SECURITIES AND EXCHANGE COMMISSION
THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City
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The following document has been received:

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Company Information

SEC Registration No.: AS93005277
Company Name: LBC EXPRESS HOLDINGS, INC.
Industry Classification: K70000
Company Type: Stock Corporation

Document Information

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CR02522-2025

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended
   Dec 31, 2024
2. SEC Identification Number
   AS93005277
3. BIR Tax Identification No.
   002-648-099-000
4. Exact name of issuer as specified in its charter
   LBC EXPRESS HOLDINGS, INC. (formerly Federal Resources Investment Group Inc.)
5. Province, country or other jurisdiction of incorporation or organization
   Philippines
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila
   Postal Code
   1300
8. Issuer's telephone number, including area code
   (632) 8856-8510
9. Former name or former address, and former fiscal year, if changed since last report
   N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

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

11. Are any or all of registrant's securities listed on a Stock Exchange?
    (•) Yes ( ) No

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

Philippine Stock Exchange - Common Shares

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

◉ Yes ○ No

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

◉ Yes ○ No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

Php1,948,779,341

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

○ Yes ◉ No

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

SEC Form 17-A with Audited Financial Statements and Sustainability Report

(b) Any information statement filed pursuant to SRC Rule 20

None

(c) Any prospectus filed pursuant to SRC Rule 8.1

None

LBC Express Holdings, Inc.
LBC

PSE Disclosure Form 17-1 - Annual Report
References: SRC Rule 17 and
Section 17.2 and 17.8 of the Revised Disclosure Rules

For the fiscal year ended	Dec 31, 2024
Currency	PHP

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2024	Dec 31, 2023
Current Assets	7,167,628,703	6,640,044,406
Total Assets	15,238,704,917	15,374,768,418
Current Liabilities	10,826,823,694	10,230,993,031
Total Liabilities	13,582,643,711	13,448,688,558
Retained Earnings/(Deficit)	152,721,270	304,563,778
Stockholders' Equity	1,656,061,206	1,926,079,860
Stockholders' Equity - Parent	1,669,504,940	1,945,716,341
Book Value Per Share	1.17	1.36

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2024	Dec 31, 2023
Gross Revenue	14,296,058,157	14,513,690,842

Gross Expense	13,630,399,019	13,958,521,303
Non-Operating Income	117,995,849	273,846,225
Non-Operating Expense	851,616,961	541,524,134
Income/(Loss) Before Tax	-67,961,974	287,491,630
Income Tax Expense	77,334,070	119,306,595
Net Income/(Loss) After Tax	-145,296,044	168,185,035
Net Income/(Loss) Attributable to Parent Equity Holder	-151,842,508	176,290,488
Earnings/(Loss) Per Share (Basic)	-0.11	0.12
Earnings/(Loss) Per Share (Diluted)	-0.11	0.12

Financial Ratios

	Formula	**Fiscal Year Ended**	**Previous Fiscal Year**
		Dec 31, 2024	Dec 31, 2023
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	**Current Assets / Current Liabilities**	0.66	0.65
Quick Ratio	**(Current Assets - Inventory - Prepayments) / Current Liabilities**	0.56	0.53
Solvency Ratio	**Total Assets / Total Liabilities**	1.12	1.14
Financial Leverage Ratios			
Debt Ratio	**Total Debt/Total Assets**	0.89	0.87
Debt-to-Equity Ratio	**Total Debt/Total Stockholders' Equity**	8.2	6.98
Interest Coverage	**Earnings Before Interest and Taxes (EBIT) / Interest Charges**	0.87	1.5
Asset to Equity Ratio	**Total Assets / Total Stockholders' Equity**	9.2	7.98
Profitability Ratios			
Gross Profit Margin	**Sales - Cost of Goods Sold or Cost of Service / Sales**	0.22	0.21
Net Profit Margin	**Net Profit / Sales**	-0.01	0.01
Return on Assets	**Net Income / Total Assets**	-0.01	0.01
Return on Equity	**Net Income / Total Stockholders' Equity**	-0.09	0.09
Price/Earnings Ratio	**Price Per Share / Earnings Per Common Share**	-107	147.5

Other Relevant Information
None.

Filed on behalf by:

Name	Ernesto III Naval

Designation	Alternate Corporate Information Officer

C O V E R S H E E T

for

SEC FORM 17-A (ANNUAL REPORT)

SEC Registration Number

AS93005277

COMPANY NAME

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended: **December 31, 2024**

2. SEC Identification Number: **AS93005277**

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

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

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

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

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

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

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

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

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

    As of December 31, 2024:

Title of each class	Number of shares issued and outstanding
Common Shares	1,425,865,471[1]
Bond payable	2,065,585,876[2]
Derivative Liability	2,528,532,365[2]

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

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

[1] Inclusive of 1,388,357,471 common shares which are exempt from registration.
[2] Related to convertible instrument at an aggregate principal amount of $50 million, $11 million of which was redeemed on December 29, 2022.
[3] As of December 31, 2024, 40,899,000 common shares have been listed with the Philippine Stock Exchange. The remaining 1,384,966,471 are subject of listing applications filed with the Philippine Stock Exchange.

12. Check whether the issuer:

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

Yes (x) No ( )

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

Yes (x) No ( )

13. Aggregate market value of voting stock held by non-affiliates is **₱1,948,779,341 as of April 07, 2025.**[4]

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) **2024 Consolidated Audited Financial Statements** (incorporated as reference for items 6, 7 and 12 of SEC Form 17-A

(b) 2024 Sustainability Report

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

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

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

<u>BUSINESS DEVELOPMENT</u>

CORPORATE REORGANIZATION

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

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

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

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

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

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

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

On July 29, 2015 and in consonance with such change in control, the Board of Directors of the Company approved the acquisition by the Company of all the outstanding shares of stock of LBC Express, Inc., at the time a wholly-owned subsidiary of LBC Development Corporation, at the book value of not less than ₱1 billion. The Board also approved the following:

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

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

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

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

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

Involvement in Bankruptcy or Receivership Proceedings

As of the end of December 2024, the Company was not involved in any bankruptcy, receivership or any similar proceedings.

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

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

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

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

On December 29, 2022, US$11.00 million of the US$50.00 million convertible instrument was redeemed at a total price of US$19.33 million. Redemption payable and gain on redemption amounting to ₱1,014.74 million and ₱7.58 million, respectively, was recognized in the consolidated statements of financial position and financial performance as of December 31, 2022.

On August 2, 2024, the maturity date of convertible instrument was extended from August 4, 2024 to such time CP Briks opts to terminate the instrument upon thirty (30) days prior notice ("Extended Stated Maturity Date"). The Parent Company acknowledged and agreed that the interest in the instrument shall continue to accrue from the original stated maturity date until the extended maturity date, at the relevant IRR pursuant to Sections 4 and 5 of the instrument. Any reference in the purchase agreement and in the instrument to "due 2024" or "maturity date" or similar terms whether any such term is capitalized or not shall hereafter mean extended stated maturity date.

In order for CP Briks to exercise its right to terminate the instrument, it shall notify LBCH at least thirty (30) days prior to the day CP Briks opts to terminate and LBCH shall pay all outstanding principal and any accrued interest on such extended stated maturity date. Gain on modification of liability amounting to ₱44.18 million due to the extension was recognized in the consolidated statements of financial performance as of December 31, 2024.

As of December 31, 2024, the carrying value of bond payable amounted to ₱2,065.59 million and the fair value of the derivative liability amounted to ₱2,528.53 million. The fair value changes of the derivative liability recognized as "Gain (Loss) on derivative" amounted to ₱218.34 million loss in 2024 and ₱150.81 million gain in 2023. Interest expense on the bond payable amounted to ₱320.64 million in 2024 and ₱285.05 million in 2023.

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

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

LBCE and QUADX INC., a local affiliate; and

e) Within 3 months from the closing of the acquisition of the equity interests of the overseas entity, LBCDC procure to settle all obligations to the Group.

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

Overseas Entities

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

QuadX Pte. Ltd.

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

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

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

LBC Mabuhay Saipan, Inc.

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

LBC Express Airfreight (S) Pte. Ltd., LBC Aircargo (S) Pte. Ltd., LBC Money Transfer PTY Limited and LBC Australia PTY Limited

On June 27, 2018, the BOD of the Parent Company approved the purchase of shares of various overseas entities. On the same date, the following Share Purchase Agreements (SPAs) were executed by the Parent Company and Jamal Limited, a transitory seller, for a total purchase price of US $4.60 million or ₱245.67 million under the SPAs. Jamal Limited, a third party, purchased these entities from Advance Global Systems Limited, an entity under common control, prior to sale to the Parent Company.

Details follow:

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

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

LBC Mabuhay (Malaysia) SDN BHD

On August 15, 2018, the Parent Company approved the acquisition of 92.5% equity ownership of LBC

Mabuhay (Malaysia) SDN BHD (LBC Malaysia) for a total purchase price of US $461,782 or ₱24.68 million. LBC Malaysia engages in the business of courier services in Malaysia.

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

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

Entities under LBC Holdings USA Corporation

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

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

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

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

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

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

On January 1, 2021, LBC Mundial Corporation acquired 1,000 shares of common stock of LBC Business Solutions North America Corp. (LSN) for a total purchase price of US$ 2,500. LSN is a non-vessel operating common carrier registered in United States.

Mermaid Co. Ltd.

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

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

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

<u>Purchase of shares</u>
In November 2021, LBCE received ₱2.00 billion capital infusion in cash from LBCH which will be used for future stock subscription in LBCE. On November 2022, LBCE finalized the terms of the stock subscription and issued one billion common shares at ₱2.00 per common share and share premium of ₱1.00 billion.

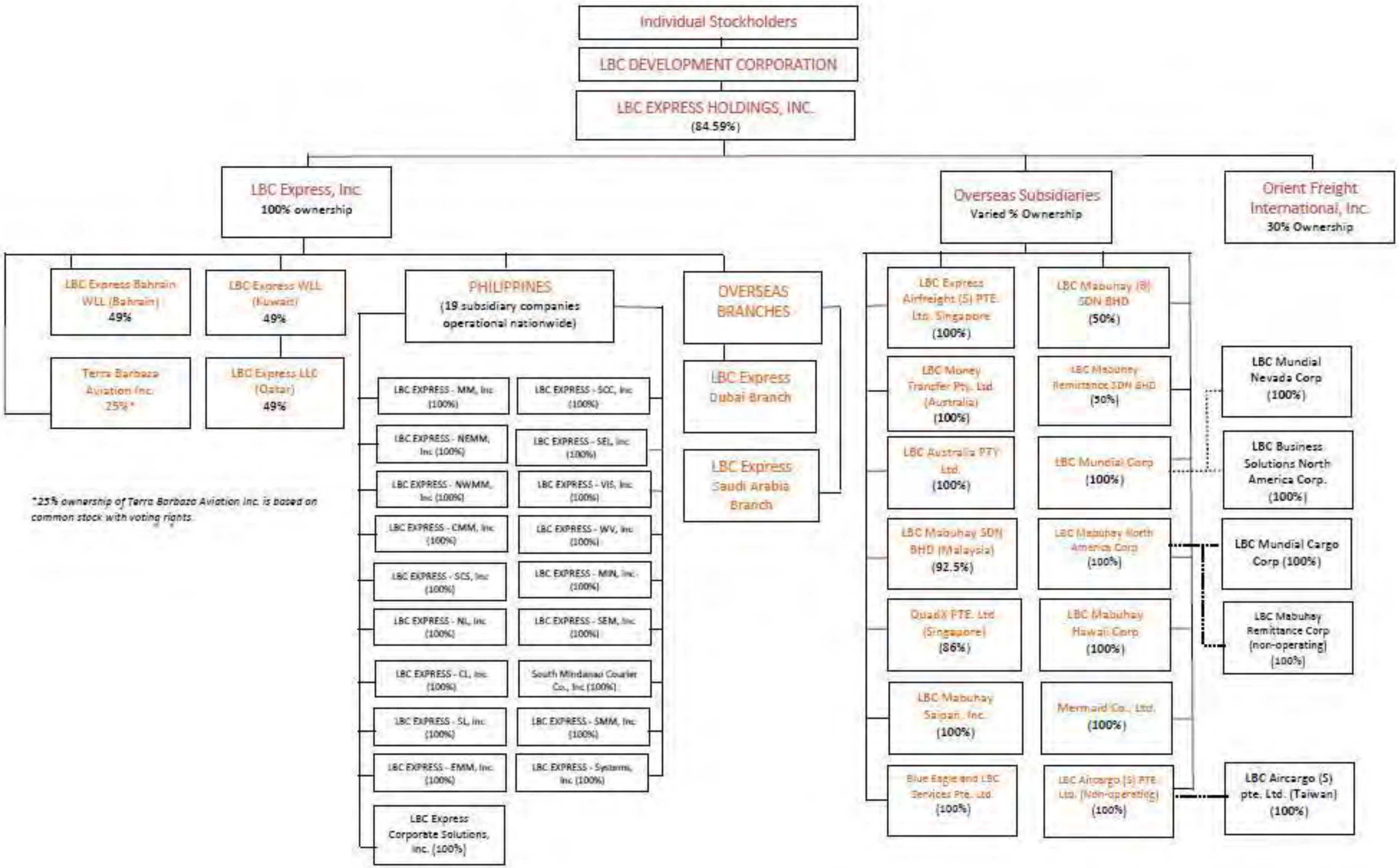
LBC HISTORY

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

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

LBCE commenced its international money transfer operations in 1987 by establishing relationships with agents and affiliates in the United States and steadily expanding its network elsewhere globally to provide fulfillment services for inbound international remittances. LBCE later leveraged the network of its overseas affiliates to expand its Logistics business internationally as well. Today, LBCE provides courier and freight forwarding services in 29 countries and territories outside of the Philippines and fulfillment services for inbound remittances originating from over 25 countries and territories outside the Philippines, including the United States, the Asia Pacific region, Europe and the Middle East.

The following diagram illustrates the operating ownership structure of the Company as of December 31, 2024:



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

	Country of incorporation	Principal activities	Ownership Interest 2024	Ownership Interest 2023
LBC Express, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - MM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - CL, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - NL, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - VIS, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - SL, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - SCS, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express Corporate Solutions, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - CMM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - EMM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - MIN, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - SMM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - SEL, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - WVIS, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - SEM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - SCC, Inc.	Philippines	Logistics and money remittance	100%	100%
South Mindanao Courier Co., Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - NEMM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express - NWMM, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Systems, Inc.	Philippines	Logistics and money remittance	100%	100%
LBC Express Bahrain WLL	Bahrain	Logistics	49%	49%
LBC Express Shipping Company WLL	Kuwait	Logistics	49%	49%
LBC Express LLC (1)	Qatar	Logistics	49%	49%
LBC Mabuhay Saipan Inc.	Saipan	Logistics and money remittance	100%	100%
LBC Aircargo (S) PTE. LTD	Singapore	Logistics	100%	100%
LBC Aircargo (S) PTE. LTD - Taiwan Branch	Taiwan	Logistics	100%	100%
LBC Express Airfreight (S) PTE. LTD.	Singapore	Logistics	100%	100%
LBC Money Transfer PTY Limited	Australia	Money remittance	100%	100%
LBC Australia PTY Limited	Australia	Logistics	100%	100%
LBC Mabuhay (Malaysia) Sdn Bhd.	Malaysia	Logistics	93%	93%
QuadX Pte. Ltd.	Singapore	Digital logistics	86%	86%
LBC Mabuhay (B) Sdn Bhd	Brunei	Logistics	50%	50%
LBC Mabuhay Remittance Sdn Bhd	Brunei	Money remittance	50%	50%
LBC Mundial Corporation	United States of America	Logistics and money remittance	100%	100%
LBC Mundial Nevada Corporation	United States of America	Logistics and money remittance	100%	100%
LBC Business Solutions North America Corp.	United States of America	Logistics	100%	100%
LBC Mabuhay North America Corporation	United States of America	Logistics and money remittance	100%	100%
LBC Mundial Cargo Corporation	Canada	Logistics	100%	100%
LBC Mabuhay Remittance Corporation	Canada	Money remittance	100%	100%
LBC Mabuhay Hawaii Corporation	United States of America	Logistics and money remittance	100%	100%
Mermaid Co., Ltd.	Japan	Logistics	100%	100%
Blue Eagle and LBC Service Pte. Ltd. (3)	Taiwan	Employment services including remittance	100%	100%

Note:

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

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

(3) On September 28, 2023, the Parent Company acquired 100% equity in Blue Eagle and LBC Service Ltd.

BUSINESS

SERVICES

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

The Group's Logistics products serve Retail (C2C) and Corporate/Institutional (B2B/B2C) customers. The main services offered under the Group's Logistics business are Domestic and International Courier, and Freight Forwarding services (by way of air, sea and ground transport).

Money Transfer Services include Domestic Remittance services (available as branch retail services), Bills Payment collection, and Corporate Remittance Payout services. International Money Transfer Services are also offered overseas through the Group's own branches, and through partners, which encompasses International Inbound Remittance services.

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

In PHP 'millions	For the year ended December 31, 2024		
Segments	Logistics	Money transfer services	Total
Type of Customer			
Retail	₱10,241.00	₱482.16	₱10,723.16
Corporate	3,563.92	8.98	3,572.90
Total revenue from contracts with customers	**₱13,804.92**	**₱491.14**	**₱14,296.06**
Geographic Markets			
Domestic	₱8,476.45	₱177.34	₱8,653.79
Overseas	5,328.47	313.80	5,642.27
Total revenue from contracts with customers	**₱13,804.92**	**₱491.14**	**₱14,296.06**

In PHP 'millions	For the year ended December 31, 2023		
Segments	Logistics	Money transfer services	Total
Type of Customer			
Retail	₱10,632.64	₱676.73	₱11,309.37
Corporate	3,193.56	10.76	3,204.32
Total revenue from contracts with customers	**₱13,826.20**	**₱687.49**	**₱14,513.69**
Geographic Markets			
Domestic	₱8,240.52	₱357.50	₱8,598.02
Overseas	5,585.68	330.00	5,915.67
Total revenue from contracts with customers	**₱13,826.20**	**₱687.49**	**₱14,513.69**

In PHP 'millions	For the year ended December 31, 2022		
Segments	Logistics	Money transfer services	Total
Type of Customer			
Retail	₱11,431.66	₱611.22	₱12,042.88
Corporate	3,131.21	15.64	3,146.85
Total revenue from contracts with customers	**₱14,562.87**	**₱626.86**	**₱15,189.73**
Geographic Markets			
Domestic	₱8,678.02	₱274.13	₱8,952.15
Overseas	5,884.86	352.73	6,237.58
Total revenue from contracts with customers	**₱14,562.87**	**₱626.86**	**₱15,189.73**

As of December 31, 2024, the Logistics business of the Group accounts for approximately 97% of its total revenues while Money Transfer Services accounts for the remaining 3%.

Retail Logistics comprised 74%, 77% and 78% of the Group's service revenue from Logistics for the years ended December 31, 2024, 2023 and 2022, respectively. The Group's primary retail logistics offerings are its "Express" products (courier and air cargo forwarding) and balikbayan boxes.

For the year ended December 31, 2024, 2023 and 2022, service fees from international outbound remittances amounted to ₱1.08 million, ₱2.40 million, and ₱2.71 million, respectively.

For the years ended December 31, 2024, 2023 and 2022, service fees from international inbound remittances were ₱313.81 million, ₱330.00 million, and ₱352.73 million, accounting for 64%, 48% and 56%, respectively, of the Group's total service revenues from Money Transfer Services.

Logistics

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

As of December 31, 2024, the Group has offered Logistics services at 1,368 Company-owned branches in the Philippines and 67 Company-owned branches, and 771 Partner-agent branches, in 29 other countries and territories worldwide.

Retail Logistics

Retail Logistics comprised 74%, 77%, and 78% of the Group's service revenue from Logistics for the years ended December 31, 2024, 2023 and 2022, respectively. The Group's primary Retail Logistics offerings are its "Express" products (comprised of Courier and Air Cargo forwarding) and *Balikbayan* boxes.

Courier

Courier services are the Group's express messengerial services and refer to deliveries of parcels (i.e. letters and small packages typically weighing three kilograms or less) by land and/or air on a time-sensitive basis. LBCE generally performs domestic courier deliveries within 24 hours of acceptance alongside other committed lead times and international courier deliveries within one to three days of acceptance, depending on the origin and destination country. The Group is limited in liability for delays caused by certain *force majeure* and other events that may prevent it from making an on-time delivery. The fees for courier services are based on weight, dimensions and final destination, and the Group imposes add-on charges for extra services such as pick-up in certain areas outside of the National Capital Region of the Philippines, additional insurance and same-day delivery service.

Air Cargo

Cargo refers to larger packages and boxes (typically weighing over three kilograms). As with courier services, the Company generally performs express deliveries of domestic air cargo within 24 hours of acceptance alongside other committed lead times, while international air cargo is generally delivered within one to three days of acceptance, depending on the destination country. The Company charges for air cargo forwarding and items delivered by ground based on volumetric weight (a function of both the actual weight and dimensions of the cargo) and final destination, as well as add-on charges for extra services such as pick-up in certain areas, additional insurance and same-day delivery service.

Balikbayan Boxes

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

Corporate Logistics

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

Specialized Corporate Solutions (SCS)

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

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

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

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

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

Money Transfer Services

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

Domestic

Domestic Money Transfer services include (a) Remittances and (b) Corporate Remittance Payout services. For the years ended December 31, 2024, 2023 and 2022, service fees from domestic Money Transfer Services were ₱177.34 million ₱357.50 million, and ₱274.13 million, respectively, representing 36%, 52%, and 44%, respectively, of the Company's total service revenues from Money Transfer Services.

Remittances

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

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

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

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

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

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

Corporate Remittance Payouts

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

The basic process for domestic remittances is as follows:

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

- As with domestic remittances, beneficiaries of international inbound remittances can avail of instant branch pick-up services at any location within the Group's domestic network as soon as the transaction is processed into the Group's POS system from its overseas branch or agent-operated location. Beneficiaries of inbound international remittances can also arrange for the money to be delivered to their door, have the sums credited to a pre-paid remittance card or have proceeds deposited directly into a bank account. The Group charges a service fee for processing international remittances according to a progressive schedule based on value of the remittance and pick-up destination of the remittance. The significant majority of remittances made by customers of the Group are for sums equivalent to approximately ₱10,000 to ₱15,000 or less.

For the year ended December 31, 2024, 2023 and 2022, service fees from international outbound remittances amounted to ₱1.08 million, ₱2.40 million, and ₱2.71 million, respectively.

International

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

To expand its international reach, LBCE has also entered into agreements with affiliates and remittance fulfillment agents in countries and territories outside of the Philippines. These agents include International Remittance houses such as in the Asia-Pacific region: in Hong Kong, Pacific Ace Forex H.K. Limited; in Malaysia, SMJ TERATAI SDN. BHD., TML Remittance Center SDN. BHD., Merchantrade Asia SDN. BHD., Tranglo; in Japan, in the Middle East continent; in the United Arab Emirates, Al Ansari Exchange LLC., Instant Cash FZE., Worldwide Cash Express Limited; in the North American region; Remitly Inc., XOOM Corporation, Placid NK Corporation, and Continental Exchange Solutions, Inc. dba RIA Financial Services, in the United States of America, among others

International remittances are also encashed by LBCE from Philippine-based companies with international presence, such as Petnet Inc. (under Western Union), Pinoy Express Hatid Padala Services, Inc., Mastercard Transactions Services (Philippines), Inc., Filremit Corp., Uniteller Filipino, Inc., among others.

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

Through the extended networks of its partners and agents, the Company provided fulfillment services for inbound remittances, although it transacts only with its direct agents. Under the terms of the fulfillment partnership agreements that the Company enters into, direct agents are permitted only limited use of the "LBC" name, trademarks and other protected signs when transacting business on behalf of the Company and still carrying on business under their own corporate and trade names. The

Company receives a fixed percentage of the agent's revenues in exchange for its services in relation to inbound international remittances. The Company requires most of its remittance agents to maintain a revolving fund, which must be replenished when the balance falls beneath a set threshold. This is to ensure that the Company bears minimal credit risk when making payouts on behalf of international agents. In addition, most of the agreements have in place a maximum remittance value per transaction as a further risk mitigation tool, typically ranging from ₱75,000 to ₱100,000.

For the years ended December 31, 2024, 2023 and 2022, service fees from international inbound remittances were ₱313.80 million, ₱330.00 million, and ₱352.73 million, respectively, accounting for 64%, 48%, and 56%, respectively, of the Company's total service revenues from Money Transfer Services.

OPERATIONS

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

Logistics

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

Air Freight Forwarding

Domestic

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

- Acceptance is the receipt by the Group of the customer's parcels and cargo, either through its pick-up service or at one of the Group's 1,368 customer contact points in the Philippines where customers can drop off parcels and cargo. All parcels and cargo must be accompanied by a waybill from the customer providing the recipient's name, shipping address, description of contents, estimated value and other pertinent information. Upon receipt of the customer's parcel or cargo, the receiving agent affixes a barcode onto the package and scans the package, beginning the tracking process. The parcel or package is rescanned at every subsequent touch point throughout the transport process until its final destination.

- At the close of business each day (approximately 7:00 p.m.), all packages are delivered by the Group's vehicle fleet to a regional warehouse / distribution center, from any of 31 warehouses in the country. The Company has two primary distribution centers: the Central Exchange, located in Paranaque, where all packages collected from, passing through or destined for Metro Manila are aggregated, and the Cebu Central Exchange, functioning similarly to the Central Exchange in Manila. Packages collected in other areas are aggregated at any one of 21 warehouses located near airports throughout the country. Upon receipt, the Exchange teams "scan-in" all packages and print manifest (i.e. an itemized inventory) listings of all the barcodes "scanned." The manifest is used to check the number of shipments "scanned in" against the number of shipments that are later "scanned out."

- Throughout the night, the Exchange teams engage in primary sorting, and label parcels and cargo bound for different destinations across the Philippines to prepare them for onward transmission by air, sea or land.

- By morning, all packages bound for other provinces and cities are loaded onto the first and second flights of the day operated by Cebu Pacific Air and Philippine Airlines, among others. All packages to be transported by air are scanned by X-ray machines upon turnover to airline warehouses for detection of illegal and contraband goods.

- When the planes arrive at the destination airport, a team of employees withdraws shipments and again scans the barcodes and sorts the items, segregating parcels and cargo destined for different zones. The items may also be sorted at the Company's 178 regional delivery hubs (secondary distribution centers) for more efficient distribution to smaller cities and municipalities.

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

In 2020, service level agreements were extended beyond the standard timeframes. The Group's Domestic Air Forwarding services were diverted into land and sea forwarding (by way of RORO).

International

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

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

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

Ground Delivery Fleet

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

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

As of December 31, 2024, the Company has a fleet of 3,140 vehicles (including 2,400 motorcycles and 740 delivery vans). The Company's drivers and couriers are trained in vehicle operation safety, customer service, cash handling and other procedures. Vehicles are acquired on a lease-to-own basis pursuant to finance leases with a typical term of three to five years to ownership. The Company's vehicle fleet undergoes maintenance on a regularly scheduled basis, and vehicles are typically replaced every ten years. The Group began re-fleeting most of its delivery trucks, in 2014, and motorcycles, in the latter part of 2017. Comprehensive insurance is maintained for all vehicles.

Sea Cargo Forwarding

As of the end of December 2024, the Group's Sea Cargo forwarding services are available domestically in Manila, Cebu, Bacolod, Iloilo, Davao, Cagayan de Oro and General Santos, and internationally in 29 countries and territories outside the Philippines.

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

Retail

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

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

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

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

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

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

- International inbound *Balikbayan* Boxes are in transit for seven (7) to eleven (11) days (for shipments within Asia) or 55 to 65 days (for shipments from Europe or North America) prior to arriving in Manila. All such *Balikbayan* Boxes are received by the international freight forwarder at either of the ports in Manila, Subic, Zambales, or Cagayan de Oro and consigned to the Group at the Vitas Harbor Center Warehouse. Intra-Philippine shipments, which generally take between two and three days for Manila, three to four days for Luzon, seven to ten days Visayas and then to fifteen days forMindanao to arrive at their destination, are received at regional warehouses and distribution centers. For international inbound shipments, the Group's customs brokers facilitate procedures necessary to be undertaken with the Philippine Bureau of Customs, while its international freight forwarder arranges for customs brokerage in the international jurisdictions.

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

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

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

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

Specialized Corporate Solutions

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

Money Transfer Services

Remittances

Infrastructure
The Group leverages the branch network and vehicle fleet used for its Logistics services as a platform for its remittance services. The extensive geographic reach of its branch network, its large fleet of

delivery vehicles, the existing workforce of trained employees and the availability of cash funds at each of the Group branches from its logistics operations enable the Group to offer remittance services at very low additional operating cost. As the remittance business has grown into a significant portion of its business, the Group has increased the number of customer contact points for its remittance services by entering into fulfillment partnership agreements with agents and affiliates domestically and internationally.

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

Domestic Partners

To expand its domestic network for remittance services, LBC Express Inc. and Eight Under Par, Inc. (a Philippine corporation doing business under the trade name "Palawan Pawnshop") entered into a non-exclusive agreement in June 2012 to serve as reciprocal fulfillment agents within the Philippines. A similar partnership was entered into by the Company with Cebuana Lhuillier Services Corporation (under the trade name "Cebuana Lhuillier") in 2019. Through these agreements, all of Palawan Pawnshop's 3,300 branches and Cebuana Lhuillier's 3,500 branches in the Philippines are available to provide instant branch pick-up services for beneficiaries of LBCE's remittance customers, and all of LBCE's 1,368 branches in the Philippines in turn provide the same service for Palawan Pawnshop's customers. All partners collect a reciprocal percentage of service fees for performing services on behalf the other.

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

- Branch Retail services enable customers who make Remittances at any of the 1,368 Company-owned branches in the Philippines to choose among the fulfillment options for their beneficiaries. Upon acceptance from the sender, there is an online facility processes the request. An encashment alert is sent to the specified branch and the latter ensures fund availability to serve the consignee.

    - *Instant branch pick-up (Instant Pera Padala "IPP")*, a real-time cash pick-up remittance facility by which funds become instantaneously available for pick-up by the remitter's beneficiary once the sending party has made the payment at any of the 1,525 Company-owned branches or Palawan Pawnshop and/or Cebuana Lhuillier partner branches; the sending party can designate any pick-up location or geographic zone within the Company's domestic network;

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

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

International Remittance Agents
To expand its international reach, LBCE has also entered into agreements with affiliates and remittance fulfillment agents in countries and territories outside of the Philippines. These agents include International Remittance houses such as in the Asia-Pacific region: in Hong Kong, Pacific Ace Forex H.K. Limited; in Malaysia, SMJ TERATAI SDN. BHD., TML Remittance Center SDN. BHD., Merchantrade Asia SDN. BHD., Tranglo; in Japan, in the Middle East continent; in the United Arab Emirates, Al Ansari Exchange LLC., Instant Cash FZE., Worldwide Cash Express Limited; in the North American region; Remitly Inc., XOOM Corporation, Placid NK Corporation, and Continental Exchange Solutions, Inc. dba RIA Financial Services, in the United States of America, among others

International remittances are also encashed by LBCE from Philippine-based companies with international presence, such as Petnet Inc. (under Western Union), Pinoy Express Hatid Padala Services, Inc., Mastercard Transactions Services (Philippines), Inc., Filremit Corp., Uniteller Filipino, Inc., among others.

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

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

The basic process for domestic remittances is as follows:

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

Corporate Remittance Payouts
The Company also provides Payout services for various corporations and organizations. The processor will acknowledge corporate transactions via email and validate payments by corporate client. The LBC backroom will confirm fund allocation, assign tracking numbers and perform recording to complete the transaction processing.

Cash on Delivery / Cash on Pick-Up ("COD/COP")
More and more Filipinos are doing their shopping online. Since 2017, the e-commerce industry has been growing exponentially, with digital marketplaces registering record sales and consistent growth. The Philippines has also ranked first in social media use and time spent online, which makes the country an ideal market for e-commerce to thrive and sustain vigorous activity.

One of the many challenges faced by many e-commerce merchants were payment gateways/options. Majority of online sellers are also considered "casual sellers" or "social sellers" and with most of them unbanked, completing a transaction had been a challenge. LBCE's inception of a payment solution bundled with logistics capabilities was "Cash On Delivery" (COD) and "Cash On Pick-up" (COP) service.

With this innovative new service, LBCE has enabled more merchants, including "casual or social sellers" to enter into and participate regularly in the thriving e-commerce arena. With "COD/COP," merchants have LBC deliver their goods and collect payment for them, which in turn can either be remitted to their appointed bank accounts or picked up from a designated LBC branch.

This pioneering service has helped spur the further growth of the e-commerce industry in the country, enabling trade, commerce, and generated income for many - promoting the Company's strategy of financial inclusivity and wide accessibility of services.

"COD/COP" utilizes both of LBCE's core business/services: logistics, as a courier of parcels & boxes, and money remittance, as a payment collection channel and payout conduit. Furthermore, LBC serves as a venue for transactions or "trading place": COP guarantees convenient and seamless transactions between merchant and buyer, a buyer may opt for any of LBCE's 1,368 branches as a pick- up point for their items purchased. COD offers the more established delivery scheme: LBC delivery associates collect payments from buyers upon delivery of the items, and these are delivered to any designated address, be it residential, office, or any other location. The collection of payments on behalf of the merchants from the buyers offer safe, reliable and guaranteed assurance for merchants engaging in online selling transactions. LBCE's expansive nationwide network and serviceable areas also allows for buyers to shop from anywhere in the Philippines, and sellers to reach more customers nationwide. COD/COP rates are competitively priced, providing value for money for merchants and buyers, along with LBC's guaranteed service levels.

COD/COP can be availed of at any LBC branch, without any other obligations or contracts; transactions are immediately processed upon fulfillment of the prescribed forms available at the branch. There is no need to create an "account" on online shopping sites, or to maintain any minimum volume of transactions to start an online or "social selling" business. Beginning in 2021, LBC's COD/COP service was also made available through online platforms/channels, primarily via www.lbcexpress.com

MARKETING AND SALES

The logistics industry continues to evolve rapidly, driven by heightened demand for convenient, digital, fast and highly reliable services. Changing customer expectations, the expansion of eCommerce, particularly through retail social selling, and the emergence of both regional and international last-mile providers have contributed to a highly segmented and increasingly competitive market landscape.

In response, the Group's primary marketing objective for 2024 is to re-establish strong connections with customers, conduct a comprehensive analysis of existing and emerging market segments, and adapt to their evolving needs with greater agility and precision. These efforts will be undertaken in parallel with the Group's ongoing community engagement initiatives, in alignment with its enduring commitment to corporate social responsibility.

Brand Equity and the Filipino Connection

LBC remains one of the Philippines' most recognized brands, as highlighted by a 2023 PSRC national survey among Filipinos using various delivery services. As a pioneer in the logistics industry, LBC has grown to 1,368 branches nationwide with a presence in 29 countries globally, continuously striving to serve Filipinos wherever they are.

Sustained by a strong presence in traditional media and increased visibility on popular digital platforms, LBC remains the top-of-mind and most trusted brand among traditional, long-time individual senders. The brand enjoys deep customer loyalty for its legacy of reliability and trustworthiness, making it the preferred choice for millions of Filipinos.

Marketing and Communications Post-Pandemic

LBC's relentless pursuit of innovation in the wake of the pandemic led to the launch of an enhanced web and mobile application, allowing customers to book shipments faster and more conveniently—whether through branch drop-off or rider pick-up. These digital platforms made LBC more accessible to the growing number of Filipinos using mobile devices for their transactions.

Recognizing the demand for affordable, frequent shipping, LBC introduced the Sakto Pack, a budget-friendly shipping option first launched in Metro Manila and now expanding nationwide. This fast-moving SKU was soon replicated by competitors, proving its effectiveness in addressing customer needs and driving acquisition.

To penetrate the eCommerce segment, LBC strengthened its Cash-on-Pick-up P80 offering and, towards the end of the year, introduced a tactical promo for Cash-on-Delivery P80. Additionally, RUSH VisMin was launched in Q4, promising next-day delivery for provincial senders. These initiatives, among others, were designed to provide solutions to key customer pain points, reinforcing LBC's position as a leader in logistics solutions.

Penetrating the eCommerce Market through SoShop!

LBC launched SoShop! in 2020 to support online businesses and social sellers with volume discounts, learning opportunities, and access to a growing market. The program gained traction quickly, reaching 30,000 customers in its first year, an additional 140,000 in 2021, and currently boasts 500,000 registered members as of August 2024.

By offering volume discounts of up to 50% off shipping fees, SoShop! enables business growth for social sellers. In 2022 and throughout 2023, LBC elevated the program by offering SoShop! members dedicated spaces within select branches for live online selling events, enabling real-time product promotion and instant shipping of purchased goods.

Through these initiatives, LBC continues to deepen its engagement with the fast-growing social commerce sector, supporting entrepreneurs and digital sellers with solutions that enhance efficiency and boost sales.

Media Strategy Shift: A Digital-First Approach

The evolving media landscape has significantly affected customer consumption habits, shifting engagement from traditional television and radio to digital and social platforms. Recognizing this shift, LBC has adopted a digital-first approach, optimizing its media investments for maximum efficiency and audience reach.

LBC's marketing efforts now prioritize:

- Social media dominance: Strategic ad placements and engagement-focused content across Meta (Facebook, Instagram), TikTok, YouTube, and X (Twitter) to connect with a highly engaged audience.

- Hyper-targeted advertising: Leveraging AI-powered audience segmentation and programmatic ads to ensure precision in reaching customers based on behavior, location, and purchase patterns.

- Search visibility and SEO optimization: Strengthening LBC's online presence through Google Ads, search engine marketing (SEM), and search engine optimization (SEO) to capture high-intent customers actively searching for logistics solutions.

- Influencer collaborations and user-generated content: Partnering with key content creators, vloggers, and eCommerce sellers to create authentic, relatable brand conversations.

- Data-driven performance marketing: Continuously refining strategies using real-time analytics and conversion tracking, ensuring every marketing peso delivers measurable results.

With these initiatives, LBC is not just keeping up with modern digital trends but leading the industry in customer engagement and conversion-driven marketing. By placing innovation and digital transformation at the core of its strategy, LBC ensures continued dominance in the logistics sector, meeting the evolving needs of Filipinos wherever they are, online or offline.

INFORMATION TECHNOLOGY

Operational

The Group remains steadfast in its commitment to investing in cutting-edge IT systems to uphold its competitive advantage and to deliver high-quality service to its customers more efficiently. Continuous improvements have been made to the Transport Management System, enhancing processes and leading to advancements in both customer-facing and internal systems. Additionally, significant investments have been directed towards Data Analytics by using the latest technology for its Data Warehouse architecture preparing it for the future in Digital Logistics. Moreover, the Group has fully embraced Cloud technology, facilitating the exploration of new innovations by eliminating hardware constraints and streamlining the procurement process. This approach enables the business to rapidly adjust resources and storage to accommodate evolving business needs, without the necessity of investing in physical infrastructure.

The Group has also upgraded its current network infrastructure to allow for a more secure and reliable environment. It upgraded its connectivity bandwidth and implemented a Software Defined Wide Area Network (SD WAN) to provide added network security and reliability. This has enabled the Group to improve its network availability significantly. The group also invested on Security Operation Center (SOC) in partnership with DTSI/NTT Security to provide 24/7 real time threat detection with capabilities on global intelligence correlation, multi-stage attack detection and anomaly threat analysis.

Business Management

The Group uses a comprehensive suite of customized business management solutions software designed and licensed by SAP. The Group has utilized SAP's Financial Accounting and Controlling (SAP FICO), Sales and Distribution (SAP SD) and Materials Management (SAP MM) modules. The Group has migrated SAP System Landscape to SAP S/4 HANA CLOUD which enables scalability with low-risk deployments and leverage on SAP RISE's Fully Managed Services which covers Infrastructure and Database related activities. Thus, free-up IT resources and saves on cost for the company. SAP Financial modules were also rolled out to other countries like UAE, KSA, Kuwait, Bahrain, Qatar and Singapore for ease of financial reporting and consolidation and in compliance with the VAT Implementation in the Gulf Cooperation Council (GCC) Region.

As part of the digital transformation program, the Group has utilized Data Analytics for both predictive and operational purposes. It has also utilized its GPS data to create a database for last meter deliveries. It has also allowed itself to do paperless transactions through its handheld devices. The Group is also maximizing the use of Power BI (Business Intelligence) for its operational and financial reports allowing it to be able to make well informed decisions based on real time data.

Online and Mobile Platform

To enhance the customer experience, the Group has developed a digital platform that enables online real-time transaction processing and customer service through its website (www.lbcexpress.com). Currently, the Group's website contains several interactive features for its customers, including package tracking, rate calculators and scheduling of pick-ups for parcels and cargo, as well as real-time customer service support through the "Live Talk" capability. Adding to this commitment to customer convenience is the company's introduction of a Chatbot feature accessible through its Meta (Facebook) account. This Chatbot streamlines the booking process for rider pickup, stay informed with real-time tracking updates, locate the nearest LBC branch, check rates, handover to human agent, offering users a seamless experience. The company launched LBC Online in June 2020 through its website. LBC Online is a digital service to bridge LBC closer to the customers through online innovation where customers can book packages, process shipping and manage their money remittance all in a click while at the comfort of their home.

Expanding LBC's customer-centric approach LBC unveiled the LBC App in 2022, available for both Android and iPhone users. This innovative platform empowers customers to seamlessly initiate transactions, conveniently track their packages near real-time, and easily access information on LBC service rates. The utilization of a mobile tool for booking and tracking packages presents a paradigm shift in customer convenience and operational efficiency. By integrating these functionalities into a user-friendly mobile application such as the LBC App, customers benefit from unparalleled accessibility and flexibility in managing their shipments. Gone are the days of cumbersome desktop transactions; with the tap of a screen, users can effortlessly initiate bookings, select preferred delivery options, and receive instant confirmations—all from the palm of their hand.

Designed to cater to the diverse needs of both B2C and B2B markets, LBC introduced LBC Corporate Account Portal in 2023. Corporate clients gain access to a centralized hub where they can efficiently manage their transactions and streamline their shipping processes. Within the interface, users have access to a wide range of tools: Transaction Management furnishes users with expansive overviews, enabling tracking of shipments and real-time oversight of delivery statuses. Seamless Package Tracking functionality allows for effortless monitoring of package progression throughout the entire shipping trajectory, offering real-time updates for enhanced peace of mind and precise anticipation of delivery schedules. Pickup Scheduling facilitates punctual collection of shipments through direct booking within the dashboard, eliminating the requirement for complicated manual coordination and improving operational efficiency. Meanwhile, Airway Bill Generation, seamlessly automates the production of critical shipping labels, expediting workflows and enhancing overall efficiency and accuracy. By combining these features, LBC's dashboard emerges as a pivotal tool for corporations, augmenting transparency, operational proficiency, and documentation precision within their logistical frameworks.

GCash has revolutionized financial transactions in the Philippines by providing a convenient and secure digital wallet solution. By integrating GCash as a payment solution in LBC branches, the Group aims to enhance customer experience and provide a seamless cashless payment option, aligning with its commitment to digital transformation and customer convenience.

The company has also made a strategic investment in SOTI MobiControl as its mobile device management (MDM) solution. SOTI MobiControl is a robust MDM system that allows the company to monitor, manage, and secure its fleet of desktop, laptop and handheld devices. This implementation has already shown significant benefits. For instance, the IT department can now perform activities such as remote device management, troubleshooting, and configuration assistance, leading to successful outcomes like error-free printing and efficient scanning processes.

Digital Transformation

Achieving the Group's vision is anchored on its ability to digitally transform the way they do things; the "Way We Move". However, Digital Transformation is not only just about incorporating the technological tools needed to change the organization; it is a massive undertaking given the scale of the Group and understanding that changes will only begin once mindsets of the human elements are also shifted. This "Change Management" for a 70+ year-old company, a heritage brand, will include over 11,000 associates across the globe, and a vast network of brick-and-mortar stores, hubs, and warehouses.

For the customers: Evolving consumer behavior and preferences are driving the way LBC wants to approach business. Our Group will be introducing solutions for a market that is connected 24/7, time-starved, with demands anchored on technology's ability to respond at the speed of need.

In response to customer demand, LBC recognizes that we cannot continue running our business with the current processes and technologies. Automation of all key processes is needed to survive and to be relevant in the industry.

The Group's core logistics applications are upgrading to automate all manual processes. Operations will significantly change once fully implemented. The Group will also be introducing additional products and services to customers of all segments.

For the partners: Boundaries among suppliers, service providers and consumers are evolving quickly, as a result of rapid shifts in technological advances. This entails a fundamental rethinking about how LBC streamlines internal processes, and will prioritize, ever more, driving speed and efficiency.

LBC's Digital Transformation will accelerate business activities, processes and competencies that will, in turn, impact the stakeholders in strategic and meaningful ways. The Group will harness Digital Transformation to radically improve internal performance, partner relationships, and expand reach across different business segments. The Group aims to:

- Further develop the first mile to make us accessible for pick-ups for the retail market, and small-corporate accounts (MSMEs);

- Set up our cross-border operations to capture the e-Commerce market at its origin, making LBC an end-to-end logistics service provider;

- Partner with other logistics service providers through crowdsourcing, making our pick-up and delivery operations "burstable";

- Utilize crowdsourcing to fulfill the need for surge of volume, thus providing a cost-effective solution to demand;

- Expand our Returns Services to Reverse Logistics through reselling, liquidation or disposal of returned items;

- Expand money transaction through digital currency solutions, allowing peer-to-peer payments or C2B payments; and

- Ensure improved efficiencies in our hubs.

All these initiatives will be driven by technology and supported by skilled workforce.

LBC has invested on Digital Transformation to ensure that infrastructure and systems will support our automated processes, and to enable better decision making through information transparency and integrity across all touchpoints.

STATUS OF ANY PUBLICLY-ANNOUNCED NEW PRODUCT OR SERVICE

LBC Rush Service

On October 1, 2023, LBC introduced the RUSH service, an express delivery service which commits to having shipments delivered within one to two days from acceptance. LBC assures customers, whether walk-in or online, of this faster delivery lead time.

LBC Rush is available for shipments of National Capital Region (NCR) origin only, bound to Visayas or Mindanao, except out-of-delivery zone and remote areas with lead time of 1 to 2 days.

LBC Sakto Pack

In 2022, the LBC Sakto Pack introduced a receptacle measuring 9" inches X 7.5" inches, with a maximum weight limit of 500 grams. Ideal for social sellers, the receptacle pouch was designed to accommodate smaller items, such as cosmetics, jewelry, novelties, and even small clothing items. Price points were also designed for ease, ranging between PhP 39 - 69, allowing social sellers flexibility and attractive pass-on rates. LBC has pioneered this receptacle pouch size and pricing, and has no competing services from other courier brands.

The Sakto Pack was initially introduced as a promotion from September 8, 2022 - December 8, 2022, but was later extended, and is available nationwide. The Sakto Pack may be booked through LBC's digital platforms (LBC App and LBC Website). Once booking is confirmed, customer can release the package for delivery via LBC rider pick-up or LBC branch drop-off.

COMPETITION

Logistics

The Group is a recognized market leader in the Philippine retail logistics industry, maintaining its position as the country's top importer of *balikbayan* boxes in terms of throughput for the past 20 years. While the Group holds a significant market share in the courier and air freight forwarding sector, it faces competition from key industry players such as J&T Express, AP Cargo Logistics Network Corporation, JRS Business Corporation, Airfreight 2100, Inc., Cargo Padala Express Forwarding Service Corporation, Libcap Super Express Corporation, and 2Go Express, Inc.

Additionally, the rise of on-demand logistics services has introduced new competition, with brands like Grab and Lalamove gaining traction in recent years. On an international level, the Group competes with global freight forwarding companies such as DHL, FedEx, and UPS. However, these international firms have historically had a limited presence in the Philippine logistics sector due to restrictions on foreign ownership and the logistical challenges presented by the country's archipelagic geography.

In the corporate logistics segment, major competitors in the Philippines include Ninjavan, Flash Express, 2Go Freight, and Fast Cargo, Inc. Internationally, DHL, FedEx, and UPS remain key competitors. While the Group's market share in this segment remains relatively modest, its corporate logistics business has demonstrated strong growth since being formally introduced as a separate business line in 2010. The Group aims to expand its presence in this sector by leveraging its well-established brand reputation and extensive retail logistics network.

Money Transfer Services

According to Ken Research, the Group ranks among the top five non-bank providers of domestic remittance services by volume and is also one of the leading non-bank providers of international inbound remittances in the Philippines as of calendar year 2012. The Group competes with both banking institutions and non-bank financial service providers for market share in the international and domestic remittance sector.

Major Philippine banks, including BDO Unibank, Inc., Bank of the Philippine Islands, Philippine National Bank, Metrobank, and RCBC, account for the majority of remittance transactions in terms of volume. However, the Group primarily serves the unbanked population, which represents a significant portion of Filipinos, providing substantial opportunities for further growth in the domestic remittance market.

The Group's primary non-bank competitors in the remittance industry include M. Lhuillier, Cebuana Lhuillier, iRemit, and Western Union. However, rather than solely competing, the Group has strategically partnered with several of these entities to extend its network reach and enhance market penetration. The industry's high barriers to entry, including stringent regulatory licensing requirements and the necessity for an extensive distribution network, limit the likelihood of new major competitors emerging in the foreseeable future.

QUALITY ASSURANCE AND INTERNAL CONTROLS

Quality Assurance

The Group acknowledges that quality is a fundamental and indispensable component of its business operations and considers it a principal responsibility in its engagement with all stakeholders. Anchored in its brand promise, "A Friend who makes your day," LBC Express remains steadfast in its commitment to integrating quality across all facets of the organization. This is demonstrated through the pursuit of profitable and sustainable growth, the optimization of operational efficiencies, the consistent execution of processes characterized by clarity, certainty, and convenience, and the continuous advancement of operational excellence within an agile and responsive organizational framework.

LBC consistently upholds its dedication to delivering high-quality service across all areas of its business. To this end, the Group has established comprehensive standards and procedures that govern service delivery, ensuring a seamless, dependable, and customer-centric experience. In addition, mechanisms are in place to regularly monitor performance quality and to proactively develop contingency measures, thereby safeguarding business continuity and mitigating potential disruptions.

Discrepancy Reporting and Undeliverable Items

To ensure that loss and damage is minimal, the Group trains all relevant employees in the proper handling of parcels and cargo. It also has in place stringent procedures for scanning of shipments at all touch points. Upon withdrawal of an item at a distribution center, a manifest of all scanned barcodes is printed, which is later checked against outgoing shipments. Pursuant to the Group's standard operating procedures, all shipping discrepancies must be reported as they occur, with team leaders at the Central Exchange and regional distribution centers responsible for preparing preventive and corrective action, as well as compiling and providing discrepancy reports to the management on a regular basis. Discrepancies include damage, incomplete addresses, misrouted parcels and cargo, shipments to out-of-delivery-zone addresses, pilferage and improper acceptance.

When shipments are undeliverable because, for example, a recipient is unknown or not found at the destination address, or the destination address is not locatable, the Group will send out multiple notices to the sender, including initially an e-mail, followed up by a phone call and, as a last resort, a letter by registered mail. Shipments that remain unclaimed following these procedures (which typically take place over the course of six months to a year) are auctioned, with proceeds generally donated to charity after deducting costs incurred by the Group for storage and other related expenses.

Cash Collection and Management

The Group has implemented strict and comprehensive cash collection and management policies and procedures to minimize operational errors and promote customer trust. For example, every Group branch office is required to set up "cash sanctuaries" to minimize financial loss in the event of a robbery. In addition, the Group also sets strict limits on the amount of cash each branch is permitted to hold before the branch is required to make cash deposits at a bank, as well as value limits on cash deliveries of *Pesopak*.

Compliance with the Group's cash collection and management policies and procedures is monitored through random audits conducted by the Group's general accounting staff. Each branch has a team leader who is responsible for appointing two cash custodians, one primary cash custodian and one back-up cash custodian, maintaining a team resolution (which is signed by all branch associates and delineates the type of funds kept by the cash custodians) and producing readily-available documents showing proper cash turn-over among associates. The primary cash custodian is required to properly account for cash under safekeeping on a daily basis and ensure that there is no mingling of Group funds with customer funds. Every branch associate is required to undertake precautions to safeguard the cash within his or her branch office.

Business Continuity

The success of the Group's business is particularly dependent on the efficient and uninterrupted flow of its operations.

To safeguard against unanticipated interruptions in its business, the Group has instated the following business continuity plans and procedures:

- *Information Technology*. With respect to technology, the Group has back-up servers managed by its IT service provider with built-in redundancies for its various systems in which operational and customer data is stored. In the event of system downtimes, the Group has in place a back-up system whereby communication is maintained through mobile text messaging.

- *Transportation (Logistics).* Although the Group relies on airline and shipping carriers for its daily freight forwarding operations, it also has in place alternative procedures in the event that an airline or shipping carrier is unavailable. For example, when flights are grounded due to severe weather, the Group's vehicle fleet is capable of making deliveries by ground. Although ground deliveries may take longer than air cargo shipments, this enables the Group to continue its service even when other modes of transportation may be unavailable. When its usual shipping carriers are unavailable, the Group also makes use of its vehicle fleet. The vehicles can make deliveries to any region accessible by land, or can make use of RORO ("roll-on-roll-off") car ferries to reach locations that require sea transport.

- *Funding Insufficiencies (Remittances).* Although the Global Remittance Team monitors and makes daily estimates of the funding needs of each branch, on occasion, there may be insufficient funds at a given location to encash a remittance. In such a case, the Group has in place procedures for either nearby branches to deliver the necessary sums, or for authorized personnel to withdraw the cash from one of the Group's local bank accounts.

Post pandemic, the Group was able to continuously operate through the previous years' circumstances, within its expansive operations in the Philippines, and around the globe.

SUPPLIERS

The Group has a broad base of suppliers. The Group is not dependent on one or a limited number of suppliers. The Group adheres to a Sourcing/Purchasing procedure which begins from the receipt of request for quotation, approved purchase requisition, or approved material requisition for new items or repetitive items such as Stock Items, Non-stock Items, Services and Capital Expenditures. The group also monitors delivery of stocks and/or services and interacts with the suppliers to ensure there are no deviations from existing Service Level Agreements with the vendors. These procedures adhere to Policies & Procedures such as: Three Canvassing Policy, Bids and Awards Policy, Policy on Construction of Facilities implemented by the Company's Sourcing & Procurement team. Likewise, a Procurement Manual is in place, which contains, among others, the following:

- Accreditation Requirements for Suppliers / Contractors
- Timeline for Purchase Order Processing and Delivery
- Process flow in Purchase Order creation for Regular Materials and Supplies
- Domestic Purchasing Process
- Vendor Evaluation Form

CUSTOMERS

The Group has a broad market base, including local and foreign individual and institutional clients. The Group does not have a customer that will account for 20% or more of its revenues.

TRANSACTIONS WITH RELATED PARTIES

Please refer to item 12 ("Certain Relationships and Related Transactions") of this Report.

INTERLLECTUAL PROPERTY

The Group uses a variety of registered names and marks, including the names "LBC Express, Inc.," "LBC Express," "LBC", "*Hari Ng Padala*" (Filipino for "King of Forwarding Services") and "WWW.LBCEXPRESS.COM" as well as the traditional and the re-designed "LBC" corporate logos (including the new slogan "We Like To Move It"), the "Team LBC *Hari Ng Padala*" logo and "LBC Remit Express" logo in connection with its business. Except for the "LBC Remit Express" design and logo (registered on July 26, 2012 and expires on July 26, 2022) and the LBC in rectangular box and *Pesopak* logo (registered on May 31, 2012 and expires on May 31, 2022), which are owned directly by the Company, these marks (collectively, the "LBC Marks") are owned and licensed to the Company by LBC Development Corporation, the Company's parent company, pursuant to a trademark licensing agreement. Under the terms of this agreement, the Company has the full and exclusive right to utilize the LBC Marks in consideration for a fixed royalty fee of 3.5% of the Company's annual gross revenues (defined as all revenue from sales of products and services, direct and indirect, relating to the Company's business operations). Pursuant to an addendum signed October 25, 2013, the fixed royalty fee was lowered to 2.5%, effective December 1, 2013.

Under the agreement, the Company also has the right to extend the use of the LBC marks to its subsidiaries (defined as companies in which the Company holds at least 67% of the voting rights) within the Philippines, as well as to its remittance and cargo/courier/freight forwarding fulfillment service partners and agents in the Philippines and abroad, subject to certain terms and conditions. In practice, foreign agents of the Company are granted very limited use of the "LBC" brand and logos pursuant to the individual agency agreements entered into between them and the Company.

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

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

GOVERNMENT PERMITS AND LICENSES

The Group secures various approvals, permits and licenses from the appropriate government agencies or authorities as part of the normal course of its business.

EMPLOYEES

As of December 31, 2024, the Group had, on a consolidated basis, 8,285 full-time employees, compared to 10,238 full-time employees as of December 31, 2023. The Group continues to add to its workforce on a regular basis in line with the growth of its business.

Under the Group's hiring policy, all branch employees must have at minimum a college degree, while exchange associates and drivers and couriers are generally required to have completed a two-year vocational course or the second year of college. Employees of the Group in the Philippines are primarily trained in-house.

The Group maintains a non-contributory defined benefit plan covering all qualified employees in the Philippines.

The following table sets out the number of employees of the Group by job function as of December 31, 2024:

	Number of Employees
Management and Administrative Associates	213
Central Exchange and Regional Distribution Center Associates	346
Branch Associates	3,087
Drivers and Couriers	2,532
Other	2,107
Total	**8,285**

As of the end of December 2024, four Company subsidiaries in the Philippines have entered into collective bargaining agreements with their respective employees, with approximately 700 employee memberships. Approximately 400 of these employees in the Philippines belong to one of the six labor unions (for four subsidiaries). The Group believes that there is sufficient coverage by its other, nonunionized subsidiaries to provide back-up support in the event of a disruptive labor dispute at any given unionized subsidiary. In addition, because freight forwarding and messengerial services may be considered indispensable to national interest in the Philippines, the Secretary of the Department of Labor and Employment in the Philippines has the discretion to end strikes or certify the same to the National Labor Relations Commission for compulsory arbitration pursuant to Article 263(g) of the Philippine Labor Code, even in cases involving private providers of such services. Such cessation order or arbitration certification would have the effect of automatically enjoining an intended or impending strike or, if one has already taken place, of requiring all striking or locked out employees to immediately return to work and all employers to immediately resume operations. The Company has not experienced any disruptive labor disputes, strikes or threats of strikes for at least the past decade. Management believes that the Company's relationship with its employees in general is satisfactory.

The Group complies with minimum compensation and benefits standards as well as all other applicable labor and employment regulations in all of the jurisdictions in which it operates. The Group has in place internal control systems and risk management procedures, primarily overseen by its Corporate Compliance Group, Labor Department and Legal Department, to monitor its continued compliance with labor, employment and other applicable regulations.

In addition to full-time employees, the Group relies on contractors for the peak seasons, such as during the Easter and Christmas seasons, to satisfy increased demand for services.

RISKS

The Group is subject to certain operational, regulatory and financial risks as follows:

- A significant portion of the Group's business activities are conducted in the Philippines and a significant portion of its assets are located in the Philippines, which exposes the Group to risks associated with the Philippines, including the performance of, and impacts of global conditions on, the Philippine economy.
- The Group's business is particularly dependent on the quality as well as the efficient and uninterrupted operation of its IT and computer network systems, and disruptions to these systems could adversely affect its business, financial condition and results of operations.
- The Group may not be able to expand its domestic branch network and its product offerings and expand into new geographical markets or develop its existing international operations successfully, which could limit the Group's ability to grow and increase its profitability.
- If consumer confidence in the Group and the "LBC" brand deteriorates, the Group's business, financial condition and results of operations could be adversely affected.
- The Group relies on third party contractors to provide various services, and unsatisfactory or faulty performance of these contractors could have a material adverse effect on the Group's business.
- The Group faces risks from increases in freight and transportation costs.
- The Group operates in competitive industries, which could limit its ability to maintain or increase its market share and maintain profitability.
- Any deterioration in the Group's employee relations, or any significant increases in the cost of labor, could materially and adversely affect the Group's operations.
- The Group may encounter difficulties in managing the operations of its agents and affiliates effectively.
- The Group's businesses are subject to regulation in the Philippines, and any changes in Government policies could adversely affect the Group's operations and profitability.
- The Group is subject to numerous U.S. and international laws and regulations intended to help detect and prevent money laundering, terrorist financing, fraud and other illicit activity. Failure by the Group, its agents and affiliates to comply with these laws and regulations and increased costs or loss of business associated with compliance with these laws and regulations could have a material adverse effect on the Group's business, financial condition and results of operations.
- The Group faces risks from trade restrictions.

- Any inability of the Group to secure renewals or new licenses for its money transfer operations may have a material adverse effect on its business, prospects, financial condition and results of operations.
- Risks associated with the Group's money transfer operations outside the Philippines could adversely affect the Group's business, financial condition and results of operations.

Item 2. PROPERTIES

REAL PROPERTY

On April 15, 2019, LBCE entered into a Contract to Sell (CTS) with a third party for the purchase of parcels of land for a total consideration of ₱916.89 million. As stipulated in the Contract, within 10 days of the signing of the CTS, LBCE paid the initial down payment amounting to ₱183.38 million. Subsequently, the second payment of ₱91.69 million was settled by LBCE within 15 business days upon presentation of the seller of the new subdivided title, while the remaining purchase price amounting to ₱641.82 million shall be paid through a bank financing not later than one year from the CTS date. Subsequently on February 10, 2020, LBCE availed a bank loan to settle the remaining unpaid purchase price wherein the same property was used as collateral to secure the bank loan. Capitalized direct expenses include transfer fees, capital gains tax, documentary stamp taxes and notarial fees amounting to ₱114.37 million.

On May 27, 2021, LBCE entered into an agreement with Union Bank of the Philippine (UBP) to finance the construction of the new warehouse. On August 5, 2021, the bank loan used for acquisition of land mentioned above was taken out via this contract (Note 15 of the consolidated financial statements). Various drawdowns of loans were made since 2021 to fund the construction of the LBC Central Exchange Facility in L-2 C5 Extension, Moonwalk, Paranaque City which started operations in August 2023. Total cost of building capitalized as of December 31, 2023 is ₱1.14 billion.

The Group's registered office is located at the LBC Hangar at the General Aviation Center in the Old Domestic Airport, Pasay City pursuant to a lease with the Manila International Airport Authority. The LBC Hangar houses the Central Exchange, as well as the Company's Information Technology Team and Global Remittance Team. The lease contract involving this facility ended in December 2023 and all operations were transferred to the new warehouse, simultaneous to the change in LBCE's registered office address. The Parent Company is awaiting approval for the change of address, as well, as of report date.

In addition, the Group leases the spaces for all its 1,368 Company-owned branches in the Philippines, as well as its regional distribution centers, delivery hubs, container freight stations and warehouses. The average term of these leases is one to eleven years, except for one warehouse which has a lease term of twenty (20) years, renewable at the Group's option at such terms and conditions which may be agreed upon by both parties. Branch offices are refurbished approximately every five to seven years, and the Company considers strategic relocation of branch offices from time to time to meet changing market demands.

For its general and administrative activities, the Group leases a 1,489.50 sq. m. office space at the Two-E-com Centre in Pasay City, Metro Manila, and a 1,701.07 sq. m. office space at the Ocean Breeze also in Pasay City, Metro Manila, both located near its registered office at the LBC Hangar.

For the years ended December 31, 2024, 2023 and 2022, the Company's total expenses related to leases were ₱1,483.63 million, ₱1,572.06 million, and ₱1,546.91 million, respectively.

EQUIPMENT

Other property and equipment owned by the Group primarily comprises its fleet of 3,140 vehicles (2,400 motorcycles and 740 vans), servers, computers and peripheral equipment, software, vaults and handheld scanners, X-ray scanners, and its sorting equipment.

Item 3. LEGAL PROCEEDINGS

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

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

On September 9, 2011, the BSP, through Monetary Board Resolution No. 1354, resolved to close and place LBC Development Bank Inc.'s (the "Bank") assets and affairs under receivership.

On December 8, 2011, the Philippine Deposit Insurance Company (PDIC), as the official receiver and liquidator of closed banks, demanded on behalf of the Bank that LBC Holdings USA Corporation (LBC US) pay for its alleged outstanding obligations to LBC Bank amounting to approximately ₱1.00 billion, a claim that LBC US has denied as being baseless and unfounded. No further demand on this matter has been made by the PDIC since then, although there are no assurances that the claim has been waived or abandoned in whole or in part, or that the PDIC will not institute relevant proceedings in court or serve another demand letter to LBC US.

In relation to the Bank's closure and receivership, the receivables amounting to ₱295.00 million were written-off in 2011.

On March 17 and 29, 2014, the PDIC's external counsel sent letters to LBCE, demanding collection of the alleged amounts totalling ₱1.79 billion. On March 24 and 29, 2014, July 29, 2014, June 17, 2015 and June 26, 2015, the same legal counsel sent collection letters addressed to LBC Systems, Inc. [Formerly LBC Mundial Inc.] [Formerly LBC Mabuhay USA Corporation], demanding the payment of amounts aggregating to ₱911.59 million, all on behalf of the Bank.

On November 2, 2015, the Bank, represented by the PDIC, filed a case against LBC Express, Inc. (LBCE) and LBC Development Corporation (LBCDC), together with other respondents, before the Makati City Regional Trial Court (RTC) for a total collection of ₱1.82 billion. The case is in relation to the March 17, 2014 demand letter representing collection of unpaid service fees due from June 2006 to August 2011 and service charges on remittance transactions from January 2010 to September 2011. In the Complaint, the PDIC justified the increase in the amount from the demand letter to the amount claimed in the case due to their discovery that the supposed payments of LBCE were allegedly unsupported by actual cash inflow to the Bank.

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

LBCE and LBCDC, the ultimate Parent Company, together with other defendants, filed motions to dismiss the Complaint on January 12, 2016 for the collection of the sum of ₱1.82 billion. On January 21, 2016, LBCE and LBCDC filed its Urgent Motion to Approve the Counterbond and Discharge the Writ of Attachment.

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

In a Joint Resolution dated June 28, 2016, the RTC denied the motions to dismiss filed by all the defendants, including LBCE and LBCDC. Motions for reconsideration filed by the defendants were subsequently denied by the RTC in the Resolution dated February 16, 2017. On April 24, 2017, LBCE and LBCDC filed a Petition for Certiorari with the Court of Appeals, challenging the RTC's June 28, 2016 Joint Resolution. The Petition for Certiorari is entitled *"LBC Express, Inc. and LBC Development Corporation vs. Hon. Maximo M. De Leon and LBC Development Bank, as represented by its receiver/liquidator, the Philippine Deposit Insurance Corporation,"* and docketed as CA-G.R. SP No. 150698.

After filing motions for extension of time, LBCE and LBCDC filed their Answer with Counterclaims on April 10, 2017. In the Resolution dated June 15, 2017, the RTC denied the third motion for extension, declared all of the defendants including LBCE in default and ordered PDIC to present evidence ex-parte. LBCE and LBCDC filed a Verified Omnibus Motion for reconsideration and to lift the order of default. The other defendants filed similar motions, including a motion for inhibition. On July 21, 2017, LBCE received the Joint Resolution dated July 20, 2017, granting the Verified Omnibus Motions and the Motion for Inhibition, thereby lifting the order of default and admitting the Answers filed by all defendants.

The PDIC filed a Motion for Reconsideration dated August 7, 2017, seeking to reconsider the Joint Resolution dated July 20, 2017. The defendants, including LBCE and LBCDC have filed their respective comments thereto and the motion is currently pending resolution.

From August 10, 2017 to January 19, 2018, LBCE, LBCDC, the other defendants and PDIC were referred to mediation and Judicial Dispute Resolution (JDR) but were unable to reach a compromise agreement. The RTC ordered the mediation and JDR terminated and the case raffled to a new judge who will preside over the trial. The case was re-raffled to Branch 134 of the Makati Regional Trial Court.

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

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

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

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

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

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

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

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

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

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

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

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

Complaint before the Regional Trial Court, contrary to the provisions of the Rules of Court and established jurisprudence. PDIC has filed its Comment on January 11, 2020. The Supreme Court has not resolved the appeal as of today.

Meanwhile, PDIC has pre-marked its evidence during pre-marking conferences held on March 6 and 11, 2019. LBCE on the other hand pre-marked its evidence on March 22, 2019 and on April 10, 11, and 24, 2019.

LBCE was informed by the court staff that due to the order of Executive Judge for court records inventory and disposal, the pre-trial scheduled for March 28, 2019 will be reset to May 2, 2019.

On May 2, 2019, at the pre-trial hearing, the judge released his Order, whereby, among others, he granted the motion to defer pre-trial proceedings in order to have an orderly and organized pre-trial and deferred pre-trial hearing until the other defendants have received summons and filed their answers. In the meantime, the parties have proceeded to pre-mark their respective documentary exhibits in preparation for eventual pre-trial.

Later on, four of the five individual defendants received summons and then filed motions to dismiss the case, all of which were denied by the RTC. All four individual defendants filed for motions for reconsideration. The motions for reconsideration filed by the three individual defendants were eventually denied by the RTC. Thereafter, the three individual defendants filed their Answers to the Complaint with the RTC.

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

The last remaining individual defendant filed her Answer on May 24, 2021.

PDIC, LBCE, LBCDC and the other defendants pre-marked their respective documentary exhibits on May 26, 2021, July 6, 9 and 12, 2021, and November 8, 2021.

The court set the pre-trial on March 16, 2022. On May 16, 2022, one of the individual defendants moved for the resetting thereof because she was not able to compare the documents previously marked by PDIC and the other defendants. The judge allowed the comparison of documents on March 24 and 29, 2022 and reset the pre-trial to April 21, 2022.

As scheduled, PDIC, LBCE, LBCDC and the other defendants pre-marked their respective documentary exhibits on March 24 and 29, 2022.

On April 13, 2022, LBC Properties, Inc. filed a Manifestation and Motion to Resolve Affirmative Defenses, prayed that the court resolve the affirmative defenses raised in its answer.

On April 19, 2022, an individual defendant filed a similar Motion to Resolve Affirmative Defenses.

On April 21, 2022, the court allowed the cancellation of the pre-trial to afford the parties time to facilitate the early termination of the case and reset it to May 26 and June 23, 2022.

On November 8, 2021, PDIC, LBCE, LBCDC and the other defendants completed the pre-marking of their respective documentary exhibits. The parties are now waiting for notice from the RTC for the continuation of the pre-trial proper. The court has scheduled the continuation of the pre-trial proper on May 26, 2022 and June 23, 2022.

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

The presentation of PDIC's evidence commenced on January 11, 2023. PDIC initially presented Atty. Ariston P Aganon, Mr. Richard Noel M. Ponce and Mr. Benjamin Marcos as its witnesses. After several postponements, PDIC was supposed to present its last witness, Ms. Bibiana Figueroa during the hearing on February 22, 2023. However, at said hearing, PDIC was not ready to present her and the RTC ruled that PDIC is deemed to have waived its right to present Bibiana Figueroa. The RTC directed PDIC to make its oral formal offer of evidence on March 8, 2023.

On March 7, 2023, PDIC filed a Motion for Reconsideration, submitting the Judicial Affidavit of Ms. Figueroa and requesting that the RTC allow her to be presented. LBC Express, Inc., LBC Development Corporation and the other defendants filed their Comment/Opposition to the Motion for Reconsideration. Due to the pendency of the Motion for Reconsideration of the Order dated February 22, 2023, the RTC cancelled the scheduled hearing on March 8, 2023, and reset the same to April 19, 2023.

On April 19, 2023, the RTC allowed PDIC to present its last witness, Ms. Bibiana Figueroa, during the hearing. The testimony of Ms. Figueroa was completed on April 19, 2023.

The RTC set the case for hearing on May 4, 2023 during which PDIC will formally offer its documentary evidence. The RTC likewise set the case for hearing on May 18, 2023 for the initial presentation of LBC's evidence and witnesses.

The RTC issued an Order dated April 20, 2023, ruling the defendants' Comment/Opposition to PDIC's Motion for Reconsideration has been rendered moot by the presentation and cross-examination of Ms. Figueroa.

LBC Express, Inc., LBC Development Corporation and the other defendants filed a Motion for Reconsideration, Motion to Resolve, and Motion to Defer Plaintiff's Formal Offer of Evidence dated May 4, 2023, which essentially sought to reconsider the RTC's April 20, 2023 Order on the ground that the cross-examination of Ms. Figueroa was made with express objections to the admissibility of her testimony and with express reservations with respect to the pending Motion for Reconsideration of the PDIC as well as to any remedy against any adverse resolution on the pending Motion for Reconsideration of the PDIC. LBC Express, Inc., LBC Development Corporation and the other defendants also requested the RTC to resolve the pending Motion for Reconsideration of the PDIC and to defer the Plaintiff's formal offer of evidence scheduled on May 4, 2023.

At the May 4, 2023 hearing, the RTC rescheduled the PDIC's formal offer to the next scheduled hearing on May 18, 2023 in light of the pending Motions.

At the hearing on May 18, 2023, the RTC issued an Order of the same date, in which Judge Redentor Cardenas ruled to voluntarily inhibit himself from further hearing the case, citing the contentious dispute over his decision to allow Ms. Figueroa to be presented as a witness.

The case was then re-raffled to Branch 132 of the Makati RTC, presided by Hon. Rommel Baybay.

Judge Baybay then conducted a clarificatory hearing on July 13, 2023 to discuss the pending motions. In an Order dated July 13, 2023, the RTC denied all the pending motions and directed the PDIC to file a written formal offer of evidence within 30 days and granted the defendants the same period to comment.

The PDIC filed its Formal Offer of Documentary Evidence dated August 14, 2023. On September 13 and 14, 2023, LBC Express, Inc., LBC Development Corporation and the other defendants filed their respective Comments and Objections to the Formal Offer.

In the Order dated September 28, 2023, the RTC resolved to admit Exhibits AA to JJ of the PDIC. LBC Express, Inc., LBC Development Corporation and the other defendants filed a Motion for

Reconsideration dated October 12, 2023. In the Order dated January 17, 2024, the RTC denied the Motion for Reconsideration.

Thus, on January 18, 2024, LBC Express filed its Demurrer to Evidence and LBC Development Corporation, LBC Properties, and the individual defendants filed a separate Demurrer to Evidence.

The RTC granted the PDIC a period of 30 days to file its comments to the Demurrers and further granted the defendants a period of 30 days to file their replies.

Subsequently, Defendant Berenguer filed her own Demurrer to Evidence dated February 19, 2024.

LBC Express, Inc., LBC Development Corporation, LBC Properties and the other defendants filed their Reply to the PDIC's Comment to the Demurrers to Evidence on March 20, 2024.

In a Motion for Extension of Time dated February 27, 2024, the PDIC requested that it be given until March 23, 2024 to file its Comment to Defendant Berenguer's Demurrer to Evidence.

Pending the resolution of the Demurrers, the initial presentation of evidence for the Defendants was set on April 19, 2024, April 26, 2024, and May 10, 2024.

At the hearing on April 19, 2024, the RTC noted that the Demurrers were not yet resolved. Defendant Berenger was given until May 4, 2024 to file a Reply in response to PDIC's Comment to Berenguer's Demurrer to Evidence. Upon its request, PDIC was given 30 days from receipt of Berenguer's Reply to file a Consolidated Rejoinder to Berenguer's Reply and the Reply filed on behalf of LBC Express and others.

The hearing dates on April 26, 2024 and May 10, 2024 were cancelled. The hearing dates for the presentation of Defendants' evidence were rescheduled to July 19, 2024, August 2, 2024, and August 23, 2024.

On May 16, 2024, LBCE received a copy of the Resolution dated May 9, 2024, denying all of the Demurrers. LBCE and the other Defendants filed their respective Motions for Reconsideration dated May 31, 2024. Defendant Berenguer also filed a Motion for Reconsideration dated June 3, 2024. The PDIC filed its oppositions to the three Motions for Reconsideration.

At the hearing last July 19, 2024, the court stated that it needed more time to resolve the pending motions. Hence, the presentation of Defendants' evidence was rescheduled to August 2, 2024 and August 3, 2024.

The court later issued a Resolution dated 1 August 2024, denying all the Motions for Reconsideration. The hearings for presentation of Defendants' evidence were rescheduled to September 20, 2024 and November 15, 2024.

LBCE and the other defendants presented their first witness, Ms. Janet Tayag-Ong, on September 20, 2024. Due to lack of time to complete her cross-examination, her presentation was continued to November 15, 2024. LBCE and the other defendants have at least five more witnesses to present. Hence, the trial of the civil case is still on-going.

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

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Except for matters taken up during the annual meeting of the stockholders of LBCH held on December 9, 2024, there was no other matter submitted to a vote of security holders during the period covered by this Report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION

LBCH common shares are listed with the PSE. As at December 31, 2024, the total number of shares held by the public was 219,457,133 common shares or 15.39% of the total issued and outstanding capital stock of the LBCH.

The following table sets forth the share prices of LBCH's common shares for each quarter of the years 2024, 2023, 2022, 2021, 2020, 2019 and 2018:

Quarter	High (P)	Low (P)
2024		
4th	12.98	10.52
3rd	15.96	11.98
2nd	16.92	12.3
1st	18.18	15.02
2023		
4th	19.34	16.92
3rd	20.45	17.70
2nd	17.90	13.94
1st	18.84	16.64
2022		
4th	22.95	16.02
3rd	23.85	18.10
2nd	26.00	19.02
1st	24.95	21.70
2021		
4th	24.95	16.00
3rd	18.36	16.00
2nd	18.38	15.36
1st	17.28	15.32
2020		
4th	17.00	13.20
3rd	16.10	12.12
2nd	14.90	10.50
1st	13.98	7.51
2019		
4th	15.98	11.50
3rd	14.90	13.52
2nd	15.80	13.44
1st	17.50	14.02
2018		
4th	15.00	13.52
3rd	15.36	14.20
2nd	15.78	14.08
1st	19.90	14.00

The stock price of common share of LBCH as of the close of the latest practicable trading date, April 7, 2025, is PHP 8.88.

STOCKHOLDERS

As of December 31, 2024, LBCH has 485 registered holders of common shares. The following are the top 20 registered holders of the common shares:

	Name of Stockholder	Nationality	Number Of Shares Held	Percentage
1	LBC Development Corporation	Filipino	1,205,974,632	84.58%
2	Lim, Vittorio Paulo P.	Filipino	59,663,948	4.18%
3	Martinez Jr., Mariano D.	Filipino	59,663,946	4.18%
4	Yu, Lowell L.	Filipino	59,663,946	4.18%
5	PCD Nominee Corporation	Filipino	39,802,666	2.79%
6	PCD Nominee Corporation	Non-Filipino	572,222	0.04%
7	Santos, Ferdinand S.	Filipino	10,000	Nil
8	Lantin, Andy	Filipino	5,000	Nil
9	Cabual, Alfonso B	Filipino	3,000	Nil
10	Leong, Jennifer H.	Filipino	3,000	Nil
11	Abapo, Wilfredo M.	Filipino	2,000	Nil
12	Amoncio, Juhjeh P.	Filipino	2,000	Nil
13	Apal, Rommel	Filipino	2,000	Nil
14	Aquino, Agapito U.	Filipino	2,000	Nil
13	Balo, Jimmy P.	Filipino	2,000	Nil
14	Batalla, Wilfredo P.	Filipino	2,000	Nil
15	Bordios, Norman S.	Filipino	2,000	Nil
16	Butron, Marleta T.	Filipino	2,000	Nil
17	Cabale, Roy V.	Filipino	2,000	Nil
18	Capuno, Cristina S.	Filipino	2,000	Nil
19	Demetillo, Rodolfo D.	Filipino	2,000	Nil
20	Furio, Teresita F.	Filipino	2,000	Nil

DIVIDENDS

Dividend Policy

The Company has adopted a dividend policy to distribute to its shareholders a portion of its funds that are surplus subject to the operating and expansion needs of the Company, as determined by the board of directors of the Company, in the form of stock and/or cash dividends, subject always to:

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

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

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

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

Cash dividends are subject to approval by the Company's Board of Directors without need of stockholders' approval. However, property dividends, such as stock dividends, are subject to the approval of the Company's Board of Directors and stockholders.

The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company.

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

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

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

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

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

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

On 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 and paid on November 15, 2022.

On September 29, 2022, the BOD of LBC Express Airfreight (S) PTE Ltd. declared cash dividend of SGD 5.7 million and paid on November 15, 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.

On October 19, 2020, the BOD of LBCH approved the declaration of cash dividends of amounting to ₱285.17 million or ₱0.20 for every issued and outstanding shares.

On September 12, 2019, the BOD of LBCH approved the declaration of cash dividends amounting to P356.47 million.

On December 20, 2018, the BOD of LBCH approved the declaration of cash dividends amounting to P285.17 million.

On April 19, 2017, the BOD of LBCH approved the declaration of cash dividends amounting to P827.00 million from unappropriated retained earnings as of March 31, 2017 amounting to P849.83 million.

On October 11, 2016, the BOD of LBCH approved the declaration of cash dividends amounting to P313.69 million (nil in 2015).

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

RECENT SALE OF SECURITIES

There is no recent sale of unregistered securities or exempt securities or recent issuance of securities constituting an exempt transaction.

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

KEY PERFORMANCE INDICATORS

Financial Ratios:

		2024	2023	2022
Current ratio	Total Current Assets / Total Current Liabilities	**0.66**	0.65	0.68
Acid Test Ratio	Total Current Assets - Prepayments and other current assets / Total Current Liabilities	**0.56**	0.53	0.56
Solvency Ratio	Net income after tax less non-cash expenses / Total Liabilities	**0.13**	0.14	0.12
Debt-to-equity ratio	Total Liabilities / Stockholder's equity attributable to Parent Company	**8.14**	6.91	8.27
Asset-to-equity ratio	Total Assets / Stockholder's equity attributable to Parent Company	**9.13**	7.90	9.26
Interest rate coverage ratio	Income before interest and tax expense / Interest expense	**0.87**	1.50	0.29
Return on equity	Net income attributable to Parent Company / Stockholder's equity attributable to Parent Company	**(0.09)**	0.09	(0.30)
Debt-to-total assets ratio	Total liabilities / Total assets	**0.89**	0.87	0.89
Return on average assets	Net income attributable to Parent Company / Average assets	**(0.01)**	0.01	(0.03)
Net profit margin	Net income attributable to Parent Company / Service Fee	**(0.01)**	0.01	(0.04)
Book value per share	Stockholder's equity attributable to Parent Company / Total number of shares	**1.17**	1.36	1.26
Basic earnings per share	Net income attributable to Parent Company / Weighted average of common shares outstanding	**(0.11)**	0.12	(0.38)
Diluted earnings per share	Net income attributable to Parent Company after impact of conversion of bonds payable / Adjusted weighted average number of common shares for diluted EPS	**(0.11)**	0.12	(0.38)

RESULTS OF OPERATIONS

Year ended December 31, 2024 compared to the year ended December 31, 2023

Service Revenue

The Company's service revenue decreased by 1% to ₱14,296.06 million for the year ended December 31, 2024, from ₱14,513.69 million for the year ended December 31, 2023, mainly from money transfer services by 29%. Logistics is almost at par due to the offsetting impact of higher corporate revenue by 12% and the shortfall in retail by 4%.

Cost of Services

Cost of services improved by 3% to ₱11,171.59 million for the year ended December 31, 2024, from ₱11,468.23 million for the year ended December 31, 2023, pertaining to reduction in cost of delivery and remittance by 2%, facilities costs (rental, utilities, depreciation) by 8% and manpower cost by 1%. Other than the decline in volume, there are reductions in direct cost as management continues to engage in cost rationalization programs which also include consolidation of facilities, rightsizing of workforce and improving operational touchpoints.

Gross Profit

Gross profit is higher by 3% to ₱3,124.47 million for the year ended December 31, 2024, from ₱3,045.46 million for the year ended December 31, 2023, primarily attributable to reduction of cost of services.

Operating Expenses

Operating expenses decreased to ₱2,458.81 million for the year ended December 31, 2024, from ₱2,490.30 million for the year ended December 31, 2023, mainly driven by reduction in advertising, utilities and supplies, depreciation and amortization, software maintenance cost and subscription. These movements were countered by increases in professional fees, and taxes and licenses.

Further, there is a decline in provisions for impairment loss because of the write-off of receivable of one of the affiliates.

Operating Income

Operating income is higher by 20% to ₱665.66 million for the year ended December 31, 2024, from ₱555.17 million for the year ended December 31, 2023, mostly driven by the improvement in gross profit and net reduction of operating expenses.

Other Charges, Net

Other charges, net increased to ₱733.62 million for the year ended December 31, 2024, from ₱267.68 million for the year ended December 31, 2023, largely because of the loss on valuation of derivatives amounting to ₱218.34 million for 2024, compared to gain amounting to ₱150.81 million for 2023.

Foreign exchange valuation of bonds payable resulted to loss of ₱89.50 million for the year ended December 31, 2024, from gain of ₱20.69 million for the year ended December 31, 2023. This was offset by net gain in modification of liability due to extension of maturity of convertible instrument.

Interest expense mostly from bond and notes payable also went up by 15%.

Net Income (Loss) after tax

Net income (loss) after tax is at ₱145.30 million losses for the year ended December 31, 2024, from income of ₱168.19 million for the year ended December 31, 2023 which is primarily from higher non-operating losses which includes foreign exchange and valuation of convertible instrument.

This is countered by the uplift in operating income by 20% as the result of improvements in operations resulting in lower costs.

Year ended December 31, 2023 compared to the year ended December 31, 2022

Service Revenue

The Company's service revenue decreased by 4% to ₱14,513.69 million for the year ended December 31, 2023, from ₱15,189.72 million for the year ended December 31, 2022, mainly from retail logistics by 7%. This is offset by the improvement in corporate revenue by 2%.

Cost of Services

Cost of services is down by 7% to ₱11,468.23 million for the year ended December 31, 2023, from ₱12,323.24 million for the year ended December 31, 2022, pertaining to improvement in cost of delivery and remittance, and manpower cost by 9% and 6%, respectively, aligned to the decline in current sales volume and cost rationalization initiated by the management.

Utilities and depreciation also went down mainly due to closure of branches/warehouses.

Gross Profit

Gross profit improved by 6% to ₱3,045.46 million for the year ended December 31, 2023, from ₱2,866.49 million for the year ended December 31, 2022, primarily attributable to reduction of cost of services.

Operating Expenses

Operating expenses increased to ₱2,490.30 million for the year ended December 31, 2023, from ₱2,482.48 million for the year ended December 31, 2022, because of higher spend for the following:

- Provision for impairment loss primarily attributable to the write-off of receivable from one of the affiliates and additional allowances for doubtful accounts.
- Depreciation and amortization and software maintenance cost accounts are also higher because of the additional software capitalized in the latter part of 2022 and in 2023.
- Professional fees went up driven by the digitalization fees incurred this year.

The mentioned increases were offset by the decreases in controllable accounts such as sponsorship and travel and representation expenses. Taxes and licenses also went down because of the documentary stamp taxes incurred last year.

Operating Income

Operating income is higher by 45% to ₱555.17 million for the year ended December 31, 2023, from ₱384.01 million for the year ended December 31, 2022, mostly driven by the improvement in gross profit.

Other Charges, Net

Other charges, net decreased to ₱267.68 million for the year ended December 31, 2023, from ₱748.41 million for the year ended December, 2022, largely because of the foreign exchange gains amounting to ₱59.87 million for the year ended December 31, 2023, compared to losses amounting to ₱75.55 million for the year ended December 31, 2022, which are mostly related to the valuation of the bond payable.

Further, valuation of derivative resulted to gain of ₱150.81 million for the year ended December 31, 2023, from loss of ₱230.55 million for the year ended December 31, 2022.

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

Net Income (Loss) after tax

Net income (loss) after tax is at ₱168.19 million earnings for the year ended December 31, 2023, from loss of ₱543.24 million for the year ended December 31, 2022 mainly from the growth in gross profit margin by 2% and because of favorable valuation of derivative liability.

Year ended December 31, 2022 compared to the year ended December 31, 2021

Service Revenue

The Company's service revenue declined by 7% to ₱15,189.73 million for the year ended December 31, 2022, from ₱16,249.71 million for the year ended December 31, 2021, mainly from domestic logistics segment, partly covered by 5% growth in sales from overseas due to recovery of favorable rates in some countries.

Cost of Services

Cost of services is down by 2% to ₱12,323.24 million for the year ended December 31, 2022, from ₱12,638.27 million for the year ended December 31, 2021, pertaining to lower cost of delivery and remittance by 5%. Reduction in truck rentals, manpower and air freight costs were aligned to current sales production.

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

Gross Profit

Gross profit is lower by 21% to ₱2,866.49 million for the year ended December 31, 2022, from ₱3,611.45 million for the year ended December 31, 2021, primarily attributable to decrease in volume and increase in cost of freight sea and fuel.

Operating Expenses

Operating expenses decreased by 41% to ₱2,482.48 million for the year ended December 31, 2022, from ₱3,512.41 million for the year ended December 31, 2021, mainly from the significant reduction of COVID-19 related expenses such as professional fees, shuttle services costs and medical and sanitation supplies.

Operating Income

Operating income is at ₱384.01 million for the year ended December 31, 2022, from ₱99.04 million for the year ended December 31, 2021, attributable to decline in cost of service and operating expenses.

Other Charges, net

Other charges, net decrease to ₱748.60 million for the year ended December 31, 2022, from ₱790.40 million for the year ended December 31, 2021, mainly driven by the 'Loss on derivatives' recognized during the year which is lower by ₱227.78 million.

Net Income (Loss) after tax

The Group improved in operating income to ₱384.01 million for the year ended December 31, 2022, from ₱99.04 million for the year ended December 31, 2021, mainly from the decrease in COVID-19 related expenses. However, the impact of loss on derivative and accretion of interest of bond drove the losses after tax amounting to ₱543.24 million and ₱853.57 million in 2022 and 2021, respectively.

FINANCIAL CONDITION

As of December 31, 2024 compared to as of December 31, 2023

Assets

Current Asset
Cash and cash equivalents increased by 20% to ₱2,733.43 million as of December 31, 2024, from ₱2,281.86 million as of December 31, 2023. Refer to analysis of cash flows in "Liquidity" section below.

Trade and other receivable, net increased to ₱2,127.17 million as of December 31, 2024, from ₱1,950.15 million as of December 31, 2023, driven by the increase in trade receivable from outside parties and related parties by 13% and 11%, respectively, offset by the higher allowance for expected credit losses as a factor of the additional provisions this period and decreased in advances to officers and employees.

Due from related parties increased by 2% to ₱1,159.78 million as of December 31, 2024, from ₱1,139.86 million as of December 31, 2023, mostly from receivable related to regular trade agreement, as offset by collection of notes receivables.

Investments at fair value through profit and loss increased to ₱2.36 million as of December 31, 2024, from ₱2.26 million as of December 31, 2023, due to fair value gain amounting to ₱0.10 million during the year.

Prepayments and other current assets declined by 10% to ₱1,144.01 million as of December 31, 2024, from ₱1,265.92 million as of December 31, 2023, primarily attributable to the impact of the following:

- Settlement of notes receivable;
- Transfer of restricted cash to cash in bank;
- Input value-added tax (VAT) decreased by 25% because of decline in costs and application/usage during the year; and
- Prepaid taxes went down due to application of advance tax payments in overseas.

Noncurrent Assets
Property and equipment, net decreased by 6% to ₱2,487.77 million as of December 31, 2024, from ₱2,644.17 million as of December 31, 2023, primarily due to depreciation and net disposal amounting to ₱217.10 million and ₱35.39 million, respectively, offset by additions of ₱91.64 million

Right-of-use assets, net is lower by 19% to ₱1,601.24 million as of December 31, 2024, from ₱1,980.48 million as of December 31, 2023, mainly attributable to amortization and early termination of contracts due to strategic closure warehouse and branches as part of the cost rationalization of the management.

Intangible assets, net is lower by 10% to ₱212.28 million as of December 31, 2024, from ₱236.89 million as of December 31, 2023, driven by amortization of ₱75.02 million, offset by ₱49.44 million additions.

Investment at fair value through other comprehensive income went down by 48% to ₱99.48 million as of December 31, 2024, from ₱191.16 million as of December 31, 2023, relative to movement in market price from ₱0.98/share to ₱0.51/share.

Investment in associates increased to ₱369.94 million as of December 31, 2024, from ₱355.57 million as of December 31, 2023, due to share in earnings, offset by dividends declared by an associate during the year.

Deferred tax assets - net decreased by 4% to ₱544.57 million as of December 31, 2024, from ₱525.94 million as of December 31, 2023, largely because of application of NOLCO during the year and the reduction of income tax deferred from right-of-use assets and lease liabilities. This is offset by the additional income tax deferred recognized related to retirement benefit liabilities, MCIT, and unrealized foreign exchange losses.

Security deposit decreased by 10% to ₱375.43 million as of December 31, 2024, from ₱419.20 million as of December 31, 2023, because of closed warehouses and branches.

Other noncurrent assets has a minimal decrease to ₱2,093.36 million as of December 31, 2024, from ₱2,094.31 million as of December 31, 2023.

Liabilities

Accounts and other payable increased by 4% to ₱3,518.31 million as of December 31, 2024, from ₱3,380.08 million as of December 31, 2023. Majority of the variance represents the increase in trade payables to outside parties and taxes payable by 13% and 20%, respectively. This is offset by lower amount of contractual liabilities by 37%.

Notes payable (current and noncurrent) decreased to ₱1,914.69 million as of December 31, 2024, from ₱2,322.66 million as of December 31, 2023, driven by the settlements amounting to ₱1,848.77 million, offset by total availments during the year amounting to ₱1,440.80 million.

Transmissions liability increased by 13% to ₱684.86 million as of December 31, 2024, from ₱606.73 million as of December 31, 2023. This is because of higher liability related to cash-on-delivery and pick-up.

Income taxes payable went down by 15% to ₱16.60 million as of December 31, 2024, from ₱19.44 million as of December 31, 2023, mainly attributable to lower taxable income in overseas.

Lease liabilities (current and noncurrent) is lower by 16% to ₱1,838.04 million as of December 31, 2024, from ₱2,197.83 million as of December 31, 2023, primarily pertaining to lease payments during the year amounting to ₱1,022.61 million, offset by the additions amounting to ₱590.53 million.

Bond payable increased by 4% to ₱2,065.59 million as of December 31, 2024, from ₱1,979.74million as of December 31, 2023, mainly from the accretion of interest amounting to ₱319.59 million and foreign exchange loss incurred amounting to ₱89.50 million, offset by the impact of modification of liability due to maturity extension amounting to ₱324.30 million.

Derivative liability increased to ₱2,528.53 million as of December 31, 2023, from ₱2,030.07 million as of December 31, 2023, related to the loss on valuation incurred and modification of liability due to extension for the period amounting to ₱218.34 million and ₱280.12 million, respectively.

Retirement benefit obligation increased to ₱1,005.30 million as of December 31, 2024, from ₱900.66 million as of December 31, 2023, primarily due to accrual of expense recognized in current year.

As of December 31, 2023 compared to as of December 31, 2022

Assets

Current Asset

Cash and cash equivalents decreased by 35% to ₱2,281.86 million as of December 31, 2023, from ₱3,517.62 million as of December 31, 2022. This is mainly from the settlement of redemption payable related to convertible instrument in 2023. Refer also to analysis of cash flows in "Liquidity" section below.

Trade and other receivable, net decreased to ₱1,950.15 million as of December 31, 2023, from ₱2,045.05 million as of December 31, 2022, driven by the increase in allowance for expected credit losses as a factor of the additional provisions this year, write off of an affiliate receivable and the decline in other receivables mainly related to SSS benefit.

Due from related parties went down to ₱1,139.86 million as of December 31, 2023, from ₱1,156.08 million as of December 31, 2022, mainly due to settlements.

Investments at fair value through profit and loss increased to ₱2.24 million as of December 31, 2023, from ₱2.17 million as of December 31, 2022, due to fair value gain amounting to ₱0.10 million during the year.

Prepayments and other current assets declined by 14% to ₱1,265.92 million as of December 31, 2023, from ₱1,480.53 million as of December 31, 2022, primarily attributable to the impact of the following:

- Transfer of short-term investment and restricted cash to cash in bank;
- Input value-added tax (VAT) decreased by 26% because of decline in costs and application/usage during the year; and
- Prepaid employee benefits went down by 30% due to expense out of loyalty awards, educational and medical benefits.
- Offset by the increases in prepaid taxes.

Noncurrent Assets

Property and equipment, net increased by 22% to ₱2,644.17 million as of December 31, 2023, from ₱2,167.40 million as of December 31, 2022, primarily due to additions amounting to ₱787.32 million, offset by depreciation and net disposal amounting to ₱286.95 million and ₱23.8 million, respectively.

Right-of-use assets, net is lower by 4% to ₱1,980.48 million as of December 31, 2023, from ₱2,052.46 million as of December 31, 2022, mainly attributable to amortization amounting to ₱1,024.71 million, offset by additions of ₱1,083.84 million, resulting from new branches and renewals.

Intangible assets, net is lower by 7% to ₱236.89 million as of December 31, 2023, from ₱255.99 million as of December 31, 2022, driven by amortization of ₱73.80 million, offset by ₱54.34 million additions.

Investment at fair value through other comprehensive income went up down 4% to ₱191.16 million as of December 31, 2023, from ₱198.96 million as of December 31, 2022, relative to movement in market price from ₱1.02/share to ₱0.98/share.

Investment in associates decreased to ₱355.57 million as of December 31, 2023, from ₱371.66 million as of December 31, 2022, due to the dividends declared by an associate during the year.

Deferred tax assets - net increased by 1% to ₱525.94 million as of December 31, 2023, from ₱521.42 million as of December 31, 2022, largely because of the additional income tax deferred recognized related to MCIT and allowance for impairment losses. This is offset by reduction of NOLCO as portion of it was applied this year.

Security deposit decreased by 2% to ₱419.20 million as of December 31, 2023, from ₱427.43 million as of December 31, 2022, mainly due to forfeitures and applications to rent expense of closed branches.

Other noncurrent assets decreased by 1% to ₱2,094.31 million as of December 31, 2023, from ₱2,106.06 million as of December 31, 2022, because of settlements of loan and note receivables and application of input VAT on capital goods.

Liabilities

Accounts and other payable is lower by 13% to ₱3,380.08 million as of December 31, 2023, from ₱3,890.05 million as of December 31, 2022 mainly due to settlement of trade payables, withholding tax payment related to dividends declared by the Board of Directors of North America entities and lower amount of contractual liabilities.

Notes payable (current and noncurrent) increased to ₱2,322.66 million as of December 31, 2023, from ₱2,103.39 million as of December 31, 2022, driven by the availment of loans amounting to ₱ 999.12 million, offset by total settlement during the period amounting to ₱779.85 million.

Transmissions liability went down by 29% to ₱606.73 million as of December 31, 2023, from ₱850.30 million as of December 31, 2022, mainly attributable to transactions claimed during the period.

Income taxes payable went down by 22% to ₱19.44 million as of December 31, 2023, from ₱25.03 million as of December 31, 2022, mainly attributable to lower taxable income in overseas.

Lease liabilities (current and noncurrent) is lower by 3% to ₱2,197.83 million as of December 31, 2023, from ₱2,262.94 million as of December 31, 2022, primarily pertaining to lease payments during the year amounting to ₱1,153.24 million, offset by the additions amounting to ₱1,083.36 million.

Bond payable increased by 15% to ₱1,979.74 million as of December 31, 2023, from ₱1,715.38 million as of December 31, 2022, mainly from the accretion of interest amounting to ₱285.05 million, offset by foreign exchange gain recognized amounting to ₱20.69 million.

Derivative liability decreased to ₱2,030.07 million as of December 31, 2023, from ₱2,180.88 million as of December 31, 2022, related to the gain on valuation incurred for the period amounting to ₱150.81 million.

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

Retirement benefit obligation increased to ₱900.66 million as of December 31, 2023, from ₱734.48 million as of December 31, 2022, primarily due to accrual of expense recognized in current period.

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

Assets

Current Assets
Cash and cash equivalents decreased by 1% to ₱3,517.43 million as of December 31, 2022, from ₱3,475.11 million as of December 31, 2021. Refer to analysis of cash flows in "Liquidity" section below.

Trade and other receivable, net decreased by 2% to ₱2,045.05. million as of December 31, 2022, from ₱2,095.62 million as of December 31, 2021, due to settlements from both outside and related parties.

Due from related parties increased by 3% to ₱1,156.08 million as of December 31, 2022, from ₱1,118.61 million as of December 31, 2021, mostly from receivable related to platform subscription fee.

Investments at fair value through profit and loss declined to ₱2.17 million as of December 31, 2022, from ₱15.69 million as of December 31, 2021, due to sale of investments.

Prepayments and other current assets decreased by 49% to ₱1,480.53 million as of December 31, 2022 from ₱2,909.41 million as of December 31, 2021, because of the reclassification of advance payments of taxes to other non-current assets as the management expects to realize it for more than a year.

Noncurrent Assets
Property and equipment, net increased by 14% to ₱2,167.40 million as of December 31, 2022, from ₱1,899.75 million as of December 31, 2021, primarily due to additions amounting to ₱636.03 million, offset by depreciation amounting to ₱369.00 million and net book value of disposal amounting to ₱3.34 million.

Right-of-use assets, net is lower by 7% to ₱2,052.46 million as of December 31, 2022, from ₱2,213.34 million as of December 31, 2021, mainly due to amortization that amounts to ₱1,046.12 million, offset by net additions of ₱981.77 million resulting mostly from new branches and renewals.

Intangible assets, net is lower by 4% to ₱255.99 million as of December 31, 2022, from ₱268.04 million as of December 31, 2021, driven by amortization of ₱38.48 million, offset by ₱31.90 million additions for the period.

Investment at fair value through other comprehensive income is up by 5% to ₱198.96 million as of December 31, 2022 from ₱189.21 million as of December 31, 2021, relative to movement in market price from ₱0.97/share to ₱1.02/share.

Investment in associate decreased by 5% to ₱371.66 million as of December 31, 2022, from ₱354.79 million as of December 31, 2021 due to cash dividends received, offset by the share in net income of the associates during the period.

Deferred tax assets - net increased by 13% to ₱521.41 million as of December 31, 2022, from ₱462.14 million as of December 31, 2021 largely because of the additional income tax deferred recognized related to NOLCO and unrealized foreign exchange losses.

Security deposit is higher by 6% to ₱427.43 million as of December 31, 2022 from ₱401.64 million as of December 31, 2021, due to additional security deposits paid for the existing warehouse and branches.

Liabilities

Accounts and other payable increased by 16% to ₱3,890.05 million as of December 31, 2022, from ₱3,358.18 million as of December 31, 2021. Majority of the variance represents the increase in taxes payable and trade payables to outside parties.

Notes payable (current and noncurrent) increased to ₱2,103.39 million as of December 31, 2022, from ₱1,992.73 million as of December 31, 2021, driven by the availment of loan amounting to ₱781.51 million, offset by the settlement amounting to ₱670.85 million during the period.

Transmissions liability went down by 6% to ₱850.30 million as of December 31, 2022, from ₱903.00 million as of December 31, 2021, mainly attributable to transactions claimed during the year.

Income tax payable decreased by 55% to ₱25.03 million as of December 31, 2022, from ₱55.82 million as of December 31, 2021 because of lower taxable income in overseas.

Lease liabilities (current and noncurrent) is lower by 7% to ₱2,262.94 million as of December 31, 2022, from ₱2,420.60 million as of December 31, 2021, primarily pertaining to lease payments during the period.

Bond payable increased by 1% to ₱1,715.38 million as of December 31, 2022, from ₱1,702.09 million as of December 31, 2021, mainly from the accretion of interest amounting to ₱308.40 million and foreign exchange loss recognized amounting to ₱189.11 million, offset by the redemption amounting to ₱484.22 million.

Derivative liability is down to ₱2,180.88 million as of December 31, 2022, from ₱2,558.12 million as of December 31, 2021, related to redemption amounting to ₱607.89 million, offset by the loss on valuation incurred for the period amounting to ₱230.55 million.

Redemption payable related to convertible instrument amounted to ₱1,014.74 million was recognized as of December 31, 2022.

Retirement benefits liability decreased by 9% to ₱734.48 million as of December 31, 2022 from ₱803.74 million as of December 31, 2021 primarily attributable to actuarial gains arising from changes in financial assumptions.

LIQUIDITY

Cash Flows

Year ended December 31, 2024 compared to the year ended December 31, 2023

Cash flows from operating activities

The Company's net cash from operating activities is primarily affected by income before income tax, depreciation and amortization, interest expense, retirement benefit expense, unrealized foreign exchange losses, loss on derivative, equity in net earnings of associates, modification of convertible instrument and changes in working capital. The Company's cash inflows from these activities amounted to ₱2,091.49 million and ₱1,549.95 million for the year ended December 31, 2024 and 2023, respectively.

Cash flows from investing activities

Cash used in investing activities for the year ended December 31, 2024 and 2023 amounted to ₱78.95 million and ₱689.87 million, respectively. For the year ended December 31, 2024, the Company spent ₱129.92 million from the acquisition of property and equipment and intangible assets.

Cash flow from financing activities

Net cash used in financing activities for the year ended December 31, 2024 and 2023 amounted to ₱1,600.34 million and ₱2,059.82 million, respectively. In 2024 and 2023, cash used comprise primarily of payments of lease liabilities and notes payable.

Year ended December 31, 2023 compared to the year ended December 31, 2022

Cash flows from operating activities

The Company's net cash from operating activities is primarily affected by income before income tax, depreciation and amortization, retirement benefit expense, interest expense, unrealized foreign exchange gain, gain on derivative, equity in net earnings of associates and changes in working capital. The Company's cash inflows from these activities amounted to ₱1,549.95 million and ₱ 1,741.05 million for the year ended December 31, 2023 and 2022, respectively.

Cash flows from investing activities

Cash used in investing activities for the year ended December 31, 2023 and 2022 amounted to ₱ 689.87 million and ₱643.467 million, respectively. For the year ended December 31, 2023, the Company spent ₱800.36 million from the acquisition of property and equipment and intangible assets.

Cash flow from financing activities

Net cash used in financing activities for the year ended December 31, 2023 and 2022 amounted to ₱2,059.82 million and ₱1,178.42 million, respectively. In 2023, there is settlement of redemption payable amounting to ₱997.46 million. Other activities comprise primarily of payments of lease liabilities and notes payable.

Year ended December 31, 2022 compared to the year ended December 31, 2021

Cash flows from operating activities

The Company's net cash from operating activities is primarily affected by loss before income tax, depreciation and amortization, retirement benefit expense, interest expense, unrealized foreign exchange loss, loss on derivative, equity in net earnings of associates, gain on redemption of convertible instruments and changes in working capital. The Company's cash inflows from (used in) these activities amounted to ₱1,741.05 million and (₱446.70) million for the year ended December 31, 2021, respectively.

Cash flows from investing activities

Net cash used in investing activities for the year ended December 31, 2022 and 2021 amounted to ₱643.67 million and ₱335.64 million, respectively. For the year ended December 31, 2022, the Company spent ₱695.28 million from the acquisition of property and equipment and intangible assets.

Cash flow from financing activities
Net cash used in financing activities for the year ended December 31, 2022 and 2021 amounted to ₱1,178.42 million and ₱1,107.20 million, respectively. In 2022 and 2021, cash used comprise primarily of payments of lease liabilities and notes payable.

Item 7. FINANCIAL STATEMENTS

The 2024 consolidated financial statements of the Company are incorporated herein the accompanying index to exhibits.

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

The consolidated financial statements of the Company as of and for the year ended December 31, 2024 and 2023 were audited by SGV & Co., a member firm of Ernst & Young Global Limited.

SGV & Co. has acted as the Company's independent auditor since fiscal year 2014. Dolmar C. Montanez is the current audit partner for the Company starting financial year 2021. The Company has not had any material disagreements on accounting and financial disclosures with its current independent auditor for the same periods or any subsequent interim period. SGV & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

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

	2024	2023
In millions (₱)		
Audit and Audit-Related Fees[(1)]	₱2.24	₱2.14
Non-audit service fees[(2)]	0.21	0.21
Total	₱2.45	₱2.35

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

(2) Related to transfer pricing fees based on billed fees

SGV & Co. did not provide services for tax accounting, compliance, advice, planning and any other form of tax services to the Company in the last two fiscal years. Other than the audit of the annual financial statements and the review of the interim financial statements, SGV & Co. did not provide any other services to the Company in the last two fiscal years.

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

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

- Perform oversight functions over the Company's external auditors. It ensures the independence of internal and external auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.

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

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

- Review the reports submitted by the external auditors.

The following are the members of the Company's Audit Committee:

a) Ferdinand D. Tolentino - Chairman
b) Victor Y. Lim, Jr. - Member
c) Anthony A. Abad - Member

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND EXECUTIVE OFFICERS

DIRECTORS

LBCH's by-laws and articles of incorporation provide for the election of nine directors, two of whom shall be independent directors. The Board of Directors is responsible for the direction and control of the business affairs, and management of the company, and the preservation of its assets and properties. No person can be elected as a director of the company unless he is pre-screened by the Corporate Governance (formerly Nomination and Renumeration) Committee and is a registered owner of at least one common share of the capital of LBCH.

The Company's Corporate Governance Committee is composed of the following:

a) Anthony A. Abad - Chairman
b) Ferdinand D. Tolentino - Member
c) Victor Y. Lim, Jr. - Member

The table below sets forth each member of the LBCH's Board of Directors:

Name	Nationality	Age	Position
Miguel Angel A. Camahort	Filipino	62	Chairman of the Board
Rene E. Fuentes	Filipino	51	Director
Enrique V. Rey, Jr.	Filipino	54	Director
Augusto G. Gan	Filipino	62	Director
Mark Werner J. Rosal	Filipino	50	Director
Jason Michael Rosenblatt	American	48	Director
Anthony A. Abad	Filipino	61	Independent Director
Ferdinand D. Tolentino	Filipino	61	Independent Director
Victor Y. Lim, Jr.	Filipino	79	Independent Director

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

Miguel Angel A. Camahort
Chairman of the Board

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

Rene E. Fuentes
Director

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

Enrique V. Rey, Jr.
Director

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

Augusto G. Gan
Director

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

Mark Werner J. Rosal
Director

Atty. Mark Rosal became a Director of LBCH on April 28, 2015. Born in Cebu City, Atty. Rosal, prior to taking up Law, obtained a Bachelor’s Degree in Physical Therapy from Cebu Velez College in 1997, and passed the board exams for Physical Therapy, the same year. Atty. Rosal subsequently graduated in the top 5 of his law school batch at the University of San Carlos, Cebu City, in 2002, and was admitted to the Philippine Bar in 2003. He spent his early years in the practice of law at Balgos and Perez Law Offices and Angara Cruz Concepcion Regala and Abello (ACCRALAW). Currently, he is the Managing Partner of Rosal Bacalla Fortuna Helmuth-Vega and Virtudazo Law Offices, a Cebu-based law firm. Atty. Rosal's field of practice is Corporate Law, Mergers and Acquisitions, Real Estate Law, Estate Planning, Banking Laws, and Company Labor Law matters. He holds various positions and performs multiple roles in various private corporations such as Cebu Agaru Motors Inc., Wide Gain Property Holdings, Inc., Sem-Ros Food Corp, Rural Bank of Talisay, (Cebu) Inc., and One Merida Land Corp.

Jason Michael Rosenblatt
Director

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

Anthony A. Abad
Independent Director

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

Victor Y. Lim, Jr.
Independent Director

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

Ferdinand D. Tolentino
Independent Director

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

MANAGEMENT AND OFFICERS

LBCH's executive officers and management team cooperate with its Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review. The table below sets forth each member of the LBCH's management:

Name	Nationality	Age	Position
Miguel Angel A. Camahort	Filipino	62	Chief Executive Officer and President
Enrique V. Rey, Jr.	Filipino	54	Investor Relations Officer, Chief Finance Officer and Chief Risk Officer
Cristina S. Palma Gil-Fernandez	Filipino	56	Corporate Secretary
Rosalie H. Infantado	Filipino	49	Treasurer
Mahleene G. Go	Filipino	45	Assistant Corporate Secretary, Corporate Information Officer and Compliance Officer
Ernesto C. Naval III	Filipino	32	Alternate Corporate Information Officer
Jeric C. Baquiran	Filipino	46	Chief Audit Executive

The business experience of each of the LBCH's officers is set forth below.

Miguel Angel A. Camahort
Chief Executive Officer and President

Please refer to the table of directors above.

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

Please refer to the table of directors above.

Cristina S. Palma-Gil Fernandez
Corporate Secretary

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

Rosalie H. Infantado
Treasurer

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

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

Atty. Mahleene G. Go assumed the position of Assistant Corporate Secretary, Compliance Officer and Corporate Information Officer of LBCH in September 2015. Born on April 25, 1980, Atty. Go graduated with the degree of Bachelor of Arts, Major in Political Science, from the University of the Philippines in 2001, and with the degree of Juris Doctor from Ateneo De Manila University-School of Law in 2005. She also received a Certificate of Mandarin Language Training for International Students from 2011 to 2012 in Peking University, Beijing, China. She served as a Junior Associate at Picazo Buyco Tan Fider & Santos Law Offices from 2007 to 2010 and 2012 and is currently a Partner at the same office.

Ernesto C. Naval III
Alternate Corporate Information Officer

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

Jeric C. Baquiran
Chief Audit Executive

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

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

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

SIGNIFICANT EMPLOYEES

The Company considers its entire work force as significant employees. Everyone is expected to work together as a team to achieve the Company's goals and objectives.

FAMILY RELATIONSHIPS

As at the date of this Report, there are no family relationships between Directors and members of the Company's senior management known to the Company.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

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

On September 9, 2011, the BSP, through Monetary Board Resolution No. 1354, resolved to close and place LBC Development Bank Inc.'s (the "Bank") assets and affairs under receivership and appointed Philippine Deposit Insurance Company (PDIC) as the Bank's official receiver and liquidator.

On December 8, 2011, the Bank, thru PDIC, demanded LBC Holdings USA Corporation (LBC US) to pay its alleged outstanding obligations amounting to approximately ₱1.00 billion, a claim that LBC US has denied for being baseless and unfounded.

In prior years, the Group has outstanding advances of ₱295.00 million to the Bank, an entity under common control of LBCDC. In 2011, upon the Bank's closure and receivership, management assessed that these advances are not recoverable. Accordingly, the receivables amounting to ₱295.00 million were written-off.

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

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

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

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

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

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

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

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

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

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

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

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

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

Later on, the RTC denied the motion for reconsideration of the last remaining individual defendant. Thus, on May 24, 2021, Ma. Eliza G. Berenguer filed her Answer with Compulsory Counterclaims.

On November 8, 2021, the parties completed the pre marking of their respective documentary exhibits.

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

The presentation of PDIC's evidence and witnesses commenced on January 11, 2023. After several postponements, PDIC was supposed to present its last witness during the hearing on February 22, 2023. The RTC directed PDIC to make its oral formal offer of evidence on March 8, 2023.

On March 7, 2023, PDIC filed a Motion for Reconsideration, submitting the Judicial Affidavit of the witness and requesting that the RTC allow the witness to be presented. The defendants have since then filed their Comment/Opposition to the Motion for Reconsideration. The RTC will rule on PDIC's Motion for Reconsideration of the Order dated February 22, 2023 after receipt of PDIC's Reply.

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

On April 19, 2023, the RTC allowed PDIC to present its last witness during the hearing. The testimony of the witness was completed on April 19, 2023.

The RTC issued an Order dated April 20, 2023, ruling the defendants' Comment/Opposition to PDIC's Motion for Reconsideration has been rendered moot by the presentation and cross-examination of Ms. Figueroa. The RTC set the case for hearing on May 4, 2023 during which PDIC will formally offer its documentary evidence. The RTC likewise set the case for hearing on May 18, 2023 for the initial presentation of LBC's evidence and witnesses.

LBC Express, Inc., LBC Development Corporation and the other defendants filed a Motion for Reconsideration, Motion to Resolve, and Motion to Defer Plaintiff's Formal Offer of Evidence dated 4 May 2023, which essentially sought to reconsider the RTC's April 20, 2023 Order on the ground that the cross-examination of the last witness was made with express objections to the admissibility of her testimony and with express reservations with respect to the pending Motion for Reconsideration of the PDIC as well as to any remedy against any adverse resolution on the pending Motion for Reconsideration of the PDIC. LBC Express, Inc., LBC Development Corporation and the other defendants also requested the RTC to resolve the pending Motion for Reconsideration of the PDIC and to defer the Plaintiff's formal offer of evidence scheduled on May 4, 2023.

At the May 4, 2023 hearing, the RTC rescheduled the PDIC's formal offer to the next scheduled hearing on May 18, 2023 in light of the pending Motions.

At the hearing on May 18, 2023, the RTC issued an Order of the same date, in which Judge Redentor Cardenas ruled to voluntarily inhibit himself from further hearing the case, citing the contentious dispute over his decision to allow Ms. Figueroa to be presented as a witness.

The case was then re-raffled to Branch 132 of the Makati RTC, presided by Hon. Rommel Baybay.

Judge Baybay then conducted a clarificatory hearing on July 13, 2023 to discuss the pending motions. In an Order dated July 13, 2023, the RTC denied all the pending motions and directed the PDIC to file a written formal offer of evidence within 30 days and granted the defendants the same period to comment.

The PDIC filed its Formal Offer of Documentary Evidence dated August 14, 2023. On September 14 and 13, 2023, LBC Express, Inc., LBC Development Corporation and the other defendants filed their respective Comments and Objections to the Formal Offer.

In the Order dated September 28, 2023, the RTC resolved to admit Exhibits AA to JJ of the PDIC. LBC Express, Inc., LBC Development Corporation and the other defendants filed a Motion for Reconsideration dated October 12, 2023. In the Order dated January 17, 2024, the RTC denied the Motion for Reconsideration.

Thus, on January 18, 2024, LBC Express filed its Demurrer to Evidence and LBC Development Corporation, LBC Properties, and the individual defendants filed a separate Demurrer to Evidence.

The RTC granted the PDIC a period of 30 days to file its comments to the Demurrers and further granted the defendants a period of 30 days to file their replies.

Subsequently, Defendant Berenguer filed her own Demurrer to Evidence dated February 19, 2024.

LBC Express, Inc., LBC Development Corporation, LBC Properties and the other defendants filed their Reply to the PDIC's Comment to the Demurrers to Evidence on March 20, 2024.

In a Motion for Extension of Time dated 27 February 2024, the PDIC requested that it be given until March 23, 2024 to file its Comment to Defendant Berenguer's Demurrer to Evidence.

Pending the resolution of the Demurrers, the initial presentation of evidence for the Defendants was set on April 19, 2024, April 26, 2024, and May 10, 2024.

At the hearing on April 19, 2024, the RTC noted that the Demurrers were not yet resolved. Defendant Berenger was given until May 4, 2024 to file a Reply in response to PDIC's Comment to Berenguer's Demurrer to Evidence. Upon its request, PDIC was given 30 days from receipt of Berenguer's Reply to file a Consolidated Rejoinder to Berenguer's Reply and the Reply filed on behalf of LBC Express and others.

The hearing dates on 26 April 2024 and 10 May 2024 were cancelled. The hearing dates for the presentation of Defendants' evidence were rescheduled to 19 July 2024, 2 August 2024, and 23 August 2024.

On May 16, 2024, LBCE received a copy of the Resolution dated May 9, 2024, denying all of the Demurrers. LBCE and the other Defendants filed their respective Motions for Reconsideration dated May 31, 2024. Defendant Berenguer also filed a Motion for Reconsideration dated June 3, 2024. The PDIC filed its oppositions to the three Motions for Reconsideration.

At the hearing last July 19, 2024, the court stated that it needed more time to resolve the pending motions. Hence, the presentation of Defendants' evidence were rescheduled to August 2, 2024 and August 23, 2024.

The court later issued a Resolution dated August 1, 2024, denying all the Motions for Reconsideration. The hearings for presentation of Defendants' evidence were rescheduled to September 20, 2024 and November 15, 2024.

LBCE and the other defendants presented their first witness, Ms. Janet Tayag-Ong, at the hearings held last September 20, 2024, November 15, 2024, and March 6, 2025. Her cross-examination and presentation as a witness will be continued on July 17 and 30, 2025.

LBCE and the other defendants have at least five more witnesses to present. Hence, the trial of the civil case is still on-going.

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

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

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

Without prejudice to the results of the assessment, the Group paid tax advance to the taxation authority amounting to ₱2.03 billion. In 2022, management assessed that it is probable that these tax advance payments will be used to settle tax liabilities, if there's any, and be used as tax credit for tax liabilities in the succeeding years. As such, the Group recognized the tax advance payment as other assets classified between current and noncurrent in consideration of the expected timing of usage in future periods.

Item 10. EXECUTIVE COMPENSATION

COMPENSATION

There are no employees under LBC Express Holdings, Inc.

Standard Arrangements

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

Other Arrangements

There are no other arrangements pursuant to which any director of LBCH was compensated, or to be compensated, directly or indirectly, during 2024 for any service provided as a Director.

EMPLOYMENT CONTRACTS

LBCH has no special employment contracts with the named Executive Officers.

WARRANTS AND OPTIONS OUTSTANDING

There are no outstanding warrants or options held by the President, the named Executive Officers, and all Officers and Directors as a group.

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Record and Beneficial Owners of more than 5% of the LBCH's voting securities as of December 31, 2024.

Title of Class	Name and Address of Record Owner and Relationship to Issuer	Name of Beneficial Owner	Citizenship	No. of Common Shares Held in LBCH	% of Total Outstanding Shares of LBCH
Common	LBC Development Corporation General Aviation Center, Domestic Airport Compound, Pasay City (stockholder)	The record owner is the beneficial owner of the shares indicated	Filipino	1,206,178,232	84.59%

Security Ownership of Directors and Officers as of December 31, 2024

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common	Rene E. Fuentes	1- direct	Filipino	0.0%
Common	Enrique V. Rey, Jr.	1- direct	Filipino	0.0%
Common	Augusto G. Gan	1- direct	Filipino	0.0%
Common	Miguel Angel A. Camahort	1- direct	Filipino	0.0%
Common	Mark Werner J. Rosal	1,000 - direct	Filipino	0.0%
Common	Ferdinand D. Tolentino	100 - indirect	Filipino	0.0%
Common	Victor Y. Lim, Jr.	1- direct; 228,899 indirect	Filipino	0.0%
Common	Antonio A. Abad	101-direct	Filipino	0.0%
Common	Jason Michael Rosenblatt	1-direct	Filipino	0.0%

Voting Trust Holders of Five Percent or More

There were no persons holding more than five percent of a class of shares of LBCH under a voting trust or similar agreement as at the date of this Prospectus.

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

RELATED PARTY TRANSACTIONS

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

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

Please refer to Note 18 ("Related Party Transactions") to the notes to the 2024 consolidated financial statements of the Company which is incorporated herein in the accompanying index to exhibits.
The Company has the following major transactions with related parties:

Royalty Fee and Licensing Agreement with Parent Company

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

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

Expense Reimbursements with Related Parties

The Group provides advances and expense reimbursements to related parties. Further, it has receivable and payable under regular trade agreements to affiliates. These are non-interest bearing and payable on demand.

Fulfillment Fee and Brokerage Fees

In the normal course of business, the Group fulfills the delivery of *balikbayan* boxes, fulfillment of money remittances and performs certain administrative functions on behalf of its international affiliates. The Group charges delivery fees and service fees for the fulfillment of these services based on agreed rates. LBCE acquires services from OFII which include sea freight and brokerage mainly for the cargoes coming from international origins. These expenses are billed to the origins at cost.

Guarantee Fee

LBCE entered into a loan agreement with BDO which is secured with real estate mortgage on various real estate properties owned by the Group's affiliate. In consideration of the affiliate's accommodation to the Company's request to use these properties as loan collateral, the Group agreed to pay the affiliate, every April 1 of the year starting April 1, 2016, a guarantee fee of 1% of the outstanding loan and until said properties are released by the bank as loan collateral.

On April 15, 2021, the Board of Directors of LBCH approved to guarantee the loan and allowed to hold out its time deposit. The current amount of time deposit as of December 31, 2024 is P141.22 million. Such guarantee shall substitute the existing real estate mortgage on the affiliate's real estate properties as security.

Business Combinations

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

On July 1, 2019, LBCE sold all its QUADX 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 an 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 P1,018.66 million.

Notes receivable

In November 2011, LBC Mundial Corporation paid-off LBC Holdings USA Corporation's outstanding mortgage loan which is consolidated into a long-term promissory note amounting to $1,105,148 at 4% interest, payable in 180 equal monthly installments. As of December 31, 2023, total outstanding notes receivable amounted to ₱15.31 million, ₱10.45 million of which is presented as noncurrent under "Other noncurrent assets". This note were fully collected in 2024. Interest income earned from notes receivable amounted to ₱0.30 million, ₱1.75 million, and ₱1.76 million in 2024, 2023 and 2022, respectively.

Dividends

On June 26, 2024, August 9, 2023 and on May 31, 2022, LBCH recognized cash dividend from OFII amounting to ₱30.00 million, ₱39.60 million and ₱36.00 million, respectively, for its 30% interest on OFII.

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

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

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

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

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

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

On 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 and paid on November 15, 2022.

On September 29, 2022, the BOD of LBC Express Airfreight (S) PTE Ltd. declared cash dividend of SGD 5.7 million and paid on November 15, 2022.

On August 9, 2023, May 31, 2022 and July 16, 2021, LBCH recognized cash dividend from OFII amounting to ₱39.60 million, ₱36.00 million and ₱25.50 million, respectively, for its 30% interest on OFII.

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

On October 19, 2020, the BOD of LBCH approved the declaration of cash dividends of amounting to 285.17 million.

On October 27, 2020, the BOD of LBC Mabuhay Remittance Sdn Bhd declared cash dividends of BND300,000 (₱10.74 million). The related noncontrolling interest amounting to BND150,000 (₱5.38 million) is presented in the consolidated statement of changes in equity.

On November 5, 2020, the BOD of LBC Express Shipping Company WLL (Kuwait) declared cash dividends of KWD 800 per common share held by stockholders. The related noncontrolling interest amounting to ₱6.51 million is presented in the consolidated statement of changes in equity.

On July 16, 2020, LBCH recognized cash dividend from OFII amounting to ₱21.00 million for its 30% interest on OFII.

On November 15, 2020, the BOD of LBC Mabuhay (Malaysia) Sdn Bhd declared cash dividends of ₱20.18 million (MYR1,700,000). The related noncontrolling interest amounting to ₱1.75 million (MYR127,503) remains unpaid and is presented in the consolidated statement of changes in equity as of December 31, 2020.

PARENT COMPANY/MAJOR HOLDERS

As of the date of this Report, LBC Development Corporation owns 84.59% of the total issued and outstanding capital stock of the Company.

PART IV - CORPORATE GOVERNANCE

Item 13. CORPORATE GOVERNANCE

Please refer to the Integrated Annual Corporate Governance Report submitted on May 30, 2024.

PART V - EXHIBITS AND SCHEDULES

Item 14. REPORTS ON SEC FORM 17-C

(a) Exhibits - Please see accompanying index to exhibits
(b) Reports on SEC Form 17-C

The following current reports have been reported by LBC Express Holdings, Inc. during the year 2024:

	Disclosure	Date of Report
1	[Amend-2] Change in Stock Transfer Agent	March 20, 2024
2	Approval of the Consolidated Audited Financial Statements of the Company and its Subsidiaries (and standalone audited financial statement of the parent company) as of 31 December 2023	April 29, 2024
3	Amendment to Convertible Note	August 2, 2024
4	2024 Annual Stockholder's Meeting	October 2, 2024
5	Amendments to Articles of Incorporation	October 2, 2024
6	Amendments to By-Laws	October 2, 2024
7	Postponement of Annual Stockholders' Meeting	October 14, 2024
8	[Amend-1] Notice of Annual or Special Stockholders' Meeting	October 14, 2024
9	[Amend-1] Amendments to By-Laws	October 14, 2024
10	Results of Annual or Special Stockholders' Meeting	December 9, 2024
11	Results of Organizational Meeting of Board of Directors	December 9, 2024
12	[Amend-1] Amendments to Articles of Incorporation	December 10, 2024
13	[Amend-2] Amendments to By-Laws	December 10, 2024

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned thereunto duly authorized, in the City of MAKATI CITY on APR 1 4 2025.

LBC EXPRESS HOLDINGS, INC.

By:

Signed by **Mr. Enrique V. Rey, Jr.** as authorized alternate signatory for:

Miguel Angel A. Camahort
Chairman, President and Chief Executive Officer

SUBSCRIBED AND SWORN to before me this APR 1 4 2025 day of ____ 2025, affiants exhibiting to me their respective competent evidence of identities, as follows:

Name	Competent ID	Date of Expiry and Place of Issue
Enrique V. Rey, Jr.	Passport No. P9504935B	April 4, 2032 / DFA Manila

Doc. No. 345;
Book No. I;
Page No. 70;
Series of 2025.

MITZI LOVE C. SYJONGTIAN
Appointment No. M-299
Notary Public for Makati City
Until December 31, 2026
Liberty Center-Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 87544
PTR No. 10468810/Makati City/01-03-2025
IBP No. 510902/Makati City/12-17-2024
Admitted to the bar in 2023

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY, METRO MANILA) S. S.

SECRETARY'S CERTIFICATE

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

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

2. At a duly constituted meeting of the Board of Directors of the Corporation held on 4 April 2025, at which meeting a quorum was present and acting throughout, the following resolutions were passed and approved by the Board of Directors of the Corporation:

> "**WHEREAS,** the Corporation is required to file with the Securities and Exchange Commission ("**SEC**") and the Philippine Stock Exchange, Inc. ("**PSE**") on or before 15 April 2025 the SEC Form 17-A for the period ending 31 December 2024;
>
> "**WHEREAS, MR. MIGUEL ANGEL A. CAMAHORT**, the Chief Executive Officer, President, and Chairman of the Board of the Corporation, is required to sign the SEC 17-A Form but he will be out of the country during the period when the Corporation is expected to file the SEC Form 17-A;
>
> "**RESOLVED, AS IT IS HEREBY RESOLVED,** that the Corporation be, as it is hereby authorized to, appoint and constitute **MR. ENRIQUE V. REY JR.**, the Chief Financial Officer and Investors Relations Officer of the Corporation, as an alternate signatory who will be signing on behalf of the Chief Executive Officer, President, and Chairman, **MR. MIGUEL ANGEL A. CAMAHORT**;
>
> "**RESOLVED, FURTHER,** that **MR. ENRIQUE V. REY JR.** be authorized to sign the 17-A SEC Form both in his capacity as the Chief Financial Officer, and as the alternate signatory of **MR. MIGUEL ANGEL A. CAMAHORT;**
>
> "**RESOLVED, FINALLY,** that the Corporate Secretary or Assistant Corporate Secretary is hereby authorized to certify to the approval of the foregoing resolutions and any party is hereby authorized to rely upon such certification until advised by a like Secretary's Certificate of any change herein."

3. The foregoing resolutions are in accordance with the records of the Corporation. As of this date, these resolutions have not been amended nor rescinded and are still in force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand this APR 10 2025 in Makati City, Metro Manila.

CRISTINA S. PALMA GIL-FERNANDEZ
Corporate Secretary

SUBSCRIBED AND SWORN TO before me this APR 10 2025 in Makati City, Metro Manila, affiant exhibiting to me her Passport with Passport No. P5655630A issued by DFA NCR South on 18 January 2018.

Doc. No. 215;
Page No. 44;
Book No. I;
Series of 2025.

MITZI LOVE C. SYJONGTIAN
Appointment No. M-299
Notary Public for Makati City
Until December 31, 2026
Liberty Center-Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 87544
PTR No. 10468810/Makati City/01-03-2025
IBP No. 510902/Makati City/12-17-2024
Admitted to the bar in 2023

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned thereunto duly authorized, in the City of MAKATI CITY on APR 14 2025.

LBC EXPRESS HOLDINGS, INC.

By:

Enrique V. Rey, Jr.
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this APR 14 2025 day of 2025, affiants exhibiting to me their respective competent evidence of identities, as follows:

Name	Competent ID	Date of Expiry and Place of Issue
Enrique V. Rey, Jr.	Passport No. P9504935B	April 4, 2032 / DFA Manila

Doc. No. 346;
Book No. I;
Page No. 71;
Series of 2025.

MITZI LOVE C. SYJONGTIAN
Appointment No. M-299
Notary Public for Makati City
Until December 31, 2026
Liberty Center-Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 87544
PTR No. 10468810/Makati City/01-03-2025
IBP No. 510902/Makati City/12-17-2024
Admitted to the bar in 2023

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned thereunto duly authorized, in the City of MAKATI CITY on APR 14 2025.

LBC EXPRESS HOLDINGS, INC.

By:

Rosalie H. Infantado
Treasurer

SUBSCRIBED AND SWORN to before me this APR day of 14 2025 2025, affiants exhibiting to me their respective competent evidence of identities, as follows:

Name	Competent ID	Date of Expiry and Place of Issue
Rosalie H. Infantado	Passport No. P3399617B	September 30, 2029 / DFA Manila

Doc. No. 347;
Book No. I;
Page No. 71;
Series of 2025.

MITZI LOVE C. SYJONGTIAN
Appointment No. M-299
Notary Public for Makati City
Until December 31, 2026
Liberty Center-Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 87544
PTR No. 10468810/Makati City/01-03-2025
IBP No. 510902/Makati City/12-17-2024
Admitted to the bar in 2023

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this is to certify that the undersigned reviewed the contents of the document and to the best of her knowledge, belief, and on the basis of certain representations of the relevant officers of the Corporation, the information set forth in this document are true, complete, and correct. This report is signed on behalf of the issuer by the undersigned thereunto duly authorized, in the City of MAKATI CITY on APR 1 4 2025.

LBC EXPRESS HOLDINGS, INC.

By:

CRISTINA S. PALMA GIL-FERNANDEZ
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 1 4 2025 day of 2025, affiant exhibiting to me her respective competent evidence of identity, as follows:

Name	Competent ID	Date and Place of Issue
Cristina S. Palma Gil-Fernandez	Passport No. P5655630A	DFA NCR South / 18 January 2018

Doc. No. 344;
Book No. I;
Page No. 70;
Series of 2025.

MITZI LOVE C. SYJONGTIAN
Appointment No. M-299
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IBP No. 510902/Makati City/12-17-2024
Admitted to the bar in 2023

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	9	3	0	0	5	2	7	7

COMPANY NAME

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
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**	**–**

CONTACT PERSON's ADDRESS

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

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

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

LBC Express Holdings, Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of LBC Express Holdings, Inc. and its subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2024 and 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Signature: ______________________________
Signed by **Enrique V. Rey, Jr.** as authorized alternate signatory for:
MIGUEL ANGEL A. CAMAHORT
Chairman of the Board, Chief Executive Officer and President

Signature: ______________________________
ENRIQUE V. REY, JR.
Chief Finance Officer

Signed this 14 day of APRIL 2025.

SUBSCRIBED AND SWORN to before me in the City of Makati this 14th day of April 2025, affiant exhibiting to me his respective competent evidence of identity, as follows:

Name	Competent ID	Date and Place of Issue
Enrique V. Rey. Jr.	Passport No. P9504935B	April 4, 2032 / DFA Manila

MITZI LOVE C. SY JONGTIAN
Appointment No. M-299
Notary Public for Makati City
Until December 31, 2026
Liberty Center-Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 87544
PTR No. 10468810/Makati City/01-03-2025
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Admitted to the bar in 2023

Doc. No. 366;
Book No. I;
Page No. 76;
Series of 2025.

Outlook

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Hi LBC EXPRESS HOLDINGS, INC.,

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Submission Date/Time: **Apr 14, 2025 10:00 PM**
Company TIN: **002-648-099**

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- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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SyCip Gorres Velayo & Co.
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sgv.ph

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of LBC Express Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2024, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2024 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 29 to the consolidated financial statements which describes the uncertainty related to the outcome of the case filed against LBC Express, Inc. (LBCE), among other respondents, by LBC Development Bank, Inc., as represented by its receiver and liquidator, the Philippine Deposit Insurance Corporation (PDIC) for collection of an alleged amount of ₱1.82 billion, and the recognition of advance tax payments amounting to ₱2.03 billion as an asset in relation to the ongoing assessment for national taxes of LBCE and its certain subsidiaries. Our opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Going Concern assessment

As of December 31, 2024, the Group is in net current liability position of ₱3.66 billion and has a current ratio of 0.66x. The Group's convertible instrument amounting to ₱4.59 billion as of December 31, 2024 was extended indefinitely but the creditor retains the right to demand payment anytime subject to an advance notice. To date, the Group is in discussion with banks to obtain replacement financing. In the event of default, the creditor may foreclose the pledged LBCE shares which 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 Group. The Group's ability to repay the obligation will be dependent on a number of factors including improving operation to raise fund, securing replacement financing and various settlement options under the agreement. As the going concern assessment is a significant aspect of our audit, we have identified this as a key audit matter.

The Group's disclosures on the going concern assessment are included in Notes 1, 3 and 16 to the consolidated financial statements.

Audit Response

We obtained an understanding of the management's going concern assessment, taking into consideration the current business environment. We compared management's assumptions used such as revenue growth rates and projected cash flow in the forecasted performance against historical performance, operating and financing plans. We inspected documents, such as extension agreement and minutes of meeting of the Board of Directors. We obtained management's plan and supporting evidence to repay the convertible instrument and its assessment of various options including those under the agreement. We updated our understanding of the underlying terms and condition of the instrument as these relate to the event of default and management's assessment of the potential implication to the Group's overall business. We also assessed the adequacy of the related disclosures in the notes to the consolidated financial statements.

National Taxes and Provisions and Contingencies

The Group is involved in assessments for national taxes and paid ₱2.03 billion tax advance to the tax authority. Also, the Parent Company's subsidiary, LBCE, among other respondents, is involved in a case filed by LBC Development Bank, Inc., as represented by its receiver and liquidator, the PDIC, for collection of an alleged amount of ₱1.82 billion. The claim pertains to alleged unpaid service fees from June 2006 to August 2011 and unpaid service charges on remittance transactions from January 2010 to September 2011.

The matter on the legal case is significant to our audit because the determination of whether any provision for potential liability should be recognized and the estimation of such amount, if any, require significant judgment by management. We also considered the recoverability of tax advance payment as a key audit matter because of the materiality of the amount involved, and the significant management judgment required in assessing whether it is recoverable and the related timing. The inherent uncertainty over the outcome of these matters is brought about by the differences in the interpretation and implementation of the laws and tax rulings.

The Group's disclosures about these matters are included in Notes 3, 7 and 29 to the consolidated financial statements.

Audit Response

We involved our internal specialists in the evaluation of management's assessment on (a) whether any provision for potential liability should be recognized and the estimation of such amount on the legal case; and (b) whether the tax advance payment is recoverable. We held discussions with and obtained the written replies of the Group's external legal/tax counsels on the status of the case/assessment and their assessment of any potential liability and the recoverability of the tax advance payments and related timing. For the legal case, we sent a confirmation letter to PDIC and obtained their reply which was provided to the Group for reconciliation with the Group's accounting records. For the tax assessment and tax advance payment, we obtained correspondences with the relevant tax authorities and evaluated the tax position of the management by considering the tax laws, rulings and jurisprudence. We also reviewed the Group's disclosures about these matters and the basis of management's assessment.

Recoverability of Goodwill

The Group is required to perform an impairment test on goodwill annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. As of December 31, 2024, the Group has goodwill amounting to ₱287.02 million which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty, specifically for the annual and long-term revenue growth rates and discount rates.

The Group's disclosures on goodwill are included in Note 4 to the consolidated financial statements.

Audit Response

We updated our understanding of the management's process for evaluating the impairment of goodwill. We involved our internal specialist in evaluating the methodologies and the assumptions used. We compared the key assumptions used such as the annual and long-term revenue growth rates against the historical performance of the cash-generating units (CGU), market and industry outlook and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of goodwill.

Fair value measurement of derivative

The Group has derivative liability recognized at fair value amounting to ₱2.53 billion as of December 31, 2024. The fair value measurement of this liability is significant to our audit because it is inherently subjective as it involves the use of valuation inputs that are not market observable such as stock price volatility, forward foreign currency exchange rates and credit spread. Management also applied judgment in selecting the valuation technique and the assumptions to be used. We considered this as a key audit matter because of the materiality of the amount involved, and the significant judgment in determination of the non-observable inputs.

The Group's disclosures on the derivative liability are included in Notes 3, 16, 24 and 25 to the consolidated financial statements.

Audit Response

With the involvement of our internal specialist, we evaluated the methodology applied by referencing common valuation models. We performed an independent testing to assess the modelling assumptions and significant inputs used to estimate the fair value of the derivative. We obtained significant inputs from external sources considering available market observable inputs. We also reviewed the Group's disclosures related to the fair value measurement of the derivative liability.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2024 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) for the year ended December 31, 2024, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
Tax Identification No. 925-713-249
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-119-2025, January 8, 2025, valid until January 7, 2028
PTR No. 10465350, January 2, 2025, Makati City

April 14, 2025

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

	December 31	
	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 24)	**₱2,733,428,898**	₱2,281,855,470
Trade and other receivables (Notes 6, 18, 24 and 25)	**2,127,168,683**	1,950,150,885
Due from related parties (Notes 18, 24 and 25)	**1,159,775,626**	1,139,856,145
Investment at fair value through profit or loss (Notes 10, 24 and 25)	**2,360,759**	2,263,568
Prepayments and other current assets (Notes 7, 12, 24 and 25)	**1,144,894,737**	1,265,918,338
Total Current Assets	**7,167,628,703**	6,640,044,406
Noncurrent Assets		
Property and equipment (Note 8)	**2,487,768,051**	2,644,165,028
Right-of-use assets (Note 22)	**1,601,239,442**	1,980,477,828
Intangible assets (Note 9)	**212,276,151**	236,885,271
Investment at fair value through other comprehensive income (Notes 10, 24 and 25)	**99,480,637**	191,158,872
Deferred tax assets - net (Note 21)	**544,565,012**	525,938,028
Security deposits (Note 22)	**375,426,973**	419,197,007
Investment in associates (Note 11)	**369,935,605**	355,569,615
Goodwill (Note 4)	**287,024,985**	287,024,985
Other noncurrent assets (Notes 7, 12, 18 and 24)	**2,093,359,358**	2,094,307,378
Total Noncurrent Assets	**8,071,076,214**	8,734,724,012
	₱15,238,704,917	₱15,374,768,418
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 13, 18, 24 and 25)	**₱3,518,304,281**	₱3,380,083,841
Due to related parties (Notes 18 and 24)	**10,721,895**	11,480,610
Current portion of notes payable (Notes 15, 24 and 25)	**1,238,540,861**	1,375,261,115
Transmissions liability (Notes 14, 18 and 24)	**684,859,401**	606,733,574
Income tax payable	**16,602,117**	19,436,300
Current portion of lease liabilities (Notes 22 and 24)	**763,676,898**	828,187,402
Derivative liability (Notes 16, 24 and 25)	**2,528,532,365**	2,030,069,446
Bonds payable (Notes 16, 24 and 25)	**2,065,585,876**	1,979,740,743
Total Current Liabilities	**10,826,823,694**	10,230,993,031
Noncurrent Liabilities		
Retirement benefit liability - net (Note 23)	**1,005,302,601**	900,655,996
Notes payable - net of current portion (Notes 15, 24 and 25)	**676,151,276**	947,400,258
Lease liabilities - net of current portion (Notes 22, 24 and 25)	**1,074,366,140**	1,369,639,273
Total Noncurrent Liabilities	**2,755,820,017**	3,217,695,527
Total Liabilities	**13,582,643,711**	13,448,688,558
Equity		
Equity attributable to shareholders of the Parent Company		
Capital stock (Note 17)	**1,425,865,471**	1,425,865,471
Retained earnings (Note 17)	**152,721,270**	304,563,778
Accumulated comprehensive income (Note 17)	**90,918,199**	215,287,092
	1,669,504,940	1,945,716,341
Non-controlling interests (Note 17)	**(13,443,734)**	(19,636,481)
Total Equity	**1,656,061,206**	1,926,079,860
	₱15,238,704,917	₱15,374,768,418

See accompanying Notes to Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2024	2023	2022
SERVICE REVENUE (Note 26)	**₱14,296,058,157**	₱14,513,690,842	₱15,189,724,912
COST OF SERVICES (Note 19)	**11,171,592,505**	11,468,232,196	12,323,237,156
GROSS PROFIT	**3,124,465,652**	3,045,458,646	2,866,487,756
OPERATING EXPENSES (Note 20)	**2,458,806,514**	2,490,289,107	2,482,476,783
OPERATING INCOME	**665,659,138**	555,169,539	384,010,973
OTHER INCOME (CHARGES)			
Equity in net earnings of associates (Note 11)	**45,378,483**	16,164,364	52,622,132
Gain on modification of convertible instrument (Note 16)	**44,184,116**	–	–
Interest income (Notes 5, 7, 12 and 18)	**14,699,557**	15,293,926	8,972,553
Fair value gain on investment at fair value through profit or loss (Note 10)	**97,191**	96,505	36,842
Foreign exchange gains (losses) - net (Notes 20 and 24)	**(9,254,598)**	59,874,458	(75,551,544)
Gain (loss) on derivative (Note 16)	**(218,344,697)**	150,810,960	(230,550,021)
Interest expense (Notes 9, 15, 16, 18 and 22)	**(624,017,665)**	(541,524,134)	(525,208,512)
Gain on bargain purchase (Note 4)	–	18,233,464	–
Gain on partial redemption of convertible instruments (Note 16)	–	–	7,582,766
Others - net (Note 8)	**13,636,501**	13,372,548	13,686,305
	(733,621,112)	(267,677,909)	(748,409,479)
INCOME (LOSS) BEFORE INCOME TAX	**(67,961,974)**	287,491,630	(364,398,506)
PROVISION FOR INCOME TAX (Note 21)	**77,334,070**	119,306,595	178,837,675
NET INCOME (LOSS)	**(145,296,044)**	168,185,035	(543,236,181)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not to be reclassified to profit or loss in subsequent periods			
Share in other comprehensive income (loss) of associate (Notes 11 and 17)	**(1,012,493)**	7,341,546	249,260
Remeasurement gain (loss) on retirement benefit plan - net of tax (Notes 17 and 23)	**(6,495,277)**	(19,883,943)	156,088,702
Unrealized fair value gain (loss) on equity investment at fair value through other comprehensive income (Notes 10 and 17)	**(91,678,234)**	(7,802,403)	9,753,004
Items that may be reclassified to profit or loss in subsequent periods			
Currency translation gain (loss) - net	**(25,536,606)**	(1,821,881)	123,455,421
	(124,722,610)	(22,166,681)	289,546,387
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱270,018,654)**	₱146,018,354	(₱253,689,794)
NET INCOME (LOSS) ATTRIBUTABLE TO:			
Shareholders of the Parent Company (Note 28)	**(₱151,842,508)**	₱176,290,488	(₱541,974,747)
Non-controlling interests	**6,546,464**	(8,105,453)	(1,261,434)
NET INCOME (LOSS)	**(₱145,296,044)**	₱168,185,035	(₱543,236,181)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Shareholders of the Parent Company	**(₱276,211,401)**	₱153,439,840	(₱258,343,699)
Non-controlling interests	**6,192,747**	(7,421,486)	4,653,905
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱270,018,654)**	₱146,018,354	(₱253,689,794)
EARNINGS (LOSS) PER SHARE (Note 28)			
Basic	**(₱0.11)**	**₱0.12**	(₱0.38)
Diluted	**(₱0.11)**	**₱0.12**	(₱0.38)

See accompanying Notes to Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	For the Year Ended December 31, 2024					
	Equity Attributable to Shareholders of the Parent Company					
	Capital Stock (Note 17)	**Retained Earnings** (Note 17)	**Accumulated Comprehensive Income (Loss)** (Note 17)	**Total**	**Non-controlling Interests**	**Total Equity**
Balances at beginning of year	**₱1,425,865,471**	**₱304,563,778**	**₱215,287,092**	**₱1,945,716,341**	**(₱19,636,481)**	**₱1,926,079,860**
Comprehensive income (loss):						
Net income (loss)	**–**	**(151,842,508)**	**–**	**(151,842,508)**	**6,546,464**	**(145,296,044)**
Other comprehensive loss	**–**	**–**	**(124,368,893)**	**(124,368,893)**	**(353,717)**	**(124,722,610)**
Total comprehensive income (loss)	**–**	**(151,842,508)**	**(124,368,893)**	**(276,211,401)**	**6,192,747**	**(270,018,654)**
Balances at end of year	**₱1,425,865,471**	**₱152,721,270**	**₱90,918,199**	**₱1,669,504,940**	**(₱13,443,734)**	**₱1,656,061,206**

	For the Year Ended December 31, 2023					
	Equity Attributable to Shareholders of the Parent Company					
	Capital Stock (Note 17)	Retained Earnings (Note 17)	Accumulated Comprehensive Income (Loss) (Note 17)	Total	Non-controlling Interests	Total Equity
Balances at beginning of year	₱1,425,865,471	₱128,273,290	₱238,137,740	₱1,792,276,501	(₱10,301,750)	₱1,781,974,751
Comprehensive income (loss):						
Net income (loss)	–	176,290,488	–	176,290,488	(8,105,453)	168,185,035
Other comprehensive income (loss)	–	–	(22,850,648)	(22,850,648)	683,967	(22,166,681)
Total comprehensive income (loss)	–	176,290,488	(22,850,648)	153,439,840	(7,421,486)	146,018,354
Dividends declared (Note 17)	–	–	–	–	(1,913,245)	(1,913,245)
Balances at end of year	₱1,425,865,471	₱304,563,778	₱215,287,092	₱1,945,716,341	(₱19,636,481)	₱1,926,079,860

	For the Year Ended December 31, 2022					
	Equity Attributable to Shareholders of the Parent Company					
	Capital Stock (Note 17)	Retained Earnings (Note 17)	Accumulated Comprehensive Income (Loss) (Note 17)	Total	Non-controlling Interests	Total Equity
Balances at beginning of year	₱1,425,865,471	₱670,248,037	(₱45,493,308)	₱2,050,620,200	₱20,865,195	₱2,071,485,395
Comprehensive income (loss):						
Net income (loss)	–	(541,974,747)	–	(541,974,747)	(1,261,434)	(543,236,181)
Other comprehensive loss	–	–	283,631,048	283,631,048	5,915,339	289,546,387
Total comprehensive income (loss)	–	(541,974,747)	283,631,048	(258,343,699)	4,653,905	(253,689,794)
Dividends declared (Note 17)	–	–	–	–	(35,820,850)	(35,820,850)
Balances at end of year	₱1,425,865,471	₱128,273,290	₱238,137,740	₱1,792,276,501	(₱10,301,750)	₱1,781,974,751

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱67,961,974)**	₱287,491,630	(₱364,398,506)
Adjustments for:			
Depreciation and amortization (Notes 2, 8, 9, 19, 20 and 22)	**1,166,488,225**	1,385,459,806	1,454,093,170
Interest expense (Notes 8, 9, 15, 16, 18 and 22)	**624,017,665**	541,524,134	525,208,512
Loss (gain) on derivative liability (Note 16)	**218,344,697**	(150,810,960)	230,550,021
Retirement expense, net of benefits paid and contribution to retirement plan (Notes 19, 20 and 23)	**98,151,328**	89,567,679	35,604,172
Unrealized foreign exchange loss (gain)	**47,747,254**	(7,356,451)	145,779,018
Fair value gain on investment at fair value through profit or loss (Note 10)	**(97,191)**	(96,505)	(36,842)
Gain on disposal of property and equipment (Note 8)	**(4,983,046)**	(9,040,408)	(2,854,014)
Interest income (Notes 5, 7, 12 and 18)	**(14,699,557)**	(15,293,926)	(8,972,553)
Gain on modification of convertible instrument (Note 16)	**(44,184,116)**	–	–
Equity in net earnings of associates (Note 11)	**(45,378,483)**	(16,164,364)	(52,622,132)
Gain on bargain purchase (Note 4)	**–**	(18,233,464)	–
Gain on partial redemption of convertible instruments	**–**	–	(7,582,766)
Operating income before changes in working capital	**1,977,444,802**	2,087,047,171	1,954,768,080
Changes in working capital:			
Decrease (increase) in:			
Trade and other receivables	**(177,017,798)**	84,507,600	51,834,810
Prepayments and other assets	**169,395,135**	214,922,811	12,604,562
Security deposits	**16,083,397**	12,562,384	(25,784,548)
Other noncurrent assets	**(19,736,877)**	11,755,016	(455,609,938)
Increase (decrease) in:			
Accounts and other payables (Note 27)	**128,318,050**	(554,563,029)	479,619,993
Transmission liability	**78,125,827**	(250,769,116)	(52,701,349)
Net cash generated from operations	**2,172,612,536**	1,605,462,837	1,964,731,610
Interest received	**14,699,557**	15,293,926	8,972,552
Income tax paid	**(95,820,880)**	(72,702,306)	(232,655,281)
Net cash provided by operating activities	**2,091,491,213**	1,548,054,457	1,741,048,881
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received (Note 18)	**30,000,000**	39,600,000	36,000,000
Decrease (increase) in due from related parties (Note 27)	**(19,919,481)**	37,976,808	(4,392,833)
Proceeds from:			
Disposal of property and equipment and intangible assets (Notes 8 and 9)	**40,888,839**	32,415,505	6,445,949
Disposal of investments classified as investment at fair value through OCI (Note 10)	**–**	–	13,559,437
Acquisitions of:			
Intangible assets (Notes 9 and 27)	**(49,443,047)**	(55,237,437)	(50,743,534)
Property and equipment (Notes 8 and 27)	**(80,479,073)**	(745,128,256)	(644,537,192)
Subsidiaries, net of cash acquired (Note 4)	–	501,875	–
Net cash used in investing activities	**(78,952,762)**	(689,871,505)	(643,668,173)

(Forward)

	Years Ended December 31		
	2024	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from notes payable (Notes 15 and 27)	**1,440,802,109**	999,122,465	781,509,600
Decrease in due to related parties (Note 27)	**(758,715)**	(19,168,129)	(5,778,573)
Payments of:			
Interest (Note 27)	**(162,527,467)**	(107,306,901)	(82,787,773)
Lease and other noncurrent liabilities (Notes 22 and 27)	**(1,029,084,746)**	(1,153,240,832)	(1,164,695,675)
Notes payable (Notes 15 and 27)	**(1,848,771,345)**	(779,851,700)	(670,845,517)
Dividends (Note 27)	**–**	(1,913,245)	(35,820,926)
Redemption of convertible bond	**–**	(997,458,943)	–
Net cash used in financing activities	**(1,600,340,164)**	(2,059,817,285)	(1,178,418,864)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**412,198,287**	(1,201,634,333)	(81,038,156)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**39,375,141**	(34,134,368)	123,547,973
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,281,855,470**	3,517,624,171	3,475,114,354
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱2,733,428,898**	₱2,281,855,470	₱3,517,624,171

See accompanying Notes to Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

The Parent Company invests, purchases or disposes real and personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation, association, domestic and foreign.

The Parent Company is a public holding company with investments in businesses of messengerial either by sea, air or land of letters, parcels, cargoes, wares, and merchandise; acceptance and remittance of money, bills payment and the like; performance of other allied general services from one place of destination to another within and outside of the Philippines; and foreign exchange trading.

As of December 31, 2024, the Group is in net current liability position of ₱3.66 billion and has a current ratio of 0.66x. The Group’s convertible instrument amounting to ₱4.59 billion was extended indefinitely and is classified as current liability since creditor has right to demand payment anytime subject to 30-day notice. To date, the Group is in discussion with banks to obtain replacement financing. In the event of default, the creditor may foreclose the pledged LBCE shares which 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 Group.

Management’s plans on future actions to settle the instrument includes improving operation to raise fund, securing replacement financing and those options under the agreement (see Note 16). Management is implementing strategic initiatives to accelerate the recovery of the Group’s operation, sustain the increasing trend, and be able raise funds. Other settlement option for the convertible instrument will have material impact to the domestic business of the Group but the international business supports the Group’s ability to continue as going concern. Management has determined that these actions support the Group’s going concern assessment and has therefore prepared the financial statements on a going concern basis.

The Parent Company’s registered office address is at LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila, Philippines.

The accompanying consolidated financial statements of the Parent Company and its subsidiaries (the Group) have been approved and authorized for issue by the BOD on April 14, 2025.

2. Basis of Preparation and Summary of Material Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis except for fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and derivatives that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is also the Group's functional currency. All amounts are rounded off to the nearest peso unit unless otherwise indicated.

Difference in accounting periods

The Group consolidated the non-coterminous financial statements of its subsidiaries using their November 30 fiscal year end except for QuadX Pte. Ltd., and Mermaid Co., Ltd. with December 31 year end which are aligned with the Parent Company since it is impracticable for the said subsidiaries to prepare financial statements as of the same date as the reporting date of the Parent Company.

Management exercised judgment in determining whether adjustments should be made in the consolidated financial statements of the Group pertaining to the effects of significant transactions or events of its subsidiaries that occur between December 1, 2024 and 2023 and the year-end date of the Parent Company's financial statements which is December 31, 2024 and 2023.

The consolidated financial statements as of December 31, 2024 were adjusted to effect LBCE's availment and settlement of bank loans in December 2024 amounting to ₱136.78 million and ₱100.16 million, respectively, adjustment to reflect the decrease in fair value of investment at FVOCI by ₱9.75 million, maturity of time deposit amounting ₱100.58 million; and adjustment to reflect equity share in net loss of Terra Barbaza Aviation, Inc. (TBAI) amounting to ₱2.67 million for the period December 1 to 31, 2024.

The consolidated financial statements as of December 31, 2023 were adjusted to effect LBCE's availment and settlement of bank loans in December 2023 amounting to ₱290.24 million and ₱32.90 million, respectively, adjustment to reflect equity share in net earnings of Terra Barbaza Aviation, Inc. (TBAI) amounting to ₱1.13 million, and adjustment to reflect the decrease in fair value of investment at FVOCI by ₱13.65 million for the period December 1 to 31, 2023.

Aside from these, there were no other significant transactions that transpired between December 1, 2024 to December 31, 2024, and between December 1, 2023 to December 31, 2023.

Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis of Consolidation

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions, including income, expenses and dividends, are eliminated in full. The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31, 2024 and 2023.

Non-controlling interests (NCI) represent the portion of profit or loss and net assets in subsidiaries not owned by the Group and are presented separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from the Parent Company's equity. Any equity instruments issued by a subsidiary that are not owned by LBCH are non-controlling interests.

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

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

	Country of incorporation	Principal activities	**Ownership Interest**	
			2024	2023
LBC Express, Inc. (LBCE)	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - MM, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - CL, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - NL, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - VIS, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - SL, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - SCS, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express Corporate Solutions, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - CMM, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - EMM, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - MIN, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - SMM, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - SEL, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - WV, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - SEM, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - SCC, Inc.	Philippines	Logistics and money remittance	**100%**	100%
South Mindanao Courier Co., Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - NEMM, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - NWMM, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Systems, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express Bahrain WLL	Bahrain	Logistics	**49%**	49%
LBC Express Shipping Company WLL	Kuwait	Logistics	**49%**	49%
LBC Express LLC [(1)]	Qatar	Logistics	**49%**	49%
LBC Mabuhay Saipan Inc.	Saipan	Logistics and money remittance	**100%**	100%
LBC Aircargo (S) PTE. LTD	Singapore	Logistics	**100%**	100%
LBC Aircargo (S) PTE. LTD Taiwan Cargo branch	Taiwan	Logistics	**100%**	100%
LBC Express Airfreight (S) PTE. LTD.	Singapore	Logistics	**100%**	100%
LBC Money Transfer PTY Limited	Australia	Money remittance	**100%**	100%
LBC Australia PTY Limited	Australia	Logistics	**100%**	100%
LBC Mabuhay (Malaysia) SDN BHD.	Malaysia	Logistics	**93%**	93%
QuadX Pte. Ltd.	Singapore	Digital logistics	**86%**	86%
LBC Mabuhay (B) Sdn Bhd	Brunei	Logistics	**50%**	50%
LBC Mabuhay Remittance Sdn Bhd	Brunei	Money remittance	**50%**	50%
LBC Mundial Corporation	United States of America	Logistics and money remittance	**100%**	100%
LBC Mundial Nevada Corporation	United States of America	Logistics and money remittance	**100%**	100%
LBC Business Solutions North America Corp.	United States of America	Logistics	**100%**	100%

(Forward)

	Country of incorporation	Principal activities	Ownership Interest **2024**	2023
LBC Mabuhay North America Corporation	United States of America	Logistics and money remittance	**100%**	100%
LBC Mundial Cargo Corporation	Canada	Logistics	**100%**	100%
LBC Mabuhay Remittance Corporation	Canada	Money remittance	**100%**	100%
LBC Mabuhay Hawaii Corporation	United States of America	Logistics and money remittance	**100%**	100%
Mermaid Co., Ltd	Japan	Logistics	**100%**	100%
Blue Eagle and LBC Service Pte. Ltd. (2)	Taiwan	Employment services including remittance	**100%**	100%

Note:
1) This entity is a subsidiary of LBC Express Shipping Company WLL which has 49% ownership interest.
2) On September 28, 2023, the Parent Company acquired 100% equity in Blue Eagle and LBC Service Ltd. (see Note 4).

Although the Parent Company owns 49%-50% only of the voting share of LBC Express Bahrain WLL, LBC Express Shipping Company WLL, LBC Express LLC, LBC Mabuhay (B) Sdn Bhd and LBC Mabuhay Remittance Sdn Bhd, in substance it controls the said entities since: (a) the activities of the subsidiaries are being conducted on behalf of the Parent Company according to its specific business need so that the Parent Company obtains benefits from the subsidiaries' operations through a service agreement to provide courier, door-to-door, freight forwarding services for the general public; and (b) the Parent Company has the decision-making powers to obtain the majority of the benefits of the activities of the subsidiaries.

The money remittance business in the Philippines is performed by LBCE and the subsidiaries only act as service agents for LBCE.

Non-Controlling Interests
As at December 31, 2024, the Group has subsidiaries with non-controlling interests. Percentage of equity held by non-controlling interests in 2024 and 2023 are as follows:

	Country of incorporation	**2024**	2023
LBC Express Bahrain, WLL	Bahrain	**51%**	51%
LBC Express Shipping Company WLL	Kuwait	**51%**	51%
LBC Express LLC	Qatar	**26%**	26%
LBC Mabuhay (Malaysia) SDN BHD.	Malaysia	**7%**	7%
QuadX Pte. Ltd.	Singapore	**14%**	14%
LBC Mabuhay (B) Sdn Bhd	Brunei	**50%**	50%
LBC Mabuhay Remittance Sdn Bhd	Brunei	**50%**	50%

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, 2024. The Group 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 consolidated financial statements of the Group.

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments clarify:

  - That only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current.

  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.

  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

- Amendments to PAS 7 and PFRS 7, *Disclosures: Suppliers Finance Arrangements*

  The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

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

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

Effective beginning on or after January 1, 2026
- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Annual Improvements to PFRS Accounting Standards—Volume 11
  - Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*
  - Amendments to PFRS 7, *Gain or Loss on Derecognition*
  - Amendments to PFRS 9, *Lessee Derecognition of Lease Liabilities* and *Transaction Price*
  - Amendments to PFRS 10, *Determination of a 'De Facto Agent'*
  - Amendments to PAS 7, *Cost Method*

Effective beginning on or after January 1, 2027
- PFRS 18, *Presentation and Disclosure in Financial Statements*
- PFRS 19, *Subsidiaries without Public Accountability*

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

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

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

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

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

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

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

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

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

Financial Assets and Financial Liabilities

Financial Assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15.

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

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

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 amortized cost (debt instrument)
This category is the most relevant to the Group. The Group measures its financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

This category generally applies to cash and cash equivalents, short-term cash investments, electronic wallet, trade and other receivables, due from related parties and restricted cash under other current assets.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity and are not held for trading. The classification is determined on an instrument-by-instrument basis.

After initial measurement, such equity investments are subsequently measured at fair value with unrealized gains and losses recognized in OCI. Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognized in profit or loss as other operating income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such dividends are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

As at December 31, 2024 and 2023, the Group measures its quoted investment in share of stock at FVOCI (see Note 10).

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and

interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

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

As at December 31, 2024 and 2023, the Group measures its investment in unquoted unit investment trust fund at FVPL (see Note 10).

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

For trade and other receivables, the Group has elected to use the simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix based on loss rate approach that is based on the Group's historical credit loss experience for the past five years, adjusted for forward looking factors specific to the debtors and the economic environment (i.e., non-performing loans and gross domestic product).

For due from related parties and cash and cash equivalents, restricted cash, and other receivables, the Group applies the general approach.

The Group considers a financial asset in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of served invoices which is administrative in nature which may extend the definition of default to 180 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

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

Financial liabilities

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

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

The Group's financial liabilities include accounts and other payables (excluding taxes and government contribution payable), due to related parties, notes payable, transmissions liability, lease liabilities, dividends payable, other noncurrent liabilities and bond payable.

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 Group's derivative liability is classified under this category (see Notes 16, 24 and 25)

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

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

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

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

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

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

This category generally applies to ‘accounts and other payables’ (except taxes and government contribution payable), ‘due to related parties’, ‘notes payable’, ‘transmissions liability’, ‘lease liabilities’, ‘dividends payable’, and ‘other noncurrent liabilities’ presented in the consolidated 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 Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Offsetting of Financial Assets and Financial Liabilities
Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Company intends to either 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 Assets

Prepayments are recognized when payment has been made in advance for the purchase of goods or services for which delivery or performance has not yet occurred. This also includes advance payments of the Group to the tax authority in relation to an ongoing tax assessment. The Group recognizes the advance payments as an asset if it gives a right to receive future economic benefits in the form of a refund, or by using it to settle tax liabilities, or as tax credit in the future. Prepayments are measured at undiscounted amounts and derecognized in the consolidated statement of financial position as they expire with the passage of time, or through use and consumption.

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

Materials and supplies are initially measured at the cost of purchase, which comprise the purchase price less trade discounts, rebates and other similar deductions. Materials and supplies are subsequently measured at the lower of cost and net realizable value. Cost is determined using average cost formula. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Materials and supplies are derecognized when consumed.

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

Property and Equipment

Property and equipment, except land, are stated at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment loss.

Depreciation and amortization is calculated on a straight-line method over the following estimated useful lives of the property and equipment:

	Years
Computer hardware	3
Furniture, fixtures and office equipment	3 to 5
Transportation equipment	3 to 10
Leasehold improvements	8 years or lease term (whichever is shorter)
Building	50

Construction in progress is stated at cost. Construction in progress is not depreciated until such time as the relevant assets are completed and available for use.

The assets' residual value, estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment or if constructed in a leased asset, whichever is shorter between the lease term and the useful life.

The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss (calculated as the difference between the net disposal proceeds and the carrying amount of the property and equipment) is credited to or charged against profit or loss in the year the property and equipment is derecognized.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category that is consistent with the function of the intangible assets. The useful life of the Group's software is three to five years.

Intangible assets with indefinite useful lives, including goodwill, are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Security Deposits
Security deposits are recognized when payment has been made to suppliers which will be applied to outstanding payables of the Group on the termination of the related agreements and are recognized at cost.

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

The Group's investment in the associate is accounted for under the equity method of accounting. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in an associate.

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

Impairment of Nonfinancial Assets

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

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.

Employee Benefits

The Group has a noncontributory defined retirement benefit plan. The net defined retirement benefit liability or asset is the aggregate of the present value of the defined retirement benefit liability at the end of reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- service costs
- net interest on the net defined benefit liability or asset
- remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by an independent qualified actuary.

Net interest on the net defined retirement benefit liability or asset is the change during the period in the net defined retirement benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined retirement benefit liability or asset. Net interest on the net defined retirement benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined retirement benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements recognized in OCI account, "Remeasurement gains (losses) on retirement benefit plan", are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related liabilities). If the fair value of the plan assets is higher than the present value of the defined retirement benefit liability, the measurement of the resulting defined retirement benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit retirement liability is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefits
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either the Group's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave credits in excess of 45 days is expected to be settled wholly within twelve months after the end of the annual reporting date. Employees of certain foreign subsidiaries are also entitled to long service leaves as mandated by local laws over and above their annual leave if they work for a certain length of time which are taken on a pro-rata basis when the employee ceases to work. Earned leave credits of 45 days is recognized as a liability and settled when the employee leaves the Group subject to certain conditions.

<u>Revenue Recognition</u>

Revenue from contracts with customers
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

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

Service revenue
The Group is in the business of logistics and money remittance which are sold separately as identified and have distinct contracts with customers.

The Group recognizes logistics revenue over time using output method wherein revenue is recognized on the basis of direct measurement of the value to the customer relative to the remaining services promised under the contract. The measurement of progress used the estimated period travelled (measured in days) of the goods being delivered over the period of the date of acceptance up to the delivery date.

Service arising from money transfer is considered to have been rendered when the principal amount of money has been transferred to the intended branch and the same is ready for withdrawal by the intended beneficiary.

Contract liability
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). A contract liability is recognized as revenue when the Group performs under the contract. This applies to deferred revenue for which the Group has received the consideration from the customer, but the logistics service has not been completely fulfilled. These are subsequently charged as service revenue over the period of delivery.

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

Other income
Other income is recognized when earned.

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

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

<u>Leases</u>
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets of 2 to 25 years.

The right-of-use assets are also subject to impairment. See discussion on impairment of non-financial assets.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

Short-term leases (STL) and leases of low-value assets
The Group applies the STL recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Group applies the low-value assets recognition exemption to leases of underlying assets with a value, when new, of US$5,000 or ₱300,000 and below. Lease payments on short-term leases and low-value assets are recognized as expense on a straight-line basis over the lease term.

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

Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. 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 liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures. Deferred tax liabilities are also not provided on taxable temporary differences associated with investment in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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.

Foreign Currencies
The Group's consolidated financial statements are presented in Philippine Peso, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances
Transactions in foreign currencies are initially recorded by the entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss except for monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognized in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Group consolidation
On consolidation, the assets and liabilities of foreign operations are translated into Philippine Peso at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Earnings Per Share (“EPS”)
Basic EPS is calculated by dividing income applicable to common shares by the weighted average number of common shares outstanding during the year with retroactive adjustments for stock dividends. Diluted EPS is computed in the same manner as basic EPS, however, net income attributable to common shares and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

Segment Reporting
The Executive Committee is the Group’s chief operating decision-maker. Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee. The Executive Committee, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

Provisions
A provision is recognized when the Group has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made on the amount of the obligation.

Provisions are revisited at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects the current market assessment of the time value of money, and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

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

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

3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

Judgments

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

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, the creditor may foreclose the pledged LBCE shares which 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 Group. Management's plans on future actions to settle the instrument includes improving operation to raise fund, securing replacement financing and those options under the agreement (see Note 16). Management is implementing strategic initiatives to accelerate the recovery of the Group's operation, sustain the increasing trend, and be able raise funds. Other settlement option for the convertible instrument may have impact to the domestic business of the Group but the international business supports the Group's ability to continue as going concern. The Group 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. Accordingly, the accompanying consolidated financial statements have been prepared on a going concern basis of accounting.

Consolidation of entities in which the Group holds 50% or less than 50% ownership

LBCE has assessed that it controls the entities located in Bahrain, Kuwait, Qatar and Brunei even at 49% - 50% ownership due to the following reasons:

(a) it has the power to direct the relevant activities (e.g. operations, hiring of people, setting up of rates) of the entities. It has the full discretion on its day to day operations and decides on major transactions these entities enter into.
(b) it is exposed to variable returns of the entities.
(c) given its participation in the relevant activities of the entities, it is able to affect the returns of the entities.

Determining timing of revenue recognition and measurement of progress of performance obligation

The Group determined that the revenue for its logistics services is to be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Group's performance of the obligation as the Group delivers the goods.

The Group has determined that the output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in delivering the services. The measurement of progress used the estimated period travelled (measured in days) of the goods being delivered over the period of the date of acceptance up to the delivery date. The Group regularly assess the period of delivery and revise its assumptions in determining revenue and contract liability as necessary.

Determining provisions and contingencies and recognition of tax advance payments as asset
The Group is currently involved in various legal proceedings and assessments for national taxes. The estimate of the probable costs for the resolutions of these claims has been developed in consultation with outside legal and tax counsels handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings and assessments.

The Group recognizes the tax advance payments as an asset since it gives a right to receive future economic benefits, either in the form of (1) a refund, (2) or by using it to settle tax liability, (3) or as tax credit in the future. The Group assessed, in consultation with its tax counsel, that the right is not a contingent asset despite the ambiguity in tax regulations and process that governs the collection.

The Group assessed that it is probable that a portion of the tax advance will be recovered through tax credit that can be used to pay future taxes with the tax authority. The Group classified a portion of the tax advance payment to noncurrent assets considering the expected timing of usage in future periods.

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

Assessing impairment losses on financial assets
The Group uses a provision matrix to calculate ECLs for financial assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., non-performing loans and gross domestic product) are expected to deteriorate over the next year which can lead to an increase in prices of basic goods and services, the historical default rates are adjusted.

At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions, and ECLs, which have been adjusted to consider a range of possible outcomes, is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group has considered the current economic condition in its calculation of ECL by revisiting the propriety of customer segmentation, ensuring that the loss rates have been appropriately adjusted for forward-looking information, and revising the probability weighting rates for each macroeconomic scenario per customer segment.

Further details on the expected credit losses are disclosed in Notes 6 and 24.

Evaluating impairment of goodwill
Goodwill impairment testing requires an estimation of the recoverable amount which is the higher between fair value less cost to sell or value-in-use of the cash-generating units to which the goodwill is allocated. Estimating value-in-use amount requires management to make an estimate of the expected future cash flows for the cash-generating units and to choose suitable discount rates to calculate the present value of cash flows. The Group's impairment test for goodwill discussed in Note 4 is based on value-in-use calculations using a discounted cash flow model.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the annual revenue growth rate and long-term growth rate used.

Further details on goodwill are disclosed in Note 4.

Estimating pension cost
The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and attrition. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rate of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation adjusted based on the manner of cash outflow of settling the pension liability.

The mortality rate is based on publicly available mortality tables in the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increase is based on expected salary rate increase over the duration of the obligation. Attrition rate is based on historical experiences. Further details about the assumptions used are provided in Note 23.

Leases - Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Further details on lease liabilities are disclosed in Note 22.

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

Further details on embedded derivatives are disclosed in Notes 16 and 25.

Evaluation of nonfinancial assets for impairment other than goodwill
The Group reviews its nonfinancial assets for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in the asset's market value of net realizable value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

Based on management's assessment, its nonfinancial assets (such as property and equipment, right-of-use assets, intangible assets, security deposits, investment in associates and other current and noncurrent assets) are recoverable as of December 31, 2024 and 2023. Further details on the nonfinancial assets are disclosed in Notes 7, 8, 9, 11 and 22.

Recognizing deferred tax assets
The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Realization of future tax benefit related to deferred tax assets is dependent on the Group's ability to generate future taxable income during the periods in which they are expected to be recovered. The Group has considered factors in reaching a conclusion as to the amount of deferred tax assets recognized as at December 31, 2024 and 2023. Management believes that the Group will be able to generate future taxable income to allow for the realization of deferred tax assets.

Further details on taxes are disclosed in Note 21.

4. Acquisition of Subsidiary and Goodwill

Acquisition of Blue Eagle and LBC Services Ltd.
On September 28, 2023, the Parent Company acquired, through business combination, 100% of the capital of Blue Eagle and LBC Service Ltd., a corporation registered in Taiwan, for a total purchase price of New Taiwan Dollar (NTD) 5.00 million. This acquisition is part of the agreement entered by the Parent Company for the issuance of convertible instrument in 2017 (see Note 16).

The fair values of identifiable assets acquired and liabilities assumed as at the date of acquisition as shown below:

	Blue Eagle and LBC Service Ltd.
Percentage of ownership of Parent Company	100%
Assets	
Cash and cash equivalents	₱9,345,875
Receivable from related parties	21,751,584
Trade and other receivables, net	1,054
Prepayments and other current assets	306,731
Total current assets	31,405,244
Property and equipment	₱92,146
Intangibles	272,514
Security deposits	4,333,476
Total noncurrent asset	4,698,136
Total asset	36,103,380
Liabilities	
Accounts and other payables	1,818,368
Transmission liability	7,207,548
Total liabilities	9,025,916
Net assets attributable to Parent Company	27,077,464
Less: purchase consideration	8,844,000
Gain on bargain purchase	₱18,233,464

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

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

The gain on bargain purchase of the acquired company was presented under “Other income (charges)” in the consolidated statements of comprehensive income.

From the date of acquisition on September 28, 2023, the Group’s share in the revenue and net loss of Blue Eagle and LBC Service Pte. Ltd. in 2023 amounted to ₱1.33 million and ₱1.61 million, respectively. If the combination had taken place at the beginning of 2023, the Group’s total revenue and total net income would have been ₱14,521.99 million and ₱157.87 million, respectively.

Impairment testing of Goodwill
The Group performed its annual impairment testing of goodwill amounting to ₱287.02 million as of December 31, 2024 which are primarily related to the acquisitions of LBC Aircargo (S) PTE LTD (LBC Taiwan Cargo), LBC Australia PTY Limited (LBC Australia Cargo), LBC Money Transfer PTY Limited (LBC Australia Money) and Mermaid Co. Ltd. The impairment testing performed considered the impact of the current economic condition in the assumptions.

Key Assumptions Used in Value-in-Use Calculations
The key assumptions used in determining the recoverable amount based on value-in-use calculations as of December 31, 2024 and 2023 are as follows:

The value-in-use calculation is based on the forecast approved by the management over an explicit period of five years.

The projected cash flows are based on the plan of management to capture demands driven by the growing population of Filipino community in the area by introducing new promotions and expanding through agents.

The key assumptions used in the value-in-use calculations are mostly sensitive to annual and long-term revenue growth rates beyond explicit forecast period and discount rate.

Revenue is projected to increase at a compounded annual growth rate of 3.61% to 6.01% and 3.85% to 6.28% in 2024 and 2023, respectively, and long-term growth rate of 1.00% to 2.00% in 2024 and 2023. Direct costs and capital expenditures are forecasted to follow the trend of revenue except for those that are non-variable but with various cost reduction initiatives such as constant negotiation with its suppliers. Discount rate used in 2024 and 2023 are 8.04% to 13.90% and 6.23% to 13.02%, respectively. This is based on a risk adjusted discount rate using the weighted average cost of capital adjusted to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Based on the assessment of the value-in-use of the cash generating units, the recoverable amount exceeded their carrying amounts plus goodwill, hence, no impairment was recognized in 2024 and 2023 in relation to the goodwill.

5. Cash and Cash Equivalents

This account consists of:

	2024	2023
Cash on hand	**₱167,493,160**	₱223,151,164
Cash in banks	**2,565,921,170**	2,054,014,046
Cash equivalents	**14,568**	4,690,260
	₱2,733,428,898	₱2,281,855,470

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

Cash in banks and cash equivalents earn interest ranging from 0.0625% to 2.75%, 0.05% to 0.38%, and 0.06% to 0.38% per annum in 2024, 2023 and 2022, respectively. Interest income earned from cash and cash equivalents amounted to ₱1.81 million, ₱0.60 million, and ₱0.59 million and in 2024, 2023 and 2022, respectively.

6. Trade and Other Receivables

This account consists of:

	2024	2023
Trade receivable - outside parties	**₱1,985,699,950**	₱1,749,643,222
Trace receivable - related parties (Note 18)	**360,338,701**	324,947,167
	2,346,038,651	2,074,590,389
Less allowance for impairment losses	**338,223,650**	257,482,114
	2,007,815,001	1,817,108,275
Other receivables:		
Advances to officers and employees	**93,510,501**	105,919,811
Others	**25,843,181**	27,122,799
	₱2,127,168,683	₱1,950,150,885

Trade receivables arise from sale of services related to inbound and outbound courier services handling and consolidation services with normal credit terms of 30 to 90 days. In 2023, the Group has directly written-off trade receivables from a related party amounting to ₱56.15 million (see Notes 18 and 20).

Advances to officers and employees consist mainly of noninterest-bearing advances which are subject to liquidation upon completion of the business transaction and personal advances subject to salary deductions.

Others mainly consist of SSS benefit receivable to be reimbursed within a year and accrual of interest income which is expected to be collected upon maturity of the short-term placements.

The Group performed reassessment of the collectability of its receivables and as a result, recognized additional provision for impairment losses. These were recognized under operating expenses in the consolidated statements of comprehensive income.

The movements in allowance for impairment losses of trade receivables follow:

	2024	2023
Balance at beginning of year	**₱257,482,114**	₱211,457,118
Provision for expected credit losses (Note 20)	**80,741,536**	48,855,410
Accounts written-off	**–**	(2,830,414)
Balance at end of year	**₱338,223,650**	₱257,482,114

7. Prepayments and Other Assets

This account consists of:

	2024	2023
Prepayments:		
Taxes	**₱2,080,621,361**	₱2,122,601,701
Insurance	**53,672,732**	33,410,660
Employee benefits	**19,781,457**	19,103,184
Rent	**14,627,985**	16,342,011
Transportation supplies	**7,957,537**	5,521,206
Software maintenance	**5,388,171**	4,937,874
Dues and subscriptions	**2,994,853**	2,886,905
Advertising	**63,905**	62,828
Others	**44,409,884**	37,563,532
Creditable withholding taxes (CWTs)	**394,967,837**	388,682,410
Materials and supplies	**198,058,276**	184,789,127
Restricted cash	**180,330,339**	261,646,547
Input VAT	**83,273,389**	110,769,025
Loans receivable (Note 12)	**76,656,440**	78,859,834
Short-term cash investments	**29,710,204**	30,287,335
Security deposits	**27,686,637**	–
Electronic wallet	**15,143,278**	23,738,876
Notes receivable (Note 18)	**–**	10,454,332
Advance payment to a supplier	**–**	9,000,000
Others	**2,909,810**	19,568,329
	3,238,254,095	3,360,225,716
Less: noncurrent portion	**2,093,359,358**	2,094,307,378
	₱1,144,894,737	₱1,265,918,338

Details of noncurrent portion follow:

	2024	2023
Prepaid taxes	**₱1,786,734,538**	₱1,807,419,435
Creditable withholding taxes (CWTs)	**242,130,536**	172,279,700
Loans receivable (Note 12)	**62,308,929**	66,227,013
Prepaid rent	**1,769,248**	640,454
VAT on capital goods	**–**	20,009,214
Notes receivable (Note 18)	**–**	10,454,332
Others	**416,107**	17,277,230
	₱2,093,359,358	₱2,094,307,378

Prepaid taxes include disputed tax payments which can be refunded or be used to settle specific tax liabilities, if there's any, or be used as tax credit for future tax liabilities (see Note 29). The Group assessed that it is probable that a portion of the tax advance will be recovered through tax credit that can be used to pay future taxes. Prepaid taxes also include unamortized portion of business permits.

Prepaid insurance, software maintenance, transportation supplies, and advertising are payments made in advance which will be applied against future billings due within 12 months.

Prepaid employee benefits pertain to advance payments to employees which will be consumed through future employee services.

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

Restricted cash represents cash deposits, in the name of LBCE, with a maturity of one year and assigned to specific customers as a performance guarantee. This also includes time deposits of the Parent Company used as loan guarantee.

Materials and supplies consist of office supplies, packing materials and official receipts to be used in the Group's operations. Materials and supplies recognized under cost of services in profit or loss in 2024, 2023 and 2022 amounted to ₱447.53 million, ₱655.34 million, and ₱707.65 million, respectively (see Note 19).

Input VAT is applied against output VAT. Management believes that the remaining balance is recoverable in future periods.

Loans receivable pertains to receivable of the Parent Company from Transtech Co., Ltd (see Note 12).

Short-term cash investments are time deposits with maturity of more than three months from the date of acquisition but not exceeding one year. The interest income earned from the short-term cash investments and restricted cash amounted to ₱10.94 million, ₱12.23 million, and ₱4.76 million, in 2024, 2023 and 2022, respectively.

Security deposits pertain to lease deposits associated with terminated and expired lease contracts which are expected to be recovered within a year.

Electronic wallet represents revolving fund intended for the G-Cash wallet loading services offered by the Group.

Notes receivable pertains to receivable from LBC Holdings USA Corporation (see Note 18).

Advance payment to a supplier pertains to payment to a service provider intended for the purchase of a software.

Other prepayments pertain to advance payments to suppliers and service providers.

The noncurrent portion of prepaid rent pertains to advance payments for rental of the Group's leases of low-value assets. These payments are to be applied in the last two to three months of the lease term which is beyond 12 months after balance sheet date.

8. **Property and Equipment**

The rollforward analysis of this account follows:

	2024							
	Transportation Equipment	**Leasehold Improvements**	**Furniture, Fixtures and Office Equipment**	**Computer Hardware**	**Building**	**Land**	**Construction in Progress**	**Total**
Costs								
Balances at beginning of year	**₱544,846,554**	**₱1,712,944,342**	**₱480,575,069**	**₱911,883,344**	**₱1,141,380,612**	**₱1,031,257,734**	**₱9,815,434**	**₱5,832,703,089**
Additions	**1,872,751**	**3,110,048**	**5,017,524**	**41,906,174**	**–**	**–**	**32,005,397**	**83,911,894**
Reclassifications	**–**	**21,928,206**	**–**	**–**	**–**	**–**	**(21,928,206)**	**–**
Disposals	**(106,830,905)**	**(628,294,492)**	**(145,463,133)**	**(427,229,544)**	**(3,490,462)**	**–**	**–**	**(1,311,308,536)**
Effect of changes in foreign currency exchange rates	**6,364,965**	**3,333,798**	**1,990,072**	**904,018**	**–**	**–**	**–**	**12,592,853**
Balances at end of year	**446,253,365**	**1,113,021,902**	**342,119,532**	**527,463,992**	**1,137,890,150**	**1,031,257,734**	**19,892,625**	**4,617,899,300**
Accumulated depreciation and amortization								
Balances at beginning of year	**439,408,024**	**1,507,917,188**	**380,602,992**	**860,609,857**	**–**	**–**	**–**	**3,188,538,061**
Depreciation (Notes 19 and 20)	**38,532,017**	**71,232,499**	**40,381,182**	**44,195,143**	**22,757,803**	**–**	**–**	**217,098,644**
Disposals	**(106,652,170)**	**(611,482,435)**	**(142,300,159)**	**(423,217,834)**	**–**	**–**	**–**	**(1,283,652,598)**
Effect of changes in foreign currency exchange rates	**6,249,281**	**2,680,964**	**613,623**	**(1,396,726)**	**–**	**–**	**–**	**8,147,142**
Balances at end of year	**377,537,152**	**970,348,216**	**279,297,638**	**480,190,440**	**22,757,803**	**–**	**–**	**2,130,131,249**
Net book value	**₱68,716,213**	**₱142,673,686**	**₱62,821,894**	**₱47,273,552**	**₱1,115,132,347**	**₱1,031,257,734**	**₱19,892,625**	**₱2,487,768,051**

	2023							
	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Building	Land	Construction in Progress	Total
Costs								
Balances at beginning of year	₱586,426,767	₱1,948,053,836	₱533,596,647	₱972,625,619	₱–	₱1,031,257,734	₱492,064,051	₱5,564,024,654
Additions	6,286,054	32,886,088	67,200,123	21,811,164	–	–	659,131,995	787,315,424
Additions through business combination (Note 4)	33,846	–	58,300	–	–	–	–	92,146
Reclassifications	–	–	–	–	1,141,380,612	–	(1,141,380,612)	–
Disposals	(46,556,553)	(266,679,463)	(119,984,971)	(82,225,292)	–	–	–	(515,446,279)
Effect of changes in foreign currency exchange rates	(1,343,560)	(1,316,119)	(295,030)	(328,147)	–	–	–	(3,282,856)
Balances at end of year	544,846,554	1,712,944,342	480,575,069	911,883,344	1,141,380,612	1,031,257,734	9,815,434	5,832,703,089
Accumulated depreciation and amortization								
Balances at beginning of year	444,009,236	1,641,422,617	430,872,365	880,319,095	–	–	–	3,396,623,313
Depreciation (Notes 19 and 20)	42,327,690	121,694,030	60,419,478	62,511,219	–	–	–	286,952,417
Disposals	(45,552,942)	(254,294,361)	(110,374,845)	(81,849,035)	–	–	–	(492,071,183)
Effect of changes in foreign currency exchange rates	(1,375,960)	(905,098)	(314,006)	(371,422)	–	–	–	(2,966,486)
Balances at end of year	439,408,024	1,507,917,188	380,602,992	860,609,857	–	–	–	3,188,538,061
Net book value	₱105,438,530	₱205,027,154	₱99,972,077	₱51,273,487	₱1,141,380,612	₱1,031,257,734	₱9,815,434	₱2,644,165,028

Depreciation charges were recognized as follows:

	2024	2023	2022
Cost of services (Note 19)	**₱204,680,615**	₱265,292,116	₱360,823,711
Operating expenses (Note 20)	**12,418,028**	21,660,301	15,694,378
	₱217,098,643	₱286,952,417	₱376,518,089

Land with carrying amount of ₱1,031.26 million was used as collateral to secure the bank loan (see Note 15).

The Group recognized gain on sale and retirement of assets amounting to ₱4.98 million, ₱9.04 million and ₱2.85 million in 2024, 2023 and 2022, respectively. This is presented in ‘Others-net’ in ‘Other income (charges)’, in the consolidated statements of comprehensive income.

The Group has unpaid property and equipment amounting to ₱61.13 million and ₱49.97 million for 2024 and 2023, respectively.

The construction of the Group’s Sucat warehouse was completed in November 2023 and construction in progress amounting to ₱1.14 billion was transferred to Building.

The borrowing costs capitalized as property and equipment amounted to ₱67.41 million in 2023 (nil in 2024).

There are no other property and equipment pledged as security for liabilities except for Land (see Note 15).

9. Intangible Assets

The rollforward analysis of this account follows:

	2024		
	Software	**Development in Progress**	**Total**
Costs			
Balances at beginning of year	**₱663,927,585**	**₱26,761,878**	**₱690,689,463**
Additions	**31,068,843**	**18,374,204**	**49,443,047**
Disposal	**(107,483,520)**	**–**	**(107,483,520)**
Reclassification	**102,500**	**(102,500)**	**–**
Effect of changes in foreign currency exchange rates	**4,093,395**	**610,250**	**4,703,645**
Balances at end of year	**591,708,803**	**45,643,832**	**637,352,635**
Accumulated Amortization			
Balances at beginning of year	**453,804,192**	–	**453,804,192**
Amortization (Notes 19 and 20)	**75,022,453**	–	**75,022,453**
Disposal	**(106,963,809)**	–	**(106,963,809)**
Effect of changes in foreign currency exchange rates	**3,213,648**	–	**3,213,648**
Balances at end of year	**425,076,484**	–	**425,076,484**
Net book value	**₱166,632,319**	**₱45,643,832**	**₱212,276,151**

	2023		
	Software	Development in Progress	Total
Costs			
Balances at beginning of year	₱703,453,472	₱102,500	₱703,555,972
Additions	27,680,911	26,659,378	54,340,289
Additions through business combination (Note 4)	272,514	–	272,514
Disposal	(66,453,706)	–	(66,453,706)
Effect of changes in foreign currency exchange rates	(1,025,606)	–	(1,025,606)
Balances at end of year	663,927,585	26,761,878	690,689,463
Accumulated Amortization			
Balances at beginning of year	447,566,760	–	447,566,760
Amortization (Notes 19 and 20)	73,804,466	–	73,804,466
Disposal	(66,453,693)	–	(66,453,693)
Effect of changes in foreign currency exchange rates	(1,113,341)	–	(1,113,341)
Balances at end of year	453,804,192	–	453,804,192
Net book value	₱210,123,393	₱26,761,878	₱236,885,271

In 2017, LBCE purchased a software on a non-interest bearing long-term payment arrangement which was fully settled in 2023. Interest expense arising from the amortization of deferred interest amounted to ₱0.05 million and ₱0.62 million in 2023 and 2022, respectively.

Development in progress pertains to costs related to ongoing development of software, user license and implementation costs.

There were no capitalized borrowing costs in 2024 and 2023.

Amortization charges were recognized as follows:

	2024	2023	2022
Cost of services (Note 19)	**₱1,191,007**	₱3,326,364	₱6,713,043
Operating expenses (Note 20)	**73,831,446**	70,478,102	38,359,550
	₱75,022,453	₱73,804,466	₱45,072,593

10. Investments at Fair Value through Profit or Loss and through OCI

Investment at FVPL represent the Group’s investment in unit investment trust fund.

Investment at FVOCI represent investment in the quoted shares of stock of Araneta Properties, Inc.

Movements of the investments at FVPL and FVOCI follow:

FVPL	2024	2023
Balance at beginning of year	**₱2,263,568**	₱2,167,063
Unrealized fair value gain during the year	**97,191**	96,505
Balance at end of year	**₱2,360,759**	₱2,263,568

FVOCI	2024	2023
Balance at beginning of year	**₱191,158,872**	₱198,961,275
Unrealized fair value loss during the year	**(91,678,235)**	(7,802,403)
Balance at end of year	**₱99,480,637**	₱191,158,872

The unrealized fair value gain related to investment at FVPL is presented under 'Other income (charges)' in the consolidated statements of comprehensive income.

Movement in unrealized gain (loss) on investment at FVOCI follow:

	2024	2023
Balance at beginning of year	**(₱72,952,890)**	(₱65,150,487)
Unrealized loss during the year from quoted investments	**(91,678,235)**	(7,802,403)
Balance at end of year (Note 17)	**(₱164,631,125)**	(₱72,952,890)

11. Investment in Associates

Investment in Terra Barbaza Aviation, Inc. (TBAI)

The Group has 20,000,000 non-voting Preferred A Shares and 1,250 common shares which represent 24.762% of the total outstanding common shares as of December 31, 2024 and 2023. TBAI is engaged in the business of providing flight services by means of helicopters, airplanes and other aircraft to transport executives in the Philippines.

Movement in the investment in TBAI is as follows:

	2024	2023
Costs		
Balances at beginning and end of year	**₱79,809,022**	₱79,809,022
Accumulated Equity on Net Earnings		
Balances at beginning of year	**2,408,713**	7,377,657
Equity share in net earnings (losses)	**8,842,968**	(4,968,944)
Balances at end of year	**11,251,681**	2,408,713
Carrying Value	**₱91,060,703**	₱82,217,735

The summarized statements of financial position of TBAI follows:

	2024	2023
Current assets	**₱98,764,744**	₱84,244,965
Noncurrent assets	**408,589,267**	489,878,185
Current liabilities	**(13,395,197)**	(16,772,600)
Noncurrent liabilities	**(37,878,024)**	(136,981,609)
Equity	**456,080,790**	420,368,941
Proportion of Group's ownership	**24.762%**	24.762%
Group's share in identifiable asset	**112,934,725**	104,091,757
Other adjustments	**(21,874,022)**	(21,874,022)
Carrying amount of the investment	**₱91,060,703**	₱82,217,735

The summarized statement of comprehensive income of TBAI follows:

	2024	2023
Revenue	**₱99,577,885**	₱54,810,811
Cost and expenses	**63,866,035**	74,877,622
Net income	**35,711,850**	(20,066,811)
Group’s share in total comprehensive income	**₱8,842,968**	(₱4,968,944)

Investment in Orient Freight International, Inc. (OFII)
The Parent Company has 30% ownership in OFII, a company involved in freight forwarding, warehousing and customs brokerage businesses operating within the Philippines.

In 2024 and 2023, OFII declared dividends amounting to ₱30.00 million and ₱39.60 million, respectively (see Note 18). No impairment loss was recognized for the investment in associate in 2024 and 2023.

Movement in the investment in OFII is as follows:

	2024	2023
Costs		
Balances at beginning and end of year	**₱227,916,452**	₱227,916,452
Accumulated Equity on Net Earnings		
Balances at beginning of year	**40,809,602**	59,276,294
Equity share in net earnings	**36,535,515**	21,133,308
Less dividend income (Note 18)	**(30,000,000)**	(39,600,000)
Balances at end of year	**47,345,117**	40,809,602
Other Comprehensive Income		
Balances at beginning of year	**4,625,826**	(2,715,720)
Equity share in other comprehensive income	**(1,012,493)**	7,341,546
Balances at end of year	**3,613,333**	4,625,826
Carrying Value	**₱278,874,902**	₱273,351,880

The summarized statements of financial position of OFII follows:

	2024	2023
Current assets	**₱619,467,749**	₱593,167,912
Noncurrent assets	**196,606,554**	222,745,406
Current liabilities	**(223,988,556)**	(283,453,429)
Noncurrent liabilities	**(103,701,073)**	(62,485,288)
Equity	**488,384,674**	469,974,601
Proportion of Group's ownership	**30.00%**	30.00%
Group's share in identifiable asset	**146,515,402**	140,992,380
Implied goodwill	**132,359,500**	132,359,500
Carrying amount of the investment	**₱278,874,902**	₱273,351,880

The summarized statement of comprehensive income of OFII follows:

	2024	2023
Revenue	**₱933,381,150**	₱919,592,166
Cost and expenses	**811,596,100**	849,147,805
Net income	**121,785,050**	70,444,361
Other comprehensive income	**(3,374,977)**	24,471,820
Total comprehensive income	**118,410,073**	94,916,181
Group’s share in total comprehensive income	**₱35,523,022**	₱28,474,854

12. Loans Receivables and Trademark Agreement with Transtech

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

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

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

In 2024, 2023 and 2022, LBCH incurred royalty fees amounting to ₱7.18 million, ₱6.96 million, and ₱6.95 million, respectively. The related payable was offset to LBCH’s interest receivable and loan receivable from Transtech amounting to ₱1.65 million and ₱5.53 million, respectively in 2024 and to ₱1.75 million and ₱5.21 million, respectively in 2023. Effect of foreign currency exchange rate related to interest receivable and loan receivable offsetting amounted to ₱1.43 million and ₱2.14 million, ₱6.73 million in 2024, 2023 and 2022, respectively.

Loans receivable as at December 31, 2024 and 2023 is as follows:

	2024	2023
Current portion*	**₱14,347,511**	₱12,632,821
Noncurrent portion**	**62,308,929**	66,227,013
	₱76,656,440	₱78,859,834

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

Interest income earned amounted to ₱1.65 million, ₱1.75 million, and ₱1.87 million, in 2024, 2023, and 2022, respectively.

13. Accounts and Other Payables and Other Noncurrent Liabilities

This account consists of:

	2024	2023
Trade payable - outside parties	**₱1,487,433,293**	₱1,319,378,902
Trade payable - related parties (Note 18)	**35,542,042**	44,963,610
Accruals:		
Salaries, wages and other benefits	**346,688,822**	343,882,812
Claims	**201,867,232**	212,471,061
Rent and utilities	**114,258,130**	134,348,393
Taxes	**96,122,244**	89,374,349
Contracted jobs	**81,312,503**	58,138,833
Advertising	**40,833,849**	20,923,128
Professional fees	**29,065,510**	18,670,905
Software maintenance	**25,943,477**	47,385,919
Outside services	**21,126,291**	9,724,371
Others	**50,065,050**	59,085,128
Taxes payable	**644,568,764**	535,484,351
Contract liabilities	**248,208,450**	393,347,165
Government agencies contributions payables	**39,968,667**	36,245,075
Others	**55,299,957**	56,659,839
	₱3,518,304,281	₱3,380,083,841

Trade payable and accrued expenses arise from regular transactions with suppliers and service providers. These are noninterest-bearing and are normally settled on one to 60-day term.

Accrued salaries and wages pertain to unpaid salaries and employees' allowances and benefits.

Software maintenance cost includes fees related to an enterprise agreement in which the Group incurred interest expense amounting to ₱1.12 million and ₱1.52 million for 2024 and 2023, respectively.

Other accruals mainly pertain to liabilities of the Group related to operations which are awaiting actual billings from suppliers (except for taxes).

Taxes payable mainly include withholding taxes on payment to suppliers and employees' compensation which are settled on a monthly basis and deferred output VAT on uncollected receivables from VATable sales and withholding taxes on dividends paid by subsidiaries.

Contract liabilities pertain to payments received in advance from customers for services which have not yet been performed and are expected to be realized within the year.

Government agencies contribution payable pertains to monthly required remittances to government agencies such as SSS, Pag-ibig and Philhealth.

Other payables include employees' salary loan deductions payable to third parties and payables arising from expenses incurred in relation to transactions with nontrade suppliers.

14. Transmissions Liability

Transmissions liability represents money transfer remittances by clients that are still outstanding, and not yet claimed by the beneficiaries as at reporting date. These are due and demandable.

Transmissions liability amounted to ₱684.86 million (₱8.95 million of which is payable to an affiliate) and to ₱606.73 million (₱5.91 million of which is payable to an affiliate) as at December 31, 2024 and 2023, respectively (see Note 18).

15. Notes Payable

The Group has outstanding notes payable to various local banks. The details of these notes as at December 31, 2024 and 2023 are described below:

		December 31, 2024				
Bank		Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
a.	Unionbank of the Philippines	Aug 2021	₱193,398,052	Aug 2026	7.12%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Dec 2021	12,500,880	Dec 2031	8.21%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Feb 2022	13,919,015	Dec 2031	8.18%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Mar 2022	21,915,815	Dec 2031	8.18%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Apr 2022	18,376,185	Dec 2031	7.15%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	May 2022	19,363,077	Dec 2031	8.18%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Jul 2022	13,679,077	Dec 2031	8.19%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Aug 2022	4,434,769	Dec 2031	8.19%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Oct 2022	8,782,421	Dec 2031	8.19%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Nov 2022	5,705,368	Dec 2031	8.19%, subject to repricing	With mortgage; Interest and principal payable every quarter

(*Forward*)

		December 31, 2024				
Bank		**Date of Availment**	**Outstanding Balance**	**Maturity**	**Interest Rate**	**Terms**
	Unionbank of the Philippines	**Jan 2023**	**₱51,814,378**	**Dec 2031**	**8.19%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
	Unionbank of the Philippines	**Jan 2023**	**36,935,027**	**Dec 2031**	**8.19%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
	Unionbank of the Philippines	**Mar 2023**	**47,908,000**	**Dec 2031**	**8.19%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
	Unionbank of the Philippines	**Apr 2023**	**30,247,000**	**Dec 2031**	**8.19%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
	Unionbank of the Philippines	**May 2023**	**24,360,000**	**Dec 2031**	**8.19%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
	Unionbank of the Philippines	**Jun 2023**	**43,012,800**	**Dec 2031**	**8.19%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
	Unionbank of the Philippines	**Jul 2023**	**64,380,000**	**Dec 2031**	**8.19%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
	Unionbank of the Philippines	**Jul 2023**	**5,297,315**	**Dec 2031**	**8.19%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
	Unionbank of the Philippines	**Jul 2023**	**4,054,470**	**Dec 2031**	**8.19%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
	Unionbank of the Philippines	**Aug 2023**	**47,258,331**	**Dec 2031**	**8.19%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
	Unionbank of the Philippines	**Sep 2023**	**60,447,895**	**Dec 2031**	**8.19%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
	Unionbank of the Philippines	**Dec 2023**	**43,902,490**	**Dec 2031**	**8.19%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
	Unionbank of the Philippines	**Dec 2023**	**48,582,892**	**Dec 2031**	**8.19%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
	Unionbank of the Philippines	**Apr 2024**	**4,771,406**	**Dec 2031**	**8.19%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
	Unionbank of the Philippines	**May 2024**	**7,661,613**	**Dec 2031**	**8.19%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
b.	**Unionbank of the Philippines**	**Aug 2024**	**6,100,000**	**Feb 2025**	**9.00%, subject to repricing**	**Clean; Interest payable every month, principal payable upon maturity**
c.	**Banco de Oro**	**Oct 2021**	**127,125,000**	**May 2026**	**6.63%, subject to repricing**	**With mortgage; Interest payable every month, principal payable quarterly**

(Forward)

Bank		Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
			December 31, 2024			
d.	**Banco de Oro**	**Sep 2024, Nov 2024**	**₱100,000,000**	**Mar 2025, May 2025**	**6.63%, subject to repricing**	**Clean; Interest payable every month, principal payable upon maturity**
e.	**Banco de Oro**	**Oct 2024**	**20,000,000**	**Mar 2025**	**6.63%, subject to repricing**	**Clean; Interest payable every month, principal payable upon maturity**
f.	**Banco de Oro**	**Oct 2024**	**45,000,000**	**Apr 2025**	**6.63%, subject to repricing**	**Clean; Interest payable every month, principal to be paid on maturity date**
g.	**Banco de Oro**	**Nov 2024**	**125,000,000**	**May 2025**	**6.63%, subject to repricing**	**Clean; Interest payable every month, principal to be paid on maturity date**
h.	**Banco de Oro**	**Nov 2024**	**10,000,000**	**Mar 2025**	**6.63%, subject to repricing**	**Clean; Interest payable every month, principal to be paid on maturity date**
i.	**Rizal Commercial Banking Corporation**	**Apr 2024**	**115,304,000**	**Apr 2025**	**7.75%, subject to repricing**	**Clean; Interest payable every month, principal payable upon maturity**
j.	**Rizal Commercial Banking Corporation**	**May 2024**	**10,600,000**	**May 2025**	**7.75%, subject to repricing**	**Clean; Interest payable every month, principal payable upon maturity**
k.	**Rizal Commercial Banking Corporation**	**May 2024**	**64,996,000**	**May 2025**	**7.75%, subject to repricing**	**Clean; Interest payable every month, principal payable upon maturity**
l.	**Rizal Commercial Banking Corporation**	**Jun 2024**	**7,290,000**	**Jun 2025**	**7.75%, subject to repricing**	**Clean; Interest payable every month, principal payable upon maturity**
m.	**Rizal Commercial Banking Corporation**	**Mar 2024**	**24,300,000**	**Mar 2025**	**7.75%, subject to repricing**	**Clean; Interest payable every month, principal payable upon maturity**
n.	**Rizal Commercial Banking Corporation**	**Jun 2024**	**21,800,000**	**Jun 2025**	**7.75%, subject to repricing**	**Clean; Interest payable every month, principal payable upon maturity**
o.	**Rizal Commercial Banking Corporation**	**Jun 2024**	**22,000,000**	**Jun 2025**	**7.75%, subject to repricing**	**Clean; Interest payable every month, principal payable upon maturity**
p.	**Rizal Commercial Banking Corporation**	**Dec 2024**	**96,691,000**	**Jan 2024**	**7.75%, subject to repricing**	**Clean; Interest payable every month, principal payable upon maturity**
q.	**Rizal Commercial Banking Corporation**	**May 2024**	**19,000,000**	**May 2025**	**7.75%, subject to repricing**	**Clean; Interest payable every month, principal payable upon maturity**
r.	**Rizal Commercial Banking Corporation**	**Dec 2024**	**16,777,861**	**Jan 2025, Feb 2025**	**8.00%, subject to repricing**	**AR Assignment, Interest deducted in full, Principal payable upon maturity**
s.	**Banco de Oro**	**Oct 2024**	**200,000,000**	**Oct 2025**	**6.63%, subject to repricing**	**Clean; Interest payable every month, Principal amount of P50M due on the 6th month and every 2 months thereafter. Interest payable monthly**
t.	**Unionbank of the Philippines**	**Dec 2024**	**50,000,000**	**Jan 2025**	**9.00%, subject to repricing**	**Clean; Interest payable every quarter, principal payable upon maturity**
Total			**₱1,914,692,137**			
Current portion			**₱1,238,540,861**			
Noncurrent portion			**₱676,151,276**			

		December 31, 2023				
Bank		Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
a.	Unionbank of the Philippines	Aug 2021	₱303,911,224	Aug 2026	7.12%, subject to repricing	With mortgage; Interest and principal to be paid quarterly
	Unionbank of the Philippines	Dec 2021	14,286,720	Dec 2031	8.21%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Feb 2022	15,907,446	Dec 2031	8.11%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Mar 2022	25,046,646	Dec 2031	8.11%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Apr 2022	20,910,831	Dec 2031	7.15%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	May 2022	22,033,846	Dec 2031	8.11%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	July 2022	15,565,846	Dec 2031	8.11%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Aug 2022	5,046,462	Dec 2031	8.11%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Oct 2022	9,993,790	Dec 2031	8.11%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Nov 2022	6,492,316	Dec 2031	8.11%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Jan 2023	58,961,189	Dec 2031	8.11%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Jan 2023	42,029,514	Dec 2031	8.11%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Mar 2023	54,516,000	Dec 2031	8.11%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Apr 2023	34,419,000	Dec 2031	8.11%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	May 2023	27,720,000	Dec 2031	8.11%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Jun 2023	48,945,600	Dec 2031	8.11%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Jul 2023	73,260,000	Dec 2031	8.11%, subject to repricing	With mortgage; Interest and principal payable every quarter

(Forward)

	Bank	Date of Availment	December 31, 2023 Outstanding Balance	Maturity	Interest Rate	Terms
	Unionbank of the Philippines	Jul 2023	₱6,027,978	Dec 2031	8.11%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Jul 2023	4,613,707	Dec 2031	8.11%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Aug 2023	53,776,720	Dec 2031	8.11%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Sep 2023	68,785,536	Dec 2031	8.11%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Dec 2023	49,958,006	Dec 2031	7.84%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Dec 2023	55,283,980	Dec 2031	7.84%, subject to repricing	With mortgage; Interest and principal payable every quarter
b.	Unionbank of the Philippines	Jul 2023	9,000,000	Jan 2024	8.50%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
c.	Banco de Oro	Oct 2021	211,875,000	May 2026	6.63%, subject to repricing	With mortgage; Interest payable every month, principal payable quarterly
d.	Banco de Oro	Sep 2023, Oct 2023	100,000,000	Mar 2024, Apr 2024	6.63%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
e.	Banco de Oro	Oct 2023	20,000,000	Apr 2024	6.63%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
f.	Banco de Oro	Nov 2021	45,000,000	May 2024	6.63%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
g.	Banco de Oro	Nov 2021	125,000,000	May 2024	6.63%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
h.	Banco de Oro	Nov 2023	10,000,000	May 2024	7.75%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
i.	Rizal Commercial Banking Corporation	Apr 2023	128,304,000	Apr 2024	7.75%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
j.	Rizal Commercial Banking Corporation	Nov 2023	11,800,000	May 2024	7.75%, fixed rate	Clean; interest and principal payable every quarter
k.	Rizal Commercial Banking Corporation	Nov 2023	72,296,000	May 2024	7.75%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
l.	Rizal Commercial Banking Corporation	Dec 2023	8,100,000	Jun 2024	7.88%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity

(Forward)

Bank		Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
			December 31, 2023			
m.	Rizal Commercial Banking Corporation	Mar 2023	₱27,000,000	Mar 2024	7.38%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
n.	Rizal Commercial Banking Corporation	Jun 2022	24,300,000	Jun 2024	7.75%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
o.	Rizal Commercial Banking Corporation	Dec 2023	24,500,000	Jun 2024	7.88%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
p.	Rizal Commercial Banking Corporation	Dec 2023	182,194,016	Jan 2024	7.75% fixed rate	Clean; Interest payable every month, principal to be paid on maturity date
u.	Banco de Oro	Apr 2023	60,000,000	Feb 2024	6.63%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
v.	Unionbank of the Philippines	Nov 2023	18,500,000	May 2024	8.50%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
w.	Unionbank of the Philippines	Apr 2019	7,800,000	Apr 2024	7.826%, fixed rate	Clean; Interest and principal payable every quarter
x.	Unionbank of the Philippines	Jun 2019	2,200,000	Apr 2024	7.053%, fixed rate	Clean; Interest and principal payable every quarter
y.	Unionbank of the Philippines	July 2023	25,000,000	Jan 2024	8.50%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
z.	Unionbank of the Philippines	Nov 2023	42,300,000	May 2024	8.50%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
aa.	Banco de Oro	Dec 2023	150,000,000	Jul 2024	6.63%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
			₱2,322,661,373			
Current portion			₱1,375,261,115			
Noncurrent portion			₱947,400,258			

a. On February 10, 2020, LBCE availed a 5-year interest bearing loan from BDO amounting to ₱641.82 million to finance the 70% balance of the acquisition of land, recorded under property and equipment with a carrying amount of ₱1,031.26 million, which served as a collateral for the loan.

   On August 5, 2021, the loan was taken out via UBP with principal amounting to ₱552.57 million, a 5-year interest-bearing loan with maturity date of August 2026. The outstanding amount of loan for 2024 and 2023 are ₱193.40 million and ₱303.91 million.

   On December 27, 2021, February 21, 2022 and March 4, 2022, LBCE availed 10-year interest bearing loan with maturity date of December 26, 2031, amounting to ₱17.86 million, ₱19.39 million and ₱30.52 million, respectively, to finance the construction of the Sucat warehouse. Additional availments were made on April 22, May 31, July 11 and August 15, 2022 amounting to ₱24.71 million, ₱26.04 million, ₱18.40 million and ₱5.96 million, respectively. In 2022, LBCE made settlements amounted to ₱9.06 million and ₱14.61 million both in 2024 and 2023.

On October 10 and November 10, 2022, LBCE availed another 10-year interest bearing loan with maturity date of December 26, 2031, amounting to ₱11.51 million and ₱7.48, respectively. Settlement made in 2024 and 2023 amounted to ₱2.00 million.

In 2023, additional availments were made in an aggregate amount of ₱614.54 million and settled ₱70.10 million in 2024 and ₱36.24 million in 2023.

In 2024, additional availments were made in an aggregate amount of ₱13.46 million and settled ₱1.02 million.

While the loan remains unpaid, LBCE shall not, without prior consent of the bank, permit any material change in the character of its business and controlling ownership; shall not undertake corporate reorganization; and amend Articles of Incorporation and By-laws. LBCE shall not participate in merger and consolidation except when it is the surviving corporation, nor sell, lease, mortgage or otherwise encumber or dispose of any asset owned, except (i) in the ordinary course of the business and (ii) to any consolidated subsidiary, person or entity which, upon such disposal, shall become a consolidated subsidiary of LBCE. There shall be no voluntary suspension of operations or dissolution of affairs. No dividend shall be declared to its stockholders other than dividends payable solely in shares of capital stock. In the event of default, LBCE shall not pay any loans or advances from its stockholders, affiliates, subsidiaries, or related entities. Further, LBCE shall ensure, that:

- The ratio of its consolidated debt to equity shall not exceed 4.0x, computed net of lease liabilities; and
- Current ratio shall not be lower than 0.8x.

b. A short-term loan availed with UBP in July 2023 which was rolled over in January 2024 amounting to ₱25.00 million and partly settled in August 2024. It was rolled over in August 2024 amounting to ₱7.60 million with maturity date of February 2025. The outstanding amount of loan as of December 31, 2024 is ₱6.10 million.

c. The Notes Facility Agreement entered into by LBCE with Banco De Oro (BDO) in 2016 is with a credit line facility amounting to ₱800.00 million. The loan is secured by a real estate mortgage on land owned by LBCE's affiliate (see Note 15). In June 2021, the term was extended up to October 2021 and secured by time deposit hold-out. In October 2021, it was further extended up to May 2026. Settlement made in 2024 and 2023 amounted to ₱84.75 million, respectively.

   On April 15, 2021, the Board of Directors of LBCH approved to guarantee the loan and allowed to hold out its time deposit. The current amount of time deposit as of December 31, 2024 is ₱127.13 million. Such guarantee shall substitute the existing real estate mortgage on the affiliate's real estate properties as security.

d. On October 18, 2021, LBCE availed a short-term interest-bearing loan with BDO amounting to ₱100.00 million to finance other capital expenditures. This was rolled over in April 2022. In October 2022, April 2023, September 2023, April 2024, and September 2024, the loan was rolled over at the amount of ₱90.00 million. The maturity date is in March 2025. On April 11, 2022, LBCE also availed a short-term interest-bearing loan with BDO amounting to ₱10.00 million and rolled over with maturity date in October 2023, April 2024 and November 2024. The maturity date is in May 2025.

e. On October 22, 2021, LBCE availed a short-term loan interest-bearing with BDO amounting to ₱20.00 million to finance other capital expenditures. This was rolled over in April 2022, October 2022, April 2023, October 2023, April 2024, and October 2024 with maturity date in March 2025.

f. On November 22, 2021, LBCE availed a short-term loan with BDO to finance working capital requirement amounting to ₱48.00 million. This was rolled over in May 2022 at the amount of ₱45.00 million and further rolled over in November 2022, May 2023, November 2023, May 2024, and October 2024 with maturity date in April 2025.

g. On December 1, 2021, LBCE availed a short-term loan with BDO amounting to ₱130.00 million to finance working capital requirement. This was rolled over in May 2022, November 2022, May 2023, November 2023, May 2024, and November 2024 at the amount of ₱125.00 million, with maturity date in May 2025.

h. On May 31, 2022, LBCE availed six-month loan with BDO amounting to ₱10.00 million in aggregate to finance working capital requirement. This was rolled over in November 2022, May 2023, November 2023, May 2024, and November 2024 with maturity date in March 2025.

i. On April 21, 2021, LBCE availed a short-term interest-bearing loan with Rizal Commercial Banking Corporation (RCBC) amounting to ₱176.00 million to finance its working capital requirements. This was rolled over in October 2021 and April 2022 with maturity date in April 2023. It was further rolled over at the amount of ₱128.30 million and ₱115.30 with maturity date of April 2024 and 2025, respectively. Settlement made in 2024 and 2023 amounted to ₱13.00 million and ₱14.26 million, respectively.

j. In November 2023, LBCE availed a short-term interest-bearing loan with Rizal Commercial Banking Corporation (RCBC) amounting to ₱11.80 million to finance working capital. ₱10.60 million was rolled over in May 2024 with settlement date of May 2025. Settlement made in 2024 amounted to ₱1.2 million.

k. On November 18, 2022, LBCE availed a short-term loan with RCBC amounting to ₱100.44 million to finance other capital expenditures with maturity in May 2023. This was rolled over in May 2023, November 2023 and May 2024 with a maturity in May 2025. Total amount paid in 2024 and 2023 amounted to ₱7.30 million and ₱18.10 million, respectively.

l. On December 21, 2022, LBCE availed six-month loan with RCBC amounting to ₱10.00 million in aggregate to finance working capital requirement. This was rolled over in June 2023, December 2023 and June 2024 with maturity date of June 2025. Settlements in 2024 and 2023 amounted to ₱1.81 million and ₱1.00 million, respectively.

m. On March 24, 2022, LBCE availed one-year loan with RCBC amounting to ₱30.00 million in aggregate to finance working capital requirement. In March 2023 and March 2024, it was rolled over at the amount of ₱27.00 million for another year. Settlements in 2024 and 2023 amounted to ₱2.70 million and ₱3.00 million, respectively.

n. On June 10, 2023, LBCE availed a short-term loan interest bearing with RCBC amounting to ₱24.3 million to finance working capital. This was rolled over in June 2024 with outstanding balance amounting to ₱21.80 million. Settlement made in 2024 amounted to ₱2.50 million.

o. On June 14, 2023, LBCE availed a short-term loan interest bearing with RCBC amounting to ₱27.3 million to finance working capital. This was rolled over in December 2023 with outstanding balance amounting to ₱24.50 million. Settlements made in 2024 and 2023 amounted to ₱2.50 million and ₱2.80 million, respectively.

p. In various dates in November 2022, LBCE availed short-term loans with RCBC amounting to ₱185.51 million in aggregate to finance working capital requirement. These are rolled over in 2023. In the same year, LBCE availed additional short-term loans with RCBC amounting to ₱250.20 million. Outstanding balance as of December 31, 2024 and 2023 is ₱96.61 million and ₱182.21 million, respectively. These are rolled over in January 2025.

q. On May 22, 2024, LBCE availed a one-year loan interest bearing with RCBC amounting to ₱19.00 million to finance working capital.

r. In December 2024, LBCE availed short-term loans interest bearing with RCBC amounting to ₱16.77 million to finance working capital with maturity dates in January 2025 and February 2025. These loan is secured by accounts receivable amounting to ₱200.00 million.

s. In October 2024, LBCE availed a one-year loan interest bearing with BDO amounting to ₱200.00 million to finance working capital.

t. In December 2024, LBCE a short-term loan interest bearing with UBP amounting to ₱50.00 million to finance working capital.

u. On October 27, 2022, LBCE availed six-month loan with BDO amounting to ₱80.00 million in aggregate to finance working capital requirement. This was rolled over in April 2023 with a maturity date of February 2024. Settlement made in 2024 and 2023 amounted to ₱60.00 million and ₱20.00 million, respectively. This was fully settled in 2024.

v. On November 7, 2023, LBCE availed a six-month loan interest bearing with BDO amounting to ₱18.50 million to finance working capital. This was fully settled in 2024.

w. On April 15, 2019, LBCE availed a 5-year interest-bearing loan with UnionBank of the Philippines (UBP) amounting to ₱78.00 million to finance other capital expenditures. In 2024 and 2023, LBCE settled ₱15.6 million, respectively. This was fully settled in 2024.

x. On June 25, 2019, LBCE availed a 5-year interest bearing loan with UBP amounting to ₱22.00 million to finance other capital expenditures. In 2024 and 2023, LBCE settled ₱4.40 million, respectively. This was fully settled in 2024.

y. A short-term loan availed with UBP in August 2019 amounting to ₱50.00 million was rolled over in 2020 to 2022. This was subsequently rolled over in January and July 2023 with a maturity date of January 2024. LBCE settled ₱25.00 million in 2024 and ₱10.00 million in 2023. This was fully settled in 2024.

z. On November 22, 2021, LBCE availed a short-term loan with BDO to finance working capital requirement amounting to ₱48.00 million. This was rolled over in May 2022 at the amount of ₱45.00 million and further rolled over in November 2022, May 2023 and November 2023 with maturity date in May 2024. This was fully settled in 2024.

aa. On December 27, 2023, LBCE availed a short-term loan interest bearing with BDO amounting to ₱150.00 million to finance working capital. This was fully settled in 2024.

Interest expense amounted to ₱159.57 million, ₱108.79 million, and ₱84.98 million in 2024, 2023 and 2022, respectively.

The loans were used primarily for working capital requirements and capital expenditures and are not subject to any loan covenants with exception to the matters discussed above. As of December 31, 2024 and 2023, the Group is compliant with its debt covenants.

Movements in the notes payable account are as follows:

	2024	2023
Balance at beginning of year	**₱2,322,661,373**	₱2,103,390,608
Availments	**1,440,802,109**	999,122,465
Payments	**(1,848,771,345)**	(779,851,700)
Balance at end of year	**₱1,914,692,137**	₱2,322,661,373

16. **Convertible Instrument**

This account consists of:

	2024	2023
Derivative liability		
Balances at beginning of year	**₱2,030,069,446**	₱2,180,880,406
Modification of maturity date	**280,118,222**	–
Fair value loss (gain) on derivative	**218,344,697**	(150,810,960)
Balances at end of year	**₱2,528,532,365**	₱2,030,069,446
Bond payable		
Balances at beginning of year	**₱1,979,740,743**	₱1,715,380,624
Accretion of interest	**319,594,107**	283,247,791
Unrealized foreign exchange (gain) loss	**89,504,093**	(20,686,422)
Amortization of issuance cost	**1,049,271**	1,798,750
Modification of maturity date	**(324,302,338)**	–
Balances at end of year	**₱2,065,585,876**	₱1,979,740,743

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 30^{th} 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 4^{th}, 5^{th} and 6^{th} 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 4^{th}, 5^{th} and 6^{th} anniversary of the issuance date, respectively) in case of a Change of Control as defined under the agreement.

The Parent Company also has full or partial right to convert the shares subject to various conditions including pre-approval of the PSE of the listing of the conversion shares and other conditions to include closing sale price and daily trading volume of common shares trading on the Principal Market and upon plan of offering, placement of shares or similar transaction with common share price at a certain minimum share price. On August 9, 2021, the Parent Company's stockholders approved the issuance of common shares for potential exercise of conversion rights. As at report date, there has been no conversion nor redemption of the convertible instrument.

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

On October 3, 2017, the Parent Company entered into a pledge supplement with CP Briks whereby the Parent Company constituted in favor of CP Briks a pledge over all of the Parent Company's shares in LBCE consisting of 1,041,180,504 common shares, representing 100% of the total issued and outstanding capital stock of LBCE.

In the event of default, CP Briks may foreclose upon the pledge over LBCE shares as a result of which LBCE shares may be sold via auction to the highest bidder. The sale of LBCE shares in such public auction shall extinguish the outstanding obligation, whether or not the proceeds of the foreclosure sale are equal to the amount of the outstanding obligation. Under the terms of the pledge agreement, if LBCE shares are sold at a price higher than the amount of the outstanding obligation, any amount in excess of the outstanding obligation shall be paid to the Parent Company.

While CP Briks may participate in the auction of LBCE shares should there be a foreclosure, any such foreclosure of the pledge over LBCE shares and any resulting acquisition by CP Briks of equity interest in LBCE are always subject to the foreign ownership restrictions applicable to LBCE, which may not exceed 40% of the total issued and outstanding capital stock entitled to vote, and 40% of the total issued and outstanding capital stock whether or not entitled to vote, of LBCE.

Covenants
While the convertible instrument has not yet been redeemed or converted in full, the Parent Company shall ensure that neither it or its subsidiaries shall incur, create or permit to subsist or have outstanding indebtedness, as defined in the Omnibus Agreement, or enter into agreement or arrangement whereby it is entitled to incur, create or permit to subsist any indebtedness and that the Parent Company shall ensure, on a consolidated basis, that:

a. Total Debt to EBITDA for any Relevant Period (12 months ending on the Parent Company's financial year) shall not exceed 2.5:1.
b. The ratio of EBITDA to Finance Charges for any Relevant Period shall not be less than 5.0:1; and
c. The ratio of Total Debt on each relevant date to Shareholder's Equity for that Relevant Period shall be no more than 1:1.

The determination and calculation of the foregoing financial ratios are based on the agreement and interpretation of relevant parties subject to the terms of the convertible instrument. The Group is in compliance with the above covenants as at December 31, 2024 and 2023, the latest Relevant Period subsequent to the issuance of the convertible instrument. Relevant period means each period of twelve (12) months ending on the last day of the Parent Company's financial year.

In relation to the issuance of the convertible instrument and following the entry of CP Briks as a stakeholder in the Parent Company, the Parent Company entered into the following transactions:

a. On August 4, 2017, LBCE and LBCDC agreed for LBCE to discontinue royalty for the use of LBC Marks (see Note 18).

b. On various dates, the Parent Company entered into the following transactions for the acquisition of certain overseas entities:

   i. Effective January 1, 2019, the Parent Company was granted the regulatory approvals on the purchase of the following entities under LBC USA Corporation:

      - LBC Mundial Corporation (LBC Mundial) which operates as a cargo and remittance company in California. The Parent Company purchased 4,192,546 shares or 100% of the total outstanding shares from LBC Holdings USA Corporation.
      - LBC Mabuhay North America Corporation (LBC North America) which operates as a cargo and remittance company in New Jersey. The Parent Company purchased 1,605,273 shares or 100% of the total outstanding shares from LBC Holdings USA Corporation.

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

   iii. On March 7, 2018, the Parent Company acquired 100% ownership of LBC Mabuhay Saipan, Inc. (LBC Saipan) for a total purchase price of US $207,652 or ₱10.80 million.

   iv. On June 27, 2018, the BOD of the Parent Company approved the purchase of shares of some overseas entities. The acquisition is expected to benefit the Parent Company by contributing to its global revenue streams. On the same date, the SPAs were executed by the Group and Jamal Limited, as follow:

      - LBC Aircargo (S) PTE. LTD. which operates as a cargo branch in Taiwan. The Parent Company purchased 94,901 shares or 100% of the total outstanding shares of the acquiree at a purchase price of US $146,013;
      - LBC Money Transfer PTY Limited which operates as a remittance company in Australia. The Parent Company purchased 10 shares or 100% of the total outstanding shares of the acquiree at a purchase price of US $194,535;

- LBC Express Airfreight (S) PTE. LTD. which operates as a cargo company in Singapore. The Parent Company purchased 10,000 shares or 100% of the total outstanding shares of the acquiree at a purchase price of US $2,415,035; and
- LBC Australia PTY Limited which operates as a cargo company in Australia. The Parent Company purchased 223,500 shares or 100% of the total outstanding shares of the acquiree at a purchase price of US $1,843,149.

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

vi. On October 15, 2018, the Parent Company acquired the following overseas entities:

- LBC Mabuhay Remittance Sdn. Bhd. which operates as a remittance company in Brunei. The Parent Company purchased one (1) share which represents 50% equity interest at the subscription price of US $557,804 per share.
- LBC Mabuhay (B) SDN BHD which operates as a cargo company in Brunei. The Parent Company acquired 50% of LBC Mabuhay (B) SDN BHD for a total purchase price of US $225,965.

vii. On September 28, 2023, the Parent Company acquired 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 twelve 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 18). 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 P1,018.66 million (see Note 18).

If an event of default occurred and be continuing, CP Briks may require the Parent Company to redeem all or any portion of the convertible instrument, provided that CP Briks provides written notice to the Parent Company within the applicable period. Each portion of the convertible instrument subject to redemption shall be redeemed by the Parent Company at price equal to 100% of the conversion amount plus an internal rate of return (IRR) equal to 16% (inclusive of applicable tax, which shall be for the account of CP Briks).

On December 29, 2022, US$11.0 million of the US$50.0 million convertible instrument was redeemed by CP Briks at a total redemption price of ₱1,084.42 million (US$19.33 million) and was paid on January 10, 2023. Gain on partial redemption of convertible instrument amounted to ₱7.58 million in 2022.

On August 2, 2024, CP Briks Pte. Ltd (CP Briks) agreed to extend the original maturity date from August 4, 2024 to such time CP Briks opts to terminate the instrument upon thirty (30) days prior notice (“Extended Stated Maturity Date”). LBCH acknowledges and agrees that the interest in the instrument shall continue to accrue from the original stated maturity date until the Extended Stated Maturity Date, at the relevant IRR pursuant to Sections 4 and 5 of the instrument. Any reference in the purchase agreement and in the instrument to “due 2024” or “maturity date” or similar terms whether any such term is capitalized or not shall hereafter mean Extended Stated Maturity Date.

In order for CP Briks to exercise its right to terminate the instrument, it shall notify LBCH at least thirty (30) days prior to the day CP Briks opts to terminate and LBCH shall pay all outstanding principal and any accrued interest on such date.

17. **Equity**

Capital Stock
As of December 31, 2024 and 2023, the details of the Parent Company’s capital stock follow:

	Number of Shares of Stocks	Amount
Capital stock - ₱1 par value		
Authorized	2,000,000,000	₱2,000,000,000
Issued and outstanding	1,425,865,471	1,425,865,471

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

	Number of shares registered	Issue/ Offer price	Date of approval	Number of holders as of yearend
At January 1, 2015	40,899,000	₱1/share		
Add: Additional issuance	1,384,966,471	₱1/share	July 22, October 16 and October 21, 2015	
December 31, 2015-2016	1,425,865,471			485
Add: Movement	−			1
December 31, 2017	1,425,865,471			486
Add: Movement	−			1
December 31, 2018-2021	1,425,865,471			487
Less: Movement	−			2
December 31, 2022-2023	1,425,865,471			485
Less: Movement	−			−
December 31, 2023-2024	1,425,865,471			485

Retained earnings
The unappropriated retained earnings include accumulated equity in undistributed net earnings of the consolidated subsidiaries which amounted to ₱1,282.91 million, ₱850.51 million, and ₱1,337.33 million as of December 31, 2024, 2023 and 2022, respectively. These are not available for dividend declaration until declared by the BOD of the respective subsidiaries.

In accordance with the Revised Securities Regulation Code Rule 68, the Parent Company has no retained earnings available for dividend declaration as of December 31, 2024.

Cash dividends
On May 4, 2023, the BOD of LBC Express Shipping Company WLL (Kuwait) declared cash dividends of KWD 200 per common share. The record date of entitlement to the said cash dividend is on November 30, 2022. This was paid in May 2023 which amounted to ₱3.75 million of which ₱1.91 million is attributed to noncontrolling interest.

On December 1, 2022, the BOD of LBC Mundial Corporation and LBC Mabuhay North America Corporation declared cash dividends of US$13.0 million (₱702.26 million) and US$1.0 million (₱54.02 million), respectively. This was paid in December 2022.

On November 7, 2022, the BOD of LBC Mabuhay (B) Sdn. Bhd. declared cash dividends of BND 500 per share, while on November 8, 2022, the BOD of LBC Mabuhay Remittance Sdn. Bhd. declared cash dividends of BND 0.20 million per share, these were paid in November 2022 amounting to ₱16.66 million and ₱20.82 million, respectively.

The controlling interest of LBCH in LBC Mabuhay (B) Sdn. Bhd. and LBC Mabuhay Remittance Sdn. Bhd. amounted to BND 0.25 million (₱8.33 million) and BND 0.20 million (₱10.41 million), respectively.

On October 14, 2022, the BOD of LBC Australia Pty Ltd declared cash dividends amounting to AUD 1.80 million (₱67.77 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 (₱34.96 million). The amount attributed to noncontrolling interest is RM 0.23 million (₱2.83 million).

On October 13, 2022, the BOD of LBC Mabuhay (Saipan), Inc. approved the issuance of dividends amounting to USD 0.25 million (₱13.51 million) on the outstanding common shares held by the Parent Company, these were paid in October 2022.

On October 14, 2022, the BOD of LBC Express Airfreight (S) PTE Ltd. declared cash dividend of SGD 5.70 million (₱223.27 million) and paid in November 2022.

On March 21, 2022, the BOD of LBC Express Shipping Company WLL (Kuwait) declared cash dividends of KWD 1500 per common share. The record date of entitlement to the said cash dividend is on November 30, 2021. These were paid in March 2022 amounting to ₱27.95 million, of which ₱14.25 million is attributable to noncontrolling interest.

Accumulated comprehensive income (loss)
Details of accumulated comprehensive income (loss) as at December 31 follow:

	2024	2023
Remeasurement gain on retirement benefit plan, net of tax (Note 23)	**₱242,169,521**	₱248,664,798
Unrealized fair value loss on investment at FVOCI (Note 10)	**(164,631,125)**	(72,952,890)
Share in other comprehensive income of an associate (Note 11)	**3,613,333**	4,625,826
Currency translation gain, net of tax	**7,488,123**	33,024,728
	₱88,639,852	₱213,362,462

(Forward)

	2024	2023
Accumulated comprehensive loss attributable to:		
Controlling interest	**₱90,918,199**	₱215,287,092
Non-controlling interest	**(2,278,347)**	(1,924,630)
	₱88,639,852	₱213,362,462

18. Related Party Transactions

In the normal course of business, the Group transacts with related parties consisting of its ultimate parent, LBCDC and affiliates. Affiliates include those entities in which the owners of the Group have ownership interests outside the Group. These transactions include royalty, delivery, service and management fees and loans and expense reimbursements. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

Details of related party transactions and balances as at and for the years ended December 31 follow:

	2024			
	Amount/Volume	**Receivable (Payable)**	**Terms**	**Conditions**
Due from related parties (Trade receivables)				
Entities under common control				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 6 and 26)	**₱105,737,420**	**₱360,338,701**	**Noninterest-bearing; due and demandable**	**Unsecured**
Due from related parties (Non-trade receivables)				
Ultimate parent company				
b.) Receivable in relation to sale of investment in shares of stock of an affiliate including assigned receivables and expense reimbursements	**₱398,642**	**₱1,018,714,525**	**Noninterest-bearing; due and demandable**	**Unsecured**
Entities under common control				
b.) Advances	**–**	**7,545,048**	**Noninterest-bearing; due and demandable**	**Unsecured**
b.) Receivable under regular trade agreements	**17,690,424**	**67,811,338**	**Noninterest-bearing; due and demandable**	**Unsecured**
b.) Expense reimbursements	**4,730,693**	**27,995,638**	**Noninterest-bearing; due and demandable**	**Unsecured**
Beneficial Owners				
b.) Advances	**–**	**37,709,077**	**Noninterest-bearing; due and demandable**	**Unsecured**
		₱1,159,775,626		
Dividend receivable				
f.) Associate (Note 11)	**₱30,000,000**	**₱–**	**Noninterest-bearing; due and demandable**	**Unsecured**
Due to related parties (Trade payables)				
Ultimate Parent Company				
c.) Royalty fee (Note 13)	**₱–**	**(₱128,915)**	**Noninterest-bearing; due and demandable**	**Unsecured**
Associate				
d.) Sea freight and brokerage (Note 13)	**607,746,956**	**(35,413,127)**	**Noninterest-bearing; due and demandable**	**Unsecured**
		(₱35,542,042)		

	2024			
	Amount/Volume	**Receivable (Payable)**	**Terms**	**Conditions**
<u>Due to a related party (Non-trade payables)</u>				
Entities under common control				
b.) Payable under regular trade agreement	**₱31,145,139**	**(₱10,214,364)**	**Noninterest-bearing; due and demandable**	**Unsecured**
Officer				
b.) Advances	–	**(507,531)**	**Noninterest-bearing; due and demandable**	**Unsecured**
		(₱10,721,895)		
<u>Due to a related party (Transmissions liability)</u>				
Subsidiaries - under common control				
a.) Money remittance payable (Note 14)	**₱535,938,108**	**(₱8,947,731)**	**Noninterest-bearing; due and demandable**	**Unsecured**

	2023			
	Amount/Volume	Receivable (Payable)	Terms	Conditions
<u>Due from related parties (Trade receivables)</u>				
Entities under common control				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 6 and 26)	₱143,989,222	₱324,947,167	Noninterest-bearing; due and demandable	Unsecured
<u>Due from related parties (Non-trade receivables)</u>				
Ultimate parent company				
b.) Receivable in relation to sale of investment in shares of stock of an affiliate including assigned receivables and expense reimbursements	₱–	₱1,018,252,361	Noninterest-bearing; due and demandable	Unsecured
Entities under common control				
b.) Advances	–	7,545,048	Noninterest-bearing; due and demandable	Unsecured
b.) Receivable under regular trade agreements	23,972,041	48,148,567	Noninterest-bearing; due and demandable	Unsecured
b.) Expense reimbursement	31,573,036	23,345,880	Noninterest-bearing; due and demandable	Unsecured
Beneficial Owners				
b.) Advances	–	37,709,077	Noninterest-bearing; due and demandable	Unsecured
e.) Notes receivable current portion	–	4,855,212	Interest-bearing; fixed monthly payment	Unsecured
		₱1,139,856,145		
<u>Due from related parties (Other noncurrent assets)</u>				
Entities under common control				
e.) Other noncurrent assets	₱–	₱10,454,332	Interest-bearing; fixed monthly payment	Unsecured
<u>Dividend receivable</u>				
f.) Associate (Note 11)	₱39,600,000	₱–	Noninterest-bearing; due and demandable	Unsecured
<u>Due to related parties (Trade payables)</u>				
Ultimate Parent Company				
c.) Royalty fee (Note 13)	₱–	(₱151,164)	Noninterest-bearing; due and demandable	Unsecured
Associate				
d.) Sea freight and brokerage (Note 13)	742,759,437	(44,812,446)	Noninterest-bearing; due and demandable	Unsecured
		(₱44,963,610)		

	2023			
	Amount/Volume	Receivable (Payable)	Terms	Conditions
Due to a related party (Non-trade payables)				
Entities under common control				
b.) Advances	₱39,617,362	(₱10,996,650)	Noninterest-bearing; due and demandable	Unsecured
Officer				
b.) Advances	–	(483,960)	Noninterest-bearing; due and demandable	Unsecured
		(₱11,480,610)		

Due to a related party (Transmissions liability)				
Subsidiaries–- under common control				
a.) Money remittance payable (Note 14)	₱512,458,500	(₱5,906,309)	Noninterest-bearing; due and demandable	Unsecured

Compensation of Key Management Personnel:

	2024	2023
Salaries and wages	**₱119,855,340**	₱125,176,499
Retirement benefits (Note 23)	**21,081,137**	17,380,470
Other short-term employee benefits	**6,125,999**	9,665,480
	₱147,062,476	₱152,222,449

a.) In the normal course of business, the Group fulfills the delivery of balikbayan boxes, fulfillment of money remittances and performs certain administrative functions on behalf of its affiliates. The Group charges delivery fees and service fees for the fulfillment of these services based on agreed rates.

The Group charges penalties to affiliates that fail to pay within 30 calendar days upon receipt of billings from LBCE. The amount is recognized by the Group as penalty income and is equivalent to 1/10 of 1% of the total amount of unpaid receivable due per day of delay. No penalty income was recognized in 2024 and 2023.

Accordingly, the Group is also charged penalties by its affiliates for the Group's failure to meet the maximum period of delivery as contained in the service level agreement. There are no claims and losses recognized in both years.

In 2023, a related party ceased its operation and the Group has directly written-off trade receivables from the related party amounting to ₱56.15 million.

Allowance for impairment loss recognized amounted to ₱9.21 million and ₱11.42 million as of December 31, 2024 and 2023, respectively.

b.) The Group provides expense reimbursements, has receivable and payable under regular trade agreements to affiliates. These are non-interest bearing and payable on demand.

In prior years, the Group has outstanding advances of ₱295.00 million to LBC Development Bank, an entity under common control of LBCDC. In 2011, management assessed that these advances are not recoverable. Accordingly, the said asset was written-off from the books in 2011 (see Note 29).

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

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

c.) Starting 2007, LBCDC (Licensor), the Ultimate Parent Company, granted to the Group (Licensee) the full and exclusive right to use the LBC Marks within the Philippines in consideration for a continuing royalty rate of two point five percent (2.5%) of the Group's Gross Revenues which is defined as any and all revenue from all sales of products and services, including all other income of every kind and nature directly and/or indirectly arising from, related to and/or connected with Licensee's business operations (including, without limitation, any proceeds from business interruption insurance, if any), whether for cash or credit, wherever made, earned, realized or accrued, excluding any sales discounts and/or rebates, value added tax. Such licensing agreement was amended on August 4, 2017 and was subsequently discontinued effective September 4, 2017 in recognition of the Group's own contribution to the value and goodwill of the trademark. As of December 2024, and 2023 the remaining balance of royalty fee amounted to ₱128,915 and ₱151,164, respectively.

d.) In the normal course of business, LBCE acquires services from OFII which include sea freight and brokerage mainly for the cargoes coming from international origins. These expenses are billed to the origins at cost.

e.) In November 2011, LBC Mundial Corporation paid-off LBC Holdings USA Corporation’s outstanding mortgage loan which is consolidated into a long-term promissory note amounting to $1,105,148 at 4% interest, payable in 180 equal monthly installments. As of December 31, 2023, total outstanding notes receivable amounted to ₱15.31 million, ₱10.45 million of which is presented as noncurrent under “Other noncurrent assets”. This note were fully collected in 2024. Interest income earned from notes receivable amounted to ₱0.30 million, ₱0.72 million, and ₱1.76 million in 2024, 2023 and 2022, respectively.

f.) On June 26, 2024 and August 9, 2023, LBCH recognized cash dividend from OFII amounting to ₱30.00 million and ₱39.60 million, respectively, for its 30% interest on OFII.

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

19. Cost of Services

This account consists of:

	2024	2023	2022
Cost of delivery and remittance	**₱4,569,067,658**	₱4,650,746,055	₱5,086,334,153
Salaries, wages and employee benefits	**3,317,388,311**	3,354,282,170	3,558,683,055
Utilities and supplies (Note 7)	**1,183,400,717**	1,282,095,388	1,369,066,608
Depreciation and amortization (Notes 8, 9 and 22)	**1,015,315,066**	1,217,080,358	1,336,312,987
Rent (Note 22)	**449,820,275**	386,830,311	365,108,034
Repairs and maintenance	**193,488,787**	181,348,542	177,496,888
Transportation and travel	**152,136,106**	150,242,949	147,252,148
Insurance	**120,667,624**	97,846,344	84,486,253
Retirement benefit expense (Note 23)	**101,926,024**	87,289,558	103,120,686
Software subscriptions	**14,309,026**	12,806,497	36,410,749
Others	**54,072,911**	47,664,024	58,965,595
	₱11,171,592,505	₱11,468,232,196	₱12,323,237,156

Others pertain to bank chargers, bank service fees related to remittances, restoration, and demolition of closed branches.

20. Operating Expenses and Foreign Exchange Gains (Loses) - net

Operating expenses consist of:

	2024	2023	2022
Salaries, wages and employee benefits	**₱619,028,589**	₱587,426,288	₱641,124,720
Professional fees	**343,874,357**	254,001,532	232,920,900
Commissions	**270,349,711**	249,690,635	265,018,463
Taxes and licenses	**226,050,631**	196,753,929	223,850,462
Advertising and promotion	**183,846,992**	203,750,053	252,550,040
Utilities and supplies	**151,377,497**	208,665,638	220,352,000
Depreciation and amortization (Notes 8, 9 and 22)	**151,173,159**	168,379,448	117,780,183
Dues and subscriptions	**120,008,961**	153,336,349	149,175,608
Travel and representation	**108,637,232**	109,912,380	132,309,567
Provisions (Notes 6 and 29)	**80,741,536**	105,011,631	119,087
Software maintenance costs	**73,496,900**	105,525,497	91,290,651
Retirement benefit expense (Note 23)	**39,417,026**	38,570,885	36,601,412
Insurance	**24,347,001**	22,761,992	20,999,941
Donations	**12,115,513**	7,494,750	14,480,980
Rent (Note 22)	**10,861,699**	12,840,997	17,503,092
Royalty	**7,183,778**	6,956,506	6,953,662
Losses	**5,658,743**	22,236,595	29,070,300
Repairs and maintenance	**5,375,043**	5,608,741	6,765,140
Others	**25,262,146**	31,365,261	23,610,575
	₱2,458,806,514	₱2,490,289,107	₱2,482,476,783

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

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

	2024	2023	2022
Cash and cash equivalents	**₱43,077,961**	₱17,781,653	₱ 64,712,455
Advances to affiliates - net	**38,771,870**	4,865,987	63,099,407
Loans receivable	**1,430,208**	(2,305,572)	–
Receivable	**(121,076)**	(196,153)	(4,337,328)
Trade payable	**(2,909,468)**	1,756,048	(9,915,675)
Bond payable and redemption payable	**(89,504,093)**	37,972,495	(189,110,403)
	(₱9,254,598)	₱59,874,458	(₱75,551,544)

21. Income Taxes

Provision for income tax consists of:

	2024	2023	2022
Current	**₱92,986,697**	₱67,113,465	₱304,365,153
Deferred	**(15,652,627)**	52,193,130	(125,527,478)
	₱77,334,070	₱119,306,595	₱178,837,675

Details of the Group's deferred tax assets as at December 31 are as follow:

	2024	2023
Deferred tax assets arising from:		
Lease liabilities	**₱324,007,286**	₱549,456,669
Retirement benefit liability	**220,659,921**	202,933,206
MCIT	**96,678,685**	74,709,167
Allowance for impairment losses	**71,111,913**	62,172,576
Accrued employee benefits	**28,903,168**	28,737,405
Unrealized foreign exchange losses	**26,701,038**	15,071,584
Contract liabilities	**22,435,650**	23,531,220
NOLCO	**18,245,156**	60,747,343
Others	**12,965,622**	3,698,315
	821,708,439	1,021,057,485
Deferred tax liability on right of use assets	**(277,143,427)**	(495,119,457)
	₱544,565,012	₱525,938,028

The movements in deferred tax assets for the years ended November 30 are as follow:

	2024	2023
Balance at beginning of year	**₱525,938,028**	₱521,419,113
Charged to profit or loss	**15,652,627**	(52,193,130)
Recorded under other comprehensive income	**2,974,357**	56,712,045
Balance at end of year	**₱544,565,012**	₱525,938,028

As of December 31, 2024 and 2023, there are no unrecognized deferred tax assets.

The reconciliation between income tax expense at the statutory rate and the actual income tax expense presented in the consolidated statements of comprehensive income for the years ended December 31 follows:

	2024	2023	2022
Income tax at the statutory income tax rate	**(₱16,990,494)**	₱71,872,908	(₱91,099,631)
Tax effects of items not subject to statutory rate:			
Nondeductible expenses	**206,842,020**	103,660,498	447,466,953
Change to OSD of subsidiaries	**7,792,802**	(13,402,543)	(18,870,292)
Expired MCIT	**(23,926,969)**	–	–
Nontaxable income	**(82,404,613)**	(51,513,910)	(128,311,669)
Others	**(13,978,676)**	8,689,642	(30,347,686)
	₱77,334,070	₱119,306,595	₱178,837,675

The carryforward NOLCO and MCIT that can be claimed as deduction from future taxable income or used as deduction against income tax liabilities:

NOLCO

Year Incurred	Amount	Used	Expired	Balance	Expiry Date
2024	₱72,980,625	₱–	₱–	₱72,980,625	2027
2022	153,710,769	153,710,769	–	–	2025
2021	89,278,602	89,278,602	–	–	2026
	₱315,969,996	₱242,989,371	₱–	₱72,980,625	

MCIT

Year Incurred	Amount	Used	Expired	Balance	Year of Expiration
2024	₱45,896,487	₱–	₱–	₱45,896,487	2027
2023	31,336,982	–	–	31,336,982	2026
2022	19,445,216	–	–	19,445,216	2025
2021	23,926,969	–	(23,926,969)	–	2024
	₱120,605,654	₱–	(₱23,926,969)	₱96,678,685	

These NOLCO and excess of MCIT over RCIT came from LBCE and other subsidiaries.

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Optional Standard Deduction
On December 18, 2008, the Bureau of Internal Revenue issued Revenue Regulation No. 16-2008 which implemented the provisions of Republic Act (R.A.) No. 9504, as amended by R.A. 10963 or the Tax Reform Acceleration and Inclusion Act (TRAIN), on Optional Standard Deduction (OSD). This regulation allows individuals and corporate taxpayers to use OSD in computing their taxable income. For corporate taxpayers, they may elect a standard deduction in the amount equivalent to 40% gross income in lieu of the itemized deductions.

In 2024 and 2023, eighteen (18) of LBCE’s Subsidiaries opted to use OSD in computing the current provision for income tax.

22. Lease Commitments

The following are the lease agreements entered into by the Group:

1. Lease agreements for the current corporate office spaces, which include a three-year term starting from November 1, 2023, and another three-year term starting from January 1, 2024, as well as a five-year term that began on May 16, 2020. The lease agreements are renewable upon mutual agreement with the lessor and include rental rate escalations during the terms of the leases. The lease agreements also require the Parent Company to pay advance rental and security deposits.

2. Lease agreements covering various service centers and service points within the Philippines and foreign branches and subsidiaries located in the Middle East for a period of one (1) to eleven (11) years except for one (1) warehouse which has a lease term of twenty (20) years renewable at the Group's option at such terms and conditions which may be agreed upon by both parties. These lease agreements include provision for rental rate escalations including payment of security deposits and advance rentals.

3. Lease agreement with a local bank covering transportation equipment for a period of three to five years. The lease agreement does not include escalation rates on monthly payments.

There are no contingent rents for the above lease agreements.

The amounts recognized in the consolidated statements of financial position and consolidated statements of comprehensive income is shown below:

(a) Right-of-use assets

	For the year ended December 31, 2024			
	Right-of-use assets			
	Office and Warehouses	**Vehicles**	**Equipment**	**Total**
Costs				
Balances at beginning of year	**₱3,664,388,730**	**₱170,172,744**	**₱74,528,480**	**₱3,909,089,954**
Additions	**537,660,564**	**25,325,265**	**27,544,452**	**590,530,281**
End of contracts	**(900,871,254)**	**(74,238,764)**	**(25,010,822)**	**(1,000,120,840)**
Effect of changes in foreign currency exchange rates	**49,787,447**	**5,555,525**	**4,212,163**	**59,555,135**
Balances at end of year	**3,350,965,487**	**126,814,770**	**81,274,273**	**3,559,054,530**
Accumulated amortization				
Balances at beginning of year	**1,778,434,959**	**108,120,129**	**42,057,038**	**1,928,612,126**
Amortization (Notes 19 and 20)	**833,556,046**	**34,397,802**	**12,890,991**	**880,844,839**
End of contracts	**(802,958,994)**	**(73,782,897)**	**(25,010,824)**	**(901,752,715)**
Effect of changes in foreign currency exchange rates	**2,746,295**	**28,502,443**	**18,862,100**	**50,110,838**
Balances at end of year	**1,811,778,306**	**97,237,477**	**48,799,305**	**1,957,815,088**
Net book value	**₱1,539,187,181**	**₱29,577,293**	**₱32,474,968**	**₱1,601,239,442**

	For the year ended December 31, 2023			
	Right-of-use assets			
	Office and Warehouses	Vehicles	Computer Equipment	Total
Costs				
Balances at beginning of year	₱3,983,253,390	₱223,653,223	₱59,437,158	₱4,266,343,771
Additions	1,061,994,015	5,214,286	16,627,588	1,083,835,889
Lease modification	(125,531,473)	–	–	(125,531,473)
End of contracts	(1,247,662,503)	(54,685,621)	–	(1,302,348,124)
Effect of changes in foreign currency exchange rates	(7,664,699)	(4,009,144)	(1,536,266)	(13,210,109)
Balances at end of year	3,664,388,730	170,172,744	74,528,480	3,909,089,954
Accumulated amortization				
Balances at beginning of year	2,050,376,918	129,945,268	33,565,681	2,213,887,867
Amortization (Notes 19 and 20)	977,888,467	37,403,026	9,411,430	1,024,702,923
End of contracts	(1,247,662,503)	(54,685,621)	–	(1,302,348,124)
Effect of changes in foreign currency exchange rates	(2,167,923)	(4,542,544)	(920,073)	(7,630,540)
Balances at end of year	1,778,434,959	108,120,129	42,057,038	1,928,612,126
Net book value	₱1,885,953,771	₱62,052,615	₱ 32,471,442	₱1,980,477,828

In 2024, 2023 and 2022, the amortization expense recognized under cost of services in the statement of comprehensive income amounted to ₱809.44 million, ₱948.46 million, ₱968.78 million, respectively. In 2024, 2023 and 2022, the amortization expense recognized under operating expenses in the statement of comprehensive income amounted to ₱64.92 million, ₱76.24 million, and ₱63.53 million, respectively (see Notes 19 and 20).

Amortization of right-of-use assets recorded in the consolidated statements of comprehensive income is net of the recognized effect of waived rentals for COVID-19 related rent concessions amounting to ₱6.48 million, ₱6.23 million, and ₱13.81 million in 2024, 2023 and 2022, respectively.

End of contracts pertain to lease agreements which reached the end of the lease terms. In 2024, loss recognized under other income (charges) in statement of comprehensive income amounted to ₱98.37 million (nil in 2023 and 2022).

Lease modification pertains to contract with the lessor with revised terms effective during the year and moving forward.

(b) Lease liabilities

	December 31, 2024	December 31, 2023
Balances at beginning of year	**₱2,197,826,675**	₱2,262,939,874
Additions	**590,530,281**	1,083,835,889
Lease modification	**(98,368,125)**	(125,531,472)
Rent concessions	**(6,477,711)**	(6,234,328)
Payments	**(1,022,607,037)**	(1,153,240,832)
Accretion of interest	**142,107,397**	147,686,326
Effect of changes in foreign currency exchange rates	**35,031,558**	(11,628,782)
Balances at end of year	**1,838,043,038**	2,197,826,675
Less: current portion	**763,676,898**	828,187,402
Noncurrent portion	**₱1,074,366,140**	₱1,369,639,273

Interest expense arising from the accretion of lease liability amounted to ₱142.11 million, ₱147.69 million, and ₱131.83 million and in 2024, 2023 and 2022, respectively, recognized under ‘Interest expense’ in the consolidated statements of comprehensive income.

The following summarizes the maturity profile of the Group’s undiscounted lease payments:

	2024	2023
Less than 1 year	**₱763,676,898**	₱828,187,402
More than 1 year to 2 years	**527,342,357**	675,160,857
More than 2 years to 3 years	**280,356,807**	382,265,584
More than 3 years to 4 years	**194,874,668**	144,527,145
More than 5 years	**458,982,617**	372,049,828
	₱2,225,233,347	₱2,402,190,816

(c) Rent expenses

The rent expenses recognized under cost of services and operating expenses in the consolidated statement of comprehensive income are considered short-term leases or leases of low value assets where the short-term lease recognition exemption is applied.

	2024	2023	2022
Cost of services (Note 19)	**₱449,820,275**	₱386,830,311	₱365,108,034
Operating expenses (Note 20)	**10,861,699**	12,840,997	17,503,092
	₱460,681,974	₱399,671,308	₱382,611,126

The Group maintains security deposits arising from the said lease agreements amounting to ₱375.43 million and ₱419.20 million as of December 31, 2024 and 2023, respectively.

23. Retirement Benefits

The entities under LBC Express, Inc. and Subsidiaries has funded noncontributory defined benefit retirement plans covering all qualified employees. The retirement plan is intended to provide for benefit payments to employees equivalent to 25% to 130% of the employee’s final monthly basic salary for every year of credited service. Benefits are paid in lump sum upon retirement or separation in accordance with the terms of the Plan. The Group updates the actuarial valuation every year by hiring the services of a third-party qualified actuary. The latest actuarial valuation report was as of reporting date.

The Retirement Plan Trustee, as appointed by the Group in the Trust Agreement executed between the Group and the duly appointed Retirement Plan Trustee, is responsible for the general administration of the Retirement Plan and the management of the Retirement Fund. The Retirement Plan Trustee may seek the advice of a counsel and appoint an investment manager or managers to manage the Retirement Fund, an independent accountant to audit the Fund and an actuary to value the Retirement Fund. The Group has no transaction either directly or indirectly through its subsidiaries or with its employees’ retirement benefit fund.

Under the existing Philippine regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee’s retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The Group’s retirement plan meets the minimum retirement benefit specified under Republic Act 7641.

For the Group’s Philippine entities and foreign branches, any qualified employee who voluntarily resigns from the service of the Group after completing at least 10 years of service, shall receive a benefit equal to a percentage of his accrued retirement benefits

Changes in net defined benefit liability in 2024 and 2023 are as follow:

2024

	January 1, 2024	Net benefit cost in consolidated statements of comprehensive income: Current Service cost	Net interest	Subtotal	Benefits paid from plan assets	Benefits paid by the Group	Remeasurements in other comprehensive income (Note 13): Business Development	Return on plan assets	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Subtotal	Contributions	December 31, 2024
Present value of defined / benefit obligation	**₱1,016,075,225**	**₱83,798,104**	**₱64,897,791**	**₱148,695,895**	**(₱87,022,987)**	**(₱1,761,587)**	**₱–**	**₱–**	**₱5,146,589**	**₱9,725,914**	**(₱5,492,502)**	**9,380,001**	**₱–**	**₱1,085,366,547**
Fair value of plan assets	**(115,419,229)**	–	**(7,352,845)**	**(7,352,845)**	**87,022,987**	–	–	**885,141**	–	–	–	**885,141**	**(45,200,000)**	**(80,063,946)**
Net defined benefit liability	**₱900,655,996**	**₱83,798,104**	**₱57,544,946**	**₱141,343,050**	**₱–**	**(₱1,761,587)**	**₱–**	**₱885,141**	**₱5,146,589**	**₱9,725,914**	**(₱5,492,502)**	**₱10,265,142**	**(₱45,200,000)**	**₱1,005,302,601**

2023

	January 1, 2023	Net benefit cost in consolidated statements of comprehensive income: Current Service cost	Net interest	Subtotal	Benefits paid from plan assets	Benefits paid by the Group	Remeasurements in other comprehensive income (Note 13): Business Development	Return on plan assets	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Subtotal	Contributions	December 31, 2023
Present value of defined / benefit obligation	₱939,556,498	₱74,770,536	₱63,018,736	₱137,789,272	(₱132,398,631)	(₱2,941,110)	₱–	₱–	(₱4,949,264)	₱53,266,699	₱25,751,761	₱74,069,196	₱–	₱1,016,075,225
Fair value of plan assets	(205,072,173)	–	(11,928,830)	(11,928,830)	131,162,572	14,684,405	–	2,534,797	–	–	–	2,534,797	(46,800,000)	(115,419,229)
Net defined benefit liability	₱734,484,325	₱74,770,536	₱51,089,906	₱125,860,442	(₱1,236,059)	₱11,743,295	₱–	₱2,534,797	(₱4,949,264)	₱53,266,699	₱25,751,761	₱76,603,993	(₱46,800,000)	₱900,655,996

The major categories of the Group's plan assets follow:

	2024	2023	2022
Cash and cash equivalents	**₱10,448,345**	₱17,820,729	₱46,100,224
Debt instruments:			
Government bonds	**69,111,198**	96,582,811	165,267,664
Others	**504,403**	1,015,689	(6,295,716)
	₱80,063,946	₱115,419,229	₱205,072,172

All equity and debt instruments held have quoted prices in active market.

The equity instruments are investment in stocks of a holding company of a conglomerate listed in the Philippines stock market engaged in various businesses.

Others include market gain or loss, accrued receivables net of payables and etc.

The Retirement Trust Fund assets are valued by the fund manager at fair value using the mark-to-market valuation.

The Group is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the Group's discretion. However, in the event a benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable by the Group to the Retirement Fund.

The Retirement Plan Trustee monitors regularly the status of the plan assets and liabilities to ensure availability of funds upon retirement of personnel.

The Group expects to contribute ₱79 million to the retirement plan in 2025. The retirement plan does not have a formal funding policy. The funding requirement is mainly driven by the availability of excess fund from the Group's operations.

The movement in actuarial gain recognized in other comprehensive income follows:

	2024	2023	2022
Balance at beginning of year	**(₱278,638,327)**	(₱355,242,320)	(₱147,950,373)
Actuarial loss (gain) from defined benefit obligation	**9,380,001**	74,069,196	(221,074,845)
Plan asset remeasurement loss	**885,141**	2,534,797	13,782,898
Balance at end of year, gross	**(268,373,185)**	(278,638,327)	(355,242,320)
Deferred tax effect	**26,203,664**	29,973,529	86,693,579
Balance at end of year, net of tax	**(₱242,169,521)**	(₱248,664,798)	(₱268,548,741)

The principal assumptions used in determining retirement for the defined benefit plans are shown below:

	2024	2023	2022
Discount rate	**6.05% to 6.11%**	5.20% to 6.27%	3.17% to 7.48%
Salary increase	**2.00%**	2.00%	2.00% to 4.00%

Discount rate
The discount rate is determined by reference to spot yield curve at the end of the reporting period based on government bonds with currency and term similar to the estimated term of the benefit obligation. The Group used as reference long-term Philippine Treasury Bonds adjusted to create virtual zero-coupon bonds as of the reporting date and to reflect the term similar to the estimated term of the benefit obligation as determined by the actuary.

Salary increase
This is the expected long-term average rate of salary increase taking into account inflation, seniority, promotion and other market factors. Salary increase comprises of the general inflationary increases plus a further increase for individual productivity, merit and promotion. The future salary increase rates are set by reference over the period over which benefits are expected to be paid.

Demographic assumptions
Assumptions regarding mortality experience are set based on published statistics and experience in the Philippines. Is also considers attrition experience of the Group.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit liability as of the end of reporting date, assuming if all other assumptions were held constant.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which change other than those assumed may be deemed to be more reasonable.

	Increase (decrease)	**2024** Net defined benefit liability	2023 Net defined benefit liability
Discount rate	+1.00%	**(₱57,422,339)**	(₱53,912,294)
	-1.00%	**63,918,598**	59,978,231
Salary increase	+1.00%	**65,936,942**	61,970,320
	-1.00%	**(60,155,257)**	(56,556,732)

The weighted average duration of the defined benefit obligation at the end of the reporting period is 6.41 years.

Shown below is the maturity analysis of retirement benefit payments up to ten years:

	2024	2023
Less than 1 year	**₱308,257,456**	₱288,737,951
More than 1 year to 5 years	**539,932,213**	495,505,233
More than 5 years to 10 years	**688,647,949**	692,943,668
	₱1,536,837,618	₱1,477,186,852

24. **Financial Risk Management Objectives and Policies**

The Group has various financial assets such as cash and cash equivalents, restricted cash, trade and other receivables (excluding advances to officers and employees), due from related parties, financial assets at FVPL, financial assets at FVOCI, short-term investments under other current assets, loan receivable and notes receivable.

The Group's financial liabilities comprise of accounts and other payables (excluding statutory liabilities, accrued taxes and contract liabilities), due to related parties, notes payable, transmissions liability, lease liabilities, dividends payable, convertible instrument, derivative liability and other noncurrent liabilities. The main purpose of these financial liabilities is to finance the Group's operations.

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

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

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

The following table shows the effect on total comprehensive income should the change in the close share price of quoted equity securities occur as of December 31, 2024, 2023, and 2022 with all other variables held constant.

	Effect on total comprehensive income		
	2024	2023	2022
Change in share price			
+5.00%	**₱4,974,032**	₱9,557,944	₱9,948,064
-5.00%	**(4,974,032)**	(9,557,944)	(9,948,064)
Change in NAV			
+5.00%	**₱118,038**	₱113,178	₱108,353
-5.00%	**(118,038)**	(113,178)	(108,353)

The Group is also exposed to equity price risk in the fair value of the derivative liability due to the embedded equity conversion feature. Furthermore, at a given point in time in the future until maturity date, the derivative liability has a redemption option offering a minimum return in case the value of the conversion feature is low. In 2024, 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 Group is not significantly exposed to interest rate risk as the Group's interest rate on its cash and cash equivalents and notes payable are fixed and none of the Group's financial assets and liabilities carried at fair value are sensitive to interest rate fluctuations. Further, the impact of fluctuation on interest rates on the Group's lease liabilities will not significantly impact the results of operations. The Group regularly monitors its interest rate exposure in interest rates movements. Management minimizes its interest rate risk by resorting to short-term financing, as needed, and believes that cash generated from normal operations are sufficient to pay its obligation as they fall due.

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

	Effect in fair value	
	2024	2023
Credit spread +1%	**₱12,117,306**	₱11,540,380
Credit spread -1%	**(12,189,551)**	(11,609,185)

Liquidity risk
Liquidity risk is the risk from inability to meet obligations when they become due because of failure to liquidate assets or obtain adequate funding. The Group ensures that sufficient liquid assets are available to meet short-term funding and regulatory capital requirements.

The Group has a policy of regularly monitoring its cash position to ensure that maturing liabilities will be adequately met.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Management believes that cash generated from operations is sufficient to meet daily working capital requirements.

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

Management believes that with the support from the its Ultimate Parent Company, the Group is able to address any unplanned obligation in the next twelve months that may arise from the convertible instrument which is presented as current financial liability.

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

The following summarizes the maturity profile of the Group's financial assets based on remaining contractual undiscounted collections:

	2024		
	Due in less than one year	**Due in more than one year**	**Total**
Cash and cash equivalents			
Cash in bank	**₱2,565,921,170**	**₱–**	**₱2,565,921,170**
Cash equivalents	**14,568**	**–**	**14,568**
Short-term investments	**29,710,204**	**–**	**29,710,204**
Restricted cash	**180,330,339**	**–**	**180,330,339**
Receivables			
Trade	**2,007,815,001**	**–**	**2,007,815,001**
Others	**25,843,181**	**–**	**25,843,181**
Due from related parties	**1,159,775,626**	**–**	**1,159,775,626**
FVPL	**2,360,759**	**–**	**2,360,759**
FVOCI	**–**	**99,480,637**	**99,480,637**
Loans receivable	**–**	**62,308,929**	**62,308,929**
	₱5,971,770,848	**₱161,789,566**	**₱6,133,560,414**

	2023		
	Due in less than one year	Due in more than one year	Total
Cash and cash equivalents			
Cash in bank	₱2,054,014,046	₱–	₱2,054,014,046
Cash equivalents	4,690,260	–	4,690,260
Short-term investments	30,287,335	–	30,287,335
Restricted cash	261,646,547	–	261,646,547
Receivables			
Trade	1,817,108,275	–	1,817,108,275
Others	27,122,799	–	27,122,799
Due from related parties	1,139,856,145	–	1,139,856,145
FVPL	2,263,568	–	2,263,568
FVOCI	–	191,158,872	191,158,872
Notes receivable	–	10,454,332	10,454,332
Loans receivable	12,632,821	66,227,013	78,859,834
	₱5,349,621,796	₱267,840,217	₱5,617,462,013

Except as indicated, the Group's financial liabilities based on undiscounted cash flows as shown below are due and expected to be paid within 12 months after the reporting period, which is the earlier of the contractual maturity date or the expected settlement date:

	2024		
	Due in less than one year	**Due in more than one year**	**Total**
Accounts payable and accrued expenses			
Trade payable	**₱1,522,975,335**	**₱–**	**₱1,522,975,335**
Accrued expenses*	**911,160,864**	**–**	**911,160,864**
Others	**55,299,956**	**–**	**55,299,956**
Due to related parties	**10,721,895**	**–**	**10,721,895**
Notes payable	**1,238,540,861**	**676,151,276**	**1,914,692,137**
Transmissions liability	**684,859,401**	**–**	**684,859,401**
Derivative liability	**2,528,532,365**	**–**	**2,528,532,365**
Bond payable	**2,065,585,876**	**–**	**2,065,585,876**
Lease liabilities	**763,676,898**	**1,461,556,449**	**2,225,233,347**
	₱9,781,353,451	**₱2,137,707,725**	**₱11,919,061,176**

**Excluding accrued taxes*

	2023		
	Due in less than one year	Due in more than one year	Total
Accounts payable and accrued expenses			
Trade payable	₱1,364,342,512	₱–	₱1,364,342,512
Accrued expenses*	904,630,550	–	904,630,550
Others	56,659,839	–	56,659,839
Due to related parties	11,480,610	–	11,480,610
Notes payable	1,375,261,115	947,400,258	2,322,661,373
Transmissions liability	606,733,574	–	606,733,574
Derivative liability	2,030,069,446	–	2,030,069,446
Bond payable	1,979,740,743	–	1,979,740,743
Lease liabilities	828,187,402	1,574,003,414	2,402,190,816
	₱9,157,105,791	₱2,521,403,672	₱11,678,509,463

Excluding accrued taxes

The Group expects to generate cash flows from its operating activities mainly on sale of services. The Group also has sufficient cash and adequate amount of credit facilities with banks and its ultimate parent company to meet any unexpected obligations except settlement of convertible instrument (see Notes 1 and 16).

The undrawn loan commitments from long-term credit facilities as of December 31, 2024 and 2023 amounted to ₱510.94 million and ₱1,060.00 million, respectively.

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

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

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

Information on the Group's foreign currency-denominated monetary assets and liability recorded under 'cash and cash equivalents', 'trade and other receivables' and liabilities related to convertible instrument in the consolidated statements of financial position and their Philippine Peso equivalents follow:

	2024	
	Foreign currency	**Peso equivalent**
Assets:		
Euro	**4,077,780**	**252,672,705**
Hongkong Dollar	**8,234,766**	**62,095,900**
US Dollars	**2,625,955**	**151,885,237**
Japanese yen	**26,010**	**9,699**
Liabilities:		
US Dollars	**(35,708,979)**	**(2,065,585,876)**

The translation exchange rates used were ₱61.96 to EUR 1, ₱7.54 to HKD 1, ₱57.84 to USD 1, ₱0.37 to JPY 1in 2024.

	2023	
	Foreign currency	Peso equivalent
Assets:		
Euro	3,863,741	237,504,159
Hongkong Dollar	7,732,384	54,977,250
US Dollars	3,527,868	196,043,625
Japanese yen	60,219	23,485
Liabilities:		
US Dollars	(35,702,776)	(1,984,003,262)

The translation exchange rates used were ₱61.47 to EUR 1, ₱7.11 to HKD 1, ₱55.57 to USD 1, ₱0.39 to JPY 1in 2023.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before tax (due to changes in the fair value of monetary assets and liabilities) as at December 31:

Reasonably possible change in foreign exchange rate for every two units of Philippine Peso	Increase (decrease) in income before tax	
	2024	2023
₱2	**₱41,488,936**	₱41,037,128
(2)	**(41,488,936)**	(41,037,128)

There is no impact on the Group's equity other than those already affecting profit or loss. The movement in sensitivity analysis is derived from current observations on fluctuations in foreign currency exchange rates.

The Group recognized (₱9.25 million), ₱59.87 million, and (₱75.55 million) foreign exchange gains(losses) - net, for the years ended December 31, 2024, 2023, and 2022, respectively, arising from settled transactions and translation of the Group's cash and cash equivalents, trade receivables and payables, advances to affiliates - net and bond payable (see Note 20).

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Credit risk is monitored and actively managed by way of strict requirements relating to the creditworthiness of the counterparty at the point at which the transactions are concluded and also throughout the entire life of the transactions, and also by way of defining risk limits.

The maximum credit risk exposure of the Group's financial assets is equal to the carrying amounts in the consolidated statements of financial position.

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

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

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix as at December 31:

	2024				
		Past Due			
	Current	**1-30 days**	**31-90 days**	**Over 90 days**	**Total**
Trade receivables -					
Expected credit loss rate	**0.10%-1.60%**	**0.21%-2.45%**	**0.41%-6.69%**	**1.13%-77.63%**	
Estimated total gross carrying amount at default	**₱1,495,332,877**	**₱373,191,187**	**₱69,240,396**	**₱408,274,191**	**₱2,346,038,651**
Expected credit loss	**91,878,591**	**71,882,764**	**3,437,918**	**171,024,377**	**338,223,650**

	2023				
		Past Due			
	Current	1-30 days	31-90 days	Over 90 days	Total
Trade receivables -					
Expected credit loss rate	0.01%-2.13%	0.2%-3.70%	0.02%-8.08%	0.03%-22.19%	
Estimated total gross carrying amount at default	₱1,511,213,164	₱259,032,133	₱52,543,408	₱251,801,684	₱2,074,590,389
Expected credit loss	13,369,439	56,342,715	6,101,206	181,668,754	257,482,114

There are no collaterals held by the Group with respect to trade receivables that have been identified as past due but not impaired.

Capital Management

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

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

The Group is subject to externally imposed capital requirements due to debt covenants. The Group is in compliance with the covenants as at December 31, 2024 and 2023, the latest Relevant Period subsequent to the issuance of the convertible instrument (see Note 16). No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2024 and 2023.

The capital that the Group manages is equal to the total equity as shown in the consolidated statements of financial position at December 31, 2024 and 2023 amounting to ₱1,656.06 million and ₱1,926.08 million, respectively.

25. **Fair Values and Offsetting Arrangements**

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

The carrying amounts of cash and cash equivalents, trade and other receivables, due from/to related parties, short-term cash investments, accounts and other payables, dividends payable, transmissions liability, and the current portion of notes payable and lease liabilities approximate their fair value because these financial instruments are relatively short-term in nature.

The fair value of financial assets at FVOCI is the current closing price while the financial asset at FVPL is based on the published net asset value per unit as of reporting date.

The estimated fair value of long-term portion of notes payable is based on the discounted value of future cash flow using applicable rates ranging from 5.93% to 6.03% in 2024 and 5.87% to 5.99% in 2023.

The fair value of the long-term portion of lease liabilities is based on the discounted value of future cash flow using applicable interest rates ranging from 5.93% to 5.96% in 2024 and 5.90% to 5.94% in 2023.

The estimated fair value of derivative liability as at December 31, 2024 and 2023 is based on an indirect method of valuing multiple embedded derivatives. This valuation technique using binomial pyramid model uses stock prices and stock price volatility. This valuation method compares the fair value of the option-free instrument against the fair value of the hybrid convertible instrument. The difference of the fair values is assigned as the value of the embedded derivatives.

The significant unobservable input in the fair value is the stock price volatility of 16.92% and 13.50% in 2024 and 2023, respectively. In 2024 and 2023, 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 17.80% and 17.36% in 2024 and 2023, respectively. The discount rate is composed of the matched to maturity risk free rate and the option adjusted spread (OAS) of 12%.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Except for the fair values of financial asset at FVOCI which are classified as Level 1, the discounting used inputs such as cash flows, discount rates and other market data, hence are classified as Level 3.

The financial asset at FVPL is under the Level 3 category.

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

	2024				
		Fair value measurements using			
	Carrying values	**Total**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets measured at fair value					
FVOCI	**₱99,480,637**	**₱99,480,637**	**₱99,480,637**	**₱–**	**₱–**
FVPL	**2,360,759**	**2,360,759**	**–**	**–**	**2,360,759**
Liability measured at fair value					
Derivative liability	**2,528,532,365**	**2,528,532,365**	**–**	**–**	**2,528,532,365**
Liabilities for which fair value are disclosed					
Bond payable	**2,065,585,876**	**2,044,490,003**	**–**	**–**	**2,044,490,003**
Long-term notes payable	**676,151,276**	**663,929,143**	**–**	**–**	**663,929,143**
Noncurrent lease liabilities	**1,074,366,140**	**1,200,863,348**	**–**	**–**	**1,200,863,348**

	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					
FVOCI	₱191,158,872	₱191,158,872	₱191,158,872	₱–	₱–
FVPL	2,263,568	2,263,568	–	–	2,263,568
Liability 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
Long-term notes payable	947,400,258	932,734,671	–	–	932,734,671
Noncurrent lease liabilities	1,369,639,273	1,313,900,006	–	–	1,313,900,006

For the years ended December 31, 2024 and 2023, 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>

The following table represents the recognized financial instruments that are offset as of December 31, 2024 and 2023, respectively, and shows in the 'Net' column the net impact on the consolidated statements of financial position as a result of the offsetting rights.

	December 31, 2024			
Royalty offsetting	**Gross Amount**	**Offsetting**	**Forex**	**Net Amount**
Loans receivable	**₱80,760,428**	**(₱5,534,196)**	**₱1,430,208**	**₱76,656,440**
Interest receivable (1)	**1,649,582**	**(1,649,582)**	**–**	**–**
Royalty payable (2)	**(7,183,778)**	**7,183,778**	**–**	**–**
	₱75,226,232	**₱–**	**₱ 1,430,208**	**₱76,656,440**

(1)included in other receivables in trade and other receivables
(2)included in others in accounts and other payables

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

[1]*included in other receivables in trade and other receivables*
[2]*included in others in accounts and other payables*

The Parent Company's royalty payable has been offset to its loan receivable and interest receivable (see Note 12).

26. Segment Reporting

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

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

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

Money transfer services comprise of remittance services (including branch retail services and online and mobile remit) and bills payment collection and corporate remittance payout services. Money transfer services include international presence through its branches which comprises international inbound remittance services.

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

The Group has no significant customer which contributes 10.00% or more to the revenue of the Group.

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

	For the year ended December 31, 2024		
Segments	**Logistics**	**Money transfer services**	**Total**
Type of Customer			
Retail	**₱10,241,001,615**	**₱482,161,617**	**₱10,723,163,232**
Corporate	**3,563,917,366**	**8,977,559**	**3,572,894,925**
Total revenue from contracts with customer	**₱13,804,918,981**	**₱491,139,176**	**₱14,296,058,157**
Geographic Markets			
Domestic	**₱8,476,445,516**	**₱177,336,837**	**₱8,653,782,353**
Overseas	**5,328,473,465**	**313,802,339**	**5,642,275,804**
Total revenue from contracts with customer	**₱13,804,918,981**	**₱491,139,176**	**₱14,296,058,157**

Segments	For the year ended December 31, 2023		
	Logistics	Money transfer services	Total
Type of Customer			
Retail	₱10,632,638,901	₱676,733,469	₱11,309,372,370
Corporate	3,193,559,210	10,759,262	3,204,318,472
Total revenue from contracts with customer	₱13,826,198,111	₱687,492,731	₱14,513,690,842
Geographic Markets			
Domestic	₱8,240,518,664	₱357,497,443	₱8,598,016,107
Overseas	5,585,679,447	329,995,288	5,915,674,735
Total revenue from contracts with customer	₱13,826,198,111	₱687,492,731	₱14,513,690,842

Segments	For the year ended December 31, 2022		
	Logistics	Money transfer services	Total
Type of Customer			
Retail	₱11,431,654,196	₱611,221,530	₱12,042,875,726
Corporate	3,131,211,932	15,637,254	3,146,849,186
Total revenue from contracts with customer	₱14,562,866,128	₱626,858,784	₱15,189,724,912
Geographic Markets			
Domestic	₱8,678,019,414	₱274,131,729	₱8,952,151,143
Overseas	5,884,846,714	352,727,055	6,237,573,769
Total revenue from contracts with customer	₱14,562,866,128	₱626,858,784	₱15,189,724,912

The Group disaggregates its revenue information in the same manner as it reports its segment information.

The revenue of the Group consists mainly of sales to external customers. Revenue arising from service fees charged to affiliates amounted to ₱105.74 million, ₱143.99 million, and ₱101.42 million, in 2024, 2023, and 2022, respectively (see Note 18).

27. Notes to Consolidated Statement of Cash Flows

In 2024, the Group has the following non-cash transactions under:

Investing Activities

a.) Unpaid acquisition of property and equipment amounting to ₱61.13 million.
b.) Offsetting of loans receivable and interest against royalty fee recorded under ‘accounts and other payables’ (see Note 12) amounting to ₱5.53 million.

Financing Activities

			Non-cash activities					
	December 31, 2023	**Cash Flows**	**Leasing arrangements**	**Interest**	**Foreign exchange movement**	**Fair value changes**	**Modification**	**December 31, 2024**
Notes payable	**₱2,322,661,373**	**(₱407,969,236)**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,914,692,137**
Lease and other noncurrent liabilities	**2,197,826,675**	**(1,029,084,746)**	**492,162,154**	**142,107,397**	**35,031,558**	**–**	**–**	**1,838,043,038**
Convertible instrument (bond payable and derivative liability)	**4,009,810,189**	**–**	**–**	**320,643,378**	**89,504,093**	**218,344,698**	**(44,184,116)**	**4,594,118,242**
Interest payable	**9,214,002**	**(162,527,467)**	**–**	**161,266,890**	**–**	**–**	**–**	**7,953,425**
Due to related parties	**11,480,610**	**(758,715)**	**–**	**–**	**–**	**–**	**–**	**10,721,895**
Total liabilities from financing activities	**₱8,550,992,849**	**(₱1,600,340,164)**	**₱492,162,154**	**₱624,017,665**	**₱124,535,651**	**₱218,344,698**	**(₱44,184,116)**	**₱8,365,528,737**

In 2023, the Group has the following non-cash transactions under:

Investing Activities

a.) Unpaid acquisition of property and equipment amounting to ₱49.97 million.
b.) Offsetting of loans receivable and interest against royalty fee recorded under ‘accounts and other payables’ (see Note 12) amounting to ₱5.20 million.

Financing Activities

			Non-cash activities					
	December 31, 2023	Cash Flows	Leasing arrangements	Interest	Foreign exchange movement	Fair value changes	Dividend declaration	December 31, 2023
Notes payable	₱2,103,390,608	₱219,270,765	₱–	₱–	₱–	₱–	₱–	₱2,322,661,373
Lease and other noncurrent liabilities	2,262,939,874	(1,153,240,832)	952,070,089	147,686,326	(11,628,782)	–	–	2,197,826,675
Convertible instrument (bond payable and derivative liability)	3,896,261,030	–	–	285,046,541	(20,686,422)	(150,810,960)	–	4,009,810,189
Redemption payable	1,014,743,085	(997,458,943)	–	–	(17,284,142)			–
Dividends payable	–	(1,913,245)	–	–	–	–	1,913,245	–
Interest payable	7,729,636	(107,306,901)	–	108,791,267	–	–	–	9,214,002
Due to related parties	30,648,739	(19,168,129)	–	–	–	–	–	11,480,610
Total liabilities from financing activities	₱9,315,712,972	(₱2,059,817,285)	₱952,070,089	₱541,524,134	(₱49,599,346)	(₱150,810,960)	₱1,913,245	₱8,550,992,849

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

Investing Activities

c.) Unpaid acquisition of property and equipment amounting to ₱7.78 million.

d.) Offsetting of loans receivable and interest against royalty fee recorded under ‘accounts and other payables’ (see Note 12) amounting to ₱5.20 million.

Financing Activities

			Non-cash activities						
	December 31, 2022	Cash Flows	Leasing arrangements	Interest	Foreign exchange movement	Fair value changes	Dividend declaration	Redemption	December 31, 2022
Notes payable	₱1,992,726,525	₱110,664,083	₱–	₱–	₱–	₱–	₱–	₱–	₱2,103,390,608
Lease and other noncurrent liabilities	2,421,267,565	(1,164,695,675)	836,781,517	131,827,779	37,758,688	–	–	–	2,262,939,874
Convertible instrument (bond payable and derivative liability)	4,260,206,288	–	–	308,397,513	189,110,403	230,550,021	–	(1,092,003,195)	3,896,261,030
Dividends payable	–	(35,820,850)	–	–	–	–	35,820,850		–
Interest payable	5,534,189	(82,787,773)	–	84,983,220	–	–	–		7,729,636
Due to related parties	36,427,312	(5,778,573)	–	–	–	–	–		30,648,739
Total liabilities from financing activities	₱8,716,161,879	(₱1,178,418,788)	₱836,781,517	₱525,208,512	₱226,869,091	₱230,550,021	₱35,820,850	(₱1,092,003,195)	₱8,300,969,887

28. Basic/Diluted Earnings (Loss) Per Share

The following table presents information necessary to calculate earnings per share (EPS) on net income attributable to owners of the Parent Company:

	2024	2023	2022
Net income (loss) attributable to equity holder of the Parent Company	**(₱151,842,508)**	₱176,290,488	(₱541,974,747)
Less: profit impact of assumed conversion of bond payable	**561,932,030**	118,720,764	680,780,336
	₱410,089,522	₱295,011,252	₱138,805,589
Weighted average number of common shares outstanding	**1,425,865,471**	1,425,865,471	1,425,865,471
Dilutive shares arising from convertible debt	**173,535,000**	166,701,000	168,360,000
Adjusted weighted average number of common shares for diluted EPS	**1,599,400,471**	1,592,566,471	1,594,225,471
Basic/Diluted EPS	**(₱0.11)**	₱0.12	(₱0.38)

The effect of the assumed conversion of convertible debt is anti-dilutive, as such, the diluted EPS presented in the consolidated statements of comprehensive income is the same value as the basic EPS.

29. Provisions and Contingencies

Closure of LBC Development Bank, Inc.

On September 9, 2011, the Bangko Sentral ng Pilipinas (BSP), through Monetary Board Resolution No. 1354, resolved to close and place LBC Development Bank Inc.'s (the "Bank") assets and affairs under receivership and appointed Philippine Deposit Insurance Company (PDIC) as the Bank's official receiver and liquidator.

On December 8, 2011, the Bank, thru PDIC, demanded LBC Holdings USA Corporation (LBC US) to pay its alleged outstanding obligations amounting to approximately ₱1.00 billion, a claim that LBC US has denied for being baseless and unfounded.

In prior years, the Group has outstanding advances of ₱295.00 million to the Bank, an entity under common control of LBCDC. In 2011, upon the Bank's closure and receivership, management assessed that these advances are not recoverable. Accordingly, the receivables amounting to ₱295.00 million were written-off.

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

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

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

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

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

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

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

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

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

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

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

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

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

Later on, the RTC denied the motion for reconsideration of the last remaining individual defendant. Thus, on May 24, 2021, a defendant filed her Answer with Compulsory Counterclaims.

On November 8 2021, the parties completed the pre marking of their respective documentary exhibits.

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

The presentation of PDIC's evidence and witnesses commenced on January 11, 2023. After several postponements, PDIC was supposed to present its last witness during the hearing on 22 February 2023. The RTC directed PDIC to make its oral formal offer of evidence on 8 March 2023.

On March 7, 2023, PDIC filed a Motion for Reconsideration, submitting the Judicial Affidavit of the witness and requesting that the RTC allow the witness to be presented. The defendants have since then filed their Comment/Opposition to the Motion for Reconsideration. The RTC will rule on PDIC's Motion for Reconsideration of the Order dated February 22, 2023 after receipt of PDIC's Reply.

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

On April 19, 2023, the RTC allowed PDIC to present its last witness during the hearing. The testimony of the witness was completed on April 19, 2023.

The RTC issued an Order dated April 20, 2023 ruling the defendants' Comment/Opposition to PDIC's Motion for Reconsideration has been rendered moot by the presentation and cross examination of the defendant. The RTC set the case for hearing on May 4, 2023 during which PDIC will formally offer its documentary evidence. The RTC likewise set the case for hearing on May 18, 2023 for the initial presentation of LBC's evidence and witnesses.

LBCE, LBCDC and the other defendants filed a Motion for Reconsideration, Motion to Resolve, and Motion to Defer Plaintiff's Formal Offer of Evidence dated May 4, 2023, which essentially sought to reconsider the RTC on April 20, 2023. Order on the ground that the cross-examination of the last witness was made with express objections to the admissibility of her testimony and with express reservations with respect to the pending Motion for Reconsideration of the PDIC as well as to any remedy against any adverse resolution on the pending Motion for Reconsideration of the PDIC.

LBCE, LBCDC and the other defendants also requested the RTC to resolve the pending Motion for Reconsideration of the PDIC and to defer the Plaintiff's formal offer of evidence scheduled on May 4, 2023.

At the hearing on May 4, 2023, the RTC postponed PDIC's oral formal offer of evidence in light of the defendants' motions and directed PDIC to file a comment or opposition. PDIC filed an Opposition/Comment dated May 9, 2023.

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

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

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

The judge issued an order dated September 28, 2023, admitting all of the documentary evidence of the PDIC. Since the judge appeared not to consider serious objections raised by the defendants to the documentary evidence, LBCE, LBCDC, and the other defendants filed their respective motions for reconsideration. In the Order dated January 17 ,2024, the RTC denied the Motion for Reconsideration.

Accordingly, on January 18, 2024, LBCE filed its Demurrer to Evidence and LBCDC, LBC Properties, Inc. and the individual defendants filed a separate Demurrer to Evidence.

The RTC granted PDIC a period of 30 days to file its comments to the Demurrers and further granted the defendants a period of 30 days to file their replies.

Subsequently, another defendant filed her own Demurrer to Evidence dated February 19, 2024.

LBCE, LBCDC, LBC Properties, Inc. and the other defendants will file their Reply to the PDIC's Comment to the Demurrers to Evidence, which is due on March 20, 2024.

In a Motion for Extension of Time dated February 27, 2024, PDIC requested that it be given until March 23, 2024 to file its Comment to a defendant's Demurrer to Evidence.

Pending the resolution of the Demurrers, the initial presentation of evidence for the Defendants is set on April 19, 2024, April 26, 2024, and May 10, 2024.

At the hearing on April 19, 2024, the RTC noted that the Demurrers were not yet resolved. One of the defendant was given until May 4, 2024 to file a Reply in response to PDIC's Comment to said defendant's Demurrer to Evidence. Upon its request, PDIC was given 30 days from receipt of defendant's Reply to file a Consolidated Rejoinder to defendant's Reply and the Reply filed on behalf of LBCE and others.

The hearing dates on April 26, 2024 and May 10, 2024 were cancelled. The hearing dates for the presentation of Defendants’ evidence were rescheduled to July 19, 2024, August 2, 2024, and August 23, 2024.

On May 16, 2024, LBCE received a copy of the Resolution dated May 9, 2024, denying all of the Demurrers. LBCE and the other Defendants filed their respective Motions for Reconsideration dated May 31, 2024. Defendant Berenguer also filed a Motion for Reconsideration dated June 3, 2024. The PDIC filed its oppositions to the three Motions for Reconsideration.

At the hearing last July 19, 2024, the court stated that it needed more time to resolve the pending motions. Hence, the presentation of Defendants’ evidence were rescheduled to August 2, 2024 and August 23, 2024.

The court later issued a Resolution dated August 1, 2024, denying all the Motions for Reconsideration. The hearings for presentation of Defendants’ evidence were rescheduled to September 20, 2024 and November 15, 2024.

LBCE and the other defendants presented their first witness on September 20, 2024, November 15, 2024 and March 6, 2025. Due to lack of time to complete the cross-examination of the first witness, the presentation of defendants’ evidence was scheduled for continuance on July 17, 2025 and July 30, 2025. The Defendants have at least five more witnesses to present. Hence, the trial of the civil case is still on-going at this time.

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

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

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

Without prejudice to the results of the assessment, the Group paid tax advance to the taxation authority amounting to ₱2.03 billion. In 2022, management assessed that it is probable that these tax advance payments will be used to settle tax liabilities, if there’s any, and be used as tax credit for tax liabilities in the succeeding years. As such, the Group recognized the tax advance payment as other assets classified between current and noncurrent in consideration of the expected timing of usage in future periods (see Note 7).

The Group does not provide further information required under Philippine Accounting Standards (PAS) 37, *Provisions, Contingent Liabilities and Contingent Assets*, on the ground that it may prejudice the outcome of the assessments.

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of LBC Express Holdings, Inc. and its subsidiaries (the Group) as at December 31, 2024 and 2023, and for each of the three years in the period ended December 31, 2024, and have issued our report thereon dated April 14, 2025. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and, are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
Tax Identification No. 925-713-249
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-119-2025, January 8, 2025, valid until January 7, 2028
PTR No. 10465350, January 2, 2025, Makati City

April 14, 2025

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INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of LBC Express Holdings, Inc. and its subsidiaries (the Group) as at December 31, 2024 and 2023 and for each of the three years in the period ended December 31, 2024, and have issued our report thereon dated April 14, 2025. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) Accounting Standards and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2024 and 2023 and for each of the three years in the period ended December 31, 2024 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
Tax Identification No. 925-713-249
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
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PTR No. 10465350, January 2, 2025, Makati City

April 14, 2025

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

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS

DECEMBER 31, 2024

Name of issuing entity and association of each issue	Number of shares	Amount shown in the balance sheet	Income received and accrued	Value Based on Market Quotation and End of Reporting Period
Financial assets at fair value through other comprehensive income - Araneta Properties, Inc.	195,060,074	₱99,480,637	₱–	N/A
Financial assets at fair value through profit or loss	–	2,360,759	–	N/A
		₱101,841,396	₱–	
Financial assets at amortized costs:				
Cash in bank and cash equivalents	–	₱2,565,935,738	₱1,814,207	N/A
Short term investments	–	29,710,204	–	N/A
Restricted cash in bank	–	180,330,339	10,940,612	N/A
Trade and other receivables	–	2,033,658,182	–	N/A
Due from related parties	–	1,159,775,626	–	N/A
Notes receivable (noncurrent)	–	–	295,156	N/A
Loans receivable (current and noncurrent)	–	76,656,440	1,649,582	N/A
		₱6,046,066,529	₱14,699,557	
		₱6,147,907,925	₱14,699,557	

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDER (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2024

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Non-current	Balance at end of period
Santiago G. Araneta, *Beneficial owner*	₱9,537,587	₱–	₱–	₱–	₱9,537,587	₱–	₱9,537,587
Fernando G. Araneta *Beneficial owner*	18,821,782	–	–	–	18,821,782	–	18,821,782
Monica G. Araneta *Beneficial owner*	9,349,708	–	–	–	9,349,708	–	9,349,708
	₱37,709,077	₱–	₱–	₱–	₱37,709,077	₱–	₱37,709,077

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

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

DECEMBER 31, 2024

Name of Subsidiaries	Balance at beginning of period	Additions	Amounts collected/paid	Amounts Written Off	Current	Not current	Balance at end of period
LBC Express, Inc.	(₱394,484,603)	(₱1,674,700,105)	₱1,735,405,248	₱–	(₱333,779,459)	₱–	(₱333,779,459)
LBC Express, Inc. - MM	42,610,772	231,308,525	(222,450,504)	–	51,468,793	–	51,468,793
LBC Express, Inc. - SCC	(2,814,114)	39,513,314	(39,646,520)	–	(2,947,320)	–	(2,947,320)
LBC Express, Inc. - NEMM	(28,049,976)	127,294,859	(122,732,178)	–	(23,487,296)	–	(23,487,296)
LBC Express, Inc. - NWMM	–	93,318,093	(93,318,093)	–	–	–	–
LBC Express, Inc. - EMM	6,757,032	103,078,092	(101,994,556)	–	7,840,568	–	7,840,568
LBC Express, Inc. - SMM	(29,479,808)	90,214,107	(86,775,930)	–	(26,041,632)	–	(26,041,632)
LBC Express, Inc. - CMM	(19,059,985)	100,209,913	(100,286,315)	–	(19,136,387)	–	(19,136,387)
LBC Express, Inc. - SL	–	192,219,639	(192,219,639)	–	–	–	–
LBC Express, Inc. - SEL	(21,372,184)	118,456,063	(114,609,664)	–	(17,525,785)	–	(17,525,785)
LBC Express, Inc. - CL	(4,635,049)	152,706,677	(149,846,184)	–	(1,774,556)	–	(1,774,556)
LBC Express, Inc. - NL	(22,158,162)	151,969,268	(146,564,140)	–	(16,753,034)	–	(16,753,034)
LBC Express, Inc. - VIS	(1,015,802)	185,480,241	(184,464,439)	–	–	–	–
LBC Express, Inc. - WVIS	(8,042,581)	152,206,968	(147,619,075)	–	(3,454,688)	–	(3,454,688)
LBC Express, Inc. - MIN	(13,259,773)	164,078,716	(156,876,325)	–	(6,057,381)	–	(6,057,381)
LBC Express, Inc. - SEM	(1,630,396)	100,967,840	(99,337,444)	–	-	–	–
LBC Express, Inc. - SMCC	1,511,825	28,009,382	(29,880,863)	–	(359,656)	–	(359,656)
LBC Express Corporate Solutions, Inc.	(7,297,657)	–	(675,539)	–	(7,973,196)	–	(7,973,196)
LBC Express, Inc. - SCS	(19,520,153)	165,468,987	(155,655,440)	–	(9,706,605)	–	(9,706,605)
LBC Systems, Inc.	(56,943,981)	15,941,171	(16,567,723)	–	(57,570,533)	–	(57,570,533)
LBC Express WLL	(10,024,106)	(63,731,853)	79,545,831	–	5,789,872	–	5,789,872
LBC Express Bahrain WLL	(58,460,113)	(8,315,100)	(5,286,039)	–	(72,061,252)	–	(72,061,252)
LBC Express LLC	(106,364,115)	(21,880,618)	27,610,479	–	(100,634,253)	–	(100,634,253)
LBC Mabuhay Saipan, Inc.	(9,862,255)	(5,176,039)	10,049,244	–	(4,989,050)	–	(4,989,050)
LBC Aircargo (S) Pte. Ltd	(140,491,666)	(2,406,497)	(12,413,655)	–	(155,311,818)	–	(155,311,818)
Blue Eagle and LBC Service Ltd.	(17,205,603)	(4,489,729)	23,325,722	–	1,630,390	–	1,630,390
LBC Money Transfer PTY Limited	(61,895,120)	(6,823,819)	23,807,263	–	(44,911,676)	–	(44,911,676)
LBC Airfreight (S) Pte. Ltd	83,377,999	(62,119,455)	21,299,955	–	42,558,499	–	42,558,499
LBC Australia PTY Limited	(4,764,182)	(60,489,193)	58,449,877	–	(6,803,498)	–	(6,803,498)
LBC Mabuhay (Malaysia) SDN BHD	(2,237,707)	(20,740,910)	20,918,741	–	(2,059,876)	–	(2,059,876)
LBC Mabuhay (B) SDN BHD	8,116,333	(5,182,661)	(3,718,508)	–	(784,836)	–	(784,836)
LBC Mabuhay Remittance SDN BHD	34,360,742	(6,526,110)	(12,919,668)	–	14,914,964	–	14,914,964
LBC Mundial Corporation	66,741,289	(529,085,227)	546,008,725	–	83,664,788	–	83,664,788
LBC Mabuhay North America Corporation	449,495	–	95,332,502	–	95,781,997	–	95,781,997
LBC Mabuhay Hawaii Corporation	987,712	–	4,358,564	–	5,346,276	–	5,346,276
QuadX Pte Ltd.	61,270,653	–	(170,731,757)	–	(109,461,104)	–	(109,461,104)
Mermaid Co., Ltd.	(37,876,346)	(11,118,679)	11,416,367	–	(37,578,658)	–	(37,578,658)
LBC Express Holdings, Inc.	772,761,585	270,344,140	(290,938,320)	–	752,167,402	–	752,167,402
	₱–	₱–	₱–	₱–	₱–	₱–	₱–

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE D: LONG TERM DEBT

DECEMBER 31, 2024

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet	Interest Rates	Amount	Number of periodic installments	Maturity Date
Notes payable	193,398,052	110,513,172	82,884,880	7.12%, subject to repricing	193,398,052	With mortgage; Interest and principal payable every quarter	Aug 2026
Notes payable	12,500,880	1,785,840	10,715,040	8.21%, subject to repricing	12,500,880	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	13,919,015	1,988,431	11,930,584	8.18%, subject to repricing	13,919,015	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	21,915,815	3,130,831	18,784,984	8.18%, subject to repricing	21,915,815	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	18,376,185	2,534,646	15,841,539	7.15%, subject to repricing	18,376,185	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	19,363,077	2,670,769	16,692,308	8.18%, subject to repricing	19,363,077	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	13,679,077	1,886,769	11,792,308	8.19%, subject to repricing	13,679,077	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	4,434,769	611,692	3,823,077	8.19%, subject to repricing	4,434,769	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	8,782,421	1,211,368	7,571,053	8.19%, subject to repricing	8,782,421	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	5,705,368	786,947	4,918,421	8.19%, subject to repricing	5,705,368	With mortgage; Interest and principal payable every quarter	Dec 2031

Notes payable	51,814,378	7,146,811	44,667,567	8.19%, subject to repricing	51,814,378	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	36,935,027	5,094,486	31,840,541	8.19%, subject to repricing	36,935,027	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	47,908,000	6,608,000	41,300,000	8.19%, subject to repricing	47,908,000	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	30,247,000	4,172,000	26,075,000	8.19%, subject to repricing	30,247,000	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	24,360,000	3,360,000	21,000,000	8.19%, subject to repricing	24,360,000	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	43,012,800	5,932,800	37,080,000	8.19%, subject to repricing	43,012,800	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	64,380,000	8,880,000	55,500,000	8.19%, subject to repricing	64,380,000	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	5,297,315	730,665	4,566,650	8.19%, subject to repricing	5,297,315	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	4,054,470	559,237	3,495,233	8.19%, subject to repricing	4,054,470	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	47,258,330	6,518,390	40,739,940	8.19%, subject to repricing	47,258,331	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	60,447,895	8,337,642	52,110,253	8.19%, subject to repricing	60,447,895	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	43,902,490	6,055,516	37,846,974	8.19%, subject to repricing	43,902,490	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	48,582,892	6,701,089	41,881,803	8.19%, subject to repricing	48,582,892	With mortgage; Interest and principal payable every quarter	Dec 2031

Notes payable	4,771,406	658,125	4,113,281	8.19%, subject to repricing	4,771,406	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	7,661,614	1,056,774	6,604,840	8.19%, subject to repricing	7,661,613	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	6,100,000	6,100,000	–	9.00%, subject to repricing	6,100,000	Clean; Interest payable every month, principal payable upon maturity	Feb 2025
Notes payable	127,125,000	84,750,000	42,375,000	6.63%, subject to repricing	127,125,000	With mortgage; Interest payable every month, principal payable quarterly	May 2026
Notes payable	100,000,000	100,000,000	–	6.63%, subject to repricing	100,000,000	Clean; Interest payable every month, principal payable upon maturity	Mar 2025, May 2025
Notes payable	20,000,000	20,000,000	–	6.63%, subject to repricing	20,000,000	Clean; Interest payable every month, principal payable upon maturity	Mar 2025
Notes payable	45,000,000	45,000,000	–	6.63%, subject to repricing	45,000,000	Clean; Interest payable every month, principal to be paid on maturity date	Apr 2025
Notes payable	125,000,000	125,000,000	–	6.63%, subject to repricing	125,000,000	Clean; Interest payable every month, principal to be paid on maturity date	May 2025
Notes payable	10,000,000	10,000,000	–	6.63%, subject to repricing	10,000,000	Clean; Interest payable every month, principal to be paid on maturity date	Mar 2025
Notes payable	115,304,000	115,304,000	–	7.75%, subject to repricing	115,304,000	Clean; Interest payable every month, principal payable upon maturity	Apr 2025
Notes payable	10,600,000	10,600,000	–	7.75%, subject to repricing	10,600,000	Clean; Interest payable every month, principal payable upon maturity	May 2025
Notes payable	64,996,000	64,996,000	–	7.75%, subject to repricing	64,996,000	Clean; Interest payable every month, principal payable upon maturity	May 2025

Notes payable	7,290,000	7,290,000	–	7.75%, subject to repricing	7,290,000	Clean; Interest payable every month, principal payable upon maturity	Jun 2025
Notes payable	24,300,000	24,300,000	–	7.75%, subject to repricing	24,300,000	Clean; Interest payable every month, principal payable upon maturity	Mar 2025
Notes payable	21,800,000	21,800,000	–	7.75%, subject to repricing	21,800,000	Clean; Interest payable every month, principal payable upon maturity	Jun 2025
Notes payable	22,000,000	22,000,000	–	7.75%, subject to repricing	22,000,000	Clean; Interest payable every month, principal payable upon maturity	Jun 2025
Notes payable	96,691,000	96,691,000	–	7.75%, subject to repricing	96,691,000	Clean; Interest payable every month, principal payable upon maturity	Jan 2025
Notes payable	19,000,000	19,000,000	–	7.75%, subject to repricing	19,000,000	Clean; Interest payable every month, principal payable upon maturity	May 2025
Notes payable	16,777,861	16,777,861	–	8.00%, subject to repricing	16,777,861	AR Assignment, Interest deducted in full, Principal payable upon maturity	Jan 2025, Feb 2025
Notes payable	200,000,000	200,000,000	–	6.63%, subject to repricing	200,000,000	Clean; Interest payable every month, Principal amount of P50M due on the 6th month and every 2 months thereafter. Interest payable monthly	Oct 2025
Notes payable	50,000,000	50,000,000	–	9.00%, subject to repricing	50,000,000	Clean; Interest payable every quarter, principal payable upon maturity	Jun 2025
Bond payable	2,065,585,876	2,065,585,876	–		2,065,585,876		
Derivative liability	2,528,532,365	2,528,532,365	–		2,528,532,365		
	₱6,508,810,378	₱5,832,659,102	₱676,151,276		₱6,508,810,378		

Refer to Notes 15 and 16 for further details.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE E: INDEBTEDNESS TO RELATED PARTIES

DECEMBER 31, 2024

	Balance at Beginning of Period	Balance at End of Period
Fernando G. Araneta, *Beneficial owner*	₱43,927	₱43,927
LBC Insurance Agency, Inc.	3,483,369	8,315,859
QUADX Inc.	7,505,009	1,898,506
Others	448,305	463,603
	₱11,480,610	₱10,721,895

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE F: GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2024

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount of owned by person for which statement is filed	Nature of guarantee

NOT APPLICABLE

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE G: CAPITAL STOCK

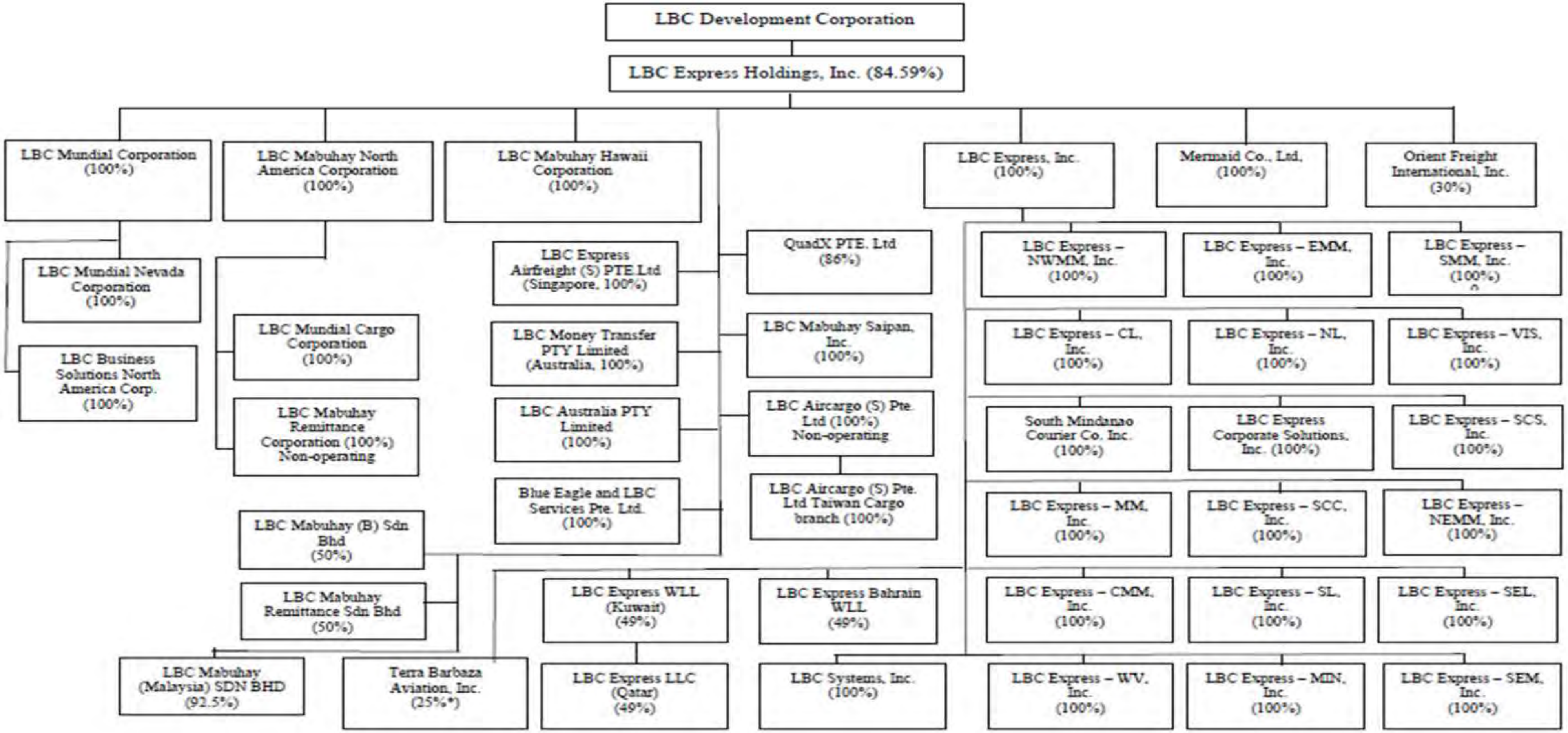
DECEMBER 31, 2024

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related Statement of Financial Position	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - ₱1 par value	2,000,000,000	1,425,865,471	–	1,206,178,232	230,106	219,457,133

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIESs

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2024



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

LBC EXPRESS HOLDINGS, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
For the year ended December 31, 2024

Unappropriated retained earnings, beginning of the year		₱368,735,674
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 year	(605,009,012)	
Unrealized foreign exchange gain in prior year	(110,576,515)	
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		(346,849,853)
Net loss for the current year		(323,174,165)
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	–	
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	–	–
Sub-total		(323,174,165)
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 PERIOD AVAILABLE FOR DIVIDEND DECLARATION		**(₱670,024,018)**

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE YEAR ENDED DECEMBER 31, 2024 AND 2023

Below are the financial ratios that are relevant to the Group for the year ended December 31:

Financial ratios	**Formula**	**December 31, 2024**		December 30, 2023	
Current ratio	Total Current Assets Total Current Liabilities	**7,167,628,703** **10,826,823,694**	**0.66**	6,640,044,406 10,230,993,031	0.65
Acid Test Ratio	Total Current Assets - Prepayments and other current assets Current Liabilities	**6,022,733,966** **10,826,823,694**	**0.56**	5,374,126,068 10,230,993,031	0.53
Solvency Ratio	Net Income After Tax - Non-Cash Expenses Total Liabilities	**1,742,636,259** **13,582,643,711**	**0.13**	1,921,064,040 13,448,688,558	0.14
Debt-to-equity ratio	Total liabilities Stockholder's equity attributable to Parent Company	**13,582,643,711** **1,669,504,940**	**8.14**	13,448,688,558 1,945,716,341	6.91
Asset-to-equity ratio	Total Assets Stockholder's equity attributable to Parent Company	**15,238,704,917** **1,669,504,940**	**9.13**	15,374,768,418 1,945,716,341	7.90
Interest rate coverage ratio	Income before interest and tax expense Interest Expense	**541,356,134** **624,017,665**	**0.87**	813,721,838 541,524,134	1.50
Return on equity	Net income (loss) attributable to Parent Company Stockholder's equity attributable to Parent Company	**(151,842,508)** **1,669,504,940**	**(0.09)**	176,290,488 1,945,716,341	0.09
Debt to total assets ratio	Total liabilities Total assets	**13,582,643,711** **15,238,704,917**	**0.89**	13,448,688,558 15,374,768,418	0.87
Return on average assets	Net income (loss) attributable to Parent Company Average assets	**(151,842,508)** **15,306,736,668**	**(0.01)**	176,290,488 15,982,315,641	0.01
Net profit margin	Net income (loss) attributable to Parent Company Service fee	**(151,842,508)** **14,296,058,157**	**(0.01)**	176,290,488 14,513,690,842	0.01
Book value per share	Stockholder's equity attributable to Parent Company Total number of shares	**1,669,504,940** **1,425,865,471**	**1.17**	1,945,716,341 1,425,865,471	1.36
Basic earnings (loss) per share	Net income (loss) attributable to Parent Company Weighted average number of common shares outstanding	**(151,842,508)** **1,425,865,471**	**(0.11)**	176,290,488 1,425,865,471	0.12
Diluted earnings per share	Net income attributable to Parent Company after impact of conversion of bonds payable Adjusted weighted average number of common shares for diluted EPS	**271,591,837** **1,599,400,471**	**(0.11)**	176,290,488 1,425,865,471	0.12

** Non-cash expenses pertain to depreciation and amortization, provisions, loss on derivative, non-cash interest expense, retirement expense and unrealized foreign exchange gain or loss*

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE-RELATED INFORMATION

DECEMBER 31, 2024 and 2023

	2024	2023
Total audit fees	**₱6,328,965**	₱6,035,189
Non-audit service fees:		
Tax services	**210,000**	205,000
Total non-audit fees	**210,000**	205,000
Total Audit and Non-audit fees	**₱6,538,965**	₱6,240,189

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	9	3	0	0	5	2	7	7	

COMPANY NAME

LBC EXPRESS HOLDINGS, INC. (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.

LBC Express Holdings, Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of LBC Express Holdings, Inc. (formerly Federal Resources Investment Group, Inc.) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2024 and 2023, 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 **Enrique V. Rey, Jr.** as authorized alternate signatory for:
MIGUEL ANGEL A. CAMAHORT
Chairman of the Board, Chief Executive Officer and President

Signature: ______________________
ENRIQUE V. REY, JR.
Chief Finance Officer

Signed this 14 day of APRIL 2025.

SUBSCRIBED AND SWORN to before me in the City of Makati this 14th day of April 2025, affiant exhibiting to me his respective competent evidence of identity, as follows:

Name	Competent ID	Date and Place of Issue
Enrique V. Rey. Jr.	Passport No. P9504935B	April 4, 2032 / DFA Manila

Doc. No. 256;
Book No. 73;
Page No. 1;
Series of 2025.

MITZI LOVE C. SYJONGTIAN
Appointment No. M-299
Notary Public for Makati City
Until December 31, 2026
Liberty Center-Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 87544
PTR No. 10468810/Makati City/01-03-2025
IBP No. 510902/Makati City/12-17-2024
Admitted to the bar in 2023

Outlook

Your BIR AFS eSubmission uploads were received

From eafs@bir.gov.ph <eafs@bir.gov.ph>
Date Mon 14/04/2025 10:00 PM
To LBC EXPRESS HOLDINGS INC-BIR-TAX <lbcholdingsbirtax@lbcexpress.com>
Cc LBC EXPRESS HOLDINGS INC-BIR-TAX <lbcholdingsbirtax@lbcexpress.com>

Hi LBC EXPRESS HOLDINGS, INC.,

Valid files

- EAFS002648099RPTTY122024.pdf
- EAFS002648099ITRTY122024.pdf
- EAFS002648099AFSTY122024.pdf
- EAFS002648099TCRTY122024-01.pdf
- EAFS002648099OTHTY122024.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-8FJBGA9C0M3P1VSNSPW2TR1YZ0B77J9J77**
Submission Date/Time: **Apr 14, 2025 10:00 PM**
Company TIN: **002-648-099**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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SGV
Building a better working world

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
sgv.ph

NDEPENDENT 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, 2024 and 2023, 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, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

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 PFRS, 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.

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

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. 08-001998-119-2025, January 8, 2025, valid until January 7, 2028
PTR No. 10465350, January 2, 2025, Makati City

April 14, 2025

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

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2024	2023
ASSETS		
Current Assets		
Cash (Notes 4 and 17)	**₱384,384,514**	₱290,709,400
Receivables (Notes 5, 17 and 18)	**14,983**	10,050,755
Due from related parties (Notes 14, 17 and 18)	**527,403,925**	497,029,701
Dividend receivable (Notes 14, 17 and 18)	**250,000,000**	–
Investment at fair value through profit or loss (Notes 7, 17 and 18)	**1,189,469**	1,138,605
Prepayments and other current assets (Notes 6, 10, 17 and 18)	**185,869,988**	259,234,052
Total Current Assets	**1,348,862,879**	1,058,162,513
Noncurrent Assets		
Investment in an associate (Note 8)	**227,916,452**	227,916,452
Investment in subsidiaries (Note 9)	**4,202,897,032**	4,202,897,032
Deferred tax assets - net (Note 16)	**52,287,446**	12,953,200
Other noncurrent assets (Notes 6, 10, 14, 17 and 18)	**321,145,723**	384,450,339
Total Noncurrent Assets	**4,804,246,653**	4,828,217,023
	₱6,153,109,532	₱5,886,379,536
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 11 and 17)	**₱32,100,057**	₱26,503,948
Due to related parties (Notes 14, and 17)	**43,927**	43,927
Derivative liability (Notes 12, 17 and 18)	**2,528,532,365**	2,030,069,446
Bond payable (Notes 12, 17 and 18)	**2,065,585,876**	1,979,740,743
Total Liabilities	**4,626,262,225**	4,036,358,064
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	**45,561,509**	368,735,674
Total Equity	**1,526,847,307**	1,850,021,472
	₱6,153,109,532	₱5,886,379,536

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	
	2024	2023
INCOME		
Dividends (Notes 8 and 14)	**₱280,000,000**	₱39,600,000
Interest (Notes 4, 10 and 14)	**30,936,363**	34,946,380
Service fees (Note 14)	**40,432,203**	28,849,270
	351,368,566	103,395,650
OPERATING EXPENSES (Note 15)	**(135,238,796)**	(58,647,615)
OTHER INCOME (EXPENSES)		
Interest expense (Note 12)	**(320,643,378)**	(285,046,541)
Gain (loss) on derivative (Note 12)	**(218,344,697)**	150,810,960
Foreign exchange gain (loss) - net	**(83,307,088)**	18,342,601
Gain on modification of instrument (Note 12)	**44,184,116**	–
Others - net (Note 7)	**50,864**	48,543
	(578,060,183)	(115,844,437)
LOSS BEFORE INCOME TAX	**(361,930,413)**	(71,096,402)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 16)	**(38,756,248)**	9,262,889
NET LOSS	**(323,174,165)**	(80,359,291)
OTHER COMPREHENSIVE INCOME	**–**	–
TOTAL COMPREHENSIVE LOSS	**(₱323,174,165)**	(₱80,359,291)

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, 2024			
Balances at beginning of year	**₱1,425,865,471**	**₱55,420,327**	**₱368,735,674**	**₱1,850,021,472**
Comprehensive loss				
Net loss	**–**	**–**	**(323,174,165)**	**(323,174,165)**
Total comprehensive loss	**–**	**–**	**(323,174,165)**	**(323,174,165)**
Balances at end of year	**₱1,425,865,471**	**₱55,420,327**	**₱45,561,509**	**₱1,526,847,307**

	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 loss				
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

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	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱361,930,413)**	(₱71,096,402)
Adjustments for:		
Interest expense (Note 12)	**320,643,378**	285,046,541
Loss (gain) on derivative (Note 12)	**218,344,697**	(150,810,960)
Unrealized foreign exchange loss (gain) - net	**83,307,087**	(1,056,527)
Gain on modification of instrument (Note 12)	**(44,184,116)**	–
Unrealized fair value gain on investment at fair value through profit or loss (Note 7)	**(50,864)**	(48,543)
Interest income (Notes 4, 10 and 14)	**(30,936,363)**	(34,946,380)
Dividend income (Notes 8 and 14)	**(280,000,000)**	(39,600,000)
Operating loss before changes in working capital	**(94,806,594)**	(12,512,271)
Changes in working capital:		
Decrease in:		
Prepayments and other current assets	**76,663,776**	78,526,724
Other noncurrent assets	**63,304,616**	64,684,285
Increase (decrease) in accounts and other payables	**17,365,119**	(52,918,779)
Net cash generated from operations	**62,526,917**	77,779,959
Interest received	**30,834,711**	32,007,776
Income tax paid	**(577,998)**	(5,126,927)
Net cash provided by operating activities	**92,783,630**	104,660,808
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received (Notes 8 and 14)	**30,000,000**	39,600,000
Acquisition of subsidiary (Note 9)	**–**	(8,844,000)
Increase in due from related parties (Note 14)	**(30,272,572)**	(11,516,672)
Net cash (used) provided by investing activities	**(272,572)**	19,239,328
CASH FLOWS FROM FINANCING ACTIVITY		
Payment for bond redemption	**–**	(997,458,943)
Net cash used in financing activities	**–**	(997,458,943)
NET INCREASE (DECREASE) IN CASH	**92,511,058**	(873,558,807)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH	**1,164,056**	(35,039,274)
CASH AT BEGINNING OF YEAR	**290,709,400**	1,199,307,481
CASH AT END OF YEAR (Note 4)	**₱384,384,514**	₱290,709,400

See accompanying 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, 2024, the Group is in net current liability position of ₱3.28 billion and has a current ratio of 0.29x. The Group’s convertible instrument amounting to ₱4.59 billion was extended indefinitely and is classified as current liability since creditor has right to demand payment anytime subject to 30-day notice. To date, the Group is in discussion with banks to obtain replacement financing. In the event of default, the creditor may foreclose the pledged LBCE shares which 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 Group.

Management’s plans on future actions to settle the instrument includes improving operation to raise fund, securing replacement financing and those options under the agreement (see Note 12). Management is implementing strategic initiatives to accelerate the recovery of the Group’s operation, sustain the increasing trend, and be able raise funds. Other settlement option for the convertible instrument will have material impact to the domestic business of the Group but the international business supports the Group’s ability to continue as going concern. Management has determined that these actions support the Group’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 14, 2025.

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) Accounting Standards.

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, 2024. 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, *Classification of Liabilities as Current or Non-current*

  The amendments clarify:
  - That only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

- Amendments to PAS 7 and PFRS 7, *Disclosures: Suppliers Finance Arrangements*

  The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

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.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

Effective beginning on or after January 1, 2026

- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Annual Improvements to PFRS Accounting Standards—Volume 11
    - Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*
    - Amendments to PFRS 7, *Gain or Loss on Derecognition*
    - Amendments to PFRS 9, *Lessee Derecognition of Lease Liabilities* and *Transaction Price*
    - Amendments to PFRS 10, *Determination of a 'De Facto Agent'*
    - Amendments to PAS 7, *Cost Method*

Effective beginning on or after January 1, 2027

- PFRS 18, *Presentation and Disclosure in Financial Statements*
- PFRS 19, *Subsidiaries without Public Accountability*

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
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.

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

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.

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 amortized cost (debt instrument)
This category is the most relevant to the Group. The Group measures its financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

This category generally applies to cash, receivables, loans receivable and restricted cash equivalents presented under prepayments and other current assets, due from related parties and dividend receivable.

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, 2024 and 2023, 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, 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, 2024 and 2023, the Parent Company has not determined any expected credit loss for its financial assets subject for impairment.

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 and bond payable.

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).

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.

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' and 'bond payable' presented in the parent company statement of financial position.

<u>Derecognition of Financial Assets and Financial Liabilities</u>

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.

<u>Offsetting of Financial Assets and Financial Liabilities</u>
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 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.

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.

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.

Expense Recognition

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.

Income Taxes

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 liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures. Deferred tax liabilities are also not provided on taxable temporary differences associated with investment in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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.

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
A provision is recognized when the Group has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made on the amount of the obligation.

Provisions are revisited at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects the current market assessment of the time value of money, and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

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, the creditor may foreclose the pledged LBCE shares which 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 settle the instrument includes improving operation to raise fund, securing replacement financing 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. Other settlement option for the convertible instrument will have material impact to the domestic business of the Group but the international business supports the Group's ability to continue as going concern. The Parent 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. Accordingly, the accompanying 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, 2024 and 2023. Further details on the nonfinancial assets are disclosed in Notes 8 and 9.

4. Cash

This account consists of cash in bank amounting to ₱384.38 million and ₱290.71 million as of December 31, 2024 and 2023, respectively.

Cash in banks earn interest at the prevailing bank deposit rates ranging from 0.05% to 0.0625% in 2024 and 2023. Interest income earned from cash in banks amounted to ₱0.19 million and ₱0.10 million in 2024 and 2023, respectively.

5. Receivables

This account consists of third-party receivables amounting to ₱0.01 million and ₱10.05 million as at December 31, 2024 and 2023, respectively, which are due and demandable.

6. Prepayments and Other Current Assets

This account consists of:

	2024	2023
Loans receivable (Notes 10 and 14)	**₱335,279,766**	₱397,083,160
Restricted cash equivalents	**141,219,919**	224,278,022
Input VAT	**22,269,063**	13,693,771
Creditable withholding taxes (CWTs)	**5,743,871**	5,139,720
Prepaid expenses	**2,289,625**	2,289,625
Deferred input VAT	**–**	1,200,093
Others	**213,467**	–
	507,015,711	643,684,391
Less: noncurrent portion (Notes 10 and 14)	**321,145,723**	384,450,339
	₱185,869,988	₱259,234,052

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 ₱9.01 million and ₱10.67 million in 2024 and 2023, 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:

	2024	2023
Balance at beginning of period	**₱1,138,605**	₱1,090,062
Unrealized fair value gain during the year	**50,864**	48,543
	₱1,189,469	₱1,138,605

In 2024 and 2023, the Parent Company recognized unrealized fair value gains of ₱50,864 and ₱48,543, 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:

	2024	2023
Current assets	**₱619,467,749**	₱593,167,912
Noncurrent assets	**196,606,556**	222,745,406
Current liabilities	**223,988,554**	283,453,429
Noncurrent liabilities	**103,701,073**	62,485,288
Equity	**488,384,678**	469,974,601

The summarized statements of comprehensive income of OFII follows:

	2024	2023
Revenue	**₱933,381,150**	₱919,592,166
Cost and expenses	**811,596,095**	849,147,805
Net income	**121,785,055**	70,444,361
Other comprehensive income (loss)	**(3,374,977)**	24,471,820
Total comprehensive income	**₱118,410,078**	₱94,916,181

In 2024 and 2023, OFII declared dividends amounting to ₱30.00 million and ₱39.60 million, respectively (see Note 14). No impairment loss was recognized for the investment in associate in 2024 and 2023.

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	**2024**	2023
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	Employment services including remittance	100%	**8,844,000**	8,844,000
				₱4,202,897,032	₱4,202,897,032

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 2024 and 2023.

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 2024 and 2023, LBCH incurred royalty fee amounting to ₱7.18 million and ₱6.96 million, respectively (see Note 15). The related payable was offset to LBCH's interest receivable and loan receivable from Transtech amounting to ₱1.65 million and ₱5.53 million, respectively in 2024 and ₱1.75 million and ₱5.21 million, respectively, in 2023. Effect of foreign currency exchange rate related to interest receivable and loan receivable offsetting amounted to ₱1.43 million and ₱2.14 million in 2024 and 2023, respectively.

Loans receivable as at December 31, 2024 and 2023 is as follows:

	2024	2023
Current portion*	**₱14,347,511**	₱12,632,822
Noncurrent portion**	**62,308,929**	66,227,013
	₱76,656,440	₱78,859,835

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

Interest income earned amounted to ₱1.65 million and ₱1.75 million in 2024 and 2023, respectively.

11. Accounts and Other Payables

This account consists of:

	2024	2023
Deferred output VAT	**₱13,826,100**	₱14,546,121
Accrued professional fees and outside services	**8,807,116**	3,601,325
Accounts payable	**6,992,913**	6,868,400
Withholding tax payable	**2,198,835**	1,088,040
Others	**275,093**	400,062
	₱32,100,057	₱26,503,948

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:

	2024	2023
Derivative liability		
Balances at beginning of year	**₱2,030,069,446**	₱2,180,880,406
Fair value loss (gain) on derivative	**218,344,697**	(150,810,960)
Modification of maturity	**280,118,222**	–
Balances at end of year	**₱2,528,532,365**	₱2,030,069,446
Bond payable		
Balances at beginning of year	**₱1,979,740,743**	₱1,715,380,624
Accretion of interest	**319,594,107**	283,247,791
Unrealized foreign exchange loss (gain)	**89,504,093**	(20,686,422)
Amortization of issuance cost	**1,049,271**	1,798,750
Modification of maturity	**(324,302,338)**	–
Balances at end of year	**₱2,065,585,876**	₱1,979,740,743

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 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, 2024 and 2023, 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. In 2024, gain on modification of maturity of convertible instrument amounted to ₱44.18 million.

On August 2, 2024, CP Briks Pte. Ltd (CP Briks) agreed to extend the original maturity date from August 4, 2024 to such time CP Briks opts to terminate the instrument upon thirty (30) days prior notice ("Extended Stated Maturity Date"). LBCH acknowledges and agrees that the interest in the instrument shall continue to accrue from the original stated maturity date until the Extended Stated Maturity Date, at the relevant IRR pursuant to Sections 4 and 5 of the instrument. Any reference in the purchase agreement and in the instrument to "due 2024" or "maturity date" or similar terms whether any such term is capitalized or not shall hereafter mean Extended Stated Maturity Date.

In order for CP Briks to exercise its right to terminate the instrument, it shall notify LBCH at least thirty (30) days prior to the day CP Briks opts to terminate and LBCH shall pay all outstanding principal and any accrued interest on such date.

13. **Equity**

Capital Stock

As at December 31, 2024 and 2023, 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, expense reimbursements, 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, 2024 and 2023 are as follows:

	2024			
	Amount/Volume	**Receivable (Payable)**	**Terms**	**Conditions**
Due from a related party				
Subsidiaries				
a.) Service fee	**₱40,432,203**	**₱131,744,465**	Non-interest bearing; due and demandable	Unsecured, no impairment
b.) Cash advances	**–**	**14,461,250**	Non-interest bearing; due and demandable	Unsecured, no impairment
b.) Expense reimbursement	**–**	**5,739,315**		
c.) Disposal of subsidiary	**–**	**186,021,401**	Non-interest bearing; due and demandable	Unsecured, no impairment
d.) Loan receivable - current portion	**–**	**159,600,000**	Interest bearing; fixed quarterly payments	Unsecured, no impairment
Interest income	**20,088,064**	**1,412,812**	Due and demandable	Unsecured, no impairment
Officers/beneficial owners				
f.) Advances	**–**	**28,424,682**	Non-interest bearing; due and demandable	Unsecured, no impairment
		₱527,403,925		
Dividends receivable				
Subsidiaries				
e.) Dividends earned and receivable	**250,000,000**	**250,000,000**	Non-interest bearing; due and demandable	Unsecured, no impairment
Associate				
e.) Dividends earned and receivable	**₱30,000,000**	**–**	Non-interest bearing; due and demandable	Unsecured, no impairment
Other noncurrent assets				
d.) Loan receivable - noncurrent portion	**₱–**	**₱258,623,325**	Interest bearing; fixed quarterly payments	Unsecured, no impairment
Due to related parties				
b.) Officer (Advances)	**₱–**	**(₱43,927)**	Non-interest bearing; due and demandable	Unsecured

	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	–	12,755,600	Non-interest bearing; due and demandable	Unsecured, no impairment
b.) Expense reimbursement	–	5,749,362		
c.) Disposal of subsidiary	–	186,021,400	Non-interest bearing; due and demandable	Unsecured, no impairment
d.) 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

(Forward)

	2023			
	Amount/Volume	Receivable (Payable)	Terms	Conditions
Officers/beneficial owners				
b.) Advances	–	28,424,682	Non-interest bearing; due and demandable	Unsecured, no impairment
		₱497,029,701		
Dividends receivable				
Associate				
e.) Dividends	₱39,600,000	–	Non-interest bearing; due and demandable	Unsecured, no impairment
Other noncurrent assets				
d.) Loan receivable - noncurrent portion	₱–	₱318,223,325	Interest bearing; fixed quarterly payments	Unsecured, no impairment
Due to related parties				
b.) Officer (Advances)	₱–	(₱43,927)	Non-interest bearing; due and demandable	Unsecured

a.) LBCH entered into a 60-month cloud service agreement from August 1, 2017 to July 31, 2022, and further extended up to January 31, 2025. Another contract was signed on June 28, 2024 to replace the current contract which will run for 60 months from September 30, 2024 to September 29, 2029. Further, the Parent Company also acquired a software license.

Subsequently, LBCH entered into an agreement with LBCE for the right of use the software licenses and subscription for a fee equivalent to cost plus margin of five percent (5%). The service fee shall be paid at the beginning of the quarter.

b.) The Parent Company makes advances and expense reimbursements to its related parties to finance working capital requirements. These 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 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, 2024 and 2023, total outstanding loans receivable amounted to ₱418.22 million and ₱477.82 million, respectively, and ₱258.62 million and ₱318.22 million of the respective balances is presented as noncurrent under “Other noncurrent assets”. Interest income earned from loans receivable amounted to ₱20.09 million and ₱22.43 million in 2024 and 2023, respectively, ₱1.41 million and ₱1.31 million of which is still unpaid as at December 31, 2024 and 2023, respectively.

e.) On June 26, 2024 and August 9, 2023, LBCH recognized cash dividend from OFII amounting to ₱30.00 million and ₱39.60 million, respectively, for its 30% interest on OFII.

On November 30, 2024, LBCH recognized cash dividends from LBCE amounting to ₱P250.00 million which is expected to be received not later than October 31, 2025.

f.) 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, 2024, the balance of time deposit amounted to ₱141.22 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:

	2024	2023
Professional fees	**₱93,382,362**	₱21,013,920
Dues and subscriptions	**33,269,962**	25,402,522
Royalty fees (Note 10)	**7,183,778**	6,956,506
Outside services	**847,868**	1,584,489
Taxes and licenses	**247,413**	31,427
Software expenses	**–**	3,223,360
Others	**307,413**	435,391
	₱135,238,796	₱58,647,615

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

16. **Income Taxes**

Provision for income tax consists of:

	2024	2023
Current	**₱577,998**	₱5,126,927
Deferred	**(39,334,246)**	4,135,962
	(₱38,756,248)	₱9,262,889

The provision for current tax represents MCIT in 2024 and RCIT in 2023.

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

	2024	2023
Deferred tax assets arising from:		
Unrealized foreign exchange losses	**₱34,042,290**	₱13,215,518
NOLCO	**18,245,156**	–
Deferred tax liabilities arising from:		
Others	**–**	(262,318)
	₱52,287,446	₱12,953,200

The carryforward NOLCO that can be claimed as deduction from future taxable income or used as deduction against income tax liabilities:

<u>NOLCO</u>

Year Incurred	Amount	Used	Expired	Balance	Expiry Date
2024	₱72,980,625	₱–	₱–	₱72,980,625	2027

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:

	2024	2023
Income tax at the statutory income tax rate	**(₱90,482,603)**	(₱17,774,101)
Tax effects of the items not subject to statutory rate:		
Nondeductible expenses	**133,238,933**	78,058,286
Nontaxable income	**(72,313,861)**	(48,328,696)
Interest income subjected to final tax	**(9,198,717)**	(2,692,600)
	(₱38,756,248)	₱9,262,889

In 2024 and 2023, 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, dividend receivable 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, 2024, 2023 and 2022 with all other variables held constant.

	Effect on total comprehensive income		
	2024	2023	2022
Change in NAV			
+5.00%	**₱59,473**	₱56,930	₱54,503
-5.00%	**(59,473)**	(56,930)	(54,503)

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 2024 and 2023, 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	
	2024	2023
Credit spread +1%	**₱12,117,306**	₱11,540,380
Credit spread -1%	**(12,189,551)**	(11,609,185)

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, 2024 and 2023 follow:

	2024	
	Foreign currency	**Peso equivalent**
Asset:		
US Dollars	**1,817,549**	**₱105,145,210**
Liability:		
US Dollars	**(35,708,979)**	**(2,065,585,436)**

The translation exchange rate used was ₱57.85 to USD 1 as at December 31, 2024.

	2023	
	Foreign currency	Peso equivalent
Asset:		
US Dollars	1,913,557	₱105,953,651
Liability:		
US Dollars	(35,702,776)	(1,976,862,707)

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

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	Increase (decrease) in income before tax	
for every two units of Philippine Peso	**2024**	2023
₱2	**(₱67,782,860)**	(₱67,578,438)
(2)	**67,782,860**	67,578,438

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, 2024 and 2023, 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:

	2024			
	High Grade	**Medium Grade**	**Low Grade**	**Total**
Cash	**₱384,384,514**	**₱–**	**₱–**	**₱384,384,514**
Receivables	**14,983**	–	–	**14,983**
Prepayments and other current assets	**14,347,511**	–	–	**14,347,511**
Loans receivable	**335,279,766**	–	–	**335,279,766**
Restricted cash equivalents	**141,219,919**	–	–	**141,219,919**
Dividend receivable	**250,000,000**	–	–	**250,000,000**
Due from related parties	**527,403,925**	–	–	**527,403,925**
Investment at FVPL	**1,189,469**	–	–	**1,189,469**
	₱1,653,840,087	**₱–**	**₱–**	**₱1,653,840,087**

	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

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, 2024 and 2023 based on remaining contractual undiscounted collections and payments:

	2024		
	Due in less than one year	**Due in more than one year**	**Total**
Financial assets			
Cash in banks	**₱384,384,514**	**₱–**	**₱384,384,514**
Receivables	**14,983**	**–**	**14,983**
Loans receivable	**14,347,511**	**320,932,255**	**335,279,766**
Restricted cash equivalents	**141,219,919**	**–**	**141,219,919**
Due from related parties	**527,403,925**	**–**	**527,403,925**
Dividend receivable	**250,000,000**	**–**	**250,000,000**
Investment at FVPL	**1,189,469**	**–**	**1,189,469**
	₱1,318,560,321	**₱320,932,255**	**₱1,639,492,576**
Financial liabilities			
Accounts and other payables	**₱16,075,122**	**₱–**	**₱16,075,122**
Due to related parties	**43,927**	**–**	**43,927**
Derivative liability	**2,528,532,365**	**–**	**2,528,532,365**
Bond payable	**2,065,585,876**	**–**	**2,065,585,876**
	₱4,610,237,290	**₱–**	**₱4,610,237,290**

	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

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, 2024 and 2023. 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, 2024 and 2023 amounting to ₱1,526.85 million and ₱1,850.02 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, dividend receivable 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 5.92% to 5.95% in 2024 and 5.87% to 6.08% in 2023.

The estimated fair value of the derivative liability as at December 31, 2024 and 2023 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 16.92% and 13.50% in 2024 and 2023, respectively. In 2024 and 2023, 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 17.80% in 2024 and 17.36% in 2023. The discount rate is composed of the matched to maturity risk free rate and the option adjusted spread (OAS) of 12%.

Fair Value Hierarchy

The 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:

		2024			
		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	**₱1,189,469**	**₱1,189,469**	**₱–**	**₱–**	**₱1,189,469**
Assets for which fair value are disclosed					
Loans receivable - net of current portion	**320,932,255**	**288,919,300**	–	–	**288,919,300**
Liabilities measured at fair value					
Derivative liability	**2,528,532,365**	**2,528,532,365**	–	–	**2,528,532,365**
Liabilities for which fair value are Disclosed					
Bond payable	**2,065,585,876**	**2,044,490,003**	–	–	**2,044,490,003**

		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

(forward)

		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 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

During the years ended December 31, 2024 and 2023, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Offsetting of Financial Instruments
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, 2024 and 2023, 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, 2024			
Royalty offsetting	**Gross Amount**	**Offsetting**	**Forex**	**Net Amount**
Loan receivable	**₱80,760,428**	**(₱5,534,196)**	**₱1,430,208**	**₱76,656,440**
Interest receivable	**1,649,582**	**(1,649,582)**	**–**	**–**
Royalty payable	**(7,183,778)**	**7,183,778**	**–**	**–**
	₱75,226,232	**₱–**	**₱1,430,208**	**₱76,656,440**

	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

In 2024 and 2023, 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 2024 the Company has the following transactions under:

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

	December 31, 2023	**Cash Flows**	**Interest**	**Dividends declared**	**Redemption**	**Foreign exchange movement**	**Fair value changes**	**December 31, 2024**
Convertible instrument (bond payable and derivative liability)	**₱4,009,810,189**	**₱–**	**₱320,643,378**	**₱–**	**₱–**	**₱89,504,093**	**₱218,344,698**	**₱4,638,302,358**
Due to related parties	**43,927**	–	–	–	–	–	–	**43,927**
Total liabilities from financing activities	**₱4,009,854,116**	**₱–**	**₱320,643,378**	**₱–**	**₱–**	**₱89,504,093**	**₱218,344,698**	**₱4,638,346,285**

In 2023, the Parent Company has the following non-cash transactions under:

Investing Activities
a.) No Realized forex losses recognized from dividends received.

Financing Activities
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

SGV
Building a better working world

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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, 2024 and 2023 and have issued our report thereon dated April 14, 2025. 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. 08-001998-119-2025, January 8, 2025, valid until January 7, 2028
PTR No. 10465350, January 2, 2025, Makati City

April 14, 2025

LBC EXPRESS HOLDINGS, INC.
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
For the year ended December 31, 2024

Unappropriated retained earnings, beginning of the year		₱368,735,674
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 year	(605,009,012)	
Unrealized foreign exchange gain in prior year	(110,576,515)	
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		(346,849,853)
Net loss for the current year		(323,174,165)
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	–	
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	–	–
Sub-total		(323,174,165)
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	–	

(forward)

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 PERIOD AVAILABLE FOR DIVIDEND DECLARATION		**(₱670,024,018)**

LBC Express Holdings, Inc.

2024

Sustainability Report

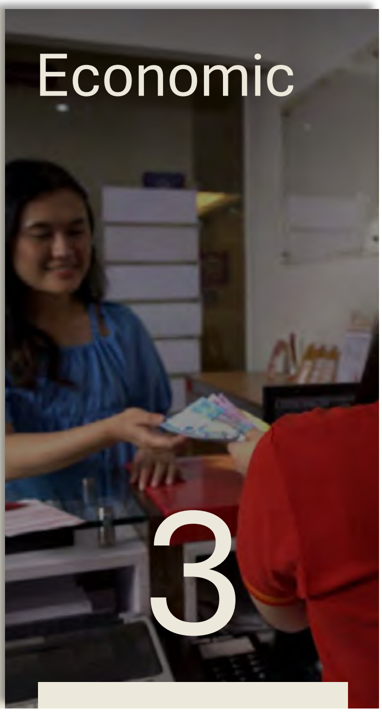
Main Sections

Contextual Information

1

Materiality Process

2



Economic

3

Environment

4

Social

5

UN Sustainable Development Goals

6

Introduction

Driving Resilience and Innovation: LBC's Commitment to Sustainability

As businesses face an increasingly complex and interconnected world, the importance of sustainability has never been more pronounced. Sustainability is no longer a peripheral concern but a core principle that shapes every aspect of how companies operate. From fostering innovation to addressing environmental challenges and promoting social well-being, sustainable practices are critical for creating long-term value and ensuring resilience in a rapidly evolving global landscape.

At LBC, we are fully committed to integrating sustainable practices into both our corporate governance and operational strategies. These practices are not just essential for ensuring our resilience, but they are also fundamental to our ongoing success.

Our proactive approach centers around innovative solutions, environmentally-responsible policies, and meaningful social initiatives. These pillars not only reinforce our brand's reputation but also help safeguard the interests of our customers, employees, key stakeholders, and the broader community. By prioritizing sustainability, we are not merely responding to current challenges; we are laying the foundation for a more resilient and thriving future for all those we serve.

Contextual Information

The LBC Way

What Moves and Drives Us

Our Vision. LBC shall be the access and delivery solutions provider of choice, professionally and technologically equipped to serve Filipino families and business entities through total customer experience.

Our Mission. Linking and bridging customers through our network and innovating new solutions to provide faster, easier, and more cost-effective delivery solutions

What we are all about

Our Culture

These are the values that define everything we do in LBC:

- ***Humility***
- ***Integrity***
- ***Trust***
- ***Commitment***
- ***Social Responsibility***
- ***Customer First***
- ***Teamwork***
- ***Innovative***
- ***Positive Thinking***

Our Brand Attributes

Clarity

We believe in providing transparent and timely information to give customers peace of mind. We want to pay particular attention to:

- The process of moving items or money
- The schedule and timing of your delivery
- Clear communication of our cost

Certainty

We believe in providing our various stakeholders with certainty through:

- Presenting relevant options for different needs
- Our staffs' commitment to set expectations and deliver on our promises
- Fair and timely updates of information

Convenience

We promise to make your experience as hassle-free as possible by:

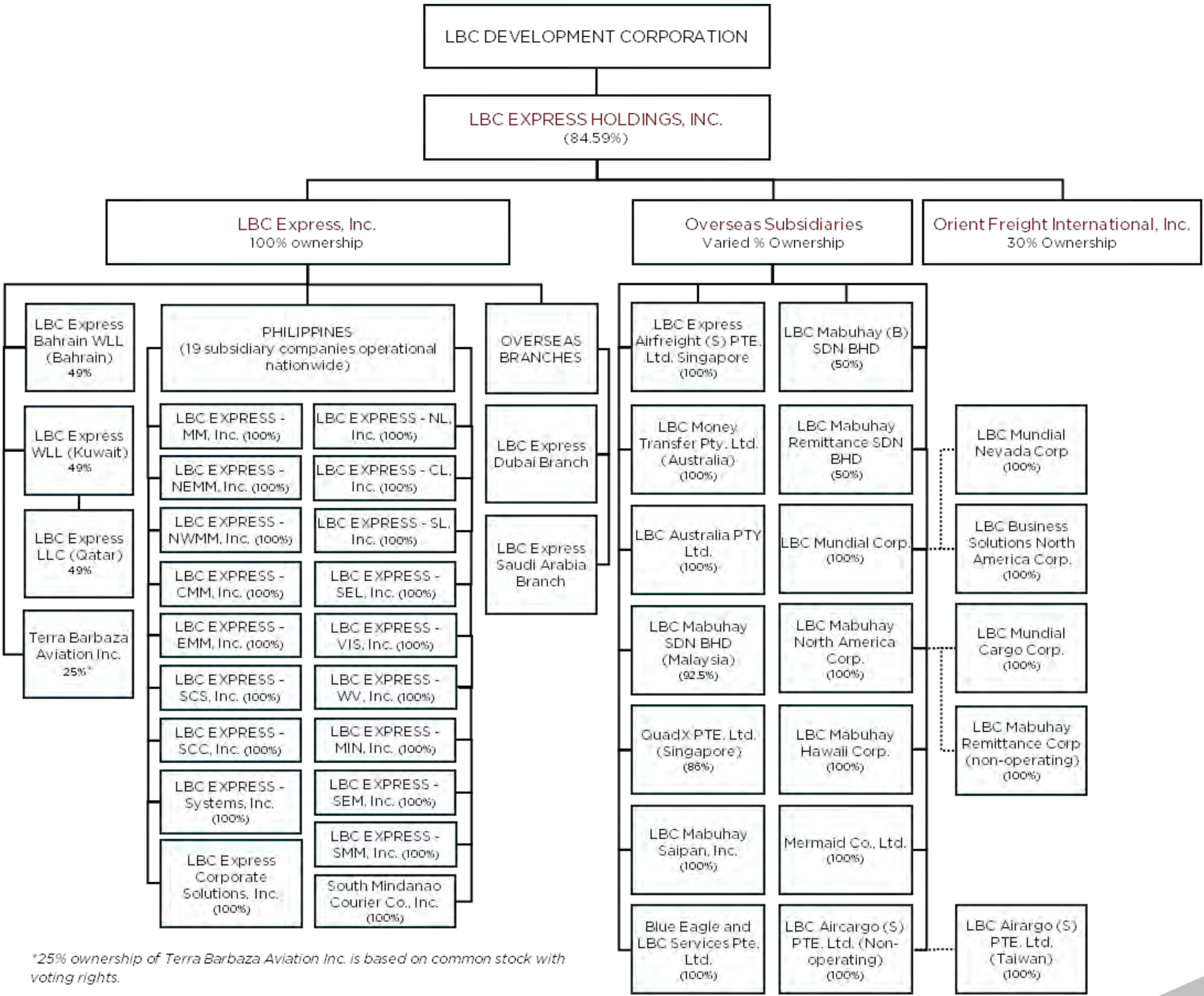
- Constantly improving our processes and adding new and relevant capabilities
- Easy access to call center and frontline staff
- Growing of our network coverage

Contextual Information

Name of Organization	LBC Express Holdings, Inc.
Location of Headquarters	Pasay City, Philippines
Location of Operations	Nationwide and in 29 other countries
Report boundary **Legal entities (e.g., subsidiaries) included in this report**	LBC Express, Inc. and subsidiaries
Business Model, including Primary Activities, Products, and Services	The Group's business is principally comprised of two major segments: (a) Logistics; and (b) Money Transfer Services. The Group's Logistics products serves Retail (C2C) and Corporate/Institutional (B2B/B2C) customers. The main services offered under the Group's Logistics business are Domestic and International Courier, and Freight Forwarding services (by way of air, sea, and ground transport). Money Transfer Services include Domestic Remittance services (available as branch retail services), Bills Payment collection, and Corporate Remittance Payout services. International Money Transfer Services are also offered overseas through the Group's own branches, and through partners, which International Inbound encompasses Remittance services.
Reporting Period	2023-2024
Highest Ranking Person responsible for this report	Enrique V. Rey, Jr. Chief Finance Officer

Contextual Information

Corporate Structure



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

Contextual Information

The LBC Way

LBC is the warm and helpful partner who enjoys moving packages, goods and money for you. We understand that people look forward to what you're sending, so we provide clarity, certainty and convenience to help make everyone's day.

What We Commit To

Our Brand Promise:

"A friend who makes your day"

What Inspired Us

Our Brand Tagline:

"We like to move it"

How We Deliver Our Mission

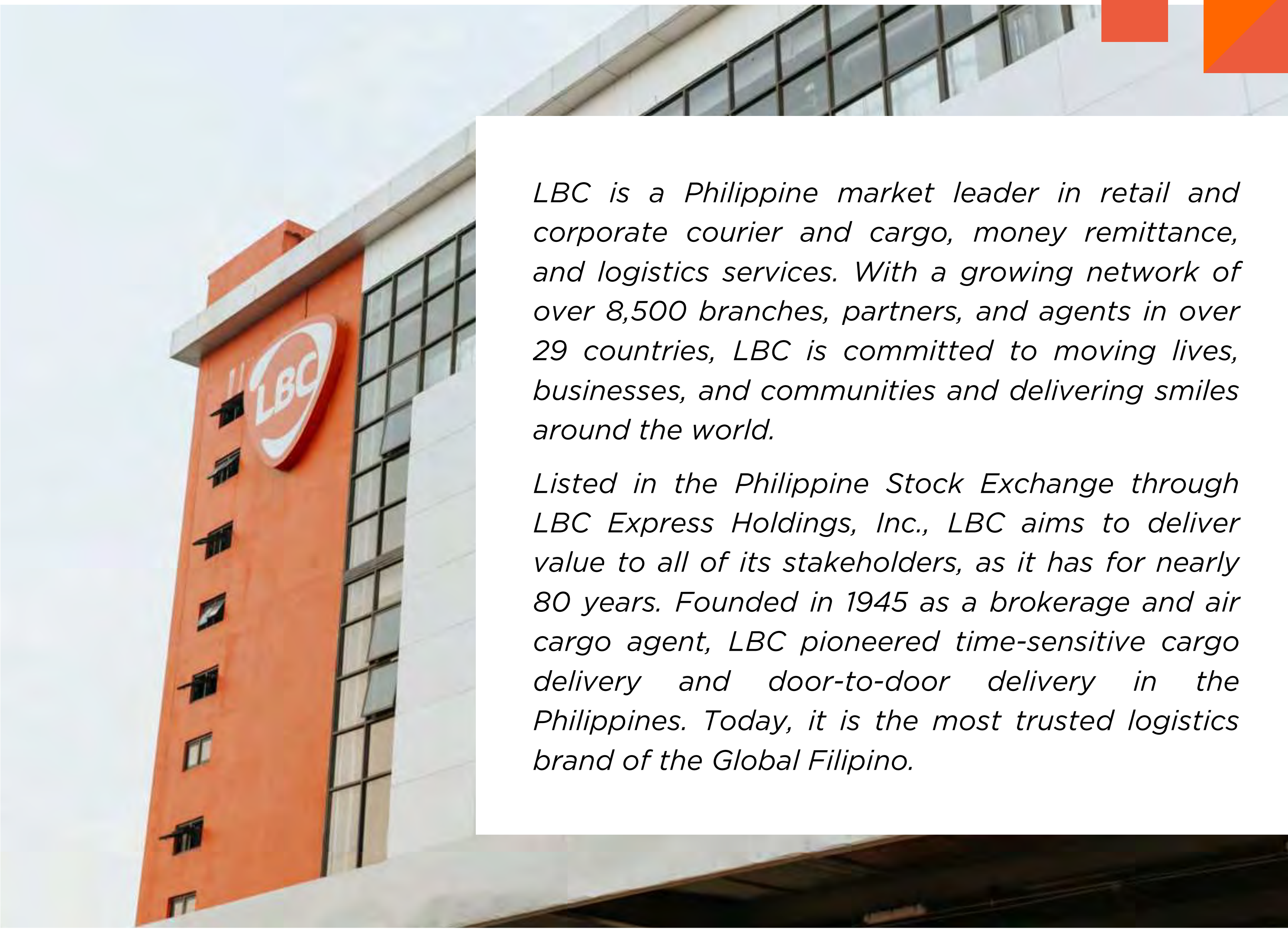
1. **History and Network**
   Integrate core competencies to create a solid foundation for our service commitment

2. **Understand and Learn**
   Gain meaningful insight into the evolution of the modern customer and apply to reinvent the business model

3. **Quality and Service**
   Apply new capabilities to win customers through quality and customer satisfaction

4. **Innovate and Execute**
   Ensure resilience and agility as well as maintain market position by delivering high value products and services.

Contextual Information



LBC is a Philippine market leader in retail and corporate courier and cargo, money remittance, and logistics services. With a growing network of over 8,500 branches, partners, and agents in over 29 countries, LBC is committed to moving lives, businesses, and communities and delivering smiles around the world.

Listed in the Philippine Stock Exchange through LBC Express Holdings, Inc., LBC aims to deliver value to all of its stakeholders, as it has for nearly 80 years. Founded in 1945 as a brokerage and air cargo agent, LBC pioneered time-sensitive cargo delivery and door-to-door delivery in the Philippines. Today, it is the most trusted logistics brand of the Global Filipino.

Materiality Process

Materiality Principle

LBC's materiality principle highlights a list of sustainability topics consistent with those reported in the previous year. In 2019, we identified these key issues through a roundtable discussion with senior management and an internal survey involving 155 respondents from all departments across our operations.

1. **Environment**
   - Energy use in terms of fuel consumption for vehicles and electricity use and efficiency in operations
   - Use of raw materials and recycled input materials in operations to minimize waste
   - Compliance with laws and regulations

2. **Social issues**
   - Employee hiring and retention
   - Compensation and benefits
   - Employee training and development (including lifelong learning)

3. **Product responsibility**
   - Customer satisfaction
   - Innovation and future technologies
   - Data security, protection and privacy

This report holds information on these key sustainability issues, some of which are actually LBC strongholds that we are quite proud of, such as product responsibility, human resources, and our financial performance.

Economic

Economic Performance

Direct Economic Value Generated and Distributed

Direct economic value generated (PHP)	Direct economic value distributed (PHP)
14.30 billion	13.81 billion

LBC's FY24 economic performance demonstrates a solid revenue generation and distribution structure, generating a direct economic value of PHP 14.30 billion, while distributing a total of PHP 13.81 billion. Majority of the distributed economic value was allocated to operating costs (65.34%), followed by employee wages and benefits (29.53%), which highlights LBC's commitment to its workforce. Dividends, interest payments, and taxes accounted for 4.39%, while payments to suppliers other than operational costs represented a smaller portion of the distribution, indicating that LBC prioritizes its core operations and workforce, supporting operational sustainability and growth. Furthermore, LBC's commitment to community support is reflected in its PHP 12.12 million investment in CSR initiatives, or 0.09% of the total distribution. This underscores the company's focus on sustainability, employee welfare, and community engagement, supporting its long-term growth and responsible governance.

Currency: PHPm	Amount
Operating costs[1]	9,022
Employee wages and benefits	4,078
Payments to suppliers, other than operating costs[2]	89
Dividends given to stockholders and interest payments to loan providers[3]	303
Taxes given to government[4]	303
Investments to community (e.g., donations, CSR)	12

Notes:
[1] Excludes depreciation and amortization of fixed and intangible assets
[2] Payment for acquisition of fixed and intangible assets, net of any proceeds from sale
[3] Pertains to interest expense, excluding those related to convertible bonds of the holding company
[4] Refers to income taxes and other business taxes and licenses

Our Impact

Growth is our responsibility to the Global Filipinos. Founded in 1945 as a brokerage and air cargo agent, we pioneered express delivery and cargo shipping and door-to door delivery in the Philippines. As we operate our enterprise, LBC remains the brand that they can trust to connect them, no matter where they are in the world, meaningfully back home.

- *14.30 billion in revenues*
- *Present in 30 countries worldwide*
- *1,368 branches in the Philippines*
- *945,996 balikbayan boxes delivered*
- *235,082 international parcels forwarded*
- *10,269 TEUs domestic and international sea cargo forwarded*
- *15.32 tonnes domestic air cargo forwarded*
- *3,140 delivery vehicles*
- *2,231 total number of couriers*

Economic

Economic Performance

Our Management Approach

Our business decisions and growth aspirations are driven by sustainable practices, compliance with laws and regulations, and strong internal governance. The Board plays a key role in overseeing the development, review, approval, and monitoring of business objectives and strategies, ensuring that performance aligns with company standards.

Key Strategic Elements:

1. Focus on Competitiveness

- Shifted from basic compliance to a proactive approach, focusing on continuously identifying and addressing risks and opportunities to drive sustainable growth.
- Obtained ISO 9001 certification for quality management, emphasizing our brand's commitment to quality, reliability, and customer satisfaction.
- Expanded quality standards to include areas such as Central Exchange, Warehousing, Remittance, and Payment Solutions.

2. Plan-Do-Check-Act Framework

- Over the years, this framework has equipped us with a robust system to ensure consistency across the enterprise.
- Integration of quality assurance throughout our operations, including brand attributes, management supervision, and employee competencies.

3. Digital Transformation Strategy

- This focuses on enhancing business processes, performance, and stakeholder relationships, with key objectives aimed at driving innovation and efficiency.
    - ◊ **First Mile Development:** Improving access for pick-ups from retail and small corporate accounts (MSMEs).
    - ◊ **Cross-Border Operations:** Expanding e-commerce services to offer end-to-end logistics solutions.
    - ◊ **Crowdsourcing Partnerships:** Utilizing third-party providers for flexible pick-up and delivery operations.
    - ◊ **Returns Services Expansion:** Enhancing reverse logistics through reselling or disposal of returns.
    - ◊ **Surge Volume Handling:** Managing surge volumes cost-effectively through crowdsourcing.
    - ◊ **Hub Efficiencies:** Enhancing operational efficiencies across hubs.
    - ◊ **Digital Currency Solutions:** Enabling peer-to-peer payments.

Economic

Procurement Practices

Proportion of spending on local suppliers

99.20% *Percentage of the procurement budget spent on* ***local suppliers*** *for significant operations*

Our Impact

At LBC, over 99% of our materials and supplies are sourced from local suppliers, enhancing the efficiency and flexibility of the supply chain. This offers several advantages essential to the logistics industry, where speed and reliability are critical.

By sourcing locally, LBC benefits from:

1. **Faster lead times:** Local suppliers can deliver goods quickly, minimizing delays in logistics operations and ensuring a smooth flow of packages across the network.
2. **Lower minimum order quantities:** This allows for more agile inventory management, helping to meet fluctuating demands and reducing the risk of overstocking or wastage, especially during peak seasons.
3. **Reduced transportation costs:** Sourcing locally reduces long-haul transportation, cutting both costs and logistical complexities, while supporting sustainability efforts by lowering the carbon footprint.

LBC's role in this strategy involves carefully selecting reliable and cost-effective suppliers and employing a multi-sourcing approach to mitigate risks and ensure supply continuity, particularly in a fast-moving industry like logistics.

Procurement Practices

Risks and Opportunities Identified

While local sourcing offers numerous advantages, there are several risks that LBC must manage:

1. Supply Disruptions: Even when sourcing locally, issues like labor strikes, natural disasters, or regional infrastructure challenges can impact the timely availability of essential goods, affecting LBC's operations.
2. Quality Issues: Variability in the quality of supplies, such as packaging materials or vehicles, can disrupt services and impact customer satisfaction. Maintaining high-quality standards from local suppliers is essential to preserving LBC's reliability.
3. Capacity Constraints: Local suppliers may not always have the ability to scale up during peak periods or special promotions, which could delay the delivery of critical items like transportation equipment, ultimately impacting delivery timelines.
4. Geopolitical Risks: Political instability or regulatory changes at the local level could affect the availability or cost of goods, making it harder to manage procurement costs and supply continuity.
5. Supplier Bankruptcy: Smaller, local suppliers are often more vulnerable to financial instability. If a supplier goes bankrupt, LBC may face operational disruptions until an alternative is found.

Despite the risks, local sourcing presents several opportunities for LBC:

1. Supplier Reciprocity: Developing strong relationships with local suppliers can lead to favorable pricing, flexible terms, and preferential treatment, benefiting both parties. LBC can offer services such as storage, warehousing, and distribution, helping suppliers grow while ensuring reliable supply chains.
2. Community Support: Sourcing locally stimulates the local economy by creating jobs and supporting regional businesses. This also strengthens LBC's reputation as a responsible corporate entity, contributing to community growth and sustainability.
3. Agility in Logistics: Local suppliers enable LBC to be more agile, quickly adapting to market demands. Whether adjusting delivery schedules, scaling operations during peak times, or responding to customer needs for faster service, local sourcing allows LBC to maintain flexibility and efficiency in its logistics operations.

Procurement Practices

Stakeholders affected

The stakeholders impacted by LBC's local procurement practices include:

1. Suppliers: Local suppliers are directly impacted, as they benefit from LBC's business and its long-term commitment to sourcing locally. These suppliers gain steady orders and are able to grow their businesses through ongoing partnerships with a major logistics company.
2. Employees: Employees within LBC, especially those in procurement, logistics, and warehouse management, benefit from a streamlined and efficient supply chain. The reduced need for long-distance sourcing and faster inventory replenishment enables them to maintain smoother operations and meet customer expectations more effectively.
3. Communities: Sourcing from local suppliers benefits local communities by supporting regional businesses and creating job opportunities. Additionally, it encourages economic growth and sustainability in areas where LBC operates.
4. Government: Local sourcing helps support government initiatives aimed at fostering economic growth and sustainability. Governments may also benefit from LBC's contribution to the local economy and job creation, as well as reduced transportation emissions, contributing to their environmental goals.

Economic

Procurement Practices

Our Management Approach

LBC employs several management strategies to optimize its local procurement practices:

1. Reverse Marketing: LBC actively engages in reverse marketing, where it offers additional value to local suppliers. For instance, LBC may provide storage, warehousing, and distribution services to suppliers in exchange for favorable pricing or priority service, creating a mutually beneficial business relationship.
2. Policies and Commitments: LBC has implemented procurement policies that prioritize sourcing from local suppliers, especially for critical operational goods such as packaging, transportation equipment, and warehouse supplies. These policies align with LBC's broader sustainability and community support goals.
3. Target and Goals: LBC sets specific goals for increasing the proportion of its procurement budget spent on local suppliers, targeting over 90% of materials and supplies. This helps align procurement efforts with the company's overall objectives of improving supply chain efficiency and supporting local economies.
4. Responsibilities and Resources: LBC's procurement and supply chain management teams are responsible for establishing and maintaining strong relationships with local suppliers. They ensure that suppliers meet LBC's quality and service standards and work to mitigate risks related to supply chain disruptions.
5. Programs and Initiatives: LBC implements supplier development programs aimed at helping local suppliers improve their capabilities, meet quality standards, and scale operations. These initiatives ensure that LBC's local suppliers are aligned with the company's long-term strategic goals.

By focusing on local sourcing, LBC ensures that its procurement practices are not only efficient and cost-effective but also contribute to the growth and sustainability of local communities. Through initiatives like reverse marketing and ongoing supplier development, LBC strengthens its supply chain, supports local businesses, and maintains its position as a leader in the logistics industry.

Environment

Resource and Environmental Impact Management

Energy and Water Consumption within the organization

Gasoline	Diesel	Electricity	Water
43.24K	123.85K	17.90M	97.52K
Gigajoules (GJ)	Gigajoules (GJ)	Kilowatt-hour (kWh)	Cubic meter (m³)

Solid Wastes

Estimated total waste generated, consisting of plastic and cardboard

100% *recyclable or reusable*

Our Impact

For many years, LBC has been committed to reducing its environmental footprint by focusing on responsible consumption, production, and climate action. Energy consumption is one of the most significant sustainability issues within the logistics and transport sector, and it continues to be a key area of concern for both our company and stakeholders. As part of our ongoing efforts to minimize our environmental impact, we continuously seek ways to optimize our resource use across all operations.

In 2024, LBC's energy consumption included 43.24K GJ of gasoline and 123.85K GJ of diesel. These energy sources power our vehicle fleet. Additionally, our electricity consumption for powering our facilities, hubs, and other operational needs amounted to 17.90 million kWh. These figures represent the energy requirements for our business operations, and we remain committed to improving energy efficiency across all aspects of our logistics and transport services.

Beyond energy, we also closely monitor our consumption of water and the waste generated by our operations. In 2024, we used 97.52K cubic meters of water across our facilities, supporting various operational processes. We are actively seeking to implement more water-efficient practices in our operations to reduce overall consumption. As for waste, we generated an estimated 4,000 kilograms of solid waste per month. We are proud to highlight that all of this waste is 100% recyclable or reusable, ensuring that it contributes to a circular economy and minimizing its impact on landfills.

These consumption metrics not only provide us with valuable insights into our resource use but also guide our ongoing sustainability efforts. By continuously tracking and improving our resource efficiency, we aim to reduce our environmental footprint and contribute to a more sustainable future for the communities and ecosystems we serve.

Environment

Resource and Environmental Impact Management

Our Management Approach

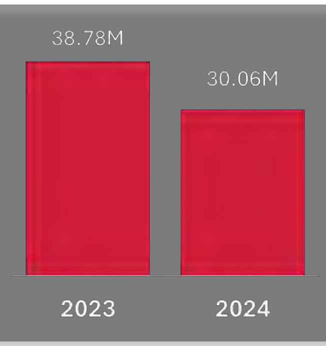
As part of our management's decision to do the right thing, we have made decisive contributions to changing the world we live in for the better. We rolled out several initiatives voluntarily prior to any pressure or requirement from regulators or other stakeholders.

1. Introduction of Brown Box: In 2023, we began gradually introducing the "Brown Box" in various overseas origins, followed by its launch in the Philippines. By 2024, the Brown Box became available across the entire enterprise. The Brown Box offers the same high quality as the traditional white box but is made from recyclable materials, making it a more eco-friendly and sustainable packaging solution.
2. Biodegradable Packaging Initiative: In 2012, we introduced biodegradable pouches, well before the widespread concern over plastic waste. These pouches are certified 100% oxo-biodegradable, breaking down in 1 to 1.5 years when exposed to heat, light, or microorganisms. Unlike conventional plastics, these pouches do not emit methane during degradation.
3. Solar Energy Initiative (Davao Warehouse): To improve energy management, we installed solar panels at our Davao warehouse. On average, the solar panel system supplies about 59% of the warehouse's energy needs.

Environment

Resource and Environmental Impact Management

Materials used by the organization

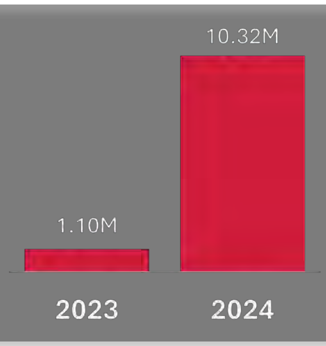


8.72M *2024 reduction in purchase of* ***Biodegradable pouches***

LBC utilizes unused/expired pouches as receptacle for internal mail use.

9.22M *increase in purchase of* ***brown boxes*** *in* ***2024***

with **74%** *total conversion rate of white box to* ***brown box*** *for local and overseas*



Our Impact

LBC has taken significant steps to reduce its environmental footprint and streamline its operations by converting packaging materials, implementing recycling initiatives, and adopting renewable energy solutions.

The company has focused on reducing waste through the repurposing of biodegradable pouches and the transition from white boxes to brown boxes. This shift has a dual impact: it positively affects the environment by reducing the waste generated from packaging materials and helps lower company expenses related to packaging procurement.

In addition to packaging improvements, LBC has embraced solar energy at its Davao warehouse, further supporting its commitment to sustainability. By harnessing solar power, the company reduces its reliance on the grid, contributing to both cost savings and the reduction of its environmental impact, reinforcing LBC's dedication to responsible resource management and environmental stewardship.

Environment

Resource and Environmental Impact Management

Our Management Approach

LBC's management approach is driven by a commitment to sustainability, resource optimization, and cost efficiency. The Sourcing Department plays a pivotal role in the implementation of these initiatives, managing the distribution of recycled pouches to the appropriate departments. For instance, the Finance Department receives the repurposed pouches for internal mail purposes, ensuring that the use of recycled materials is both efficient and well-organized.

The company's initiative to convert white boxes to brown boxes aims to reduce its environmental impact. With a 74% conversion rate by the end of 2024, LBC is making significant progress in adopting sustainable packaging. LBC also prioritizes the use of recycled materials in its operations, further aligning practices with sustainability goals.

Additionally, the Solar Energy Initiative at the Davao warehouse has significantly enhanced energy management, with solar panels supplying about 59% of the warehouse's energy needs. This initiative has resulted in average savings of 34.62% in energy costs. This reduction in reliance on the grid underscores the system's effectiveness in supporting operational sustainability and energy efficiency, further strengthening LBC's commitment to responsible resource management.

Stakeholders affected

Several stakeholders are directly affected by LBC's sustainability initiatives:

1. Employees/Internal Staff: The primary beneficiaries of the company's sustainability initiatives. By using recycled pouches for internal mail, employees are directly contributing to reducing the company's waste and promoting a culture of sustainability. Furthermore, the use of recycled materials can contribute to the company's cost savings, which can, in turn, benefit employees through potential reinvestment in other areas, such as trainings and career development.
2. Suppliers: LBC's shift towards sustainable packaging may influence its suppliers, especially those providing biodegradable pouches and packaging materials. Suppliers may be required to adjust their product offerings to meet the company's increased demand for eco-friendly alternatives or to provide solutions that align with LBC's environmental goals.
3. Management: Senior management oversees the planning, implementation, and monitoring of these sustainability initiatives, ensuring that the company meets its set goals and continues to align with broader environmental policies.
4. Customers and the Community: While not directly involved in the internal processes, customers and the community may recognize and appreciate LBC's sustainability efforts, enhancing the company's reputation as a responsible corporate entity.

Environment

Resource and Environmental Impact Management

Risks and Opportunities

While LBC's initiatives bring several benefits, there are certain risks that the company must manage:

1. Supply Chain Disruptions: The availability of biodegradable and recyclable materials may fluctuate, especially if supply chains are disrupted. In such cases, LBC may face challenges in sourcing the necessary materials to continue its sustainability programs.
2. Operational Efficiency: The repurposing of materials like expired pouches must be done carefully to ensure that it does not negatively affect the operational efficiency of internal mail processes. If the recycled materials are not appropriately maintained or are not suitable for certain uses, it could cause delays or complications in mailing and handling important documents.
3. Cost Implications: While repurposing materials helps reduce expenses, there may be costs associated with the collection, cleaning, or reprocessing of expired pouches. These costs need to be carefully managed to ensure the sustainability efforts do not exceed their intended cost savings.

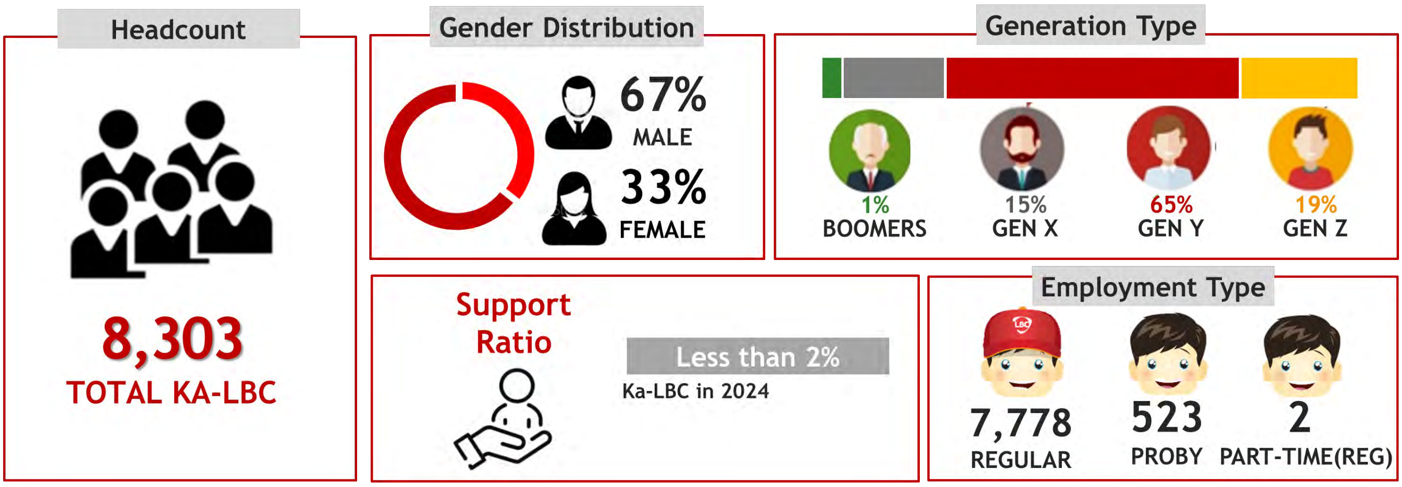
The sustainability initiatives LBC has adopted also present numerous opportunities for the company:

1. Reduced Waste: By converting white boxes to brown boxes and reusing expired pouches, LBC can significantly reduce the amount of waste generated by its operations. This not only contributes to environmental preservation but also aligns with growing consumer and industry expectations for sustainability.
2. Cost Savings: The use of recycled materials, particularly expired pouches for internal mail, enables LBC to lower its packaging expenses. These savings can be reinvested into other areas of the business, such as employee development, technology upgrades, or further environmental initiatives.
3. Enhanced Corporate Reputation: As sustainability becomes increasingly important to consumers, LBC's efforts to reduce waste and use recycled materials position the company as an environmentally responsible business. This can enhance the company's image in the marketplace, attracting environmentally conscious customers and partners.
4. Regulatory Compliance and Market Trends: With increasing global pressure for businesses to reduce their environmental impact, LBC's commitment to sustainability could help the company stay ahead of regulatory requirements and market trends. This proactive approach could create a competitive advantage in industries where environmental performance is becoming a key consideration.

Social

Employee Management

Employee Demographics



LBC places a strong emphasis on its employees, recognizing them as essential to the company's success and social responsibility efforts. The company focuses on creating a decent work environment, promoting gender equality, and fostering employee development to ensure a supportive and inclusive workplace. With a workforce that spans multiple generations, LBC tailors its programs to meet the needs of employees from Gen Z to Baby Boomers, ensuring diverse perspectives are embraced.

While the company faces a 22.50% attrition rate, it actively works on improving employee retention through fair compensation, career growth opportunities, and regular feedback. Additionally, LBC maintains a less than 2% support ratio (the ratio of the lowest -paid employee to the minimum wage), ensuring that its compensation is above the minimum wage standard and supports fair pay for all employees.

LBC integrates a people-centered approach into its social commitment, ensuring a positive work environment, fair compensation, and equal opportunities for all employees. Its focus on gender equality, employee engagement, and a fair support ratio reinforces its long-term sustainability and role as a responsible corporate entity.

Employee Management

Employee Services

The LBC HCSS Team, alongside company leaders and under the guidance of the President, remains dedicated to supporting employees' well-being with active, agile, and resilient responses to ongoing challenges. In January 2024, LBC released the Annual Medicine Allowance to eligible employees, helping them manage medical expenses and ensuring they have access to necessary health resources. Additionally, the company offered an Onsite Annual Physical Exam (APE) in July 2024 at its main offices, providing employees with convenient access to regular health check-ups. In May 2024, LBC launched its Annual Vaccination Campaign, offering discounted flu and pneumonia vaccines to employees, promoting prevention and overall health.

Recognizing the importance of mental well-being, LBC also hosted a Mental Health Wellness Webinar Series from May to July 2024, providing employees with tools and strategies to manage stress, anxiety, and other mental health challenges. These efforts reflect LBC's comprehensive approach to supporting both the physical and mental health of its workforce, ensuring that employees have the resources they need to maintain a balanced and healthy lifestyle.

Employee Management

Employee Services

FREE INFLUENZA VACCINATION

871 employees

received influenza vaccines donated by LGU Paranaque. The vaccination was conducted at various LBC offices, ensuring widespread access for all employees.

- Two E.com Office
- Ocean Breeze Office
- Balingasa Hub
- Bulacan Delivery Hub
- Dasmarinas Hub
- Upper Laguna Hub
- Imus Hub
- San Fernando Delivery Hub
- Makati Hub
- Manila Hub
- Pasig Hub
- Southgate Warehouse
- Sucat Warehouse
- Taytay Hub
- LBC Pulilan Delivery Hub
- Vitas

Pag-IBIG Loyalty Capturing
March 2024

Total of 71 employees were able to get their Pag-IBIG Loyalty Card

Circumcision
June 2024

Total of Nine (9) children had successful circumcision surgery,

Housing Fair
June 2024

We invited different developers and loan providers to discuss the process of acquiring a home. Total of 44 attendees,

In partnership with The Philippine Red Cross. Total of 67 LBC donors.

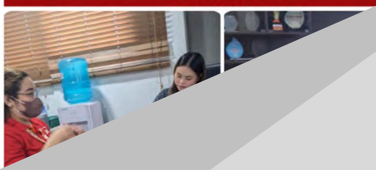
Bloodletting Campaign
June 2024

Lowest interest rate of .65% per month.
Total of 66 approved loan applications.

Motocycle Loan
July 2024

Free nutritional counseling to help employees understand the effect of their diet on physical health.

NUTRITION COUNSELING
October 2024



Employee Management

Employee Engagements

ENJOY PARTICIPANTS
1,794 employees

participated in LBC's engaging and diverse monthly programs designed to foster camaraderie and promote a positive work environment. These programs reflect LBC's commitment to employee engagement, celebrating personal milestones, and fostering a sense of community throughout the year.

The ENJOY Monthly Programs are a series of employee engagement initiatives spearheaded by LBC Express to foster a vibrant and inclusive company culture. These programs are thoughtfully curated to promote interaction, creativity, and well-being among employees, while also recognizing personal milestones and seasonal events throughout the year.

By incorporating activities such as the Valentine's Engagement, Herstory celebrations, and the Livelihood Program for Dependents, LBC ensures that employees not only enjoy moments of fun but also feel supported in their personal and professional development. The Summer Serenade singing contest, Father's Day specials, and Halloween events further strengthen the sense of community and camaraderie, making work more enjoyable and meaningful.

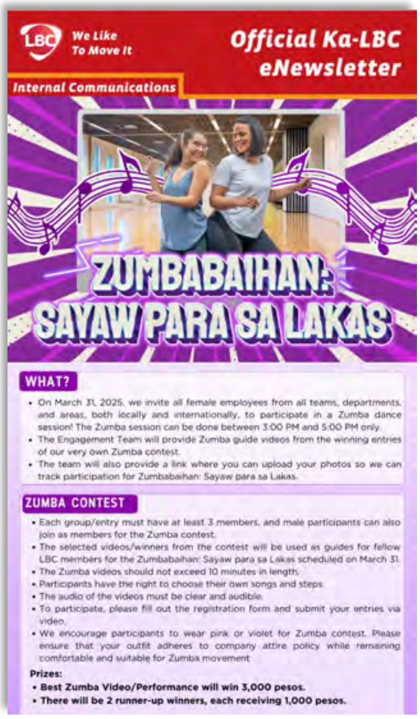
Additionally, the programs include creative opportunities, such as the Bidabest Promotional Video Contest and the Christmas Jingle ID Competition, which encourage employees to showcase their talents. Through these monthly events, LBC aims to foster a workplace that values personal connections, diversity, and a balance between work and life, ultimately enhancing employee satisfaction and well-being.

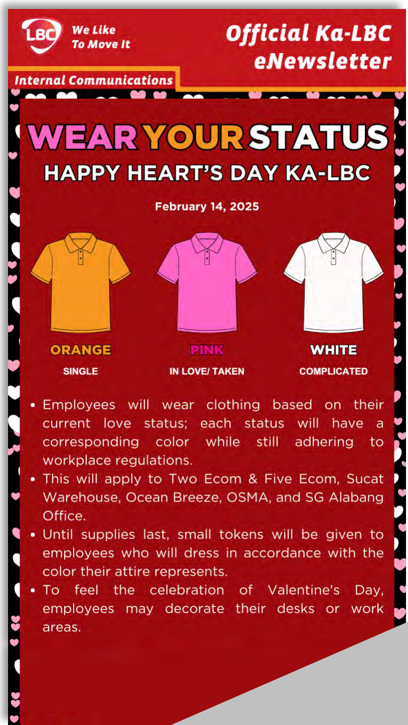
ENJOY

2024 MONTHLY PROGRAMS
February 2024
Valentines Engagement
March 2024
Herstory
April 2024
Livelihood Program for Dependents
Summer Serenade: Singing Contest
May 2024
Moments Together
Bidabest: Promotional Video Contest
June 2024
Chillout Session - Ocean Breeze
Fathers Day Special: Funniest memory with Dad
Ka-LBC Pride
October 2024
Spookyland Presents: Enchanted Realms - Fantasy Creatures and Characters
December 2024
Christmas Jingle ID Competition 2024

Employee Management

Employee Engagements





Employee Management

Employee Training and Development

2024 Training Programs & Evaluations

Total Unique Trained	Operations Training Program	New Associates Orientation
2,049	230	1,024

3.84 out of 4.00 — Overall Training Evaluation

3.77 out of 4.00 — Training Program Evaluation

3.90 out of 4.00 — Trainer Evaluation

Our Impact

LBC's commitment to employee development has a profound impact on the company's overall performance and growth. With a global presence, LBC relies on its highly engaged and skilled workforce to maintain the quality and excellence that define the brand. By prioritizing employee development, the company not only enhances the skills and productivity of its team members but also fosters a culture of continuous improvement. This results in higher employee satisfaction, better customer service, and greater operational efficiency, all of which contribute directly to LBC's ongoing success across regions.

Our Management Approach

LBC's management approach focuses on creating a robust framework for employee development to ensure long-term sustainability and growth. Central to this approach is the belief that an engaged workforce is key to capitalizing on technological advancements. The company invests in a variety of development programs and learning systems, including e-Learning, leadership development, and career growth initiatives, to continuously build employees' skills.

Through regular assessments like the Leadership Practices Inventory and employee feedback surveys, LBC ensures that management is equipped to address development needs and align resources effectively. By fostering an environment that encourages skill enhancement and career progression, LBC creates a dynamic workforce that drives both individual and organizational success, supporting the company's ongoing expansion and leadership in the global market.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Emergency Response Team (ERT) Activities in 2024

ERT Support/Activities	Date	Area
Deployment at Pista Ng Nazareno	9-Jan-2024	Manila City
Deployment at Liga Filipina Football League (Kaya vs. Beach Hub)	25-Feb-2024	Vermosa Sports Hub, Imus Cavite
Deployment at Liga Filipina Football League (Kaya vs. Makati)	3-Mar-2024	Makati Football Stadium
Deployment at Fire Incident at Brgy. Elias Aldana Sitio Motao, Las Piñas City	7-Mar-2024	Las Pinas City
Deployment at Medical Mission LBC ERT with LBC Foundation in partnership with Kaloob Foundation	7-Apr-2024	Loyola Heights Quezon City
Deployment at Kaya Football Club	13-Apr-2024	Mckinley Taguig, Football Stadium
International Day Against Drug Abuse and Abuse Illicit Trafficking Parade	26-Jun-2024	Quezon City
Deployment at Fire Incident at Brgy. Valley 6 Paranaque City	18-Aug-2024	Valley 6 Paranaque City

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

LBC has participated in Nationwide Simultaneous Earthquake Drill-NSED activity on March 25, 2024. This was led by the Safety Officer/s and Safety Marshals assigned per Team Nationwide.

LBC Major facilities also conducted Annual fire safety seminar and drill in April 2024 during fire prevention month led Safety Officer/s and Safety Marshals assigned at Facilities.

These drills are to test the readiness of our Ka-LBC in case of earthquake and fire.

Workplace Conditions, Labor Standards, and Human Rights

Labor Laws and Human Rights

At LBC, we are deeply committed to upholding the rights and dignity of all employees and ensuring compliance with labor laws and human rights standards across our operations. We recognize that our workforce is one of our greatest assets, and fostering a fair, safe, and inclusive working environment is essential to our sustainability efforts. In line with this, we implement policies and practices that align with global human rights standards and work to ensure that our operations are free from labor violations, including forced and child labor.

We take all necessary steps to ensure compliance with local, national, and international labor laws. In our operations, there have been no recorded legal actions or employee grievances related to forced or child labor. This reflects our ongoing commitment to maintaining ethical labor practices and upholding human rights within our organization.

Policies on Human Rights and Workplace Behavior

While we do not have a specific policy addressing forced or child labor, LBC is committed to preventing labor law violations and human rights abuses. We adhere to the Sexual Harassment and Safe Spaces Act, which ensures a safe, respectful, and harassment-free workplace. This policy provides clear procedures for reporting incidents of harassment, promoting a supportive work environment for all employees.

Ongoing Commitment and Continuous Improvement

LBC remains committed to ensuring fair treatment and human rights for all employees. We are working to formalize a comprehensive policy on forced and child labor and continue to improve our labor practices through training, monitoring, and adherence to ethical standards. By upholding these values, we foster a fair and equitable workplace and ensure compliance with legal and regulatory requirements.

Supply Chain Management

Supplier Accreditation Policies

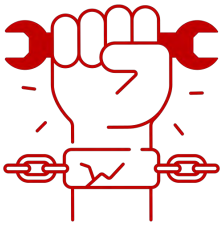
LBC is committed to maintaining high standards of sustainability, ethical practices, and responsible sourcing within its supply chain. To ensure that our suppliers align with these values, we have established a comprehensive Supplier Code of Conduct, which serves as the foundation for our supplier accreditation policy. This policy ensures that suppliers meet strict criteria in areas such as environmental responsibility, human rights, and ethical business practices. We regularly assess and verify supplier compliance to uphold these standards and ensure that all partners contribute to our sustainability goals.

In evaluating potential suppliers, we take into consideration several crucial sustainability topics. These are outlined in the Supplier Code of Conduct, which all suppliers must adhere to.

Environmental Performance

We require our suppliers to comply with all applicable environmental laws and regulations, ensuring they reduce or eliminate waste, water usage, and air emissions. Suppliers must also implement measures to minimize their environmental footprint through proper waste management and resource conservation.

(Reference: Article 4 of LBC Supplier Code of Conduct)



Forced and Child Labor

LBC does not tolerate forced or indentured labor in any form within our supply chain and expects suppliers to uphold the rights and dignity of their workers, ensuring that employment is voluntary and workers are treated fairly. Additionally, LBC prohibits the use of child labor, requiring all suppliers to comply with local and international laws regarding the employment of minors and to ensure workers meet the applicable minimum legal age requirement.

(References: Article 2 and Article 2a of LBC Supplier Code of Conduct)

Human Rights

We expect all suppliers to respect and uphold human rights, providing safe and dignified working conditions for all employees. Suppliers must avoid discrimination and ensure that employment practices are based on merit, not on personal characteristics such as race, gender, or religion.

(Reference: Article 2 of LBC Supplier Code of Conduct)

Bribery and Corruption

LBC has zero tolerance for bribery and corruption. Our suppliers must commit to fair business practices and adhere to all applicable anti-corruption laws, ensuring that their dealings with employees, suppliers, and customers are conducted ethically.

(Reference: Article 6 of LBC Supplier Code of Conduct)

Social

Relationship with Community

Significant Impacts on Local Communities

At LBC, we recognize that our success is deeply intertwined with the well-being of the communities in which we operate. As part of our ongoing commitment to sustainability, we have focused on initiatives that not only enhance our business operations but also foster positive, long-term impacts on local communities. Through strategic partnerships, environmental initiatives, and support for grassroots organizations, we strive to contribute to economic growth, social development, and environmental sustainability.

Move It Forward: Supporting Grassroots Organizations

LBC's *Move It Forward* program plays a pivotal role in strengthening community ties by providing logistics support to grassroots organizations, particularly those with limited financial resources. These organizations often struggle to cover the shipping costs required to distribute donations to their beneficiaries, and Move It Forward aims to eliminate this barrier.

Beyond logistical assistance, Move It Forward reinforces LBC's broader commitment to social responsibility by enabling partnerships with like-minded organizations that prioritize social good. The program plays an essential role in helping local charities and non-profits continue their work without the added strain of transportation costs, allowing them to focus more on their mission. By supporting these efforts, LBC fosters a culture of collaboration and community empowerment, making a lasting impact on the lives of beneficiaries and furthering the company's commitment to sustainable, positive change. Through Move It Forward, LBC not only supports the delivery of critical resources but also contributes to the collective effort to build stronger, more resilient communities.

Relationship with Community

Significant Impacts on Local Communities

LBC Foundation has made a significant impact by supporting various organizations through its shipping sponsorship program. By providing logistical support, LBC Foundation enables these organizations to expand their reach and impact, ensuring vital goods reach beneficiaries across different regions. This program underscores LBC's commitment to supporting social good and fostering positive change in the communities it serves.

Boxes Shipping Sponsorship: Empowering Non-Profits and Communities

Adarna Group Foundation received shipping support to send 9 boxes of books and craft materials to their beneficiaries in Bacolod, Negros Occidental.

Association of Foundations benefited from the sponsorship to send 351 parcels, including certificates, official receipts, and tokens, to member organizations nationwide.

Child Protection Network had 449 parcels of case documents and materials shipped to various offices and beneficiaries across the country.

League of Corporate Foundations sent 3 cargoes of tokens to resource speakers at the CSR Expo.

These sponsorships exemplify LBC's role in empowering organizations to distribute resources more effectively, thus enhancing the lives of countless individuals. By providing logistical support, LBC helps ensure that vital resources reach the communities that need them most, creating a ripple effect of goodwill and opportunity.

Social

Relationship with Community

Significant Impacts on Local Communities

In addition to supporting organizations and providing shipping sponsorships for community-based initiatives, LBC is equally committed to sourcing materials that contribute to the success of these efforts. Over 99% of our materials and supplies are sourced from local suppliers, a practice that has significant positive effects on regional economies. Local sourcing encourages responsible sourcing practices and contributes to the long-term vitality of the local economy, benefiting not just LBC but also our local partners, their employees, and the broader community.

Sourcing from Local Suppliers: Boosting Economic Growth

At LBC, local sourcing is more than just an operational strategy—it is a fundamental part of our commitment to the sustainable growth of the regions where we operate. By partnering with local suppliers, we directly contribute to the economic development of the areas we serve. Local sourcing encourages responsible sourcing practices, supports small and medium-sized enterprises, and contributes to the long-term vitality of the local economy. The impact of this approach extends far beyond our operations, benefiting not just LBC but also our local partners, their employees, and the broader community.

Beyond operational benefits, local sourcing plays a crucial role in fostering resilience within communities. By supporting regional businesses, we help stimulate job creation, provide stable income opportunities, and encourage entrepreneurship, which strengthens the overall economic health of the area. This creates a positive feedback loop where businesses grow, develop, and thrive alongside the operational success of LBC, ensuring that both our company and the communities we work in prosper together.

Social

Relationship with Community

Significant Impacts on Local Communities

Alongside supporting organizations through programs like Move It Forward and sourcing materials locally, LBC is equally committed to environmental sustainability in all aspects of its operations. While we work to strengthen community initiatives and foster local economic growth, we also recognize the critical importance of reducing our environmental impact for a sustainable future. These efforts not only improve our operational efficiency but also contribute to the long-term well-being of the communities we serve, helping to create a cleaner, healthier environment for future generations.

Environmental Sustainability: Reducing the Carbon Footprint

LBC understands that environmental sustainability is crucial not only for its operations but also for the long-term well-being of the communities it serves. In line with this, the company has taken significant steps to reduce its environmental footprint and promote green practices that contribute to a more sustainable future. These efforts include transitioning to eco-friendly packaging materials, implementing comprehensive recycling programs, and adopting renewable energy solutions across our operations.

These sustainability measures go beyond operational benefits—they play a key role in strengthening LBC's relationship with the communities in which we operate. By promoting environmentally responsible practices, LBC helps ensure a cleaner, healthier environment for future generations. These efforts strengthen LBC's relationship with the communities it serves, building trust and reinforcing the company's reputation as a responsible corporate entity. By promoting environmental responsibility, LBC not only reduces its own footprint but also contributes to the long-term well-being of local communities, ensuring a more sustainable future for all.

Social

Customer Management

Customer Satisfaction

Customer Care Answer level	Closure rate	Average handling time	Total response time
95%	100%	4.24 min	3.56 min
Target: 95%	Target: 95%	Target: 4.50 minutes	Target: 5.00 minutes

The Customer Care Team manages all voice and non-voice customer-facing channels and serves as the primary conduit for interactions with customers.

In addition to addressing customer concerns related to transactions, the team handles bookings and actively promotes our products and services. Interactions with customers are now faster, more accessible, highly personalized, convenient, and cost-effective.

LBC is focused on enhancing customer satisfaction in 2024 by achieving key performance targets. The company aims for a 95% customer care answer level and has improved efficiency, reducing the average handling time to 4.24 minutes, surpassing the target of 4.5 minutes. The total response time is also reduced to 3.56 minutes, well below the 5-minute target. LBC excels in complaint management, achieving a 100% closure rate and resolving all complaints within 24 hours, exceeding the 95% target. These efforts highlight LBC's commitment to providing prompt, efficient, and high-quality customer service.

As virtual frontliners, our touchpoints are accessible 24/7 to address customers' concerns across all origins. We take pride in being one of the few business units that have overcome current challenges and adapted to the evolving situation.

We embody the LBC brand personality of being helpful, clear, certain & providing convenience for our customers. On every opportunity and interaction, we strive to provide solutions tailored to meet all their needs, ensuring they experience the highest level of customer service

CCM is progressing beyond traditional customer service by embracing digital transformation. It is gradually introducing digital channels to enhance accessibility and convenience, reflecting our unwavering commitment to serving customers with the utmost dedication and availability.

Social

Customer Management

Customer Satisfaction

BSP-endorsed Complaints	Cargo Delivery		Money Products	
21 complaints	Credit card delivery	6	Remittance	2
	Balikbayan box delivery	4	Cash on delivery	9
	Total	10	Total	11

In 2024, we received a total of 21 complaints endorsed by the Bangko Sentral ng Pilipinas (BSP) Consumer Protection and Market Conduct Office (CPMCO). These complaints were categorized into two main areas: (1) Credit Card Delivery and Balikbayan (Cargo) and (2) Money Product-Related Complaints.

All complaints were successfully addressed within the prescribed 15-calendar-day timeframe. Our swift response underscores our dedication to upholding customer trust, ensuring compliance with regulatory standards, and continuously improving our service delivery.

Our Management Approach

At LBC, customer satisfaction is at the heart of our service commitment. As a leading logistics provider, we understand that timely and effective resolution of customer concerns is critical to maintaining trust and loyalty. In response to the growing expectations of our customers and the evolving logistics landscape, we have reinforced our management approach to handling complaints. This approach is built on three key pillars: enhanced management oversight, technological innovation, and continuous capability development.

1. Enhanced Management Oversight. Internal monitoring and escalation procedures have been strengthened to ensure efficient and timely complaint resolution. Senior management plays an active role in tracking trends, identifying root causes, and supporting operational teams in implementing sustainable corrective measures.
2. Technological Innovations. The integration of artificial intelligence and machine learning enables the organization to analyze complaint data more efficiently, detect recurring issues, and streamline resolution processes. These technologies support a proactive and customer-centric approach to service improvement.
3. Capability-Building and Training. LBC places a strong emphasis on continuous training for its customer service teams. Programs focus on enhancing communication skills, empathy, and problem -solving capabilities, ensuring that all team members are equipped to manage complaints with professionalism and care.

UN SDGs

United Nations Sustainable Development Goals

LBC's Contribution to Sustainable Development

LBC Express is deeply committed to supporting the United Nations Sustainable Development Goals (SDGs) through various initiatives that promote social, economic, and environmental progress. The company's efforts align with the following goals:

- **1 NO POVERTY** — *LBC creates employment opportunities and supports community-focused programs that help alleviate poverty by providing financial stability for individuals and families.*
- **3 GOOD HEALTH AND WELL-BEING** — *LBC prioritizes the health of its employees and communities by offering wellness programs, such as free flu vaccinations and promoting both physical and mental well-being.*
- **4 QUALITY EDUCATION** — *LBC invests in employee training, skills development, and educational support for employees' dependents, fostering continuous learning and development.*
- **5 GENDER EQUALITY** — *LBC champions equal opportunities for all employees, regardless of gender, by maintaining an inclusive and diverse workplace.*
- **8 DECENT WORK AND ECONOMIC GROWTH** — *LBC ensures fair wages, safe working conditions, and career advancement opportunities, contributing to sustainable economic growth.*
- **9 INDUSTRY, INNOVATION AND INFRASTRUCTURE** — *LBC fosters innovation in logistics and supply chain management, using technology to enhance operational efficiency and sustainability in the industry.*
- **12 RESPONSIBLE CONSUMPTION AND PRODUCTION** — *LBC implements environmentally responsible practices, such as reducing waste and optimizing resource usage in its operations.*
- **13 CLIMATE ACTION** — *LBC takes steps to minimize its carbon footprint and explores sustainable alternatives to reduce its environmental impact.*
- **16 PEACE, JUSTICE AND STRONG INSTITUTIONS** — *LBC upholds ethical business practices, ensuring transparency, integrity, and accountability in all operations.*
- **17 PARTNERSHIPS FOR THE GOALS** — *LBC collaborates with local governments, NGOs, and other organizations to advance sustainable development and amplify its impact globally.*

Through these initiatives, LBC demonstrates a strong commitment to advancing the UN SDGs, creating lasting positive effects for its employees, communities, and the environment.