COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

FS FOR FILING WITH SEC

AFTER THE BIR HAS DULY STAMPED "RECEIVED."

SEC Registration Number

AS93 005277

COMPANY NAME

LBC EXPRESS HOLDINGS, INC. (FORMERLY FEDERAL RESOURCES INVESTMENT GROUP INC.)

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

LBC HANGAR, GENERAL AVIATION CENTRE, DOMESTIC AIRPORT ROAD, PASAY CITY, METRO MANILA

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	8-856-8522	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
485	2nd Monday of June	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Enrique V. Rey, Jr.	evrey@lbcexpress.com	8-856-8510	N/A

CONTACT PERSON's ADDRESS

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

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

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

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
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APR 29 2024
BY: ERWIN PACINIO
DOCUMENT PROCESSING AND QUALITY ASSURANCE DIVISION

LBC Express Holdings, Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of LBC Express Holdings, Inc. (formerly Federal Resources Investment Group) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein and submits the same to the stockholders.

SGV & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature: ________________________________

Signed by **Mr. Enrique V. Rey, Jr.** as authorized alternate signatory for:
MIGUEL ANGEL A. CAMAHORT
Chief Executive Officer and President

Signature: ________________________________

ENRIQUE V. REY, JR.
Chief Finance Officer

Signed this 29 day of APRIL 2024.

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SUBSCRIBED AND SWORN to before me in City of Pasay on APR 29 2024 affiants personally appeared before me and exhibited to me their Tax Identification Nos.

NAME	TIN
Miguel Angel A. Camahort	101-292-392
Enrique V. Rey, Jr.	172-264-046

NOEL L. DUQUE
NOTARY PUBLIC
Until December 31, 2024 Comm. 23-10
10 E-COM Center MOA, Pasay City
IBP No. 385221/01-02-24/PPLM
PTR No. 8453819/01-02-24/PC
Roll No. 48387 MCLE VII-0012235/4-14-25

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Book No. IX :
Series of 2024.

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Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
LBC Express Holdings, Inc.
LBC Hangar, General Aviation Centre
Domestic Airport Road
Pasay City, Metro Manila

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of LBC Express Holdings, Inc. (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2023 and 2022, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including material accounting policy information.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, management is responsible for assessing the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Parent Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulation 15-2010

The supplementary information required under Revenue Regulation 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of LBC Express Holdings, Inc. in a separate schedule. Revenue Regulation 15-2010 requires the information to be presented in the notes to the parent company financial statements. Such information is not a required part of the basic financial statements. The information is also not required by the Revised Securities Regulation Code Rule No. 68. Our opinion is not affected by the presentation of the information in a separate schedule.

The engagement partner on the audit resulting in this independent auditor's report is Dolmar C. Montañez.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
Tax Identification No. 925-713-249
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-119-2022, January 20, 2022, valid until January 19, 2025
PTR No. 9564669, January 6, 2024, Makati City

April 29, 2024

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
APR 29 2024
BY: ERWIN

LBC EXPRESS HOLDINGS, INC.
(Formerly Federal Resources Investment Group Inc.)

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash (Notes 4 and 17)	**₱290,709,400**	₱1,199,307,481
Receivables (Notes 5, 17 and 18)	**10,050,755**	19,816,196
Due from related parties (Notes 14, 17 and 18)	**497,029,701**	484,321,066
Investment at fair value through profit or loss (Notes 7, 17 and 18)	**1,138,605**	1,090,062
Prepayments and other current assets (Notes 6, 10, 17 and 18)	**259,234,052**	334,414,785
Total Current Assets	**1,058,162,513**	2,038,949,590
Noncurrent Assets		
Investment in an associate (Note 8)	**227,916,452**	227,916,452
Investment in subsidiaries (Note 9)	**4,202,897,032**	4,194,053,032
Deferred tax assets - net (Note 16)	**12,953,200**	17,089,162
Other noncurrent assets (Notes 6, 10, 14, 17 and 18)	**384,450,339**	451,699,041
Total Noncurrent Assets	**4,828,217,023**	4,890,757,687
	₱5,886,379,536	₱6,929,707,277
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 11 and 17)	**₱26,503,948**	₱88,278,472
Due to related parties (Notes 14, and 17)	**43,927**	43,927
Derivative liability (Notes 12, 17 and 18)	**2,030,069,446**	2,180,880,406
Bond payable (Notes 12, 17 and 18)	**1,979,740,743**	1,715,380,624
Bond redemption payable (Note 12)	–	1,014,743,085
Total Liabilities	**4,036,358,064**	4,999,326,514
Equity		
Capital stock (Note 13)	**1,425,865,471**	1,425,865,471
Additional paid-in capital	**55,420,327**	55,420,327
Retained earnings	**368,735,674**	449,094,965
Total Equity	**1,850,021,472**	1,930,380,763
	₱5,886,379,536	₱6,929,707,277

See accompanying Notes to Parent Company Financial Statements.

LBC EXPRESS HOLDINGS, INC.
(Formerly Federal Resources Investment Group Inc.)

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2023	2022
INCOME		
Dividends (Notes 8 and 14)	**₱39,600,000**	₱1,198,352,458
Interest (Notes 4, 10 and 14)	**34,946,380**	30,051,420
Service fees (Note 14)	**28,849,270**	28,849,270
	103,395,650	1,257,253,148
OPERATING EXPENSES (Note 15)	**(58,647,615)**	(56,149,373)
OTHER INCOME (EXPENSES)		
Interest expense (Note 12)	**(285,046,541)**	(308,397,513)
Gain (loss) on derivative (Note 12)	**150,810,960**	(230,550,021)
Foreign exchange gain (loss) - net	**18,342,601**	(200,880,273)
Gain on partial redemption of convertible instruments (Note 12)	**–**	7,582,766
Others - net (Note 7)	**48,543**	358,189
	(115,844,437)	(731,886,852)
INCOME (LOSS) BEFORE INCOME TAX	**(71,096,402)**	469,216,923
PROVISION FOR INCOME TAX (Note 16)	**9,262,889**	123,940,631
NET INCOME (LOSS)	**(80,359,291)**	345,276,292
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱80,359,291)**	₱345,276,292

See accompanying Notes to Parent Company Financial Statements.

LBC EXPRESS HOLDINGS, INC.
(Formerly Federal Resources Investment Group Inc.)

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Share Capital (Note 13)	Share Premium	Retained Earnings	Total
	For the year ended December 31, 2023			
Balances at beginning of year	**₱1,425,865,471**	**₱55,420,327**	**₱449,094,965**	**₱1,930,380,763**
Comprehensive income				
Net loss	–	–	**(80,359,291)**	**(80,359,291)**
Total comprehensive loss	–	–	**(80,359,291)**	**(80,359,291)**
Balances at end of year	**₱1,425,865,471**	**₱55,420,327**	**₱368,735,674**	**₱1,850,021,472**

	Share Capital (Note 13)	Share Premium	Retained Earnings	Total
	For the year ended December 31, 2022			
Balances at beginning of year	₱1,425,865,471	₱55,420,327	₱103,818,673	₱1,585,104,471
Comprehensive income				
Net income	–	–	345,276,292	345,276,292
Total comprehensive income	–	–	345,276,292	345,276,292
Balances at end of year	₱1,425,865,471	₱55,420,327	₱449,094,965	₱1,930,380,763

See accompanying Notes to Parent Company Financial Statements.

LBC EXPRESS HOLDINGS, INC.
(Formerly Federal Resources Investment Group Inc.)

PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**(₱71,096,402)**	₱469,216,923
Adjustments for:		
Interest expense (Note 12)	**285,046,541**	308,397,513
Loss (gain) on derivative (Note 12)	**(150,810,960)**	230,550,021
Dividend income (Notes 8, 14 and 19)	**(39,600,000)**	(1,198,352,458)
Interest income (Notes 4, 10 and 14)	**(34,946,380)**	(30,051,420)
Unrealized foreign exchange loss (gain) - net	**(1,056,527)**	185,755,227
Unrealized fair value gain on investment at fair value through profit or loss (Note 7)	**(48,543)**	(18,177)
Gain on redemption	–	(7,582,766)
Operating loss before changes in working capital	**(12,512,271)**	(42,085,137)
Changes in working capital:		
Decrease in:		
Prepayments and other current assets	**78,526,724**	66,915,520
Other noncurrent assets	**64,684,285**	86,260,812
Increase (decrease) in accounts and other payables	**(52,918,779)**	7,401,742
Net cash generated from operations	**77,779,959**	118,492,937
Interest received	**32,007,776**	29,058,129
Income tax paid	**(5,126,927)**	(156,200,220)
Net cash provided by (used in) operating activities	**104,660,808**	(8,649,154)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received (Notes 5, 8, 9 and 19)	**39,600,000**	1,183,227,412
Acquisition of subsidiary (Note 9)	**(8,844,000)**	–
Increase in due from related parties (Note 14)	**(11,516,672)**	(117,024,201)
Net cash provided by investing activities	**19,239,328**	1,066,203,211
CASH FLOWS FROM FINANCING ACTIVITY		
Payment for bond redemption	**(997,458,943)**	–
NET INCREASE (DECREASE) IN CASH	**(873,558,807)**	1,057,554,057
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH	**(35,039,274)**	10,500,527
CASH AT BEGINNING OF YEAR	**1,199,307,481**	131,252,897
CASH AT END OF YEAR (Note 4)	**₱290,709,400**	₱1,199,307,481

See accompanying Notes to Parent Company Financial Statements.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. **Corporate Information**

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

The ultimate parent of the Parent Company is LBC Development Corporation (LBCDC). The Araneta Family is the ultimate beneficial owner of the Parent Company.

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

The Parent Company invests, purchases or disposes real and personal property of every kind and description, including shares of stock, bonds, debentures, notes, 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.

Going Concern Assessment

As of December 31, 2023, the Company is in a net current liability position of ₱3.0 billion and has a current ratio of 0.26x. The Company's convertible instrument amounting to ₱4.01 billion as of December 31, 2023 will mature and amounts outstanding are payable on August 4, 2024. To date, the Company has not negotiated for revised maturities and terms yet nor reached advance discussion to obtain replacement financing. In the event of default, LBCE shares can be auctioned to public and the proceeds can be used to settle the liability which may have impact to the domestic business of the Company.

Management's plans on future actions to address the maturing instrument includes open communication with the creditor to consider renegotiation on revised maturities and those options various under the agreement (see Note 12). Management is implementing strategic initiatives to accelerate the recovery of the Company's operation, sustain the increasing trend, and be able raise funds. Management is also seeking various means to address the instrument's timeline which include exploring with interested parties to purchase the instrument or refinance the liability. Management believes that any settlement option for the convertible instrument will not have material impact to the domestic business of the Company, and the international business supports its ability to continue as going concern. Management has determined that these actions support the Company's going concern assessment and has therefore prepared the financial statements on a going concern basis.

The accompanying financial statements of the Parent Company has been approved and authorized for issue by the Parent Company's Board of Directors (BOD) on April 29, 2024.

2. Summary of Material Accounting Policies

Basis of Preparation
The financial statements of the Parent Company have been prepared using the historical cost basis, except for investments at fair value through profit or loss (FVPL) and derivatives that have been measured at fair value. The Parent Company financial statements are presented in Philippine Peso (₱), which is also the Parent Company's functional currency. All amounts are rounded off to the nearest peso unit unless otherwise indicated. The Parent Company prepares consolidated financial statements which are available in its official place of business.

Statement of Compliance
The accompanying financial statements of the Parent Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of amended standards effective beginning January 1, 2023. The Parent Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these amended standards did not have an impact on the financial statements of the Parent Company.

- 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. The amendments have had an impact on the Parent Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Parent Company financial statements.

- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Parent Company intends to adopt the following pronouncements when they become effective.

EEffective beginning on or after January 1, 2024
- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7*, Disclosures: Suppliers Finance Arrangements*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

Deferred effectivity
Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.

Fair Value Measurement
The Parent Company measures financial instruments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Parent Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset on the highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Parent Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Assets and Financial Liabilities
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity of another entity.

Financial Assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Parent Company's business model for managing them. The Parent Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Parent Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases or sales) are recognized on the trade date, i.e., the date that the Parent Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the parent company statement of financial position at fair value with net changes in fair value recognized in profit or loss.

Financial assets at FVPL are subsequently measured at fair value with net changes in fair value recognized in profit or loss as other income (charges).

As at December 31, 2023 and 2022, the Parent Company measures its investment in unquoted unit investment trust fund at FVPL.

Impairment of Financial Assets
The Parent Company recognizes an allowance for expected credit losses (ECL) for all debt instruments not held through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For due from related parties, loans receivable, restricted cash equivalents, and cash, the Parent Company applies the general approach.

For financial assets for which the Parent Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

As of December 31, 2023 and 2022, the Parent Company has not determined any expected credit loss for its financial assets subject for impairment.

Write-offs
Financial assets are written off either partially or in their entirety only when the Parent Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to impairment loss.

Financial Liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Parent Company's financial liabilities include accounts and other payables (excluding taxes payable), due to related parties, bond payable, derivative liability and redemption payable.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Parent Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied.

Embedded Derivatives
An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

The Parent Company assesses whether embedded derivatives are required to be separated from the host contracts when the Parent Company first becomes a party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives are bifurcated from their host contracts, when the following conditions are met:

(a) the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial assets and liabilities at FVPL;
(b) when their economic risks and characteristics are not closely related to those of their respective host contracts; and
(c) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. Changes in fair values are included in profit or loss. The embedded derivatives of the Parent Company pertain to the equity conversion and redemption options components of the issued convertible debt instrument.

The Parent Company's derivative liability is classified under this category (Notes 12, 17 and 18).

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the parent company statement of profit or loss.

This category generally applies to 'accounts and other payables' (except statutory liabilities), 'due to related parties', 'bond payable' and 'bond redemption payable' presented in the parent company statement of financial position.

Derecognition of Financial Assets and Financial Liabilities

Financial asset
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

a) the rights to receive cash flows from the asset have expired, or
b) the Parent Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Parent Company has transferred substantially all the risks and rewards of the asset or (b) the Parent Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Parent Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Parent Company continues to recognize the transferred asset to the extent of the Parent Company's continuing involvement. In that case, the Parent Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Parent Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of Financial Assets and Financial Liabilities
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting arrangements, where the related assets and liabilities are presented at gross in the statement of financial position.

Prepayments and Other Current Assets
Prepayments and other current assets are recognized as assets to the extent it is probable that the benefit will flow to the Parent Company. These are derecognized when there is a legally enforceable right to apply the recognized amounts against the related tax liability within the period prescribed by the relevant tax laws.

Creditable withholding taxes (CWT) are amounts withheld from income, which are applied as credit against income taxes, subject to documentary requirements. Creditable withholding taxes that are expected to be utilized as payment for income taxes within 12 months are classified as current asset.

Input tax represents the value-added tax (VAT) due or paid on purchases of goods and services subjected to VAT that the Parent Company can claim against any future liability to the Bureau of Internal Revenue (BIR) for output VAT on sale of goods and services subjected to VAT. The input tax can also be recovered as tax credit under certain circumstances against future income tax liability of the Parent Company upon approval of the BIR. Input tax is stated at its estimated net realizable values. This includes deferred input VAT on unpaid purchase of services which are incurred and billings which have been received as of reporting date. Noncurrent portion of input VAT represents input VAT on unpaid purchase of goods and/or services.

Short-term cash investments are time deposits with maturity of more than three months from the date of acquisition but not exceeding one year.

Investment in an Associate

An associate is an entity in which the Parent Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

Investments in an associate are accounted for under the cost method less accumulated provision for impairment losses, if any.

The financial statements of the associate are prepared for the same reporting period as the Parent Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Parent Company.

Investment in Subsidiaries

Investment in subsidiaries is accounted for using the cost method less any accumulated impairment in value. On acquisition date of the investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is included in the carrying amount of the investment and not amortized.

The Parent Company controls an investee when it 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.

The Parent Company controls an investee if and only if the Parent Company has all the following:

- 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.

The Parent Company recognizes income from the investment only to the extent that the Parent Company receives distributions from accumulated income of the subsidiary arising after the date of acquisition. Distribution received in excess of such income is regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Impairment of Nonfinancial Assets

The Parent Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

The Parent Company considers the underlying substance and economic reality of its own equity instruments and not merely its legal form in determining its proper classification.

Capital stock

The Parent Company records common stocks at par value and the amount of the contribution in excess of par value is accounted for as an additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds.

Retained earnings

Retained earnings represent accumulated earnings or losses of the Parent Company less dividends declared, and any adjustments arising from application of new accounting standards, policies or corrections of errors applied retrospectively. Dividends on common stocks are recognized as a liability and deducted from equity when declared.

Revenue Recognition

Revenue from contracts with customers

Revenue is recognized based on a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The requirements of revenue from contracts with customers do not have significant impact on the parent company financial statements since its revenue is primarily derived from dividend, interest income and services which are distinct performance obligations with specific transaction price. The existing accounting policies of these revenue streams are already in accordance with PFRS 15.

The following specific recognition criteria must also be met before revenue is recognized:

Service revenue
Service revenue is recognized when services are rendered.

Dividend income
Dividend income is recognized when the Parent Company's right to receive payment is established, which is generally when shareholders approve the dividend. This is recognized as dividend income in the parent company statement of comprehensive income.

Interest income
Interest income is recognized on a time-proportion basis using the effective interest method. Interest income from bank deposits is presented net of applicable tax withheld by the banks.

Other income
Other income is recognized when earned.

<u>Expense Recognition</u>
Expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be reliably measured.

Expenses are recognized in profit or loss:

- on the basis of a direct association between the costs incurred and the earning of specific items of income;
- on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

<u>Income Taxes</u>
The tax expense for the period comprises of current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity.

Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided using the balance sheet liability method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and net operating losses carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from MCIT and NOLCO can be utilized.

Deferred tax assets are not recognized when they arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting income nor taxable income or loss. Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Movements in the deferred tax assets and liabilities arising from changes in tax rates are credited to or charged against income for the period.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign Currency-Denominated Transactions and Translations
Foreign currency transactions are recorded in Philippine Peso at prevailing exchange rates at the time of the transactions. Exchange gains or losses resulting from foreign currency transactions are credited or charged to current operations. Foreign currency-denominated monetary assets and liabilities of the Parent Company are translated to Philippine Peso using the Bloomberg Valuation closing rate at the reporting date. Foreign exchange differences arising from foreign currency translation are also credited or charged to parent company statement of comprehensive income.

Provisions
Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Parent Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement. Provisions are included

in current liabilities, except for those with maturities greater than 12 months after the reporting period, which are then classified as non-current liabilities. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is recognized in profit or loss.

Contingencies
Contingent liabilities are not recognized in the parent company financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but disclosed when an inflow of economic benefit is probable.

Events after the Reporting Date
Post year-end events up to the date when the parent company financial statements are authorized for issue that provide additional information about the Parent Company's position at each reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to parent company financial statements when material.

3. Significant Accounting Judgments and Estimates

The preparation of the parent company financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Management believes the following represent a summary of these significant estimates and assumptions:

Judgments
In the process of applying the Group's accounting policies, management has made judgment, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

Assumption of going concern
The use of the going assumption involves management making judgments, at a particular point in time, about the future outcome of events or condition that are inherently uncertain. In the event of default, LBCE shares can be auctioned to public and the proceeds can be used to settle the liability which may have impact to the domestic business of the Company. Management's plans on future actions to address the maturing instrument includes open communication with the creditor to consider renegotiation on revised maturities and those options under the agreement (see Note 12). Management is implementing strategic initiatives to accelerate the recovery of the Company's operation, sustain the increasing trend, and be able raise funds. Management is also seeking various means to address the instrument's timeline which include exploring with interested parties to purchase the instrument or refinance the liability. Management believes that any settlement option for the convertible instrument will not have material impact to the domestic business of the Company, and the international business supports its ability to continue as going concern. The Company has no plans to liquidate. Management assessed that it will be able to maintain its positive cash position and settle its liabilities as they fall due. As such the accompanying consolidated financial statements have been prepared on a going concern basis of accounting.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Parent Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Parent Company. Such changes are reflected in the assumptions when they occur.

Estimating fair value of embedded derivatives
The fair value of embedded derivatives, related to the issuance of convertible instrument recorded in the parent company statements of financial position as derivative liability, is measured using binomial pyramid model. The inputs to this model are taken from a combination of observable markets and unobservable market data. Changes in inputs about these factors could affect the reported fair value of the embedded derivatives and impact profit or loss (see Note 12).

Further details on embedded derivatives are disclosed in Note 12.

Evaluation of nonfinancial assets for impairment
The Parent Company reviews its nonfinancial assets for impairment of value. This includes considering certain indications of impairment such as significant decline in the asset's market value of net realizable value, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

Based on management's assessment, its nonfinancial assets (such as investment in an associate and investment in subsidiaries) are recoverable as of December 31, 2023 and 2022. Further details on the nonfinancial assets are disclosed in Notes 8 and 9.

4. Cash

This account consists of cash in bank amounting to ₱290.71 million and ₱1,199.31 million as of December 31, 2023 and 2022, respectively.

Cash in banks earn interest at the prevailing bank deposit rates ranging from 0.05% to 0.0625% in 2023 and 2022. Interest income earned from cash in banks amounted to ₱0.10 million and ₱0.11 million in 2023 and 2022, respectively.

5. Receivables

This account consists of third party receivables amounting to ₱10.05 million and ₱19.82 million as at December 31, 2023 and 2022, respectively, which are due and demandable.

6. **Prepayments and Other Current Assets**

This account consists of:

	2023	2022
Loans receivable (Notes 10 and 14)	**₱397,083,160**	₱462,846,346
Restricted cash equivalents	**224,278,022**	301,397,574
Input VAT	**13,693,771**	11,895,339
Creditable withholding taxes (CWTs)	**5,139,720**	9,241,074
Prepaid expenses	**2,289,625**	–
Deferred input VAT	**1,200,093**	733,493
	643,684,391	786,113,826
Less noncurrent portion (Notes 10 and 14)	**384,450,339**	451,699,041
	₱259,234,052	₱334,414,785

Loans receivable pertains to receivable of the Parent Company from Transtech Co., Ltd. and LBCE (see Notes 10 and 14).

Restricted cash equivalents represent time deposits of the Parent Company used as a guarantee to LBCE's loan (see Note 14). Interest income earned from restricted cash equivalents amounted to ₱10.67 million and ₱4.12 million in 2023 and 2022, respectively.

Input VAT arises from domestic purchases of goods and services and is offset against output tax. Management believes that the remaining balance is recoverable in future periods.

CWTs are attributable to taxes withheld by the Parent Company from its revenue from the SAP hosting agreement with LBCE which are creditable against income tax payable.

Prepaid expenses pertain to advance payment of service fee for cloud subscription services. The service fee is paid at the beginning of each quarter (see Note 14).

Deferred input VAT pertains to input tax on unpaid services which are incurred, in which billing has been received as of reporting date.

Other noncurrent assets pertain to the noncurrent portion of the Parent Company's loans receivable from Transtech Co., Ltd. (see Note 10) and LBCE (see Note 14).

7. **Investment at Fair Value Through Profit or Loss (FVPL)**

Investment at FVPL represents the Parent Company's investment in unit investment trust fund.

Movement of the investment at FVPL follows:

	2023	2022
Balance at beginning of period	**₱1,090,062**	₱1,071,885
Unrealized fair value gain during the year	**48,543**	18,177
	₱1,138,605	₱1,090,062

In 2023 and 2022, the Parent Company recognized unrealized fair value gains of ₱48,543 and ₱18,177, respectively, related to investment at FVPL. This is presented under “Others - net” of “Other income (expenses)” in the parent company statements of comprehensive income.

8. Investment in an Associate

On March 19, 2018, the Parent Company invested in 30% of Orient Freight International, Inc. (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.

The Parent Company’s interest in OFII is accounted for using cost method less any accumulated impairment in value.

The summarized statements of financial position of OFII follows:

	2023	2022
Current assets	**₱593,167,912**	₱682,531,714
Noncurrent assets	**222,745,406**	145,267,956
Current liabilities	**283,453,429**	272,110,388
Noncurrent liabilities	**62,485,288**	48,630,858
Equity	**469,974,601**	507,058,424

The summarized statements of comprehensive income of OFII follows:

	2023	2022
Revenue	**₱919,592,166**	₱979,923,190
Cost and expenses	**849,147,805**	813,199,348
Net income	**70,444,361**	166,723,842
Other comprehensive income	**24,471,820**	830,868
Total comprehensive income	**₱94,916,181**	₱167,554,710

In 2023 and 2022, OFII declared dividends amounting to ₱39.60 million and ₱36.00 million, respectively (see Note 14). No impairment loss was recognized for the investment in associate in 2023 and 2022.

9. Investment in Subsidiaries

The Parent Company's investments in subsidiaries accounted for under cost method accounting adjusted for impairment losses, if any, and the related percentage of ownership are shown below:

	Country of Incorporation	Principal activities	Ownership	**2023**	2022
LBC Express, Inc.	Philippines	Logistics and money remittance	100%	**₱3,384,670,966**	₱3,384,670,966
LBC Mundial Corporation	United States of America	Logistics and money remittance	100%	**361,897,536**	361,897,536
LBC Express Airfreight (S) PTE. Ltd.	Singapore	Logistics	100%	**129,013,585**	129,013,585
LBC Australia PTY Limited	Australia	Logistics	100%	**98,462,863**	98,462,863
LBC Mabuhay North America Corporation	United States of America	Logistics and money remittance	100%	**59,894,464**	59,894,464
QUADX Pte. Ltd.	Singapore	Digital logistics	86%	**36,340,659**	36,340,659
LBC Mabuhay Remittance Sdn Bhd	Brunei	Money remittance	50%	**30,166,598**	30,166,598
LBC Mabuhay (Malaysia) Sdn Bhd	Malaysia	Logistics	93%	**24,682,710**	24,682,710
LBC Mabuhay Hawaii Corporation	United States of America	Logistics and money remittance	100%	**17,521,686**	17,521,686
LBC Mabuhay (B) Sdn Bhd	Brunei	Logistics	50%	**12,220,413**	12,220,413
LBC Mabuhay Saipan Inc.	Saipan	Logistics and money remittance	100%	**10,782,538**	10,782,538
LBC Money Transfer PTY Limited	Australia	Money remittance	100%	**10,392,254**	10,392,254
Mermaid Co., Ltd	Japan	Logistics	100%	**10,206,600**	10,206,600
LBC Aircargo (S) Pte. Ltd	Taiwan	Logistics	100%	**7,800,160**	7,800,160
Blue Eagle and LBC Service Pte. Ltd.	Taiwan	Remittance	100%	**8,844,000**	–
				₱4,202,897,032	₱4,194,053,032

The Parent Company, although it owns 50% of the voting share of LBC Mabuhay (B) Sdn Bhd and LBC Mabuhay Remittance Sdn Bhd, in substance controls said entities since: (a) the activities of the subsidiaries are being conducted on behalf of the Parent Company according to its specific business need so that the Parent Company obtains benefits from the subsidiaries' operations; and (b) the Parent Company has the decision-making powers to obtain the majority of the benefits of the activities of the subsidiaries.

On September 28, 2023, the Parent Company acquired 100% equity in Blue Eagle and LBC Service Ltd., a corporation organized under the Republic of China (Taiwan) for NTD 5.00 million or ₱8.84 million.

No impairment loss for investment in subsidiaries was recognized in 2023 and 2022.

Dividend Declarations of Subsidiaries

On various dates, the BOD of subsidiaries approved the declaration of cash dividends amounting to ₱1,162.35 million in 2022 (nil in 2023, see Note 14).

10. Loans Receivables and Trademark Agreement with Transtech

On September 25, 2019, LBCH extended a 15-year 2.3% interest-bearing loan to Transtech Co. Ltd. (Transtech) amounting to $1.80 million. Transtech, an entity incorporated in Japan, is involved in freight forwarding, warehousing, and packing business. Its services include forwarding of Balikbayan boxes from Japan to the Philippines.

Transtech shall pay interests on a quarterly basis. The Loan Agreement also constitutes a pledge by Transtech on its trademark for the benefit of LBCH, to secure LBCH's claims to the repayment of the loaned amount in case of default as defined in the Loan Agreement.

Subsequently, on September 30, 2019, Transtech granted LBCH an exclusive license to use its registered trademark subject to restrictions for a period of 10 years with automatic renewal of 3 years unless otherwise discontinued in writing by either party. LBCH may, in its discretion, use the trademark in combination with any text, graphics, mark, or any other indication. As consideration for the exclusive use of license, LBCH shall pay royalty of $0.13 million annually.

In 2023 and 2022, LBCH incurred royalty fee amounting to ₱6.96 million and ₱6.95 million, respectively (see Note 15). The related payable was offset to LBCH's interest receivable and loan receivable from Transtech amounting to ₱1.75 million and ₱5.20 million, respectively in 2023 and ₱1.87 million and ₱5.09 million, respectively, in 2022. Effect of foreign currency exchange rate related to interest receivable and loan receivable offsetting amounted to ₱2.14 million and ₱6.73 million in 2023 and 2022, respectively.

Loans receivable as at December 31, 2023 and 2022 is as follows:

	2023	2022
Current portion*	**₱12,632,822**	₱11,147,305
Noncurrent portion**	**66,227,013**	73,875,716
	₱78,859,835	₱85,023,021

**Presented under 'Prepayment and other current assets'*
***Presented under 'Other noncurrent assets'*

Interest income earned amounted to ₱1.75 million and ₱1.87 million in 2023 and 2022, respectively.

11. Accounts and Other Payables

This account consists of:

	2023	2022
Deferred output VAT	**₱14,546,121**	₱11,357,614
Accounts payable	**6,868,400**	1,213,954
Accrued professional fees and outside services	**3,601,325**	5,746,599
Withholding tax payable	**1,088,040**	69,704,992
Others	**400,062**	255,313
	₱26,503,948	₱88,278,472

Deferred output VAT arises from the uncollected receivables from VATable service fees.

Accounts payable arises from regular transactions with suppliers and service providers. These are noninterest-bearing and are normally settled on one to 60-day term.

Accrued professional fees and outside services relates to audit fees, directors' fees and other outsourced fees.

Withholding tax payable pertains to taxes withheld on payment to suppliers which are settled on a monthly basis.

12. **Convertible Instrument**

This account consists of:

	2023	2022
Derivative liability		
Balances at beginning of year	**₱2,180,880,406**	₱2,558,118,548
Fair value loss (gain) on derivative	**(150,810,960)**	230,550,021
Redemption	**–**	(607,788,163)
Balances at end of year	**₱2,030,069,446**	₱2,180,880,406
Bond payable		
Balances at beginning of year	**₱1,715,380,624**	₱1,702,087,740
Accretion of interest	**283,247,791**	306,598,763
Unrealized foreign exchange loss (gain)	**(20,686,422)**	189,110,403
Amortization of issuance cost	**1,798,750**	1,798,750
Redemption	**–**	(484,215,032)
Balances at end of year	**₱1,979,740,743**	₱1,715,380,624

On June 20, 2017, the BOD of the Parent Company approved the issuance of convertible instrument. The proceeds of the issuance of convertible instrument will be used to fund the growth of the business of the Parent Company, including capital expenditures and working capital. Accordingly, on August 4, 2017, the Parent Company issued, in favor of CP Briks Pte. Ltd (CP Briks), a seven-year secured convertible instrument in the aggregate principal amount of US$50.0 million (₱2,518.25 million) convertible at any time into 192,307,692 common shares of the Parent Company at the option of CP Briks initially at ₱13.00 per share conversion price, subject to adjustments and resetting of conversion price in accordance with the terms and conditions of the instrument as follows:

- effective on three years (3) from issuance date (the Reset Date) - if the 30-day Trading Day Weighted Average Price (TDWAP) of the Parent Company's common shares on the Principal Market prior to the Reset Date is not higher than the initial conversion price, the conversion price shall be adjusted on the Reset Date to the 30-day TDWAP prior to Reset Date;
- upon issuance of common shares for a consideration less than the conversion price in effect - the conversion price shall be reduced to the price of the new issuance;
- upon subdivision or combination (i.e., stock dividend, stock split, recapitalization or otherwise) - the conversion price in effect shall be proportionately reduced or increased; and
- other events or voluntary adjustment.

The convertible instrument (to the extent that the same has not been converted by CP Briks as the holder or by the Parent Company) is redeemable at the option of CP Briks, commencing on the 30th month from the issuance date at the redemption price equal to the principal amount of the bond plus an internal rate of 13% (decreasing to 12%, 11% and 10% on the 4th, 5th and 6th anniversary of the issuance date, respectively). The agreement also contains redemption in cash by the Parent Company at a price equal to the principal amount of the bond plus an internal rate of 13% (decreasing to 12%, 11% and 10% on the 4th, 5th and 6th anniversary of the issuance date, respectively) in case of a Change of Control as defined under the agreement.

The Parent Company also has full or partial right to convert the shares subject to various conditions including pre-approval of the PSE of the listing of the conversion shares and other conditions to include closing sale price and daily trading volume of common shares trading on the Principal Market and upon plan of offering, placement of shares or similar transaction with common share price at a certain minimum share price. On August 9, 2021, the Parent Company's stockholders approved the issuance of common shares for potential exercise of conversion rights. As at report date, there has been no conversion 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 Parent Company is in compliance with the above covenants as at December 31, 2023 and 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 14).

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 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 Parent Company 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 US$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 100% equity in Blue Eagle and LBC Service Ltd., a corporation organized under the Republic of China (Taiwan) for NTD 5.00 million.

Upon completion of the acquisitions discussed in (i) to (vii) above, the Parent Company will have acquired equity interests in thirteen overseas entities which are affiliated to the Parent Company and LBCDC. In 2021, LBCE and LBCDC entered into amended agreements to extend the payment of consideration for the sale of QUADX shares and the Assignment of Receivables to a date no later than two years from the amendment (see Note 14). 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 14).

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$11.00 million of the US$50.00 million convertible instrument was redeemed at a total price of ₱1,084.42 million (US$19.33 million) and was paid on January 10, 2023. As of December 31, 2022, the Parent Company 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.

13. **Equity**

Capital Stock
As at December 31, 2023 and 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

14. **Related Party Transactions**

In the normal course of business, the Parent Company transacts with related parties consisting of its ultimate parent company, its subsidiary and its stockholder and officer. Affiliates include those entities in which the owners of the Parent Company have ownership interests. These transactions include loans, cash advances, dividends and dues and subscription. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

Details of related party transactions and balances as at and for the years ended December 31, 2023 and 2022 are as follows:

	2023			
	Amount/Volume	**Receivable (Payable)**	**Terms**	**Conditions**
Due from a related party				
Subsidiaries				
a.) Service fee	**₱28,849,270**	**₱103,167,497**	Non-interest bearing; due and demandable	Unsecured, no impairment
b.) Cash advances	**–**	**18,504,962**	Non-interest bearing; due and demandable	Unsecured, no impairment
c.) Disposal of subsidiary	**–**	**186,021,400**	Non-interest bearing; due and demandable	Unsecured, no impairment
e.) Loan receivable - current portion	**–**	**159,600,000**	Interest bearing; fixed quarterly payments	Unsecured, no impairment
Interest income	**22,429,338**	**1,311,160**	Due and demandable	Unsecured, no impairment
Officers/beneficial owners				
f.) Advances	**–**	**28,424,682**	Non-interest bearing; due and demandable	Unsecured, no impairment
		₱497,029,701		
Dividends receivable				
Associate				
g.) Dividends	**₱39,600,000**	**–**	Non-interest bearing; due and demandable	Unsecured, no impairment
Other noncurrent assets				
e.) Loan receivable - noncurrent portion	**₱–**	**₱318,223,325**	Interest bearing; fixed quarterly payments	Unsecured, no impairment
Due to related parties				
f.) Officer (Advances)	**₱–**	**(₱43,927)**	Non-interest bearing; due and demandable	Unsecured

	2022			
	Amount/Volume	Receivable (Payable)	Terms	Conditions
Due from a related party				
Subsidiaries				
a.) Service fee	₱28,849,270	₱74,077,816	Non-interest bearing; due and demandable	Unsecured, no impairment
b.) Cash advances	6,000,000	18,537,210	Non-interest bearing; due and demandable	Unsecured, no impairment
c.) Disposal of subsidiary	–	186,021,400	Non-interest bearing; due and demandable	Unsecured, no impairment
e.) Loan receivable - current portion	–	176,266,667	Interest bearing; fixed quarterly payments	Unsecured, no impairment
Interest income	38,003,073	993,291	Due and demandable	Unsecured, no impairment
Officers/beneficial owners				
f.) Advances	–	28,424,682	Non-interest bearing; due and demandable	Unsecured, no impairment
		₱484,321,066		
Dividends receivable				
Subsidiaries				
d.) Dividends	₱1,162,352,458	₱–	Non-interest bearing; due and demandable	Unsecured, no impairment
Associate				
g.) Dividends	36,000,000	–	Non-interest bearing; due and demandable	Unsecured, no impairment
Other noncurrent assets				
e.) Loan receivable - noncurrent portion	₱–	₱377,823,324	Interest bearing; fixed quarterly payments	Unsecured, no impairment
Due to related parties				
f.) Officer (Advances)	₱–	(₱43,927)	Non-interest bearing; due and demandable	Unsecured

a.) On June 30, 2017, LBCH signed an agreement with SAP Philippines, Inc. to acquire cloud services named HANA Enterprise Cloud for Production with Subscription Software ("HEC Subscription") for 60 months commencing on August 1, 2017 and ending on July 31, 2021. In July 2021, the term was extended from August 1, 2021 to January 31, 2024. Subsequently, in a Memorandum of Agreement, LBCH gave LBCE the right to use the HEC Subscription and in turn shall pay LBCH a service fee equivalent to cost plus margin of five percent (5%). The service fee shall be paid at the beginning of each quarter. The mark-up will also be applied for any cost of consultancy services that will arise during the period of the subscription.

b.) The Parent Company makes advances to its subsidiaries to finance working capital requirements. These advances are non-interest bearing and payable on demand.

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

On July 1, 2019, LBCE sold all its QUADX shares to LBCDC for ₱186.02 million, payable no later than two years from the date of sale, subject to any extension as may be agreed in writing by the parties. On the same date, LBCE, LBCDC and QUADX Inc. entered into a Deed of Assignment of Receivables whereas LBCE agreed to assign, transfer and convey its receivables from QUADX as of March 31, 2019 amounting to ₱832.64 million to LBCDC which shall be paid in full, from time to time starting July 1, 2019 and no later than two years from the date of the execution of the Deed, subject to any extension as may be agreed in writing by LBCE and LBCDC. In July 2021, LBCE and LBCDC entered into amended agreements to extend the payment of consideration for the sale of QUADX shares and the Assignment of Receivables to a date no later than two years from the amendment. Subsequently, this was further extended for additional two years in 2023.

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.

d.) 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. These were 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 200,000 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 250,000 and BND 200,000, 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 USD250,000 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 5.7 million and paid in November 2022.

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

e.) On April 29, 2019, LBCH entered into a 10-year loan agreement with LBCE amounting to ₱183.38 million at 4% interest per annum. Additional loans were granted to LBCE in the following months dated June 3, 2019 and July 22, 2019 amounting to ₱91.69 million and ₱80.93 million, respectively, with quarterly principal payments and monthly interest payments at 4% per annum.

On April 1, 2020, additional 3-year loan was granted to LBCE amounting to ₱100.00 million, with quarterly principal payments and monthly interest payments at 4.50% per annum.

On June 14, 2021, additional 10-year loan was granted to LBCE amounting to ₱240.00 million, with quarterly principal payments and monthly interest payments at 4.25% per annum.

As of December 31, 2023 and 2022, total outstanding loans receivable amounted to ₱477.82 million and ₱554.09 million, respectively, and ₱318.22 million and ₱377.82 million of the respective balances is presented as noncurrent under "Other noncurrent assets". Interest income earned from loans receivable amounted to ₱22.43 million and ₱23.96 million in 2023 and 2022, respectively, ₱1.31 million and ₱0.99 million of which is still unpaid as at December 31, 2023 and 2022, respectively.

f.) The Parent Company regularly makes advances to its related parties as part of their cost reimbursements arrangement.

g.) On August 9, 2023 and May 31, 2022, LBCH recognized cash dividend from OFII amounting to ₱39.60 million and ₱36.00 million, respectively, for its 30% interest on OFII.

h.) On April 15, 2021, the BOD approved to guarantee one of LBCE's loans and allowed to hold out the Parent Company's time deposit. As of December 31, 2023, the balance of time deposit amounted to ₱224.28 million (see Note 6). Such guarantee shall substitute the existing real estate mortgage on LBCE's real estate properties as security.

The Parent Company's key management personnel are employed by LBCE. As such, the compensation and other benefits of key management personnel are recorded in the books of LBCE.

Aside from required approval of related party transactions explicitly stated in the Corporation Code, the Parent Company has established its own related party transaction policy stating that any related party transaction involving amount or value greater than 10% of the Parent Company's total assets are deemed 'Material Related Party Transactions'. Such transactions shall be reviewed by the Related Party Transaction Committee prior to its endorsement for the Board's Approval. Moreover, any related party transaction involving less than 10% of the Parent Company's total assets will be submitted to the President and Chief Executive Officer for review.

15. Operating Expenses

This account consists of:

	2023	2022
Dues and subscriptions	**₱25,402,522**	₱27,545,519
Professional fees	**21,013,920**	18,873,815
Royalty fees (Note 10)	**6,956,506**	6,953,662
Software expenses	**3,223,360**	–
Outside services	**1,584,489**	158,400
Taxes and licenses	**31,427**	970,857
Donation	**–**	1,312,500
Others	**435,391**	334,620
	₱58,647,615	₱56,149,373

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

16. Income Taxes

Provision for income tax consists of:

	2023	2022
Current	**₱5,126,927**	₱156,006,625
Deferred	**4,135,962**	(32,065,994)
	₱9,262,889	₱123,940,631

The provision for current tax represents RCIT in 2023 and 2022.

Details of the Parent Company's deferred tax assets (liabilities) as of December 31 follow:

	2023	2022
Deferred tax assets arising from:		
Unrealized foreign exchange losses	**₱13,215,518**	₱17,801,167
Deferred tax liabilities arising from:		
Others	**(262,318)**	(712,005)
	₱12,953,200	₱17,089,162

The reconciliation of the income tax expense at the statutory rate to actual income tax expense presented in the parent company statements of comprehensive income is as follows:

	2023	2022
Income tax at the statutory income tax rate	**(₱17,774,101)**	₱117,304,231
Tax effects of the items not subject to statutory rate:		
Nondeductible expenses	**78,058,286**	18,593,382
Nontaxable income	**(48,328,696)**	(10,900,236)
Interest income subjected to final tax	**(2,692,600)**	(1,056,746)
	₱9,262,889	₱123,940,631

In 2023 and 2022, the foreign-sourced dividends received by the Parent Company have been subjected to applicable regular corporate income tax.

17. Financial Risk Management Objectives and Policies

The Parent Company has various financial assets such as cash and cash equivalents, receivables, loans receivable, restricted cash equivalents, prepayments and other current assets, due from related parties and investment at FVPL.

The Parent Company's financial liabilities comprise of accounts and other payables (excluding statutory liabilities), due to related parties, and dividends payable. The main purpose of these financial liabilities is to finance the Parent Company's operations.

The main risks arising from the Parent Company's financial instruments are price risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The BOD reviews and approves policies for managing each of these risks which are summarized as follows:

Price risk
The Parent Company 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 Parent Company readily disposes or trades the securities for replacement with more viable and less risky investments.

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

The following table shows the effect on total comprehensive income should the change in the close of net asset value of investment at fair value through profit or loss occur as of December 31, 2023, 2022 and 2021 with all other variables held constant.

	Effect on total comprehensive income		
	2023	2022	2021
Change in NAV			
+5.00%	**₱56,930**	₱54,503	₱53,594
-5.00%	**(56,930)**	(54,503)	(53,594)

The Parent Company is also exposed to equity price risk in the fair value of the derivative liability due to the embedded equity conversion feature. Furthermore, at a given point in time in the future until maturity date, the derivative liability has a redemption option offering a minimum return in case the value of the conversion feature is low. In 2023 and 2022, a 5% increase (5% decrease) in the close stock price of the Parent Company's shares has minimal impact in the total comprehensive income.

Interest rate risk and credit spread sensitivity analysis
Except for the credit spread used in the valuation of the convertible instrument, the Parent Company is not significantly exposed to interest rate risk as the Parent Company's interest rate on its cash and cash equivalents is fixed. The Parent Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

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

	Effect in fair value	
	2023	2022
Credit spread +1%	**₱11,540,380**	₱26,391,429
Credit spread -1%	**(11,609,185)**	(26,815,598)

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 Parent Company's exposure to the risk of changes in foreign exchange rates relates to the loan receivable and bond payable denominated in US Dollar.

Information of the Parent Company's foreign currency-denominated monetary asset and liability recorded under loan receivable and bond payable, respectively, in the statements of financial position and its Philippine Peso equivalents as at December 31, 2023 and 2022 follow:

	2023	
	Foreign currency	**Peso equivalent**
Asset:		
US Dollars	**1,913,557**	**₱105,953,664**
Liability:		
US Dollars	**(35,702,776)**	**(1,976,862,708)**

The translation exchange rate used was ₱55.37 to USD 1 as at December 31, 2023.

	2022	
	Foreign currency	Peso equivalent
Asset:		
US Dollars	20,143,708	₱1,130,464,868
TWD	5,000,000	9,110,000
Liability:		
US Dollars	(39,211,580)	(1,990,928,744)

The translation exchange rate used was ₱56.12 to USD 1 and ₱1.82 to TWD 1 as at December 31, 2022.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Parent Company's income before tax (due to changes in the fair value of monetary liability).

Reasonably possible change in foreign exchange rate for every two units of Philippine Peso	Increase (decrease) in income before tax 2023	2022
₱2	**(₱67,578,438)**	(₱28,135,744)
(2)	**67,578,438**	28,135,744

There is no impact on the Parent Company's equity other than those already affecting profit or loss. The movement in sensitivity analysis is derived from current observations on fluctuations in US Dollar closing exchange rates.

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

Credit risk
Credit risk is the risk that counterparty will not meet its obligation under a financial asset or financial liability or customer contract, leading to a financial loss.

Receivable balances are monitored on an ongoing basis with the result that the Parent Company's exposure to bad debts is not significant.

As for the cash in banks and restricted cash equivalents, the maximum exposure to credit risk from these financial assets arise from the default of the counterparty with a maximum exposure equal to their carrying amounts.

As at December 31, 2023 and 2022, the loans and receivables of the Parent Company are neither past due nor impaired.

The credit quality of the financial assets was determined as follows:

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

Receivables are considered high grade due to the Parent Company's positive collection experience.

High grade accounts are considered to be of high credit rating value. The counterparties have a very remote likelihood of default.

Medium grade accounts are active accounts with minimal instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to the Parent Company's collection efforts and update payments accordingly.

Low grade accounts pertain to accounts which have impairment based on historical trend or customer's unfavorable operating conditions. Accounts under this group show possible or actual loss to the Parent Company as a result of default in payment of the counterparty despite the regular follow-up actions and extended payment terms.

The tables below show the credit quality of the Parent Company's financial assets:

	2023			
	High Grade	**Medium Grade**	**Low Grade**	**Total**
Cash	**₱290,709,400**	**₱–**	**₱–**	**₱290,709,400**
Receivables	**10,050,755**	**–**	**–**	**10,050,755**
Prepayments and other current assets	**12,632,822**	**–**	**–**	**12,632,822**
Loans receivable	**384,450,338**	**–**	**–**	**384,450,338**
Restricted cash equivalents	**224,278,022**	**–**	**–**	**224,278,022**
Due from related parties	**497,029,701**	**–**	**–**	**497,029,701**
Investment at FVPL	**1,138,605**	**–**	**–**	**1,138,605**
	₱1,420,289,643	**₱–**	**₱–**	**₱1,420,289,643**
	2022			
	High Grade	Medium Grade	Low Grade	Total
Cash	₱1,199,307,481	₱–	₱–	₱1,199,307,481
Receivables	19,816,196	–	–	19,816,196
Prepayments and other current assets	11,147,305	–	–	11,147,305
Loans receivable	451,699,041	–	–	451,699,041
Restricted cash equivalents	301,397,574	–	–	301,397,574
Due from related parties	484,321,066	–	–	484,321,066
Investment at FVPL	1,090,062	–	–	1,090,062
	₱2,468,778,725	₱–	₱–	₱2,468,778,725

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial assets and financial liabilities. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or the counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

The Parent Company 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 service agreements and investing activities 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 online logistics industry. These activities are expected to reduce the operational cash outflow requirements and improve liquidity of the Parent Company.

Management is implementing strategic initiatives to accelerate the recovery of the Company's operation, sustain the increasing trend, and be able raise funds. Management is also seeking various means to address the instrument's timeline which include exploring with interested parties to purchase the instrument or refinance the liability. Management believes that any settlement option for the convertible instrument will not have material impact to the domestic business of the Company, and the international business supports its ability to continue as going concern. Management has determined that these actions support the Company's going concern assessment and has therefore prepared the financial statements on a going concern basis (see Note 12).

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

The following table summarizes the maturity profile of the Parent Company's financial assets and financial liabilities as at December 31, 2023 and 2022 based on remaining contractual undiscounted collections and payments:

	2023		
	Due in less than one year	**Due in more than one year**	**Total**
Financial assets			
Cash in banks	**₱290,709,400**	**₱–**	**₱290,709,400**
Receivables	**10,050,755**	**–**	**10,050,755**
Loans receivable	**12,632,822**	**384,450,339**	**397,083,161**
Restricted cash equivalents	**224,278,022**	**–**	**224,278,022**
Due from related parties	**497,029,701**	**–**	**497,029,701**
Investment at FVPL	**1,138,605**	**–**	**1,138,605**
	₱1,035,839,305	**₱384,450,339**	**₱1,420,289,644**
Financial liabilities			
Accounts and other payables	**₱10,869,779**	**₱–**	**₱10,869,779**
Due to related parties	**43,927**	**–**	**43,927**
Derivative liability	**2,030,069,446**	**–**	**2,030,069,446**
Bond payable	**1,979,740,743**	**–**	**1,979,740,743**
	₱4,020,723,895	**₱–**	**₱4,020,723,895**

	2022		
	Due in less than one year	Due in more than one year	Total
Financial assets			
Cash in banks	₱1,199,307,481	₱–	₱1,199,307,481
Receivables	19,816,196	–	19,816,196
Loans receivable	11,147,305	451,699,041	462,846,346
Restricted cash equivalents	301,397,574	–	301,397,574
Due from related parties	484,321,066	–	484,321,066
Investment at FVPL	1,090,062	–	1,090,062
	₱2,017,079,684	₱451,699,041	₱2,468,778,725
Financial liabilities			
Accounts and other payables	₱7,215,865	₱–	₱7,215,865
Due to related parties	43,927	–	43,927
Derivative liability	2,180,880,406	–	2,180,880,406
Bond payable	1,715,380,624	–	1,715,380,624
Bond redemption payable	1,014,743,085	–	1,014,743,085
	₱4,918,263,907	₱–	₱4,918,263,907

Capital Management

Generally, the primary objective of the Parent Company's capital management is to ensure that it continuously strives and maintains a strong credit standing and healthy capital ratios in order to support its business and maximize shareholders' value.

The Parent Company manages its capital structure and makes adjustments as may be necessary in light of changes in the business and general economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the Parent Company's objectives, policies or processes as at December 31, 2023 and 2022. The Parent Company is not subject to externally imposed capital requirements.

The capital that the Parent Company manages is equal to the total equity as shown in the parent company statements of financial position at December 31, 2023 and 2022 amounting to ₱1,850.02 million and ₱1,930.38 million, respectively.

18. Fair Values and Offsetting Arrangements

The methods and assumptions used by the Parent Company in estimating the fair value of the financial instruments are as follows:

The carrying amounts of cash and cash equivalents, receivables, loans receivable, restricted cash equivalents, due from/to related parties and accounts and other payables approximate their fair value. These financial instruments are relatively short-term in nature except for loans receivable.

The fair value of the unquoted unit investment trust fund is based on the published net asset value per unit as of reporting date and is under the Level 3 category.

The fair value of the long-term portion of loans receivable is based on the discounted value of future cash flow using applicable interest rates ranging from 5.87% to 6.08% in 2023 and 2022.

The estimated fair value of the derivative liability as at December 31, 2023 and 2022 are based on an indirect method of valuing multiple embedded derivatives. This valuation technique using binomial pyramid model uses stock prices and stock price volatility. This valuation method compares the fair value of the option-free instrument against the fair value of the hybrid convertible instrument. The difference of the fair values is assigned as the value of the embedded derivatives.

The significant unobservable input in the fair value is the stock price volatility of 13.50% and 19.88% in 2023 and 2022, respectively. In 2023 and 2022, a 5% increase (5% decrease) in the stock volatility has very minimal effect to the total comprehensive income.

The plain bond is determined by discounting the cash flows, which is simply the principal at maturity, using discount rate of 17.36% in 2023 and 15.23% in 2022. The discount rate is composed of the matched to maturity risk free rate and the option adjusted spread (OAS) of 12%.

<u>Fair Value Hierarchy</u>
The Parent Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The quantitative disclosures on fair value measurement hierarchy for assets and liabilities as at December 31 follow:

			2023		
			Fair value measurements using		
	Carrying values	**Total**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets measured at fair value					
Unquoted unit investment trust fund	**₱1,138,605**	**₱1,138,605**	**₱–**	**₱–**	**₱1,138,605**
Assets for which fair value are disclosed					
Loans receivable - net of current portion	**384,450,339**	**377,468,163**	**–**	**–**	**377,468,163**
Liabilities measured at fair value					
Derivative liability	**2,030,069,446**	**2,030,069,446**	**–**	**–**	**2,030,069,446**
Liabilities for which fair value are Disclosed					
Bond payable	**1,979,740,743**	**1,947,148,205**	**–**	**–**	**1,947,148,205**

			2022		
			Fair value measurements using		
	Carrying values	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Unquoted unit investment trust fund	₱1,090,062	₱1,090,062	₱–	₱–	₱1,090,062
Assets for which fair value are disclosed					
Loans receivable - net of current portion	451,699,041	451,699,041	–	–	451,699,041
Liabilities measured at fair value					
Derivative liability	2,180,880,406	2,180,880,406	–	–	2,180,880,406
Liabilities for which fair value are Disclosed					
Bond payable	1,715,380,624	1,668,442,350	–	–	1,668,442,350

During the years ended December 31, 2023 and 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.

<u>Offsetting of Financial Instruments</u>
Financial assets and liabilities are offset and the net amount reported in the statements of financial position where the Parent Company currently has a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the net asset settles the liability simultaneously.

The table represents the recognized financial instruments that are offset as of December 31, 2023 and 2022, respectively, and shows in the 'Net' column is the net impact on the Parent Company's statements of financial position as a result of the offsetting rights.

		December 31, 2023		
Royalty offsetting	**Gross Amount**	**Offsetting**	**Forex**	**Net Amount**
Loan receivable	**₱86,199,305**	**(₱5,196,124)**	**(₱2,143,346)**	**₱78,859,835**
Interest receivable	**1,746,641**	**(1,746,641)**	**–**	**–**
Royalty payable	**(6,942,765)**	**6,942,765**	**–**	**–**
	₱81,003,181	**₱–**	**(₱2,143,346)**	**₱78,859,835**

Royalty offsetting	December 31, 2022 Gross Amount	Offsetting	Forex	Net Amount
Loan receivable	₱96,825,723	(₱5,072,201)	(₱6,730,501)	₱85,023,021
Interest receivable	1,865,643	(1,865,643)	–	–
Royalty payable	(6,937,844)	6,937,844	–	–
	₱91,753,522	₱–	(₱6,730,501)	₱85,023,021

In 2023 and 2022, the Parent Company's royalty payable has been offset against loans receivable and accrued interest receivable from Transtech.

19. **Note to Statement of Cash Flows**

For 2023 the Company has the following transactions under:

<u>Financing Activities</u>
Details of the movement in cash flows from financing activities are as follows:

	December 31, 2022	**Cash Flows**	**Interest**	**Dividends declared**	**Redemption**	**Foreign exchange movement**	**Fair value changes**	**December 31, 2023**
Convertible instrument (bond payable and derivative liability)	**₱3,896,261,030**	**₱–**	**₱285,046,541**	**₱–**	**₱–**	**(₱20,686,422)**	**(₱150,810,960)**	**₱4,009,810,189**
Bond redemption liability	**1,014,743,085**	**(997,458,943)**	–	–	–	**(17,284,142)**	–	–
Due to related parties	**43,927**	–	–	–	–	–	–	**43,927**
Total liabilities from financing activities	**₱4,911,048,042**	**(₱997,458,943)**	**₱285,046,541**	**₱–**	**₱–**	**(₱37,970,564)**	**(₱150,810,960)**	**₱4,009,854,116**

In 2022, the Parent Company has the following non-cash transactions under:

<u>Investing Activities</u>
a.) Realized forex losses recognized from dividends received amounting to ₱15.13 million.

<u>Financing Activities</u>
Details of the movement in cash flows from financing activities are as follows:

	December 31, 2021	Cash Flows	Interest	Dividends declared	Redemption	Foreign exchange movement	Fair value changes	December 31, 2022
Convertible instrument (bond payable and derivative liability)	₱4,260,206,288	₱–	₱308,397,513	₱–	(₱1,092,003,195)	₱189,110,403	₱230,550,021	₱3,896,261,030
Due to related parties	43,927	–	–	–	–	–	–	43,927
Total liabilities from financing activities	₱4,260,250,215	₱–	₱308,397,513	₱–	(₱1,092,003,195)	₱189,110,403	₱230,550,021	₱3,896,304,957

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and Board of Directors
LBC Express Holdings, Inc.
LBC Hangar, General Aviation Centre
Domestic Airport Road
Pasay City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of LBC Express Holdings, Inc. (the Parent Company) as at and for the years ended December 31, 2023 and 2022 and have issued our report thereon dated April 29, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of Retained Earnings Available for Dividend Declaration is the responsibility of the Parent Company's management. This schedule is presented for purposes of complying with Revised Securities Regulation Code Rule 68 and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
Tax Identification No. 925-713-249
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-119-2022, January 20, 2022, valid until January 19, 2025
PTR No. 9564669, January 6, 2024, Makati City

April 29, 2024

LBC EXPRESS HOLDINGS, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

For the year ended December 31, 2023

Unappropriated retained earnings, beginning of the year		₱449,094,965
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings		
Reversal of Retained Earnings Appropriation/s	–	
Effect of restatements of prior-period adjustments	–	
Others:	–	
Fair value adjustments in prior years	(454,198,052)	
Unrealized foreign exchange gain in prior years	(89,890,093)	(544,088,145)
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	–	
Retained Earnings appropriated during the reporting period	–	
Effect of restatements of prior-period adjustments	–	
Others – Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL) from prior year	–	–
Unappropriated retained earnings, as adjusted		(94,993,180)
Net income (for the current year		(80,359,291)
Less: Category C.1: Unrealized income recognized in the profit or loss during the year (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	–	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	20,686,422	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at FVTPL	–	
Unrealized fair value gain of Investment Property	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	150,810,960	171,497,382
Sub-total		(346,849,853)
Add: Category C.2: Unrealized income recognized in the profit or loss in prior periods but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	–	
Realized fair value adjustment (mark-to-market gains) of financial instruments at FVTPL	–	
Realized fair value gain of Investment Property	–	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Sub-total		–

Add: Category C.3: Unrealized income recognized in the profit or loss in prior periods but reversed in the current reporting period (net of tax)		
Reversal of previously recorded foreign exchange gain, except those attributable to Cash and cash equivalents	–	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at FVTPL	–	
Reversal of previously recorded fair value gain of Investment Property	–	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Sub-total		–
Add: Category D: Non-actual losses recognized in profit or loss during the year (net of tax)		
Depreciation on revaluation increment (after tax)	–	
Sub-total		–
Add: Category E: Adjustments related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief	–	
Total amount of reporting relief granted during the year	–	
Others	–	
Sub-total		–
Add: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	–	
Net movement of deferred tax asset and deferred tax liabilities related to same transaction, e.g., set-up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	–	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	–	
Adjustment due to deviation from PFRS/GAAP – gain (loss)	–	
Others	–	
Sub-total		–
TOTAL RETAINED EARNINGS, END OF THE YEAR AVAILABLE FOR DIVIDEND DECLARATION		**(₱346,849,853)**