

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended
Sep 30, 2022
2. SEC Identification Number
AS93005277
3. BIR Tax Identification No.
002-648-099-000
4. Exact name of issuer as specified in its charter
LBC EXPRESS HOLDINGS, INC. (formerly FEDERAL RESOURCES INVESTMENT GROUP INC.)
5. Province, country or other jurisdiction of incorporation or organization
PHILIPPINES
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
LBC Hangar, General Aviation Center, Domestic Airport Road, Pasay City
Postal Code
1300
8. Issuer's telephone number, including area code
(632) 8856 8510
9. Former name or former address, and former fiscal year, if changed since last report
N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

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

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

Yes No

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange / Common Shares

12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.

LBC Express Holdings, Inc. LBC

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

For the period ended	Sep 30, 2022
Currency (indicate units, if applicable)	PHP

Balance Sheet

	Period Ended		Fiscal Year Ended (Audited)	
	Sep 30, 2022		Dec 31, 2021	
Current Assets	9,946,023,336		9,614,443,772	
Total Assets	16,296,025,490		15,917,830,041	
Current Liabilities	11,274,678,799		10,717,066,630	
Total Liabilities	14,268,702,745		13,846,344,646	
Retained Earnings/(Deficit)	443,145,065		670,248,037	
Stockholders' Equity	2,027,322,745		2,071,485,395	
Stockholders' Equity - Parent	2,005,829,477		2,050,620,200	
Book Value per Share	1.41		1.44	

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	3,934,055,345	3,903,363,802	11,672,275,209	12,317,235,384
Gross Expense	3,797,014,247	3,886,999,430	11,093,164,300	11,506,136,428
Non-Operating Income	13,445,037	41,177,304	62,720,448	105,249,328
Non-Operating Expense	-303,138,934	-150,636,559	-892,399,909	-546,446,054
Income/(Loss) Before Tax	-152,652,800	-93,094,883	-250,568,553	369,902,230
Income Tax Expense	-10,716,535	-31,882,989	-33,223,412	112,941,956
Net Income/(Loss) After Tax	-141,936,265	-61,211,894	-217,345,141	256,960,274
Net Income Attributable to Parent Equity Holder	-144,112,784	-64,218,656	-227,102,972	246,343,074
Earnings/(Loss) Per Share (Basic)	-0.1	-0.05	-0.16	0.17
Earnings/(Loss) Per Share (Diluted)	-0.1	-0.05	-0.16	0.17

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	-0.94	0.14
Earnings/(Loss) Per Share (Diluted)	-0.94	0.14

Other Relevant Information

N/A

Filed on behalf by:

Name	Ernesto III Naval
Designation	Alternate Corporate Information Officer

From: [ICTD Submission](#)
To: lbch@lbcexpressholdings.com
Subject: Re: LBC EXPRESS HOLDINGS, INC._SEC Form 17-Q (Q3 2022)_18 November 2022
Date: Friday, 18 November 2022 4:20:12 pm

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

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.

COVER SHEET

SEC Registration Number

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COMPANY NAME

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

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable										
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1	7	-	Q									
S	E	C										
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: **September 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 September 30, 2022:

<u>Title of each class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
Common Shares	1,425,865,471 ¹
Bond payable	2,215,885,882 ²
Derivative Liability	2,875,883,222 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 [] No []

Name of Stock Exchange: Philippine Stock Exchange

Class of securities listed: Common shares³

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 [] No []

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

Yes [] No []

³ As of September 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 September 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

Nine months ended September 30, 2022 compared to the nine months ended September 30, 2021

Service Revenue

The Company's service revenue stood at ₱11,672.28 million for the nine months ended September 30, 2022, from ₱12,317.24 million, a 6% decline for the nine months ended September 30, 2021, mainly from domestic logistics segment by 14%, partly covered by 10% growth in sales from overseas due to recovery of favorable rates in some countries.

Cost of Services

Cost of services is down by 2% to ₱9,225.92 million for the nine months ended September 30, 2022, from ₱9,426.90 million for the nine months ended September 30, 2021, pertaining to lower cost of delivery and remittance by 7%. Reduction in truck rentals and manpower were aligned to current sales production.

However, these reductions were offset by the increasing fuel prices and surge in cost of freight-sea as general price increase was implemented by shipping lines, both in domestic and overseas setting.

Gross Profit

Gross profit is at ₱2,446.36 million for the nine months ended September 30, 2022, from ₱2,890.34 million, lower by 18% for the nine months ended September 30, 2021, primarily attributable to decrease in volume and increase in cost of freight-sea and fuel.

Operating Expenses

Operating expenses decreased by 11% to ₱1,867.25 million for the nine months ended September 30, 2022, from ₱2,079.24 million for the nine months ended September 30, 2021, because of lower spend for COVID19 related expenses such as medical and sanitation supplies, medical professional fees, and employee shuttle services.

The decrease is compensated with the higher wages and due to the vaccine costs incurred this year. Commission expense also increased as overseas revenue grew by 10%. Software maintenance and subscription cost also escalated resulting from the renewal of the enterprise agreement. Further, there is a rise in advertising expense by 4% covering different mediums to reach customers.

Operating Income

Operating income went down to ₱579.11 million for the nine months ended September 30, 2022, from ₱811.10 million for the nine months ended September 30, 2021, mostly driven by the decline in gross profit.

Other Charges, Net

Other charges, net increased to ₱829.68 million for the nine months ended September 30, 2022, from ₱441.20 million for the nine months ended September 30, 2021, largely because of the foreign exchange losses incurred amounting to ₱201.15 million for the nine months ended September 30, 2022, compared to gains amounting to ₱39.19 million for the nine months ended September 30, 2021. These losses were mostly related to the valuation of the bond payable. Further, 'Loss on derivatives' recognized during the period is also higher by ₱114.87 million.

Net Income (Loss) after tax

The Group incurred net loss after tax of ₱217.35 million for the nine months ended September 30, 2022, compared to net income after tax of ₱256.96 million for the nine months ended September 30, 2021, relative to decrease in revenue by 6%, surge in sea freight and fuel prices, and non-operating losses from foreign exchange and convertible instrument.

Quarter ended September 30, 2022, compared to the quarter ended September 30, 2021

Service Revenue

The Company's service revenue is higher by 1% to ₱3,934.06 million for the quarter ended September 30, 2022, from ₱3,903.36 million for the quarter ended September 30, 2021, as there is a growth in the overseas logistics and money transfer services segment by 12% and 14%, respectively.

Cost of Services

Cost of services increased by 2% to ₱3,191.47 million for the quarter ended September 30, 2022, from ₱3,131.33 million for the quarter ended September 30, 2021, as a factor of increase in volume leading to higher cost of delivery and remittance by 1%. Further, there are rate increases for domestic and international shipping lines and fuel rates.

Gross Profit

Gross profit decreased by 4% to ₱742.58 million for the quarter ended September 30, 2022, from ₱772.04 million for the quarter ended September 30, 2021, primarily attributable to the increase in sea freight costs and fuel.

Operating Expenses

Operating expenses went down by 25% to ₱605.54 million for the quarter ended September 30, 2022, from ₱755.67 million for the quarter ended September 30, 2021, as the Group had reduced expenses related to COVID19 such as medical and sanitation supplies, medical professional fees, and employee shuttle services.

Operating Income

Operating income increased to ₱137.04 million for the quarter ended September 30, 2022, from ₱16.36 million for the quarter ended September 30, 2021, attributable to the decline in operating expenses.

Other Charges, Net

Other charges, net increased to ₱289.69 million for the quarter ended September 30, 2022, from ₱109.46 million for the quarter ended September 30, 2021, mainly driven by losses related to foreign exchange amounting to ₱89.55 million for the quarter ended September 30, 2022, compared to gains amounting to ₱22.50 million for the quarter ended September 30, 2021.

Loss on derivative is also a contributing factor as it is higher by ₱35.37 million compared to same period last year, as well as the ₱27.58 million increase in interest expense related to notes payable, lease liabilities and bond payable.

Net Loss after tax

The Group incurred net loss after tax of ₱141.94 million for the quarter ended September 30, 2022, from ₱61.21 million for the quarter ended September 30, 2021, increase in non-operating expenses mentioned under ‘Other charges, net’, offset by the decline in operating expenses particularly the COVID19 related costs.

FINANCIAL CONDITION

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

Assets

Current Asset

Cash and cash equivalents decreased by 11% to ₱3,104.04 million as of September 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 increased to ₱2,134.55 million as of September 30, 2022, from ₱2,095.62 million as of December 31, 2021, mostly coming from 3% growth of receivables from outside parties, countered by settlements of receivables from related parties.

Due from related parties increased by 7% to ₱1,194.38 million as of September 30, 2022, from ₱1,118.61 million as of December 31, 2021, primarily related to the dividend receivable from an associate. Furthermore, there is an increase in receivable related to platform subscription fees.

Investments at fair value through profit and loss declined to ₱2.15 million as of September 30, 2022, from ₱15.69 million as of December 31, 2021, due to sale of investments.

Prepayments and other current assets increased by 21% to ₱3,510.90 million as of September 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 4% to ₱1,983.04 million as of September 30, 2022, from ₱1,899.75 million as of December 31, 2021, primarily due to additions amounting to ₱376.16 million, offset by depreciation amounting to ₱295.28 million.

Right-of-use assets, net is lower by 5% to ₱2,095.90 million as of September 30, 2022, from ₱2,213.34 million as of December 31, 2021, mainly attributable to amortization that amounts to ₱769.31 million, offset by net additions of ₱651.87 million resulting from new branches, renewals as well as foreign exchange revaluation.

Intangible assets, net is lower by 5% to ₱254.01 million as of September 30, 2022, from ₱268.04 million as of December 31, 2021, driven by amortization of ₱38.44 million, offset by ₱23.23 million additions for the period.

Investment at fair value through other comprehensive income is up by 16% to ₱220.42 million as of September 30, 2022, from ₱189.21 million as of December 31, 2021, relative to movement in market price from ₱0.97/share to ₱1.13/share.

Investment in associates increased by 2% to ₱361.27 million as of September 30, 2022, from ₱354.79 million as of December 31, 2021, due to the share in net income of the associates during the period, offset by the cash dividends declared.

Deferred tax assets - net increased by 19% to ₱547.74 million as of September 30, 2022, from ₱462.14 million as of December 31, 2021, largely because of the additional income tax deferred recognized related to unrealized foreign exchange losses and retirement benefit liability.

Liabilities

Accounts and other payable is lower by 5% to ₱3,204.55 million as of September 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 ₱1,993.59 million as of September 30, 2022, from ₱1,992.73 million as of December 31, 2021, driven by the availment of loan amounting to ₱482.53 million, offset by the settlement amounting to ₱481.66 million during the period.

Transmissions liability went down by 34% to ₱671.62 million as of September 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 5% to ₱2,301.66 million as of September 30, 2022, from ₱2,420.60 million as of December 31, 2021, primarily pertaining to lease payments during the period.

Bond payable increased by 30% to ₱2,215.89 million as of September 30, 2022, from ₱1,702.09 million as of December 31, 2021, mainly from the accretion of interest amounting to ₱220.42 million and foreign exchange loss recognized amounting to ₱293.37 million.

Derivative liability increased to ₱2,875.88 million as of September 30, 2022, from ₱2,558.12 million as of December 31, 2021, related to the loss on valuation incurred for the period amounting to ₱317.76 million.

LIQUIDITY

Cash Flows

Nine months ended September 30, 2022 compared to the nine months ended September 30, 2021

Cash flows from operating activities

The Company's net cash from operating activities is primarily affected by income (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 inflows from these activities amounted to ₱813.74 million and ₱1,227.65 million for the nine months ended September 30, 2022 and 2021, respectively.

Cash flows from investing activities

Cash used in investing activities for the nine months ended September 30, 2022 and 2021 amounted to ₱425.44 million and ₱220.26 million, respectively. For the nine months ended September 30, 2022, the Company spent ₱413.41 million from the acquisition of property and equipment and intangible assets.

Cash flow from financing activities

Net cash used in financing activities for the nine months ended September 30, 2022 and 2021 amounted to ₱939.61 million and ₱1,039.94 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.

A handwritten signature in black ink, appearing to read 'ENRIQUE V. REY, JR.', written in a cursive style.

ENRIQUE V. REY, JR.
Chief Finance Officer

November 18, 2022

**LBC Express Holdings, Inc.
and Subsidiaries**

Unaudited Interim Condensed Consolidated
Financial Statements
As at September 30, 2022 and
for the Nine Months Ended
September 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

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 23 and 24)	₱3,104,039,865	₱3,475,114,354
Trade and other receivables (Notes 5, 17, 23 and 24)	2,134,548,361	2,095,623,716
Due from related parties (Notes 17, 23 and 24)	1,194,381,317	1,118,607,712
Investments at fair value through profit or loss (Notes 9, 23 and 24)	2,150,378	15,689,658
Prepayments and other current assets (Notes 6, 11, 17, 23 and 24)	3,510,903,415	2,909,408,332
Total Current Assets	9,946,023,336	9,614,443,772
Noncurrent Assets		
Property and equipment (Note 7)	1,983,040,417	1,899,747,227
Right-of-use assets (Note 21)	2,095,896,220	2,213,339,401
Intangible assets (Note 8)	254,014,103	268,043,165
Investment at fair value through other comprehensive income (Notes 9, 23 and 24)	220,417,883	189,208,271
Deferred tax assets - net (Note 20)	547,743,729	462,136,952
Security deposits (Note 21)	420,804,085	401,641,394
Investment in associates (Note 10)	361,276,933	354,792,313
Goodwill (Note 3)	287,024,985	287,024,985
Other noncurrent assets (Notes 6, 11 and 17)	179,783,799	227,452,561
Total Noncurrent Assets	6,350,002,154	6,303,386,269
	₱16,296,025,490	₱15,917,830,041
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 12, 17, 23 and 24)	₱3,204,546,083	₱3,358,183,020
Due to related parties (Notes 17, 23 and 24)	32,911,305	36,427,312
Current portion of notes payable (Notes 14, 23 and 24)	1,283,205,057	1,160,604,568
Transmissions liability (Notes 13, 17, 23 and 24)	671,616,812	902,996,491
Income tax payable	52,000,835	55,817,966
Current portion of lease liabilities (Notes 21, 23 and 24)	938,629,603	942,830,985
Derivative liability (Notes 15, 23 and 24)	2,875,883,222	2,558,118,548
Bond payable (Notes 15, 23 and 24)	2,215,885,882	1,702,087,740
Total Current Liabilities	11,274,678,799	10,717,066,630
Noncurrent Liabilities		
Lease liabilities - net of current portion (Notes 21, 23 and 24)	1,363,034,067	1,477,767,231
Notes payable - net of current portion (Notes 14, 23 and 24)	710,385,393	832,121,957
Retirement benefit liability - net (Note 22)	920,463,940	803,742,647
Deferred tax liability - net (Note 20)	-	14,976,832
Other noncurrent liabilities (Notes 12, 23 and 24)	140,546	669,349
Total Noncurrent Liabilities	2,994,023,946	3,129,278,016
	14,268,702,745	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	443,145,065	670,248,037
Accumulated comprehensive gain (loss)	136,818,941	(45,493,308)
	2,005,829,477	2,050,620,200
Non-controlling interests	21,493,268	20,865,195
Total Equity	2,027,322,745	2,071,485,395
	₱16,296,025,490	₱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

	Nine Months Ended September 30		Three Months Ended September 30	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
SERVICE REVENUE (Note 25)	₱11,672,275,209	₱12,317,235,384	₱3,934,055,345	₱3,903,363,802
COST OF SERVICES (Note 18)	9,225,916,864	9,426,897,214	3,191,473,289	3,131,328,473
GROSS PROFIT	2,446,358,345	2,890,338,170	742,582,056	772,035,329
OPERATING EXPENSES (Note 19)	1,867,247,436	2,079,239,214	605,540,958	755,670,957
OPERATING INCOME	579,110,909	811,098,956	137,041,098	16,364,372
OTHER INCOME (CHARGES)				
Equity in net earnings of associates (Note 10)	42,235,359	59,715,715	10,010,132	12,851,003
Interest income (Notes 4, 11 and 17)	4,626,061	6,330,401	1,911,277	2,044,816
Fair value gain on investment at fair value through profit or loss (Note 9)	20,157	12,564	11,140	4,035
Foreign exchange gains (losses) - net (Notes 19 and 23)	(201,153,525)	39,190,648	(89,548,600)	22,501,216
Loss on derivative (Note 15)	(317,764,674)	(202,893,964)	(76,264,408)	(40,889,194)
Interest expense (Notes 14, 15, 17 and 21)	(373,481,710)	(340,821,926)	(137,325,926)	(109,747,365)
Others - net	15,838,870	(2,730,164)	1,512,487	3,776,234
	(829,679,462)	(441,196,726)	(289,693,898)	(109,459,255)
INCOME(LOSS) BEFORE INCOME TAX	(250,568,553)	369,902,230	(152,652,800)	(93,094,883)
BENEFIT FROM (PROVISION FOR) INCOME TAX (Note 20)	33,223,412	(112,941,956)	10,716,535	31,882,989
NET INCOME (LOSS) FOR THE PERIOD	(217,345,141)	256,960,274	(141,936,265)	(61,211,894)
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	(9,782,671)	10,862,424	(6,649,421)	3,094,706
Share in other comprehensive income (loss) of an associate (Note 10)	249,260	(3,189,638)	-	(81,000)
Unrealized fair value gain (loss) on equity investments at fair value through other comprehensive income (Note 9)	31,209,612	(31,209,612)	(124,838,448)	(29,259,011)
Currency translation gains - net	165,096,600	25,339,093	98,507,005	38,127,193
	186,772,801	1,802,267	(32,980,864)	11,881,888
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱30,572,340)	₱258,762,541	(₱174,917,129)	(₱49,330,006)
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the Parent Company	(₱227,102,972)	₱246,343,074	(₱144,112,784)	(₱64,218,656)
Non-controlling interests	9,757,831	10,617,200	2,176,519	3,006,762
NET INCOME (LOSS) FOR THE PERIOD	(₱217,345,141)	₱256,960,274	(₱141,936,265)	(₱61,211,894)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the Parent Company	(₱44,790,723)	₱248,366,610	(₱178,428,834)	(₱52,868,044)
Non-controlling interests	14,218,383	10,395,931	3,511,705	3,538,038
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	(₱30,572,340)	₱258,762,541	(₱174,917,129)	(₱49,330,006)
EARNINGS (LOSS) PER SHARE (Note 26)				
Basic	(₱0.16)	₱0.17	(₱0.10)	(₱0.05)
Diluted	(₱0.16)	₱0.17	(₱0.10)	(₱0.05)

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Nine Months Ended September 30, 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)	–	(227,102,972)	–	(227,102,972)	9,757,831	(217,345,141)
Other comprehensive income	–	–	182,312,249	182,312,249	4,460,552	186,772,801
Total comprehensive income (loss)	–	(227,102,972)	182,312,249	(44,790,723)	14,218,383	(30,572,340)
Dividends declared (Note 16)	–	–	–	–	(13,590,310)	(13,590,310)
Balances at end of the period	₱1,425,865,471	₱443,145,065	₱136,818,941	₱2,005,829,477	₱21,493,268	₱2,027,322,745

For the Nine Months Ended September 30, 2021 (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	₱1,536,482,182	(₱4,063,817)	₱2,958,283,836	₱12,824,911	₱2,971,108,747
Comprehensive income (loss):						
Net Income	–	246,343,074	–	246,343,074	10,617,200	256,960,274
Other comprehensive income (loss)	–	–	2,023,536	2,023,536	(221,269)	1,802,267
Total comprehensive income	–	246,343,074	2,023,536	248,366,610	10,395,931	258,762,541
Balances at end of the period	₱1,425,865,471	₱1,782,825,256	(₱2,040,281)	₱3,206,650,446	₱23,220,842	₱3,229,871,288

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30 (Unaudited)	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	(P250,568,553)	P369,902,230
Adjustments for:		
Depreciation and amortization (Notes 7, 8, 18, 19, 21)	1,090,759,021	1,175,889,507
Interest expense (Notes 14, 15, 17 and 21)	373,481,710	340,821,926
Loss on derivative (Note 15)	317,764,674	202,893,964
Unrealized foreign exchange losses	256,444,377	(3,233,590)
Retirement expense, net of benefits paid and contribution to retirement plan	110,161,873	(20,476,892)
(Gain) Loss on disposal of property and equipment	(6,247,809)	56,544
Fair value gain on investment at fair value through profit or loss (Note 9)	(20,157)	(12,564)
Interest income (Notes 4, 11 and 17)	(4,626,061)	(6,330,401)
Equity in net earnings of associates (Note 10)	(42,235,359)	(59,715,715)
Operating income before changes in working capital	1,844,913,716	1,999,795,009
Changes in working capital:		
Decrease (increase) in:		
Trade and other receivables	(27,446,573)	10,263,893
Prepayments and other current assets	(561,332,133)	(241,258,845)
Security deposits	(17,035,300)	(34,971,505)
Other noncurrent assets	49,770,990	8,521,737
Decrease in:		
Accounts and other payables	(170,461,196)	(132,463,676)
Transmissions liability	(233,551,261)	(310,657,746)
Net cash generated from operations	884,858,243	1,299,228,867
Interest received	4,626,061	6,330,401
Income tax paid	(75,744,774)	(77,911,899)
Net cash provided by operating activities	813,739,530	1,227,647,369
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Disposal of property and equipment	6,290,347	7,787,411
Sale of investments at fair value through profit and loss	13,559,437	-
Payments for acquisitions of:		
Intangible assets (Note 27)	(36,312,326)	(32,023,821)
Property and equipment (Note 27)	(377,096,805)	(247,119,580)
Decrease (increase) in due from related parties	(49,883,832)	38,342,103
Dividend received	18,000,000	12,750,000
Net cash used in investing activities	(425,443,179)	(220,263,887)
<i>(Forward)</i>		

**Nine Months Ended September 30
(Unaudited)**

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable (Notes 14 and 27)	₱482,525,600	₱124,000,000
Increase in due to related parties (Note 27)	(7,465,366)	(457,787)
Dividends paid (Note 27)	(13,590,310)	(5,686,654)
Interest paid (Note 27)	(59,172,094)	(165,816,484)
Payments of notes payable (Notes 14 and 27)	(481,661,675)	(240,709,387)
Payments of principal amount of lease liabilities (Note 27)	(860,250,408)	(751,266,686)
Net cash used in financing activities	(939,614,253)	(1,039,936,998)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(551,317,902)	(32,553,516)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	180,243,413	127,820,163
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)	₱3,104,039,865	₱5,341,319,122

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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 nine months ended August 31 third 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 being consolidated by yearend of 2021 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 September 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 September 1, 2022 and 2021 and the date of the Parent Company's financial statements which is September 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 settlement of bank loans in September 2022 amounting to ₱40.51 million, adjustment to reflect equity share in net earnings of Terra Barbaza Aviation, Inc. (TBAI) amounting to ₱0.07 million and adjustment to reflect the decrease in fair value of equity investment at FVOCI by ₱33.16 million.

The interim condensed consolidated financial statements in September 2021 were adjusted to reflect the LBCE's settlement of bank loans amounting to ₱30.91 million, changes in fair value of equity instrument at FVOCI amounting to ₱13.65 million and time deposit placement amounting to ₱98.69 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 September 1, 2022 to September 30, 2022, December 1, 2021 to December 31, 2021 and September 1, 2021 to September 30, 2021.

Basis of Consolidation

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

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

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

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

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

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

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

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

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

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

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 September 30, 2022.

3. Business Combination and Goodwill

There were no acquisitions and disposal of subsidiaries for the nine months ended September 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 nine months ended September 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 September 30, 2022.

4. Cash and Cash Equivalents

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	September 30, 2021 (Unaudited)
Cash on hand	₱264,417,746	₱335,985,780	₱288,969,591
Cash in banks	2,831,409,071	3,130,317,764	3,284,678,146
Cash equivalents	8,213,048	8,810,810	1,767,671,385
	₱3,104,039,865	₱3,475,114,354	₱5,341,319,122

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents include short-term placements made for varying periods of up to nine 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 2.75% per annum in 2022 and 0.125% to 1.625% in 2021. Interest income earned from cash and cash equivalents amounted to ₱0.47 million and ₱4.12 million for the nine months ended September 30, 2022 and 2021, respectively.

5. Trade and Other Receivables

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Trade receivables - outside parties	₱1,825,401,308	₱1,765,451,381
Trade receivables - related parties (Note 17)	352,284,204	400,054,004
	2,177,685,512	2,165,505,385
Less allowance for expected credit losses	216,449,951	222,496,135
	1,961,235,561	1,943,009,250
Other receivables:		
Advances to officers and employees	118,567,525	99,860,489
Others	54,745,275	52,753,977
	₱2,134,548,361	₱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:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
At the beginning of period	₱222,496,135	₱193,699,800
Provision for impairment losses (Note 19)	683,515	33,855,547
Accounts written-off	-	(5,005,431)
Recoveries	(6,729,699)	(53,781)
At the end of the period	₱216,449,951	₱222,496,135

6. Prepayments and Other Assets

This account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Input value-added tax (VAT)	₱172,581,276	₱228,846,668
Materials and supplies	216,539,849	240,349,518
Prepayments:		
Taxes	2,164,168,840	1,520,657,880
Insurance	37,559,702	28,980,507
Rent	22,527,997	16,335,239
Software maintenance	20,844,100	8,153,527
Employee benefits	11,465,886	59,068,210
Transportation supplies	6,978,384	8,030,315
Dues and subscriptions	3,821,042	2,647,614
Advertising	128,783	412,452
Others	31,424,148	23,122,011
Restricted cash in bank	367,682,972	429,515,375
Creditable withholding taxes (CWTs)	290,043,656	262,711,434
Short-term cash investments	145,404,112	130,415,569
Loans receivable (Note 11)	90,599,084	83,364,721
Deferred input VAT	58,857,711	21,611,207
Advance payment to supplier	9,791,647	31,270,510
Notes receivable (Note 17)	16,778,196	18,259,200
Electronic wallet	4,337,585	5,892,738
Others	19,152,244	17,216,198
	3,690,687,214	3,136,860,893
Less: noncurrent portion	179,783,799	227,452,561
	₱3,510,903,415	₱2,909,408,332

Details of noncurrent portion follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Loans receivable (Note 11)	₱79,356,721	77,139,361
VAT on capital goods	56,438,854	₱85,094,557
Notes receivable (Note 17)	16,778,196	18,259,200
Advance payment to a supplier	9,791,647	31,270,510
Prepaid rent	534,805	538,796
Other assets	16,883,576	15,150,137
Total noncurrent portion	₱179,783,799	₱227,452,561

Interest income earned from restricted cash in bank amounted to ₱2.13 million and ₱0.23 million for the nine months ended September 30, 2022 and 2021, respectively.

7. Property and Equipment

The rollforward analysis of this account follows:

	For the Nine Months ended September 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	4,004,514	72,063,926	9,168,517	46,879,853	–	244,039,944	376,156,754
Reclassifications	(9,629,464)	28,687,964	9,629,464	–	–	(28,687,964)	–
Disposals	(10,131,492)	(24,922,442)	(73,171,028)	(196,805,756)	–	–	(305,030,718)
Effect on changes in foreign currency exchange rate	5,795,136	5,028,534	783,218	1,372,593	–	–	12,979,481
Balances at end of period	592,633,442	2,095,783,037	520,464,314	973,391,472	1,031,257,734	263,035,308	5,476,565,307
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)	41,483,969	132,779,554	29,048,164	91,968,259	–	–	295,279,946
Reclassifications	(5,267,941)	–	5,267,941	–	–	–	–
Disposals	(9,730,956)	(25,510,632)	(73,013,608)	(196,732,984)	–	–	(304,988,180)
Effect on changes in foreign currency exchange rate	5,348,259	3,472,703	543,005	1,156,594	–	–	10,520,561
Balances at end of period	437,609,698	1,776,504,514	414,299,799	865,110,879	–	–	3,493,524,890
Net book value	₱155,023,744	₱319,278,523	₱106,164,515	₱108,280,593	₱1,031,257,734	₱263,035,308	₱1,983,040,417

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 Nine Months ended September 30, 2022 (Unaudited)		
	Software	Development in Progress	Total
Costs			
Balances at beginning of period	₱611,154,091	₱68,282,013	₱679,436,104
Additions	1,552,098	21,673,535	23,225,633
Effect of changes in foreign currency exchange rates	12,000,935	–	12,000,935
Balances at end of period	624,707,124	89,955,548	714,662,672
Accumulated Amortization			
Balances at beginning of period	411,392,939	–	411,392,939
Amortization (Notes 18 and 19)	38,444,415	–	38,444,415
Effect of changes in foreign currency exchange rates	10,811,215	–	10,811,215
Balances at end of period	460,648,569	–	460,648,569
Net Book Value	₱164,058,555	₱89,955,548	₱254,014,103
	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:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
FVOCI		
Balance at beginning of period	₱189,208,271	₱232,121,488
Unrealized fair value gain (loss) during the period	31,209,612	(42,913,217)
	₱220,417,883	₱189,208,271
FVPL		
Balance at beginning of period	₱15,689,658	₱14,942,602
Sale of FVPL	(13,559,437)	-
Unrealized foreign exchange gain	-	731,195
Unrealized fair value gain during the period	20,157	15,861
	₱2,150,378	₱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:

	September 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:	31,209,612	(42,913,217)
Balance at end of period (Note 16)	(₱43,693,879)	(₱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:

	September 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	2,097,231	2,988,686
	6,869,909	4,772,678
Carrying Value	₱86,678,931	₱84,581,700

The summarized statements of financial position of TBAI follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Current assets	₱47,019,731	₱48,750,398
Noncurrent assets	395,319,049	400,926,490
Current liabilities	(4,395,692)	(20,194,813)
Equity	437,943,088	429,482,075
Proportion of Group's ownership	24.787%	24.787%
Group's share in identifiable asset	108,552,953	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	₱86,678,931	₱84,581,700

The summarized statement of comprehensive income of TBAI follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Revenue	₱49,719,014	₱64,356,669
Cost and expenses	41,258,002	52,299,195
Net income	8,461,012	12,057,474
Group's share in total comprehensive income	₱2,097,231	₱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:

	September 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	40,138,129	66,209,547
Less: Dividend income	(36,000,000)	(25,500,000)
	49,397,270	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	₱274,598,002	₱270,210,613

The summarized statements of financial position of OFII follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Current assets	₱667,051,909	₱624,227,827
Noncurrent assets	139,591,856	153,437,020
Current liabilities	(283,884,567)	(259,414,233)
Noncurrent liabilities	(48,630,858)	(58,746,905)
Equity	474,128,340	459,503,709
Proportion of Group's ownership	30.00%	30.00%
Group's share in identifiable asset	142,238,502	137,851,113
Implied goodwill	132,359,500	132,359,500
Carrying amount of the investment	₱274,598,002	₱270,210,613

The summarized statement of comprehensive income of OFII follows:

	For the Nine Months ended September 30, 2022 (Unaudited)	For the year ended December 31, 2021 (Audited)
Revenue	₱703,402,715	₱1,109,568,650
Cost and expenses	569,608,953	888,870,161
Net income	133,793,762	220,698,489
Other comprehensive income (loss)	830,868	(10,632,130)
Total comprehensive income	₱134,624,630	₱210,066,359
Group's share in total comprehensive income	₱40,387,389	₱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 nine months ended September 30, 2022 and 2021, LBCH incurred royalty fee amounting to ₱5.17 million and ₱4.60 million, respectively. The related payable was offset to LBCH's interest receivable from Transtech amounting to ₱1.37 million for the nine months ended September 30, 2022 and 2021, respectively, and to loans receivable amounting to ₱3.80 million and ₱3.23 million for the nine months ended September 30, 2022 and 2021, respectively.

Current and noncurrent portion as at September 30, 2022 and December 31, 2021 is as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Current portion*	₱11,242,363	₱6,225,360
Noncurrent portion**	79,356,721	77,139,361
	₱90,599,084	₱83,364,721

*Presented under 'prepayment and other current assets'

**Presented under 'Other noncurrent assets'

Interest income earned amounted to ₱1.37 million for the nine months ended September 30, 2022 and 2021, respectively.

12. Accounts and Other Payables and Other Noncurrent Liabilities

Accounts and other payables account consists of:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Trade payable - outside parties	P1,302,005,690	P1,167,808,166
Trade payable - related parties (Note 17)	14,988,971	20,092,792
Accruals:		
Salaries and wages	423,248,427	400,389,183
Claims and losses	202,805,520	206,523,420
Rent and utilities	147,208,965	119,801,530
Contracted jobs	103,671,545	120,746,192
Taxes	98,031,076	98,105,441
Software maintenance	21,581,717	19,122,150
Advertising	21,401,933	122,366,348
Outside services	17,579,603	19,503,347
Professional fees	11,981,692	16,620,908
Others	82,271,618	78,676,525
Taxes payable	493,427,100	525,086,785
Contract liabilities	138,723,573	331,378,718
Government agencies contributions payables	40,805,561	36,120,161
Others	84,813,092	75,841,354
	P3,204,546,083	P3,358,183,020

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:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
At beginning of period	P20,410,092	P39,191,334
Principal payments	(14,194,478)	(20,248,814)
Amortization of deferred interest	578,982	1,467,572
	6,794,596	20,410,092
Less: current portion*	6,654,050	19,740,743
Noncurrent portion	P140,546	P669,349

*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 P671.62 million and P903.00 million as at September 30, 2022 and December 31, 2021, respectively, of which liability amounting P3.02 million and P3.31 million as at September 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 September 30, 2022 and December 31, 2021 are described below:

Bank	Date of Availment	September 30, 2022 (Unaudited)		Interest Rate	Terms
		Outstanding Balance	Maturity		
a. Unionbank of the Philippines	Apr 2019	₱27,300,000	Apr 2024	7.826%, fixed rate	Clean; Interest and principal payable every quarter
b. Unionbank of the Philippines	Jun 2019	7,700,000	Apr 2024	7.053%, fixed rate	Clean; Interest and principal payable every quarter
c. Rizal Commercial Banking Corporation	Oct 2019	1,388,889	Oct 2022	6.55%, fixed rate	Clean; interest and principal payable every month
d. Unionbank of the Philippines	Apr 2020	62,500,000	Apr 2023	6.00%, fixed rate	Clean; Interest and principal payable every quarter
e. Unionbank of the Philippines	Dec 2020	41,666,666	Dec 2023	5.00%, subject to repricing	Clean; Interest and principal payable every quarter
f. Unionbank of the Philippines	July 2022	36,000,000	Jan 2023	5.75%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
g. Unionbank of the Philippines	Aug 2021	442,052,690	Aug 2026	4.25%, subject to repricing	With mortgage; Interest and principal to be paid quarterly
Unionbank of the Philippines	Dec 2021	16,519,020	Dec 2031	5.54%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	Feb 2022	18,392,985	Dec 2031	4.25%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	Mar 2022	28,960,185	Dec 2031	4.86%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	Apr 2022	24,079,138	Dec 2031	4.84%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	May 2022	25,372,308	Dec 2031	4.86%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	July 2022	17,924,308	Dec 2031	4.86%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	Aug 2022	5,811,077	Dec 2031	4.81%, subject to repricing	With mortgage; Interest and principal payable every quarter
h. Rizal Commercial Banking Corporation	Apr 2022	142,560,000	Apr 2023	4.5%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity

Forward

Bank	Date of Availment	September 30, 2022 (Unaudited)		Interest Rate	Terms
		Outstanding Balance	Maturity		
i. Banco de Oro	Apr 2022	₱100,000,000	Oct 2022	5.25%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
j. Unionbank of the Philippines	Apr 2022	47,000,000	Oct 2022	5.75%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
k. Banco de Oro	Apr 2022	20,000,000	Oct 2022	5.25%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
l. Banco de Oro	Oct 2021	317,812,500	May 2026	5.25%, 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%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
n. Banco de Oro	May 2022	45,000,000	Nov 2022	5.25%, 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	5.50%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
p. Rizal Commercial Banking Corporation	Sep 2022	93,150,000	Dec 2022	5.63%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
q. Rizal Commercial Banking Corporation	Sep 2022	40,500,000	Dec 2022	5.63%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
r. Rizal Commercial Banking Corporation	Sep 2022	56,485,904	Oct 2022	5.50%, fixed rate	Clean; Interest payable every month, principal to be paid on maturity date
Rizal Commercial Banking Corporation	Sep 2022	82,974,780	Oct 2022	5.00%, 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%, subject to repricing	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%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
u. Banco de Oro	May 2022	10,000,000	Nov 2022	5.50%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
Total		₱1,993,590,450			
Current portion		₱1,283,205,057			
Noncurrent portion		₱710,385,393			

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 with UnionBank of the Philippines (UBP) amounting to ₱78.00 million to finance other capital expenditures. In 2022 and 2021, LBCE settled ₱11.70 million and ₱15.60 million, respectively.
- b. On June 25, 2019, LBCE availed a 5-year interest bearing loan with UBP amounting to ₱22.00 million to finance other capital expenditures. In 2022 and 2021, LBCE settled ₱3.30 million and ₱4.40 million, respectively.
- c. On October 23, 2019, LBCE availed a 3-year interest-bearing loan with Rizal Commercial Banking Corporation (RCBC) amounting to ₱50.00 million to finance other capital expenditure. In 2022 and 2021, LBCE settled ₱12.50 million and ₱16.67 million, respectively.
- d. On April 13, 2020, LBCE availed a 3-year interest-bearing loan from UBP amounting to ₱250.00 million to finance other capital expenditures. In 2022 and 2021, LBCE settled ₱62.50 million and ₱83.33 million, respectively.
- e. On December 9, 2020, LBCE availed a 3-year interest-bearing loan from UBP amounting to ₱100.00 million to finance its capital expenditures. In 2022 and 2021, LBCE settled ₱25.0 million and ₱33.33 million, respectively.
- f. A short-term loan availed with UBP in August 2019 amounting to ₱50.00 million was rolled over in July 2020, January 2021 and July 2021. This was subsequently rolled over in January and July 2022 with a maturity date of January 2023.
- 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, May 31, July 11 and August 15, 2022 amounting to ₱24.71 million, ₱26.04 million, ₱18.39 million and ₱5.96 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 short-term interest-bearing loan with RCBC 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 Banco De Oro (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 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 17). 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 ₱320.50 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 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 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. This was rolled over in May 2022.
- 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 and September 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 and September 2022.
- r. On March 11 and 24, 2022, LBCE availed four short-term loans with RCBC amounting to ₱199.91 million in aggregate to finance working capital requirement. These loans were rolled over in June and September 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 ₱57.92 million and ₱64.95 million for the nine months ended September 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:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of period	₱1,992,726,525	₱1,879,726,639
Availments	482,525,600	508,858,400
Payments	(481,661,675)	(395,858,514)
	₱1,993,590,450	₱1,992,726,525

15. Convertible Instrument

This account consists of:

	September 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	317,764,674	458,332,707
	₱2,875,883,222	₱2,558,118,548
Bond payable		
Balance at beginning of period	₱1,702,087,740	₱1,377,723,388
Accretion of interest	219,075,418	237,694,548
Unrealized foreign exchange loss (Note 19)	293,373,661	84,871,054
Amortization of issuance cost	1,349,063	1,798,750
	₱2,215,885,882	₱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 nine months ended September 30, 2022.

16. Equity

Capital stock

As of September 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		
			July 22, October 16 and October 21, 2015	
Add: Additional issuance	1,384,966,471	₱1/share		
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
Less: Movement	-			(3)
September 30, 2022	1,425,865,471			484

Retained earnings

The unappropriated retained earnings include accumulated equity in undistributed net earnings of the consolidated subsidiaries amounted to ₱1,891.16 million and ₱1,476.34 million as of September 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 September 30, 2022 and December 31, 2021.

Cash dividends

On September 29, 2022, the BOD of LBC Express Airfreight (S) PTE Ltd. declared cash dividend of SGD 5.7 million.

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. The related noncontrolling interest amounting to ₱13.59 million is presented in the interim consolidated statement of changes in equity.

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:

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Remeasurement gain on retirement benefit plan, net of tax	₱102,677,368	₱112,460,039
Unrealized fair value loss on investment at FVOCI (Note 9)	(43,693,879)	(74,903,491)
Share in other comprehensive loss of an associate (Note 10)	(2,715,720)	(2,964,980)
Currency translation gain (loss)	76,487,788	(88,608,812)
	₱132,755,557	(₱54,017,244)
<hr/>		
Accumulated comprehensive income (loss) attributable to:		
Controlling interest	₱136,818,941	(₱45,493,308)
Non-controlling interest	(4,063,384)	(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 nine months ended September 30, 2022 and for the year ended December 31, 2021 are as follows:

	Transaction amounts for the Nine Months ended September 30, 2022 (Unaudited)	Outstanding receivable (payable) balance as at September 30, 2022 (Unaudited)	Terms	Conditions
<u>Due from related parties (Trade receivables)</u>				
<i>Affiliates</i>				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 5 and 25)	P69,355,376	P352,284,204	Noninterest-bearing; due and demandable	Unsecured, no impairment
<u>Due from related parties (Non-trade receivables)</u>				
<i>Ultimate parent company</i>				
b.) Advances	P-	P1,016,517,854	Noninterest-bearing; due and demandable	Unsecured, no impairment
<i>Affiliates - under common control</i>				
b.) Advances	42,641,904	104,912,707	Noninterest-bearing; due and demandable	Unsecured, no impairment
f.) Notes receivable current portion	-	4,742,298	Interest-bearing; fixed monthly payment	Unsecured, no impairment
<i>Beneficial Owners</i>				
b.) Advances	12,499,381	50,208,458	Noninterest-bearing; due and demandable	Unsecured, no impairment
<i>Associate</i>				
g.) Dividends	36,000,000	18,000,000	Noninterest-bearing; due and demandable	Unsecured, no impairment
		P1,194,381,317		
<u>Due from related parties (Other noncurrent assets)</u>				
<i>Affiliates - under common control</i>				
f.) Notes receivable non current portion (Note 6)	P-	P16,778,196	Interest-bearing; fixed monthly payment	Unsecured, no impairment
<u>Due to related parties (Trade payables)</u>				
<i>Ultimate Parent Company</i>				
c.) Royalty fee (Note 12)	P-	(P153,364)	Noninterest-bearing; due and demandable	Unsecured
<i>Associate</i>				
e.) Sea freight and brokerage (Note 12)	253,367,057	(14,835,607)	Noninterest-bearing; due and demandable	Unsecured
		(P14,988,971)		

Due to related parties (Non-trade payables)

Affiliate - under common control

b.) Advances	₱41,632,753	(₱32,440,990)	Noninterest-bearing; due and demandable	Unsecured
<i>Officer</i>				
b.) Advances	–	(470,315)	Noninterest-bearing; due and demandable	Unsecured
		(₱32,911,305)		

Due to a related party (Transmission liability)

Affiliate - under common control

a.) Money remittance payable (Note 13)	₱2,307,415	(₱3,020,835)	Noninterest-bearing; due and demandable	Unsecured
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	Transactions for the Nine Months ended September 30, 2021 (Unaudited)	Receivable (Payable) as at December 31, 2021 (Audited)	Terms	Conditions
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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)	₱48,529,151	₱400,054,004	Noninterest-bearing; due and demandable	Unsecured, no impairment
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Due from related parties (Non-trade receivables)

Ultimate parent company

b.) Advances	(₱363,868)	₱1,018,322,96	Noninterest-bearing; due and demandable	Unsecured, no impairment
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Affiliates - under common control

b.) Advances	51,525,322	58,446,685	Noninterest-bearing; due and demandable	Unsecured, no impairment
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Beneficial Owners

b.) Advances	–	37,709,077	Noninterest-bearing; due and demandable	Unsecured, no impairment
f.) 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
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₱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
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	Transactions for the Nine Months ended September 30, 2021	Receivable (Payable) as at December 31, 2021	Terms	Conditions
<u>Due to related parties (Trade payables)</u>				
<i>Ultimate Parent Company</i>				
c.) Royalty fee (Note 12)	₱-	(₱137,585)	Noninterest-bearing; due and demandable	Unsecured
<i>Associate</i>				
e.) Sea freight and brokerage (Note 12)	268,349,977	(19,955,207)	Noninterest-bearing; due and demandable	Unsecured
d.) Guarantee fee (Note 14)	2,976,191	-	Noninterest-bearing; due and demandable	Unsecured
		(₱20,092,792)		
<u>Due to a related party (Non-trade payables)</u>				
<i>Affiliates - under common control</i>				
b.) Advances <i>Officer</i>	₱45,119,975	(₱35,993,123)	Noninterest-bearing; due and demandable	Unsecured
b.) Advances	-	(434,190)	Noninterest-bearing; due and demandable	Unsecured
		(₱36,427,313)		
<u>Due to a related party (Transmissions liability)</u>				
<i>Affiliates - under common control</i>				
a.) Money remittance payable (Note 13)	₱2,120,302	(₱3,314,463)	Noninterest-bearing; due and demandable	Unsecured
<u>Due to a related party (Accrued claims and losses)</u>				
<i>Affiliates - under common control</i>				
a.) Accrued claims and losses	-	(₱2,570,814)	Noninterest-bearing; due and demandable	Unsecured

Compensation of Key Management Personnel:

	For the Nine Months Ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
Salaries and wages	₱70,426,882	₱63,853,951
Retirement benefits	7,605,546	7,391,422
Other short-term employee benefits	20,457,004	17,167,006
	₱98,489,432	₱88,412,379

- 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 nine months ended September 30, 2021 amounted to ₱0.57 million (nil in September 30, 2022), is shown as a reduction in 'Service fees'. Outstanding payable for these penalties as of December 31, 2021 amounted to ₱2.57 million (nil as of September 30, 2022).

- 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 ₱2.98 million for the nine months ended September 30, 2021 (nil in 2022).

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 September 30, 2022, total outstanding notes receivable amounted to ₱21.52 million, ₱4.74 million of which is presented as current under 'Due from related parties'. Interest income earned from notes receivable amounted to ₱0.66 million and ₱0.61 million for the nine months ended September 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 Nine Months Ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
Cost of delivery and remittance	₱3,817,246,139	₱4,105,472,206
Salaries wages and employee benefits	2,674,742,292	2,655,285,903
Utilities and supplies	1,007,907,396	995,950,513
Depreciation and amortization (Notes 7, 8 and 21)	987,848,098	1,045,125,734
Rent (Note 21)	295,455,284	210,280,550
Repairs and maintenance	125,202,671	139,102,972
Transportation and travel	106,411,249	94,203,985
Retirement benefit expense	76,779,147	66,232,810
Insurance	61,082,842	52,016,761
Others	73,241,746	63,225,780
	₱9,225,916,864	₱9,426,897,214

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

19. Operating Expenses and Foreign Exchange Gains - net

Operating expenses consist of:

	For the Nine Months Ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
Salaries wages and employee benefits	₱488,265,592	₱457,847,670
Commission expense	203,156,463	183,440,115
Advertising and promotion	193,283,485	184,885,559
Utilities and supplies	160,384,860	245,783,764
Professional fees	159,535,657	198,748,005
Taxes and licenses	152,930,804	186,889,064
Dues and subscriptions	111,576,756	92,376,978
Depreciation and amortization (Notes 7, 8 and 21)	102,910,923	130,763,773
Travel and representation	102,833,826	160,330,268
Software maintenance costs	68,291,469	62,266,544
Losses	27,994,543	27,706,529
Retirement benefit expense	27,375,056	21,247,402
Insurance	17,120,220	17,354,986
Rent (Note 21)	16,651,432	15,361,715
Donations	13,130,172	38,921,222
Provision for expected credit losses (Note 5)	683,515	20,650,745
Repairs and maintenance	5,310,010	4,316,833
Royalty	5,170,195	4,596,740
Others	10,642,458	25,751,302
	₱1,867,247,436	₱2,079,239,214

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

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

	For the Nine Months Ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
Cash and cash equivalents	₱54,711,393	₱141,390,970
Advances to affiliate - net	28,217,051	(7,228,299)
Trade payables	8,824,861	(5,045,236)
Equity investments at FVPL	466,831	780,600
Bond payable	(293,373,661)	(90,707,387)
	(₱201,153,525)	₱39,190,648

20. Income Taxes

Provision for income tax consists of:

	For the Nine Months Ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
Current	₱61,060,597	₱32,644,678
Deferred	(94,284,009)	80,297,278
	(₱33,223,412)	₱112,941,956

Details of the Group's deferred income tax assets - net as of September 30, 2022 and December 31, 2021 follow:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Deferred tax assets arising from:		
Retirement benefit liability	₱223,536,350	₱197,393,384
Unrealized foreign exchange losses	61,271,223	1,347,836
Allowance for impairment losses	55,652,758	57,612,221
Lease liabilities	53,390,520	53,772,084
Accrued employee benefits	45,497,132	45,238,350
MCIT	39,573,991	23,926,969
NOLCO	30,659,524	42,217,962
Contract liabilities	15,667,951	15,745,392
Accelerated depreciation charged to retained earnings	3,066,766	7,233,642
Others	19,427,514	17,649,112
	₱547,743,729	₱462,136,952

As of September 30, 2022, the Group has NOLCO and MCIT amounting to ₱122.64 million and ₱39.57 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 September 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 September 30, 2022 and December 31, 2021:

	For the period ended September 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	703,746,106	26,162,476	-	729,908,582
End of contracts	(675,250,107)	(4,757,317)	-	(680,007,424)
Effect of changes in foreign currency exchange rates	49,380,091	4,573,102	6,054,017	60,007,210
Balances at end of period	3,924,064,570	230,672,714	58,858,442	4,213,595,726
Accumulated amortization				
Balances at beginning of period	1,765,991,959	98,238,229	26,117,769	1,890,347,957
Amortization (Notes 18 and 19)	733,192,830	32,252,330	3,867,446	769,312,606
End of contracts	(569,909,635)	(4,062,247)	-	(573,971,882)
Effect of changes in foreign currency exchange rates	25,801,995	2,955,180	3,253,650	32,010,825
Balances at end of period	1,955,077,149	129,383,492	33,238,865	2,117,699,506
Net book value	₱1,968,987,421	₱101,289,222	₱25,619,577	₱2,095,896,220

	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 18 and 19)	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 ₱12.28 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	
	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of the period	₱2,420,598,216	₱2,368,334,313
Additions	729,908,582	1,067,746,146
Lease modification	(106,035,542)	(20,612,706)
Rent concessions	(12,277,946)	(29,407,287)
Payments of principal	(859,721,605)	(1,098,942,530)
Accretion of interest	94,380,857	125,533,733
Effect of changes in foreign currency exchange rates	34,811,108	7,946,547
Balance at end of period	2,301,663,670	2,420,598,216
Less: current portion	938,629,603	942,830,985
Noncurrent portion	₱1,363,034,067	₱1,477,767,231

The Group recognized rent expense from short-term leases of ₱312.11 million and ₱225.64 million for the nine months ended September 30, 2022 and 2021, respectively. For the nine months ended September 30, 2022, the amortization expense recognized under cost of services and operating expenses in the statement of comprehensive income amounted to ₱705.33 million and ₱51.70 million, respectively. For the nine months ended September 30, 2021, the amortization expense recognized under cost of services and operating expenses in the statement of comprehensive income amounted to ₱698.67 million and ₱48.33 million, respectively.

Interest expense arising from the accretion of lease liability amounted to ₱94.38 million and ₱102.42 million for the nine months ended September 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:

	September 30 2022 (Unaudited)	December 31 2021 (Audited)
Less than 1 year	₱938,629,603	₱942,830,985
More than 1 year to 2 years	711,026,907	835,950,854
More than 2 years to 3 years	424,943,457	447,894,988
More than 3 years to 4 years	260,823,495	289,147,255
More than 5 years	325,221,744	361,638,219
	₱2,660,645,206	₱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 Nine Months Ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
Cost of services (Note 18)	₱295,455,284	₱210,280,550
Operating expenses (Note 19)	16,651,432	15,361,715
	₱312,106,716	₱225,642,265

The Group has security deposits arising from the lease agreements amounting to ₱420.80 million and ₱401.64 million as at September 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:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Present value of defined benefit obligation	₱1,283,423,421	₱1,166,702,128
Fair value of plan assets	(362,959,481)	(362,959,481)
	₱920,463,940	₱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 September 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 September 30, 2022 and 2021 with all other variables held constant.

	Effect on comprehensive income	
	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Change in share price		
Increase by 5%	₱11,020,894	₱10,045,594
Decrease by 5%	(11,020,894)	(10,045,594)
Change in NAV		
Increase by 5%	₱107,519	₱786,788
Decrease by 5%	(107,519)	(786,788)

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

Interest rate risk and credit spread sensitivity analysis

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

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

	Effect in fair value as of	
	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Credit spread		
+1%	₱39,645,532	₱36,737,754
-1%	(40,383,557)	(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:

	September 30, 2022 (Unaudited)	
	Foreign currency	Peso equivalent
Assets:		
Euro	913,181	51,457,749
Hongkong Dollar	25,553,709	183,220,094
US Dollars	1,764,379	103,939,567
Japanese yen	111,289	45,628
Liabilities:		
US Dollars	(37,670,745)	(2,219,183,588)

The translation exchange rates used were ₱56.35 to EUR 1, ₱7.17 to HKD 1, ₱58.91 to USD 1, ₱0.41 to JPY 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 1 in 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 September 30, 2022 and December 31, 2021.

	Increase (decrease) in income before tax	
	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Reasonably possible change in foreign exchange rate for every two units of Philippine Peso		
₱2	(₱16,968,274)	₱15,551,288
(2)	16,968,274	(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 ₱201.15 million losses and ₱39.19 million foreign exchange gains - net, for the nine months ended September 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 September 30, 2022 and as of December 31, 2021 follow:

	September 30, 2022 (Unaudited)				
	Current	Past Due			Total
		1-30 days	31-90 days	Over 90 days	
Trade receivables -					
Estimated total gross carrying amount at default	P1,664,315,976	P252,354,990	P18,002,828	P243,011,718	P2,177,685,512
Expected credit loss	21,095,956	2,869,022	4,181,422	188,303,551	216,449,951
	December 31, 2021 (Audited)				
	Current	Past Due			Total
		1-30 days	31-90 days	Over 90 days	
Trade receivables -					
Estimated total gross carrying amount at default	P1,812,802,646	P131,609,431	P11,838,849	P209,254,459	P2,165,505,385
Expected credit loss	27,329,285	3,141,826	1,643,882	190,381,142	222,496,135

Capital Management

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

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

The capital that the Group manages is equal to the total equity as shown in the interim condensed consolidated statements of financial position as at September 30, 2022 and December 31, 2021 amounting to P2,027.32 million and P2,071.49 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 September 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 19.36% 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 September 30, 2022, the plain bond is determined by discounting the cash flow, which is simply the principal at maturity, using a discount rate of 16.42%. 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 September 30, 2022 and December 31, 2021 is based on the discounted value of future cash flow using applicable interest rates ranging from 5.11% to 6.26% and from 2.68% to 4.20%, respectively.

The estimated fair value of long-term portion of notes payable as at September 30, 2022 and December 31, 2021 is based on the discounted value of future cash flow using applicable rates ranging from 3.92% to 6.96% and 0.99% to 4.82% respectively.

The estimated fair value of other noncurrent liabilities as at September 30, 2022 and December 31, 2021 is based on the discounted value of future cash flow using applicable rate of 3.91% to 4.24% and 0.64% to 2.68%, respectively.

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

The quantitative disclosures on fair value measurement hierarchy for assets and liabilities as at September 30, 2022 and December 31, 2021 follow:

	September 30, 2022 (Unaudited)				
	Carrying values	Total	Fair value measurements using		
			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	₱220,417,883	₱220,417,883	₱220,417,883	₱–	₱–
FVPL	2,150,378	2,150,378	–	–	2,150,378
Liability measured at fair value					
Derivative liability	2,875,883,222	2,875,883,222	–	–	2,875,883,222
Liabilities for which fair value are disclosed					
Bond payable	2,215,885,882	2,169,340,252	–	–	2,169,340,252
Noncurrent lease liabilities	1,363,034,067	1,455,203,232	–	–	1,455,203,232
Long-term notes payable	710,385,393	693,586,454	–	–	693,586,454
Other noncurrent liabilities	140,546	144,296	–	–	144,296
	December 31, 2021 (Audited)				
	Carrying values	Total	Fair value measurements using		
			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 nine months ended September 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:

Segments	For the Nine Months ended September 30, 2022		
	Logistics	Money transfer services	Total
Type of Customer			
Retail	₱8,834,564,896	₱454,627,830	₱9,289,192,726
Corporate	2,370,068,908	13,013,575	2,383,082,483
Total revenue from contracts with customer	₱11,204,633,804	₱467,641,405	₱11,672,275,209
Geographic Markets			
Domestic	₱6,681,558,182	₱206,973,764	₱6,888,531,946
Overseas	4,523,075,622	260,667,641	4,783,743,263
Total revenue from contracts with customer	₱11,204,633,804	₱467,641,405	₱11,672,275,209

Segments	For the Nine Months ended September 30, 2021		
	Logistics	Money transfer services	Total
Type of Customer			
Retail	₱9,469,721,091	₱411,632,708	₱9,881,353,799
Corporate	2,407,246,753	28,634,832	2,435,881,585
Total revenue from contracts with customer	₱11,876,967,844	₱440,267,540	₱12,317,235,384
Geographic Markets			
Domestic	₱7,748,617,320	₱200,967,097	₱7,949,584,417
Overseas	4,128,350,524	239,300,443	4,367,650,967
Total revenue from contracts with customer	₱11,876,967,844	₱440,267,540	₱12,317,235,384

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 ₱69.36 million and ₱48.53 million for the nine months ended September 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 Nine Months Ended September 30,	
	2022 (Unaudited)	2021 (Unaudited)
Net income (loss) attributable to shareholder of the Parent Company	(P227,102,972)	P246,343,074
Weighted average number of common shares outstanding	1,425,865,471	1,425,865,471
Basic EPS	(P0.16)	P0.17

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 nine months ended September 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 nine months ended September 30, 2022, the Group has the following non-cash transaction under:

Investing Activities

- a. Unpaid acquisition of property and equipment amounting to P7.44 million.
- b. Offsetting of loans receivable and interest receivable against royalty fee recorded under 'accounts and other payables' (see Note 11) amounting to P3.82 million.

Financing Activities

	December 31, 2021 (Audited)	Cash Flows	Leasing arrangements	Interest	Foreign exchange movement	Fair value changes	Dividends declared	September 30, 2022 (Unaudited)
Notes payable	P1,992,726,525	P863,925	P-	P-	P-	P-	P-	P1,993,590,450
Lease liabilities and other noncurrent liabilities	2,421,267,565	(860,250,408)	611,595,094	94,380,857	34,811,108	-	-	2,301,804,216
Convertible bond (bond and derivative liability)	4,260,206,288	-	-	220,424,481	293,373,661	317,764,674	-	5,091,769,104
Dividends payable	-	(13,590,310)	-	-	-	-	13,590,310	-
Interest payable	5,534,189	(59,172,094)	-	58,676,372	-	-	-	5,038,467
Due to related parties	36,427,313	(7,465,366)	-	-	3,949,358	-	-	32,911,305
Total liabilities from financing activities	P8,716,161,880	(P939,614,253)	P611,595,094	P373,481,710	P332,134,127	P317,764,674	P13,590,310	P9,425,113,542

For the nine months ended September 30, 2021, the Group has the following non-cash transaction under:

Investing Activities

- c. Unpaid acquisition of property and equipment amounting to ₱7.97 million.
- d. Offsetting of loans receivable and interest receivable against royalty fee recorded under ‘accounts and other payables’ (see Note 11) amounting to ₱4.60 million.

Financing Activities

	December 31, 2020 (Audited)	Cash Flows	Leasing arrangements	Interest	Foreign exchange movement	Fair value changes	September 30, 2021 (Unaudited)
Notes payable	₱1,879,726,639	(₱116,709,387)	₱-	₱-	₱-	₱-	₱1,763,017,252
Lease liabilities and other noncurrent liabilities	2,385,781,408	(751,266,686)	941,977,700	-	-	-	2,576,492,422
Convertible bond (bond and derivative liability)	3,477,509,229	-	-	172,103,036	90,707,387	202,893,964	3,943,213,616
Dividends payable	5,686,654	(5,686,654)	-	-	-	-	-
Interest payable	4,883,581	(165,816,484)	-	168,718,890	-	-	7,785,987
Due to related parties	40,213,210	(457,787)	-	-	-	-	39,755,423
Total liabilities from financing activities	₱7,793,800,721	(₱1,039,936,998)	₱941,977,700	₱340,821,926	₱90,707,387	₱202,893,964	₱8,330,264,700

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.

On November 8, 2021, after several conferences, PDIC, LBCE, LBCDC and the other defendants completed the pre-marking of their respective documentary exhibits.

From March to September 2022, the RTC conducted several pre-trial hearings and conferences. LBC Properties Inc. and Ms. Berenguer filed motions to resolve the affirmative defenses in their respective Answers, which the RTC denied.

On 29 September 2022, the RTC completed the pre-trial proceedings and issued the Pre-Trial Order of even date, detailing the case summaries, stipulations and admitted facts, list of witnesses, list of marked exhibits, trial dates, and other such trial matters.

The parties were also referred to mediation before the Philippine Mediation Center for 30 days, commencing on 10 November 2022.

Assuming mediation is unsuccessful, the RTC has scheduled trial hearings every Wednesday starting on 11 January 2023 until 15 March 2023, for the presentation of the parties' respective witnesses and evidence.

There is also a pending motion filed by Prudential Guarantee and Assurance Inc. ("Prudential") who manifested that PDIC has not been paying premiums for the attachment bond since November 2016. PDIC has taken the position that it need not pay any premiums for the attachment bond since the writ of attachment was discharged by the filing of the counterbond by LBCE. LBCE filed a Comment *Ad Cautelam* dated 27 September 2022, arguing that the counterbond does not discharge the liability of Prudential as the surety. LBCE further argued that since PDIC has not been paying the premiums, there was no need for the counterbond anymore and thus moved for its counterbond to be discharged as well. The motion of Prudential is still pending resolution.

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

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.

Subsequent events

On November 8, 2022, the BOD of LBCE approves the subscription of LBCH to one billion common shares at the subscription price of Php2.00 per share or the total subscription price of Php2.00 billion. As consideration for the subscription price, LBCE approves the application of the Php2.00 billion deposit previously made by LBCH in the year 2021. The excess between the subscription price and the par value of the shares of LBCE will be presented as Additional paid-in Capital.

On October 14, 2022, the BOD of LBC Australia Pty Ltd declared cash dividends amounting to AUD 1.80 million payable on November 15, 2022.

On October 13, 2022, the BOD of LBC Mabuhay (Saipan), Inc declared cash dividends of USD2.083 per share on all 120,000 shares of common stock issued and outstanding to those shareholders who were shareholders of record on May 31, 2022 payable on November 15, 2022.

On October 13, 2022, the BOD of LBC Mabuhay (M) Sdn. Bhd. declared cash dividends of RM 3.00 per outstanding common share. The controlling interest of LBCH amounted to RM 2.78 million.

On November 7, 2022, the BOD of LBC Mabuhay (B) Sdn. Bhd. declared cash dividends of BND 500 per share while on November 8, 2022, the BOD of LBC Mabuhay Remittance Sdn. Bhd. declared cash dividends of BND 200,000 per share, both payable on November 15.

The controlling interest of LBCH in LBC Mabuhay (B) Sdn. Bhd. and LBC Mabuhay Remittance Sdn. Bhd. amounted to BND 250,000 and BND 200,000, respectively.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
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SUPPLEMENTARY SCHEDULES

- Supplementary schedules required by Annex 68-J

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

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LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES**SCHEDULE A: FINANCIAL ASSETS**

SEPTEMBER 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	P220,417,883	P-	N/A
Financial assets at fair value through profit or loss	-	2,150,378	-	N/A
		222,568,261	-	
Financial assets at amortized costs:				
Cash in bank and cash equivalents	-	2,839,622,119	474,737	N/A
Short-term investments	-	145,404,112	-	N/A
Restricted cash in bank	-	367,682,972	2,125,445	N/A
Trade and other receivables	-	2,015,980,836	-	N/A
Due from related parties	-	1,194,381,317	-	N/A
Notes receivable (noncurrent)	-	16,778,196	659,217	N/A
Loans receivable (current and noncurrent)	-	90,599,084	1,366,662	N/A
		P6,670,448,636	P4,626,061	
		P6,893,016,897	P4,626,061	

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES**SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDER (OTHER THAN RELATED PARTIES)****SEPTEMBER 30, 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, <i>Beneficial owner</i>	₱9,537,587	₱12,499,381	₱-	₱-	₱22,036,968	₱-	₱22,036,968
Fernando G. Araneta <i>Beneficial owner</i>	18,821,782	-	-	-	18,821,782	-	18,821,782
Monica G. Araneta <i>Beneficial owner</i>	9,349,708	-	-	-	9,349,708	-	9,349,708
	₱37,709,077	₱12,499,381	₱-	₱-	₱50,208,458	₱-	₱50,208,458

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

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

SEPTEMBER 30, 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.	(P206,176,500)	(P2,146,232,264)	P2,626,912,281	P-	P274,503,517	P-	P274,503,517
LBC Express, Inc. – MM	3,902,563	180,643,472	(167,362,674)	-	17,183,361	-	17,183,361
LBC Express, Inc. – SCC	5,415,618	33,727,059	(43,962,095)	-	(4,819,418)	-	(4,819,418)
LBC Express, Inc. – NEMM	(9,934,872)	119,710,827	(140,812,481)	-	(31,036,526)	-	(31,036,526)
LBC Express, Inc. – NWMM	10,532,595	91,891,037	(108,258,083)	-	(5,834,451)	-	(5,834,451)
LBC Express, Inc. – EMM	10,122,441	75,354,165	(84,013,818)	-	1,462,788	-	1,462,788
LBC Express, Inc. – SMM	(13,006,399)	70,062,054	(91,684,966)	-	(34,629,311)	-	(34,629,311)
LBC Express, Inc. – CMM	(10,676,718)	86,008,935	(100,936,293)	-	(25,604,076)	-	(25,604,076)
LBC Express, Inc. – SL	22,663,442	152,690,205	(190,095,897)	-	(14,742,250)	-	(14,742,250)
LBC Express, Inc. – SEL	664,018	91,554,059	(121,522,679)	-	(29,304,602)	-	(29,304,602)
LBC Express, Inc. – CL	9,959,201	120,349,231	(143,692,452)	-	(13,384,020)	-	(13,384,020)
LBC Express, Inc. – NL	932,699	115,851,512	(146,438,828)	-	(29,654,617)	-	(29,654,617)
LBC Express, Inc. – VIS	25,913,783	154,494,845	(192,533,337)	-	(12,124,709)	-	(12,124,709)
LBC Express, Inc. – WVIS	8,399,319	122,369,154	(146,408,553)	-	(15,640,080)	-	(15,640,080)
LBC Express, Inc. – MIN	14,713,549	138,757,161	(171,179,752)	-	(17,709,042)	-	(17,709,042)
LBC Express, Inc. – SEM	18,753,622	83,920,544	(104,045,369)	-	(1,371,203)	-	(1,371,203)
LBC Express, Inc. – SMCC	5,934,164	21,491,809	(27,045,915)	-	380,058	-	380,058
LBC Express, Inc. – ESI	(6,773,780)	-	(1,493,994)	-	(8,267,774)	-	(8,267,774)
LBC Express, Inc. – SCS	17,064,365	109,836,181	(155,289,439)	-	(28,388,893)	-	(28,388,893)
LBC Systems, Inc.	(56,417,360)	11,267,511	(13,088,251)	-	(58,238,100)	-	(58,238,100)
LBC Express WLL	10,341,297	(51,448,234)	39,097,211	-	(2,009,726)	-	(2,009,726)
LBC Express Bahrain WLL	(36,812,945)	(4,279,541)	(6,662,041)	-	(47,754,527)	-	(47,754,527)
LBC Express LLC	(75,398,870)	(7,881,833)	(11,670,852)	-	(94,951,555)	-	(94,951,555)
LBC Mabuhay Saipan, Inc.	(5,004,523)	(6,873,227)	6,750,303	-	(5,127,447)	-	(5,127,447)
LBC Aircargo (S) Pte. Ltd	(151,709,994)	(2,453,093)	5,725,652	-	(148,437,435)	-	(148,437,435)
LBC Money Transfer PTY Limited	(33,436,762)	(6,581,578)	(11,794,955)	-	(51,813,295)	-	(51,813,295)
LBC Airfreight (S) Pte. Ltd	124,313,199	(34,430,451)	55,154,354	-	145,037,102	-	145,037,102
LBC Australia PTY Limited	8,317,441	(30,244,430)	17,230,874	-	(4,696,115)	-	(4,696,115)
LBC Mabuhay (Malaysia) SDN BHD	(11,988,713)	(13,286,190)	20,474,541	-	(4,800,362)	-	(4,800,362)
LBC Mabuhay (B) SDN BHD	23,087,500	(4,302,230)	(1,338,792)	-	17,446,478	-	17,446,478
LBC Mabuhay Remittance SDN BHD	13,226,830	(6,476,997)	23,027,352	-	29,777,185	-	29,777,185
LBC Mundial Corporation	57,832,006	(335,774,794)	266,170,791	-	(11,771,997)	-	(11,771,997)
LBC Mabuhay North America Corporation	34,809	-	222,622	-	257,431	-	257,431
LBC Mabuhay Hawaii Corporation	-	-	(1,490,941)	-	(1,490,941)	-	(1,490,941)
LBC Business Solutions North America Corp.	28,487,590	155,418,893	(150,458,677)	-	33,447,806	-	33,447,806
QUADX Pte Ltd.	(5,701,570)	-	39,430,977	-	33,729,407	-	33,729,407
Mermaid Co., Ltd.	(21,904,865)	(10,442,327)	2,184,680	-	(30,162,512)	-	(30,162,512)
	(P224,331,820)	(P725,308,535)	P769,100,504	P-	(P180,539,851)	P-	(P180,539,851)

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES**SCHEDULE D: LONG TERM DEBT**

SEPTEMBER 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	₱1,993,590,450	₱1,283,205,057	₱710,385,393
Lease liabilities	2,301,663,670	938,629,603	1,363,034,067
Bond payable	2,215,885,882	2,215,885,882	–
Derivative liability	2,875,883,222	2,875,883,222	–
Other liabilities	6,794,596	6,654,050	140,546
	₱9,393,817,820	₱7,320,257,814	₱2,073,560,006

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE E: INDEBTEDNESS TO RELATED PARTIES
SEPTEMBER 30, 2022

	Balance at Beginning of Period	Balance at End of Period
Fernando G. Araneta, <i>Beneficial owner</i>	P43,927	P43,927
LBC Insurance Agency, Inc.	9,590,493	3,949,060
Blue Eagle and LBC Services Pte. Ltd.	13,341,455	13,295,662
QUADX Inc.	12,992,237	15,125,813
Others	459,201	496,843
	P36,427,313	P32,911,305

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE F: GUARANTEES OF SECURITIES OF OTHER ISSUERS

SEPTEMBER 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
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NOT APPLICABLE

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES**SCHEDULE G: CAPITAL STOCK**

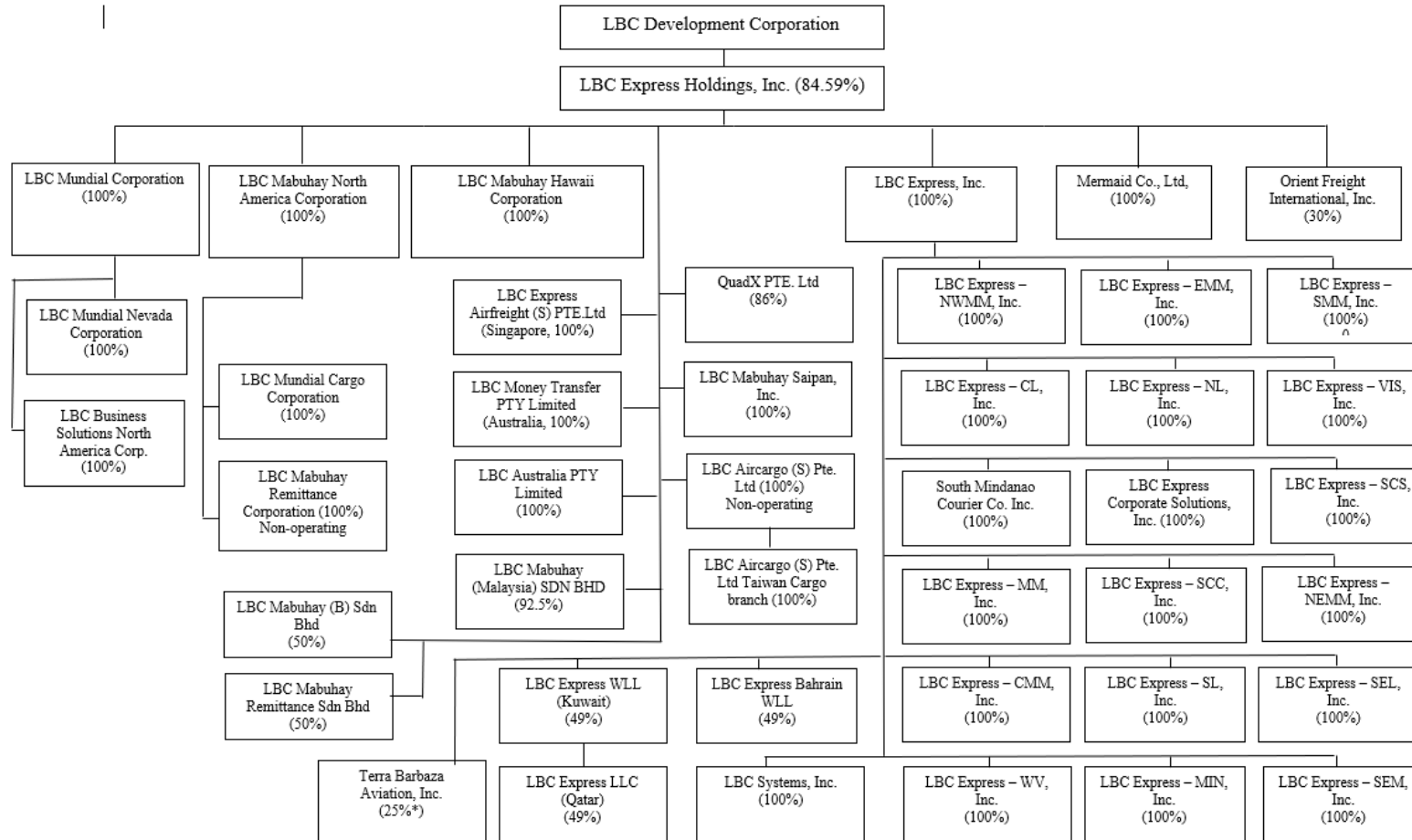
SEPTEMBER 30, 2022

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 SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

SEPTEMBER 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 NINE MONTHS ENDED SEPTEMBER 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)
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	(707,743,330)	
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	(707,743,330)	(707,743,330)
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		(₱1,148,012,803)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION		₱—

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

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

Financial ratios	Formula	September 30, 2022		September 30, 2021	
Current ratio	$\frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$	9,946,023,336	0.88	$\frac{9,617,133,930}{9,832,931,379}$	0.98
		11,274,678,799			
Acid Test Ratio	$\frac{\text{Total Current Assets - Prepayments and other current assets}}{\text{Current Liabilities}}$	6,435,119,921	0.57	$\frac{8,470,989,020}{9,832,931,379}$	0.86
		11,274,678,799			
Solvency Ratio	$\frac{\text{Net Income After Tax - Non-Cash Expenses}}{\text{Total Liabilities}}$	1,777,523,580	0.12	$\frac{1,803,437,981}{12,796,369,583}$	0.14
		14,268,702,745			
Debt-to-equity ratio	$\frac{\text{Total liabilities}}{\text{Stockholder's equity attributable to Parent Company}}$	14,268,702,745	7.11	$\frac{12,796,369,583}{3,206,650,446}$	3.99
		2,005,829,477			
Asset-to-equity ratio	$\frac{\text{Total Assets}}{\text{Stockholder's equity attributable to Parent Company}}$	16,296,025,490	8.12	$\frac{16,026,383,916}{3,206,650,446}$	5.00
		2,005,829,477			
Interest rate coverage ratio	$\frac{\text{Income before interest and tax expense}}{\text{Interest Expense}}$	118,287,096	0.32	$\frac{710,724,156}{340,821,926}$	2.09
		373,481,710			
Return on equity	$\frac{\text{Net income (loss) attributable to Parent Company}}{\text{Stockholder's equity attributable to Parent Company}}$	(227,102,972)	(11.3%)	$\frac{246,343,074}{3,206,650,446}$	7.7%
		2,005,829,477			
Debt to total assets ratio	$\frac{\text{Total liabilities}}{\text{Total assets}}$	14,268,702,745	0.88	$\frac{12,796,512,628}{16,026,383,916}$	0.80
		16,296,025,490			
Return on average assets	$\frac{\text{Net income (loss) attributable to Parent Company}}{\text{Average assets}}$	(227,102,972)	(1.41%)	$\frac{246,343,074}{15,844,031,038}$	1.55%
		16,106,927,766			
Net profit margin	$\frac{\text{Net income (loss) attributable to Parent Company}}{\text{Service fee}}$	(227,102,972)	(0.02)	$\frac{246,343,074}{12,317,235,384}$	0.02
		11,672,275,209			
Book value per share	$\frac{\text{Stockholder's equity attributable to Parent Company}}{\text{Total number of shares}}$	2,005,829,477	1.41	$\frac{3,206,650,446}{1,425,865,471}$	2.25
		1,425,865,471			
Basic earnings (loss) per share*	$\frac{\text{Net income (loss) attributable to Parent Company}}{\text{Weighted average number of common shares outstanding}}$	(227,102,972)	(0.16)	$\frac{246,343,074}{1,425,865,471}$	0.17
		1,425,865,471			

*same as diluted earnings per share