

# 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, 2023
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, 2023
Currency (indicate units, if applicable)	PHP

#### Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2023	Dec 31, 2022
<b>Current Assets</b>	6,316,382,021	8,201,458,993
<b>Total Assets</b>	14,547,076,878	16,589,862,864
<b>Current Liabilities</b>	9,666,649,115	12,068,710,972
<b>Total Liabilities</b>	12,533,067,512	14,807,888,113
<b>Retained Earnings/(Deficit)</b>	343,498,817	128,273,290
<b>Stockholders' Equity</b>	2,014,009,366	1,781,974,751
<b>Stockholders' Equity - Parent</b>	2,034,657,481	1,792,276,501
<b>Book Value per Share</b>	1.43	1.44

#### Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
<b>Gross Revenue</b>	3,509,802,163	3,934,055,345	10,882,486,461	11,672,275,209
<b>Gross Expense</b>	3,342,859,527	3,797,014,247	10,424,600,767	11,093,164,300

<b>Non-Operating Income</b>	169,929,731	13,445,036	156,350,701	62,720,447
<b>Non-Operating Expense</b>	181,426,121	303,138,934	388,446,859	892,399,909
<b>Income/(Loss) Before Tax</b>	155,446,246	-152,652,800	225,789,536	-250,568,553
<b>Income Tax Expense</b>	31,814,593	-10,716,535	20,033,591	-33,223,412
<b>Net Income/(Loss) After Tax</b>	123,631,653	-141,936,265	205,755,945	-217,345,141
<b>Net Income Attributable to Parent Equity Holder</b>	130,914,699	-144,112,784	215,225,527	-227,102,972
<b>Earnings/(Loss) Per Share (Basic)</b>	0.09	-0.1	0.15	-0.16
<b>Earnings/(Loss) Per Share (Diluted)</b>	0.07	-0.1	0.15	-0.16

	<b>Current Year (Trailing 12 months)</b>	<b>Previous Year (Trailing 12 months)</b>
<b>Earnings/(Loss) Per Share (Basic)</b>	-0.07	-0.77
<b>Earnings/(Loss) Per Share (Diluted)</b>	-0.07	-0.77

<b>Other Relevant Information</b>
None.

**Filed on behalf by:**

<b>Name</b>	Ernesto III Naval
<b>Designation</b>	Alternate Corporate Information Officer

# COVER SHEET

SEC Registration Number

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## COMPANY NAME

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

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

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

Form Type

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Department requiring the report

S	E	C	
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Secondary License Type, If Applicable

N	/	A	
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## COMPANY INFORMATION

Company's Email Address

N/A

Company's Telephone Number

+632 8856-8510

Mobile Number

N/A

No. of Stockholders

485

Annual Meeting (Month / Day)

2nd Monday of June

Fiscal Year (Month / Day)

12/31

## CONTACT PERSON INFORMATION

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

Name of Contact Person

Enrique V. Rey, Jr.

Email Address

evrey@lbcexpress.com

Telephone Number/s

+632 8856-8510

Mobile Number

-

## 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 a 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, 2023**
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, 2023:**

<b><u>Title of each class</u></b>	<b><u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u></b>
Common Shares	1,425,865,471 <sup>1</sup>
Bond Payable	1,952,541,004 <sup>2</sup>
Derivative Liability	2,082,621,349 <sup>2</sup>

<sup>1</sup> Inclusive of 1,384,966,471 common shares which are exempt from registration.

<sup>2</sup> Related to convertible instrument at an aggregate principal amount of \$39 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 shares**<sup>3</sup>

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 ☐

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<sup>3</sup> As of September 30, 2023, 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, 2023 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, 2023 compared to the nine months ended September 30, 2022**

##### ***Service Revenue***

The Company's service revenue decreased by 7% to ₱10,882.49 million for the nine months ended September 30, 2023, from ₱11,672.28 million for the nine months ended September 30, 2022, mainly from retail logistics and remittance customers by 8%. Corporate revenue was maintained at almost the same level as last year.

##### ***Cost of Services***

Cost of services is down by 7% to ₱8,604.60 million for the nine months ended September 30, 2023, from ₱9,225.92 million for the nine months ended September 30, 2022, pertaining to improvement in cost of delivery and remittance and manpower cost by 7% aligned to the decline in volume. Depreciation and amortization also went down due to rationalization of branches/warehouses and fully depreciated assets.

Further, air and sea freight costs declined significantly because of rate reduction and the company's continued usage of roll-on roll-off (RORO) services.

##### ***Gross Profit***

Gross profit is at ₱2,277.89 million for the nine months ended September 30, 2023, from ₱2,446.36 million, lower by 7% for the nine months ended September 30, 2022, primarily attributable to decrease in volume.

##### ***Operating Expenses***

Operating expenses decreased by 3% to ₱1,820.00 million for the nine months ended September 30, 2023, from ₱1,867.25 million for the nine months ended September 30, 2022, because of lower spend for the following:

- Advertising expense went down to ₱134.04 million for the nine months ended September 30, 2023, from ₱193.28 million for the nine months ended September 30, 2022, related to sponsorships. There is also a reduction on digital campaigns, this expense is replaced by digitalization fees included in professional fees with a ₱11.64 million increments.
- Commission expense decreased by 13% attributable to the decline in overseas revenue.

The mentioned decreases were also offset by the effect of depreciation and amortization which is higher by ₱33.42 million mainly because of the amortization of the logistic systems at the start of this year.

### ***Operating Income***

Operating income is lower by 21% to ₱458.44 million for the nine months ended September 30, 2023, from ₱579.11 million for the nine months ended September 30, 2022, mostly driven by the decline in gross profit.

### ***Other Charges, Net***

Other charges, net decreased to ₱232.10 million for the nine months ended September 30, 2023, from ₱829.68 million for the nine months ended September 30, 2022, largely due to the foreign exchange gains amounting to ₱10.89 million for the nine months ended September 30, 2023, compared to losses amounting to ₱201.15 million for the nine months ended September 30, 2022, which are mostly related to the valuation of the bond payable.

Further, valuation of derivative resulted to gain of ₱98.26 million for the nine months ended September 30, 2023, from loss of ₱317.76 million for the nine months ended September 30, 2022.

The Parent Company also acquired Blue Eagle & LBC Service Pte. Ltd on September 28, 2023 that resulted to gain on bargain purchase amounting to ₱18.23 million.

### ***Net Income (Loss) after tax***

Net income (loss) after tax is at ₱205.76 million earnings for the nine months ended September 30, 2023, from loss of ₱217.35 million for the nine months ended September 30, 2022 mainly from the increase in EBITDA by 32% and the reduction in ‘other charges-net’ because of the favorable valuation of derivative liability.

This is offset by the provision for income tax incurred this period amounting to ₱20.03 million compared to the tax benefit recognized in 2022 amounting to ₱33.22 million.

### **Three months ended September 30, 2023 compared to the three months ended September 30, 2022**

#### ***Service Revenue***

The Company’s service revenue decreased by 11% to ₱3,509.80 million for the quarter ended September 30, 2023, from ₱3,934.06 million for the quarter ended September 30, 2022, mainly from domestic and overseas logistics segment by 6% and 17%, respectively.

#### ***Cost of Services***

Cost of services is down by 14% to ₱2,729.64 million for the three months ended September 30, 2023, from ₱3,191.47 million for the three months ended September 30, 2022, pertaining to improvement in cost of delivery and remittance by 15% mostly from the reduction of cost of freight sea and fuel rates compared to the same period last year.

#### ***Gross Profit***

Gross profit is higher by 5% to ₱780.16 million for the three months ended September 30, 2023, from ₱742.58 million for the three months September 30, 2022, primarily attributable to decrease in cost as part of management’s cost rationalization.



### ***Operating Expenses***

Operating expenses increased by 1% to ₱613.22 million for the three months ended September 30, 2023, from ₱605.54 million for the three months ended September 30, 2022, mainly driven by higher software amortization and maintenance costs relative to the logistic systems. There is also additional provision for impairment loss which contributed to the increase in operating expenses.

### ***Operating Income***

Operating income went up by 22% to ₱166.94 million for the three months ended September 30, 2023, from ₱137.04 million for the three months ended September 30, 2022, mostly driven by the higher gross profit.

### ***Other Charges, Net***

Other charges, net decreased to ₱11.50 million for the three months ended September 30, 2023, from ₱289.69 million for the three months ended September 30, 2022, mainly from gain on derivative recognized during the quarter amounting to ₱134.60 million compared to loss amounting to ₱76.26 million incurred in the same quarter of last year.

### ***Net Income (Loss) after tax***

Net income after tax amounted to ₱123.63 million for the three months ended September 30, 2023, from a loss of ₱141.94 million for the three months ended September 30, 2022. The movement is caused by the net effect of the following:

- Increase in operating income by 22%;
- Decline in 'other charges, net' driven by the valuation of derivative;
- Offset by the provision for income tax recognized amounting to ₱31.81 million this quarter compared to the tax benefit amounting to ₱10.72 million for the same quarter last year.

## **FINANCIAL CONDITION**

### **As of September 30, 2023 compared to as of December 31, 2022**

#### ***Assets***

##### ***Current Asset***

Cash and cash equivalents decreased by 49% to ₱1,796.77 million as of September 30, 2023, from ₱3,517.62 million as of December 31, 2022. This is mainly from the settlement of redemption payable related to convertible instrument in 2023. Refer also to analysis of cash flows in "Liquidity" section below.

Trade and other receivable, net decreased to ₱2,011.55 million as of September 30, 2023, from ₱2,045.05 million as of December 31, 2022, driven by the increase in allowance for expected credit losses as a factor of the additional provisions this period and the decline in other receivables mainly related to SSS benefit.

Due from related parties went up to ₱1,173.71 million as of September 30, 2023, from ₱1,156.08 million as of December 31, 2022, mainly because of dividend receivable from an associate.

Investments at fair value through profit and loss increased to ₱2.24 million as of September 30, 2023, from ₱2.17 million as of December 31, 2022, due to fair value gain amounting to ₱0.07 million during the period.

Prepayments and other current assets declined by 10% to ₱1,332.12 million as of September 30, 2023, from ₱1,480.53 million as of December 31, 2022, primarily attributable to the impact of the following:

- Input value-added tax (VAT) decreased by 26% because of application/usage during the period.
- Prepaid employee benefits went down by 68% due to expense out of loyalty awards, educational and medical benefits.
- Transfer of short-term investment and restricted cash to cash in bank.
- Offset by the increases in prepaid taxes and software cost during the period.

#### *Noncurrent Assets*

Property and equipment, net increased by 16% to ₱2,521.47 million as of September 30, 2023, from ₱2,167.40 million as of December 31, 2022, primarily due to additions amounting to ₱581.71 million, offset by depreciation and net disposal amounting to ₱216.58 million and ₱9.93 million, respectively.

Right-of-use assets, net is lower by 23% to ₱1,571.35 million as of September 30, 2023, from ₱2,052.46 million as of December 31, 2022, mainly attributable to amortization amounting to ₱722.88 million, offset by additions of ₱299.59 million, resulting from renewal of leases.

Intangible assets, net is lower by 7% to ₱238.76 million as of September 30, 2023, from ₱255.99 million as of December 31, 2022, driven by amortization of ₱53.81 million, offset by ₱36.42 million additions.

Investment at fair value through other comprehensive income went up by 4% to ₱206.76 million as of September 30, 2023, from ₱198.96 million as of December 31, 2022, relative to movement in market price from ₱1.02/share to ₱1.06/share.

Investment in associates decreased to ₱345.72 million as of September 30, 2023, from ₱371.66 million as of December 31, 2022, due to the dividends declared by an associate during the period.

Deferred tax assets - net increased by 7% to ₱558.07 million as of September 30, 2023, from ₱521.42 million as of December 31, 2022, largely because of the additional income tax deferred recognized related to retirement benefit liability and MCIT.

Security deposit decreased by 1% to ₱424.11 million as of September 30, 2023, from ₱427.43 million as of December 31, 2022, mainly due to forfeitures and applications to rent expense of closed branches.

Other noncurrent assets decreased by 1% to ₱2,077.42 million as of September 30, 2023, from ₱2,106.06 million as of December 31, 2022, because of settlements of loan and note receivables and application of input VAT on capital goods.

#### *Liabilities*

Accounts and other payable is lower by 16% to ₱3,027.35 million as of September 30, 2023, from ₱3,890.05 million as of December 31, 2022 due to settlement of trade payables, withholding tax payment related to dividends declared by the Board of Directors of North America entities and lower amount of contractual liabilities.

Notes payable (current and noncurrent) increased to ₱2,165.08 million as of September 30, 2023, from ₱2,103.39 million as of December 31, 2022, driven by the availment of loans amounting to ₱629.60 million, offset by total settlement during the period amounting to ₱567.90 million.

Transmissions liability went down by 15% to ₱648.59 million as of September 30, 2023, from ₱850.30 million as of December 31, 2022, mainly attributable to transactions claimed during the period.

Income taxes payable went down by 27% to ₱18.26 million as of September 30, 2023, from ₱25.03 million as of December 31, 2022, mainly related to lower taxable income in overseas.

Lease liabilities (current and noncurrent) is lower by 22% to ₱1,756.79 million as of September 30, 2023, from ₱2,262.94 million as of December 31, 2022, primarily pertaining to lease payments during the period.

Bond payable increased by 14% to ₱1,952.54 million as of September 30, 2023, from ₱1,715.38 million as of December 31, 2022, mainly from the accretion of interest amounting to ₱206.44 million and the foreign exchange losses recognized amounting to ₱30.72 million.

Derivative liability decreased to ₱2,082.62 million as of September 30, 2023, from ₱2,180.88 million as of December 31, 2022, related to the gain on valuation incurred for the period amounting to ₱98.26 million.

Redemption payable amounting to ₱1,014.74 million as of December 31, 2022, related to convertible instrument was settled in 2023.

Retirement benefit obligation increased to ₱855.88 million as of September 30, 2023, from ₱734.48 million as of December 31, 2022, primarily due to accrual of expense recognized in the current period.

## **LIQUIDITY**

### **Cash Flows**

#### **Nine months ended September 30, 2023 compared to the nine months ended September 30, 2022**

##### *Cash flows from operating activities*

The Company's net cash from operating activities is primarily affected by income before income tax, depreciation and amortization, retirement benefit expense, interest expense, unrealized foreign exchange gain, gain on derivative, equity in net earnings of associates and changes in working capital. The Company's cash inflows from these activities amounted to ₱727.77 million and ₱813.74 million for the nine months ended September 30, 2023 and 2022, respectively.

##### *Cash flows from investing activities*

Cash used in investing activities for the nine months ended September 30, 2023 and 2022 amounted to ₱552.48 million and ₱425.44 million, respectively. For the nine months ended September 30, 2023, the Company spent ₱618.96 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, 2023 and 2022 amounted to ₱1,879.87 million and ₱939.61 million, respectively. In 2023, there is settlement of redemption payable amounting to ₱997.46 million. Other activities 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 blue ink, appearing to read 'ER', is positioned above the printed name.

ENRIQUE V. REY, JR.  
Chief Finance Officer

November 16, 2023

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

Unaudited Interim Condensed Consolidated  
Financial Statements  
As at September 30, 2023 and  
for the Nine Months Ended  
September 30, 2023 and 2022  
*(With Comparative Audited Consolidated Statement  
of Financial Position as at  
December 31, 2022)*

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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 4, 23 and 24)	<b>₱1,796,766,666</b>	₱3,517,624,171
Trade and other receivables (Notes 5, 17, 23 and 24)	<b>2,011,549,189</b>	2,045,051,999
Due from related parties (Notes 17, 23 and 24)	<b>1,173,712,243</b>	1,156,081,369
Investments at fair value through profit or loss (Notes 9, 23 and 24)	<b>2,237,401</b>	2,167,063
Prepayments and other current assets (Notes 6, 11, 17, 23 and 24)	<b>1,332,116,522</b>	1,480,534,391
Total Current Assets	<b>6,316,382,021</b>	8,201,458,993
<b>Noncurrent Assets</b>		
Property and equipment (Note 7)	<b>2,521,469,826</b>	2,167,401,341
Right-of-use assets (Note 21)	<b>1,571,352,056</b>	2,052,455,904
Intangible assets (Note 8)	<b>238,760,795</b>	255,989,212
Investment at fair value through other comprehensive income (Notes 9, 23 and 24)	<b>206,763,678</b>	198,961,275
Deferred tax assets - net (Note 20)	<b>558,072,413</b>	521,419,113
Security deposits (Note 21)	<b>424,105,227</b>	427,425,942
Investment in associates (Note 10)	<b>345,723,600</b>	371,663,705
Goodwill (Note 3)	<b>287,024,985</b>	287,024,985
Other noncurrent assets (Notes 6, 11 and 17)	<b>2,077,422,277</b>	2,106,062,394
Total Noncurrent Assets	<b>8,230,694,857</b>	8,388,403,871
	<b>₱14,547,076,878</b>	₱16,589,862,864
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts and other payables (Notes 12, 17, 23 and 24)	<b>₱3,037,431,382</b>	₱3,890,054,116
Due to related parties (Notes 17, 23 and 24)	<b>15,874,075</b>	30,648,739
Current portion of notes payable (Notes 14, 23 and 24)	<b>1,242,866,843</b>	1,442,320,481
Transmissions liability (Notes 13, 17, 23 and 24)	<b>648,593,819</b>	850,295,142
Income tax payable	<b>18,255,083</b>	25,033,145
Current portion of lease liabilities (Notes 21, 23 and 24)	<b>668,465,560</b>	919,355,234
Derivative liability (Notes 15, 23 and 24)	<b>2,082,621,349</b>	2,180,880,406
Bond payable (Notes 15, 23 and 24)	<b>1,952,541,004</b>	1,715,380,624
Bond redemption payable (Notes 15, 23 and 24)	<b>—</b>	1,014,743,085
Total Current Liabilities	<b>9,666,649,115</b>	12,068,710,972
<b>Noncurrent Liabilities</b>		
Lease liabilities - net of current portion (Notes 21, 23 and 24)	<b>1,088,323,236</b>	1,343,584,640
Notes payable - net of current portion (Notes 14, 23 and 24)	<b>922,217,500</b>	661,070,127
Retirement benefit liability - net (Note 22)	<b>855,877,661</b>	734,484,325
Other noncurrent liabilities (Notes 12, 23 and 24)	<b>—</b>	38,049
Total Noncurrent Liabilities	<b>2,866,418,397</b>	2,739,177,141
	<b>12,533,067,512</b>	14,807,888,113
<b>Equity</b>		
Equity attributable to shareholders of the Parent Company		
Capital stock (Note 16)	<b>1,425,865,471</b>	1,425,865,471
Retained earnings	<b>343,498,817</b>	128,273,290
Accumulated comprehensive gain	<b>265,293,193</b>	238,137,740
	<b>2,034,657,481</b>	1,792,276,501
Non-controlling interests	<b>(20,648,115)</b>	(10,301,750)
Total Equity	<b>2,014,009,366</b>	1,781,974,751
	<b>₱14,547,076,878</b>	₱16,589,862,864

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	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
<b>SERVICE REVENUE</b> (Note 25)	<b>₱10,882,486,461</b>	₱11,672,275,209	<b>₱3,509,802,163</b>	₱3,934,055,345
<b>COST OF SERVICES</b> (Note 18)	<b>8,604,597,790</b>	9,225,916,864	<b>2,729,643,362</b>	3,191,473,289
<b>GROSS PROFIT</b>	<b>2,277,888,671</b>	2,446,358,345	<b>780,158,801</b>	742,582,056
<b>OPERATING EXPENSES</b> (Note 19)	<b>1,820,002,977</b>	1,867,247,436	<b>613,216,165</b>	605,540,958
<b>OPERATING INCOME</b>	<b>457,885,694</b>	579,110,909	<b>166,942,636</b>	137,041,098
<b>OTHER INCOME (CHARGES)</b>				
Gain (loss) on derivative (Note 15)	98,259,057	(317,764,674)	134,602,742	(76,264,408)
Gain on bargain purchase (Note 3)	18,233,464	—	18,233,464	—
Foreign exchange gains (losses) - net (Notes 19 and 23)	10,886,111	(201,153,525)	(45,591,578)	(89,548,600)
Interest income (Notes 4, 11 and 17)	11,172,127	4,626,061	4,149,862	1,911,277
Equity in net earnings of associates (Note 10)	6,318,349	42,235,359	5,127,770	10,010,132
Fair value gain on investment at fair value through profit or loss (Note 9)	70,338	20,157	26,495	11,140
Interest expense (Notes 14, 15, 17 and 21)	(388,446,859)	(373,481,710)	(135,834,543)	(137,325,926)
Others - net	11,411,255	15,838,870	7,789,398	1,512,487
	(232,096,158)	(829,679,462)	(11,496,390)	(289,693,898)
<b>INCOME(LOSS) BEFORE INCOME TAX PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 20)	<b>225,789,536</b>	(250,568,553)	<b>155,446,246</b>	(152,652,800)
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>205,755,945</b>	(217,345,141)	<b>123,631,653</b>	(141,936,265)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<b>Items not to be reclassified to profit or loss in subsequent periods</b>				
Remeasurement losses on retirement benefit plan - net of tax	(5,919,583)	(9,782,671)	(161,097)	(6,649,421)
Share in other comprehensive income of an associate (Note 10)	7,341,546	249,260	—	—
Unrealized fair value gain (loss) on equity investments at fair value through other comprehensive income (Note 9)	7,802,403	31,209,612	39,012,015	(124,838,448)
Currency translation gains - net	18,967,547	165,096,600	23,625,006	98,507,005
	28,191,913	186,772,801	62,475,924	(32,980,864)
<b>TOTAL COMPREHENSIVE INCOME(LOSS)</b>	<b>₱233,947,858</b>	(₱30,572,340)	<b>₱186,107,577</b>	(₱174,917,129)
<b>NET INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Shareholders of the Parent Company	₱215,225,527	(₱227,102,972)	₱130,914,699	(₱144,112,784)
Non-controlling interests	(9,469,582)	9,757,831	(7,283,046)	2,176,519
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>₱205,755,945</b>	(₱217,345,141)	<b>₱123,631,653</b>	(₱141,936,265)
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Shareholders of the Parent Company	₱242,380,980	(₱44,790,723)	₱192,237,622	(₱178,428,834)
Non-controlling interests	(8,433,122)	14,218,383	(6,130,045)	3,511,705
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>₱233,947,858</b>	(₱30,572,340)	<b>₱186,107,577</b>	(₱174,917,129)
<b>EARNINGS (LOSS) PER SHARE</b> (Note 26)				
Basic	₱0.15	(₱0.16)	₱0.09	(₱0.10)
Diluted	₱0.15	(₱0.16)	₱0.07	(₱0.10)

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, 2023 (Unaudited)					
	Capital Stock (Note 16)	Retained Earnings	Accumulated Comprehensive Income	Total	Non-controlling Interests	Total Equity
Balances at beginning of the period	<b>₱1,425,865,471</b>	<b>₱128,273,290</b>	<b>₱238,137,740</b>	<b>₱1,792,276,501</b>	<b>(₱10,301,750)</b>	<b>₱1,781,974,751</b>
Comprehensive income (loss):						
Net income (loss)	—	<b>215,225,527</b>	—	<b>215,225,527</b>	<b>(9,469,582)</b>	<b>205,755,945</b>
Other comprehensive income	—	—	<b>27,155,453</b>	<b>27,155,453</b>	<b>1,036,460</b>	<b>28,191,913</b>
Total comprehensive income (loss)	—	<b>215,225,527</b>	<b>27,155,453</b>	<b>242,380,980</b>	<b>(8,433,122)</b>	<b>233,947,858</b>
Dividends declared (Note 16)	—	—	—	—	<b>(1,913,243)</b>	<b>(1,913,243)</b>
Balances at end of the period	<b>₱1,425,865,471</b>	<b>₱343,498,817</b>	<b>₱265,293,193</b>	<b>₱2,034,657,481</b>	<b>(₱20,648,115)</b>	<b>₱2,014,009,366</b>

	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	<b>₱1,425,865,471</b>	<b>₱670,248,037</b>	<b>(₱45,493,308)</b>	<b>₱2,050,620,200</b>	<b>₱20,865,195</b>	<b>₱2,071,485,395</b>
Comprehensive income (loss):						
Net Income (loss)	—	<b>(227,102,972)</b>	—	<b>(227,102,972)</b>	<b>9,757,831</b>	<b>(217,345,141)</b>
Other comprehensive income	—	—	<b>182,312,249</b>	<b>182,312,249</b>	<b>4,460,552</b>	<b>186,772,801</b>
Total comprehensive income (loss)	—	<b>(227,102,972)</b>	<b>182,312,249</b>	<b>(44,790,723)</b>	<b>14,218,383</b>	<b>(30,572,340)</b>
Dividends declared (Note 16)	—	—	—	—	<b>(13,590,310)</b>	<b>(13,590,310)</b>
Balances at end of the period	<b>₱1,425,865,471</b>	<b>₱443,145,065</b>	<b>₱136,818,941</b>	<b>₱2,005,829,477</b>	<b>₱21,493,268</b>	<b>₱2,027,322,745</b>

*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)	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income tax	<b>P225,789,536</b>	(P250,568,553)
Adjustments for:		
Depreciation and amortization (Notes 7, 8, 18, 19, 21)	<b>993,273,600</b>	1,090,759,021
Interest expense (Notes 14, 15, 17 and 21)	<b>388,446,859</b>	373,481,710
Retirement expense, net of benefits paid and contribution to retirement plan	<b>117,514,660</b>	110,161,873
Unrealized foreign exchange losses	<b>45,585,506</b>	256,444,377
Loss (gain) on derivative (Note 15)	<b>(98,259,057)</b>	317,764,674
Gain on bargain purchase (Note 4)	<b>(18,233,464)</b>	—
Gain on disposal of property and equipment	<b>(11,864,404)</b>	(6,247,809)
Equity in net earnings of associates (Note 10)	<b>(6,318,349)</b>	(42,235,359)
Fair value gain on investment at fair value through profit or loss (Note 9)	<b>(70,338)</b>	(20,157)
Interest income (Notes 4, 11 and 17)	<b>(11,172,127)</b>	(4,626,061)
Operating income before changes in working capital	<b>1,624,692,422</b>	1,844,913,716
Changes in working capital:		
Decrease (increase) in:		
Trade and other receivables	<b>33,503,864</b>	(27,446,573)
Prepayments and other current assets	<b>148,724,627</b>	(561,332,133)
Security deposits	<b>7,654,164</b>	(17,035,300)
Other noncurrent assets	<b>28,640,117</b>	49,770,990
Increase (decrease) in:		
Accounts and other payables	<b>(852,197,891)</b>	(170,461,196)
Transmissions liability	<b>(208,908,871)</b>	(233,551,261)
Net cash generated from operations	<b>782,108,432</b>	884,858,243
Interest received	<b>11,172,127</b>	4,626,061
Income tax paid	<b>(65,505,860)</b>	(75,744,774)
Net cash provided by operating activities	<b>727,774,699</b>	813,739,530
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from:		
Disposal of property and equipment	<b>21,814,706</b>	6,290,347
Sale of investment at fair value through profit and loss	<b>—</b>	13,559,437
Payments for acquisitions of:		
Intangible assets (Note 27)	<b>(37,163,617)</b>	(36,312,326)
Property and equipment (Note 27)	<b>(581,798,908)</b>	(377,096,805)
Cash acquired from subsidiary; net of cash paid (Note 4)	<b>501,874</b>	—
Decrease (increase) in due from related parties	<b>24,363,265</b>	(49,883,832)
Dividend received	<b>19,800,000</b>	18,000,000
Net cash used in investing activities	<b>(552,482,680)</b>	(425,443,179)
<i>(Forward)</i>		

	<b>Nine Months Ended September 30</b>	
	<b>(Unaudited)</b>	
	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from notes payable (Notes 14 and 27)	<b>629,596,498</b>	482,525,600
Increase in due to related parties (Note 27)	<b>(16,172,269)</b>	(7,465,366)
Dividends paid (Note 27)	<b>(1,913,243)</b>	(13,590,310)
Interest paid (Note 27)	<b>(85,109,787)</b>	(59,172,094)
Payments of notes payable (Notes 14 and 27)	<b>(567,902,763)</b>	(481,661,675)
Payments of principal amount of lease liabilities (Note 27)	<b>(840,905,835)</b>	(860,250,408)
Redemption of convertible instrument	<b>(997,458,943)</b>	—
Net cash used in financing activities	<b>(1,879,866,342)</b>	(939,614,253)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,704,574,323)</b>	(551,317,902)
<b>EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(16,283,182)</b>	180,243,413
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>3,517,624,171</b>	3,475,114,354
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)</b>	<b>₱1,796,766,666</b>	₱3,104,039,865

*See accompanying Notes to Interim Condensed Consolidated Financial Statements.*

# **LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES**

## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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### **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, evidence 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.

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### **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, 2022, 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 September 30 second 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.

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, 2023 and 2022 and the date of the Parent Company's financial statements which is September 30, 2023 and 2022 and between December 1, 2022 and the comparative date of the Parent Company's financial position which is December 31, 2022.

The interim condensed consolidated financial statements were adjusted to reflect LBCE's availment and settlement of bank loans in September 2023 amounting to ₱163.87 million and ₱119.59 million, respectively, adjustment to reflect equity share in net losses of Terra Barbaza Aviation, Inc. (TBAI) amounting to ₱5.88 million and adjustment to reflect the decrease in fair value of equity investment at FVOCI by ₱35.11 million.

The interim condensed consolidated financial statements were adjusted to reflect LBCE's settlement of bank loans in September 2022 amounting to ₱40.51 million, adjustment to reflect equity share in net earnings of 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 consolidated financial statements as of December 31, 2022 were adjusted to effect LBCE's availment and settlement of bank loans in December 2022 amounting to ₱50.00 million and ₱46.90 million, respectively, adjustment to reflect equity share in net earnings of TBAI amounting to ₱0.55 million and adjustment to reflect the decrease in fair value of investment at FVOCI by ₱21.46 million for the period December 1 to 31, 2022.

There were no other significant transactions that transpired between September 1, 2023 to September 30, 2023, December 1, 2022 to December 31, 2022 and September 1, 2022 to September 30, 2022.

#### 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 September 28, 2023, the Parent Company acquired, through business combination, 100% of the capital of Blue Eagle and LBC Service Ltd., a corporation registered in Taiwan, for a total purchase price of New Taiwan Dollar (NTD) 5.00 million.

There were no other acquisitions and disposal nor changes in the Parent Company's ownership interests in its subsidiaries in 2023 and 2022.

#### 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, 2022, except for the adoption of new standards effective as of January 1, 2023. 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 2023, do not have an impact on the interim condensed consolidated financial statements of the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such

deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply retrospectively, however, the Group is not required to restate prior periods. The amendments do 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, 2023.

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### **3. Business Combination and Goodwill**

On September 28, 2023, the Parent Company acquired, through business combination, 100% of the capital of Blue Eagle and LBC Service Ltd., a corporation registered in Taiwan, for a total purchase price of New Taiwan Dollar (NTD) 5.00 million.

#### *Identifiable assets acquired, and liabilities assumed of Blue Eagle and LBC Service Ltd.*

PFRS 3, *Business Combinations*, provides that if the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date. The comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting had been completed from the acquisition date.



The fair values of the identifiable assets acquired and liabilities assumed, including gain on bargain purchase, as at the date of acquisitions are shown below:

<b>Blue Eagle and LBC Service Ltd.</b>	
Percentage of ownership of Parent Company	100%
<b>Assets</b>	
Cash and cash equivalents	₱9,345,875
Receivable from related parties	21,751,584
Trade and other receivables, net	1,054
Prepayments and other current assets	306,731
<b>Total current assets</b>	<b>31,405,244</b>
Property and equipment	364,687
Security deposit	4,333,449
<b>Total noncurrent asset</b>	<b>4,698,136</b>
<b>Total asset</b>	<b>36,103,380</b>
<b>Liabilities</b>	
Accounts and other payables	1,818,368
Transmission liability	7,207,548
<b>Total liabilities</b>	<b>9,025,916</b>
<b>Net assets attributable to Parent Company</b>	<b>27,077,464</b>
Less: Gain on bargain purchase	18,233,464
<b>Purchase consideration</b>	<b>₱8,844,000</b>

*Purchase consideration and net cash flows*

There were no contingent considerations in the above acquisitions during the period. Net cash related to acquisition of the above entities in 2023 are shown below.

<b>Blue Eagle and LBC Service Ltd.</b>	
Cash paid	₱8,844,000
Cash acquired	9,345,875
<b>Net cash inflow</b>	<b>₱501,875</b>

The purchase considerations are paid in full which was paid in advance by the Parent Company in 2023. The gain on bargain purchase of the acquired company was presented under “Other income (charges)” in the interim condensed consolidated statements of comprehensive income.

There were no other acquisitions and disposal of subsidiaries for the nine months ended September 30, 2023.

There is no movement in the carrying amount of goodwill from December 31, 2022.

*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, 2022.

The Group did not perform impairment test on goodwill for the nine months ended September 30, 2023 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, 2023.

#### 4. Cash and Cash Equivalents

This account consists of:

	<b>September 30, 2023 (Unaudited)</b>	<b>December 31, 2022 (Audited)</b>	<b>September 30, 2022 (Unaudited)</b>
Cash on hand	<b>₱186,834,668</b>	₱301,076,675	₱264,417,746
Cash in banks	<b>1,601,675,129</b>	3,215,808,561	2,831,409,071
Cash equivalents	<b>8,256,869</b>	738,935	8,213,048
	<b>₱1,796,766,666</b>	₱3,517,624,171	₱3,104,039,865

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

Cash in banks and cash equivalents earn interest ranging from 0.06% to 0.38% per annum in 2023 and 0.06% to 2.75% in 2022. Interest income earned from cash and cash equivalents amounted to ₱0.06 million and ₱0.47 million for the nine months ended September 30, 2023, and 2022, respectively.

#### 5. Trade and Other Receivables

This account consists of:

	<b>September 30, 2023 (Unaudited)</b>	<b>December 31, 2022 (Audited)</b>
Trade receivables - outside parties	<b>₱1,734,906,721</b>	₱1,701,319,344
Trade receivables - related parties (Note 17)	<b>365,494,814</b>	387,107,568
	<b>2,100,401,535</b>	2,088,426,912
Less allowance for expected credit losses	<b>233,762,151</b>	211,457,118
	<b>1,866,639,384</b>	1,876,969,794
Other receivables:		
Advances to officers and employees	<b>106,115,799</b>	106,892,848
Others	<b>38,794,006</b>	61,189,357
	<b>₱2,011,549,189</b>	₱2,045,051,999

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, 2023 (Unaudited)	December 31, 2022 (Audited)
<b>Balance at beginning of period</b>	<b>P211,457,118</b>	P222,496,135
Provision for impairment losses (Note 19)	22,305,033	119,087
Recoveries	–	(11,158,104)
<b>Balance at the end of period</b>	<b>P233,762,151</b>	P211,457,118

## 6. Prepayments and Other Assets

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Prepayments:		
Taxes	<b>P2,131,972,681</b>	P2,072,525,144
Insurance	<b>49,345,825</b>	32,263,248
Software maintenance	<b>20,036,002</b>	7,324,688
Rent	<b>12,960,796</b>	17,034,378
Employee benefits	<b>8,753,641</b>	27,276,844
Transportation supplies	<b>5,608,285</b>	6,922,526
Dues and subscriptions	<b>2,718,251</b>	799,829
Advertising	<b>104,842</b>	112,809
Others	<b>34,236,031</b>	33,144,300
Creditable withholding taxes (CWTs)	<b>369,020,018</b>	301,879,571
Restricted cash in bank	<b>281,217,448</b>	348,755,645
Materials and supplies	<b>213,583,333</b>	208,505,692
Input value-added tax (VAT)	<b>117,617,575</b>	170,379,057
Loans receivable (Note 11)	<b>82,309,087</b>	85,023,021
Short-term cash investments	<b>30,918,851</b>	147,167,931
Notes receivable (Note 17)	<b>11,939,346</b>	15,725,733
Advance payment to supplier	<b>9,000,000</b>	9,000,000
Electronic wallet	<b>8,258,180</b>	17,717,607
Deferred input VAT	–	65,283,571
Others	<b>19,938,607</b>	19,755,191
	<b>3,409,538,799</b>	3,586,596,785
Less: noncurrent portion	<b>2,077,422,277</b>	2,106,062,394
	<b>P1,332,116,522</b>	P1,480,534,391

Details of noncurrent portion follows:

	<b>September 30, 2023 (Unaudited)</b>	<b>December 31, 2022 (Audited)</b>
Prepaid Taxes	<b>₱1,807,419,435</b>	₱1,807,419,435
Creditable withholding taxes (CWTs)	<b>134,793,177</b>	134,793,177
Loans receivable (Note 11)	<b>69,743,353</b>	73,875,716
VAT on capital goods	<b>25,944,818</b>	47,249,194
Notes receivable (Note 17)	<b>11,939,346</b>	15,725,733
Advance payment to a supplier	<b>9,000,000</b>	9,000,000
Prepaid rent	<b>1,003,314</b>	534,805
Other assets	<b>17,578,834</b>	17,464,334
<b>Total noncurrent portion</b>	<b>₱2,077,422,277</b>	<b>₱2,106,062,394</b>

The interest income earned from the short-term cash investments and restricted cash in bank amounted to ₱2.87 million and ₱2.13 million for the nine months ended September 30, 2023 and 2022, respectively.

## 7. Property and Equipment

The rollforward analysis of this account follows:

	For the Nine Months ended September 30, 2023 (Unaudited)						
	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Land	Construction in Progress	Total
<b>Costs</b>							
Balances at beginning of period	P586,426,767	P1,948,053,836	P533,596,647	P972,625,619	P1,031,257,734	P492,064,051	P5,564,024,654
Additions	14,286	3,641,243	15,744,043	13,740,803	—	548,596,031	581,736,406
Additions through business combination	33,846	—	58,300	—	—	—	92,146
Reclassifications	—	20,802,202	—	—	—	(20,802,202)	—
Disposals/Settlement	(36,253,494)	(145,289,453)	(340,338)	(122,326)	—	—	(182,005,611)
Effect on changes in foreign currency exchange rate	(1,348,653)	(46,383)	(33,593)	(8,208)	—	—	(1,436,837)
Balances at end of period	548,872,752	1,827,161,445	549,025,059	986,235,888	1,031,257,734	1,019,857,880	5,962,410,758
<b>Accumulated depreciation and amortization</b>							
Balances at beginning of period	444,009,236	1,641,422,617	430,872,365	880,319,095	—	—	3,396,623,313
Depreciation and amortization (Notes 18 and 19)	31,690,110	89,680,811	46,061,662	49,146,278	—	—	216,578,861
Disposals	(37,368,076)	(134,516,037)	(121,358)	(49,851)	—	—	(172,055,322)
Effect on changes in foreign currency exchange rate	(139,340)	78,146	(82,954)	(61,772)	—	—	(205,920)
Balances at end of period	438,191,930	1,596,665,537	476,729,715	929,353,750	—	—	3,440,940,932
<b>Net book value</b>	<b>P110,680,822</b>	<b>P230,495,908</b>	<b>P72,295,344</b>	<b>P56,882,138</b>	<b>P1,031,257,734</b>	<b>P1,019,857,880</b>	<b>P2,521,469,826</b>

For the year ended December 31, 2022 (Audited)							
	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Land	Construction in Progress	Total
<b>Costs</b>							
Balances at beginning 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
Additions	4,197,520	9,224,490	58,805,400	45,332,536	—	526,378,138	643,938,084
Reclassifications	(9,522,321)	110,685,378	(25,909,889)	6,744,247	—	(81,997,415)	—
Disposals	(17,016,142)	(193,397,132)	(74,184,041)	(203,232,727)	—	—	(487,830,042)
Effect of changes in foreign currency exchange rates	6,172,962	6,616,045	831,034	1,836,781	—	—	15,456,822
Balances at end of year	586,426,767	1,948,053,836	533,596,647	972,625,619	1,031,257,734	492,064,051	5,564,024,654
<b>Accumulated depreciation and amortization</b>							
Balances at beginning of year	405,776,367	1,665,762,889	452,454,297	968,719,010	—	—	3,492,712,563
Depreciation (Notes 18 and 19)	53,962,546	143,490,627	71,700,382	107,364,534	—	—	376,518,089
Reclassification	(5,220,329)	19,566,253	(20,403,106)	6,057,182	—	—	—
Disposals	(16,440,525)	(191,158,239)	(73,472,444)	(203,166,900)	—	—	(484,238,108)
Effect of changes in foreign currency exchange rates	5,931,177	3,761,087	593,236	1,345,269	—	—	11,630,769
Balances at end of year	444,009,236	1,641,422,617	430,872,365	880,319,095	—	—	3,396,623,313
Net book value	₱142,417,531	₱306,631,219	₱102,724,282	₱92,306,524	₱1,031,257,734	₱492,064,051	₱2,167,401,341

## 8. Intangible Assets

The rollforward analysis of this account follows:

	For the Nine Months ended September 30, 2023 (Unaudited)		
	Software	Development in Progress	Total
<b>Costs</b>			
Balances at beginning of period	<b>₱703,453,472</b>	<b>₱102,500</b>	<b>₱703,555,972</b>
Additions	<b>15,963,641</b>	<b>20,455,538</b>	<b>36,419,179</b>
Additions through business combination	<b>272,514</b>		<b>272,514</b>
Disposal	<b>(66,453,706)</b>	<b>—</b>	<b>(66,453,706)</b>
Effect of changes in foreign currency exchange rates	<b>1,108,789</b>	<b>—</b>	<b>1,108,789</b>
Balances at end of period	<b>654,344,710</b>	<b>20,558,038</b>	<b>674,902,748</b>
<b>Accumulated Amortization</b>			
Balances at beginning of period	<b>447,566,759</b>	<b>—</b>	<b>447,566,759</b>
Amortization (Notes 18 and 19)	<b>53,810,329</b>	<b>—</b>	<b>53,810,329</b>
Disposal	<b>(66,453,693)</b>	<b>—</b>	<b>(66,453,693)</b>
Effect of changes in foreign currency exchange rates	<b>1,218,558</b>	<b>—</b>	<b>1,218,558</b>
Balances at end of period	<b>436,141,953</b>	<b>—</b>	<b>436,141,953</b>
<b>Net Book Value</b>	<b>₱218,202,757</b>	<b>₱20,558,038</b>	<b>₱238,760,795</b>

  

	For the year ended December 31, 2022 (Audited)		
	Software	Development in Progress	Total
<b>Costs</b>			
Balances at beginning of year	<b>₱611,154,091</b>	<b>₱68,282,013</b>	<b>₱679,436,104</b>
Additions	<b>2,710,784</b>	<b>29,189,155</b>	<b>31,899,939</b>
Reclassification	<b>97,368,668</b>	<b>(97,368,668)</b>	<b>—</b>
Disposal	<b>(16,225,043)</b>	<b>—</b>	<b>(16,225,043)</b>
Effect of changes in foreign currency exchange rates	<b>8,444,972</b>	<b>—</b>	<b>8,444,972</b>
Balances at end of year	<b>703,453,472</b>	<b>102,500</b>	<b>703,555,972</b>
<b>Accumulated Amortization</b>			
Balances at beginning of year	<b>411,392,939</b>	<b>—</b>	<b>411,392,939</b>
Amortization (Notes 18 and 19)	<b>45,272,593</b>	<b>—</b>	<b>45,272,593</b>
Disposal	<b>(16,225,043)</b>	<b>—</b>	<b>(16,225,043)</b>
Effect of changes in foreign currency exchange rates	<b>7,126,271</b>	<b>—</b>	<b>7,126,271</b>
Balances at end of year	<b>447,566,760</b>	<b>—</b>	<b>447,566,760</b>
<b>Net book value</b>	<b>₱255,886,712</b>	<b>₱102,500</b>	<b>₱255,989,212</b>

## 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, 2023 (Unaudited)	December 31, 2022 (Audited)
<b>FVOCI</b>		
Balance at beginning of period	₱198,961,275	₱189,208,271
Unrealized fair value gain during the period	7,802,403	9,753,004
	<b>₱206,763,678</b>	<b>₱198,961,275</b>
	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<b>FVPL</b>		
Balance at beginning of period	₱2,167,063	15,689,658
Unrealized fair value gain during the period	70,338	36,842
Withdrawal	—	(13,559,437)
	<b>₱2,237,401</b>	<b>₱2,167,063</b>

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, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period	(₱65,150,487)	(₱74,903,491)
Unrealized gain during the period from quoted investments:	7,802,403	9,753,004
Balance at end of period (Note 16)	<b>(₱57,348,084)</b>	<b>(₱65,150,487)</b>

## 10. Investment in Associates

### Investment in Terra Barbaza Aviation, Inc. (TBAI)

The Group has 20,000,000 non-voting Preferred A Shares and 1,250 common shares which represent 24.762% of the total outstanding common shares as of September 30, 2023 and December 31, 2022. 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, 2023 (Unaudited)	December 31, 2022 (Audited)
<b>Costs</b>		
At acquisition date	<b>₱79,809,022</b>	₱79,809,022
<b>Accumulated Equity on Net Earnings (Loss)</b>		
Balance at beginning of period	7,377,657	4,772,678
Equity share in net earnings (loss)	(5,877,253)	2,604,979
	<b>1,500,404</b>	7,377,657
<b>Carrying Value</b>	<b>₱81,309,426</b>	₱87,186,679

The summarized statements of financial position of TBAI follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Current assets	<b>₱76,102,257</b>	₱48,746,133
Noncurrent assets	<b>495,001,292</b>	394,275,517
Current liabilities	<b>63,966,050</b>	2,585,899
Noncurrent liabilities	<b>90,436,715</b>	—
Equity	<b>416,700,784</b>	440,435,751
Proportion of Group's ownership	<b>24.762%</b>	24.762%
Group's share in identifiable asset	<b>103,378,651</b>	109,060,701
Negative goodwill	<b>(22,955,723)</b>	(22,955,723)
Cost directly attributable to the investment	<b>1,081,701</b>	1,081,701
Carrying amount of the investment	<b>₱81,309,426</b>	₱87,186,679

The summarized statement of comprehensive income of TBAI follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Revenue	<b>₱37,261,927</b>	₱57,594,648
Cost and expenses	<b>60,996,896</b>	47,074,580
Net income (loss)	<b>(23,734,969)</b>	10,520,068
Group's share in total comprehensive income	<b>(₱5,877,253)</b>	₱2,604,979

#### 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 ₱132.00 million and ₱36.00 million in 2023 and 2022, respectively. No impairment loss was recognized for the investment in associate in 2023 and 2022.

Movement in the investment in OFII is as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<b>Costs</b>		
At acquisition date	<b>₱227,916,452</b>	₱227,916,452
<b>Accumulated Equity on Net Earnings</b>		
Balance at beginning of period	<b>59,276,294</b>	45,259,141
Equity share in net earnings	<b>12,195,602</b>	50,017,153
Less: Dividend income	<b>(39,600,000)</b>	(36,000,000)
	<b>31,871,896</b>	59,276,294
<b>Other Comprehensive Income</b>		
Balance at beginning of period	<b>(2,715,720)</b>	(2,964,980)
Equity share in other comprehensive income	<b>7,341,546</b>	249,260
	<b>4,625,826</b>	(2,715,720)
<b>Carrying Value</b>	<b>₱264,414,174</b>	₱284,477,026

The summarized statements of financial position of OFII follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Current assets	<b>₱625,686,864</b>	₱682,531,714
Noncurrent assets	<b>221,988,186</b>	145,267,956
Current liabilities	<b>344,547,452</b>	272,110,388
Noncurrent liabilities	<b>62,945,350</b>	48,630,862
Equity	<b>440,182,248</b>	507,058,420
Proportion of Group's ownership	<b>30.00%</b>	30.00%
Group's share in identifiable asset	<b>132,054,674</b>	152,117,526
Implied goodwill	<b>132,359,500</b>	132,359,500
Carrying amount of the investment	<b>₱264,414,174</b>	₱284,477,026

The summarized statement of comprehensive income of OFII follows:

	For the Nine Months ended September 30, 2023 (Unaudited)	For the year ended December 31, 2022 (Audited)
Revenue	<b>₱676,167,032</b>	₱979,923,190
Cost and expenses	<b>635,515,024</b>	813,199,348
Net income	<b>40,652,008</b>	166,723,842
Other comprehensive income	<b>24,471,820</b>	830,868
Total comprehensive income	<b>₱65,123,828</b>	₱167,554,710
Group's share in total comprehensive income	<b>₱19,537,148</b>	₱50,266,413

## 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, 2023 and 2022, LBCH incurred royalty fee amounting to ₱5.23 million and ₱5.17 million, respectively. The related payable was offset to LBCH's interest receivable from Transtech amounting to ₱1.32 million and ₱1.37 million for the nine months ended September 30, 2023 and 2022, respectively, and to loans receivable amounting to ₱3.89 million and ₱3.80 million for the nine months ended September 30, 2023 and 2022, respectively.

Current and noncurrent portion as at September 30, 2023 and December 31, 2022 is as follows:

	<b>September 30, 2023 (Unaudited)</b>	December 31, 2022 (Audited)
Current portion*	<b>₱12,565,734</b>	₱11,147,305
Noncurrent portion**	<b>69,743,353</b>	73,875,716
	<b>₱82,309,087</b>	₱85,023,021

\*Presented under 'prepayment and other current assets'

\*\*Presented under 'Other noncurrent assets'

Interest income earned amounted to ₱1.32 million and ₱1.37 million for the nine months ended September 30, 2023 and 2022, respectively.

## 12. Accounts and Other Payables and Other Noncurrent Liabilities

Accounts and other payables account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade payable - outside parties	<b>₱1,198,607,540</b>	₱1,380,323,825
Trade payable - related parties (Note 17)	<b>13,697,785</b>	29,255,709
Accruals:		
Salaries and wages	<b>393,571,129</b>	407,298,858
Claims and losses	<b>212,365,661</b>	203,278,474
Rent and utilities	<b>140,036,703</b>	147,270,760
Taxes	<b>87,956,472</b>	107,455,478
Contracted jobs	<b>72,708,179</b>	92,125,982
Software maintenance	<b>46,160,989</b>	18,500,831
Outside services	<b>21,219,165</b>	18,629,166
Professional fees	<b>12,663,102</b>	27,045,240
Advertising	<b>21,511,328</b>	31,005,392
Others	<b>57,141,307</b>	72,087,915
Taxes payable	<b>487,710,691</b>	741,243,955
Contract liabilities	<b>168,241,302</b>	507,512,748
Government agencies contributions payables	<b>35,716,360</b>	41,164,360
Others	<b>68,123,669</b>	65,855,423
	<b>₱3,037,431,382</b>	₱3,890,054,116

The Group's other liabilities consist of unpaid balances pertaining to an acquired payroll system on a non-interest-bearing long-term payment arrangement.

Movements in other liabilities follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
At beginning of period	<b>₱935,197</b>	₱20,410,092
Principal payments	<b>(913,547)</b>	(20,094,279)
Amortization of deferred interest	<b>131,060</b>	619,384
	<b>152,710</b>	935,197
Less: current portion*	<b>152,710</b>	897,148
Noncurrent portion	<b>₱-</b>	₱38,049

\*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 ₱648.59 million and ₱850.30 million as at September 30, 2023 and December 31, 2022, respectively, of which liability amounting ₱4.40 million and ₱7.89 million as at September 30, 2023 and December 31, 2022, 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, 2023 and December 31, 2022 are described below:

Bank	Date of Availment	September 30, 2023		Interest Rate	Terms
		Outstanding Balance	Maturity		
a. Unionbank of the Philippines	Apr 2019	11,700,000	Apr 2024	7.83%, fixed rate	Clean; Interest and principal payable every quarter
b. Unionbank of the Philippines	Jun 2019	3,300,000	Apr 2024	7.05%, fixed rate	Clean; Interest and principal payable every quarter
d. Unionbank of the Philippines	Dec 2020	8,333,333	Dec 2023	5.00%, subject to repricing	Clean; Interest and principal payable every quarter
e. Unionbank of the Philippines	Jul 2023	27,000,000	Jan 2024	8.00%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
f. Unionbank of the Philippines	Aug 2021	331,539,517	Aug 2026	7.12%, subject to repricing	With mortgage; Interest and principal to be paid quarterly
Unionbank of the Philippines	Dec 2021	14,733,180	Dec 2031	8.21%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	Feb 2022	16,404,554	Dec 2031	8.31%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	Mar 2022	25,829,354	Dec 2031	8.31%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	Apr 2022	21,544,492	Dec 2031	7.15%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	May 2022	22,701,539	Dec 2031	8.31%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	Jul 2022	16,037,538	Dec 2031	8.31%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	Aug 2022	5,199,385	Dec 2031	8.31%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	Oct 2022	10,296,632	Dec 2031	8.31%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	Nov 2022	6,689,053	Dec 2031	8.31%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	Jan 2023	60,747,892	Dec 2031	8.31%, subject to repricing	With mortgage; Interest and principal payable every quarter

(Forward)

Bank	Date of Availment	September 30, 2023		Interest Rate	Terms
		Outstanding Balance	Maturity		
Unionbank of the Philippines	Jan 2023	43,303,135	Dec 2031	8.31%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	Mar 2023	56,168,000	Dec 2031	8.31%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	Apr 2023	35,462,000	Dec 2031	8.31%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	May 2023	28,560,000	Dec 2031	8.31%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	Jun 2023	50,428,800	Dec 2031	8.31%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	Jul 2023	75,480,000	Dec 2031	8.31%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	Jul 2023	6,210,644	Dec 2031	8.31%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	Jul 2023	4,753,516	Dec 2031	8.31%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	Aug 2023	55,406,319	Dec 2031	8.31%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	Sep 2023	70,869,946	Dec 2031	8.24%, subject to repricing	With mortgage; Interest and principal payable every quarter
g. Rizal Commercial Banking Corporation	Apr 2023	128,304,000	Apr 2024	7.75%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
h. Banco de Oro	Sep 2023	90,000,000	Mar 2024	6.50%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
Banco de Oro	Apr 2023	10,000,000	Oct 2023	6.50%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
i. Unionbank of the Philippines	Apr 2023	42,300,000	Oct 2023	8.00%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
j. Banco de Oro	Apr 2023	20,000,000	Oct 2023	6.50%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
k. Banco de Oro	Oct 2021	233,062,500	May 2026	6.50%, subject to repricing	With mortgage; Interest payable every month, principal payable quarterly

(Forward)

		September 30, 2023			
Bank	Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
l. Rizal Commercial Banking Corporation	May 2023	80,396,000	Nov 2023	7.75%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
m. Banco de Oro	May 2023	45,000,000	Nov 2023	6.50%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
n. Banco de Oro	May 2023	125,000,000	Nov 2023	6.50%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
q. Rizal Commercial Banking Corporation	Sep 2023	195,723,014	Oct 2023	7.50%, fixed rate	Clean; Interest payable every month, principal to be paid on maturity date
r. Rizal Commercial Banking Corporation	Mar 2023	27,000,000	Mar 2024	7.38%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
s. Rizal Commercial Banking Corporation	Jun 2023	24,300,000	Jun 2024	7.75%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
t. Banco de Oro	May 2022	10,000,000	Nov 2023	6.50%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
u. Rizal Commercial Banking Corporation	Jun 2023	9,000,000	Dec 2023	7.75%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
v. Banco de Oro	Apr 2023	80,000,000	Feb 2024	6.50%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
x. Unionbank of the Philippines	July 2023	9,000,000	Jan 2024	8.00%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
y. Rizal Commercial Banking Corporation	Jun 2023	27,300,000	Dec 2023	7.75%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
<b>Total</b>		<b>P2,165,084,343</b>			
<b>Current portion</b>		<b>1,242,866,843</b>			
<b>Noncurrent portion</b>		<b>P922,217,500</b>			

		December 31, 2022			
Bank	Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
a. Unionbank of the Philippines	Apr 2019	P23,400,000	Apr 2024	7.83%, fixed rate	Clean; Interest and principal payable every quarter
b. Unionbank of the Philippines	Jun 2019	6,600,000	Apr 2024	7.05%, fixed rate	Clean; Interest and principal payable every quarter
c. Unionbank of the Philippines	Apr 2020	41,666,667	Apr 2023	6.00%, fixed rate	Clean; Interest and principal payable every quarter
d. Unionbank of the Philippines	Dec 2020	33,333,334	Dec 2023	5.00%, subject to repricing	Clean; Interest and principal payable every quarter

(Forward)

Bank	Date of Availment	December 31, 2022		Interest Rate	Terms
		Outstanding Balance	Maturity		
e. Unionbank of the Philippines	Jul 2022	36,000,000	Jan 2023	7.50%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
f. Unionbank of the Philippines	Aug 2021	414,424,397	Aug 2026	7.00%, subject to repricing	With mortgage; Interest and principal to be paid quarterly
Unionbank of the Philippines	Dec 2021	16,072,560	Dec 2031	7.09%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	Feb 2022	17,895,877	Dec 2031	7.08%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	Mar 2022	28,177,477	Dec 2031	7.08%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	Apr 2022	23,445,477	Dec 2031	6.36%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	May 2022	24,704,615	Dec 2031	7.08%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	July 2022	17,452,615	Dec 2031	7.08%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	Aug 2022	5,658,154	Dec 2031	7.08%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	Oct 2022	11,205,158	Dec 2031	7.08%, subject to repricing	With mortgage; Interest and principal payable every quarter
Unionbank of the Philippines	Nov 2022	7,279,263	Dec 2031	7.08%, subject to repricing	With mortgage; Interest and principal payable every quarter
g. 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
h. Banco de Oro	Oct 2022	100,000,000	Apr 2023	6.00%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
i. Unionbank of the Philippines	Oct 2022	47,000,000	Apr 2023	7.50%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
j. Banco de Oro	Oct 2022	20,000,000	Apr 2023	6.00%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
k. Banco de Oro	Oct 2021	296,625,000	May 2026	6.00%, subject to repricing	With mortgage; Interest payable every month, principal payable quarterly
l. Rizal Commercial Banking Corporation	Nov 2022	90,396,000	May 2023	7.00%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity

*Forward*



Bank	Date of Availment	December 31, 2022 Outstanding Balance	Maturity	Interest Rate	Terms
m. Banco de Oro	Nov 2022	45,000,000	May 2023	6.00%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
n. Banco de Oro	Nov 2022	125,000,000	May 2023	6.25%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
o. Rizal Commercial Banking Corporation	Dec 2022	83,835,000	Mar 2023	7.50%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
p. Rizal Commercial Banking Corporation	Dec 2022	36,450,000	Mar 2023	7.50%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
q. Rizal Commercial Banking Corporation	Dec 2022	182,209,014	Jan 2023	7.00% to 7.38%, fixed rate	Clean; Interest payable every month, principal to be paid on maturity date
r. 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
s. 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
t. Banco de Oro	Nov 2022	10,000,000	May 2023	6.25%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
u. Rizal Commercial Banking Corporation	Dec 2022	10,000,000	Jun 2023	7.63%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
v. Banco de Oro	Oct 2022	80,000,000	Apr 2023	6.00%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
w. Banco de Oro	Nov 2022	70,000,000	Apr 2023	6.25%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
<b>Total</b>		<b>₱2,103,390,608</b>			
<b>Current portion</b>		<b>₱1,442,320,481</b>			
<b>Noncurrent portion</b>		<b>₱661,070,127</b>			

- 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 2023 and 2022, LBCE settled ₱11.7 million and ₱15.60 million, respectively.
- 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 2023 and 2022, LBCE settled ₱3.30 million and ₱4.40 million, respectively.
- On April 13, 2020, LBCE availed a 3-year interest-bearing loan from UBP amounting to ₱250.00 million to finance other capital expenditures. This was fully settled in 2023.
- 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 2023 and 2022, LBCE settled ₱25.00 million and ₱33.33 million, respectively.

- e. A short-term loan availed with UBP in August 2019 amounting to ₱50.00 million was rolled over in 2020 and 2022 with maturity date of January 2023. This was subsequently rolled over in 2023 at the amount of ₱44.00 million with a maturity date of January 2024.
- f. 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. The outstanding amount of loan as of September 30, 2023 is ₱331.54 million.

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.

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. In 2023 and 2022, LBCE settled in aggregate ₱93.84 million and ₱9.48 million, respectively.

On October 10 and November 10, 2022, LBCE availed another 10-year interest bearing loan with maturity date of December 2031 amounting to ₱11.50 million and ₱7.48, respectively. Settlement made in 2023 and 2022 amounted to ₱1.53 million and ₱0.50 million, respectively.

Additional availments were made in 2023 amounting to ₱509.30 million. In 2023, LBCE settled ₱21.90 million.

- g. 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. In April 2022 and April 2023, it was rolled over at the amount of ₱142.56 million and ₱128.30 million, respectively. The maturity date of the loan is in April 2024.
- h. 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. In October 2022, April 2023 and September 2023, the loan was rolled over at the amount of ₱90.00 million. The maturity date is in March 2024. On April 11, 2022, LBCE also

availed a short-term interest-bearing loan with Banco De Oro (BDO) amounting to ₱10.00 million and rolled over with maturity date in October 2023.

- i. 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, October 2022 and April 2023 with maturity date in October 2023.
- j. 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, October 2022 and April 2023 with maturity date in October 2023.
- k. 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 which is amounting to ₱243.76 million as of September 30, 2023. Such guarantee shall substitute the existing real estate mortgage on the affiliate's real estate properties as security.

- l. On November 18, 2022, LBCE availed a short-term loan with RCBC amounting to ₱100.44 million to finance other capital expenditures with maturity in May 2023. This was rolled over in May 2023 with a maturity in November 2023 amounting to ₱80.40 million.
- m. On November 22, 2021, LBCE availed a short-term loan with BDO to finance working capital requirement amounting to ₱48.00 million. This was rolled over in May 2022 at the amount of ₱45.00 million and further rolled over in November 2022 and May 2023 with maturity date in November 2023.
- n. On December 1, 2021, LBCE availed a short-term loan with BDO amounting to ₱130.00 million to finance working capital requirement. This was rolled over in May 2022, November 2022 and May 2023 at the amount of ₱125 million, with maturity date in November 2023.
- o. 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, September and December 2022 with maturity date in March 2023. This was further rolled over in March and June 2023 with a maturity date of September 2023. This was fully settled in 2023.
- p. 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, September 2022 and December 2022 with maturity date in March 2023. This was further rolled over in March and June 2023 with a maturity date of September 2023. This was fully settled in 2023.
- q. In various dates in December 2022, LBCE availed seven short-term loans with RCBC amounting to ₱225.51 million in aggregate to finance working capital requirement. Outstanding balance as of September 30, 2023 is ₱61.42 million with maturity dates in October 2023. Additional loan were made on June 2023 and September 2023 amounting to ₱70 million and ₱93 million with a maturity date of October 2023. Settlements made in 2023 and 2022 were ₱149.49 million and ₱215.30 million, respectively.

- r. On March 24, 2022, LBCE availed one-year loan with RCBC amounting to ₱30.00 million in aggregate to finance working capital requirement. ₱27.00 million was rolled over for another year in March 2023.
- s. On June 23, 2022, LBCE availed one-year loan with RCBC amounting to ₱27.00 million in aggregate to finance working capital requirement. This was rolled over in June 2023 with maturity date in June 2024. Settlement made in 2023 amounted to ₱2.7 million.
- t. On May 31, 2022, LBCE availed six-month loan with BDO amounting to ₱10.00 million in aggregate to finance working capital requirement. This was rolled over in November 2022 and May 2023 with maturity date of November 2023.
- u. On December 21, 2022, LBCE availed six-month loan with RCBC amounting to ₱10.00 million in aggregate to finance working capital requirement. This was rolled over in June with maturity date of December 2023.
- v. On October 22, 2022, LBCE availed six-month loan with BDO amounting to ₱80.00 million in aggregate to finance working capital requirement. This was rolled over in April 2023 with maturity date in Feb 2024.
- w. On November 11, 2022, LBCE availed short-term loan with BDO amounting to ₱70.00 million in aggregate to finance working capital requirement. This was settled in 2023.
- x. On January 11, 2023, LBCE availed a short-term loan interest bearing with UBP amounting to ₱9.00 million to finance other capital expenditures.
- y. On June 14, 2023, LBCE availed a short-term loan interest bearing with UBP amounting to ₱27.3 million to finance other capital expenditures.

Interest expense amounted to ₱83.72 million and ₱57.92 million for the nine months ended September 30, 2023 and 2022, 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:

	<b>September 30, 2023 (Unaudited)</b>	December 31, 2022 (Audited)
Balance at beginning of period	<b>₱2,103,390,608</b>	₱1,992,726,525
Availments	<b>629,596,498</b>	771,509,600
Payments	<b>(567,902,763)</b>	(660,845,517)
	<b>₱2,165,084,343</b>	₱2,103,390,608

## 15. Convertible Instrument

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Derivative liability		
Balance at beginning of period	P2,180,880,406	P2,558,118,548
Redemption	—	(607,788,163)
Fair value loss on derivative	(98,259,057)	230,550,021
	<b>P2,082,621,349</b>	<b>P2,180,880,406</b>
Bond payable		
Balance at beginning of period	P1,715,380,624	P1,702,087,740
Accretion of interest	205,091,229	306,598,763
Amortization of issuance cost	1,349,063	1,798,750
Redemption	—	(484,215,032)
Unrealized foreign exchange loss (Note 19)	30,720,088	189,110,403
	<b>P1,952,541,004</b>	<b>P1,715,380,624</b>

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 (P2,518.25 million) convertible at any time into 192,307,692 common shares of the Parent Company at the option of CP Briks initially at P13.00 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 30<sup>th</sup> 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, 2022, 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. On September 28, 2023, the Parent Company acquired, through business combination, 100% of the capital of Blue Eagle and LBC Service Ltd., a corporation registered in Taiwan, for a total purchase price of New Taiwan Dollar (NTD) 5.00 million.

Upon completion of the acquisitions discussed in (i) to (vii) above, the Parent Company will have acquired equity interests in twelve overseas entities which are affiliated to the Parent Company and LBCDC. In accordance with the directions from LBCDC, the Parent Company intends to complete the acquisition of the remaining overseas entity in 2022, 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). On November 29, 2022, a memorandum of agreement was signed between LBCDC and LBCE, whereas LBCDC pledged certain LBCH shares to secure the repayment of its obligation to LBCE amounting to ₱1,018.66 million (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).

On December 29, 2022, US\$11.0 million of the US\$50.0 million convertible instrument was redeemed by CP Briks at a total redemption price of ₱1,084.42 million (US\$19.33 million) and was paid on January 10, 2023. As of December 31, 2022, the Group recognized bond redemption payable amounting to ₱1,014.74 million and deducted the portion of US\$11.0 million from the bond payable and derivative liability. Gain on partial redemption of convertible instrument amounted to ₱7.58 million in 2022.



## 16. Equity

### *Capital stock*

As of September 30, 2023 and December 31, 2022, 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
Issued and outstanding	1,425,865,471	1,425,865,471

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

	Number of shares registered	Issue/ Offer price	Date of approval	Number of holders as of 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	—			(2)
December 31, 2022	1,425,865,471			485
Less: Movement	—			—
September 30, 2023	1,425,865,471			485

### *Retained earnings*

The unappropriated retained earnings include accumulated equity in undistributed net earnings of the consolidated subsidiaries amounted to ₱912.63 million and ₱1,891.16 million as of September 30, 2023 and December 31, 2022, 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, 2023 and December 31, 2022.

### *Cash dividends*

On May 4, 2023, the BOD of LBC Express Shipping Company WLL (Kuwait) declared cash dividends of KWD 200 per common share. The record date of entitlement to the said cash dividend is on November 30, 2022. These were paid in March 2023.

On December 1, 2022, the BOD of LBC Mundial Corporation and LBC Mabuhay North America Corporation declared cash dividends of US\$13.0 million and US\$1.0 million, respectively. This was paid in December 2022.

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 0.20 million per share, these were paid in November 2022.

The controlling interest of LBCH in LBC Mabuhay (B) Sdn. Bhd. and LBC Mabuhay Remittance Sdn. Bhd. amounted to BND 0.25 million and BND 0.20 million, respectively.

On October 14, 2022, the BOD of LBC Australia Pty Ltd declared cash dividends amounting to AUD 1.80 million, these were paid in October and November 2022.

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

On October 13, 2022, the BOD of LBC Mabuhay (Saipan), Inc. approved the issuance of dividends amounting to USD 0.25 million on the outstanding common shares held by the Parent Company, these were paid in October 2022.

On October 14, 2022, the BOD of LBC Express Airfreight (S) PTE Ltd. declared cash dividend of SGD 5.70 million and paid in November 2022.

On March 21, 2022, the BOD of LBC Express Shipping Company WLL (Kuwait) declared cash dividends of KWD 1,500 per common share. The record date of entitlement to the said cash dividend is on November 30, 2021. These were paid in March 2022.

*Accumulated comprehensive gain (loss)*

Details of accumulated comprehensive gain (loss) as follow:

	<b>September 30, 2023 (Unaudited)</b>	December 31, 2022 (Audited)
Remeasurement gain on retirement benefit plan, net of tax	<b>P262,629,158</b>	P268,548,741
Unrealized fair value loss on investment at FVOCI (Note 9)	<b>(57,348,084)</b>	(65,150,487)
Share in other comprehensive gain (loss) of an associate (Note 10)	<b>4,625,826</b>	(2,715,720)
Currency translation gain	<b>53,814,156</b>	34,846,589
	<b>P263,721,056</b>	P235,529,123
Accumulated comprehensive income (loss) attributable to:		
Controlling interest	<b>265,293,193</b>	P238,137,740
Non-controlling interest	<b>(1,572,137)</b>	(2,608,617)
	<b>P263,721,056</b>	P235,529,123

## 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 associates. 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, 2023 and for the year ended December 31, 2022 are as follows:

	Transaction amounts for the Nine Months ended September 30, 2023 (Unaudited)	Outstanding receivable (payable) balance as at September 30, 2023 (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)	<b>P70,369,169</b>	<b>P365,494,814</b>	Noninterest-bearing; due and demandable	Unsecured, no impairment
<u>Due from related parties (Non-trade receivables)</u>				
<i>Ultimate parent company</i>				
b.) Advances	<b>P–</b>	<b>P1,018,916,401</b>	Noninterest-bearing; due and demandable	Unsecured, no impairment
<i>Affiliates - under common control</i>				
b.) Advances	<b>41,520,701</b>	<b>92,310,980</b>	Noninterest-bearing; due and demandable	Unsecured, no impairment
f.) Notes receivable current portion	<b>–</b>	<b>4,975,785</b>	Interest-bearing; fixed monthly payment	Unsecured, no impairment
<i>Beneficial Owners</i>				
b.) Advances	<b>–</b>	<b>37,709,077</b>	Noninterest-bearing; due and demandable	Unsecured, no impairment
		<b>P1,153,912,243</b>		
<u>Due from related parties (Other noncurrent assets)</u>				
<i>Affiliates – under common control</i>				
f.) Notes receivable non current portion (Note 6)	<b>P–</b>	<b>P11,939,346</b>	Interest-bearing; fixed monthly payment	Unsecured, no impairment
<u>Dividend receivable</u>				
g.) Associate (Note 11)	<b>P39,600,000</b>	<b>P19,800,000</b>	Noninterest-bearing; due and demandable	Unsecured, no impairment
<u>Due to related parties (Trade payables)</u>				
<i>Ultimate Parent Company</i>				
c.) Royalty fee (Note 12)	<b>P–</b>	<b>(P154,607)</b>	Noninterest-bearing; due and demandable	Unsecured
<i>Associate</i>				
e.) Sea freight and brokerage (Note 12)	<b>566,772,911</b>	<b>(13,543,178)</b>	Noninterest-bearing; due and demandable	Unsecured
		<b>(P13,697,785)</b>		

	Transaction amounts for the Nine Months ended September 30, 2023 (Unaudited)	Outstanding receivable (payable) balance as at September 30, 2023 (Unaudited)	Terms	Conditions
<u>Due to related parties (Non-trade payables)</u>				
<i>Affiliate – under common control</i>				
b.) Advances	<b>P36,790,593</b>	<b>(P15,384,965)</b>	<b>Noninterest-bearing; due and demandable</b>	<b>Unsecured</b>
<i>Officer</i>				
b.) Advances	–	<b>(489,110)</b>	<b>Noninterest-bearing; due and demandable</b>	<b>Unsecured</b>
		<b>(P15,874,075)</b>		
<u>Due to a related party (Transmission liability)</u>				
<i>Affiliate - under common control</i>				
a.) Money remittance payable (Note 13)	<b>P374,256,792</b>	<b>(P4,395,356)</b>	<b>Noninterest-bearing; due and demandable</b>	<b>Unsecured</b>
		2022		
	Transactions for the Nine Months ended September 30, 2022 (Unaudited)	Receivable (Payable) as at December 31, 2022 (Audited)	Terms	Conditions
<u>Due from related parties (Trade receivables)</u>				
<i>Entities under common control</i>				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 6 and 26)	P69,355,376	P387,107,568	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–	P1,017,059,295	Noninterest-bearing; due and demandable	Unsecured, no impairment
<i>Entities under common control</i>				
b.) Advances	42,641,904	96,486,019	Noninterest-bearing; due and demandable	Unsecured, no impairment
<i>Beneficial Owners</i>				
b.) Advances	12,499,381	37,709,077	Noninterest-bearing; due and demandable	Unsecured, no impairment
f.) Notes receivable current portion	–	4,826,978	Interest-bearing; fixed monthly payment	Unsecured, no impairment
		<b>P1,156,081,369</b>		
<u>Due from related parties (Other noncurrent assets)</u>				
<i>Entities under common control</i>				
f.) Notes receivable non current portion (Note 6)	P–	P15,725,733	Interest-bearing; fixed monthly payment	Unsecured, no impairment
<u>Dividend receivable</u>				
g.) Associate (Note 11)	P36,000,000	P–	Noninterest-bearing; due and demandable	Unsecured, no impairment
<u>Due to related parties (Trade payables)</u>				
<i>Ultimate Parent Company</i>				
c.) Royalty fee (Note 13)	P–	(P154,847)	Noninterest-bearing; due and demandable	Unsecured
<i>Associate</i>				
e.) Sea freight and brokerage (Note 13)	253,367,057	(29,100,862)	Noninterest-bearing; due and demandable	Unsecured

	2022		Terms	Conditions
	Transactions for the Nine Months ended September 30, 2022 (Unaudited)	Receivable (Payable) as at December 31, 2022 (Audited)		
d.) Guarantee fee	P–	–	Noninterest-bearing; due and demandable	Unsecured
		(P29,255,709)		
<b>Due to a related party (Non-trade payables)</b>				
<i>Entities under common control</i>				
b.) Advances	P41,632,753	(P30,168,268)	Noninterest-bearing; due and demandable	Unsecured
<i>Officer</i>				
b.) Advances	–	(480,471)	Noninterest-bearing; due and demandable	Unsecured
		(P30,648,739)		
<b>Due to a related party (Transmissions liability)</b>				
<i>Subsidiaries - under common control</i>				
a.) Money remittance payable (Note 14)	P2,307,415	(P7,890,857)	Noninterest-bearing; due and demandable	Unsecured
<b>Due to a related party (Accrued claims and losses)</b>				
a.) Accrued claims and losses	P–	P–	Noninterest-bearing; due and demandable	Unsecured

**Compensation of Key Management Personnel:**

	For the Nine Months Ended September 30	
	2023 (Unaudited)	2022 (Unaudited)
Salaries and wages	<b>P92,813,163</b>	P70,426,882
Retirement benefits	<b>11,673,935</b>	7,605,546
Other short-term employee benefits	<b>7,674,988</b>	20,457,004
	<b>P112,162,086</b>	P98,489,432

- 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. There are no claims and losses recognized as shown as a reduction in 'Service fees' for 2023 and 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 P295.00 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 June 30, 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.

In 2022, LBCDC entered into a pledge agreement with LBCE whereby the former pledged portion of its LBCH shares to LBCE as a guarantee to its outstanding receivables amounting to ₱1,018.66 million.

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.

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, 2023, total outstanding notes receivable amounted to ₱16.92 million, ₱4.98 million of which is presented as current under 'Due from related parties'. Interest income earned from notes receivable amounted to ₱0.56 million and ₱0.66 million for the nine months ended September 30, 2023 and 2022, respectively.

- g. In August 2023 and May 2022, the BOD of OFII declared cash dividends amounting to ₱132.00 million and ₱120.00 million of which the 30% share of LBCH is equivalent to ₱39.60 million and ₱36.00 million.

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	
	2023 (Unaudited)	2022 (Unaudited)
Cost of delivery and remittance	<b>₱3,538,973,930</b>	₱3,817,246,139
Salaries wages and employee benefits	<b>2,485,443,780</b>	2,674,742,292
Utilities and supplies	<b>923,035,955</b>	1,007,907,396
Depreciation and amortization (Notes 7, 8 and 21)	<b>856,944,702</b>	987,848,098
Rent (Note 21)	<b>375,401,701</b>	295,455,284
Repairs and maintenance	<b>130,932,851</b>	125,202,671
Transportation and travel	<b>106,624,387</b>	106,411,249
Retirement benefit expense	<b>76,785,763</b>	76,779,147
Insurance	<b>70,750,814</b>	61,082,842
Others	<b>39,703,907</b>	73,241,746
	<b>₱8,604,597,790</b>	₱9,225,916,864

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	
	2023 (Unaudited)	2022 (Unaudited)
Salaries wages and employee benefits	<b>₱495,258,219</b>	₱488,265,592
Commission expense	<b>175,940,566</b>	203,156,463
Professional fees	<b>171,175,845</b>	159,535,657
Utilities and supplies	<b>161,877,137</b>	160,384,860
Depreciation and amortization (Notes 7, 8 and 21)	<b>136,328,898</b>	102,910,923
Advertising and promotion	<b>134,044,041</b>	193,283,485
Taxes and licenses	<b>127,678,970</b>	152,930,804
Dues and subscriptions	<b>114,020,376</b>	111,576,756
Travel and representation	<b>84,659,541</b>	102,833,826
Software maintenance costs	<b>83,262,122</b>	68,291,469
Retirement benefit expense	<b>32,602,168</b>	27,375,056
Provision for expected credit losses (Note 5)	<b>22,305,033</b>	683,515
Insurance	<b>17,511,227</b>	17,120,220
Losses	<b>17,251,088</b>	27,994,543
Rent (Note 21)	<b>9,038,005</b>	16,651,432
Royalty	<b>5,209,320</b>	5,170,195
Repairs and maintenance	<b>4,584,695</b>	5,310,010
Donations	<b>6,500,250</b>	13,130,172
Others	<b>20,755,476</b>	10,642,458
	<b>₱1,820,002,977</b>	₱1,867,247,436

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	
	2023 (Unaudited)	2022 (Unaudited)
Cash and cash equivalents	<b>₱12,624,416</b>	₱54,711,393
Redemption payable	<b>17,286,073</b>	—
Advances to affiliate - net	<b>9,647,374</b>	28,217,051
Trade payables	<b>1,997,139</b>	8,824,861
Trade receivable	<b>213,424</b>	—
Equity investments at FVPL	—	466,831
Loans receivable	<b>(162,226)</b>	—
Bond payable	<b>(30,720,089)</b>	(293,373,661)
	<b>₱10,886,111</b>	(₱201,153,525)



## 20. Income Taxes

Provision (benefit) from income tax consists of:

	For the Nine Months Ended September 30	
	2023 (Unaudited)	2022 (Unaudited)
Current	<b>₱60,163,744</b>	₱61,060,597
Deferred	<b>(40,130,153)</b>	(94,284,009)
	<b>₱20,033,591</b>	(₱33,223,412)

Details of the Group's deferred income tax assets - net as of September 30, 2023 and December 31, 2022 follow:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Deferred tax assets arising from:		
Retirement benefit liability	<b>₱205,183,814</b>	₱178,333,372
NOLCO	<b>76,240,808</b>	80,645,654
MCIT	<b>68,900,827</b>	43,372,185
Allowance for impairment losses	<b>55,922,461</b>	53,993,451
Lease liabilities	<b>52,922,724</b>	55,502,119
Accrued employee benefits	<b>38,714,327</b>	49,150,684
Unrealized foreign exchange losses	<b>24,491,579</b>	17,801,167
Contract liabilities	<b>18,923,008</b>	22,432,492
Accelerated depreciation charged to retained earnings	<b>4,712,722</b>	2,439,825
Others	<b>12,060,143</b>	17,748,164
	<b>₱558,072,413</b>	₱521,419,113

As of September 30, 2023, the Group has NOLCO and MCIT amounting to ₱306.18 million and ₱68.90 million, respectively, that can be claimed as deduction from future taxable income and income tax liabilities.

## 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, 2023 and December 31, 2022:

	For the period ended September 30, 2023 (Unaudited)			
	Right-of-use assets			
	Office and Warehouses	Vehicles	Computer Equipment	Total
<b>Costs</b>				
Balances at beginning of period	<b>P3,983,253,390</b>	<b>P223,653,223</b>	<b>P59,437,158</b>	<b>P4,266,343,771</b>
Additions	<b>294,399,132</b>	<b>5,190,883</b>	<b>—</b>	<b>299,590,015</b>
End of contracts	<b>(716,409,217)</b>	<b>(1,098,214)</b>	<b>—</b>	<b>(717,507,431)</b>
Effect of changes in foreign currency exchange rates	<b>(331,121)</b>	<b>(106,760)</b>	<b>(98,371)</b>	<b>(536,252)</b>
<b>Balances at end of period</b>	<b>3,560,912,184</b>	<b>227,639,132</b>	<b>59,338,787</b>	<b>3,847,890,103</b>
<b>Accumulated amortization</b>				
Balances at beginning of period	<b>2,050,376,918</b>	<b>129,945,268</b>	<b>33,565,681</b>	<b>2,213,887,867</b>
Amortization (Notes 18 and 19)	<b>688,860,410</b>	<b>28,785,093</b>	<b>5,238,907</b>	<b>722,884,410</b>
End of contracts	<b>(659,742,832)</b>	<b>(1,031,250)</b>	<b>—</b>	<b>(660,774,082)</b>
Effect of changes in foreign currency exchange rates	<b>331,811</b>	<b>136,945</b>	<b>71,096</b>	<b>539,852</b>
<b>Balances at end of period</b>	<b>2,079,826,307</b>	<b>157,836,056</b>	<b>38,875,684</b>	<b>2,276,538,047</b>
<b>Net book value</b>	<b>P1,481,085,877</b>	<b>P69,803,076</b>	<b>P20,463,103</b>	<b>P1,571,352,056</b>

	For the year ended December 31, 2022 (Audited)			
	Right-of-use assets			
	Office and Warehouses	Vehicles	Computer Equipment	Total
<b>Costs</b>				
Balances at beginning of year	<b>P3,846,188,480</b>	<b>P204,694,453</b>	<b>P52,804,425</b>	<b>P4,103,687,358</b>
Additions	<b>955,679,369</b>	<b>26,094,789</b>	<b>—</b>	<b>981,774,158</b>
Lease modification	<b>(131,180,078)</b>	<b>—</b>	<b>—</b>	<b>(131,180,078)</b>
End of contracts	<b>(743,911,050)</b>	<b>(12,146,273)</b>	<b>—</b>	<b>(756,057,323)</b>
Effect of changes in foreign currency exchange rates	<b>56,476,669</b>	<b>5,010,254</b>	<b>6,632,733</b>	<b>68,119,656</b>
<b>Balances at end of year</b>	<b>3,983,253,390</b>	<b>223,653,223</b>	<b>59,437,158</b>	<b>4,266,343,771</b>
<b>Accumulated amortization</b>				
Balances at beginning of year	<b>1,765,991,959</b>	<b>98,238,229</b>	<b>26,117,769</b>	<b>1,890,347,957</b>
Amortization (Notes 18 and 19)	<b>1,002,436,327</b>	<b>39,714,781</b>	<b>3,963,943</b>	<b>1,046,115,051</b>
End of contracts	<b>(744,974,744)</b>	<b>(11,082,579)</b>	<b>—</b>	<b>(756,057,323)</b>
Effect of changes in foreign currency exchange rates	<b>26,923,376</b>	<b>3,074,837</b>	<b>3,483,969</b>	<b>33,482,182</b>
<b>Balances at end of year</b>	<b>2,050,376,918</b>	<b>129,945,268</b>	<b>33,565,681</b>	<b>2,213,887,867</b>
<b>Net book value</b>	<b>P1,932,876,472</b>	<b>P93,707,955</b>	<b>P25,871,477</b>	<b>P2,052,455,904</b>

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 ₱4.34 million in 2023.

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

	<b>Lease Liabilities</b>	
	<b>September 30, 2023 (Unaudited)</b>	<b>December 31, 2022 (Audited)</b>
<b>Balance at beginning of the period</b>	<b>₱2,262,939,874</b>	₱2,420,598,216
Additions	<b>299,590,015</b>	981,774,158
Lease modification	<b>(57,979,597)</b>	(131,180,078)
Rent concessions	<b>(4,338,269)</b>	(13,812,563)
Payments of principal	<b>(835,283,270)</b>	(1,164,064,374)
Accretion of interest	<b>96,759,752</b>	131,827,779
Effect of changes in foreign currency exchange rates	<b>(4,899,709)</b>	37,796,736
<b>Balance at end of period</b>	<b>1,756,788,796</b>	2,262,939,874
<b>Less: current portion</b>	<b>668,465,560</b>	919,355,234
<b>Noncurrent portion</b>	<b>₱1,088,323,236</b>	₱1,343,584,640

The Group recognized rent expense from short-term leases of ₱384.44 million and ₱312.11 million for the nine months ended September 30, 2023 and 2022, respectively. For the nine months ended September 30, 2023, the amortization expense recognized under cost of services and operating expenses in the statement of comprehensive income amounted to ₱656.32 million and ₱66.56 million, 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 ₱698.67 million and ₱48.33 million, respectively.

Interest expense arising from the accretion of lease liability amounted to ₱96.76 million and ₱94.38 million for the nine months ended September 30, 2023 and 2022, 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:

	<b>September 30 2023 (Unaudited)</b>	<b>December 31 2022 (Audited)</b>
Less than 1 year	<b>₱668,465,560</b>	₱919,355,233
More than 1 year to 2 years	<b>557,796,003</b>	709,016,353
More than 2 years to 3 years	<b>282,605,000</b>	412,952,758
More than 3 years to 4 years	<b>135,127,149</b>	224,917,258
More than 4 years to 5 years	<b>217,883,726</b>	265,786,176
	<b>₱1,861,877,438</b>	₱2,532,027,778

(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	
	2023 (Unaudited)	2022 (Unaudited)
Cost of services (Note 18)	<b>₱375,401,701</b>	₱295,455,284
Operating expenses (Note 19)	<b>9,038,005</b>	16,651,432
	<b>₱384,439,706</b>	₱312,106,716

The Group has security deposits arising from the lease agreements amounting to ₱424.11 million and ₱427.43 million as at September 30, 2023 and December 31, 2022, respectively.

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## 22. Retirement Benefits

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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Present value of defined benefit obligation	<b>₱1,167,837,935</b>	₱939,556,498
Fair value of plan assets	<b>(311,960,274)</b>	(205,072,173)
	<b>₱855,877,661</b>	₱734,484,325

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, 2023 and 2022 were calculated by prorating the 2022 projected retirement expense and by extrapolating the latest actuarial valuation report for the year ended December 31, 2022, respectively.

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## 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, 2023 and 2022 with all other variables held constant.

	<b><u>Effect on comprehensive income</u></b>	
	<b>September 30, 2023</b>	September 30, 2022
	<b>(Unaudited)</b>	(Unaudited)
Change in share price		
Increase by 5%	<b>P10,338,184</b>	P17,262,817
Decrease by 5%	<b>(10,338,184)</b>	(17,262,817)
Change in NAV		
Increase by 5%	<b>P111,870</b>	P106,962
Decrease by 5%	<b>(111,870)</b>	(106,962)

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.

	<b>Effect in fair value as of</b>	
	<b>September 30, 2023 (Unaudited)</b>	<b>December 31, 2022 (Audited)</b>
Credit spread		
+1%	<b>P16,081,145</b>	P26,391,429
-1%	<b>(16,217,516)</b>	(26,815,598)

*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.

Management has been continuously engaged in cost rationalization on all its business segments which includes consolidation of facilities, evaluation and rationalization of branches as well as rightsizing of the workforce globally. In addition, management is upgrading its operational touchpoints, websites and applications to be more competitive in the evolving on line logistics industry. These activities are expected to reduce the operational cash outflow requirements and improve liquidity of the Group.

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, 2023 (Unaudited)	
	Foreign currency	Peso equivalent
<b>Assets:</b>		
Euro	3,903,243	241,844,936
Hongkong Dollar	23,320,527	168,607,410
US Dollars	5,733,428	326,576,059
Japanese yen	4,177,677	1,587,517
<b>Liabilities:</b>		
US Dollars	(34,304,875)	(1,954,005,680)

*The translation exchange rates used were P61.96 to EUR 1, P7.23 to HKD 1, P56.96 to USD 1, P0.38 to JPY 1 in 2023*

	December 31, 2022 (Audited)	
	Foreign currency	Peso equivalent
<b>Assets:</b>		
Euro	3,776,499	221,793,786
Hongkong Dollar	24,401,652	177,400,010
US Dollars	22,280,885	1,250,403,266
Japanese yen	230,194	96,681
<b>Liabilities:</b>		
US Dollars	(30,617,046)	(1,718,228,622)

*The translation exchange rates used were P58.73 to EUR 1, P7.27 to HKD 1, P56.12 to USD 1, P0.42 to JPY 1 in 2022*

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, 2023 and December 31, 2022.

	Increase (decrease) in income before tax	
	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Reasonably possible change in foreign exchange rate for every two units of Philippine Peso		
P2	P5,660,000	P40,144,367
(2)	(5,660,000)	(40,144,367)

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 ₱10.89 million gains and ₱201.15 million foreign exchange losses - net, for the nine months ended September 30, 2023 and 2022, 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, 2023 and as of December 31, 2022 follow:

	September 30, 2023 (Unaudited)				
	Current	Past Due			Total
		1-30 days	31-90 days	Over 90 days	
Trade receivables -					
Estimated total gross carrying amount at default	₱1,504,838,931	₱266,805,963	₱56,713,944	₱272,042,697	₱2,100,401,535
Expected credit loss	31,634,304	59,758,450	3,195,374	139,174,023	233,762,151
	December 31, 2022 (Audited)				
	Current	Past Due			Total
		1-30 days	31-90 days	Over 90 days	
Trade receivables -					
Estimated total gross carrying amount at default	₱1,619,821,203	₱226,258,705	₱13,125,062	₱229,221,942	₱2,088,426,912
Expected credit loss	6,692,440	2,667,556	4,282,075	197,815,047	211,457,118

#### *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, 2023 and December 31, 2022 amounting to ₱2,014.01 million and ₱1,781.97 million, respectively.



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## 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, 2023 and December 31, 2022 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 18.21% and 20.55% in 2023 and 2022, respectively. In 2023, a 5% increase (5% decrease) in the stock volatility has no significant impact.

As of September 30, 2023 and December 31, 2022, the plain bond is determined by discounting the cash flow, which is simply the principal at maturity, using a discount rate of 17.76% and 17.06%, respectively. 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, 2023 and December 31, 2022 is based on the discounted value of future cash flow using applicable interest rates ranging from 6.24% to 6.34% and from 2.12% to 5.45%, respectively.

The estimated fair value of long-term portion of notes payable as at September 30, 2023 and December 31, 2022 is based on the discounted value of future cash flow using applicable rates ranging from 6.19% to 6.44% and 2.40% to 6.95% respectively.

The estimated fair value of other noncurrent liabilities as at December 31, 2022 is based on the discounted value of future cash flow using applicable rate of 2.43% to 3.49%.

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, 2023 and December 31, 2022 follow:

September 30, 2023 (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)
<b>Assets measured at fair value</b>					
FVOCI	206,763,678	206,763,678	206,763,678	P=	P=
FVPL	2,237,401	2,237,401	—	—	2,237,401
<b>Liability measured at fair value</b>					
Derivative liability	2,082,621,349	2,082,621,349	—	—	2,082,621,349
<b>Liabilities for which fair value are disclosed</b>					
Bond payable	1,952,541,004	1,912,397,996	—	—	1,912,397,996
Noncurrent lease liabilities	1,088,323,236	1,009,575,231	—	—	1,009,575,231
Long-term notes payable	922,217,500	894,436,887	—	—	894,436,887
December 31, 2022 (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)
<b>Assets measured at fair value</b>					
FVOCI	P198,961,275	P198,961,275	P198,961,275	P=	P=
FVPL	2,167,063	2,167,063	—	—	2,167,063
<b>Liability measured at fair value</b>					
Derivative liability	2,180,880,406	2,180,880,406	—	—	2,180,880,406
<b>Liabilities for which fair value are disclosed</b>					
Bond payable	1,715,380,624	1,668,442,350	—	—	1,668,442,350
Long-term notes payable	661,070,127	636,773,562	—	—	636,773,562
Noncurrent lease liabilities	1,343,584,640	1,342,054,104	—	—	1,342,054,104
Other noncurrent liabilities	38,049	36,201	—	—	36,201

During the nine months ended September 30, 2023 and year ended December 31, 2022, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

## 25. Segment Reporting

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

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

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

Money transfer services comprise of remittance services (including branch retail services, prepaid remittance cards and online and mobile remit) and bills payment collection and corporate remittance

payout services. Money transfer services include international presence through its branches which comprises international inbound remittance services.

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

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

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

For the Nine Months ended September 30, 2023			
Segments	Logistics	Money transfer services	Total
<b>Type of Customer</b>			
Retail	P8,061,652,187	P441,518,162	P8,503,170,349
Corporate	2,371,025,432	8,290,680	2,379,316,112
<b>Total revenue from contracts with customer</b>	<b>P10,432,677,619</b>	<b>P449,808,842</b>	<b>P10,882,486,461</b>
<b>Geographic Markets</b>			
Domestic	P6,192,031,535	P200,775,832	P6,392,807,367
Overseas	4,240,646,084	249,033,010	4,489,679,094
<b>Total revenue from contracts with customer</b>	<b>P10,432,677,619</b>	<b>P449,808,842</b>	<b>P10,882,486,461</b>

  

For the Nine Months ended September 30, 2022			
Segments	Logistics	Money transfer services	Total
<b>Type of Customer</b>			
Retail	P5,907,007,774	P276,793,816	P6,183,801,590
Corporate	1,543,533,140	10,885,134	1,554,418,274
<b>Total revenue from contracts with customer</b>	<b>P7,450,540,914</b>	<b>P287,678,950</b>	<b>P7,738,219,864</b>
<b>Geographic Markets</b>			
Domestic	P4,477,210,263	P118,787,223	P4,595,997,486
Overseas	2,973,330,651	168,891,727	3,142,222,378
<b>Total revenue from contracts with customer</b>	<b>P7,450,540,914</b>	<b>P287,678,950</b>	<b>P7,738,219,864</b>

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 P70.37 million and P69.36 million for the nine months ended September 30, 2023 and 2022, 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 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/Diluted Earnings per Share:

	For the Nine Months Ended September 30,	
	2023 (Unaudited)	2022 (Unaudited)
Net income (loss) attributable to shareholder of the Parent Company	<b>₱215,225,527</b>	(₱227,102,972)
Weighted average number of common shares outstanding	<b>1,425,865,471</b>	1,425,865,471
Basic and Diluted EPS	<b>₱0.15</b>	(₱0.16)

In 2023 and 2022, 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, 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, 2023, the Group has the following non-cash transaction under:

### Investing Activities

- Unpaid acquisition of property and equipment amounting to ₱7.72 million.
- Offsetting of loans receivable and interest receivable against royalty fee recorded under 'accounts and other payables' (see Note 11) amounting to ₱5.21 million.

### Financing Activities

	December 31, 2022 (Audited)	Cash Flows	Leasing arrangements	Interest	Foreign exchange movement	Fair value changes	Dividends declared	September 30, 2023 (Unaudited)
Notes payable	<b>₱2,103,390,608</b>	<b>₱61,693,735</b>	₱-	₱-	₱-	₱-	₱-	<b>₱2,165,084,343</b>
Lease liabilities and other noncurrent liabilities	<b>2,262,977,920</b>	<b>(840,905,835)</b>	<b>242,856,669</b>	<b>96,759,751</b>	<b>(4,899,709)</b>	-	-	<b>1,756,788,796</b>
Convertible bond (bond and derivative liability)	<b>3,896,261,030</b>	-	-	<b>206,440,292</b>	<b>30,720,088</b>	<b>(98,259,057)</b>	-	<b>4,035,162,353</b>
Bond redemption payable	<b>1,014,743,085</b>	<b>(997,458,943)</b>	-	-	<b>(17,284,142)</b>	-	-	-
Dividends payable	-	<b>(1,913,243)</b>	-	-	-	-	<b>1,913,243</b>	-
Interest payable	<b>7,729,636</b>	<b>(85,109,787)</b>	-	<b>83,849,211</b>	-	-	-	<b>6,469,060</b>
Due to related parties	<b>30,648,739</b>	<b>(16,172,269)</b>	-	<b>1,397,605</b>	-	-	-	<b>15,874,075</b>
<b>Total liabilities from financing activities</b>	<b>₱9,315,751,018</b>	<b>(₱1,879,866,342)</b>	<b>₱242,856,669</b>	<b>₱388,446,859</b>	<b>₱8,536,237</b>	<b>(₱98,259,057)</b>	<b>₱1,913,243</b>	<b>₱7,979,378,627</b>

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

Investing Activities

- b. Unpaid acquisition of property and equipment amounting to ₱7.09 million.
- a. Offsetting of loans receivable and interest receivable against royalty fee recorded under ‘accounts and other payables’ (see Note 11) amounting to ₱2.12 million.

Financing Activities

	December 31, 2021 (Audited)	Cash Flows	Leasing arrangements	Interest	Foreign exchange movement	Fair value changes	Dividends declared	September 30, 2022 (Unaudited)
Notes payable	₱1,992,726,525	₱863,925	₱-	₱-	₱-	₱-	₱-	₱1,993,590,450
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	₱8,716,161,880	(₱939,614,253)	₱611,595,094	₱373,481,710	₱332,134,127	₱317,764,674	₱13,590,310	₱9,425,113,542

## 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.

PDIC’s external counsel sent demand/collection letters to LBC Systems, Inc. [Formerly LBC Mundial Inc.] [Formerly LBC Mabuhay USA Corporation], demanding the payment of various amounts aggregating to ₱911.59 million on March 24 and 29, 2014, and June 17, 2014, and June 26, 2015.

On March 17, 2014, PDIC’s external counsel sent a demand/collection letter to LBC Express, Inc. (LBCE), for collection of alleged amounts totaling ₱1.76 billion representing unpaid service fees due from June 2006 to August 2011 and service charges on remittance transactions from January 2010 to September 2011. On March 29, 2014, PDIC’s external counsel also sent demand/collection letters to LBCE and LBCDC for collection of the additional amounts of ₱27.17 million and ₱30 million respectively, representing alleged unwarranted reduction of advances made by the Bank.

On November 2, 2015, the Bank, represented by the PDIC, filed a case against LBCE and LBCDC, together with other defendants, before the Makati City Regional Trial Court (RTC) for collection of money in the total amount of ₱1.82 billion. PDIC justified the increase in the amount from the demand letter sent on March 17, 2014 as due to their discovery that the supposed payments of LBCE and LBCDC were allegedly unsupported by actual cash inflow to the Bank, which PDIC sought to collect through the respective demand letters sent on March 29, 2014.

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

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

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

On February 17, 2016, the RTC issued the order to lift and set aside the writ of preliminary attachment. The order to lift and set aside the preliminary attachment directed the sheriff of the RTC to deliver to LBCE and LBCDC all properties previously garnished pursuant to the writ. The counterbond delivered by LBCE and LBCDC stands as security for all properties previously attached and to satisfy any final judgment in the case.

From August 10, 2017 to January 19, 2018, LBCE, LBCDC, the other defendants and PDIC were referred to mediation and Judicial Dispute Resolution (JDR) but were unable to reach a compromise agreement. The RTC ordered the mediation and JDR terminated and the case was raffled to a new judge who scheduled the case for pre-trial proceedings.

On or about September 3, 2018, PDIC filed a motion for issuance of alias summons to five individual defendants, who were former officers and directors of the Bank. For reasons not explained by PDIC, it had failed to cause the service of summons upon the five individual defendants and hence, the RTC had not acquired jurisdiction over them. Since PDIC was still trying to serve summons on the five individual defendants and thus, for orderly proceedings, LBCE and other defendants filed motions to defer pre-trial until the RTC had acquired jurisdiction over the remaining defendants.

On January 18, 2019, PDIC filed its Pre-Trial Brief. LBCE, LBCDC and the other defendants, filed its own Pre-Trial Brief on February 18, 2019 without prejudice to their pending motions to defer Pre-Trial. In the meantime, the parties have proceeded to pre-mark their respective documentary exhibits in preparation for eventual pre-trial.

On May 2, 2019, at the pre-trial hearing, the RTC released an Order, which, among others, granted LBCE's motion to defer pre-trial proceedings in order to have an orderly and organized pre-trial and deferred the pre-trial hearing until the other defendants have received summons and filed their answers.

Later on, three of the four individual defendants received summons and then filed motions to dismiss the case, all of which were denied by the RTC. The three individual defendants filed motions for reconsideration which were eventually denied by the RTC. Thereafter, the two individual defendants filed their Answers to the Complaint with the RTC, and the third individual defendant filed her Answer with Compulsory Counterclaims on May 24, 2021. On December 15, 2020, PDIC filed a motion to declare the fourth individual defendant in default for failure to file an Answer despite receiving the summons. The fourth individual defendant replied that he has filed his Answer to the Complaint on July 13, 2020. PDIC filed its Reply with motion to show cause against the fourth individual defendant on January 14, 2021 and such defendant filed his Manifestation and Comment/Opposition thereto on January 19, 2021.

Meanwhile, on January 16, 2021, summons, together with a copy of the Complaint were served on LBC Properties, Inc., another defendant in this case. On February 11, 2021, LBC Properties, Inc. filed its Answer to the Complaint.

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, the parties completed the pre marking of their respective documentary exhibits.

The RTC then conducted the pre-trial proper from May 26, 2022 until September 29, 2022.

The presentation of PDIC's evidence and witnesses commenced on January 11, 2023. After several postponements, PDIC was supposed to present its last witness during the hearing on February 22, 2023. The RTC directed PDIC to make its oral formal offer of evidence on March 8, 2023. On March 7, 2023, PDIC filed a Motion for Reconsideration, submitting the Judicial Affidavit of the witness and requesting that the RTC allow the witness to be presented. The defendants have since then filed their Comment/Opposition to the Motion for Reconsideration. The RTC will rule on PDIC's Motion for Reconsideration of the Order dated February 22, 2023 after receipt of PDIC's Reply.

Meanwhile, due to the pendency of the Motion for Reconsideration of the Order dated February 22, 2023, the RTC cancelled the scheduled hearing on March 8, 2023, and reset the same to April 19, 2023.

On April 19, 2023, the RTC allowed PDIC to present its last witness during the hearing, albeit without any order yet resolving the Motion for Reconsideration. The testimony of the witness was completed on April 19, 2023, but without prejudice to the resolution of the pending motion.

The RTC set the case for hearing on May 4, 2023 during which PDIC will formally offer its documentary evidence. The RTC likewise set the case for hearing on May 18, 2023 for the initial presentation of LBC's evidence and witnesses. The RTC also subsequently issued an Order dated April 20, 2023 ruling that the Motion for Reconsideration of the Order dated February 22, 2023 has been rendered moot.

LBCE, LBCDC and the other defendants filed a Motion for Reconsideration, Motion to Resolve, and Motion to Defer Plaintiff's Formal Offer of Evidence dated May 4, 2023, praying that the RTC reconsider its order that the Motion for Reconsideration is rendered moot and to resolve the same. At the hearing on May 4, 2023, the RTC postponed the PDIC's oral formal offer of evidence in light of the defendants' motions and directed the PDIC to file a comment or opposition. The PDIC filed an Opposition/Comment dated May 9, 2023.

The RTC then issued an Order dated 18 May 2023, whereby the presiding judge voluntarily inhibited from the case. The case was then raffled to Makati RTC, Branch 132 presided by Hon. Rommel O. Baybay.

After conducting a status hearing on July 13, 2023, the new presiding judge issued an Order of the same date, denying the pending motions on the ground that they are moot and academic, seeing that the last witness already testified. The Order further directed the PDIC to file a written formal offer of evidence within 30 days from notice and granting the defendants an equal period of time to comment thereto.

On August 15, 2023, LBCE, LBCDC and the other defendants, through counsel, received the written Formal Offer of Evidence of the PDIC. LBCE, LBCDC, and the other defendants filed their respective comments thereto.

The judge issued an order dated 28 September 2023, admitting all of the documentary evidence of the PDIC. Since the judge appeared not to consider serious objections raised by the defendants to the documentary evidence, LBCE, LBCDC, and the other defendants filed their respective motions for reconsideration, which are pending resolution.

The court and the parties agreed to set the initial presentation of defendants' evidence on 19 January 2023 at 8:30 am, without prejudice to the pending motions.

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.



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

**SUPPLEMENTARY SCHEDULES**

- Supplementary schedules required by Annex 68-J

Schedule A: Financial Assets

Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholder (Other Than Related Parties)

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

Schedule D: Long Term Debt

Schedule E: Indebtedness to Related Parties (Long-term loans from Related Companies)

Schedule F: Guarantees of Securities of other Issuers

Schedule G: Capital Stock

- Map of the relationships of the companies within the Group
- Reconciliation of retained earnings available for dividend declaration
- Schedule of financial soundness indicators

**LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE A: FINANCIAL ASSETS****SEPTEMBER 30, 2023**

<b>Name of issuing entity and association of each issue</b>	<b>Number of shares</b>	<b>Amount shown in the balance sheet</b>	<b>Income received and accrued</b>	<b>Value Based on Market Quotation and End of Reporting Period</b>
Financial assets at fair value through other comprehensive income - Araneta Properties, Inc.	195,060,074	₱206,763,678	₱—	N/A
Financial assets at fair value through profit or loss	—	2,237,401	—	N/A
		209,001,079	—	
Financial assets at amortized costs:				
Cash in bank and cash equivalents	—	1,609,931,998	62,311	N/A
Short-term investments	—	30,918,851	—	N/A
Restricted cash in bank	—	281,217,448	9,235,120	N/A
Trade and other receivables	—	1,905,433,390	—	N/A
Due from related parties	—	1,173,712,243	—	N/A
Notes receivable (noncurrent)	—	11,939,346	555,900	N/A
Loans receivable (current and noncurrent)	—	82,309,087	1,318,796	N/A
		₱5,095,462,363	₱11,172,127	
		₱5,304,463,442	₱11,172,127	

**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, 2023**

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	₱–	₱–	₱–	₱9,537,587	₱–	₱9,537,587
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	₱–	₱–	₱–	₱37,709,077	₱–	₱37,709,077

**LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE C: AMOUNTS RECEIVABLES/PAYABLES FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS****SEPTEMBER 30, 2023**

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)	(P2,057,594,257)	P2,286,467,003	P –	P22,696,246	P –	P22,696,246
LBC Express - MM, Inc.	3,902,563	177,268,734	(142,492,595)	–	38,678,702	–	38,678,702
LBC Express - SCC, Inc.	5,415,618	29,152,230	(37,906,554)	–	(3,338,706)	–	(3,338,706)
LBC Express - NEMM, Inc.	(9,934,872)	106,263,730	(120,851,655)	–	(24,522,797)	–	(24,522,797)
LBC Express - NWMM, Inc.	10,532,595	80,886,582	(90,388,358)	–	1,030,819	–	1,030,819
LBC Express - EMM, Inc.	10,122,441	75,705,873	(75,833,088)	–	9,995,226	–	9,995,226
LBC Express - SMM, Inc.	(13,006,399)	66,288,910	(82,508,079)	–	(29,225,568)	–	(29,225,568)
LBC Express - CMM, Inc.	(10,676,718)	79,763,235	(87,818,784)	–	(18,732,267)	–	(18,732,267)
LBC Express - SL, Inc.	22,663,442	149,307,960	(170,817,114)	–	1,154,288	–	1,154,288
LBC Express - SEL, Inc.	664,018	88,694,288	(111,487,833)	–	(22,129,527)	–	(22,129,527)
LBC Express - CL, Inc.	9,959,201	115,527,039	(130,823,472)	–	(5,337,232)	–	(5,337,232)
LBC Express - NL, Inc.	932,699	113,123,564	(135,062,550)	–	(21,006,287)	–	(21,006,287)
LBC Express - VIS, Inc.	25,913,783	147,990,572	(171,096,964)	–	2,807,391	–	2,807,391
LBC Express - WVIS, Inc.	8,399,319	120,344,936	(133,390,202)	–	(4,645,947)	–	(4,645,947)
LBC Express - MIN, Inc.	14,713,549	130,471,602	(155,049,484)	–	(9,864,333)	–	(9,864,333)
LBC Express - SEM, Inc.	18,753,622	79,362,683	(97,168,670)	–	947,635	–	947,635
South Mindanao Courier Co., Inc.	5,934,164	20,070,821	(26,119,560)	–	(114,575)	–	(114,575)
LBC Express Corporate Solutions, Inc.	(6,773,780)	-	(508,005)	–	(7,281,785)	–	(7,281,785)
LBC Express - SCS, Inc.	17,064,365	112,045,259	(149,340,779)	–	(20,231,155)	–	(20,231,155)
LBC Systems, Inc.	(56,417,360)	10,265,959	(11,954,073)	–	(58,105,474)	–	(58,105,474)
LBC Express Shipping Company WLL	10,341,297	(40,902,561)	30,828,450	–	267,186	–	267,186
LBC Express Bahrain WLL	(36,812,945)	(6,381,064)	(13,377,872)	–	(56,571,881)	–	(56,571,881)
LBC Express LLC	(75,398,870)	(19,410,643)	(7,518,767)	–	(102,328,280)	–	(102,328,280)
LBC Mabuhay Saipan Inc.	(5,004,523)	(5,612,586)	2,087,089	–	(8,530,020)	–	(8,530,020)
LBC Aircargo (S) Pte. Ltd	(151,709,994)	(2,284,407)	12,143,236	–	(141,851,165)	–	(141,851,165)
Blue Eagle and LBC Service Ltd.	-	(973,421)	(17,959,999)	–	(18,933,420)	–	(18,933,420)
LBC Money Transfer PTY Limited	(33,436,762)	(3,964,521)	(28,564,833)	–	(65,966,116)	–	(65,966,116)
LBC Express Airfreight (S) Pte. Ltd	124,313,199	(47,627,813)	38,138,046	–	114,823,432	–	114,823,432
LBC Australia PTY Limited	8,317,441	(40,523,500)	24,767,572	–	(7,438,487)	–	(7,438,487)
LBC Mabuhay (Malaysia) SDN BHD	(11,988,713)	(14,527,237)	17,474,048	–	(9,041,902)	–	(9,041,902)
LBC Mabuhay (B) SDN BHD	23,087,500	(4,262,304)	(7,381,462)	–	11,443,734	–	11,443,734
LBC Mabuhay Remittance SDN BHD	13,226,830	(4,257,539)	24,822,866	–	33,792,157	–	33,792,157
LBC Mundial Corporation	57,832,006	(365,202,280)	330,120,394	–	22,750,120	–	22,750,120
LBC Mabuhay North America Corporation	34,809	-	426,972	–	461,781	–	461,781
LBC Mabuhay Hawaii Corporation	-	-	(2,339,183)	–	(2,339,183)	–	(2,339,183)
LBC Business Solutions North America Corp.	28,487,590	122,277,764	(140,120,790)	–	10,644,564	–	10,644,564
QuadX Pte Ltd.	(5,701,570)	-	67,517,863	–	61,816,293	–	61,816,293
Mermaid Co., Ltd.	(21,904,865)	(8,701,452)	(2,413,265)	–	(33,019,582)	–	(33,019,582)
	(P224,331,820)	(797,413,844)	684,499,549	P–	(337,246,115)	P–	(337,246,115)

**LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE D: LONG TERM DEBT****SEPTEMBER 30, 2023**

<b>Title of issue and type of obligation</b>	<b>Amount authorized by indenture</b>	<b>Amount shown under caption "Current liabilities" in Statement of Financial Position</b>	<b>Amount shown under caption "Noncurrent liabilities" in Statement of Financial Position</b>
Notes payable	₱2,165,084,343	₱1,242,866,843	₱922,217,500
Lease liabilities	1,756,788,796	668,465,560	1,088,323,236
Bond payable	1,952,541,004	1,952,541,004	—
Derivative liability	2,082,621,349	2,082,621,349	—
Other liabilities	152,710	152,710	—
	<b>₱7,957,188,202</b>	<b>₱5,946,647,466</b>	<b>₱2,010,540,736</b>

**LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES**

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**SCHEDULE E: INDEBTEDNESS TO RELATED PARTIES**

**SEPTEMBER 30, 2023**

	Balance at Beginning of Period	Balance at End of Period
Fernando G. Araneta, <i>Beneficial owner</i>	₱43,927	₱43,927
LBC Insurance Agency, Inc.	4,040,442	6,445,219
Blue Eagle and LBC Services Pte. Ltd. ( <i>acquired 2023</i> )	12,158,488	—
QUADX Inc.	13,969,338	8,929,285
Others	436,544	455,644
	₱30,648,739	₱15,874,075

**LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES**

**SCHEDULE F: GUARANTEES OF SECURITIES OF OTHER ISSUERS**

**SEPTEMBER 30, 2023**

<b>Name of issuing entity of securities guaranteed by the company for which this statement is filed</b>	<b>Title of issue of each class of securities guaranteed</b>	<b>Total amount guaranteed and outstanding</b>	<b>Amount of owned by person for which statement is filed</b>	<b>Nature of guarantee</b>
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**NOT APPLICABLE**

**LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES**

**SCHEDULE G: CAPITAL STOCK**

**SEPTEMBER 30, 2023**

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	230,106	219,457,133



**MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP**  
**SEPTEMBER 30, 2023**



\*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, 2023**

<b>Unappropriated Retained Earnings, beginning</b>		<b>₱449,094,965</b>
Adjustments:		
Fair value adjustments (M2M gains)		<b>(454,198,052)</b>
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)		<b>(89,890,093)</b>
<b>Unappropriated retained earnings, as adjusted to available for dividend distribution as at January 1, 2023</b>		<b>(94,993,180)</b>
<b>Less: Net Income actually incurred during the period</b>		
<b>Net loss during the period closed to retained earnings</b>	<b>(76,652,982)</b>	
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)	98,259,057	
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	98,259,057	
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)	—	
<b>Net loss actually incurred during the period</b>	<b>(174,912,039)</b>	<b>(174,912,039)</b>
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		—
<b>TOTAL RETAINED EARNINGS, END</b>		<b>(₱269,905,219)</b>
<b>TOTAL RETAINED EARNINGS, END</b>		
<b>AVAILABLE FOR DIVIDEND DECLARATION</b>		<b>₱—</b>

**LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**

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

Financial ratios	Formula	September 30, 2023		September 30, 2022	
Current ratio	Total Current Assets	<b>6,316,382,021</b>	<b>0.65</b>	9,946,023,336	0.88
	Total Current Liabilities	<b>9,666,649,115</b>		11,274,678,799	
Acid Test Ratio	Total Current Assets – Prepayments and other current assets	<b>4,984,265,499</b>	<b>0.52</b>	6,435,119,921	0.57
	Current Liabilities	<b>9,666,649,115</b>		11,274,678,799	
Solvency Ratio	Net Income After Tax – Non-Cash Expenses	<b>1,472,963,114</b>	<b>0.12</b>	1,777,523,580	0.12
	Total Liabilities	<b>12,533,067,512</b>		14,268,702,745	
Debt-to-equity ratio	Total liabilities	<b>12,533,067,512</b>	<b>6.16</b>	14,268,702,745	7.11
	Stockholder's equity attributable to Parent Company	<b>2,034,657,481</b>		2,005,829,477	
Asset-to-equity ratio	Total Assets	<b>14,547,076,878</b>	<b>7.15</b>	16,296,025,490	8.12
	Stockholder's equity attributable to Parent Company	<b>2,034,657,481</b>		2,005,829,477	
Interest rate coverage ratio	Income before interest and tax expense	<b>603,064,268</b>	<b>1.55</b>	118,287,096	0.32
	Interest Expense	<b>388,446,859</b>		373,481,710	
Return on equity	Net income (loss) attributable to Parent Company	<b>215,225,527</b>	<b>0.11</b>	(227,102,972)	(11.3%)
	Stockholder's equity attributable to Parent Company	<b>2,034,657,481</b>		2,005,829,477	
Debt to total assets ratio	Total liabilities	<b>12,533,067,512</b>	<b>0.86</b>	14,268,702,745	0.88
	Total assets	<b>14,547,076,878</b>		16,296,025,490	
Return on average assets	Net income (loss) attributable to Parent Company	<b>215,225,527</b>	<b>0.01</b>	(227,102,972)	(1.41%)
	Average assets	<b>15,568,469,871</b>		16,106,927,766	
Net profit margin	Net income (loss) attributable to Parent Company	<b>215,225,527</b>	<b>0.02</b>	(227,102,972)	(0.02)
	Service fee	<b>10,882,486,461</b>		11,672,275,209	
Book value per share	Stockholder's equity attributable to Parent Company	<b>2,034,657,481</b>	<b>1.43</b>	2,005,829,477	1.41
	Total number of shares	<b>1,425,865,471</b>		1,425,865,471	
Basic earnings (loss) per share	Net income (loss) attributable to Parent Company	<b>215,225,527</b>	<b>0.15</b>	(227,102,972)	(0.16)
	Weighted average number of common shares outstanding	<b>1,425,865,471</b>		1,425,865,471	
Diluted earnings per share	Net income attributable to Parent Company after impact of conversion of bonds payable	<b>215,225,527</b>	<b>0.15</b>	(227,102,972)	(0.16)
	Adjusted weighted average number of common shares for diluted EPS	<b>1,425,865,471</b>		1,425,865,471	