the Apostles

- **4 boxes** of medicines, vitamins, and food supplements were donated to the church in support of their yearly medical mission activities in Bacolod Negros Occidental.
- A total of **300 persons** served.

Donations to House of Somang

- LBC Foundation donated medical equipment such as 1 pc of Wheelchairs,1 pc Commode, 2 pcs of Canes and medical supplies and 12 pcs Reading Glasses
- A total of **30 elderly persons** benefited.

Donations to Seventh-day Adventist Church

- LBC Foundation donated 10 boxes of donation items (clothes, food, shoes, bags, beauty products, vitamins, and rice last March 12, 2021
- LBC Foundation donated 2 sacks of rice last March 11, 2021.
- A total of **300 families** benefited.

LBC FOUNDATION
MOVE IT FORWARD

CUSTOMER SATISFACTION

Across the whole customer journey, LBC has implemented various procedures to ensure the best possible experience.

At branches, a queueing system with a target of 10 minutes waiting time, and 5 minutes transaction time;

For cargo operations, our focus has been next-day delivery, low return rate, next day transfer of funds for COD. However, due to the Covid pandemic, turnaround times for cargo has been adjusted;

With our Customer Care, we monitor answer levels across all channels and have a 24hr closure rate for all complaints that are ticketed;

For Customer Relations Management, various touchpoints are monitored and addressed, including social listening. Regular Customer Satisfaction Rating Surveys are also conducted, as well as “Mystery Shopping.”

LBC utilizes an “omnichannel” approach for customer touchpoints, which include on-premise, online (e-mail, website, social media, mobile app), telephone, SMS.

In order to do its part in ensuring Customer Safety:

Throughout 2020, and to date, LBC has been continuously releasing communications to customers, on the following topics:

- Updated (SLAs) Delivery Lead Times
- Daily Updates of Open Branches, via Branch Lookup
- Updated Delivery areas (updated based on locked down areas)
- Advisories for Customer safety
- Availability of Online Bookings, Pickup Services, Online Money Transfer
- Safety protocols

CUSTOMER SATISFACTION

#ShipSafely

CUSTOMER SATISFACTION

#ShipSafely

CUSTOMER SATISFACTION

The Customer Care Team handles all voice and non-voice customer-facing channels, and in 2020 these have been the primary conduit for interaction with customers.

Aside from customer concerns re transactions already completed, LBC's online/ digital assets are also utilized for bookings/sales, and marketing of LBC e-commerce services. Customer interactions are faster, easily accessible, more personalized, convenient and cost-effective.

The CCM team always "goes the extra mile" for the customer. Our people are encouraged to take stock and accountability of all their customer interactions. CCM is evolving beyond customer servicing alongside the digital transformation program of the company. It is slowly opening up more digital channels for better access and customer convenience given the commitment to serve customers to the best of our ability and availability.

CCM is 100% operational in spite or the pandemic and various quarantine situations

CUSTOMER SATISFACTION

Being the virtual frontliners, our touchpoints are open 24/7 to assist/ help customers with all their concerns across all origins. We are one of the few units that has weathered the current situation and adjusted fully.

By living and breathing the LBC brand personality of being helpful; clear, certain & providing convenience for our customers. Given every opportunity or interaction we offer possible solutions to all our customers needs. We strive to accord them the best form of customer service.

Achieved a 98% answer level and 100% closure rate across all touchpoints in 2021

	Target	*2021*	*2020*	*2019*	*2018*
Customer Care Answer level	95%	**98%**	72%	64%	95%
Customer Care Average handling time (minutes)	3.9	**3.5**	4.44	4.10	3.83
Customer Care Total response time (minutes)	45	**3.5**	9	55	44
Customer Care Complaint management					
• **closure rate**	80%	**100%**	100%	100%	100%
• **closure rate w/in 24 hours**	80%	**93%**	100%	92%	84%

AML Compliance & Customer Data Privacy

These past 2 years have been a challenge not only because of the pandemic, but also due to increased regulatory scrutiny and regulations. In June 2021, The Philippines was included in the list of “jurisdiction under increased monitoring” (which some refer to as the “grey list) following the Mutual Evaluation conducted by the Asia Pacific Group on Money Laundering (APG) last 2018. The Philippines’ inclusion in the grey list means that it needs to swiftly resolve identified strategic deficiencies. Several regulations have been issued by the Philippine government in order to demonstrate its commitment in strengthening its AML/CFT on the following areas:

- Effective risk-based supervision of designated non-financial businesses and professions (DNFBPs) and casino junkets; Implementing new registration requirements for money or value transfer services (MVTS) and applying sanctions to unregistered and illegal remittance operators;
- Enhancing and streamlining local enforcement agencies (LEA) access to beneficial ownership (BO) information and taking steps to ensure that BO information is accurate and up-to-date;
- Demonstrating an increase in the use of financial intelligence and in ML and TF investigations and prosecutions. Demonstrating that appropriate measures are taken with respect to the non-profit organization (NPO) sector (including unregistered NPOs) without disrupting legitimate NPO activity; and,
- Enhancing the effectiveness of the targeted financial sanctions framework for both TF and proliferation financing (PF).

AML Compliance & Customer Data Privacy

Activities toward getting the Philippines out of the grey list have presented new challenges for businesses under the AML- CTF regime. For one, regulations specifically require that we are able to implement targeted financial sanctions in relations to proliferation of weapons of mass destructions and its financing, including ex parte freeze, without delay, against all funds and other assets of designated individuals or entities. In short, before accepting or releasing funds or assets, we need to screen the names of our customers from a list of designated individuals.

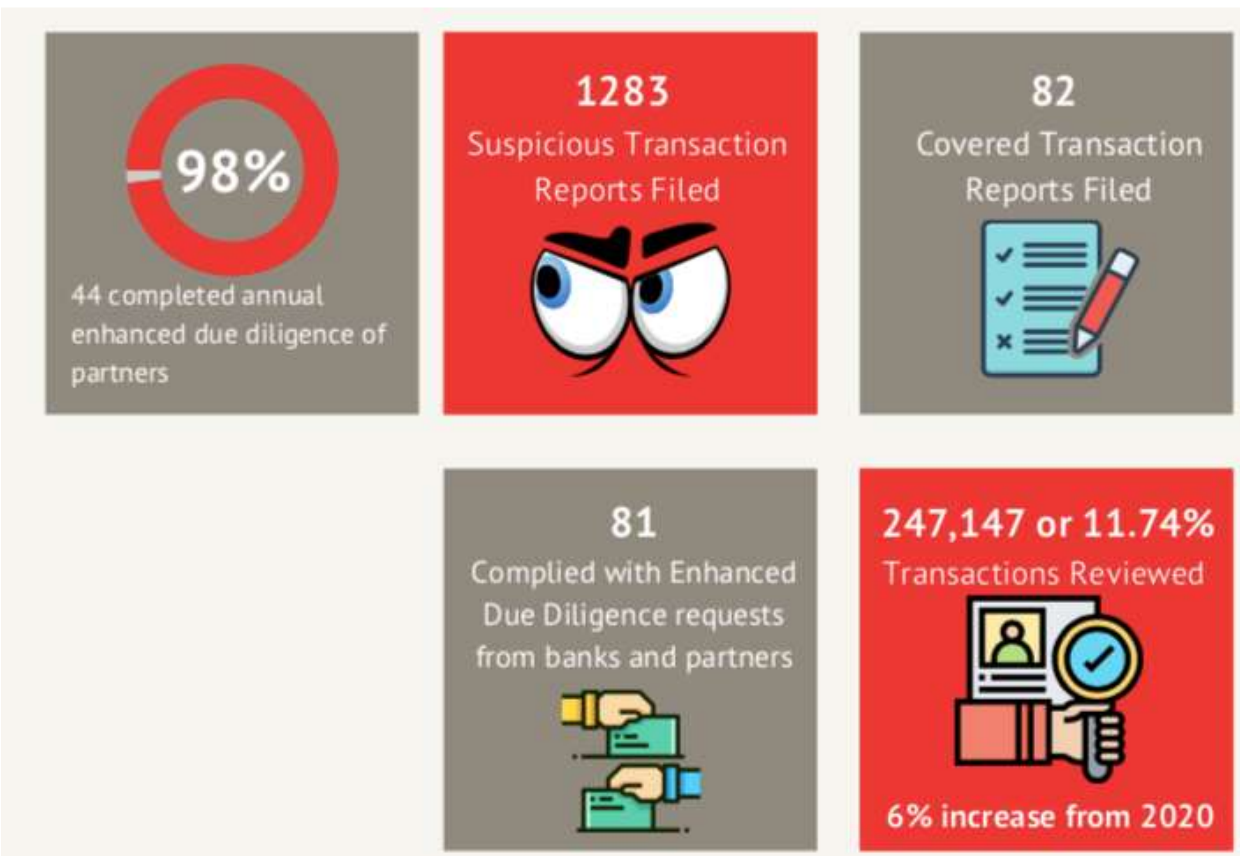
We need to act quickly when new regulations or changes to regulations are announced. As a company operating under a heavily regulated industry, we cannot afford to resist changes to the status quo but rather we need to embrace them. Use these evolving regulations as catalysts to transform, and update stale and outdated procedures and policies. Our commitment is towards complying with the regulations rather than finding ways to go around these laws. Our focus now is to find opportunities to find a competitive advantage from being compliant.

After all, regulatory changes usually come into effect for good reasons. They are meant to protect us and our customers.
LBC Express Compliance group is committed to assisting management to meet these regulatory challenges, and ensuring that we conduct business with the highest ethical standards.

--Message from LBC Express, Inc.
COMPLIANCE OFFICER
Atty. Irene Isidoro-Torres

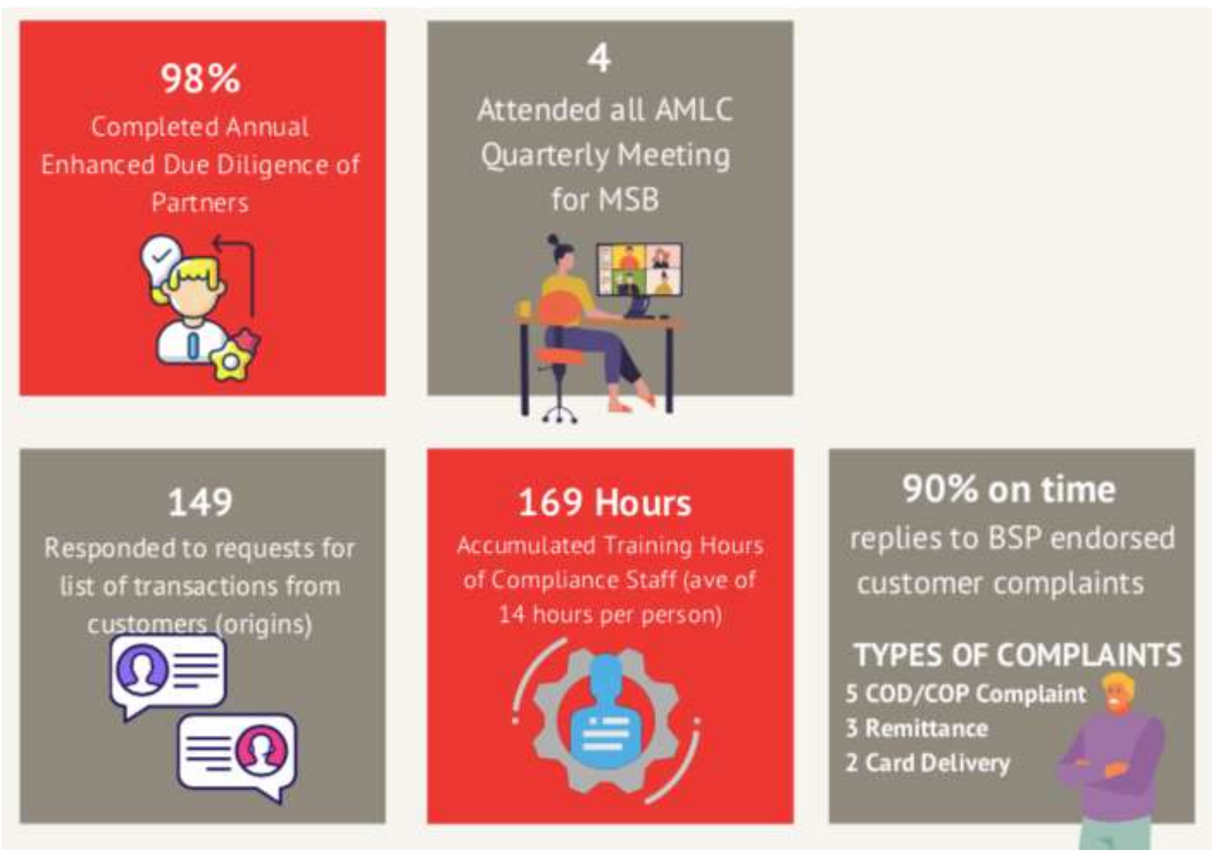
CUSTOMER SATISFACTION

AML Compliance & Customer Data Privacy



CUSTOMER SATISFACTION

AML Compliance & Customer Data Privacy



CUSTOMER SATISFACTION

AML Compliance & Customer Data Privacy

LBC MONEY LAUNDERING & TERRORIST FINANCING PROGRAM

The purpose of this manual is to help LBC's Board of Directors, Senior Management, its Officers and employees to comply with LBC's AML and CTF policies and procedures.

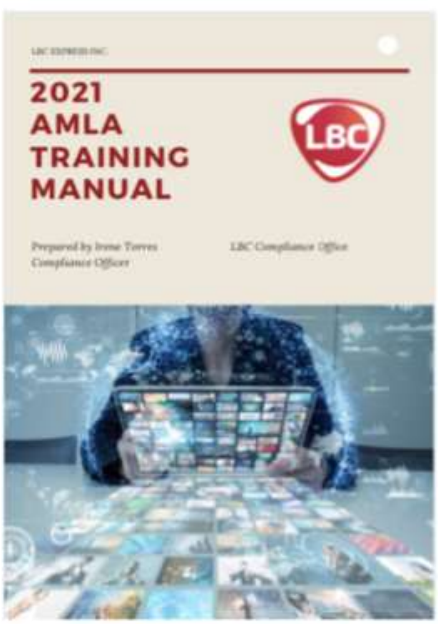
It is the policy of LBC to review and update this manual every 2 years.

APPROVED BY
LBC Board of Directors

APPROVAL DATE
May 4, 2021

AML Compliance & Customer Data Privacy

AMLA REFRESHER TRAINING



COVID-19 pandemic may have disrupted operations across our business but LBC remains steadfast in its commitment to equip its employees with the necessary training they need in order to provide quality service to its customers.

We have re-designed this year's AMLA refresher training, focusing on structured discussions, and providing an interactive process for our learners. Instead of lecturing with the use of PowerPoint, we are putting the "impetus" for learning on the learners.

A set of short videos was produced accompanied with discussion notes and activities after each video.

The videos used are as follows:

- AMLA
- KYC
- Fraud

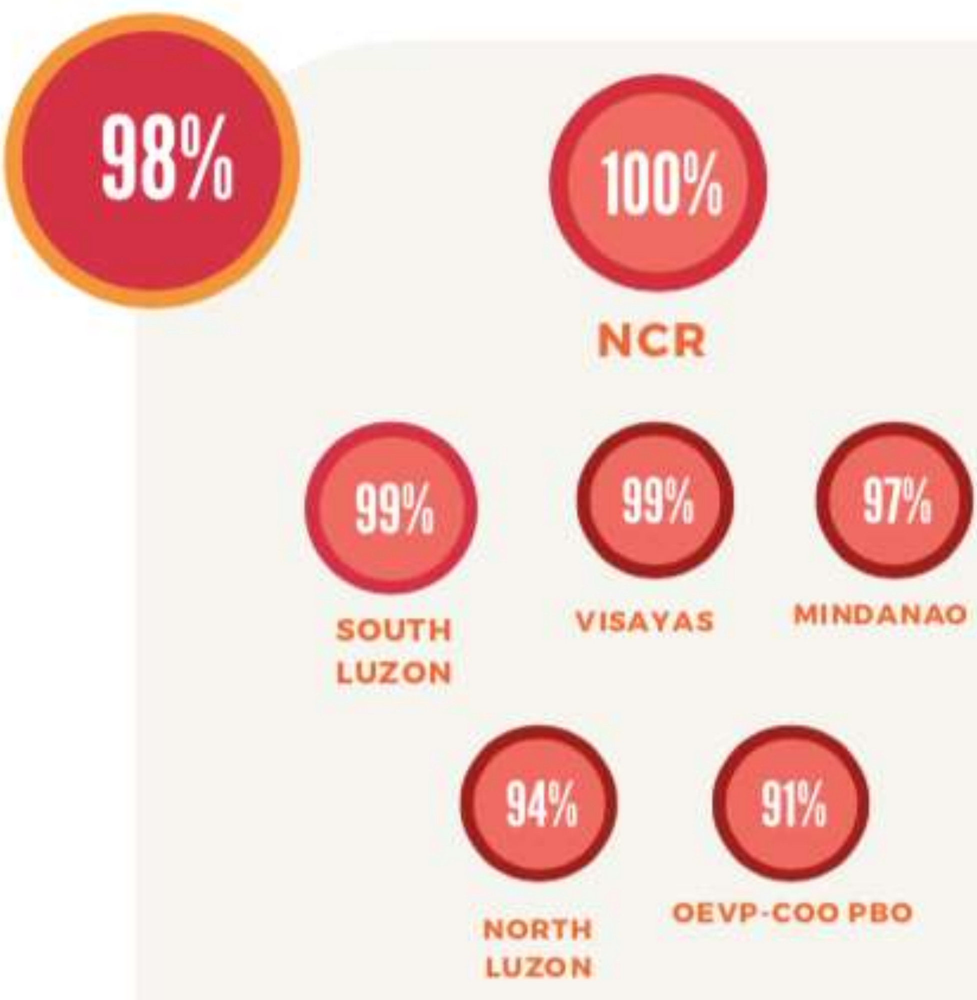
The Compliance Department held a series of AMLA Orientation Session for Area Trainers to provide instructions on how to cascade the AMLA Refresher materials.

CUSTOMER SATISFACTION

AML Compliance & Customer Data Privacy

Over-all completion with the deadline is 88% with South Luzon and NCR reaching 94% and 93% completion rate respectively. Certified trainers will continue to conduct trainings to achieve the 98% target. Some areas affected by Typhoon Odette and varying Covid-19 restrictions found it difficult to achieve their targets within the deadline.

COMPLETION RATE AS OF MARCH 1, 2022



CUSTOMER SATISFACTION

AML Compliance & Customer Data Privacy

TRAINING MATERIALS

Module 1 on AMLA which consists of a video and reviewers

Module 2 on KYC which consists of a video and reviewer

Module 3 on FRAUD which consists of a video and reviewers

UN SUSTAINABLE DEVELOPMENT GOALS

LBC is committed to supporting the following UN Sustainable Development Goals:

1	**No Poverty**
3	**Good Health and Well-Being**
4	**Quality Education**
5	**Gender Equality**
8	**Decent Work and Economic Growth**
9	**Industry, Innovation, and Infrastructure**
12	**Responsible Consumption and Production**
13	**Climate Action**
16	**Peace, Justice and Strong Institutions**
17	**Partnerships for the Goals**

ANNEX F

From: ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>
Sent: Monday, 15 August 2022 8:01 pm
To: lbch@lbcexpressholdings.com
Subject: Re: LBC EXPRESS HOLDINGS, INC._SEC Form 17-Q (Q2 2022)_15 August 2022

Your report/document has been SUCCESSFULLY ACCEPTED by ICTD. (Subject to Verification and Review of the Quality of the Attached Document) Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 15 days from receipt through the SEC Express System at the SEC website at www.sec.gov.ph

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NOTICE

Please be informed that pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (PDF) Secondary Reports such as: 17-A, 17-C, 17-L, 17-Q, ICASR, ICA-QR, ICA-AR, 23-A, 23-B, I-ACGR, ACGR, Monthly Reports, Quarterly Reports, Letters, OPC(ALTERNATE NOMINEE),GIS-G, 52-AR, IHAR,AMLA-CF,NPM,NPAM, BP-FCLC, CHINESEWALL, 39-AR,36-AR, PNFS, MCG, S10/SEC-NTCE-EXEMPT, through email at

ictdsubmission@sec.gov.ph

Note: All submissions through this email are no longer required to submit the hard copy thru mail, eFAST or over- the- counter.

For those applications that require payment of filing fees, these still need to be filed and sent via email with the SEC RESPECTIVE OPERATING DEPARTMENT.

Further, note that other reports shall be filed thru the ELECTRONIC FILING AND SUBMISSION TOOL (eFAST) such as: AFS, GIS, GFFS, LCFS, LCIF, FCFS. FCIF, IHFS, BDFS, PHFS etc. ANO, ANHAM, FS-PARENT,
FS-CONSOLIDATED, OPC_AO, AFS WITH NSPO FORM 1,2,3 AND 4,5,6, AFS WITH NSPO FORM 1,2,3 (FOUNDATIONS)

FOR MC28, please go to SEC website:

https://apps010.sec.gov.ph

For your information and guidance.

Thank you and keep safe.

C O V E R   S H E E T

SEC Registration Number

	A	S	9	3	0	0	5	2	7	7

COMPANY NAME

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

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

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	**+632 8856-8510**	**N/A**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
485	**2nd Monday of June**	**12/31**

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **June 30, 2022**

2. SEC Identification Number: **AS93-005277**

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

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

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

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

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

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

9. Former name, former address and former fiscal year, if changed since last report: **n/a**

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

As of June 30, 2022:

Title of each class	**Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding**
Common Shares	1,425,865,471[1]
Bond payable	1,987,965,374[2]
Derivative Liability	2,799,618,814[2]

[1] Inclusive of 1,384,966,471 common shares which are exempt from registration.

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

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

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

12. Indicate by check mark whether the registrant:

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

Yes **[X]** No [ ]

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

Yes[**X**] No [ ]

[3] As of June 30, 2022, 40,899,000 common shares have been listed with Philippine Stock Exchange. The remaining 1,384,966,471 are subject to listing applications filed with the Philippine Stock Exchange.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The Unaudited Interim Financial Statements of the Company as of and for the period ended June 30, 2022 and Notes to Financial Statements are hereto attached as Annex "A".

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

RESULTS OF OPERATIONS

Six months ended June 30, 2022 compared to the six months ended June 30, 2021

Service Revenue

The Company’s service revenue declined by 8% to ₱7,738.22 million for the six months ended June 30, 2022, from ₱8,413.87 million for the six months ended June 30, 2021, mainly from domestic logistics segment which are partially covered by 8% growth in sales from overseas as there is steady growth in air cargo volume and rate alignment in several countries.

Cost of Services

Cost of services is down by 4% to ₱6,034.44 million for the six months ended June 30, 2022, from ₱6,295.57 million for the six months ended June 30, 2021, pertaining to lower cost of delivery and remittance by 11%. The reduction is caused by volume lower during the period and improved productivity resulting to decline in cost of contractual employees.

The reductions were offset by surge in cost of freight sea as general price increase were implemented by shipping lines, both in the domestic and overseas setting. Further, increasing fuel prices were also a factor of the fluctuation.

Gross Profit

Gross profit is lower by 20% to ₱1,703.78 million for the six months ended June 30, 2022, from ₱2,118.30 million for the six months ended June 30, 2021, primarily attributable to decrease in volume and increase in cost of freight sea as well as fuel.

Operating Expenses

Operating expenses decreased by 5% to ₱1,261.71 million for the six months ended June 30, 2022, from ₱1,323.57 million for the six months ended June 30, 2021, due to lower spend for COVID19 related expenses such as medical supplies, medical professional fees, and employee shuttle services.

The decrease is compensated with the higher commission expense as overseas revenue grew by 8%. Software maintenance and subscription cost also escalated resulting from the renewal of the enterprise agreement. Further, there is a rise in advertising expense by 23% covering different mediums to reach customers.

Operating Income

Operating income is at ₱442.07 million for the six months ended June 30, 2022, from ₱794.73 million for the six months ended June 30, 2021, attributable to decline in gross profit.

Other Charges, Net

Other charges, net increased to ₱539.99 million for the six months ended June 30, 2022, from ₱331.74 million for the six months ended June 30, 2021, mainly driven by the foreign exchange losses incurred amounting to ₱111.60 million for the six months ended June 30, 2022, compared to gains amounting to ₱16.69 million for the six months ended June 30, 2021. These losses were mostly related to the valuation of bond payable. Further, 'Loss on derivatives' recognized during the period is also higher by ₱79.5 million.

Net Income (Loss) after tax

The Group incurred net loss after tax of ₱75.41 million for the six months ended June 30, 2022, compared to net income after tax of ₱318.17 million for the six months ended June 30, 2021, relative to shortfall in revenue by 8%, surge in sea freight and fuel prices, and non-operating losses from foreign exchange and convertible instrument.

Quarter ended June 30, 2022 compared to the quarter ended June 30, 2021

Service Revenue

The Company's service revenue is lower by 7% to ₱3,780.74 million for the quarter ended June 30, 2022, from ₱4,057.56 million for the quarter ended June 30, 2021 as there is a negative growth for domestic logistics segment by 7%. This is partly countered by the improvement in overseas sales by 6%. Rate alignment in some of the countries is still a factor of the increase.

Cost of Services

Cost of services declined by 4% to ₱2,980.30 million for the quarter ended June 30, 2022, from ₱3,097.44 million for the quarter ended June 30, 2021, as a factor of shortfall in volume leading to lower cost of delivery and remittance by 9%. Decreases were noted for trucking cost and contracted jobs while these are counterbalanced by the increase in domestic and international shipping lines and fuel rates.

Gross Profit

Gross profit decreased by 20% to ₱800.44 million for the quarter ended June 30, 2022, from ₱960.12 million for the quarter ended June 30, 2021, primarily attributable to decrease in volume and increase in cost of freight-sea and fuel.

Operating Expenses

Operating expenses went down by 1% to ₱636.43 million for the quarter ended June 30, 2022, from ₱643.25 million for the quarter ended June 30, 2021, as the Group had reduced expenses related to COVID19 such as medical and sanitation supplies, medical professional fees, and employee shuttle services. This was partially offset by the increase in advertising expenses and promotions by 55%.

Operating Income

Operating income declined to ₱164.00 million for the quarter ended June 30, 2022, from ₱316.86 million for the quarter ended June 30, 2021, attributable to decline in gross profit.

Other Charges, Net

Other charges, net increased to ₱310.50 million for the quarter ended June 30, 2022, from ₱136.16 million for the quarter ended June 30, 2021, mainly driven by losses related to foreign exchange amounting to ₱106.50 million for the quarter ended June 30, 2022, compared to gains amounting to ₱2.02 million for the quarter ended June 30, 2021. Loss on derivative is also a contributing factor as it is higher by ₱64.18 million compared to same period last year.

Net Income (Loss) after tax

The Group incurred net loss after tax of ₱119.17 million for the quarter ended June 30, 2022, compared to net income after tax of ₱176.29 million for the quarter ended June 30, 2021, relative to downturn of revenue by 7%, sea freight and fuel prices hike and the increase in non-operating expenses mentioned under 'Other charges, net'.

FINANCIAL CONDITION

As of June 30, 2022 compared to as of December 31, 2021

Assets

Current Asset
Cash and cash equivalents decreased by 13% to ₱3,014.33 million as of June 30, 2022, from ₱3,475.11 million as of December 31, 2021. Refer to analysis of cash flows in "Liquidity" section below.

Trade and other receivable, net decreased to ₱2,019.91 million as of June 30, 2022, from ₱2,095.62 million as of December 31, 2021, due to settlements from both outside and related parties.

Due from related parties increased by 4% to ₱1,162.30 million as of June 30, 2022, from ₱1,118.61 million as of December 31, 2021, mostly related to the dividend receivable from an associate.

Investments at fair value through profit and loss declined to ₱2.14 million as of June 30, 2022, from ₱15.69 million as of December 31, 2021, due to sale of investments.

Prepayments and other current assets increased by 22% to ₱3,540.50 million as of June 30, 2022 from ₱2,909.41 million as of December 31, 2021, because of the additional advance payments for national taxes which can be refunded or be used to settle specific tax liabilities, if there's any, or be used as tax credit for future tax liabilities.

Noncurrent Assets
Property and equipment, net increased by 6% to ₱2,013.08 million as of June 30, 2022, from ₱1,899.75 million as of December 31, 2021, primarily due to additions amounting to ₱329.39 million, offset by depreciation amounting to ₱198.77 million and net book value of disposal amounting to ₱18.21 million.

Right-of-use assets, net is lower by 11% to ₱1,974.57 million as of June 30, 2022, from ₱2,213.34 million as of December 31, 2021, mainly due to amortization that amounts to ₱498.63 million, offset by net additions of ₱248.63 million resulting from renewals

Intangible assets, net is lower by 4% to ₱258.06 million as of June 30, 2022, from ₱268.04 million as of December 31, 2021, driven by amortization of ₱26.72 million, offset by ₱16.10 million additions for the period.

Investment at fair value through other comprehensive income is up by 82% to ₱345.26 million as of June 30, 2022 from ₱189.21 million as of December 31, 2021, relative to movement in market price from ₱0.97/share to ₱1.77/share.

Investment in associate decreased by 1% to ₱351.27 million as of June 30, 2022, from ₱354.79 million as of December 31, 2021 due to cash dividends received, offset by the share in net income of the associates during the period.

Deferred tax assets - net increased by 10% to ₱510.51 million as of June 30, 2022, from ₱462.14 million as of December 31, 2021 largely because of the additional income tax deferred recognized related to NOLCO, MCIT and unrealized foreign exchange losses.

Liabilities

Accounts and other payable is lower by 7% to ₱3,108.30 million as of June 30, 2022, from ₱3,358.18 million as of December 31, 2021. Majority of the variance represents the decrease in contract liabilities related to undelivered cargoes.

Notes payable (current and noncurrent) increased to ₱2,135.33 million as of June 30, 2022, from ₱1,992.73 million as of December 31, 2021, driven by the availment of loan amounting to ₱458.17 million, offset by the settlement amounting to ₱315.56 million during the period.

Transmissions liability went down by 17% to ₱752.11 million as of June 30, 2022, from ₱903.00 million as of December 31, 2021, mainly attributable to transactions claimed during the period and decrease in merchant liabilities.

Lease liabilities (current and noncurrent) is lower by 11% to ₱2,163.02 million as of June 30, 2022, from ₱2,420.60 million as of December 31, 2021, primarily pertaining to lease payments during the period.

Bond payable increased by 17% to ₱1,987.97 million as of June 30, 2022, from ₱1,702.09 million as of December 31, 2021, mainly from the accretion of interest amounting to ₱136.01 million and foreign exchange loss recognized amounting to ₱148.97 million.

Derivative liability increased to ₱2,799.62 million as of June 30, 2022, from ₱2,558.12 million as of December 31, 2021, related to the loss on valuation incurred for the period amounting to ₱241.50 million.

LIQUIDITY

Cash Flows

Six months ended June 30, 2022 compared to the six months ended June 30, 2021

Cash flows from operating activities

The Company's net cash from operating activities is primarily affected by income before income tax, depreciation and amortization, retirement benefit expense, interest expense, unrealized foreign exchange gain, gain on derivative, equity in net earnings of associates and changes in working capital. The Company's cash inflows from these activities amounted to ₱282.62 million and ₱936.52 million for the six months ended June 30, 2022 and 2021, respectively.

Cash flows from investing activities

Cash used in investing activities for the six months ended June 30, 2022 and 2021 amounted to ₱315.06 million and ₱187.57 million, respectively. For the six months ended June 30, 2022, the Company spent ₱351.82 million from the acquisition of property and equipment and intangible assets.

Cash flow from financing activities

Net cash used in financing activities for the six months ended June 30, 2022 and 2021 amounted to ₱478.04 million and ₱648.99 million, respectively. In 2022 and 2021, cash used comprise primarily of payments of lease liabilities and notes payable.

PART II - OTHER INFORMATION

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

SIGNATURE

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

LBC EXPRESS HOLDINGS, INC.

ENRIQUE V. REY, JR.
Chief Finance Officer

August 15, 2022

LBC Express Holdings, Inc.
and Subsidiaries

Unaudited Interim Condensed Consolidated
Financial Statements
As at June 30, 2022 and
for the Six Months Ended
June 30, 2022 and 2021
*(With Comparative Audited Consolidated Statement
of Financial Position as at
December 31, 2021)*

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 23 and 24)	**₱3,014,325,883**	₱3,475,114,354
Trade and other receivables (Notes 5, 17, 23 and 24)	**2,019,905,547**	2,095,623,716
Due from related parties (Notes 17, 23 and 24)	**1,162,301,513**	1,118,607,712
Investments at fair value through profit or loss (Notes 9, 23 and 24)	**2,139,238**	15,689,658
Prepayments and other current assets (Notes 6, 11, 17, 23 and 24)	**3,540,497,934**	2,909,408,332
Total Current Assets	**9,739,170,115**	9,614,443,772
Noncurrent Assets		
Property and equipment (Note 7)	**2,013,084,740**	1,899,747,227
Right-of-use assets (Note 21)	**1,974,566,262**	2,213,339,401
Intangible assets (Note 8)	**258,056,284**	268,043,165
Investment at fair value through other comprehensive income (Notes 9, 23 and 24)	**345,256,331**	189,208,271
Deferred tax assets - net (Note 20)	**510,507,386**	462,136,952
Security deposits (Note 21)	**417,722,654**	401,641,394
Investment in associates (Note 10)	**351,266,800**	354,792,313
Goodwill (Note 3)	**287,024,985**	287,024,985
Other noncurrent assets (Notes 6, 11 and 17)	**210,991,186**	227,452,561
Total Noncurrent Assets	**6,368,476,628**	6,303,386,269
	₱16,107,646,743	₱15,917,830,041
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 12, 17, 23 and 24)	**₱3,108,298,701**	₱3,358,183,020
Due to related parties (Notes 17, 23 and 24)	**37,092,953**	36,427,312
Current portion of notes payable (Notes 14, 23 and 24)	**1,381,009,353**	1,160,604,568
Transmissions liability (Notes 13, 17, 23 and 24)	**752,112,513**	902,996,491
Income tax payable	**43,317,171**	55,817,966
Current portion of lease liabilities (Notes 21, 23 and 24)	**885,002,614**	942,830,985
Derivative liability (Notes 15, 23 and 24)	**2,799,618,814**	2,558,118,548
Bond payable (Notes 15, 23 and 24)	**1,987,965,374**	1,702,087,740
Total Current Liabilities	**10,994,417,493**	10,717,066,630
Noncurrent Liabilities		
Lease liabilities - net of current portion (Notes 21, 23 and 24)	**1,278,016,329**	1,477,767,231
Notes payable - net of current portion (Notes 14, 23 and 24)	**754,325,225**	832,121,957
Retirement benefit liability - net (Note 22)	**876,693,974**	803,742,647
Deferred tax liability - net (Note 20)	–	14,976,832
Other noncurrent liabilities (Notes 12, 23 and 24)	**312,248**	669,349
Total Noncurrent Liabilities	**2,909,347,776**	3,129,278,016
	13,903,765,269	13,846,344,646
Equity		
Equity attributable to shareholders of the Parent Company		
Capital stock (Note 16)	**1,425,865,471**	1,425,865,471
Retained earnings	**587,257,849**	670,248,037
Accumulated comprehensive gain (loss)	**171,134,991**	(45,493,308)
	2,184,258,311	2,050,620,200
Non-controlling interests	**19,623,163**	20,865,195
Total Equity	**2,203,881,474**	2,071,485,395
	₱16,107,646,743	₱15,917,830,041

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30		Three Months Ended June 30	
	2022 (Unaudited)	2021 (Unaudited)	**2022 (Unaudited)**	2021 (Unaudited)
SERVICE REVENUE (Note 25)	**₱7,738,219,864**	₱8,413,871,582	**₱3,780,736,335**	₱4,057,558,973
COST OF SERVICES (Note 18)	**6,034,443,575**	6,295,568,741	**2,980,300,375**	3,097,442,071
GROSS PROFIT	**1,703,776,289**	2,118,302,841	**800,435,960**	960,116,902
OPERATING EXPENSES (Note 19)	**1,261,706,478**	1,323,568,257	**636,433,499**	643,253,032
OPERATING INCOME	**442,069,811**	794,734,584	**164,002,461**	316,863,870
OTHER INCOME (CHARGES)				
Equity in net earnings of associates (Note 10)	**32,225,227**	46,864,712	**12,647,837**	47,377,686
Interest income (Notes 4, 11 and 17)	**2,714,784**	4,285,585	**1,352,216**	2,131,300
Fair value gain on investment at fair value through profit or loss (Note 9)	**9,017**	8,529	**4,365**	4,410
Foreign exchange gains (losses) - net (Notes 19 and 23)	**(111,604,925)**	16,689,432	**(106,495,557)**	2,023,602
Loss on derivative (Note 15)	**(241,500,266)**	(162,004,770)	**(125,758,955)**	(61,580,985)
Interest expense (Notes 14, 15, 17 and 21)	**(236,155,784)**	(231,074,561)	**(109,600,344)**	(116,583,475)
Others - net	**14,326,383**	(6,506,398)	**6,042,043**	(9,532,652)
	(539,985,564)	(331,737,471)	**(321,808,395)**	(136,160,114)
INCOME(LOSS) BEFORE INCOME TAX	**(97,915,753)**	462,997,113	**(157,805,934)**	180,703,756
BENEFIT FROM (PROVISION FOR) INCOME TAX (Note 20)	**22,506,877**	(144,824,945)	**38,634,511**	(4,410,266)
NET INCOME (LOSS) FOR THE PERIOD	**(75,408,876)**	318,172,168	**(119,171,423)**	176,293,490
OTHER COMPREHENSIVE INCOME (LOSS)				
Items not to be reclassified to profit or loss in subsequent periods				
Remeasurement gains (losses) on retirement benefit plan - net of tax	**(3,133,250)**	7,767,718	**(2,769,270)**	(2,759,314)
Share in other comprehensive income (loss) of an associate (Note 10)	**249,260**	(3,108,638)	**–**	(3,108,638)
Unrealized fair value gain (loss) on equity investments at fair value through other comprehensive income (Note 9)	**156,048,060**	(1,950,601)	**134,591,451**	(3,901,202)
Currency translation gains (loss) - net	**66,589,595**	(12,788,100)	**29,787,036**	(11,818,617)
	219,753,665	(10,079,621)	**161,609,217**	(21,587,771)
TOTAL COMPREHENSIVE INCOME	**₱144,344,789**	₱308,092,547	**₱42,437,794**	₱154,705,719
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the Parent Company	**(₱82,990,188)**	₱310,561,730	**(₱131,857,231)**	₱170,828,639
Non-controlling interests	**7,581,312**	7,610,438	**12,685,808**	5,464,851
NET INCOME (LOSS) FOR THE PERIOD	**(₱75,408,876)**	₱318,172,168	**(₱119,171,423)**	₱176,293,490
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Shareholders of the Parent Company	**₱133,638,111**	₱301,234,654	**₱28,663,875**	₱147,863,780
Non-controlling interests	**10,706,678**	6,857,893	**13,773,919**	6,841,939
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**₱144,344,789**	₱308,092,547	**₱42,437,794**	₱154,705,719
EARNINGS (LOSS) PER SHARE (Note 26)				
Basic	(₱0.06)	₱0.22	(₱0.09)	₱0.12
Diluted	(₱0.06)	₱0.22	(₱0.09)	₱0.12

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

	For the Six Months Ended June 30, 2022 (Unaudited)					
	Capital Stock (Note 16)	**Retained Earnings**	**Accumulated Comprehensive Income (Loss)**	**Total**	**Non-controlling Interests**	**Total Equity**
Balances at beginning of the period	**₱1,425,865,471**	**₱670,248,037**	**(₱45,493,308)**	**₱2,050,620,200**	**₱20,865,195**	**₱2,071,485,395**
Comprehensive income (loss):						
Net Income (Loss)	**−**	**(82,990,188)**	**−**	**(82,990,188)**	**7,581,312**	**(75,408,876)**
Other comprehensive income	**−**	**−**	**216,628,299**	**216,628,299**	**3,125,366**	**219,753,665**
Total comprehensive income (loss)	**−**	**(82,990,188)**	**216,628,299**	**133,638,111**	**10,706,678**	**144,344,789**
Dividends declared (Note 16)	**−**	**−**	**−**	**−**	**(11,948,710)**	**(11,948,710)**
Balances at end of the period	**₱1,425,865,471**	**₱587,257,849**	**₱171,134,991**	**₱2,184,258,311**	**₱19,623,163**	**₱2,203,881,474**

	For the Six Months Ended June 30, 2021 (Unaudited)					
	Capital Stock (Note 16)	Retained Earnings	Accumulated Comprehensive Loss	Total	Non-controlling Interests	Total Equity
Balances at beginning of the period	₱1,425,865,471	₱1,536,482,182	(₱4,063,817)	₱2,958,283,836	₱12,824,911	₱2,971,108,747
Comprehensive income (loss):						
Net Income	−	310,561,730	−	310,561,730	7,610,438	318,172,168
Other comprehensive loss	−	−	(9,327,076)	(9,327,076)	(752,545)	(10,079,621)
Total comprehensive income (loss)	−	310,561,730	(9,327,076)	301,234,654	6,857,893	308,092,547
Balances at end of the period	₱1,425,865,471	₱1,847,043,912	(₱13,390,893)	₱3,259,518,490	₱19,682,804	₱3,279,201,294

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30 (Unaudited)	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**(₱97,915,753)**	₱462,997,113
Adjustments for:		
Depreciation and amortization (Notes 7, 8, 18, 19, 21)	**715,814,582**	765,602,221
Loss on derivative (Note 15)	**241,500,266**	162,004,769
Interest expense (Notes 14, 15, 17 and 21)	**236,155,784**	231,074,561
Unrealized foreign exchange losses	**145,099,521**	4,184,546
Retirement expense, net of benefits paid and contribution to retirement plan	**70,850,438**	7,077,571
(Gain) Loss on disposal of property and equipment	**(6,877,960)**	1,647,142
Fair value gain on investment at fair value through profit or loss (Note 9)	**(9,017)**	(8,529)
Interest income (Notes 4, 11 and 17)	**(2,714,784)**	(4,285,585)
Equity in net earnings of an associate (Note 10)	**(32,225,227)**	(46,864,712)
Operating income before changes in working capital	**1,269,677,850**	1,583,429,097
Changes in working capital:		
Decrease (increase) in:		
Trade and other receivables	**78,234,530**	164,391,291
Prepayments and other current assets	**(621,862,414)**	(213,989,959)
Security deposits	**(15,708,635)**	(22,210,784)
Other noncurrent assets	**16,971,813**	5,019,740
Decrease in:		
Accounts and other payables	**(242,418,173)**	(222,388,506)
Transmissions liability	**(151,279,561)**	(258,637,493)
Net cash generated from operations	**333,615,410**	1,035,613,386
Interest received	**2,714,784**	4,285,585
Income tax paid	**(53,705,692)**	(103,375,376)
Net cash provided by operating activities	**282,624,502**	936,523,595
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Disposal of property and equipment	**25,087,209**	5,251,402
Sale of investments at fair value through profit and loss	**13,559,437**	–
Payments for acquisitions of:		
Intangible assets (Note 27)	**(27,025,747)**	(17,995,490)
Property and equipment (Note 27)	**(324,757,085)**	(165,235,440)
Increase in due from related parties	**(19,923,494)**	(22,342,352)
Dividend received	**18,000,000**	12,750,000
Net cash used in investing activities	**(315,059,680)**	(187,571,880)

(Forward)

	Six Months Ended June 30 (Unaudited)	
	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable (Note 27)	**₱458,165,600**	₱124,000,000
Decrease in due to related parties (Note 27)	**658,126**	11,792,560
Dividends paid (Note 27)	**(11,948,710)**	(5,686,654)
Interest paid (Note 27)	**(37,344,458)**	(121,849,052)
Payments of notes payable (Note 27)	**(315,557,547)**	(177,507,817)
Payments of principal amount of lease liabilities (Note 27)	**(572,013,743)**	(479,740,607)
Net cash used in financing activities	**(478,040,732)**	(648,991,570)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(510,475,910)**	99,960,145
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**49,687,439**	40,909,062
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**3,475,114,354**	5,246,052,475
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	**₱3,014,325,883**	₱5,386,921,682

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

1. Corporate Information

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

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

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

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

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

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

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

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

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

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

Group's annual audited consolidated financial statements as at and for the year ended December 31, 2021, which have been prepared in accordance with PFRS.

Difference in accounting periods
The Group consolidated the non-coterminous financial statements of its subsidiaries using their November 30 fiscal year end and the six months ended May 31 first quarter end financial statements except for QUADX Pte. Ltd and Mermaid Co. Ltd. with December 31 year end which are aligned with the Parent Company since it is impracticable for the said subsidiaries to prepare financial statements as of the same date as the reporting date of the Parent Company.

In 2021, LBC Mabuhay (Malaysia) Sdn. Bhd changed its accounting period end from December 31 to November 30. This subsidiary was previously consolidated using coterminous financial statements and is now being consolidated using the non-coterminous financial statements for the eleven months ended November 30.

Except as disclosed below, the Group did not reflect any transactions of entities with non-coterminous financial statements from June 1 to 30 as these are not considered to be significant.

Management exercised judgment in determining whether adjustments should be made in the interim condensed consolidated financial statements of the Group pertaining to the effects of significant transactions or events of its subsidiaries that occur between June 1, 2022 and 2021 and the date of the Parent Company's financial statements which is June 30, 2022 and 2021 and between December 1, 2021 and the comparative date of the Parent Company's financial position which is December 31, 2021.

The interim condensed consolidated financial statements were adjusted to reflect the LBCE's availment and settlement of bank loans in June 2022 amounting to ₱82.50 million and ₱42.71 million, respectively, and adjustment to reflect the increase in fair value of equity investment at FVOCI by ₱40.96 million.

The interim condensed consolidated financial statements in June 2021 were adjusted to reflect the LBCE's settlement of bank loans amounting to ₱15.01 million, changes in fair value of equity instrument at FVOCI amounting to ₱5.85 million and time deposit placement amounting to ₱30.00 million.

The consolidated financial statements as of December 31, 2021 were adjusted to effect LBCE's availment and settlement of bank loans in December 2021 amounting to ₱17.86 million and ₱27.72 million, respectively, adjustment to reflect equity share in net earnings of Terra Barbaza Aviation, Inc. (TBAI) amounting to ₱1.09 million and adjustment to reflect the decrease in fair value of investment at FVOCI by ₱9.75 million for the period December 1 to 31, 2021.

There were no other significant transactions that transpired between June 1, 2022 to June 30, 2022, December 1, 2021 to December 31, 2021 and June 1, 2021 to June 30, 2021.

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

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

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

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

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

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

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

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

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

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

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

On January 1, 2021, LBC Mundial Corporation acquired 1,000 shares of common stock of LBC Business Solutions North America Corp. (LSN) for a total purchase price of US $2,500 or ₱0.12 million. LSN is a non-vessel operating common carrier registered in the United States (Note 3).

There were no other acquisitions and disposal nor changes in the Parent Company's ownership interests in its subsidiaries in 2022 and 2021.

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2021, except for the adoption of new standards effective as of January 1, 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Except otherwise stated, the adoption of the new accounting standards, amendments and interpretations which apply for the first time in 2022, do not have an impact on the interim condensed consolidated financial statements of the Group.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the ’10 per cent’ test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  - Amendments to PAS 41, *Agriculture*, *Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

    An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply retrospectively, however, the Group is not required to restate prior periods. The amendments does not have significant impact on the Group's interim consolidated financial statements

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

There were no significant changes in the significant accounting judgments, estimates, and assumptions used by the Group for the interim period ended June 30, 2022.

3. Business Combination and Goodwill

There were no acquisitions and disposal of subsidiaries for the six months ended June 30, 2022.

On January 1, 2021, LBC Mundial Corporation acquired 1,000 shares of common stock of LBC Business Solutions North America Corp. (LSN) for a total purchase price of US $2,500 or ₱0.12 million. LSN is a non-vessel operating common carrier registered in the United States. The fair values of identifiable assets acquired and liabilities assumed as at the date of acquisition as shown below:

Percentage of ownership of LBC Mundial	100%
Assets	₱5,907,900
Liabilities	5,924,851
Net Assets	(16,951)
Add: Purchased goodwill	137,041
Purchase consideration	₱120,090

The goodwill amounting to ₱0.14 million represents the fair value of expected synergies, revenue growth and future developments that do not meet the recognition criteria for intangible assets.

There were no contingent considerations in the above acquisition.

The revenue and net income of the acquired entity from January 1 to December 31, 2021 included in the annual consolidated statement of comprehensive income amounted to ₱46.73 million and ₱3.53 million, respectively.

There is no movement in the carrying amount of goodwill from December 31, 2021.

Impairment testing of Goodwill
The Group performs its annual impairment test in December and when circumstances indicate that the carrying value may be impaired. The Group's impairment test for goodwill is based on value-in-use calculations. The key assumptions used to determine the recoverable amount for the different significant cash generating units were disclosed in the annual consolidated financial statements for the year ended December 31, 2021.

The Group did not perform impairment test on goodwill for the six months ended June 30, 2022 since impairment testing is performed every year end. When reviewing for indicators of impairment, the Group considers various external and internal sources of information.

The Group did not recognize impairment losses on goodwill as of June 30, 2022.

4. Cash and Cash Equivalents

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)	June 30, 2021 (Unaudited)
Cash on hand	**₱294,322,274**	₱335,985,780	₱354,852,419
Cash in banks	**2,715,280,391**	3,130,317,764	3,230,617,058
Cash equivalents	**4,723,218**	8,810,810	1,801,452,205
	₱3,014,325,883	₱3,475,114,354	₱5,386,921,682

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

Cash in banks and cash equivalents earn interest ranging from 0.0625% to 1.250% per annum in 2022 and 0.125% to 1.625% in 2021. Interest income earned from cash and cash equivalents amounted to ₱0.35 million and ₱2.66 million for the six months ended June 30, 2022 and 2021, respectively.

5. Trade and Other Receivables

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Trade receivables - outside parties	**₱1,738,251,139**	₱1,765,451,381
Trade receivables - related parties (Note 17)	**335,585,651**	400,054,004
	2,073,836,790	2,165,505,385
Less allowance for expected credit losses	**222,286,169**	222,496,135
	1,851,550,621	1,943,009,250
Other receivables:		
Advances to officers and employees	**115,006,145**	99,860,489
Others	**53,348,781**	52,753,977
	₱2,019,905,547	₱2,095,623,716

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

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

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

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

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
At the beginning of period	**₱222,496,135**	₱193,699,800
Provision for impairment losses (Note 19)	**6,519,733**	33,855,547
Accounts written-off	**–**	(5,005,431)
Recoveries	**(6,729,699)**	(53,781)
At the end of the period	**₱222,286,169**	₱222,496,135

6. Prepayments and Other Assets

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Input value-added tax (VAT)	**₱200,237,766**	₱228,846,668
Materials and supplies	**206,499,628**	240,349,518
Prepayments:		
Taxes	**2,160,240,664**	1,520,657,880
Software maintenance	**36,071,245**	8,153,527
Employee benefits	**45,782,533**	59,068,210
Insurance	**32,199,843**	28,980,507
Rent	**11,339,301**	16,335,239
Transportation supplies	**5,468,312**	8,030,315
Dues and subscriptions	**3,051,766**	2,647,614
Advertising	**199,209**	412,452
Others	**29,154,593**	23,122,011
Restricted cash in bank	**387,958,430**	429,515,375
Creditable withholding taxes (CWTs)	**278,521,155**	262,711,434
Short-term cash investments	**135,029,145**	130,415,569
Loans receivable (Note 11)	**85,868,618**	83,364,721
Deferred input VAT	**50,645,695**	21,611,207
Advance payment to supplier	**36,236,184**	31,270,510
Notes receivable (Note 17)	**16,702,733**	18,259,200
Electronic wallet	**12,442,914**	5,892,738
Others	**17,839,386**	17,216,198
	3,751,489,120	3,136,860,893
Less: noncurrent portion	**210,991,186**	227,452,561
	₱3,540,497,934	₱2,909,408,332

Details of noncurrent portion follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
VAT on capital goods	**₱67,555,539**	₱85,094,557
Loans receivable (Note 11)	**74,278,349**	77,139,361
Advance payment to a supplier	**36,236,184**	31,270,510
Notes receivable (Note 17)	**16,702,733**	18,259,200
Prepaid rent	**534,805**	538,796
Other assets	**15,683,576**	15,150,137
Total noncurrent portion	**₱210,991,186**	₱227,452,561

Interest income earned from restricted cash in bank amounted to ₱1.03 million and ₱0.31 million for the six months ended June 30, 2022 and 2021, respectively.

7. Property and Equipment

The rollforward analysis of this account follows:

	For the Six Months ended June 30, 2022 (Unaudited)						
	Transportation Equipment	**Leasehold Improvements**	**Furniture, Fixtures and Office Equipment**	**Computer Hardware**	**Land**	**Construction in Progress**	**Total**
Costs							
Balances at beginning of period	**₱602,594,748**	**₱2,014,925,055**	**₱574,054,143**	**₱1,121,944,782**	**₱1,031,257,734**	**₱47,683,328**	**₱5,392,459,790**
Additions	**4,044,766**	**50,535,447**	**21,426,751**	**35,324,940**	**–**	**218,062,674**	**329,394,578**
Reclassifications	**–**	**28,687,964**	**–**	**–**	**–**	**(28,687,964)**	**–**
Disposals	**(10,131,493)**	**(11,395,301)**	**(74,110,188)**	**(268,560)**	**–**	**–**	**(95,905,542)**
Effect on changes in foreign currency exchange rate	**1,873,894**	**1,550,850**	**192,742**	**289,729**	**–**	**–**	**3,907,215**
Balances at end of period	**598,381,915**	**2,084,304,015**	**521,563,448**	**1,157,290,891**	**1,031,257,734**	**237,058,037**	**5,629,856,040**
Accumulated depreciation and amortization							
Balances at beginning of period	**405,776,367**	**1,665,762,889**	**452,454,297**	**968,719,010**	**–**	**–**	**3,492,712,563**
Depreciation and amortization (Notes 18 and 19)	**28,662,300**	**88,157,800**	**15,925,877**	**66,023,661**	**–**	**–**	**198,769,638**
Disposals	**(14,998,897)**	**(6,084,903)**	**(56,420,580)**	**(191,913)**	**–**	**–**	**(77,696,293)**
Effect on changes in foreign currency exchange rate	**1,684,205**	**1,018,755**	**99,933**	**182,499**	**–**	**–**	**2,985,392**
Balances at end of period	**421,123,975**	**1,748,854,541**	**412,059,527**	**1,034,733,257**	**–**	**–**	**3,616,771,300**
Net book value	**₱177,257,940**	**₱335,449,474**	**₱109,503,921**	**₱122,557,634**	**₱1,031,257,734**	**₱237,058,037**	**₱2,013,084,740**

	For the year ended December 31, 2021 (Audited)						
	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Land	Construction in Progress	Total
Costs							
Balances at beginning of year	₱592,501,539	₱1,884,325,235	₱504,769,473	₱1,043,113,395	₱1,031,257,734	₱17,184,070	₱5,073,151,446
Additions	18,307,920	7,343,290	74,804,477	80,402,721	–	164,152,534	345,010,942
Reclassifications	–	133,653,276	–	–	–	(133,653,276)	–
Disposals	(9,877,131)	(12,017,957)	(5,988,663)	(2,264,744)	–	–	(30,148,495)
Effect of changes in foreign currency exchange rates	1,662,420	1,621,211	468,856	693,410	–	–	4,445,897
Balances at end of year	602,594,748	2,014,925,055	574,054,143	1,121,944,782	1,031,257,734	47,683,328	5,392,459,790
Accumulated depreciation and amortization							
Balances at beginning of year	349,382,550	1,482,794,408	380,995,662	828,163,196	–	–	3,041,335,816
Depreciation and amortization (Notes 18 and 19)	58,280,861	191,915,477	77,055,328	141,215,507	–	–	468,467,173
Disposals	(4,170,749)	(10,157,944)	(5,988,663)	(2,211,717)	–	–	(22,529,073)
Effect of changes in foreign currency exchange rates	2,283,705	1,210,948	391,970	1,552,024	–	–	5,438,647
Balances at end of year	405,776,367	1,665,762,889	452,454,297	968,719,010	–	–	3,492,712,563
Net book value	₱196,818,381	₱349,162,166	₱121,599,846	₱153,225,772	₱1,031,257,734	₱47,683,328	₱1,899,747,227

8. Intangible Assets

The rollforward analysis of this account follows:

	For the Six Months ended June 30, 2022 (Unaudited)		
	Software	**Development in Progress**	**Total**
Costs			
Balances at beginning of period	**₱611,154,091**	**₱68,282,013**	**₱679,436,104**
Additions	**8,395,841**	**7,703,958**	**16,099,799**
Reclassification	**(7,348,851)**	**7,348,851**	–
Effect of changes in foreign currency exchange rates	**5,974,495**	**–**	**5,974,495**
Balances at end of period	**618,175,576**	**83,334,822**	**701,510,398**
Accumulated Amortization			
Balances at beginning of period	**411,392,939**	**–**	**411,392,939**
Amortization (Notes 18 and 19)	**26,723,268**	**–**	**26,723,268**
Effect of changes in foreign currency exchange rates	**5,337,907**	**–**	**5,337,907**
Balances at end of period	**443,454,114**	**–**	**443,454,114**
Net Book Value	**₱174,721,462**	**₱83,334,822**	**₱258,056,284**

	For the year ended December 31, 2021 (Audited)		
	Software	Development in Progress	Total
Costs			
Balances at beginning of year	₱562,272,298	₱73,947,217	₱636,219,515
Additions	34,815,924	4,446,434	39,262,358
Reclassification	10,301,957	(10,301,957)	–
Effect of changes in foreign currency exchange rates	3,763,912	190,319	3,954,231
Balances at end of year	611,154,091	68,282,013	679,436,104
Accumulated Amortization			
Balances at beginning of year	314,525,376	–	314,525,376
Amortization (Notes 18 and 19)	93,738,817	–	93,738,817
Effect of changes in foreign currency exchange rates	3,128,746	–	3,128,746
Balances at end of year	411,392,939	–	411,392,939
Net book value	₱199,761,152	₱68,282,013	₱268,043,165

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

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

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

Movement of the investments at fair value follows:

FVOCI	**June 30, 2022 (Unaudited)**	December 31, 2021 (Audited)
Balance at beginning of period	**₱189,208,271**	₱232,121,488
Unrealized fair value gain (loss) during the period	**156,048,060**	(42,913,217)
	₱345,256,331	₱189,208,271

FVPL	**June 30, 2022 (Unaudited)**	December 31, 2021 (Audited)
Balance at beginning of period	**₱15,689,658**	₱14,942,602
Sale of FVPL	**(13,559,437)**	–
Unrealized foreign exchange gain (loss)	–	731,195
Unrealized fair value gain during the period	**9,017**	15,861
	₱2,139,238	₱15,689,658

The unrealized fair value gain (loss) related to investment at FVPL is presented under 'Other income (charges)' in the interim consolidated statements of comprehensive income.

Movement in unrealized gain (loss) on investment at FVOCI follow:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of period	**(₱74,903,491)**	(₱31,990,274)
Unrealized gain (loss) during the period from quoted investments:	**156,048,060**	(42,913,217)
Balance at end of period (Note 16)	**₱81,144,569**	(₱74,903,491)

10. Investment in Associates

Investment in Terra Barbaza Aviation, Inc. (TBAI)

On December 17, 2020, the application for authorized capital stock for Preferred A and B Shares of TBAI was approved by SEC. The approval resulted to the conversion of the 20,000,000 Common Shares purchased by LBCE from the common shareholder to 20,000,000 non-voting Preferred A Shares and 1,250 Common Shares will then represent 24.787% of the total outstanding Common Shares. TBAI is engaged in the business of providing flight services by means of helicopters, airplanes and other aircraft to transport executives in the Philippines.

Movement in the investment in TBAI is as follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Costs		
At acquisition date	**₱79,809,022**	₱79,809,022
Accumulated Equity on Net Earnings		
Balance at beginning of period	**4,772,678**	1,783,992
Equity share in net earnings	**1,994,672**	2,988,686
	6,767,350	4,772,678
Carrying Value	**₱86,576,372**	₱84,581,700

The summarized statements of financial position of TBAI follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Current assets	**₱47,942,240**	₱48,750,398
Noncurrent assets	**397,424,162**	400,926,490
Current liabilities	**(7,837,075)**	(20,194,813)
Equity	**437,529,327**	429,482,075
Proportion of Group's ownership	**24.787%**	24.787%
Group's share in identifiable asset	**108,450,394**	106,455,722
Negative goodwill	**(22,955,723)**	(22,955,723)
Cost directly attributable to the investment	**1,081,701**	1,081,701
Carrying amount of the investment	**₱86,576,372**	₱84,581,700

The summarized statement of comprehensive income of TBAI follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Revenue	**₱39,649,272**	₱64,356,669
Cost and expenses	**31,602,020**	52,299,195
Net income	**8,047,252**	12,057,474
Group’s share in total comprehensive income	**₱1,994,672**	₱2,988,686

Investment in Orient Freight International, Inc. (OFII)

On March 19, 2018, the Parent Company invested in 30% of OFII, a company involved in freight forwarding, warehousing and customs brokerage businesses operating within the Philippines. In relation to the acquisition of shares, the Parent Company shall also exert commercially reasonable efforts to direct a certain amount of additional annual recurring logistics service business to OFII for a period of five years from closing date.

OFII declared dividends amounting to ₱36.00 million and ₱25.50 million for 2022 and 2021, respectively. No impairment loss was recognized for the investment in associate in 2022 and 2021.

Movement in the investment in OFII is as follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Costs		
At acquisition date	**₱227,916,452**	₱227,916,452
Accumulated Equity on Net Earnings		
Balance at beginning of period	**45,259,141**	4,549,594
Equity share in net earnings	**30,230,555**	66,209,547
Less: Dividend income	**(36,000,000)**	(25,500,000)
	39,489,696	45,259,141
Other Comprehensive Income		
Balance at beginning of period	**(2,964,980)**	224,659
Equity share in other comprehensive income (loss)	**249,260**	(3,189,639)
	(2,715,720)	(2,964,980)
Carrying Value	**₱264,690,428**	₱270,210,613

The summarized statements of financial position of OFII follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Current assets	**₱637,163,091**	₱624,227,827
Noncurrent assets	**137,343,622**	153,437,020
Current liabilities	**(284,772,760)**	(259,414,233)
Noncurrent liabilities	**(48,630,858)**	(58,746,905)
Equity	**441,103,095**	459,503,709
Proportion of Group's ownership	**30.00%**	30.00%
Group's share in identifiable asset	**132,330,928**	137,851,113
Implied goodwill	**132,359,500**	132,359,500
Carrying amount of the investment	**₱264,690,428**	₱270,210,613

The summarized statement of comprehensive income of OFII follows:

	For the Six Months ended June 30, 2022 (Unaudited)	For the year ended December 31, 2021 (Audited)
Revenue	**₱456,494,865**	₱1,109,568,650
Cost and expenses	**355,726,349**	888,870,161
Net income	**100,768,516**	220,698,489
Other comprehensive income	**830,868**	(10,632,130)
Total comprehensive income	**101,599,3854**	₱210,066,359
Group’s share in total comprehensive income	**₱30,479,815**	₱63,019,908

11. Receivable and Trademark Agreement

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

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

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

For the six months ended June 30, 2022 and 2021, LBCH incurred royalty fee amounting to ₱3.27 million and ₱3.02 million, respectively. The related payable was offset to LBCH's interest receivable from Transtech amounting to ₱0.90 million for the six months ended June 30, 2022 and 2021, respectively, and to loans receivable amounting to ₱2.44 million and ₱2.12 million for the six months ended June 30, 2022 and 2021, respectively.

Current and noncurrent portion as at June 30, 2022 and December 31, 2021 is as follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Current portion*	**₱11,590,269**	₱6,225,360
Noncurrent portion**	**74,278,349**	77,139,361
	₱85,868,818	₱83,364,721

**Presented under 'prepayment and other current assets'*
***Presented under 'Other noncurrent assets'*

Interest income earned amounted to ₱0.90 million for the six months ended June 30, 2022 and 2021, respectively.

12. Accounts and Other Payables and Other Noncurrent Liabilities

Accounts and other payables account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Trade payable - outside parties	**₱1,200,425,560**	₱1,167,808,166
Trade payable - related parties (Note 17)	**7,249,786**	20,092,792
Accruals:		
Salaries and wages	**406,792,767**	400,389,183
Claims and losses	**212,700,341**	206,523,420
Rent and utilities	**140,390,995**	119,801,530
Contracted jobs	**112,815,145**	120,746,192
Taxes	**97,791,424**	98,105,441
Advertising	**30,065,050**	122,366,348
Software maintenance	**20,813,484**	19,122,150
Outside services	**20,923,549**	19,503,347
Professional fees	**13,757,985**	16,620,908
Others	**67,464,004**	78,676,525
Taxes payable	**508,529,109**	525,086,785
Contract liabilities	**133,095,065**	331,378,718
Government agencies contributions payables	**40,510,117**	36,120,161
Others	**94,974,320**	75,841,354
	₱3,108,298,701	₱3,358,183,020

The Group's other liabilities consist of unpaid balances pertaining to an acquired payroll system and a logistics software on a non-interest-bearing long-term payment arrangement.

Movements in other liabilities follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
At beginning of period	**₱20,410,092**	₱39,191,334
Principal payments	**(11,667,080)**	(20,248,814)
Amortization of deferred interest	**384,031**	1,467,572
	9,127,043	20,410,092
Less: current portion*	**8,814,795**	19,740,743
Noncurrent portion	**₱312,248**	₱669,349

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

13. Transmissions Liability

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

Transmissions liability amounted to ₱752.11 million and ₱903.00 million as at June 30, 2022 and December 31, 2021, respectively, of which liability amounting ₱3.05 million and ₱3.31 million as at June 30, 2022 and December 31, 2021, respectively, is payable to an affiliate (see Note 17).

14. Notes Payable

The Group has outstanding notes payable to various local banks. The details of these notes as at June 30, 2022 and December 31, 2021 are described below:

		June 30, 2022 (Unaudited)			
Bank	**Date of Availment**	**Outstanding Balance**	**Maturity**	**Interest Rate**	**Terms**
a. Unionbank of the Philippines	**Apr 2019**	**31,200,000**	**Apr 2024**	**7.826%, fixed rate**	**Clean; Interest and principal payable every quarter**
b. Unionbank of the Philippines	**Jun 2019**	**8,800,000**	**Apr 2024**	**7.053%, fixed rate**	**Clean; Interest and principal payable every quarter**
c. Rizal Commercial Banking Corporation	**Oct 2019**	**5,555,556**	**Oct 2022**	**6.55%, fixed rate**	**Clean; interest and principal payable every month**
d. Unionbank of the Philippines	**Apr 2020**	**83,333,333**	**Apr 2023**	**6.00%, subject to repricing**	**Clean; Interest and principal payable every quarter**
e. Unionbank of the Philippines	**Dec 2020**	**50,000,000**	**Dec 2023**	**5.00%, subject to repricing**	**Clean; Interest and principal payable every quarter**
f. Unionbank of the Philippines	**Jan 2022**	**36,000,000**	**July 2022**	**5.25%, subject to repricing**	**Clean; Interest payable every month, principal payable upon maturity**
g. Unionbank of the Philippines	**Aug 2021**	**469,680,983**	**Aug 2026**	**4.25%, subject to repricing**	**With mortgage; Interest and principal to be paid quarterly**
Unionbank of the Philippines	**Dec 2021**	**16,965,480**	**Dec 2031**	**4.25%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
Unionbank of the Philippines	**Feb 2022**	**18,890,092**	**Dec 2031**	**4.25%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
Unionbank of the Philippines	**Mar 2022**	**29,742,892**	**Dec 2031**	**4.25%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
Unionbank of the Philippines	**Apr 2022**	**24,712,800**	**Dec 2031**	**4.25%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
Unionbank of the Philippines	**May 2022**	**26,040,000**	**Dec 2031**	**4.25%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**

Forward

Bank	Date of Availment	June 30, 2022 (Unaudited) Outstanding Balance	Maturity	Interest Rate	Terms
h. Rizal Commercial Banking Corporation	Apr 2022	142,560,000	Apr 2023	4.5%, fixed rate	Clean; Interest payable every month, principal payable upon maturity
i. Banco de Oro	Apr 2022	100,000,000	Oct 2022	4.25%, fixed rate	Clean; Interest payable every month, principal payable upon maturity
j. Unionbank of the Philippines	Apr 2022	47,000,000	Oct 2022	4.75%, subject to repricing	Clean; Interest and principal payable every quarter
k. Banco de Oro	Apr 2022	20,000,000	Oct 2022	4.50%, fixed rate	Clean; Interest payable every month, principal payable upon maturity
l. Banco de Oro	Oct 2021	339,000,000	May 2026	4.50%, subject to repricing	With mortgage; Interest payable every month, principal payable quarterly
m. Rizal Commercial Banking Corporation	May 2022	100,440,000	Nov 2022	4.75%, fixed rate	Clean; Interest payable every month, principal payable upon maturity
n. Banco de Oro	May 2022	45,000,000	Nov 2022	4.50%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
o. Banco de Oro	May 2022	125,000,000	Nov 2022	4.50%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
p. Rizal Commercial Banking Corporation	Jun 2022	103,500,000	Sep 2022	5.00%, fixed	Clean; Interest payable every month, principal to be paid on maturity date
q. Rizal Commercial Banking Corporation	Jun 2022	45,000,000	Sep 2022	5.00%, fixed rate	Clean; Interest payable every month, principal payable upon maturity
r. Rizal Commercial Banking Corporation	June 2022	199,913,442	Various dates in July 2022	4.75%, fixed rate	Clean; Interest payable every month, principal to be paid on maturity date
s. Rizal Commercial Banking Corporation	Mar 2022	30,000,000	Mar 2023	5.00%, fixed rate	Clean; Interest payable every month, principal to be paid on maturity date
t. Rizal Commercial Banking Corporation	Jun 2022	27,000,000	Jun 2023	5.375%, fixed rate	Clean; Interest payable every month, principal to be paid on maturity date
u. Banco de Oro	Mar 2022	10,000,000	Nov 2022	4.50%, fixed rate	Clean; Interest payable every month, principal to be paid on maturity date
Total		₱2,135,334,578			
Current portion		₱1,381,009,353			
Noncurrent portion		₱754,325,225			

		December 31, 2021 (Audited)				
Bank		Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
a.	Unionbank of the Philippines	April 2019	₱39,000,000	April 2024	7.826%, fixed rate	Clean; Interest and principal to be paid quarterly
b.	Unionbank of the Philippines	June 2019	11,000,000	April 2024	7.053%, fixed rate	Clean; Interest and principal payable every quarter
c.	Rizal Commercial Banking Corporation	October 2019	13,888,889	October 2022	6.55%, fixed rate	Clean; Interest and principal payable every month
d.	Unionbank of the Philippines	April 2020	125,000,000	April 2023	6.00%, subject to repricing	Clean; Interest and principal payable every quarter
e.	Unionbank of the Philippines	December 2020	₱66,666,667	December 2023	5.00%, subject to repricing	Clean; Interest and principal payable every quarter
f.	Unionbank of the Philippines	July 2021	36,000,000	January 2022	5.25%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
g.	Unionbank of the Philippines	August 2021	524,937,569	August 2026	4.25%, subject to repricing	With mortgage; Interest and principal to be paid quarterly
h.	Rizal Commercial Banking Corporation	October 2021	158,400,000	April 2022	4.5%, fixed rate	Clean; Interest payable every month, principal payable upon maturity
i.	Banco de Oro	October 2021	100,000,000	April 2022	4.25%, fixed rate	Clean; Interest payable every month, principal payable upon maturity
j.	Unionbank of the Philippines	October 2021	47,000,000	April 2022	4.75%, subject to repricing	Clean; Interest and principal payable every quarter
k.	Banco de Oro	October 2021	20,000,000	April 2022	4.25%, fixed rate	Clean; Interest payable every month, principal payable upon maturity
l.	Banco de Oro	October 2021	381,375,000	May 2026	4.25%, subject to repricing	With mortgage; Interest payable every month, principal payable quarterly
m.	Rizal Commercial Banking Corporation	November 2021	111,600,000	May 2022	4.50%, fixed rate	Clean; Interest payable every month, principal payable upon maturity
n.	Banco de Oro	November 2021	48,000,000	May 2022	4.25%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
o.	Banco de Oro	December 2021	130,000,000	May 2022	4.25%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
v.	Rizal Commercial Banking Corporation	December 2021	81,000,000	January 2022	4.50%, fixed rate	Clean; Interest payable every month, principal payable upon maturity
w.	Rizal Commercial Banking Corporation	December 2021	81,000,000	January 2022	4.50%, fixed rate	Clean; Interest payable every month, principal payable upon maturity
g.	Unionbank of the Philippines	December 2021	17,858,400	December 2031	4.25%, fixed rate	Clean; Interest and principal payable every quarter
Total			₱1,992,726,525			
Current portion			₱1,160,604,568			
Noncurrent portion			₱832,121,957			

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

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

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

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

e. On December 9, 2020, LBCE availed a 3-year interest-bearing loan from a UBP amounting to ₱100.00 million to finance its capital expenditures. In 2022 and 2021, LBCE settled ₱16.67 million and ₱33.33 million, respectively.

f. A short-term loan availed with UnionBank of the Philippines (UBP) in August 2019 amounting to ₱50.00 million was rolled over in July 2020, Jan 2021 and July 2021. This was subsequently rolled over in January 2022 with a maturity date of July 2022.

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

   On August 5, 2021, the loan was taken out via UBP with principal amounting to ₱552.57 million, a 5-year interest-bearing loan with maturity date of August 2026.

   On December 27, 2021, February 21, 2022 and March 4, 2022, LBCE availed 10-year interest bearing loan with maturity date of December 2031 amounting to ₱17.86 million, ₱19.39 million and ₱30.53 million, respectively to finance the construction of warehouse. Additional availments were made on April 22 and May 31, 2022 amounting to ₱24.71 million and ₱26.04 million, respectively.

   While the loan remains unpaid, LBCE shall not, without prior consent of the bank, permit any material change in the character of its business and controlling ownership; shall not undertake corporate reorganization; and amend Articles of Incorporation and By-laws. LBCE shall not participate in merger and consolidation except when it is the surviving corporation, nor sell, lease, mortgage or otherwise encumber or dispose of any asset owned, except (i) in the ordinary course of the business and (ii) to any consolidated subsidiary, person or entity which, upon such disposal, shall become a consolidated subsidiary of LBCE. There shall be no voluntary suspension of operations or dissolution of affairs. No dividend shall be declared to its stockholders other than dividends payable solely in shares of capital stock. In the event of default, LBCE shall not pay any loans or advances from its stockholders, affiliates, subsidiaries, or related entities. Further, LBCE shall ensure, that:

   - The ratio of its consolidated debt to equity shall not exceed 4.0x, computed net of lease liabilities; and
   - Current ratio shall not be lower than 0.8x.

h. On April 21, 2021, LBCE availed a 180-day interest-bearing loan amounting to ₱176.00 million to finance its working capital requirements. This was rolled over in October 2021 and April 2022 with maturity date in April 2023.

i. On October 18, 2021, LBCE availed a short-term interest-bearing loan with BDO amounting to ₱100.00 million to finance other capital expenditures. This was rolled over in April 2022 with maturity date in October 2022.

j. LBCE availed a short-term interest-bearing loan in October 2021 with UBP to finance working capital requirement amounting to ₱47.00 million. This was rolled over in April 2022 with maturity date in October 2022.

k. On October 22, 2021, LBCE availed a short-term loan interest-bearing with BDO amounting to ₱20.00 million to finance other capital expenditures. This was rolled over in April 2022 with maturity date in October 2022.

l. The Notes Facility Agreement entered into by the Company with Banco De Oro (BDO) in 2016 is with a credit line facility amounting to ₱800.00 million. The loan is secured by a real estate mortgage on land owned by the Company's affiliate (see Note 15). In June 2021, the term was extended up to October 2021 and secured by time deposit hold-out. In October 2021, it was further extended up to May 2026.

   On April 15, 2021, the Board of Directors of LBCH approved to guarantee the loan and allowed to hold out its time deposit amounting to ₱340.87 million. Such guarantee shall substitute the existing real estate mortgage on the affiliate's real estate properties as security.

m. On November 24, 2021, LBCE availed a short-term loan with Rizal Commercial Banking Corporation (RCBC) amounting to ₱124.00 million to finance other capital expenditures. This was rolled over in May 2022 for another six months.

n. LBCE availed a short-term loan in December 2018 with Banco de Oro (BDO) to finance working capital requirement amounting to ₱60.00 million. This was rolled over in October 2019, June 2020, November 2020, May 2021, November 2021 and May 2022.

o. LBCE availed a short-term loan in 2021 with BDO amounting to ₱130.00 million to finance working capital requirement.

p. On March 24, 2022, LBCE availed a short-term loan with RCBC amounting to ₱115.00 million to finance working capital requirement. This was rolled over in June 2022.

q. On March 24, 2022, LBCE availed a short-term loan with RCBC amounting to ₱50.00 million to finance working capital requirement. This was rolled over in June 2022.

r. On March 11 and 24, 2022, LBCE availed three short-term loans with RCBC amounting to ₱199.91 million in aggregate to finance working capital requirement. These loans were rolled over in June 2022.

s. On March 24, 2022, LBCE availed one-year loan with RCBC amounting to ₱30.00 million in aggregate to finance working capital requirement.

t. On June 23, 2022, LBCE availed one-year loan with RCBC amounting to ₱27.00 million in aggregate to finance working capital requirement.

u. On May 31, 2022, LBCE availed six-year loan with RCBC amounting to ₱10.00 million in aggregate to finance working capital requirement.

v. On December 17, 2021, LBCE availed a short-term loan interest bearing with RCBC amounting to ₱100.00 million to finance other capital expenditures. This was paid in 2022.

w. On December 17, 2021, LBCE availed a short-term loan interest bearing with RCBC amounting to ₱100.00 million to finance other capital expenditures. This was paid in 2022.

Interest expense amounted to ₱36.42 million and ₱55.22 million for the six months ended June 30, 2022 and 2021, respectively

The loans were used primarily for working capital requirements and capital expenditures. Except for the items mentioned above, there is no other loan subject to any covenants.

Movements in the notes payable account follow:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of period	**₱1,992,726,525**	₱1,879,726,639
Availments	**458,165,600**	508,858,400
Payments	**(315,557,547)**	(395,858,514)
	₱2,135,334,578	₱1,992,726,525

15. Convertible Instrument

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Derivative liability		
Balance at beginning of period	**₱2,558,118,548**	₱2,099,785,841
Fair value loss on derivative	**241,500,266**	458,332,707
	₱2,799,618,814	₱2,558,118,548
Bond payable		
Balance at beginning of period	**₱1,702,087,740**	₱1,377,723,388
Accretion of interest	**136,007,376**	237,694,548
Unrealized foreign exchange loss (Note 19)	**148,970,884**	84,871,054
Amortization of issuance cost	**899,374**	1,798,750
	₱1,987,965,374	₱1,702,087,740

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

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

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

The Parent Company also has full or partial right to convert the shares subject to various conditions including pre-approval of the PSE of the listing of the conversion shares and other conditions to include closing sale price and daily trading volume of common shares trading on the Principal Market and upon plan of offering, placement of shares or similar transaction with common share price at a certain minimum share price. On August 9, 2021, the Parent Company's stockholders approved the issuance of common shares for potential exercise of conversion rights. As at report date, there has been no conversion nor redemption of the convertible instrument.

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

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

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

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

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

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

The determination and calculation of the foregoing financial ratios are based on the agreement and interpretation of relevant parties subject to the terms of the convertible instrument. The Group is in compliance with the above covenants as at December 31, 2021, the latest Relevant Period subsequent to the issuance of the convertible instrument. Relevant period means each period of twelve (12) months ending on the last day of the Parent Company's financial year.

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

a. On August 4, 2017, LBCE and LBCDC agreed for LBCE to discontinue royalty for the use of LBC Marks (see Note 18).

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

   i. Effective January 1, 2019, the Parent Company was granted the regulatory approvals on the purchase of the following entities under LBC USA Corporation:

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

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

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

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

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

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

vi. On October 15, 2018, the Parent Company acquired the following overseas entities:

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

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

Upon completion of the acquisitions discussed in (i) to (vi) above, the Parent Company will have acquired equity interests in twelve overseas entities which are affiliated to the Parent Company and LBCDC. In accordance with the directions from LBCDC, the Parent Company intends to complete the acquisition of the remaining overseas entity in 2021, after which the Group expects (on the basis of LBCDC's manifestations) settlement by LBCDC of all of its obligations to the Parent Company, except for the assigned receivables from QUADX Inc. which will be settled based on agreed terms. In 2021, LBCE and LBCDC entered into amended agreements to extend the payment of consideration for the sale of QUADX shares and the Assignment of Receivables to a date no later than two years from the amendment (see Note 17). As at report date, LBCDC has not settled its obligations to the Parent Company pending completion of acquisition of the remaining overseas entity.

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

Starting 2020, the Parent Company has no unconditional right to defer payment for more than twelve months after each reporting date. Accordingly, the convertible instrument was reclassified from noncurrent liability to current liability in the December 31, 2021 consolidated financial statements and in the comparative period. The reclassification has no impact also on any loan covenant and to the consolidated statements of comprehensive income and cash flows for the six month ended June 30, 2022.

16. Equity

Capital stock
As of June 30, 2022 and December 31, 2021, the details of the Parent Company's common shares follow:

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

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

	Number of shares registered	**Issue/ Offer price**	**Date of approval**	**Number of holders as of period end**
At January 1, 2015	40,899,000	₱1/share		
Add: Additional issuance	1,384,966,471	₱1/share	July 22, October 16 and October 21, 2015	
December 31, 2015-2016	1,425,865,471			485
Add: Movement	–			–
December 31, 2017	1,425,865,471			486
Add: Movement	–			1
December 31, 2018-2021	1,425,865,471			487
Add: Movement	–			(2)
June 30, 2022	1,425,865,471			485

Retained earnings

The unappropriated retained earnings include accumulated equity in undistributed net earnings of the consolidated subsidiaries amounted to ₱1,795.35 million and ₱1,476.34 million as of June 30, 2022 and December 31, 2021, respectively. These are not available for dividend declaration until declared by the BOD of the respective subsidiaries.

In accordance with the Revised Securities Regulation Code Rule 68, the Parent Company has no retained earnings available for dividend declaration as of June 30, 2022 and December 31, 2021.

Cash dividends

On March 21, 2022, the BOD of LBC Express Shipping Company WLL (Kuwait) declared cash dividends of KWD 600 per common share. The record date of entitlement to the said cash dividend is on November 30, 2021.

On October 19, 2020, the BOD of LBCH approved the declaration of cash dividends of amounting to ₱285.17 million.

On October 27, 2020, the BOD of LBC Mabuhay Remittance Sdn Bhd declared cash dividends of BND300,000 (₱10.74 million). The related noncontrolling interest amounting to BND150,000 (₱5.38 million) is presented in the 2020 annual consolidated statement of changes in equity.

On November 5, 2020, the BOD of LBC Express Shipping Company WLL (Kuwait) declared cash dividends of KWD 800 per common share held by stockholders. The related noncontrolling interest amounting to ₱6.51 million is presented in the 2020 annual consolidated statement of changes in equity.

On November 15, 2020, the BOD of LBC Mabuhay (Malaysia) Sdn Bhd declared cash dividends of ₱20.18 million (MYR1,700,000). The related noncontrolling interest amounting to ₱1.75 million (MYR127,503) is presented in the 2020 annual consolidated statement of changes in equity.

Accumulated comprehensive gain (loss)
Details of accumulated comprehensive gain (loss) as follow:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Remeasurement gain on retirement benefit plan, net of tax	**₱109,326,789**	₱112,460,039
Unrealized fair value gain (loss) on investment at FVOCI (Note 9)	**81,144,569**	(74,903,491)
Share in other comprehensive loss of an associate (Note 10)	**(2,715,720)**	(2,964,980)
Currency translation loss	**(22,019,217)**	(88,608,812)
	₱165,736,421	(₱54,017,244)
Accumulated comprehensive loss attributable to:		
Controlling interest	**₱171,134,991**	(₱45,493,308)
Non-controlling interest	**(5,398,570)**	(8,523,936)

17. Related Party Transactions

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

Details of related party transactions and balances for the six months ended June 30, 2022 and for the year ended December 31, 2021 are as follows:

	Transaction amounts for the six months ended June 30, 2022 (Unaudited)	**Outstanding receivable (payable) balance as at June 30, 2022 (Unaudited)**	**Terms**	**Conditions**
Due from related parties (Trade receivables)				
Affiliates				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 5 and 25)	**₱40,905,903**	**₱335,585,651**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
Due from related parties (Non-trade receivables)				
Ultimate parent company				
b.) Advances	**₱–**	**₱1,018,057,852**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
Affiliates - under common control				
b.) Advances	**25,277,660**	**84,173,316**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
e.) Notes receivable current portion	**–**	**4,361,268**	**Interest-bearing; fixed monthly payment**	**Unsecured, no impairment**
Beneficial Owners				
b.) Advances	**–**	**37,709,077**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
Associate				
g.) Dividends	**36,000,000**	**18,000,000**	**Noninterest-bearing; due and demandable**	**Unsecured, no impairment**
		₱1,162,301,513		
Due from related parties (Other noncurrent assets)				
Affiliates - under common control				
e.) Notes receivable non current portion (Note 6)	**₱–**	**₱16,702,733**	**Interest-bearing; fixed monthly payment**	**Unsecured, no impairment**
Due to related parties (Trade payables)				
Ultimate Parent Company				
c.) Royalty fee (Note 12)	**₱–**	**(₱142,426)**	**Noninterest-bearing; due and demandable**	**Unsecured**
Associate				
d.) Sea freight and brokerage (Note 12)	**22,659,899**	**(7,107,360)**	**Noninterest-bearing; due and demandable**	**Unsecured**
		(₱7,249,786)		

Due to related parties (Non-trade payables)				
Affiliate - under common control				
b.) Advances	**₱44,654,221**	**(₱36,643,715)**	**Noninterest-bearing; due and demandable**	**Unsecured**
Officer				
b.) Advances	−	**(449,238)**	**Noninterest-bearing; due and demandable**	**Unsecured**
		(₱37,092,953)		
Due to a related party (Transmission liability)				
Affiliate - under common control				
a.) Money remittance payable (Note 13)	**₱1,195,738**	**(₱3,050,558)**	**Noninterest-bearing; due and demandable**	**Unsecured**

	Transactions for the six months ended June 30, 2021 (Unaudited)	Receivable (Payable) as at December 31, 2021 (Audited)	Terms	Conditions
Due from related parties (Trade receivables)				
Affiliates - under common control				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 5 and 25)	₱34,864,407	₱400,054,004	Noninterest-bearing; due and demandable	Unsecured, no impairment
Due from related parties (Non-trade receivables)				
Ultimate parent company				
b.) Advances	₱39,599	₱1,018,322,96	Noninterest-bearing; due and demandable	Unsecured, no impairment
Affiliates - under common control				
b.) Advances	31,990,025	58,446,685	Noninterest-bearing; due and demandable	Unsecured, no impairment
Beneficial Owners				
b.) Advances	−	37,709,077	Noninterest-bearing; due and demandable	Unsecured, no impairment
e.) Notes receivable current portion	−	4,128,984	Interest-bearing; fixed monthly payment	Unsecured, no impairment
Associate				
g.) Dividend receivable	25,500,000	−	Noninterest-bearing; due and demandable	Unsecured, no impairment
		₱1,118,607,712		
Due from related parties (Other noncurrent assets)				
Affiliates - under common control				
e.) Notes receivable non current portion (Note 6)	₱−	₱18,259,200	Interest-bearing; fixed monthly payment	Unsecured, no impairment

	Transactions for the six months ended June 30, 2021	Receivable (Payable) as at December 31, 2021	Terms	Conditions
Due to related parties (Trade payables)				
Ultimate Parent Company				
c.) Royalty fee (Note 12)	₱–	(₱137,585)	Noninterest-bearing; due and demandable	Unsecured
Associate				
e.) Sea freight and brokerage (Note 12)	**182,824,218**	(19,955,207)	Noninterest-bearing; due and demandable	Unsecured
d.) Guarantee fee (Note 14)	**3,571,428**	–	Noninterest-bearing; due and demandable	Unsecured
		(₱25,498,565)		
Due to a related party (Non-trade payables)				
Affiliates - under common control				
b.) Advances	**₱11,168,392**	(₱35,993,123)	Noninterest-bearing; due and demandable	Unsecured
Officer				
b.) Advances	–	(434,190)	Noninterest-bearing; due and demandable	Unsecured
		(₱36,427,313)		
Due to a related party (Transmissions liability)				
Affiliates - under common control				
a.) Money remittance payable (Note 13)	₱882,693	(₱3,314,463)	Noninterest-bearing; due and demandable	Unsecured
Due to a related party (Accrued claims and losses)				
Affiliates - under common control				
a.) Accrued claims and losses	–	(₱2,570,814)	Noninterest-bearing; due and demandable	Unsecured

Compensation of Key Management Personnel:

	For the Six Months Ended June 30	
	2022 (Unaudited)	2021 (Unaudited)
Salaries and wages	**₱48,477,909**	₱43,954,208
Retirement benefits	**5,070,364**	3,536,458
Other short-term employee benefits	**13,572,316**	11,377,980
	₱67,120,589	₱58,868,646

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

   The Group charged penalties by its affiliate for the Group’s failure to meet the maximum period of delivery as contained in the service level agreement. Total claims and losses recognized for the six months ended June 30, 2021 amounted to ₱0.25 million (nil in June 30, 2022), is shown as a reduction in ‘Service fees’. Outstanding payable for these penalties amounted to ₱1.04 million and ₱2.57 million as of June 30, 2022 and December 31, 2021, respectively.

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

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

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

   On July 1, 2019, LBCE sold all its QUADX shares to LBCDC for ₱186.02 million, payable no later than two years from the date of sale, subject to any extension as may be agreed in writing by the parties. On the same date, LBCE, LBCDC and QUADX Inc. entered into a Deed of Assignment of Receivables whereas LBCE agreed to assign, transfer and convey its receivables from QUADX as of March 31, 2019 amounting to ₱832.64 million to LBCDC which shall be paid in full, from time to time starting July 1, 2019 and no later than two years from the date of the execution of the Deed, subject to any extension as may be agreed in writing by LBCE and LBCDC. In July 2021, LBCE and LBCDC entered into amended agreements to extend the payment of consideration for the sale of QUADX shares and the Assignment of Receivables to a date no later than two years from the amendment.

   Upon completion of the acquisition of the remaining entity, as disclosed in Note 16, LBCH expects settlement by LBCDC of all of its obligations to LBCH, except for the assigned receivables from QUADX Inc. which will be settled based on abovementioned agreed terms.

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

d. As discussed in Note 14, the Group entered into a loan agreement with BDO which is secured with real estate mortgage on various real estate properties owned by the Group’s affiliate. In consideration of the affiliate’s accommodation to the Group’s request to use these properties as loan collateral, the Group agreed to pay the affiliate, every April 1 of the year starting April 1, 2016, a guarantee fee of 1% of the face value of loan and until said properties are released by the bank as loan collateral. The guarantee fee is reported as part of interest expense in the interim consolidated statements of comprehensive income amounting to ₱3.27 million and ₱3.57 million for the six months ended June 30, 2022 and 2021, respectively.

On April 15, 2021, the Board of Directors of LBCH approved to guarantee the loan and allowed to hold out its time deposit. Such guarantee shall substitute the existing real estate mortgage on the affiliate's real estate properties as security.

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

f. In November 2011, LBC Mundial Corporation paid-off LBC Express Holdings USA Corporation's outstanding mortgage loan which is consolidated into a long-term promissory note amounting to US$1,105,148 at 4% interest, payable in 180 equal monthly installments. As of June 30, 2022, total outstanding notes receivable amounted to ₱21.72 million, ₱4.24 million of which is presented as current under 'Due from related parties'. Interest income earned from notes receivable amounted to ₱0.44 million and ₱0.41 million for the six-months ended June 30, 2022 and 2021, respectively.

g. In May 2022 and 2021, the BOD of OFII declared cash dividends amounting to ₱120.00 million and ₱85.00 million, respectively, of which the 30% share of LBCH is equivalent to ₱36.00 million and ₱25.50 million, respectively.

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

18. Cost of Services

This account consists of:

	For the Six Months Ended June 30	
	2022 (Unaudited)	2021 (Unaudited)
Cost of delivery and remittance	**₱2,486,793,878**	₱2,789,043,279
Salaries wages and employee benefits	**1,771,789,817**	1,758,541,311
Utilities and supplies	**650,024,927**	661,679,403
Depreciation and amortization (Notes 7, 8 and 21)	**647,318,307**	685,233,030
Rent (Note 21)	**194,849,605**	139,356,185
Repairs and maintenance	**80,404,552**	87,715,850
Transportation and travel	**66,509,520**	59,786,062
Retirement benefit expense	**51,178,585**	44,152,113
Insurance	**39,454,609**	30,601,146
Others	**46,119,775**	39,460,362
	₱6,034,443,575	₱6,295,568,741

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

19. Operating Expenses and Foreign Exchange Gains - net

Operating expenses consist of:

	For the Six Months Ended June 30	
	2022 (Unaudited)	2021 (Unaudited)
Salaries wages and employee benefits	**₱311,410,357**	₱293,851,557
Advertising and promotion	**138,633,788**	107,029,913
Commission expense	**129,279,405**	119,970,968
Utilities and supplies	**110,345,554**	160,109,612
Taxes and licenses	**109,989,809**	121,805,040
Professional fees	**103,441,706**	128,824,258
Travel and representation	**73,981,645**	108,712,913
Dues and subscriptions	**71,451,430**	62,648,592
Depreciation and amortization (Notes 7, 8 and 21)	**68,496,275**	80,369,197
Software maintenance costs	**48,220,792**	37,808,270
Losses	**27,552,268**	19,714,825
Retirement benefit expense	**18,250,037**	14,164,935
Insurance	**11,600,938**	11,412,506
Rent (Note 21)	**10,050,983**	10,492,957
Provision for expected credit losses (Note 5)	**6,519,733**	14,666,084
Donations	**5,329,372**	20,981,700
Repairs and maintenance	**3,550,087**	2,536,239
Royalty	**3,270,189**	3,020,445
Others	**10,332,110**	5,448,246
	₱1,261,706,478	₱1,323,568,257

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

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

	For the Six Months Ended June 30	
	2022 (Unaudited)	2021 (Unaudited)
Cash and cash equivalents	**₱27,292,945**	**₱45,872,375**
Advances to affiliate - net	**5,971,949**	**(11,464,498)**
Trade payables	**4,101,065**	**(2,754,500)**
Equity investments at FVPL	**–**	**135,663**
Bond payable	**(148,970,884)**	**(15,099,608)**
	(₱111,604,925)	**₱16,689,432**

20. Income Taxes

Provision for income tax consists of:

	For the Six Months Ended June 30	
	2022 (Unaudited)	**2021** (Unaudited)
Current	**₱38,330,616**	₱57,462,565
Deferred	**(60,837,493)**	87,362,380
	(₱22,506,877)	₱144,824,945

Details of the Group's deferred income tax assets - net as of June 30, 2022 and December 31, 2021 follow:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Deferred tax assets arising from:		
Retirement benefit liability	**₱212,779,746**	₱197,393,384
Allowance for impairment losses	**57,494,260**	57,612,221
NOLCO	**54,066,517**	42,217,962
Lease liabilities	**48,611,425**	53,772,084
Accrued employee benefits	**43,500,299**	45,238,350
MCIT	**33,714,115**	23,926,969
Unrealized foreign exchange losses	**25,906,147**	1,347,836
Contract liabilities	**11,504,421**	15,745,392
Accelerated depreciation charged to retained earnings	**4,455,725**	7,233,642
Others	**18,474,731**	17,649,112
	₱510,507,386	₱462,136,952

As of June 30, 2022, the Group has NOLCO and MCIT amounting to ₱216.79 million and ₱33.71 million that can be claimed as deduction from future taxable income and income tax liabilities, respectively.

As of December 31, 2021, the Group has deferred tax liabilities arising from unrealized foreign exchange gains and others amounting to ₱14.98 million (nil in June 2022).

21. Lease Commitments

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

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

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

3. Lease agreement with a local bank covering transportation equipment for a period of three to five years. The lease agreement does not include escalation rates on monthly payments.

   There are no contingent rents for the above lease agreements.

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

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

Right-of use assets as of June 30, 2022 and December 31, 2021:

	For the period ended June 30, 2022 (Unaudited)			
	Right-of-use assets			
	Office and Warehouses	**Vehicles**	**Computer Equipment**	**Total**
Costs				
Balances at beginning of period	**₱3,846,188,480**	**₱204,694,453**	**₱52,804,425**	**₱4,103,687,358**
Additions	**322,767,504**	**25,033,671**	−	**347,801,175**
End of contracts	**(361,489,361)**	**(3,955,937)**	−	**(365,445,298)**
Effect of changes in foreign currency exchange rates	**15,494,662**	**1,411,060**	**1,868,007**	**18,773,729**
Balances at end of period	**3,822,961,285**	**227,183,247**	**54,672,432**	**4,104,816,964**
Accumulated amortization				
Balances at beginning of period	**1,765,991,959**	**98,238,229**	**26,117,769**	**1,890,347,957**
Amortization (Notes 19 and 20)	**472,813,593**	**22,033,905**	**3,780,839**	**498,628,337**
End of contracts	**(263,009,100)**	**(3,260,867)**	−	**(266,269,967)**
Effect of changes in foreign currency exchange rates	**5,738,467**	**829,597**	**976,311**	**7,544,375**
Balances at end of period	**1,981,534,919**	**117,840,864**	**30,874,919**	**2,130,250,702**
Net book value	**₱1,841,426,366**	**₱109,342,383**	**₱23,797,513**	**₱1,974,566,262**

	For the year ended December 31, 2021			
	Right-of-use assets			
	Office and Warehouses	Vehicles	Computer Equipment	Total
Costs				
Balances at beginning of year	₱3,227,923,065	₱168,732,629	₱31,545,380	₱3,428,201,074
Additions	1,006,256,083	40,895,098	20,594,965	1,067,746,146
Lease modification	(9,311,369)	−	−	(9,311,369)
End of contracts	(387,282,930)	(5,872,643)	−	(393,155,573)
Effect of changes in foreign currency exchange rates	8,603,631	939,369	664,080	10,207,080
Balances at end of year	3,846,188,480	204,694,453	52,804,425	4,103,687,358
Accumulated amortization				
Balances at beginning of year	1,162,097,555	55,584,119	12,621,458	1,230,303,132
Amortization (Notes 19 and 20)	976,716,628	45,051,163	12,723,064	1,034,490,855
End of contracts	(378,789,625)	(3,064,611)	−	(381,854,236)
Effect of changes in foreign currency exchange rates	5,967,401	667,558	773,247	7,408,206
Balances at end of year	1,765,991,959	98,238,229	26,117,769	1,890,347,957
Net book value	₱2,080,196,521	₱106,456,224	₱26,686,656	₱2,213,339,401

Amortization of right-of-use assets recorded in the consolidated statement of comprehensive income is net of the recognized effect of waived rentals for COVID-19 related rent concessions amounting to ₱8.33 million in 2022.

Lease modification pertain to contract with the lessor with revised terms effective 2021 and moving forward.

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

(b) Lease liabilities

	Lease Liabilities	
	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of the period	**₱2,420,598,216**	₱2,368,334,313
Additions	**347,801,175**	1,067,746,146
Lease modification	**(99,175,331)**	(20,612,706)
Rent concessions	**(8,332,874)**	(29,407,287)
Payments of principal	**(571,656,643)**	(1,098,942,530)
Accretion of interest	**62,267,008**	125,533,733
Effect of changes in foreign currency exchange rates	**11,517,392**	7,946,547
Balance at end of period	**2,163,018,943**	2,420,598,216
Less: current portion	**885,002,614**	942,830,985
Noncurrent portion	**₱1,278,016,329**	₱1,477,767,231

The Group recognized rent expense from short-term leases of ₱204.90 million and ₱149.85 million for the six months ended June 30, 2022 and 2021, respectively. For the six months ended June 30, 2022, the amortization expense recognized under cost of services and operating expenses in the statement of comprehensive income amounted to ₱457.04 million and ₱33.26 million, respectively. For the six months ended June 30, 2021, the amortization expense recognized under cost of services and operating expenses in the statement of comprehensive income amounted to ₱463.58 million and ₱26.10 million, respectively.

Interest expense arising from the accretion of lease liability amounted to ₱62.27 million and ₱76.90 million for the six months ended June 30, 2022 and 2021, respectively, recognized under ‘Other income (charges)’ in the consolidated statement of comprehensive income.

The following summarizes the maturity profile of the Group’s undiscounted lease payments:

	June 30 2022 (Unaudited)	December 31 2021 (Audited)
Less than 1 year	**₱885,002,614**	₱942,830,985
More than 1 year to 2 years	**646,020,082**	835,950,854
More than 2 years to 3 years	**375,096,493**	447,894,988
More than 3 years to 4 years	**200,446,549**	289,147,255
More than 5 years	**298,574,535**	361,638,219
	₱2,405,140,274	₱2,877,462,301

(c) Rent Expenses

The rent expenses recognized under cost of services and operating expenses in the consolidated statement of comprehensive income are considered short-term leases or leases of low value assets where the short-term lease recognition exemption is applied.

	For the Six Months Ended June 30	
	2022 (Unaudited)	2021 (Unaudited)
Cost of services (Note 18)	**₱194,849,605**	**₱139,356,185**
Operating expenses (Note 19)	**10,050,983**	**10,492,957**
	₱204,900,588	**₱149,849,142**

The Group has security deposits arising from the lease agreements amounting to ₱417.72 million and ₱401.64 million as at June 30, 2022 and December 31, 2021, respectively.

22. Retirement Benefits

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Present value of defined benefit obligation	**₱1,252,840,455**	₱1,166,702,128
Fair value of plan assets	**(376,146,481)**	(362,959,481)
	₱876,693,974	₱803,742,647

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

The pension cost for the interim periods and the present value of the defined benefit obligation as at June 30, 2022 and 2021 were calculated by prorating the 2021 projected retirement expense and by extrapolating the latest actuarial valuation report for the year ended December 31, 2021, respectively.

23. Financial Risk Management Objectives and Policies

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

The Group's financial liabilities comprise of accounts and other payables (excluding statutory liabilities, accrued taxes and contract liabilities), due to related parties, notes payable, transmissions liability, lease liabilities, dividends payable, bonds payable, derivative liability and other noncurrent liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The main risks arising from the Group's financial instruments are price risk, interest rate risk, liquidity risk, foreign currency risk and credit risk. The BOD reviews and approves policies for managing each of these risks which are summarized below.

Price risk
The Group closely monitors the prices of its equity securities as well as macroeconomic and entity-specific factors which could directly or indirectly affect the prices of these instruments. In case of an

expected decline in its portfolio of equity securities, the Group readily disposes or trades the securities for replacement with more viable and less risky investments.

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

The following table shows the effect on comprehensive income should the change in the close share price of quoted equity securities accounted for as FVOCI occur as at June 30, 2022 and 2021 with all other variables held constant.

	Effect on comprehensive income	
	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)
Change in share price		
Increase by 5%	**₱17,262,817**	₱11,508,544
Decrease by 5%	**(17,262,817)**	(11,508,544)
Change in NAV		
Increase by 5%	**₱106,962**	₱754,340
Decrease by 5%	**(106,962)**	(754,340)

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

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

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

	Effect in fair value as of	
	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Credit spread		
+1%	**₱41,418,109**	**₱36,737,754**
-1%	**(42,294,736)**	**(35,973,849)**

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

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

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

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

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

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

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

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

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

	June 30, 2022 (Unaudited)	
	Foreign currency	**Peso equivalent**
Assets:		
Euro	**3,871,587**	**218,019,517**
Hongkong Dollar	**28,267,944**	**188,162,742**
Australian Dollar	**1,163,872**	**43,749,948**
US Dollars	**2,657,124**	**146,197,620**
Liabilities:		
US Dollars	**(36,199,138)**	**(1,991,712,772)**

The translation exchange rates used were ₱59.31 to EUR 1, ₱6.66 to HKD 1, ₱37.59 to AUD 1,and ₱55.02 to USD 1 in 2022

	December 31, 2021 (Audited)	
	Foreign currency	Peso equivalent
Assets:		
Euro	3,445,994	198,179,115
Hongkong Dollar	29,952,557	194,991,141
US Dollars	6,124,787	310,979,935
Japanese yen	1,866,646	823,751
Liabilities:		
US Dollars	(33,614,340)	(1,706,734,499)

The translation exchange rates used were ₱57.51 to EUR 1, ₱6.51 to HKD 1, ₱50.77 to USD 1, ₱0.44 to JPY 1in 2021.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before tax (due to changes in the fair value of monetary assets and liabilities - net position) as at June 30, 2022 and December 31, 2021.

	Increase (decrease) in income before tax	
Reasonably possible change in foreign exchange rate for every two units of Philippine Peso	**June 30, 2022 (Unaudited)**	December 31, 2021 (Audited)
₱2	**(₱477,222)**	₱15,551,288
(2)	**477,222**	(15,551,288)

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

The Group recognized ₱111.60 million loss and ₱16.69 million foreign exchange gains - net, for the six months ended June 30, 2022 and 2021, respectively, arising from settled transactions and translation of the Group's cash and cash equivalents, equity investments at FVPL, due from related parties, trade payables and bond payable (see Note 19).

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

Credit risk is monitored and actively managed by way of strict requirements relating to the creditworthiness of the counterparty at the point at which the transactions are concluded and also throughout the entire life of the transactions, and also by way of defining risk limits.
The maximum credit risk exposure of the Group's financial assets is equal to the carrying amounts in the consolidated statements of financial position.

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

The aging analyses of Group's receivables as of June 30, 2022 and as of December 31, 2021 follow:

		June 30, 2022 (Unaudited)			
		Past due			
	Current	**1 to 30 days**	**31 to 90 days**	**Over 90 days**	**Total**
Trade and other receivables	**₱1,619,082,941**	**₱193,966,318**	**₱17,276,798**	**₱243,510,733**	**₱2,073,836,790**

	December 31, 2021 (Audited)				
		Past Due			
	Current	1 to 30 days	31 to 90 days	Over 90 days	Total
Trade and other receivables	₱1,812,802,646	₱131,609,431	₱11,838,849	₱209,254,459	₱2,165,505,385

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

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

The capital that the Group manages is equal to the total equity as shown in the interim condensed consolidated statements of financial position as at June 30, 2022 and December 31, 2021 amounting to ₱2,203.88 million and ₱2,071.49 million, respectively.

24. Fair Values

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

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

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

The estimated fair value of the derivative liability as at June 30, 2022 and December 31, 2021 is based on an indirect method of valuing multiple embedded derivatives. This valuation technique uses binomial pyramid model using stock prices and stock price volatility. This valuation method compares the fair value of the option-free instrument against the fair value of the hybrid convertible instrument. The difference of the fair values is assigned as the value of the embedded derivatives.

The significant unobservable input in the fair value is the stock price volatility of 20.55% and 24.82% in 2022 and 2021, respectively. In 2022, a 5% increase (5% decrease) in the stock volatility has no significant impact. In 2021, a 5% increase (5% decrease) in the stock volatility has an effect to the total comprehensive income by ₱40.52 million increase (₱45.29 million decrease).

As of June 30, 2022, the plain bond is determined by discounting the cash flow, which is simply the principal at maturity, using a discount rate of 12.96%. The discount rate is composed of the matched to maturity risk free rate and the option adjusted spread (OAS) of 12%.

The fair value of the long-term portion of lease liabilities as at June 30, 2022 and December 31, 2021 is based on the discounted value of future cash flow using applicable interest rates ranging from 2.12% to 5.45% and from 2.68% to 4.20%, respectively.

The estimated fair value of long-term portion of notes payable as at June 30, 2022 and December 31, 2021 is based on the discounted value of future cash flow using applicable rates ranging from 2.40% to 6.95% and 0.99% to 4.82% respectively.

The estimated fair value of other noncurrent liabilities as at June 30, 2022 and December 31, 2021 is based on the discounted value of future cash flow using applicable rate of 2.43% to 3.49% and 2.68% to 4.20%, respectively.

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

The quantitative disclosures on fair value measurement hierarchy for assets and liabilities as at June 30, 2022 and December 31, 2021 follow:

	June 30, 2022 (Unaudited)				
		Fair value measurements using			
	Carrying values	**Total**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets measured at fair value					
FVOCI	**₱345,256,331**	**₱345,256,331**	**₱345,256,331**	**₱–**	**₱–**
FVPL	**2,140,269**	**2,140,269**	**–**	**–**	**2,140,269**
Liability measured at fair value					
Derivative liability	**2,799,618,814**	**2,799,618,814**	**–**	**–**	**2,799,618,814**
Liabilities for which fair value are disclosed					
Bond payable	**1,987,965,374**	**1,998,303,770**	**–**	**–**	**1,998,303,770**
Noncurrent lease liabilities	**1,278,016,329**	**1,403,599,330**	**–**	**–**	**1,403,599,330**
Long-term notes payable	**754,325,225**	**742,016,290**	**–**	**–**	**742,016,290**
Other noncurrent liabilities	**312,248**	**498,199**	**–**	**–**	**498,199**

	December 31, 2021 (Audited)				
		Fair value measurements using			
	Carrying values	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
FVOCI	₱189,208,271	₱189,208,271	₱189,208,271	₱–	₱–
FVPL	15,689,658	15,689,658	–	–	15,689,658
Liability measured at fair value					
Derivative liability	2,558,118,548	2,558,118,548	–	–	2,558,118,548
Liabilities for which fair value are disclosed					
Bond payable	1,702,087,740	1,808,314,496	–	–	1,808,314,496
Long-term notes payable	832,121,957	828,072,404	–	–	828,072,404
Noncurrent lease liabilities	1,477,767,231	2,680,509,906	–	–	2,680,509,906
Other noncurrent liabilities	669,349	1,010,030	–	–	1,010,030

During the six months ended June 30, 2022 and year ended December 31, 2021, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

25. Segment Reporting

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

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

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

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

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

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

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

	For the Six Months ended June 30, 2022		
Segments	**Logistics**	**Money transfer services**	**Total**
Type of Customer			
Retail	**₱5,907,007,774**	**₱276,793,816**	**₱6,183,801,590**
Corporate	**1,543,533,140**	**10,885,134**	**1,554,418,274**
Total revenue from contracts with customer	**₱7,450,540,914**	**₱287,678,950**	**₱7,738,219,864**
Geographic Markets			
Domestic	**₱4,477,210,263**	**₱118,787,223**	**₱4,595,997,486**
Overseas	**2,973,330,651**	**168,891,727**	**3,142,222,378**
Total revenue from contracts with customer	**₱7,450,540,914**	**₱287,678,950**	**₱7,738,219,864**

	For the Six Months ended June 30, 2021		
Segments	Logistics	Money transfer services	Total
Type of Customer			
Retail	₱6,448,526,447	₱276,782,366	₱6,725,308,813
Corporate	1,666,097,285	22,465,484	1,688,562,769
Total revenue from contracts with customer	₱8,114,623,732	₱299,247,850	8,413,871,582
Geographic Markets			
Domestic	₱5,372,869,509	₱140,129,965	₱5,512,999,474
Overseas	2,741,754,223	159,117,885	2,900,872,108
Total revenue from contracts with customer	₱8,114,623,732	₱299,247,850	₱8,413,871,582

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

The revenue of the Group consists mainly of sales to external customers. Revenue arising from service fees charged to affiliates amounted to ₱40.95 million and ₱34.86 million for the six months ended June 30, 2022 and 2021, respectively (see Note 17).

Seasonality of Operations

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

26. Basic/Diluted Earnings (Loss) Per Share

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

Basic Earnings per Share:

	For the Six Months Ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Net income (loss) attributable to shareholder of the Parent Company	**(₱82,990,188)**	₱310,561,731
Weighted average number of common shares outstanding	**1,425,865,471**	1,425,865,471
Basic EPS	**(₱0.06)**	₱0.22

In 2022 and 2021, the Parent Company did not consider the effect of the assumed conversion of convertible debt since these are anti-dilutive. As such, for the six months ended June 30, 2022 and 2021, the diluted EPS presented in the interim condensed consolidated statements of comprehensive income is the same value as basic EPS.

27. Notes to Consolidated Statement of Cash Flows

For the six months ended June 30, 2022, the Group has the following non-cash transaction under:

Investing Activities

a. Unpaid acquisition of property and equipment amounting to ₱13.02 million.
b. Offsetting of loans receivable and interest receivable against royalty fee recorded under ‘accounts and other payables’ (see Note 11) amounting to ₱2.44 million.

Financing Activities

	December 31, 2021 (Audited)	Cash Flows	Leasing arrangements	Interest	Foreign exchange movement	Fair value changes	Dividends declared	June 30, 2022 (Unaudited)
Notes payable	₱1,992,726,525	142,608,053	₱–	₱–	₱–	₱–	₱–	₱2,135,334,578
Lease liabilities and other noncurrent liabilities	2,421,267,565	(572,013,743)	251,810,362	62,267,007	–	–	–	2,163,331,191
Convertible bond (bond and derivative liability)	4,260,206,288	–	–	136,906,750	148,970,884	241,500,266	–	4,787,584,188
Dividends payable	–	(11,948,710)	–	–	–	–	11,948,710	–
Interest payable	5,534,189	(37,344,458)		36,982,027	–	–	–	5,171,758
Due to related parties	36,427,313	658,126	–	–	7,514	–	–	37,092,953
Total liabilities from financing activities	₱8,716,161,880	(₱478,040,732)	₱251,810,362	₱236,155,784	₱148,978,398	₱241,500,266	₱11,948,710	₱9,128,514,668

For the six months ended June 30, 2021, the Group has the following non-cash transaction under:

Investing Activities
c. Unpaid acquisition of property and equipment amounting to ₱7.09 million.
d. Offsetting of loans receivable and interest receivable against royalty fee recorded under ‘accounts and other payables’ (see Note 11) amounting to ₱2.12 million.

Financing Activities

	December 31, 2020 (Audited)	Cash Flows	Leasing arrangements	Interest	Foreign exchange movement	Fair value changes	June 30, 2021 (Unaudited)
Notes payable	₱1,879,726,639	(₱53,507,817)	₱–	₱–	₱–	₱–	₱1,826,218,822
Lease liabilities and other noncurrent liabilities	2,385,781,408	(479,740,607)	625,202,052	–	1,500,865	–	2,532,743,718
Convertible bond (bond and derivative liability)	3,477,509,229	–	–	108,619,672	15,099,608	162,004,769	3,763,233,278
Dividends payable	5,686,654	(5,686,654)	–	–	–	–	–
Interest payable	4,883,581	(121,849,052)	–	122,454,889	–	–	5,489,418
Due to related parties	40,213,210	11,792,560	–	–	(9,695,036)	–	42,310,734
Total liabilities from financing activities	₱7,793,800,721	(₱648,991,570)	₱625,202,052	₱231,074,561	₱6,905,437	₱162,004,769	₱8,169,995,970

28. Other Matters

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

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

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

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

On November 2, 2015, the Bank, represented by the PDIC, filed a case against LBCE and LBCDC, together with other respondents, before the Makati City Regional Trial Court (RTC) for a total collection of ₱1.82 billion representing collection of unpaid service fees due from June 2006 to August 2011 and service charges on remittance transactions from January 2010 to September 2011. PDIC justified the increase in the amount from the demand letters that were sent on March 17 and 29, 2014 due to their discovery that the supposed payments of LBCE were allegedly unsupported by actual cash inflow to the Bank.

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

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

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

On April 10, 2017, some of the individual defendants filed their respective Answers while LBCE and LBCDC filed their Answer on April 11, 2017.

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

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

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

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

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

Meanwhile, on January 16, 2021, summons, together with a copy of the Complaint were served on LBC Properties, Inc., another defendant in this case. On February 11, 2021, LBC Properties, Inc. filed its Answer to the Complaint.

Later on, the RTC denied the motion for reconsideration of the last remaining individual defendant. Thus, on May 24, 2021, Ma. Eliza G. Berenguer filed her Answer with Compulsory Counterclaims.

PDIC, LBCE, LBCDC and the other defendants then pre-marked their respective documentary exhibits on May 26, 2021, July 6, 9 and 12, 2021, and November 8, 2021.

The court set the pre-trial on March 16, 2022. On May 16, 2022, one of the individual defendants moved for the resetting thereof because she was not able to compare the documents previously marked by PDIC and the other defendants. The judge allowed the comparison of documents on March 24 and 29, 2022 and reset the pre-trial to April 21, 2022

As scheduled, PDIC, LBCE, LBCDC and the other defendants pre-marked their respective documentary exhibits on March 24 and 29, 2022.

On April 13, 2022, LBC Properties, Inc. filed a Manifestation and Motion to Resolve Affirmative Defenses, prayed that the court resolve the affirmative defenses raised in its answer.

On April 19, 2022, an individual defendant filed a similar Motion to Resolve Affirmative Defenses.

On April 21, 2022, the court allowed the cancellation of the pre-trial to afford the parties time to facilitate the early termination of the case and reset the pre-trial to May 26 and June 23, and July 21, and September 1, 2022.

We expect the pre-trial to proceed on September 1, 2022.

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

National taxes
LBCE and its certain subsidiaries are currently involved in assessments for national taxes and the outcome is not currently determinable.

The estimate of the probable costs for the resolution of this assessment has been developed in consultation with the Group’s legal counsel and based upon an analysis of potential results. The inherent uncertainty over the outcome of this matter is brought about by the differences in the interpretation and application of laws and rulings. Management believes that the ultimate liability, if any, with respect to this assessment, will not materially affect the financial position and performance of the Group.

Without prejudice to the results of the assessment, the Group paid tax advance to the taxation authority amounting to ₱2.03 billion, ₱1.50 billion of which was paid as of December 31, 2021 and the remaining amount was paid in January to March 2022. Management assessed that these tax advance payments can be refunded or used to settle specific tax liabilities, if there’s any, or be used as tax credit for tax liabilities in the succeeding years, and as such, recognized prepaid taxes under “Prepayments and other current assets” (see Note 7).

The Group does not provide further information required under Philippine Accounting Standards (PAS) 37, *Provisions, Contingent Liabilities and Contingent Assets*, on the ground that it may prejudice the outcome of the assessments.

29. Impact of COVID-19 Pandemic and Subsequent Events

Impact of the recent Coronavirus situation
The declaration of COVID-19 outbreak by the World Health Organization as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the Philippines starting March 16, 2020 have caused disruptions to businesses and economic activities, and its impact on businesses continues to evolve.

In continuing operations during the pandemic period, the Group implements its Business Continuity Plans to continue to fulfill services much needed during this crisis period. The Group's delivery lead times have been adjusted in line with travel restrictions implemented by government authorities. The Group continuously offers contactless delivery, maintains stringent measures and protocols set by the government including social distancing and regular sanitation of branches, hubs and warehouses, and other facilities, including all cargos, and implements other safety and security measures within operations including vaccination of all employees and regular rapid testing of onsite employees.

In 2021, strong demand of recovery and normalization of operations resulted to increase in revenue as compared to 2020. In 2022 and 2021, the Group also received rent concessions from lessors since the start of pandemic (see Notes 2 and 22). Further, the Group also incurred COVID-19 pandemic related expenses such as medical and sanitation supplies, donation of vaccine, face shields and face masks, vaccinations given to employees and rapid testing costs.

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

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

SUPPLEMENTARY SCHEDULES

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS

JUNE 30, 2022

Name of issuing entity and association of each issue	Number of shares	Amount shown in the balance sheet	Income received and accrued	Value Based on Market Quotation and End of Reporting Period
Financial assets at fair value through other comprehensive income - Araneta Properties, Inc.	195,060,074	₱345,256,331	₱–	N/A
Financial assets at fair value through profit or loss	–	2,140,269	–	N/A
		347,396,600	–	
Financial assets at amortized costs:				
Cash in bank and cash equivalents	–	2,720,003,697	1,374,159	N/A
Short-term investments	–	135,054,918	–	N/A
Restricted cash in bank		387,958,430	1,025,587	N/A
Trade and other receivables	–	1,904,899,402	–	N/A
Due from related parties	–	1,162,301,513	–	N/A
Notes receivable (noncurrent)	–	16,702,733	436,629	N/A
Loans receivable (current and noncurrent)	–	85,868,618	903,995	N/A
		6,412,789,311	2,714,784	
		₱6,760,185,911	₱2,714,784	

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

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

JUNE 30, 2022

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Non-current	Balance at end of period
Santiago G. Araneta, *Beneficial owner*	₱9,537,587	₱–	₱–	₱–	₱9,537,587	₱–	₱9,537,587
Fernando G. Araneta *Beneficial owner*	18,821,782	–	–	–	18,821,782	–	18,821,782
Monica G. Araneta *Beneficial owner*	9,349,708	–	–	–	9,349,708	–	9,349,708
	₱37,709,077	₱–	₱–	₱–	₱37,709,077	₱–	₱37,709,077

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

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

JUNE 30, 2022

Name of Subsidiaries	Balance at beginning of period	Additions	Amounts collected/paid	Amounts Written Off	Current	Not current	Balance at end of period
LBC Express, Inc.	(₱206,176,500)	(₱1,483,637,345)	₱2,100,539,814	₱ –	₱410,725,969	₱ –	₱410,725,969
LBC Express, Inc. – MM	3,902,563	120,667,262	(116,990,977)	–	7,578,847	–	7,578,847
LBC Express, Inc. – SCC	5,415,618	22,489,300	(32,865,836)	–	(4,960,918)	–	(4,960,918)
LBC Express, Inc. – NEMM	(9,934,872)	79,804,213	(101,277,117)	–	(31,407,776)	–	(31,407,776)
LBC Express, Inc. – NWMM	10,532,595	61,374,096	(79,320,594)	–	(7,413,902)	–	(7,413,902)
LBC Express, Inc. – EMM	10,122,441	50,249,055	(60,687,051)	–	(315,555)	–	(315,555)
LBC Express, Inc. – SMM	(13,006,399)	47,068,690	(69,819,943)	–	(35,757,652)	–	(35,757,652)
LBC Express, Inc. – CMM	(10,676,718)	57,482,263	(73,151,520)	–	(26,345,974)	–	(26,345,974)
LBC Express, Inc. – SL	22,663,442	101,550,218	(139,019,984)	–	(14,806,324)	–	(14,806,324)
LBC Express, Inc. – SEL	664,018	60,443,536	(91,621,843)	–	(30,514,289)	–	(30,514,289)
LBC Express, Inc. – CL	9,959,201	80,549,104	(105,441,473)	–	(14,933,168)	–	(14,933,168)
LBC Express, Inc. – NL	932,699	76,046,852	(108,827,719)	–	(31,848,169)	–	(31,848,169)
LBC Express, Inc. – VIS	25,913,783	103,177,193	(143,227,002)	–	(14,136,026)	–	(14,136,026)
LBC Express, Inc. – WVIS	8,399,319	80,065,595	(107,001,247)	–	(18,536,333)	–	(18,536,333)
LBC Express, Inc. – MIN	14,713,549	91,655,318	(128,730,141)	–	(22,361,274)	–	(22,361,274)
LBC Express, Inc. – SEM	18,753,622	55,919,184	(78,414,343)	–	(3,741,538)	–	(3,741,538)
LBC Express, Inc. – SMCC	5,934,164	14,070,733	(20,977,734)	–	(972,838)	–	(972,838)
LBC Express, Inc. – ESI	(6,773,780)	-	(1,493,894)	–	(8,267,674)	–	(8,267,674)
LBC Express, Inc. – SCS	17,064,365	72,466,515	(122,664,332)	–	(33,133,452)	–	(33,133,452)
LBC Systems, Inc.	(56,417,360)	7,284,701	(9,595,614)	–	(58,728,274)	–	(58,728,274)
LBC Express WLL	10,341,297	(29,152,347)	14,313,099	–	(4,497,951)	–	(4,497,951)
LBC Express Bahrain WLL	(36,812,945)	(2,989,388)	(2,482,059)	–	(42,284,391)	–	(42,284,391)
LBC Express LLC	(75,398,870)	(9,604,384)	(1,370,273)	–	(86,373,527)	–	(86,373,527)
LBC Mabuhay Saipan, Inc.	(5,004,523)	(4,503,871)	(12,762,170)	–	(22,270,564)	–	(22,270,564)
LBC Aircargo (S) Pte. Ltd	(151,709,994)	(1,651,712)	7,273,234	–	(146,088,472)	–	(146,088,472)
LBC Money Transfer PTY Limited	(33,436,762)	(5,558,998)	(5,004,557)	–	(44,000,317)	–	(44,000,317)
LBC Airfreight (S) Pte. Ltd	124,313,199	(23,142,188)	27,783,931	–	128,954,942	–	128,954,942
LBC Australia PTY Limited	8,317,441	(20,113,292)	8,200,856	–	(3,594,995)	–	(3,594,995)
LBC Mabuhay (Malaysia) SDN BHD	(11,988,713)	(8,650,491)	11,244,871	–	(9,394,333)	–	(9,394,333)
LBC Mabuhay (B) SDN BHD	23,087,500	(2,530,558)	(1,516,111)	–	19,040,831	–	19,040,831
LBC Mabuhay Remittance SDN BHD	13,226,830	(4,315,731)	(29,809,828)	–	(20,898,728)	–	(20,898,728)
LBC Mundial Corporation	57,832,006	(118,948,608)	14,839,427	–	(46,277,175)	–	(46,277,175)
LBC Mabuhay North America Corporation	34,809	-	(12,432)	–	22,377	–	22,377
LBC Mabuhay Hawaii Corporation	–	-	523,889		523,889		523,889
LBC Business Solutions North America Corp.	28,487,590	89,763,118	(94,459,119)	–	23,791,589	–	23,791,589
QUADX Pte Ltd.	(5,701,570)	-	45,473,929	–	39,772,358	–	39,772,358
Mermaid Co., Ltd.	(21,904,865)	(6,888,847)	2,759,180	–	(26,034,532)	–	(26,034,532)
	(₱224,331,820)	(₱449,560,816)	₱494,407,315	–	(₱179,485,320)	–	(₱179,485,320)

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE D: LONG TERM DEBT

JUNE 30, 2022

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current liabilities" in Statement of Financial Position	Amount shown under caption "Noncurrent liabilities" in Statement of Financial Position
Notes payable	₱2,135,334,578	₱1,381,009,353	₱754,325,225
Lease liabilities	2,163,018,943	885,002,614	1,278,016,329
Bond payable	1,987,965,374	1,987,965,374	–
Derivative liability	2,799,618,814	2,799,618,814	–
Other liabilities	9,127,043	8,814,795	312,248
	₱9,095,064,752	₱7,062,410,950	₱2,032,653,802

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE E: INDEBTEDNESS TO RELATED PARTIES

JUNE 30, 2022

	Balance at Beginning of Period	**Balance at End of Period**
Fernando G. Araneta, *Beneficial owner*	₱43,927	₱43,927
LBC Insurance Agency, Inc.	9,590,493	8,703,286
Blue Eagle and LBC Services Pte. Ltd.	13,341,455	13,078,220
QUADX Inc.	12,992,237	14,078,975
Others	459,201	1,188,545
	₱36,427,313	₱37,092,953

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE F: GUARANTEES OF SECURITIES OF OTHER ISSUERS

JUNE 30, 2022

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

NOT APPLICABLE

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE G: CAPITAL STOCK

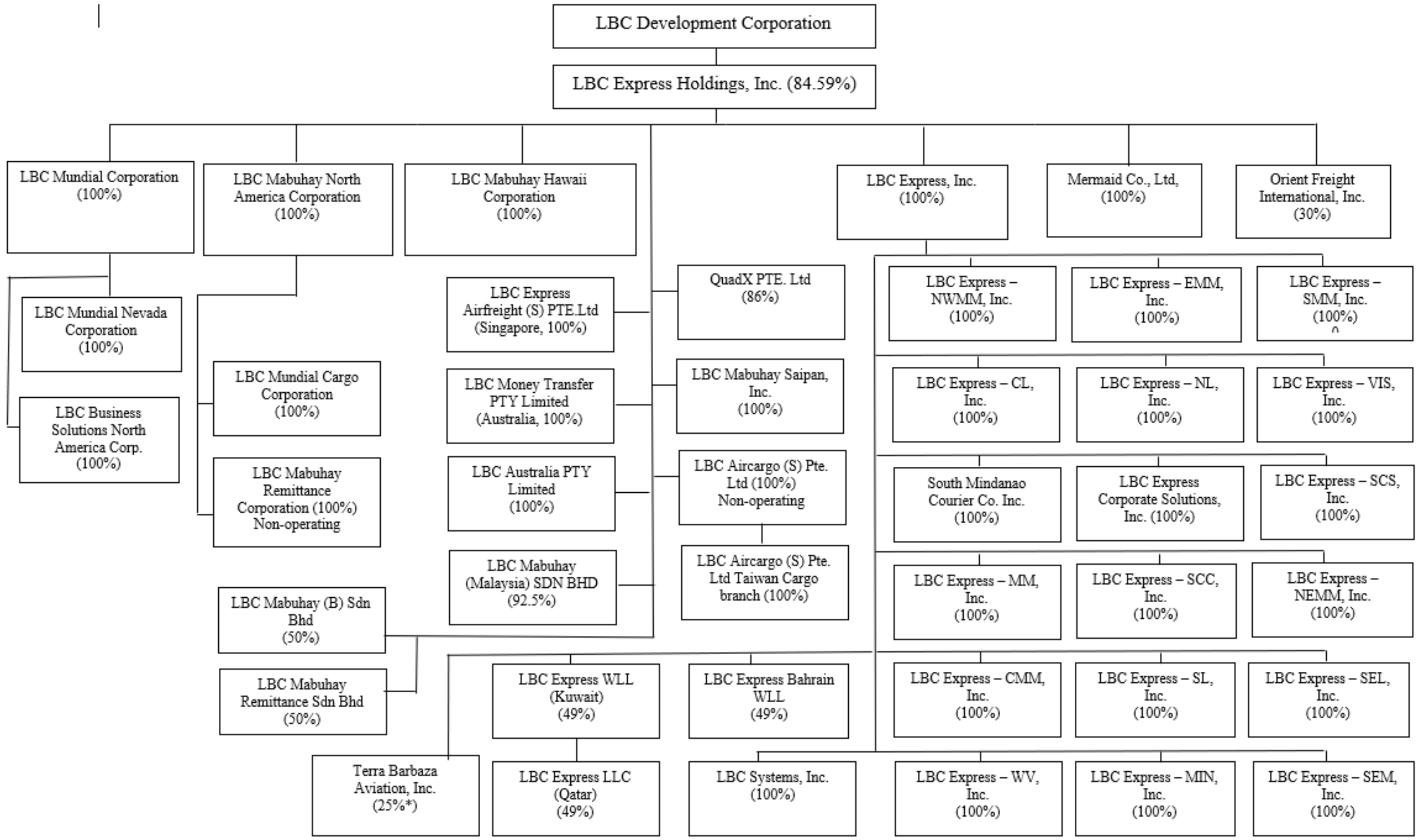
JUNE 30, 2022

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related Statement of Financial Position	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - ₱1 par value	2,000,000,000	1,425,865,471	–	1,206,178,232	230,007	219,457,232

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIESs

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

JUNE 30, 2022



*25% ownership in Terra Barbaza Aviation, Inc. is based on common stock with voting rights

LBC EXPRESS HOLDINGS, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE SIX MONTHS ENDED JUNE 30, 2022

Unappropriated Retained Earnings, beginning		**₱103,818,673**
Adjustments:		
Fair value adjustments (M2M gains)	**(454,198,052)**	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	**(89,890,093)**	**(544,088,145)**
Unappropriated retained earnings, as adjusted to available for dividend distribution as at January 1, 2022		**(440,269,472)**
Less: Net Loss actually incurred during the period		
Net loss during the period closed to retained earnings	**(443,501,088)**	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain – (after tax) except those attributable to Cash and Cash equivalents	–	
Unrealized actuarial gain	–	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Subtotal	–	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP-loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Net loss actually incurred during the period	**(443,501,088)**	**(443,501,088)**
Add (Less):		
Dividend declarations during the period	–	
Appropriations of retained earnings during the period	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	
Subtotal		–
TOTAL RETAINED EARNINGS, END		**(₱883,770,561)**
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION		**₱–**

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021

Below are the financial ratios that are relevant to the Group for the six months ended June 30:

Financial ratios	Formula	June 30, 2022		June 30, 2021	
Current ratio	Total Current Assets	**9,739,170,115**	**0.89**	9,449,438,158	1.65
	Total Current Liabilities	**10,994,417,493**		5,736,465,652	
Acid Test Ratio	Total Current Assets - Prepayments and other current assets	**6,198,672,181**	**0.56**	8,340,277,538	1.45
	Current Liabilities	**10,994,417,493**		5,736,465,652	
Solvency Ratio	Net Income After Tax - Non-Cash Expenses	**1,240,374,023**	**0.09**	1,379,427,664	0.11
	Total Liabilities	**13,903,765,269**		12,579,644,054	
Debt-to-equity ratio	Total liabilities	**13,903,765,269**	**6.37**	12,579,644,054	3.86
	Stockholder's equity attributable to Parent Company	**2,184,258,311**		3,259,518,490	
Asset-to-equity ratio	Total Assets	**16,107,646,743**	**7.37**	15,858,845,349	4.87
	Stockholder's equity attributable to Parent Company	**2,184,258,311**		3,259,518,490	
Interest rate coverage ratio	Income before interest and tax expense	**135,525,247**	**0.57**	689,786,090	2.99
	Interest Expense	**236,155,784**		231,074,561	
Return on equity	Net income (loss) attributable to Parent Company	**(82,990,188)**	**(0.04)**	310,561,730	0.10
	Stockholder's equity attributable to Parent Company	**2,184,258,311**		3,259,518,490	
Debt to total assets ratio	Total liabilities	**13,903,765,269**	**0.86**	12,579,644,054	0.79
	Total assets	**16,107,646,743**		15,858,845,349	
Return on average assets	Net income (loss) attributable to Parent Company	**(82,990,188)**	**(0.01)**	310,561,730	0.02
	Average assets	**16,012,738,392**		15,760,261,754	
Net profit margin	Net income (loss) attributable to Parent Company	**(82,990,188)**	**(0.01)**	310,561,730	0.04
	Service fee	**7,738,219,864**		8,413,871,582	
Book value per share	Stockholder's equity attributable to Parent Company	**2,184,258,311**	**1.53**	3,259,518,490	2.29
	Total number of shares	**1,425,865,471**		1,425,865,471	
Basic earnings (loss) per share*	Net income (loss) attributable to Parent Company	**(82,990,188)**	**(0.06)**	310,561,730	0.22
	Weighted average number of common shares outstanding	**1,425,865,471**		1,425,865,471	

**same as diluted earnings per share*