The following document has been received:

Receiving: DONNA ENCARNADO
Receipt Date and Time: April 14, 2026 09:09:01 PM

Company Information

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

Document Information

Document ID: OST10414202681121878 5
Document Type: Current Report
Document Code: SEC_Form_17-C
Period Covered: April 14, 2026
Submission Type: Original Filing
Remarks: None

Acceptance of this document is subject to review of forms and contents

SECURITIES AND EXCHANGE COMMISSION

AMENDED SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. 14 April 2026
Date of Report (Date of earliest event reported)

2. SEC Identification Number: AS93005277

3. BIR Tax Identification No.: 002-648-099-000

4. LBC EXPRESS HOLDINGS, INC. (formerly FEDERAL RESOURCES INVESTMENT GROUP INC.)
Exact name of issuer as specified in its charter

5. Philippines
Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
Industry Classification Code:

7. LBC Central Exchange, L-2 C5 Extension, Moonwalk, Parañaque City, Metro Manila, Philippines
Address of principal office
1709
Postal Code

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

9. LBC Hangar, General Aviation Center, Domestic Airport Road, Pasay City
Former name or former address, if changed since last report

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 or Amount of Debt Outstanding
Common shares	1,425,865,471

11. Indicate the item numbers reported herein: 9

The Board of Directors of the Corporation, in its regular meeting, approved the consolidated audited financial statements of the Corporation and its subsidiaries, as well as the parent standalone audited financial statements, corresponding to the financial year ended 31 December 2025, as audited by the Corporation's external auditor, Sycip Gorres Velayo & Co.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, LBC EXPRESS HOLDINGS, INC. has caused this report to be signed on its behalf by the undersigned, who is duly authorized for the purpose.

LBC EXPRESS HOLDINGS, INC.
Issuer

14 April 2026
Date

MAHLEENE G. GO
Assistant Corporate Secretary / Compliance Officer

SECURITIES AND EXCHANGE COMMISSION
THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City
1209 Trunk Line No:02-5322-7696 Email Us:www.sec.gov.ph/imessagemo@sec.gov.ph

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

Document ID: OST104142026811218830
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2025
Submission Type: Consolidated
Remarks: None

Acceptance of this document is subject to review of forms and contents

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	9	3	0	0	5	2	7	7	

COMPANY NAME

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

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

L B C   C E N T R A L   E X C H A N G E ,   L - 2   C 5   E
X T E N S I O N ,   M O O N W A L K ,   P A R A N A Q U E
C I T Y ,   M E T R O   M A N I L A ,   P H I L I P P I N E
S

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 December	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
Rosalie H. Infantado	rhinfantado@lbcexpress.com	8-856-8510	–

CONTACT PERSON's ADDRESS

LBC Central Exchange, L2 C5 Extension, Moonwalk Parañaque 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.*

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of LBC Express Holdings, Inc. and its subsidiaries (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as of and for the years ended December 31, 2025, 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: ______________________
RENE ERNESTO SANTIAGO E. FUENTES
Chairman of the Board

Signature: ______________________
ENRIQUE V. REY, JR.
Chief Executive Officer and President

Signature: ______________________
ROSALIE H. INFANTADO
Chief Finance Officer

Signed this ____ day of ___________ 2026.

14 APR 2026

SUBSCRIBED AND SWORN to before me in City of Pasay on 14 APR 2026 affiants personally appeared before me and exhibited to me their Tax Identification Nos.

NAME	TIN
Rene Ernesto Santiago E. Fuentes	181-043-202
Enrique V. Rey, Jr.	172-264-046
Rosalie H. Infantado	201-403-368

Doc. No. 465 ;
Page No. 94 ;
Book No. VI ;
Series of 2026.

NOEL L. DUQUE
NOTARY PUBLIC
Until December 31, 2026 Comm. 25-09
10 E-COM Center MOA, Pasay City
IBP No. 586795/01-05-26/PPLM
PTR No. 9236857/01-05-26/PC
Roll No. 48387 MCLE VIII-0040191/4-14-28

Outlook

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Cc LBC EXPRESS HOLDINGS INC-BIR-TAX <lbcholdingsbirtax@lbcexpress.com>

Hi LBC EXPRESS HOLDINGS, INC.,

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- EAFS002648099TCRTY122025-01.pdf
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Transaction Code: **AFS-0-NYWV1ZYW09H9E96FHNQ2QXYRW0KHBKLG7**
Submission Date/Time: **Apr 14, 2026 08:54 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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
LBC Express Holdings, Inc. and Subsidiaries
LBC Central Exchange, L2 C5 Extension, Moonwalk
Parañaque 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, 2025 and 2024, 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, 2025, 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, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2025 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 (the Code of Ethics), as applicable to the audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to the audits of the financial statements of public interest entities in the Philippines. We have also 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 recoverability 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.

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. 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 tax assessment and tax advance payment, we obtained correspondences with the relevant tax authorities and evaluated the tax position of the management including the recoverability the tax advance payment 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, 2025, the Group has goodwill amounting to ₱252.71 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 reviewing the discount rate used and the parameters utilized. 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 assessed the historical accuracy of management's estimates and performed sensitivity analyses of the significant assumptions to evaluate the change in the fair value of the CGU. 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.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2025 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, 2025, 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

[redacted]

CPA Certificate No. 112004
Tax Identification No. 925-713-249
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 112004-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001998-119-2025, December 16, 2024, valid until December 15, 2027
PTR No. 10765095, January 2, 2026, Makati City

April 14, 2026

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

	December 31	
	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 24)	**₱2,064,314,672**	₱2,733,428,898
Trade and other receivables (Notes 6, 18, 24 and 25)	**2,148,571,205**	2,127,168,683
Due from related parties (Notes 18, 24 and 25)	**1,165,649,896**	1,159,775,626
Investment at fair value through profit or loss (Notes 10, 24 and 25)	**2,469,792**	2,360,759
Prepayments and other current assets (Notes 7, 12, 24 and 25)	**1,168,885,487**	1,144,894,737
Total Current Assets	**6,549,891,052**	7,167,628,703
Noncurrent Assets		
Property and equipment (Note 8)	**2,416,712,242**	2,487,768,051
Right-of-use assets (Note 22)	**1,266,339,272**	1,601,239,442
Intangible assets (Note 9)	**167,701,043**	212,276,151
Investment at fair value through other comprehensive income (Notes 10, 24 and 25)	**78,024,029**	99,480,637
Deferred tax assets - net (Note 21)	**630,671,376**	544,565,012
Security deposits (Note 22)	**352,082,287**	375,426,973
Investment in associates (Note 11)	**368,601,037**	369,935,605
Goodwill (Note 4)	**252,712,090**	287,024,985
Other noncurrent assets (Notes 7, 12, 18 and 24)	**2,098,819,710**	2,093,359,358
Total Noncurrent Assets	**7,631,663,086**	8,071,076,214
	₱14,181,554,138	₱15,238,704,917

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 13, 18, 24 and 25)	**₱3,170,457,139**	₱3,518,304,281
Due to related parties (Notes 18 and 24)	**20,953,673**	10,721,895
Current portion of notes payable (Notes 15, 24 and 25)	**1,074,354,992**	1,238,540,861
Transmissions liability (Notes 14, 18 and 24)	**521,833,372**	684,859,401
Income tax payable	**20,590,001**	16,602,117
Current portion of lease liabilities (Notes 22 and 24)	**625,796,357**	763,676,898
Derivative liability (Notes 16, 24 and 25)	–	2,528,532,365
Bonds payable (Notes 16, 24 and 25)	–	2,065,585,876
Total Current Liabilities	**5,433,985,534**	10,826,823,694
Noncurrent Liabilities		
Retirement benefit liability - net (Note 23)	**1,017,476,380**	1,005,302,601
Notes payable - net of current portion (Notes 15, 24 and 25)	**4,894,804,722**	676,151,276
Lease liabilities - net of current portion (Notes 22, 24 and 25)	**821,252,966**	1,074,366,140
Other noncurrent liabilities (Notes 13, 24 and 25)	**102,775,842**	–
Total Noncurrent Liabilities	**6,836,309,910**	2,755,820,017
Total Liabilities	**12,270,295,444**	13,582,643,711
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)	**398,777,587**	152,721,270
Accumulated comprehensive income (Note 17)	**78,439,423**	90,918,199
Equity reserves (Note 4)	**5,411,097**	–
	1,908,493,578	1,669,504,940
Non-controlling interests (Note 17)	**2,765,116**	(13,443,734)
Total Equity	**1,911,258,694**	1,656,061,206
	₱14,181,554,138	₱15,238,704,917

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2025	2024	2023
SERVICE REVENUE (Note 26)	**₱14,025,956,097**	₱14,296,058,157	₱14,513,690,842
COST OF SERVICES (Note 19)	**10,768,460,616**	11,171,592,505	11,468,232,196
GROSS PROFIT	**3,257,495,481**	3,124,465,652	3,045,458,646
OPERATING EXPENSES (Note 20)	**2,526,795,586**	2,458,806,514	2,490,289,107
OPERATING INCOME	**730,699,895**	665,659,138	555,169,539
OTHER INCOME (CHARGES)			
Foreign exchange gains (losses) - net (Notes 20 and 24)	**79,608,302**	(9,254,598)	59,874,458
Equity in net earnings of associates (Note 11)	**31,629,367**	45,378,483	16,164,364
Interest income (Notes 5, 7, 12 and 18)	**12,876,555**	14,699,557	15,293,926
Fair value gain on investment at fair value through profit or loss (Note 10)	**109,033**	97,191	96,505
Loss on redemption of convertible instruments (Note 16)	**(4,708,473)**	–	–
Gain (loss) on derivative liability (Note 16)	**(66,880,574)**	(218,344,697)	150,810,960
Interest expense (Notes 9, 15, 16, 18 and 22)	**(549,069,088)**	(624,017,665)	(541,524,134)
Gain on bargain purchase (Note 4)	**–**	–	18,233,464
Gain on modification of convertible instrument (Note 16)	**–**	44,184,116	–
Others - net (Notes 8 and 22)	**43,964,178**	13,636,501	13,372,548
	(452,470,700)	(733,621,112)	(267,677,909)
INCOME (LOSS) BEFORE INCOME TAX	**278,229,195**	(67,961,974)	287,491,630
PROVISION FOR INCOME TAX (Note 21)	**17,564,210**	77,334,070	119,306,595
NET INCOME (LOSS)	**260,664,985**	(145,296,044)	168,185,035
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)	**36,065**	(1,012,493)	7,341,546
Remeasurement loss on retirement benefit plan - net of tax (Notes 17 and 23)	**(20,974,784)**	(6,495,277)	(19,883,943)
Unrealized fair value loss on equity investment at fair value through other comprehensive income (Notes 10 and 17)	**(21,456,608)**	(91,678,234)	(7,802,403)
Items that may be reclassified to profit or loss in subsequent periods			
Currency translation gain (loss) - net	**31,882,632**	(25,536,606)	(1,821,881)
	(10,512,695)	(124,722,610)	(22,166,681)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱250,152,290**	(₱270,018,654)	₱146,018,354
NET INCOME (LOSS) ATTRIBUTABLE TO:			
Shareholders of the Parent Company (Note 28)	**₱246,056,317**	(₱151,842,508)	₱176,290,488
Non-controlling interests	**14,608,668**	6,546,464	(8,105,453)
NET INCOME (LOSS)	**₱260,664,985**	(₱145,296,044)	₱168,185,035
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Shareholders of the Parent Company	**₱233,577,541**	(₱276,211,401)	₱153,439,840
Non-controlling interests	**16,574,749**	6,192,747	(7,421,486)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱250,152,290**	(₱270,018,654)	₱146,018,354
EARNINGS (LOSS) PER SHARE (Note 28)			
Basic	**₱0.17**	(₱0.11)	₱0.12
Diluted	**₱0.17**	(₱0.11)	₱0.12

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, 2025						
	Equity Attributable to Shareholders of the Parent Company						
	Capital Stock (Note 17)	**Retained Earnings** (Note 17)	**Accumulated Comprehensive Income** (Note 17)	**Equity Reserves** (Note 4)	**Total**	**Non-controlling Interests**	**Total Equity**
Balances at beginning of year	**₱1,425,865,471**	**₱152,721,270**	**₱90,918,199**	**₱–**	**₱1,669,504,940**	**(₱13,443,734)**	**₱1,656,061,206**
Comprehensive income (loss):							
Net income	**–**	**246,056,317**	**–**	**–**	**246,056,317**	**14,608,668**	**260,664,985**
Other comprehensive income (loss)	**–**	**–**	**(12,478,776)**	**–**	**(12,478,776)**	**1,966,081**	**(10,512,695)**
Total comprehensive income (loss)	**–**	**246,056,317**	**(12,478,776)**	**–**	**233,577,541**	**16,574,749**	**250,152,290**
Non-controlling interest from a subsidiary (Note 4)	**–**	**–**	**–**	**5,411,097**	**5,411,097**	**1,638,843**	**7,049,940**
Dividend declared (Note 17)	**–**	**–**	**–**	**–**	**–**	**(2,004,742)**	**(2,004,742)**
Balances at end of year	**₱1,425,865,471**	**₱398,777,587**	**₱78,439,423**	**₱5,411,097**	**₱1,908,493,578**	**₱2,765,116**	**₱1,911,258,694**

	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 (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 (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

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱278,229,195**	(₱67,961,974)	₱287,491,630
Adjustments for:			
Depreciation and amortization (Notes 2, 8, 9, 19, 20 and 22)	**1,021,439,252**	1,166,488,225	1,385,459,806
Interest expense (Notes 8, 9, 15, 16, 18 and 22)	**549,069,088**	624,017,665	541,524,134
Loss (gain) on derivative liability (Note 16)	**66,880,574**	218,344,697	(150,810,960)
Impairment of goodwill (Note 4)	**34,312,895**	–	–
Loss on redemption of convertible instruments	**4,708,473**	–	–
Fair value gain on investment at fair value through profit or loss (Note 10)	**(109,033)**	(97,191)	(96,505)
Retirement expense, net of benefits paid and contribution to retirement plan (Notes 19, 20 and 23)	**(8,801,005)**	98,151,328	89,567,679
Interest income (Notes 5, 7, 12 and 18)	**(12,876,555)**	(14,699,557)	(15,293,926)
Gain on disposal and retirement of assets (Notes 8 and 22)	**(27,361,654)**	(4,983,046)	(9,040,408)
Equity in net earnings of associates (Note 11)	**(31,629,367)**	(45,378,483)	(16,164,364)
Unrealized foreign exchange loss (gain)	**(71,173,811)**	47,747,254	(7,356,451)
Gain on modification of convertible instrument (Note 16)	**–**	(44,184,116)	–
Gain on bargain purchase (Note 4)	**–**	–	(18,233,464)
Operating income before changes in working capital	**1,802,688,052**	1,977,444,802	2,087,047,171
Changes in working capital:			
Decrease (increase) in:			
Trade and other receivables	**(14,352,582)**	(177,017,798)	84,507,600
Prepayments and other assets	**(23,990,751)**	169,395,135	214,922,811
Security deposits	**23,344,686**	16,083,397	12,562,384
Other noncurrent assets	**(5,460,355)**	(19,736,877)	11,755,016
Increase (decrease) in:			
Accounts and other payables (Note 27)	**(214,518,022)**	128,318,050	(554,563,029)
Transmission liability	**(163,026,029)**	78,125,827	(250,769,116)
Net cash generated from operations	**1,404,684,999**	2,172,612,536	1,605,462,837
Interest received	**12,876,555**	14,699,557	15,293,926
Income tax paid	**(94,522,620)**	(95,820,880)	(72,702,306)
Net cash provided by operating activities	**1,323,038,934**	2,091,491,213	1,548,054,457
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received (Note 18)	**33,000,000**	30,000,000	39,600,000
Decrease (increase) in due from related parties (Note 27)	**(5,874,270)**	(19,919,481)	37,976,808
Proceeds from disposal of property and equipment and intangible assets (Notes 8 and 9)	**1,744,193**	40,888,839	32,415,505
Acquisitions of:			
Intangible assets (Notes 9 and 27)	**(35,182,410)**	(49,443,047)	(55,237,437)
Property and equipment (Notes 8 and 27)	**(155,805,344)**	(80,479,073)	(745,128,256)
Subsidiaries, net of cash acquired (Note 4)	–	–	501,875
Net cash used in investing activities	**(162,117,831)**	(78,952,762)	(689,871,505)

(Forward)

	Years Ended December 31		
	2025	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from notes payable (Notes 15 and 27)	**4,843,910,878**	1,440,802,109	999,122,465
Increase (decrease) in due to related parties (Note 27)	**10,231,778**	(758,715)	(19,168,129)
Payments of:			
Interest (Note 27)	**(239,807,029)**	(162,527,467)	(107,306,901)
Lease and other noncurrent liabilities (Notes 22 and 27)	**(879,280,518)**	(1,029,084,746)	(1,153,240,832)
Notes payable (Notes 15 and 27)	**(789,443,301)**	(1,848,771,345)	(779,851,700)
Dividends (Note 27)	**(2,004,742)**	–	(1,913,245)
Redemption of convertible instrument	**(4,828,207,357)**	–	(997,458,943)
Net cash used in financing activities	**(1,884,600,291)**	(1,600,340,164)	(2,059,817,285)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(723,679,188)**	412,198,287	(1,201,634,333)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**54,564,962**	39,375,141	(34,134,368)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,733,428,898**	2,281,855,470	3,517,624,171
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱2,064,314,672**	₱2,733,428,898	₱2,281,855,470

See accompanying 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.

On October 14, 2025, the Board of Directors (BOD) approved the transfer of the Company's principal place of business to LBC Central Exchange, L2 C5 Extension, Moonwalk, Parañaque City, Metro Manila and was approved by Securities and Exchange Commission on March 24, 2026.

The accompanying consolidated financial statements of the Group have been approved and authorized for issue by the BOD on April 14, 2026.

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. Details of the functional currencies of the Group's subsidiaries are disclosed as part of material accounting policies. 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, 2025 and 2024 and the year-end date of the Parent Company's financial statements which is December 31, 2025 and 2024.

The consolidated financial statements as of December 31, 2025 were adjusted to effect LBC Express, Inc.'s (LBCE) availment and settlement of bank loans for the period December 1 to 31, 2025 amounting to ₱150.00 million and ₱68.10 million, respectively, adjustment to reflect the decrease in fair value of investment at FVOCI by ₱9.75 million; adjustment to reflect equity share in net loss of Terra Barbaza Aviation, Inc. (TBAI) amounting to ₱1.48 million for the period December 1 to 31, 2025. Further, the additional prepayment for guarantee fee in December 2025 was adjusted amounting to ₱20.26 million.

The consolidated financial statements as of December 31, 2024 were adjusted to effect LBCE's availment and settlement of bank loans for the period December 1 to 31, 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.

Aside from these, there were no other significant transactions that transpired between December 1, 2025 to December 31, 2025, and between December 1, 2024 to December 31, 2024.

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, 2025 and 2024, and for each of the three years in the period ended December 31, 2025.

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 2025	2024
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 Express, Inc. Limited (2)	Kingdom of Saudi Arabia	Logistics	**70%**	–
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%
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 owns a 49% equity interest in the entity. The Group's effective ownership is 74%.
2) LBC Express, Inc. Limited is formerly a branch, converted to Limited Liability Corporation (LLC) on December 1, 2024.
3) 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, 2025, the Group has subsidiaries with non-controlling interests. Percentage of equity held by non-controlling interests in 2025 and 2024 are as follows:

	Country of incorporation	**2025**	2024
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%
LBC Express, Inc. Limited	Kingdom of Saudi Arabia	**30%**	–

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, 2025. 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 21, *Lack of exchangeability*

Standards Issued but not yet Effective

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 consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

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 17, *Insurance Contracts*
- PFRS 18, *Presentation and Disclosure in Financial Statements*

  The standard replaces PAS 1 *Presentation of Financial Statements* and responds to investors' demand for better information about companies' financial performance. The new requirements include:
  - Required totals, subtotals and new categories in the statement of profit or loss
  - Disclosure of management-defined performance measures
  - Guidance on aggregation and disaggregation

  The new standard will have an impact on the presentation of income and expenses and additional disclosures on management-defined performance measures but will not have an impact on the recognition and measurement in the consolidated 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
The Group measures some financial instruments at fair value at each reporting date.

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

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

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 under other current assets, electronic wallet under other current assets, 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, 2025 and 2024, 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.

As at December 31, 2025 and 2024, 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 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.

Prior to settlement, 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.

Gains or losses on liabilities held for trading are recognized in profit or loss.

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' and 'lease 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.

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

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 assets.

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.

Guarantee fee represents advance payment to a related party for the use of its property as collateral in the Group's notes payable.

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 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 (i.e. prepayments and other assets except for 'short term investments' and 'restricted cash', property and equipment, intangible assets, investment in associates and right-of-use assets) 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 (e.g. retirement or resignation).

<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.

Costs and Expense Recognition

Costs and expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be reliably measured.

Costs and expenses are recognized in profit or loss:

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

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets of 2 to 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.

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 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 recognized for all taxable temporary differences except for certain conditions. 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

The Group's consolidated financial statements are presented in Philippine Peso, which is also the Parent Company's functional currency. The functional currency of each entity within the Group is determined separately, and all transactions and balances included in the financial statements of each entity are measured using its respective functional currency.

The financial statements of subsidiaries whose functional currencies differ from the Group's presentation currency are translated into Philippine Peso in accordance with the Group's accounting policies. The functional currencies of these subsidiaries are set out below:

Entity	Foreign Currency
LBC Express Bahrain WLL	Bahraini Dinar
LBC Express Shipping Company WLL	Kuwaiti Dinar
LBC Express LLC	Qatari Riyal
LBC Express, Inc. Limited	Saudi Riyal
LBC Mabuhay Saipan Inc.	US Dollar
LBC Aircargo (S) PTE. LTD	Singapore Dollar
LBC Aircargo (S) PTE. LTD Taiwan Cargo branch	New Taiwan Dollar
LBC LBC Express Airfreight (S) PTE. LTD	Singapore Dollar
LBC Money Transfer PTY Limited	Australian Dollar
LBC Australia PTY Limited	Australian Dollar
LBC Mabuhay (Malaysia) SDN BHD	Malaysian Ringgit
QuadX Pte. Ltd.	US Dollar
LBC Mabuhay (B) Sdn Bhd	Brunei Dollar
LBC Mabuhay Remittance Sdn Bhd	Brunei Dollar
LBC Mundial Corporation	US Dollar
LBC Mundial Nevada Corporation	US Dollar
LBC Business Solutions North America Corp.	US Dollar
LBC Mabuhay North America Corporation	US Dollar
LBC Mundial Cargo Corporation	Canada Dollar
LBC Mabuhay Remittance Corporation	Canada Dollar
LBC Mabuhay Hawaii Corporation	US Dollar
Mermaid Co., Ltd.	Japanese Yen
Blue Eagle and LBC Service Pte. Ltd.	New Taiwan Dollar

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 of the Parent Company 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.

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 assesses the period of delivery and revises its assumptions in determining revenue and contract liability as necessary.

Determining provisions and contingencies and recoverability of tax advance payments

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 legal counsel, that the right is not a contingent asset despite the ambiguity in tax regulations and process that governs the payment.

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. As of December 31, 2025 and 2024, the Group assessed that the amount is fully recoverable and there are no indicators of impairment on the recognized asset.

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 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.

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, 2025 and 2024. 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, 2025 and 2024. Management believes that the Group will be able to generate future taxable income to allow for the realization of recognized deferred tax assets.

In 2025, the Group recognized deferred tax liabilities on taxable temporary differences related to the undistributed earnings of select foreign subsidiaries where the timing of the dividend declaration is expected to finance the payment of principal and interest of a new loan obtained from a local bank.

Further details on recognized and unrecognized deferred tax assets are disclosed in Note 21.

4. **Acquisition of Subsidiary**, **Business Combination 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).

Details of the net assets and purchase consideration follows:

Net assets attributable to Parent Company	₱27,077,464
Less: purchase consideration	8,844,000
Gain on bargain purchase	₱18,233,464

Net cash related to acquisition of the above entities as shown in the 2023 consolidated statement of cash flow amounted to ₱501,875.

The gain on bargain purchase amounting to ₱18.23 million was presented under "Other income (charges)" in the consolidated statements of comprehensive income.

Conversion of LBC Express, Inc. Limited
On December 1, 2024, the branch of LBCE in Kingdom of Saudi Arabia (KSA) was converted to a Limited Liability Corporation (LLC). Subsequently, the Parent Company retained 70% of the total capital of *LBC Express, Inc. Limited* while the remaining 30% interest was acquired by third-parties for a total consideration of ₱7.05 million. The Group recognized the share of non-controlling interest in the net assets and the difference of ₱5.41 million as equity reserve.

Identifiable assets acquired, and liabilities assumed of LBC Express, Inc. Limited
The identifiable assets and liabilities of *LBC Express, Inc. Limited* were already included in the Group's consolidated financial statements in prior years as a branch.

There were no other acquisitions and disposal of subsidiaries for the years ended December 31, 2025 and 2024.

Impairment testing of Goodwill
The Group performed its annual impairment testing of goodwill amounting to ₱252.71 million and ₱287.02 million as of December 31, 2025 and 2024, respectively, 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, 2025 and 2024 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 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 2.48% to 6.31% and 3.61% to 6.01% in 2025 and 2024, respectively, and long-term growth rate of 1.00% to 2.00% in 2025 and 2024. 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 rates used in 2025 and 2024 range from 5.70% to 12.41% and 8.04% to 13.90%, 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 of LBC Aircargo (S) PTE. LTD Taiwan Cargo branch, the carrying amounts plus goodwill exceeded the recoverable amount, hence, an impairment of goodwill was recognized in 2025 amounting to ₱34.31 million (see Note 20). No impairment of goodwill was recognized in 2024 and 2023.

As of December 31, 2025 and 2024, the carrying value of goodwill amounted to ₱252.71 million and ₱287.02 million, respectively.

5. Cash and Cash Equivalents

This account consists of:

	2025	2024
Cash on hand	**₱154,039,496**	₱167,493,160
Cash in banks	**1,835,212,224**	2,565,921,170
Cash equivalents	**75,062,952**	14,568
	₱2,064,314,672	₱2,733,428,898

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 0.05% to 5.50%, 0.06% to 2.75%, and 0.05% to 0.38%, per annum in 2025, 2024 and 2023, respectively. Interest income earned from cash and cash equivalents amounted to ₱0.92 million, ₱1.81 million, and ₱0.60 million in 2025, 2024 and 2023, respectively.

6. Trade and Other Receivables

This account consists of:

	2025	2024
Trade receivable - outside parties	**₱1,961,865,931**	₱1,985,699,950
Trace receivable - related parties (Note 18)	**382,581,338**	360,338,701
	2,344,447,269	2,346,038,651
Less allowance for impairment losses	**333,147,196**	338,223,650
	2,011,300,073	2,007,815,001
Other receivables:		
Advances to officers and employees	**115,645,909**	93,510,501
Others	**21,625,223**	25,843,181
	₱2,148,571,205	₱2,127,168,683

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 receivable from noncontrolling interest of LBC KSA.

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:

	2025	2024
Balance at beginning of year	**₱338,223,650**	₱257,482,114
Provision for expected credit losses (Note 20)	**39,889,611**	80,741,536
Accounts written-off and others	**(44,966,065)**	–
Balance at end of year	**₱333,147,196**	₱338,223,650

7. Prepayments and Other Assets

This account consists of:

	2025	2024
Prepayments:		
Taxes	**₱2,074,237,900**	₱2,080,621,361
Guarantee fees (Notes 15 and 18)	**128,039,630**	–
Insurance	**61,372,515**	53,672,732
Employee benefits	**24,305,897**	19,781,457
Rent	**19,561,104**	14,627,985
Transportation supplies	**6,439,031**	7,957,537
Software maintenance	**6,017,588**	5,388,171
Dues and subscriptions	**878,706**	2,994,853
Advertising	**286,339**	63,905
Others	**50,176,269**	44,409,884
Creditable withholding taxes (CWTs)	**396,837,696**	394,967,837
Materials and supplies	**196,900,207**	198,058,276
Restricted cash	**89,999,513**	180,330,339
Loans receivable (Note 12)	**72,075,846**	76,656,440
Input VAT	**59,738,874**	83,273,389
Security deposits	**41,786,091**	27,686,637
Short-term cash investments	**30,753,458**	29,710,204
Electronic wallet	**12,479,507**	15,143,278
Others	**2,778,133**	2,909,810
	3,274,664,304	3,238,254,095
Less allowance for impairment losses (Note 20)	**6,959,107**	–
	3,267,705,197	3,238,254,095
Less: noncurrent portion	**2,098,819,710**	2,093,359,358
	₱1,168,885,487	₱1,144,894,737

Details of noncurrent portion follow:

	2025	2024
Prepaid taxes	**₱1,786,734,538**	₱1,786,734,538
Creditable withholding taxes (CWTs)	**152,237,367**	242,130,536
Guarantee fees (Notes 15 and 18)	**94,000,000**	–
Loans receivable (Note 12)	**55,739,292**	62,308,929
Prepaid rent	**1,620,933**	1,769,248
Others	**8,487,580**	416,107
	₱2,098,819,710	₱2,093,359,358

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 guarantee fee pertains to advance payments to related party guarantor to secure the loan from a local bank.

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.

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 2025, 2024 and 2023 amounted to ₱587.67 million, ₱447.53 million, and ₱655.34 million, respectively (see Note 19).

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. Interest ranging from 4.30% to 5.75% and 5.00% to 6.00% in 2025 and 2024, respectively.

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 ₱10.47 million, ₱10.94 million, and ₱12.23 million, in 2025, 2024 and 2023, respectively.

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).

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.

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.

In 2025, the Group recognized allowance for impairment loss amounting to ₱6.96 million on prepayments and other assets (see Note 20).

8. Property and Equipment

The rollforward analysis of this account follows:

	2025							
	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Building	Land	Construction in Progress	Total
Costs								
Balances at beginning 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**
Additions	**15,448,978**	**24,325,901**	**15,050,876**	**30,259,355**	**5,677,098**	**–**	**26,156,422**	**116,918,630**
Reclassifications	**–**	**903,091**	**–**	**–**	**–**	**–**	**(903,091)**	**–**
Disposals	**(8,311,654)**	**(614,188,793)**	**(101,868,826)**	**(21,012,732)**	**–**	**–**	**(27,403,331)**	**(772,785,336)**
Effect of changes in foreign currency exchange rates	**1,428,801**	**(578,178)**	**278,491**	**3,075**	**–**	**–**	**–**	**1,132,189**
Balances at end of year	**454,819,490**	**523,483,923**	**255,580,073**	**536,713,690**	**1,143,567,248**	**1,031,257,734**	**17,742,625**	**3,963,164,783**
Accumulated depreciation and amortization								
Balances at beginning of year	**377,537,152**	**970,348,216**	**279,297,638**	**480,190,440**	**22,757,803**	**–**	**–**	**2,130,131,249**
Depreciation (Notes 19 and 20)	**23,540,462**	**42,472,867**	**26,681,427**	**30,254,997**	**22,984,887**	**–**	**–**	**145,934,640**
Disposals	**(7,422,368)**	**(612,061,405)**	**(97,503,397)**	**(13,561,098)**	**–**	**–**	**–**	**(730,548,268)**
Effect of changes in foreign currency exchange rates	**343,109**	**(534,120)**	**1,014,144**	**111,787**	**–**	**–**	**–**	**934,920**
Balances at end of year	**393,998,355**	**400,225,558**	**209,489,812**	**496,996,126**	**45,742,690**	**–**	**–**	**1,546,452,541**
Net book value	**₱60,821,135**	**₱123,258,365**	**₱46,090,261**	**₱39,717,564**	**₱1,097,824,558**	**₱1,031,257,734**	**₱17,742,625**	**₱2,416,712,242**

	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	–	–	39,735,541	91,642,038
Reclassifications	–	21,928,206	–	–	–	–	(21,928,206)	–
Disposals	(106,830,905)	(628,294,492)	(145,463,133)	(427,229,544)	(3,490,462)	–	(7,730,144)	(1,319,038,680)
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

Depreciation charges were recognized as follows:

	2025	2024	2023
Cost of services (Note 19)	**₱137,066,997**	₱204,680,615	₱265,292,116
Operating expenses (Note 20)	**8,867,643**	12,418,029	21,660,301
	₱145,934,640	₱217,098,644	₱286,952,417

Land with carrying amount of ₱1,031.26 million was used as collateral to secure the bank loan (see Note 15).

In 2025 and 2024, the Group disposed and retired property and equipment with carrying values of ₱42.24 million and ₱27.66 million, respectively, for a total consideration of ₱1.74 million and ₱35.90 million, respectively. The Group recognized (loss)/gain on sale and retirement of assets amounting to (₱40.50 million), ₱4.98 million and in ₱9.04 million in 2025, 2024 and 2023, respectively. This is presented under 'Others-net" in 'Other charges, in the consolidated statements of comprehensive income.

The Group has unpaid property and equipment amounting to ₱22.24 million and ₱61.13 million for 2025 and 2024, respectively (see Note 27).

There were no capitalized borrowing costs in 2025 and 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:

	2025		
	Software	**Development in Progress**	**Total**
Costs			
Balances at beginning of year	**₱591,708,803**	**₱45,643,832**	**₱637,352,635**
Additions	**12,664,797**	**24,351,702**	**37,016,499**
Disposal	**(249,243,891)**	**–**	**(249,243,891)**
Reclassification	**12,274,000**	**(12,274,000)**	**–**
Effect of changes in foreign currency exchange rates	**(287,952)**	**(140,426)**	**(428,378)**
Balances at end of year	**367,115,757**	**57,581,108**	**424,696,865**
Accumulated Amortization			
Balances at beginning of year	**425,076,484**	–	**425,076,484**
Amortization (Notes 19 and 20)	**81,997,630**	–	**81,997,630**
Disposal	**(249,116,732)**	–	**(249,116,732)**
Effect of changes in foreign currency exchange rates	**(961,560)**	–	**(961,560)**
Balances at end of year	**256,995,822**	–	**256,995,822**
Net book value	**₱110,119,935**	**₱57,581,108**	**₱167,701,043**

	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 and retirement	(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 and retirement	(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

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 in 2023.

Development in progress pertains to costs related to ongoing development of software, user license and implementation costs.

The Group has unpaid intangible assets amounting to ₱1.83 million and nil for 2025 and 2024, respectively.

In 2025, the Group acquired services in relation to the implementation of a new version of accounting system. Upon its completion, the Group retired the entire amount related to its previous version. There is no gain or loss on retirement of intangible assets recognized in 2025 and 2024.

There were no capitalized borrowing costs in 2025 and 2024.

Amortization charges were recognized as follows:

	2025	2024	2023
Cost of services (Note 19)	**₱392,036**	₱1,191,007	₱3,326,364
Operating expenses (Note 20)	**81,605,594**	73,831,446	70,478,102
	₱81,997,630	₱75,022,453	₱73,804,466

10. Investments at Fair Value through Profit or Loss and through OCI

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

Investment at FVOCI represents investment in the quoted shares of stock of Araneta Properties, Inc.

Movements of the investments at FVPL and FVOCI follow:

FVPL	2025	2024
Balance at beginning of year	**₱2,360,759**	₱2,263,568
Unrealized fair value gain during the year	**109,033**	97,191
Balance at end of year	**₱2,469,792**	₱2,360,759

FVOCI	2025	2024
Balance at beginning of year	**₱99,480,637**	₱191,158,872
Unrealized fair value loss during the year	**(21,456,608)**	(91,678,235)
Balance at end of year	**₱78,024,029**	₱99,480,637

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 loss on investment at FVOCI follow:

	2025	2024
Balance at beginning of year	**(₱164,631,125)**	(₱72,952,890)
Unrealized loss during the year from quoted investments	**(21,456,608)**	(91,678,235)
Balance at end of year (Note 17)	**(₱186,087,733)**	(₱164,631,125)

11. Investment in Associates

Investment in Terra Barbaza Aviation, Inc. (TBAI)

The Group has 20,000,000 non-voting Preferred A Shares, 29,436,988 non-voting Preferred B Shares and 1,250 common shares which represent 24.762% of the total outstanding common shares of TBAI as of December 31, 2025 and 2024. 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:

	2025	2024
Costs		
Balances at beginning and end of year	**₱79,809,022**	₱79,809,022
Accumulated Equity on Net Earnings		
Balances at beginning of year	**11,251,681**	2,408,713
Equity share in net earnings (losses)	**(4,025,585)**	8,842,968
Balances at end of year	**7,226,096**	11,251,681
Carrying Value	**₱87,035,118**	₱91,060,703

The summarized statements of financial position of TBAI follows:

	2025	2024
Current assets	**₱84,848,044**	₱98,764,744
Noncurrent assets	**398,242,961**	408,589,267
Current liabilities	**(6,394,300)**	(13,395,197)
Noncurrent liabilities	**(36,873,025)**	(37,878,024)
Equity	**439,823,680**	456,080,790
Less: total preferred shares	**(286,058,916)**	(286,058,916)
Sub-total	**153,764,764**	170,021,874
Proportion of Group's ownership	**24.762%**	24.762%
Group's share in identifiable asset	**38,075,231**	42,100,816
Group's share on preferred shares	**49,436,988**	49,436,988
Implied goodwill	**(477,101)**	(477,101)
Carrying amount of the investment	**₱87,035,118**	₱91,060,703

The summarized statement of comprehensive income of TBAI follows:

	2025	2024
Revenue	**₱71,635,592**	₱99,577,885
Cost and expenses	**87,892,701**	63,866,035
Net income (loss)	**(₱16,257,109)**	₱35,711,850
Group's share in total comprehensive income (loss)	**(₱4,025,585)**	₱8,842,968

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.

Movement in the investment in OFII is as follows:

	2025	2024
Costs		
Balances at beginning and end of year	**₱227,916,452**	₱227,916,452
Accumulated Equity on Net Earnings		
Balances at beginning of year	**47,345,117**	40,809,602
Equity share in net earnings	**35,654,952**	36,535,515
Less dividend income (Note 18)	**(33,000,000)**	(30,000,000)
Balances at end of year	**50,000,069**	47,345,117
Other Comprehensive Income		
Balances at beginning of year	**3,613,333**	4,625,826
Equity share in other comprehensive income	**36,065**	(1,012,493)
Balances at end of year	**3,649,398**	3,613,333
Carrying Value	**₱281,565,919**	₱278,874,902

The summarized statements of financial position of OFII follows:

	2025	2024
Current assets	**₱653,085,981**	₱619,467,749
Noncurrent assets	**166,932,128**	196,606,554
Current liabilities	**(224,875,327)**	(223,988,556)
Noncurrent liabilities	**(97,788,051)**	(103,701,073)
Equity	**497,354,731**	488,384,674
Proportion of Group's ownership	**30.00%**	30.00%
Group's share in identifiable asset	**149,206,419**	146,515,402
Implied goodwill	**132,359,500**	132,359,500
Carrying amount of the investment	**₱281,565,919**	₱278,874,902

The summarized statement of comprehensive income of OFII follows:

	2025	2024
Revenue	**₱967,386,980**	₱933,381,150
Cost and expenses	**848,537,138**	811,596,100
Net income	**118,849,842**	121,785,050
Other comprehensive income	**120,216**	(3,374,977)
Total comprehensive income	**118,970,058**	118,410,073
Group's share in total comprehensive income	**₱35,691,017**	₱35,523,022

On February 28, 2025, LBCH received stock dividends from OFII equivalent to 364,285 shares. There is no change in the percentage of ownership.

In 2025 and 2024, OFII declared dividends amounting to ₱33.00 million and ₱30.00 million, respectively (see Note 18).

No impairment loss was recognized for the investment in associates in 2025 and 2024.

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, within the Licensed Territory. Licensed Territory refer to Japan and other Asian countries agreed between the parties. As consideration for the exclusive use of license, LBCH shall pay royalty of $0.13 million annually.

In 2025, 2024 and 2023, LBCH incurred royalty fees amounting to ₱7.20 million, ₱7.18 million, and ₱6.96 million, respectively. The related payable was offset to LBCH's interest receivable and loan receivable from Transtech amounting to ₱1.49 million and ₱5.71 million, respectively in 2025 and to ₱1.65 million and ₱5.53 million, respectively in 2024. Effect of foreign currency exchange rate related to interest receivable and loan receivable amounted to (₱1.13 million), ₱1.43 million and ₱2.14 million in 2025, 2024 and 2023, respectively.

Loans receivable as at December 31, 2025 and 2024 is as follows:

	2025	2024
Current portion*	**₱16,336,554**	₱14,347,511
Noncurrent portion**	**55,739,292**	62,308,929
	₱72,075,846	₱76,656,440

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

Interest income earned amounted to ₱1.49 million, ₱1.65 million, and ₱1.75 million, in 2025, 2024, and 2023, respectively.

13. Accounts and Other Payables and Other Noncurrent Liabilities

This account consists of:

	2025	2024
Trade payable - outside parties	**₱1,191,387,524**	₱1,487,433,293
Trade payable - related parties (Note 18)	**14,009,050**	35,542,042
Accruals:		
Salaries, wages and other benefits	**255,877,829**	346,688,822
Claims	**110,361,531**	201,867,232
Taxes	**90,569,168**	96,122,244
Rent and utilities	**89,047,272**	114,258,130
Contracted jobs	**86,259,906**	81,312,503
Advertising	**45,179,669**	40,833,849
Software maintenance	**34,185,298**	25,943,477
Professional fees	**33,888,898**	29,065,510
Outside services	**15,713,963**	21,126,291
Others	**48,123,878**	50,065,050
Taxes payable	**767,050,128**	644,568,764
Contract liabilities	**303,949,758**	248,208,450
Government agencies contributions payables	**42,396,156**	39,968,667
Others	**42,457,111**	55,299,957
	₱3,170,457,139	₱3,518,304,281

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 including other employee benefits payable within one year.

Software maintenance cost includes fees related to an enterprise agreement in which the Group incurred interest expense amounting to ₱0.84 million and ₱1.12 million for 2025 and 2024, 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.

Other noncurrent liabilities, amounting to ₱102.78 million and nil as of December 31, 2025 and 2024, respectively, pertains to accumulated other employee benefits that are expected to be paid upon resignation or retirement.

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.

This also includes collections related to cash-on delivery and cash-on-pick up services of the Company which are to be remitted on the next one-to-two banking day to the customers.

Transmissions liability amounted to ₱521.83 million (₱4.35 million of which is payable to an affiliate) and ₱684.86 million (₱8.95 million of which is payable to an affiliate) as at December 31, 2025 and 2024, 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, 2025 and 2024 are described below:

	December 31, 2025					
Bank		Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
a.	Unionbank of the Philippines	Aug 2021	₱82,884,879	Aug 2026	7.71%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Dec 2021	10,715,040	Dec 2031	7.89%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Feb 2022	11,930,585	Dec 2031	7.89%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Mar 2022	18,784,985	Dec 2031	7.89%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Apr 2022	15,841,539	Dec 2031	7.79%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	May 2022	16,692,308	Dec 2031	7.89%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Jul 2022	11,792,308	Dec 2031	7.89%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Aug 2022	3,823,077	Dec 2031	7.89%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Oct 2022	7,571,053	Dec 2031	7.89%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Nov 2022	4,918,421	Dec 2031	7.89%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Jan 2023	44,667,568	Dec 2031	7.89%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Jan 2023	31,840,541	Dec 2031	7.89%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Mar 2023	41,300,000	Dec 2031	7.89%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	Apr 2023	26,075,000	Dec 2031	7.89%, subject to repricing	With mortgage; Interest and principal payable every quarter
	Unionbank of the Philippines	May 2023	21,000,000	Dec 2031	7.89%, subject to repricing	With mortgage; Interest and principal payable every quarter

(Forward)

		December 31, 2025				
Bank		Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
	Unionbank of the Philippines	**Jun 2023**	**₱37,080,000**	**Dec 2031**	**7.89%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
	Unionbank of the Philippines	**Jul 2023**	**55,500,000**	**Dec 2031**	**7.89%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
	Unionbank of the Philippines	**Jul 2023**	**4,566,650**	**Dec 2031**	**7.89%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
	Unionbank of the Philippines	**Jul 2023**	**3,495,233**	**Dec 2031**	**7.89%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
	Unionbank of the Philippines	**Aug 2023**	**40,739,940**	**Dec 2031**	**7.89%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
	Unionbank of the Philippines	**Sep 2023**	**52,110,255**	**Dec 2031**	**7.89%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
	Unionbank of the Philippines	**Dec 2023**	**37,846,975**	**Dec 2031**	**7.89%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
	Unionbank of the Philippines	**Dec 2023**	**41,881,803**	**Dec 2031**	**7.89%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
	Unionbank of the Philippines	**Apr 2024**	**4,113,281**	**Dec 2031**	**7.89%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
	Unionbank of the Philippines	**May 2024**	**6,604,839**	**Dec 2031**	**7.89%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
	Unionbank of the Philippines	**Aug 2025**	**61,049,774**	**Dec 2031**	**7.81%, subject to repricing**	**With mortgage; Interest and principal payable every quarter**
b.	**Unionbank of the Philippines**	**July 2025**	**18,000,000**	**Jan 2026**	**8.38%, subject to repricing**	**Clean; Interest payable every month, principal payable upon maturity**
c.	**Banco de Oro**	**Oct 2021**	**42,375,000**	**May 2026**	**6.63%, subject to repricing**	**With mortgage; Interest payable every month, principal payable quarterly**
d.	**Banco de Oro**	**Sep 2025, Nov 2025**	**100,000,000**	**May 2026, Mar 2026**	**6.63%, subject to repricing**	**Clean; Interest payable every month, principal payable upon maturity**
e.	**Banco de Oro**	**Sep 2025**	**20,000,000**	**Mar 2026**	**6.63%, subject to repricing**	**Clean; Interest payable every month, principal payable upon maturity**
f.	**Banco de Oro**	**Oct 2025**	**45,000,000**	**Apr 2026**	**6.63%, subject to repricing**	**Clean; Interest payable every month, principal to be paid on maturity date**
g.	**Banco de Oro**	**May 2025**	**115,000,000**	**May 2026**	**6.63%, subject to repricing**	**Clean; Interest payable every month, principal to be paid on maturity date**
p.	**Rizal Commercial Banking Corporation**	**Oct 2025, Nov 2025**	**57,601,322**	**Jan 2026, Feb 2026**	**7.75%, subject to repricing**	**AR Assignment, Interest deducted in full, Principal payable upon maturity**

(Forward)

	Bank	Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
			December 31, 2025			
s.	**Banco de Oro**	**Dec 2025**	**₱150,000,000**	**Jun 2026**	**8.25%, subject to repricing**	**Clean; Interest payable every month, Principal amount of P50M due on the 6th month and every 2 months thereafter.**
t.	**Unionbank of the Philippines**	**Dec 2025**	**50,000,000**	**Jun 2026**	**8.25%, subject to repricing**	**Clean; Interest payable every quarter, principal payable upon maturity**
u.	**Banco de Oro**	**Aug 2025**	**4,676,357,338**	**Aug 2035**	**6.25%, subject to repricing**	**With mortgage; Interest payable every month and principal payable semi-annually**
Total			**₱5,969,159,714**			
Current portion			**₱1,074,354,992**			
Noncurrent portion			**₱4,894,804,722**			

	Bank	Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
			December 31, 2024			
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
	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

(*Forward*)

Bank		Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
			December 31, 2024			
	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
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

(Forward)

Bank		Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
			December 31, 2024			
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 2025	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	Jun 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			

a. In 2020, the Company 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. In 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. LBCE paid ₱110.51 million in 2025 and 2024, each year. As of November 30, 2025, the outstanding amount of loan is ₱82.88 million.

To finance the construction of the warehouse, on March 21, 2021, LBCE availed of ₱840.00 million credit facility from UBP and availed the loan on various dates as follows:

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 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. LBCE settled in aggregate of ₱14.61 million in 2025 and 2024, respectively.

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 million, respectively. Settlements made in 2025 and 2024 amounted to ₱2.00 million, respectively.

In 2023, additional availments were made in an aggregate amount of ₱509.30 million and settled ₱70.10 million in 2025 and 2024, respectively.

In 2024 and 2025, additional availments were made in an aggregate amount of ₱118.70 million and ₱63.59 million, respectively. Settlements made in 2025 and 2024 amounted to ₱1.71 million and ₱13.78 million, respectively.

On August 28, 2025, additional availment was made in the amount of ₱63.59 million and settled ₱2.54 million in 2025.

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 settled in August 2024. It was rolled over in August 2024 amounting to ₱7.60 million and settled in February 2025.

   Additional availments were made in January 2025 amounting to ₱11.90 million with maturity date of July 2025. The total amount of ₱18.00 million was rolled over in July 2025 with maturity date of January 2026.

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. Settlements made in 2025 and 2024 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, 2025 is ₱49.21 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, November 2024, March 2025, May 2025, September 2025 and November 2026. The maturity dates are in May 2026 and March 2026.

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, October 2024, March 2025, and September 2025 with maturity date in March 2026.

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, October 2024, May 2025 and October 2025 with maturity date in April 2026.

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, November 2024 and May 2025 at the amount of ₱125.00 million. In November 2025, it was rolled at the amount of ₱115.00 million with maturity date in May 2026. Settlements made in 2025 amounted to ₱10.00 million.

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. This was fully settled in 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 ₱103.77 million with maturity date of April 2024 and November 2025, respectively. This was fully settled in 2025. Settlements made in 2025 and 2024 amounted to ₱115.30 million and ₱13.00 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. It was further rolled over in May 2025 with maturity date of November 2025. This was fully settled in 2025. Total amount paid in 2025 and 2024 amounted to ₱10.6 million and ₱1.20 million, respectively.

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, May 2024 and May 2025 with maturity date of November 2025. This was fully settled in 2025. Total amount paid in 2025 and 2024 amounted to ₱65.00 million and ₱7.30 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, June 2024, June 2025 with maturity date of December 2025. This was fully settled in 2025. Settlements in 2025 and 2024 amounted to ₱7.29 million and ₱1.71 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. In May 2025, it was rolled over in the amount of ₱21.87 million with maturity date of November 2025. This was fully settled in 2025. Total amount paid in 2025 and 2024 amounted to ₱24.30 million and ₱2.70 million, respectively.

n. On June 10, 2023, LBCE availed a short-term loan interest bearing with RCBC amounting to ₱24.30 million to finance working capital. This was rolled over in June 2024 and June 2025 with outstanding balance amounting to ₱21.80 million and maturity date of December 2025. This was fully settled in 2025. Settlements made in 2025 and 2024 amounted to ₱21.80 million and ₱2.50 million, respectively.

o. On June 14, 2023, LBCE availed a short-term loan interest bearing with RCBC amounting to ₱27.30 million to finance working capital. This was rolled over in December 2023, June 2024 and June 2025 with outstanding balance amounting to ₱22.50 million and maturity date of November 2025. This was fully settled in 2025. Settlements made in 2025 and 2024 amounted to ₱22.00 million and ₱2.50 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 of these loans as of December 31, 2025 and 2024 amounted to nil and ₱96.61 million, respectively. This was fully settled in 2025.

   In August 2025 and September 2025, LBCE availed short-term loans from RCBC amounting to ₱47.92 million to finance working capital with maturity dates of October 2025 and November 2025.

   In October 2025 and November 2025, LBCE availed additional short-term loans amounting to ₱57.60 million with maturity dates of January 2026 and February 2026.

q. On May 22, 2024, LBCE availed a one-year loan interest bearing with RCBC amounting to ₱19.00 million to finance working capital. This was fully settled in 2025.

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. The loan is secured by accounts receivable amounting to ₱200.00 million. This was fully settled in 2025.

s. In October 2024, LBCE availed a one-year loan interest bearing with BDO amounting to ₱200.00 million to finance working capital. This was fully settled in 2025.

   In December 2025, LBCE availed a short-term loan interest bearing with BDO amounting to ₱150.00 million to finance working capital with maturity date in June 2026.

t. In December 2024, LBCE a short-term loan interest bearing with UBP amounting to ₱50.00 million to finance working capital. It was rolled over in June 2025 and December 2025 with maturity date of June 2026.

u. On August 20, 2025, the Group entered into a loan agreement with BDO to finance the redemption of the convertible instrument amounting to ₱4.70 billion allocated to LBCH and LBCE at the amount of ₱3.40 billion and ₱1.30 billion, respectively. The interest will be paid monthly while the principal will be paid semi-annually for five years starting February 2026. Total transaction cost of the loan recognized and to be amortized over the life of the loan amounted to ₱35.20 million

   The loan is secured with real estate mortgage on various properties owned by an affiliate valued at ₱4.93 billion. Effective the same date, in consideration of the affiliate's accommodation to the Group's request to use its assets as loan collateral, the Group agreed to pay the affiliate a guarantee fee of 1% of the face value of the loan and until said assets are released by the bank as loan collateral. The guarantee fee is reported as part of interest expense in the consolidated statements of comprehensive income amounting to ₱16.00 million in 2025.

Interest expense amounted to ₱245.46 million, ₱159.57 million, and ₱108.79 million, in 2025, 2024 and 2023, respectively.

The loans were used primarily for working capital requirements and are not subject to any loan covenants with exception to the matters discussed above. As of December 31, 2025 and 2024, the Group is compliant with its debt covenants.

Movements in the notes payable account are as follows:

	2025	2024
Balance at beginning of year	**₱1,914,692,137**	₱2,322,661,373
Availments	**4,843,910,878**	1,440,802,109
Payments	**(789,443,301)**	(1,848,771,345)
Balance at end of year	**₱5,969,159,714**	₱1,914,692,137

The maturity analysis of the notes payable follows:

	December 31, 2025	**Interest rate**	December 31, 2024	Interest rate
Due 2025	**₱–**	**–**	₱1,238,540,861	6.625%-9.00%
Due 2026	**1,074,354,992**	**6.25-8.25%**	234,057,136	6.625%-8.21%
Due 2027	**543,493,790**	**6.25-7.47%**	88,418,828	6.625%-8.21%
Due 2028	**543,493,790**	**6.25-7.47%**	88,418,828	6.625%-8.21%
Due 2029	**593,493,790**	**6.25-7.47%**	88,418,828	6.625%-8.21%
Due 2030	**3,095,451,128**	**6.25-7.47%**	88,418,828	6.625%-8.21%
Due 2031	**118,872,224**	**6.25-7.47%**	88,418,828	6.625%-8.21%
	₱5,969,159,714		₱1,914,692,137	

16. **Convertible Instrument**

This account consists of:

	2025	2024
Derivative liability		
Balances at beginning of year	**₱2,528,532,365**	₱2,030,069,446
Fair value loss on derivative	**66,880,573**	218,344,697
Modification of maturity date	**–**	280,118,222
Loss on redemption	**4,708,473**	–
Redemption	**(2,600,121,411)**	–
Balances at end of year	**₱–**	₱2,528,532,365
Bond payable		
Balances at beginning of year	**₱2,065,585,876**	₱1,979,740,743
Accretion of interest	**187,020,306**	319,594,107
Amortization of issuance cost	**–**	1,049,271
Modification of maturity date	**–**	(324,302,338)
Unrealized foreign exchange (gain) loss	**(24,520,236)**	89,504,093
Redemption	**(2,228,085,946)**	–
Balances at end of year	**₱–**	₱2,065,585,876

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.

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, the latest Relevant Period subsequent to the issuance of the convertible instrument and prior to the final settlement. 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.

On August 15, 2025, LBCH received a notice setting the maturity date of the convertible instrument on September 15, 2025. The instrument amounting to $39.0 million was redeemed by the Group on the said date for a total redemption price of ₱4,828.21 million (US$84.51 million). Total loss on redemption of convertible instrument amounted to ₱4.71 million in 2025.

17. **Equity**

Capital Stock
As of December 31, 2025 and 2024, 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
Less: Movement	–			–
December 31, 2024-2025	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 ₱1,236.14 million, ₱1,282.91 million, and ₱850.51 million as of December 31, 2025, 2024 and 2023, 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, 2025.

Cash dividends
On May 10, 2025, 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 May 25, 2025. This was paid in 2025 which amounted to ₱3.93 million of which ₱2.00 million is attributed to noncontrolling interest.

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.

No dividends were declared in 2024.

Accumulated comprehensive income (loss)
Details of accumulated comprehensive income (loss) as at December 31 follow:

	2025	2024	2023
Remeasurement gain on retirement benefit plan, net of tax (Note 23)	**₱221,194,737**	₱242,169,521	₱248,664,798
Unrealized fair value loss on investment at FVOCI (Note 10)	**(186,087,733)**	(164,631,125)	(72,952,890)
Share in other comprehensive income of an associate (Note 11)	**3,649,398**	3,613,333	4,625,826
Currency translation gain, net of tax	**39,370,755**	7,488,123	33,024,728
	₱78,127,157	₱88,639,852	₱213,362,462

Accumulated comprehensive loss attributable to:			
Controlling interest	**₱78,439,423**	₱90,918,199	₱215,287,092
Non-controlling interest	**(312,266)**	(2,278,347)	(1,924,630)
	₱78,127,157	₱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:

	2025			
	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)	**₱92,522,862**	**₱382,581,338**	**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	**₱551,589**	**₱1,018,858,874**	**Noninterest-bearing; due and demandable**	**Secured**
Entities under common control				
b.) Advances	**–**	**7,545,048**	**Noninterest-bearing; due and demandable**	**Unsecured**
b.) Receivable under regular trade agreements	**29,521,128**	**89,274,372**	**Noninterest-bearing; due and demandable**	**Unsecured**
b.) Expense reimbursements	**3,247,035**	**12,262,525**	**Noninterest-bearing; due and demandable**	**Unsecured**
Beneficial Owners				
b.) Advances	**–**	**37,709,077**	**Noninterest-bearing; due and demandable**	**Unsecured**
		₱1,165,649,896		

(*Forward*)

	2025			
	Amount/Volume	**Receivable (Payable)**	**Terms**	**Conditions**
Dividend receivable				
f.) Associate (Note 11)	**₱33,000,000**	**₱–**	**Noninterest-bearing; due and demandable**	**Unsecured**
Due to related parties (Trade payables)				
Ultimate Parent Company				
c.) Royalty fee (Note 13)	**₱–**	**(₱129,109)**	**Noninterest-bearing; due and demandable**	**Unsecured**
Associate				
d.) Sea freight and brokerage (Note 13)	**582,022,255**	**(13,879,941)**	**Noninterest-bearing; due and demandable**	**Unsecured**
		(₱14,009,050)		
Due to a related party (Non-trade payables)				
Ultimate Parent Company				
g.) Guarantee fee	**₱16,000,152**	**(₱15,752,371)**	**Noninterest-bearing; due and demandable**	**Unsecured**
Entities under common control				
b.) Payable under regular trade agreement	**49,139,446**	**(4,676,737)**	**Noninterest-bearing; due and demandable**	**Unsecured**
Officer				
b.) Advances	**–**	**(524,565)**	**Noninterest-bearing; due and demandable**	**Unsecured**
		(₱20,953,673)		
Due to a related party (Transmissions liability)				
Subsidiaries - under common control				
a.) Money remittance payable (Note 14)	**₱466,841,855**	**(₱4,353,178)**	**Noninterest-bearing; due and demandable**	**Unsecured**

	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

	2024			
	Amount/Volume	Receivable (Payable)	Terms	Conditions
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)		
Due to a related party (Non-trade payables)				
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)		
Due to a related party (Transmissions liability)				
Subsidiaries - under common control				
a.) Money remittance payable (Note 14)	₱535,938,108	(₱8,947,731)	Noninterest-bearing; due and demandable	Unsecured

Compensation of Key Management Personnel:

	2025	2024
Salaries and wages	**₱118,967,874**	₱119,855,340
Retirement benefits (Note 23)	**18,031,625**	21,081,137
Other short-term employee benefits	**6,380,235**	6,125,999
	₱143,379,734	₱147,062,476

a. In the normal course of business, the Group fulfills the delivery of balikbayan boxes and other courier products, 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. Further, the affiliates engaged in money remittance services send advance funding covers for the settlements of money remittances to cover non-banking days such as during the weekends and holidays. While affiliates engaged in cargo delivery services provides deposits that serves as revolving fund to settle cargo related transactions.

   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 2025 and 2024.

   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 nil and ₱9.21 million as of December 31, 2025 and 2024, 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 July 2025, the receivable become due and demandable.

   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. The pledge agreement was renewed in 2025.

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 2025, and 2024 the remaining balance of royalty fee amounted to ₱129,109 and ₱128,915, 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 was fully collected in 2024. Interest income earned from notes receivable amounted to nil, ₱0.30 million, and ₱0.72 million in 2025, 2024 and 2023, respectively.

f. On June 11, 2025 and June 26, 2024, LBCH recognized cash dividend from OFII amounting to ₱33.00 million and ₱30.00 million, respectively, for its 30% interest on OFII.

g. On August 20, 2025, the Group entered into a loan agreement with BDO to finance the redemption of the convertible instrument amounting to ₱4.70 billion allocated to LBCH and LBCE at the amount of ₱3.40 billion and ₱1.30 billion, respectively. The interest will be paid monthly while the principal will be paid semi-annually for ten years starting February 2026.

   The loan is secured with real estate mortgage on various properties owned by affiliates. Effective the same date, in consideration of the affiliate's accommodation to the Group's request to use these as loan collateral, the Group agreed to pay the affiliate a guarantee fee of 1% of the face value of the loan and until said assets are released by the bank as loan collateral. The Group also agreed to pay in advance ₱128.04 million, of which ₱94.00 million shall be applied to 4th and 5th year of the agreement. The guarantee fee is reported as part of interest expense in the consolidated statements of comprehensive income amounting to ₱16.00 million in 2025.

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:

	2025	2024	2023
Cost of delivery and remittance	**₱3,907,720,528**	₱4,106,612,062	₱4,264,749,929
Salaries, wages and employee benefits	**3,255,160,504**	3,317,388,311	3,354,282,170
Utilities and supplies (Note 7)	**1,093,803,331**	1,183,400,717	1,282,095,388
Depreciation and amortization (Notes 8, 9 and 22)	**865,623,999**	1,015,315,066	1,217,080,358
Rent (Note 22)	**497,681,613**	449,820,275	386,830,311
Contracted services	**484,419,589**	462,455,596	385,996,126
Repairs and maintenance	**223,548,116**	193,488,787	181,348,542
Transportation and travel	**159,128,487**	152,136,106	150,242,949
Insurance	**116,994,823**	120,667,624	97,846,344
Retirement benefit expense (Note 23)	**103,394,011**	101,926,024	87,289,558
Software subscriptions	**11,355,975**	14,309,026	12,806,497
Others	**49,629,640**	54,072,911	47,664,024
	₱10,768,460,616	₱11,171,592,505	₱11,468,232,196

Others pertain to bank charges, 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:

	2025	2024	2023
Salaries, wages and employee benefits	**₱630,522,997**	₱619,028,589	₱587,426,288
Professional fees	**265,343,852**	212,054,134	131,242,650
Commissions	**264,351,969**	270,349,711	249,690,635
Taxes and licenses	**217,843,053**	226,050,631	196,753,929
Advertising and promotion	**179,131,444**	183,846,992	203,750,053
Depreciation and amortization (Notes 8, 9 and 22)	**155,815,260**	151,173,159	168,379,448
Dues and subscriptions	**137,157,482**	120,008,961	153,336,349
Utilities and supplies	**130,522,276**	151,377,497	208,665,638
Travel and representation	**111,140,064**	108,637,232	109,912,380
Contracted services	**109,980,652**	131,820,223	122,758,882
Provisions (Notes 4, 6, 7 and 29)	**81,161,613**	80,741,536	105,011,631
Software maintenance costs	**78,988,772**	73,496,900	105,525,497
Retirement benefit expense (Note 23)	**43,984,343**	39,417,026	38,570,885
Losses	**29,329,288**	5,658,743	22,236,595
Insurance	**23,535,206**	24,347,001	22,761,992
Donations	**12,740,887**	12,115,513	7,494,750
Rent (Note 22)	**7,380,024**	10,861,699	12,840,997
Royalty (Note 12)	**7,201,961**	7,183,778	6,956,506
Repairs and maintenance	**6,052,107**	5,375,043	5,608,741
Others	**34,612,336**	25,262,146	31,365,261
	₱2,526,795,586	₱2,458,806,514	₱2,490,289,107

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

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

	2025	2024	2023
Advances to affiliates – net	**₱45,463,223**	₱38,771,870	₱4,865,987
Bond payable and redemption payable	**24,520,236**	(89,504,093)	37,972,495
Cash and cash equivalents	**10,219,377**	43,077,961	17,781,653
Trade payable	**1,025,873**	(2,909,468)	1,756,048
Loans receivable	**(1,131,026)**	1,430,208	(2,305,572)
Receivable	**(489,381)**	(121,076)	(196,153)
	₱79,608,302	(₱9,254,598)	₱59,874,458

21. **Income Taxes**

Provision for (benefit from) income tax consists of:

	2025	2024	2023
Current	**₱152,449,457**	₱92,986,697	₱67,113,465
Deferred	**(134,885,247)**	(15,652,627)	52,193,130
	₱17,564,210	₱77,334,070	₱119,306,595

Details of the Group's deferred tax assets as at December 31 are as follow:

	2025	2024
Deferred tax assets on:		
NOLCO	**₱358,312,289**	₱18,245,156
Lease liabilities	**261,326,674**	324,007,286
Retirement benefit liability	**209,184,644**	220,659,921
Allowance for impairment losses	**71,250,577**	71,111,913
Accrued employee benefits	**13,066,840**	28,903,168
Unrealized foreign exchange losses	**17,459,601**	26,701,038
Contract liabilities	**23,509,331**	22,435,650
MCIT	–	96,678,685
Others	**57,119,416**	12,965,622
	1,011,229,372	821,708,439
Deferred tax liabilities on:		
Undistributed earnings (Note 3)	**(158,211,901)**	–
Right of use assets	**(222,346,095)**	(277,143,427)
	₱630,671,376	₱544,565,012

The movements in deferred tax assets for the years ended December 31 are as follow:

	2025	2024
Balance at beginning of year	**₱544,565,012**	₱525,938,028
Charged to profit or loss	**134,885,247**	15,652,627
Applied MCIT against tax due	**(53,938,953)**	–
Recorded under other comprehensive income	**5,160,070**	2,974,357
Balance at end of year	**₱630,671,376**	₱544,565,012

As of December 31, 2025 and 2024, the deductible temporary differences for which no deferred tax assets are recognized pertains to NOLCO, MCIT and allowance for impairment losses recorded under 'Prepayments and Other Assets' of the Group amounting to ₱1,162.56 million and ₱0.58 million, respectively, since management believes that there are no sufficient taxable profits against which the deferred tax assets can be utilized.

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:

	2025	2024	2023
Income tax at the statutory income tax rate	**₱69,557,298**	(₱16,990,494)	₱71,872,908
Tax effects of items not subject to statutory rate:			
Movement in unrecognized deferred tax assets	**(308,999,283)**	–	–
Undistributed earnings	**158,211,901**	–	–
MCIT	–	23,926,969	–
Nondeductible expenses	**76,056,580**	206,842,020	103,660,498
Change to OSD of subsidiaries	**(732,861)**	7,792,802	(13,402,543)
Nontaxable income	**(28,851,863)**	(82,404,613)	(51,513,910)
Others	**52,322,438**	(61,832,614)	8,689,642
	₱17,564,210	₱77,334,070	₱119,306,595

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/Others	Balance	Expiry Date
2025	₱2,510,721,770	₱–	₱2,510,721,770	2028
2024	72,980,625	–	72,980,625	2027
	₱2,583,702,395	₱–	₱2,583,702,395	

MCIT

Year Incurred	Amount	Used/Expired/Others	Balance	Year of Expiration
2025	₱4,926,893	₱–	₱4,926,893	2028
2024	46,474,485	(45,896,487)	577,998	2027
2023	31,336,982	(31,336,982)	–	2026
2022	19,445,216	(19,445,216)	–	2025
	₱102,183,576	(₱96,678,685)	₱5,504,891	

The NOLCO and excess of MCIT over RCIT came from LBCH 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 2025 and 2024, 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, 2025			
	Right-of-use assets			
	Office and Warehouses	**Vehicles**	**Equipment**	**Total**
Costs				
Balances at beginning of year	**₱3,350,965,487**	**₱126,814,770**	**₱81,274,273**	**₱3,559,054,530**
Additions	**597,284,449**	**12,229,544**	**10,169,818**	**619,683,811**
Pretermination and end of contracts	**(1,053,745,452)**	**(89,264,712)**	**(24,869,671)**	**(1,167,879,835)**
Effect of changes in foreign currency exchange rates	**1,975,100**	**62,165**	**135,702**	**2,172,967**
Balances at end of year	**2,896,479,584**	**49,841,767**	**66,710,122**	**3,013,031,473**
Accumulated amortization				
Balances at beginning of year	**1,811,778,306**	**97,237,477**	**48,799,305**	**1,957,815,088**
Amortization (Notes 19 and 20)	**765,171,346**	**18,905,873**	**11,972,138**	**796,049,357**
Pretermination and end of contracts	**(876,850,775)**	**(88,527,775)**	**(24,869,671)**	**(990,248,221)**
Effect of changes in foreign currency exchange rates	**(17,314,036)**	**56,602**	**333,411**	**(16,924,023)**
Balances at end of year	**1,682,784,841**	**27,672,177**	**36,235,183**	**1,746,692,201**
Net book value	**₱1,213,694,743**	**₱22,169,590**	**₱30,474,939**	**₱1,266,339,272**

	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
Pretermination and 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
Pretermination and 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

In 2025, 2024 and 2023, the amortization expense recognized under cost of services in the statement of comprehensive income amounted to ₱728.16 million, ₱809.44 million, and ₱948.46 million, respectively. In 2025, 2024 and 2023, the amortization expense recognized under operating expenses in the statement of comprehensive income amounted to ₱65.34 million, ₱64.92 million, ₱76.24 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 rent concessions amounting to ₱2.54 million, ₱6.48 million and ₱6.23 million in 2025, 2024 and 2023, respectively.

End of contracts pertain to lease agreements which reached the end of the lease terms. Lease modification pertains to contract with the lessor with revised terms effective during the year and moving forward. This resulted in a gain amounting to ₱67.91 million in 2025 (nil in 2024 and 2023). This is presented under 'Others-net" in 'Other charges, in the consolidated statements of comprehensive income.

(b) Lease liabilities

	December 31, 2025	December 31, 2024
Balances at beginning of year	**₱1,838,043,038**	₱2,197,826,675
Additions	**619,683,812**	590,530,281
Lease modification	**(245,613,300)**	(98,368,125)
Rent concessions	**(2,542,373)**	(6,477,711)
Payments	**(879,280,518)**	(1,022,607,037)
Accretion of interest	**115,742,395**	142,107,397
Effect of changes in foreign currency exchange rates	**1,016,269**	35,031,558
Balances at end of year	**1,447,049,323**	1,838,043,038
Less: current portion	**625,796,357**	763,676,898
Noncurrent portion	**₱821,252,966**	₱1,074,366,140

Interest expense arising from the accretion of lease liability amounted to ₱115.74 million, ₱142.11 million, and ₱147.69 million in 2025, 2024 and 2023, 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:

	2025	2024
Less than 1 year	**₱670,933,341**	₱763,676,898
More than 1 year to 2 years	**407,747,893**	527,342,357
More than 2 years to 3 years	**267,002,587**	280,356,807
More than 3 years to 4 years	**199,080,527**	194,874,668
More than 5 years	**406,186,589**	458,982,617
	₱1,950,950,937	₱2,225,233,347

(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.

	2025	2024	2023
Cost of services (Note 19)	**₱497,681,613**	₱449,820,275	₱386,830,311
Operating expenses (Note 20)	**7,380,024**	10,861,699	12,840,997
	₱505,061,637	₱460,681,974	₱399,671,308

The Group maintains security deposits arising from the said lease agreements amounting to ₱352.08 million and ₱375.43 million as of December 31, 2025 and 2024, respectively.

23. Retirement Benefits

The entities under LBC Express, Inc. and Subsidiaries have 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 2025 and 2024 are as follow:

	2025													
		Net benefit cost in consolidated statements of comprehensive income					**Remeasurements in other comprehensive income (Note 14)**							
	January 1, 2025	**Current Service cost**	**Net interest**	**Subtotal**	**Benefits paid from plan assets**	**Benefits paid by the Group**	**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, 2025**
Present value of defined / benefit obligation	**₱1,085,366,547**	**₱85,570,912**	**₱67,262,811**	**₱152,833,723**	**(₱148,070,718)**	**(₱7,398,411)**	**₱–**	**₱–**	**(₱4,979,439)**	**₱315,142**	**₱20,264,780**	**₱15,600,483**	**₱–**	**₱1,098,331,624**
Fair value of plan assets	**(80,063,946)**	**–**	**(5,455,369)**	**(5,455,369)**	**148,070,718**	**–**	**–**	**553,353**	**–**	**–**	**–**	**553,353**	**(143,960,000)**	**(80,855,244)**
Net defined benefit liability	**₱1,005,302,601**	**₱85,570,912**	**₱61,807,442**	**₱147,378,354**	**₱–**	**(₱7,398,411)**	**₱–**	**₱553,353**	**(₱4,979,439)**	**₱315,142**	**₱20,264,780**	**₱16,153,836**	**(₱143,960,000)**	**₱1,017,476,380**

	2024													
		Net benefit cost in consolidated statements of comprehensive income					Remeasurements in other comprehensive income (Note 13)							
	January 1, 2024	Current Service cost	Net interest	Subtotal	Benefits paid from plan assets	Benefits paid by the Group	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

The major categories of the Group's plan assets follow:

	2025	2024	2023
Cash and cash equivalents	**₱24,984,270**	₱10,448,345	₱17,820,729
Debt instruments:			
Government bonds	**55,393,928**	69,111,198	96,582,811
Others	**477,046**	504,403	1,015,689
	₱80,855,244	₱80,063,946	₱115,419,229

All debt instruments held have quoted prices in active market.

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 ₱165.00 million to the retirement plan in 2026. 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:

	2025	2024	2023
Balance at beginning of year	**(₱268,373,185)**	(₱278,638,327)	(₱355,242,320)
Actuarial loss from defined benefit obligation	**15,600,483**	9,380,001	74,069,196
Plan asset remeasurement loss	**553,353**	885,141	2,534,797
Balance at end of year, gross	**(252,219,349)**	(268,373,185)	(278,638,327)
Deferred tax effect	**31,024,612**	26,203,664	29,973,529
Balance at end of year, net of tax	**(₱221,194,737)**	(₱242,169,521)	(₱248,664,798)

The principal assumptions used in determining retirement for the defined benefit plans are shown below:

	2025	2024	2023
Discount rate	**5.05% to 6.24%**	6.05% to 6.11%	5.20% to 6.27%
Salary increase	**2.00%**	2.00%	2.00%

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.

		2025	2024
	Increase (decrease)	**Net defined benefit liability**	Net defined benefit liability
Discount rate	+1.00%	**(₱57,258,813)**	(₱57,422,339)
	-1.00%	**63,429,419**	63,918,598
Salary increase	+1.00%	**65,424,180**	65,936,942
	-1.00%	**(59,983,272)**	(60,155,257)

The weighted average duration of the defined benefit obligation at the end of the reporting period ranges from 4.40 to 7.10 years.

Shown below is the maturity analysis of retirement benefit payments up to ten years:

	2025	2024
Less than 1 year	**₱242,329,652**	₱308,257,456
More than 1 year to 5 years	**598,859,015**	539,932,213
More than 5 years to 10 years	**712,145,305**	688,647,949
	₱1,553,333,972	₱1,536,837,618

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, 2025, 2024, and 2023 with all other variables held constant.

	Effect on total comprehensive income		
	2025	2024	2023
Change in share price			
+5.00%	**₱3,901,201**	₱4,974,032	₱9,557,944
-5.00%	**(3,901,201)**	(4,974,032)	(9,557,944)
Change in NAV			
+5.00%	**₱123,490**	₱118,038	₱113,178
-5.00%	**(123,490)**	(118,038)	(113,178)

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 2025, 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
The Group's exposure to the risk of changes in market interest rate relates primarily to its notes payable that are subject to repricing. 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	
	2025	2024
Credit spread +1%	**₱–**	₱12,117,306
Credit spread -1%	**–**	(12,189,551)

Interest Rate Risk Sensitivity Analysis.
The following table demonstrates the sensitivity to a reasonably possible change in tax interest rates with all other variables held other constant of the Group's income before income tax.

	Increase (Decrease) in Basis Points	Effect on income before income tax
2025	**100**	**(₱49,133,474)**
	(100)	**49,133,474**
2024	100	(₱6,715,227)
	(100)	6,715,227

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:

	2025		
	Due in less than one year	**Due in more than one year**	**Total**
Cash and cash equivalents			
Cash in bank	**₱1,835,212,224**	**₱–**	**₱1,835,212,224**
Cash equivalents	**75,062,952**	**–**	**75,062,952**
Short-term investments	**30,753,458**	**–**	**30,753,458**
Restricted cash	**89,999,513**	**–**	**89,999,513**
Receivables			
Trade	**2,011,300,073**	**–**	**2,011,300,073**
Others	**21,625,223**	**–**	**21,625,223**
Due from related parties	**1,165,649,896**	**–**	**1,165,649,896**
FVPL	**2,469,792**	**–**	**2,469,792**
FVOCI	**–**	**78,024,029**	**78,024,029**
Loans receivable	**–**	**55,739,292**	**55,739,292**
	₱5,232,073,131	**₱133,763,321**	**₱5,365,836,452**

	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

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:

	2025		
	Due in less than one year	**Due in more than one year**	**Total**
Accounts payable and accrued expenses			
Trade payable	**₱1,205,396,575**	**₱–**	**₱1,205,396,575**
Accrued expenses*	**718,638,244**	**–**	**718,638,244**
Others	**42,457,110**	**–**	**42,457,110**
Due to related parties	**20,953,673**	**–**	**20,953,673**
Notes payable	**1,074,354,992**	**4,894,804,722**	**5,969,159,714**
Transmissions liability	**521,833,372**	**–**	**521,833,372**
Lease liabilities	**670,933,341**	**1,280,017,596**	**1,950,950,937**
	₱4,254,567,307	**₱6,174,822,318**	**₱10,429,389,625**

**Excluding accrued taxes*

	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*

The Group expects to generate cash flows from its operating activities mainly on sale of services. The Group also has sufficient cash and adequate amount of credit facilities with banks and its ultimate parent company to meet any unexpected obligations.

The undrawn loan commitments as of December 31, 2025 and 2024 is ₱143.62 million and ₱510.94 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:

	2025	
	Foreign currency	**Peso equivalent**
Assets:		
Euro	**4,114,228**	**280,488,316**
Hongkong Dollar	**6,568,271**	**49,656,131**
US Dollars	**2,272,222**	**133,583,919**
Japanese yen	**26,052**	**9,801**

The translation exchange rates used were ₱68.18 to EUR 1, ₱7.56 to HKD 1, ₱58.79 to USD 1, ₱0.38 to JPY 1in 2025.

	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	151,898,367
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.

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	
	2025	2024
₱2	**₱28,804,189**	₱41,488,936
(2)	**(28,804,189)**	(41,488,936)

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 foreign exchange gains(losses) - net amounted to ₱79.61 million, (₱9.25 million), and ₱59.87 million for the years ended December 31, 2025, 2024, and 2023, 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:

	2025				
		Past Due			
	Current	**1-30 days**	**31-90 days**	**Over 90 days**	**Total**
Trade receivables -					
Expected credit loss rate	**1.80%**	**7.51%**	**6.78%**	**66.41%**	
Estimated total gross carrying amount at default	**₱1,574,098,766**	**₱301,505,828**	**₱48,874,001**	**₱419,968,674**	**₱2,344,447,269**
Expected credit loss	**28,288,979**	**22,630,667**	**3,315,643**	**278,911,907**	**333,147,196**

	2024				
		Past Due			
	Current	1-30 days	31-90 days	Over 90 days	Total
Trade receivables -					
Expected credit loss rate	6.14%	19.26%	4.97%	41.89%	
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

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, 2025 and 2024. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2025 and 2024.

The capital that the Group manages is equal to the total equity as shown in the consolidated statements of financial position at December 31, 2025 and 2024 amounting to ₱1,911.26 million and ₱1,656.06, 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 5.03% to 6.06% in 2025 and 5.93% to 6.03% in 2024.

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 5.37% to 5.79% in 2025 and 5.93% to 5.96% in 2024.

The estimated fair value of derivative liability as at December 31, 2024 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 nil and 16.92% in 2025 and 2024, respectively. In 2024, 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 nil and 17.80% in 2025 and 2024, 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:

	2025				
		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	**₱78,024,029**	**₱78,024,029**	**₱78,024,029**	**₱–**	**₱–**
FVPL	**2,469,792**	**2,469,792**	**–**	**–**	**2,469,792**
Liabilities for which fair value are disclosed					
Long-term notes payable	**4,894,804,722**	**4,742,640,946**	**–**	**–**	**4,742,640,946**
Noncurrent lease liabilities	**821,252,966**	**1,057,908,955**	**–**	**–**	**1,057,908,955**

	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

For the years ended December 31, 2025 and 2024, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Offsetting of Financial Instruments

The following table represents the recognized financial instruments that are offset as of December 31, 2025 and 2024, 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, 2025			
Royalty offsetting	**Gross Amount**	**Offsetting**	**Forex**	**Net Amount**
Loans receivable	**₱76,656,676**	**(₱5,711,857)**	**₱1,131,027**	**₱72,075,846**
Interest receivable [1]	**1,490,104**	**(1,490,104)**	**–**	**–**
Royalty payable [2]	**(7,201,961)**	**7,201,961**	**–**	**–**
	₱70,944,819	**₱–**	**₱1,131,027**	**₱72,075,846**

[1] *included in other receivables in trade and other receivables*
[2] *included in others in accounts and other payables*

Royalty offsetting	December 31, 2024 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*

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, 2025		
Segments	**Logistics**	**Money transfer services**	**Total**
Type of Customer			
Retail	**₱9,104,165,076**	**₱455,715,005**	**₱9,559,880,081**
Corporate	**4,456,264,053**	**9,811,963**	**4,466,076,016**
Total revenue from contracts with customer	**₱13,560,429,129**	**₱465,526,968**	**₱14,025,956,097**
Geographic Markets			
Domestic	**₱8,433,783,607**	**₱181,090,161**	**₱8,614,873,768**
Overseas	**5,126,645,522**	**284,436,807**	**5,411,082,329**
Total revenue from contracts with customer	**₱13,560,429,129**	**₱465,526,968**	**₱14,025,956,097**

Segments	For the year ended December 31, 2024 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

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 ₱92.52 million, ₱105.74 million, and ₱143.99 million, in 2025, 2024, and 2023, respectively (see Note 18).

27. Notes to Consolidated Statement of Cash Flows

In 2025, the Group has the following non-cash transactions under:

Investing Activities
a.) Unpaid acquisition of property and equipment amounting to ₱22.24 million.
b.) Unpaid acquisition of intangible assets amounting to ₱1.83 million.
c.) Offsetting of loans receivable and interest against royalty fee recorded under 'accounts and other payables' (see Note 12) amounting to ₱7.20 million.

Financing Activities

			Non-cash activities						
	December 31, 2024	**Cash Flows**	**Leasing arrangements**	**Interest**	**Foreign exchange movement**	**Fair value changes**	**Loss on redemption**	**Dividends Declared**	**December 31, 2025**
Notes payable	**₱1,914,692,137**	**₱4,054,467,577**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱5,969,159,714**
Lease and other noncurrent liabilities	**1,838,043,038**	**(879,280,518)**	**371,528,139**	**115,742,395**	**1,016,269**	**–**	**–**	**–**	**1,447,049,323**
Convertible instrument (bond payable and derivative liability)	**4,594,118,241**	**(4,828,207,357)**	**–**	**187,020,306**	**(24,520,236)**	**66,880,573**	**4,708,473**	**–**	**–**
Interest payable	**7,953,425**	**(239,807,029)**	**–**	**246,306,387**	**–**	**–**	**–**	**–**	**14,452,783**
Due to related parties	**10,721,895**	**10,231,778**	**–**	**–**	**–**	**–**	**–**	**–**	**20,953,673**
Dividends	**–**	**(2,004,742)**	**–**	**–**	**–**	**–**	**–**	**2,004,742**	**–**
Total liabilities from financing activities	**₱8,365,528,736**	**(₱1,884,600,291)**	**₱371,528,139**	**₱549,069,088**	**(₱23,503,967)**	**₱66,880,573**	**₱4,708,473**	**₱2,004,742**	**₱7,451,615,493**

In 2024, the Group has the following non-cash transactions under:

Investing Activities
d.) Unpaid acquisition of property and equipment amounting to ₱61.13 million.
e.) 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

	December 31, 2023	Cash Flows	Non-cash activities: 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

	December 31, 2022	Cash Flows	Non-cash activities: 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

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:

	2025	2024	2023
Net income (loss) attributable to equity holder of the Parent Company	**₱246,056,317**	(₱151,842,508)	₱176,290,488
Add: profit impact of assumed conversion of bond payable	**235,510,703**	561,932,030	118,720,764
	₱481,567,020	₱410,089,522	₱295,011,252
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	**139,661,875**	173,535,000	166,701,000
Adjusted weighted average number of common shares for diluted EPS	**1,565,527,346**	1,599,400,471	1,592,566,471
Basic/Diluted EPS	**₱0.17**	(₱0.11)	₱0.12

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 ₱30.00 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'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.

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 another judge.

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 filed their Reply to the PDIC's Comment to the Demurrers to Evidence, which was 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 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. 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. Another defendant 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, March 6, 2025 and July 17, 2025. LBCE and the other defendants presented their second witness on July 30, 2025.

The presentation of defendant's third witness was initially scheduled on September 17, 2025, but then postponed to December 3, 2025 due to the unavailability of the witness. The third and fourth witnesses for the defendants were presented and examined on December 3, 2025 and March 6, 2026, respectively. After the third and fourth witnesses, the Defendants have at least three more witnesses to present. The next hearing for the fifth witness is scheduled on May 29, 2026. 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. 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). As of December 31, 2025, the Company assessed that the amount is fully recoverable and there are no indicators of impairment on the recognized asset.

The Group does not provide further information required under Philippine Accounting Standards (PAS) 37, *Provisions, Contingent Liabilities and Contingent Assets*, on the ground that it may prejudice the outcome of the assessments.

30. **Other Matters**

Impact of the Macroeconomic, Regulatory and Geopolitical Environment

Recently there has been significant commodity price volatility, high inflation, changes in interest rates and increasing energy prices linked to geopolitical uncertainty and tensions that have significantly affected the current economic environment.

While these developments had no material impact on the Group's business, their scale and duration remain uncertain to date. It is not possible to estimate the impact of the near-term and longer effects of such events. The Group will continue to monitor the progress of these situations.

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Building a better working world

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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 Central Exchange, L2 C5 Extension, Moonwalk
Parañaque 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, 2025 and 2024, and for each of the three years in the period ended December 31, 2025, and have issued our report thereon dated April 14, 2026. 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
[redacted]
CPA Certificate No. 112004
Tax Identification No. 925-713-249
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 112004-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001998-119-2025, December 16, 2024, valid until December 15, 2027
PTR No. 10765095, January 2, 2026, Makati City

April 14, 2026

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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 Central Exchange, L2 C5 Extension, Moonwalk
Parañaque 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, 2025 and 2024 and for each of the three years in the period ended December 31, 2025, and have issued our report thereon dated April 14, 2026. 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, 2025 and 2024 and for each of the three years in the period ended December 31, 2025 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

[redacted]
CPA Certificate No. 112004
Tax Identification No. 925-713-249
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 112004-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001998-119-2025, December 16, 2024, valid until December 15, 2027
PTR No. 10765095, January 2, 2026, Makati City

April 14, 2026

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

SUPPLEMENTARY SCHEDULES

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS

DECEMBER 31, 2025

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	₱78,024,029	₱–	N/A
Financial assets at fair value through profit or loss	–	2,469,792	–	N/A
		₱80,493,821	₱–	
Financial assets at amortized costs:				
Loans receivable (current and noncurrent)	–	72,075,846	1,490,104	N/A
		₱152,569,667	₱1,490,104	

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, 2025

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, 2025

Name of Subsidiaries	Balance at beginning of period	Additions	Amounts collected/paid	Sale of Subsidiary	Current	Not current	Balance at end of period
LBC Express, Inc.	(₱333,779,459)	₱2,999,800,831	(₱1,927,850,334)	₱–	₱738,171,038	₱–	₱738,171,038
LBC Express, Inc. - MM	51,468,793	(219,324,435)	223,865,419	–	56,009,777	–	56,009,777
LBC Express, Inc. - SCC	(2,947,320)	(34,578,932)	34,974,190	–	(2,552,062)	–	(2,552,062)
LBC Express, Inc. - NEMM	(23,487,296)	(128,444,085)	128,252,494	–	(23,678,887)	–	(23,678,887)
LBC Express, Inc. - NWMM	–	(90,740,465)	89,451,794	–	(1,288,671)	–	(1,288,671)
LBC Express, Inc. - EMM	7,840,568	(104,904,978)	106,146,576	–	9,082,166	–	9,082,166
LBC Express, Inc. - SMM	(26,041,632)	(90,427,378)	91,066,368	–	(25,402,642)	–	(25,402,642)
LBC Express, Inc. - CMM	(19,136,387)	(95,268,494)	96,375,081	–	(18,029,800)	–	(18,029,800)
LBC Express, Inc. - SL	–	(187,533,472)	187,533,472	–	-	–	-
LBC Express, Inc. - SEL	(17,525,785)	(116,522,052)	115,367,823	–	(18,680,014)	–	(18,680,014)
LBC Express, Inc. - CL	(1,774,556)	(154,762,878)	153,002,928	–	(3,534,506)	–	(3,534,506)
LBC Express, Inc. - NL	(16,753,034)	(152,169,602)	151,181,912	–	(17,740,724)	–	(17,740,724)
LBC Express, Inc. - VIS	–	(175,943,129)	169,149,459	–	(6,793,670)	–	(6,793,670)
LBC Express, Inc. - WVIS	(3,454,688)	(150,060,054)	141,642,551	–	(11,872,191)	–	(11,872,191)
LBC Express, Inc. - MIN	(6,057,381)	(155,742,199)	144,537,866	–	(17,261,714)	–	(17,261,714)
LBC Express, Inc. - SEM	–	(101,184,529)	101,184,529	–	-	–	-
LBC Express, Inc. - SMCC	(359,656)	(26,092,328)	24,944,142	–	(1,507,842)	–	(1,507,842)
LBC Express Corporate Solutions, Inc.	(7,973,196)	-	359,910	–	(7,613,286)	–	(7,613,286)
LBC Express, Inc. - SCS	(9,706,605)	(167,457,475)	174,016,271	–	(3,147,809)	–	(3,147,809)
LBC Systems, Inc.	(57,570,533)	(15,713,977)	13,222,330	–	(60,062,180)	–	(60,062,180)
LBC Express WLL	5,789,872	(62,836,449)	59,342,994	–	2,296,417	–	2,296,417
LBC Express Bahrain WLL	(72,061,252)	(6,316,282)	8,304,776	–	(70,072,758)	–	(70,072,758)
LBC Express LLC	(100,634,253)	(23,560,809)	25,429,740	–	(98,765,322)	–	(98,765,322)
LBC Mabuhay Saipan, Inc.	(4,989,050)	(5,864,048)	4,338,920	–	(6,514,178)	–	(6,514,178)
LBC Aircargo (S) Pte. Ltd	(155,311,818)	(2,118,013)	(232,740)	–	(157,662,571)	–	(157,662,571)
Blue Eagle and LBC Service Ltd.	1,630,390	(1,954,129)	(6,541,753)	–	(6,865,492)	–	(6,865,492)
LBC Money Transfer PTY Limited	(44,911,676)	(9,122,541)	1,878,410	–	(52,155,807)	–	(52,155,807)
LBC Airfreight (S) Pte. Ltd	42,558,499	144,256,702	(143,860,521)	–	42,954,680	–	42,954,680
LBC Australia PTY Limited	(6,803,498)	(31,188,381)	34,539,440	–	(3,452,439)	–	(3,452,439)
LBC Mabuhay (Malaysia) SDN BHD	(2,059,876)	(18,766,438)	20,482,807	–	(343,507)	–	(343,507)
LBC Mabuhay (B) SDN BHD	(784,836)	(4,762,175)	5,143,852	–	(403,159)	–	(403,159)
LBC Mabuhay Remittance SDN BHD	14,914,964	(5,980,731)	(5,634,158)	–	3,300,075	–	3,300,075
LBC Mundial Corporation	83,664,788	(525,483,712)	352,399,002	–	(89,419,922)	–	(89,419,922)
LBC Mabuhay North America Corporation	95,781,997	-	1,490,735	–	97,272,732	–	97,272,732
LBC Mabuhay Hawaii Corporation	5,346,276	-	(7,051,134)	–	(1,704,858)	–	(1,704,858)
QuadX Pte Ltd.	(109,461,104)	-	(21,973,368)	–	(131,434,472)	–	(131,434,472)
Mermaid Co., Ltd.	(37,578,658)	(10,993,600)	13,287,487	–	(35,284,771)	–	(35,284,771)
LBC Express Inc. Limited	–	(69,079,614)	(16,885,559)	–	(85,965,173)	–	(85,965,173)
LBC Express Holdings, Inc.	752,167,402	(199,160,149)	(542,883,711)	–	10,123,542	–	10,123,542
	₱–	₱–	₱–	₱–	₱–	₱–	₱–

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE D: LONG TERM DEBT

DECEMBER 31, 2025

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	₱82,884,879	₱82,884,879	₱–	7.84%, subject to repricing	₱82,884,879	With mortgage; Interest and principal payable every quarter	Aug 2026
Notes payable	10,715,040	1,785,840	8,929,200	7.493%, subject to repricing	10,715,040	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	11,930,585	1,988,431	9,942,154	7.835%, subject to repricing	11,930,585	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	18,784,985	3,130,831	15,654,154	7.835%, subject to repricing	18,784,985	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	15,841,539	2,534,647	13,306,892	7.990%, subject to repricing	15,841,539	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	16,692,308	2,670,770	14,021,538	7.835%, subject to repricing	16,692,308	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	11,792,308	1,886,770	9,905,538	7.835%, subject to repricing	11,792,308	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	3,823,077	611,692	3,211,385	7.835%, subject to repricing	3,823,077	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	7,571,052	1,211,368	6,359,684	7.835%, subject to repricing	7,571,053	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	4,918,421	786,947	4,131,474	7.835%, subject to repricing	4,918,421	With mortgage; Interest and principal payable every quarter	Dec 2031

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	44,667,568	7,146,811	37,520,757	7.835%, subject to repricing	44,667,568	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	31,840,540	5,094,486	26,746,054	7.835%, subject to repricing	31,840,541	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	41,300,000	6,608,000	34,692,000	7.835%, subject to repricing	41,300,000	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	26,075,000	4,172,000	21,903,000	7.835%, subject to repricing	26,075,000	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	21,000,000	3,360,000	17,640,000	7.835%, subject to repricing	21,000,000	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	37,080,000	5,932,800	31,147,200	7.835%, subject to repricing	37,080,000	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	55,500,000	8,880,000	46,620,000	7.835%, subject to repricing	55,500,000	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	4,566,650	730,664	3,835,986	7.835%, subject to repricing	4,566,650	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	3,495,232	559,237	2,935,995	7.835%, subject to repricing	3,495,233	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	40,739,940	6,518,390	34,221,550	7.835%, subject to repricing	40,739,940	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	52,110,255	8,337,641	43,772,614	7.835%, subject to repricing	52,110,255	With mortgage; Interest and principal payable every quarter	Dec 2031

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	37,846,975	6,055,516	31,791,459	7.835%, subject to repricing	37,846,975	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	41,881,806	6,701,089	35,180,717	7.835%, subject to repricing	41,881,803	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	4,113,281	658,125	3,455,156	7.835%, subject to repricing	4,113,281	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	6,604,839	1,056,774	5,548,065	7.835%, subject to repricing	6,604,839	With mortgage; Interest and principal payable every quarter	Dec 2031
Notes payable	61,049,774	10,174,962	50,874,812	7.835%, subject to repricing	61,049,774	Clean; Interest payable every month, principal payable upon maturity	Dec 2031
Notes payable	18,000,000	18,000,000	–	8.250%, subject to repricing	18,000,000	Clean; Interest payable every month, principal payable upon maturity	Jan 2026
Notes payable	42,375,000	42,375,000	–	6.25%, subject to repricing	42,375,000	With mortgage; Interest payable every month, principal payable quarterly	May 2026
Notes payable	100,000,000	100,000,000	–	6.25%, subject to repricing	100,000,000	Clean; Interest payable every month, principal payable upon maturity	May 2026, Mar 2026
Notes payable	20,000,000	20,000,000	–	6.25%, subject to repricing	20,000,000	Clean; Interest payable every month, principal to be paid on maturity date	Mar 2026
Notes payable	45,000,000	45,000,000	–	6.25%, subject to repricing	45,000,000	Clean; Interest payable every month, principal to be paid on maturity date	Apr 2026
Notes payable	115,000,000	115,000,000	–	6.25%, subject to repricing	115,000,000	Clean; Interest payable every month, principal to be paid on maturity date	Nov 2025

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	57,601,322	57,601,322	–	8.00%, subject to repricing	57,601,322	AR Assignment, Interest deducted in full, Principal payable upon maturity	Jan 2026, Feb 2026
Notes payable	150,000,000	150,000,000	–	8.25%, subject to repricing	150,000,000	Clean; Interest payable every month, Principal amount of P50M due on the 6th month and every 2 months thereafter.	Jun 2026
Notes payable	50,000,000	50,000,000	–	8.25%, subject to repricing	50,000,000	Clean; Interest payable every quarter, principal payable upon maturity	Jun 2026
Notes payable	4,676,357,338	294,900,000	4,381,457,338	6.25%, subject to repricing	4,676,357,338	Clean; Interest payable every quarter, principal payable upon maturity	Aug 2035
	₱5,969,159,714	₱1,074,354,992	₱4,894,804,722		₱5,969,159,714		

Refer to Notes 15 and 16 for further details.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE E: INDEBTEDNESS TO RELATED PARTIES

DECEMBER 31, 2025

	Balance at Beginning of Period	Balance at End of Period
Fernando G. Araneta, *Beneficial owner*	₱43,927	₱43,927
LBC Insurance Agency, Inc.	8,315,859	4,676,737
QUADX Inc.	1,898,506	–
LBC Properties, Inc.	–	15,752,370
Others	463,603	480,639
	₱10,721,895	₱20,953,673

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE F: GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2025

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

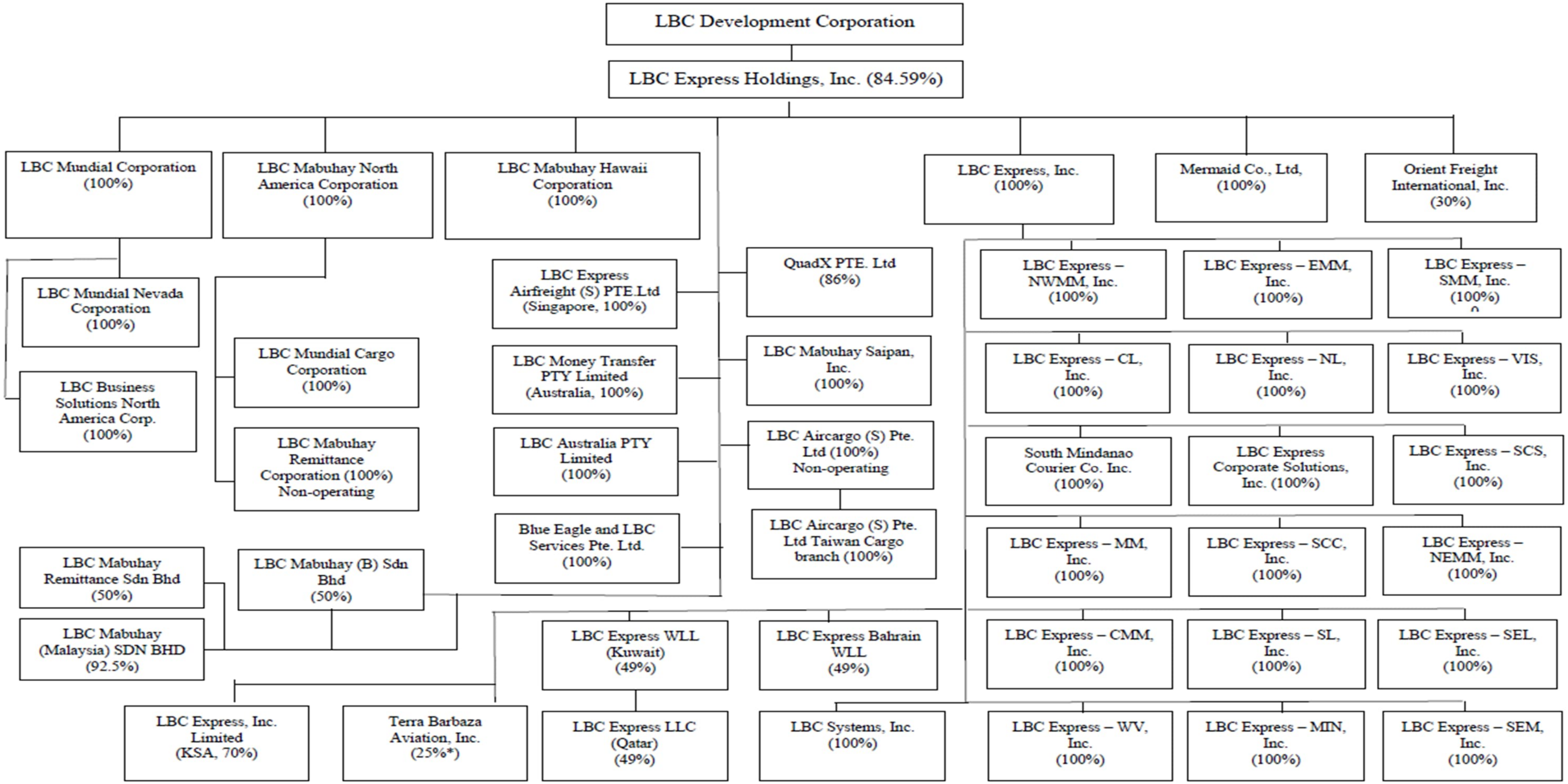
DECEMBER 31, 2025

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, 2025



*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, 2025

Unappropriated retained earnings, beginning of the year		₱45,561,509
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	(605,009,011)	
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	(715,585,526)	–
Unappropriated retained earnings, as adjusted		45,561,509
Net income for the current year		240,320,101
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		285,881,610
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		–

(*Forward*)

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	(326,546,722)	
Adjustment due to deviation from PFRS/GAAP – gain (loss)	–	
Others	–	
Sub-total		(326,546,722)
TOTAL RETAINED EARNINGS, END OF THE PERIOD AVAILABLE FOR DIVIDEND DECLARATION		**(₱40,665,112)**

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2025 AND 2024

Below are the financial ratios that are relevant to the Group for the year ended December 31:

Financial ratios	**Formula**	**December 31, 2025**		December 31, 2024	
Current ratio	Total Current Assets / Total Current Liabilities	**6,549,891,052** / **5,433,985,534**	**1.21**	7,167,628,703 / 10,826,823,694	0.66
Acid Test Ratio	Total Current Assets - Prepayments and other current assets / Current Liabilities	**5,381,005,565** / **5,433,985,534**	**0.99**	6,022,733,966 / 10,826,823,694	0.56
Solvency Ratio	Net Income After Tax - Non-Cash Expenses / Total Liabilities	**1,831,972,560** / **12,270,295,444**	**0.15**	1,742,636,259 / 13,582,643,711	0.13
Debt-to-equity ratio	Total liabilities / Stockholder's equity attributable to Parent Company	**12,270,295,444** / **1,908,493,578**	**6.43**	13,582,643,711 / 1,669,504,940	8.14
Asset-to-equity ratio	Total Assets / Stockholder's equity attributable to Parent Company	**14,181,554,138** / **1,908,493,578**	**7.43**	15,238,704,917 / 1,669,504,940	9.13
Interest rate coverage ratio	Income before interest and tax expense / Interest Expense	**814,421,728** / **549,069,088**	**1.48**	541,356,134 / 624,017,665	0.87
Return on equity	Net income (loss) attributable to Parent Company / Stockholder's equity attributable to Parent Company	**246,056,317** / **1,908,493,578**	**0.13**	(151,842,508) / 1,669,504,940	(0.09)
Debt to total assets ratio	Total liabilities / Total assets	**12,270,295,444** / **14,181,554,138**	**0.87**	13,582,643,711 / 15,238,704,917	0.89
Return on average assets	Net income (loss) attributable to Parent Company / Average assets	**246,056,317** / **14,710,129,528**	**0.02**	(151,842,508) / 15,306,736,668	(0.01)
Net profit margin	Net income (loss) attributable to Parent Company / Service fee	**246,056,317** / **14,025,956,097**	**0.02**	(151,842,508) / 14,296,058,157	(0.01)
Book value per share	Stockholder's equity attributable to Parent Company / Total number of shares	**1,908,493,578** / **1,425,865,471**	**1.34**	1,669,504,940 / 1,425,865,471	1.17
Basic earnings (loss) per share	Net income (loss) attributable to Parent Company / Weighted average number of common shares outstanding	**246,056,317** / **1,425,865,471**	**0.17**	(151,842,508) / 1,425,865,471	(0.11)
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	**246,056,317** / **1,425,865,471**	**0.17**	271,591,837 / 1,599,400,471	(0.11)

** Non-cash expenses pertain to depreciation and amortization, provisions, non-cash interest expense, retirement expense, loss on derivative, loss on redemption, and impairment of goodwill*

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE-RELATED INFORMATION

DECEMBER 31, 2025 AND 2024

	2025	2024
Total audit fees	**₱6,514,042**	₱6,328,965
Non-audit service fees:		
Tax services	**1,150,000**	210,000
Total non-audit fees	**1,150,000**	210,000
Total Audit and Non-audit fees	**₱7,664,042**	₱6,538,965

The following document has been received:

Receiving: ICTD ERMD
Receipt Date and Time: April 14, 2026 09:22:18 PM

Company Information

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

Document Information

Document ID: OST104142026811218824
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2025
Submission Type: Parent
Remarks: None

Acceptance of this document is subject to review of forms and contents

C O V E R   S H E E T
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 CENTRAL EXCHANGE, L-2 C5 EXTENSION, MOONWALK, PARANAQUE CITY, METRO MANILA, PHILIPPINES

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 December	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
Rosalie H. Infantado	rhinfantado@lbcexpress.com	8-856-8510	N/A

CONTACT PERSON's ADDRESS

LBC Central Exchange, L-2 C5 Extension, Moonwalk, Parañaque 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, 2025 and 2024, 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: ____________________

RENE ERNESTO SANTIAGO E. FUENTES
Chairman of the Board

Signature: ____________________

ENRIQUE V. REY, JR.
Chief Executive Officer and President

Signature: ____________________

ROSALIE H. INFANTADO
Chief Finance Officer

Signed this 14 day of APR 2026 2026.

SUBSCRIBED AND SWORN to before me in City of Pasay on 14 APR 2026 affiants personally appeared before me and exhibited to me their Tax Identification Nos.

NAME	**TIN**
Rene Ernesto Santiago E. Fuentes	181-043-202
Enrique V. Rey, Jr.	172-264-046
Rosalie H. Infantado	201-403-368

NOEL L. DUQUE
NOTARY PUBLIC
Until December 31, 2026 Comm. 25-09
10 E-COM Center MOA, Pasay City
IBP No. 586795/01-05-26/PPLM
PTR No. 9236857/01-05-26/PC
Roll No. 48387 MCLE VIII-0040191/4-14-28

Doc. No. 469 ;
Page No. 99 ;
Book No. VI ;
Series of 2026.

Outlook

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Date Tue 4/14/2026 8:54 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

- EAFS002648099TCRTY122025-01.pdf
- EAFS002648099ITRTY122025.pdf
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Transaction Code: **AFS-0-NYWV1ZYW09H9E96FHNQ2QXYRW0KHBKLG7**
Submission Date/Time: **Apr 14, 2026 08:54 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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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
sgv.ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
LBC Express Holdings, Inc.
LBC Central Exchange, L2 C5 Extension, Moonwalk
Parañaque 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, 2025 and 2024, 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, 2025 and 2024, 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 (the Code of Ethics), as applicable to the audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to the audits of the financial statements of public interest entities in the Philippines. We have also 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.

[redacted]

CPA Certificate No. 112004
Tax Identification No. 925-713-249
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 112004-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001998-119-2025, December 16, 2024, valid until December 15, 2027
PTR No. 10765095, January 2, 2026, Makati City

April 14, 2026

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

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2025	2024
ASSETS		
Current Assets		
Cash (Notes 4 and 18)	**₱95,541,749**	₱384,384,514
Receivables (Notes 5, 18 and 19)	**14,983**	14,983
Due from related parties (Notes 15, 18 and 19)	**43,122,182**	527,403,925
Investment at fair value through profit or loss (Notes 7, 18 and 19)	**1,244,218**	1,189,469
Dividend receivable (Notes 15, 18 and 19)	**–**	250,000,000
Prepayments and other current assets (Notes 6, 10, 18 and 19)	**106,023,972**	185,869,988
Total Current Assets	**245,947,104**	1,348,862,879
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 17)	**378,834,167**	52,287,446
Other noncurrent assets (Notes 6, 10, 15, 18 and 19)	**123,865,532**	321,145,723
Total Noncurrent Assets	**4,933,513,183**	4,804,246,653
	₱5,179,460,287	₱6,153,109,532
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 11 and 18)	**₱21,610,156**	₱32,100,057
Due to related parties (Notes 15, and 18)	**14,325,385**	43,927
Current portion of notes payable (Note 13)	**216,000,000**	–
Derivative liability (Notes 12, 18 and 19)	**–**	2,528,532,365
Bond payable (Notes 12, 18 and 19)	**–**	2,065,585,876
Total Current Liabilities	**251,935,541**	4,626,262,225
Noncurrent Liability		
Notes payable - net of current portion (Note 13)	**3,160,357,338**	–
	3,412,292,879	4,626,262,225
Equity		
Capital stock (Note 14)	**1,425,865,471**	1,425,865,471
Additional paid-in capital	**55,420,327**	55,420,327
Retained earnings	**285,881,610**	45,561,509
Total Equity	**1,767,167,408**	1,526,847,307
	₱5,179,460,287	₱6,153,109,532

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	
	2025	2024
INCOME		
Dividends (Notes 8 and 15)	**₱262,263,670**	₱280,000,000
Interest (Notes 4, 10 and 15)	**18,622,727**	30,936,363
Service fees (Note 15)	**40,760,326**	40,432,203
	321,646,723	351,368,566
OPERATING EXPENSES (Note 16)	**(89,823,394)**	(135,238,796)
OTHER INCOME (EXPENSES)		
Interest expense (Note 12)	**(265,173,730)**	(320,643,378)
Loss on derivative (Note 12)	**(66,880,573)**	(218,344,697)
Loss on redemption (Note 12)	**(4,708,473)**	–
Fair value gain on investment at fair value through profit or loss (Note 7)	**54,749**	50,864
Foreign exchange gain (loss) - net	**23,903,407**	(83,307,088)
Gain on modification of instrument (Note 12)	**–**	44,184,116
Others - net	**(318,437)**	–
	(313,123,057)	(578,060,183)
LOSS BEFORE INCOME TAX	**(81,299,728)**	(361,930,413)
BENEFIT FROM INCOME TAX (Note 17)	**321,619,829**	38,756,248
NET INCOME (LOSS)	**240,320,101**	(323,174,165)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱240,320,101**	(₱323,174,165)

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 14)	**Share Premium**	**Retained Earnings**	**Total**
		For the year ended December 31, 2025		
Balances at beginning of year	**₱1,425,865,471**	**₱55,420,327**	**₱45,561,509**	**₱1,526,847,307**
Net income	**–**	**–**	**240,320,101**	**240,320,101**
Total comprehensive income	**–**	**–**	**240,320,101**	**240,320,101**
Balances at end of year	**₱1,425,865,471**	**₱55,420,327**	**₱285,881,610**	**₱1,767,167,408**

	Share Capital (Note 14)	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
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

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	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱81,299,728)**	(₱361,930,413)
Adjustments for:		
Interest expense (Note 12)	**265,173,730**	320,643,378
Loss on derivative (Note 12)	**66,880,573**	218,344,697
Unrealized foreign exchange loss (gain) - net	**(27,171,193)**	83,307,087
Gain on modification of instrument (Note 12)	**–**	(44,184,116)
Loss on redemption (Note 12)	**4,708,473**	–
Unrealized fair value gain on investment at fair value through profit or loss (Note 7)	**(54,749)**	(50,864)
Interest income (Notes 4, 10 and 15)	**(18,622,727)**	(30,936,363)
Dividend income (Notes 8 and 15)	**(262,263,670)**	(280,000,000)
Operating loss before changes in working capital	**(52,649,291)**	(94,806,594)
Changes in working capital:		
Decrease in:		
Prepayments and other current assets	**80,498,760**	76,663,776
Other noncurrent assets	**197,758,474**	63,304,616
Increase (decrease) in:		
Accounts and other payables	**(15,272,085)**	17,365,119
Due to related parties	**14,281,458**	–
Net cash generated from operations	**224,617,316**	62,526,917
Interest received	**17,132,623**	30,834,711
Income tax paid	**(4,926,893)**	(577,998)
Net cash provided by operating activities	**236,823,046**	92,783,630
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received (Notes 8 and 15)	**512,263,670**	30,000,000
Decrease (increase) in due from related parties (Note 15)	**484,517,993**	(30,272,572)
Net cash provided (used) by investing activities	**996,781,663**	(272,572)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan - net of debt issuance costs	**3,376,357,338**	–
Payment of interest	**(71,877,397)**	–
Redemption of bonds payable and derivative liability	**(4,828,207,357)**	–
Net cash used in financing activities	**(1,523,727,416)**	–
NET INCREASE (DECREASE) IN CASH	**(290,122,707)**	92,511,058
EFFECT OF FOREIGN CURRENCY EXCHANGES ON CASH	**1,279,942**	1,164,056
CASH AT BEGINNING OF YEAR	**384,384,514**	290,709,400
CASH AT END OF YEAR (Note 4)	**₱95,541,749**	₱384,384,514

See accompanying Notes to Parent Company Financial Statements.

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

On October 14, 2025, the Board of Directors (BOD) approved the transfer of the Company's principal place of business to LBC Central Exchange, L2 C5 Extension, Moonwalk, Parañaque City, Metro Manila and was approved by Securities and Exchange Commission on March 24, 2026.

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, 2026.

2. Summary of Material Accounting Policies

<u>Basis of Preparation</u>
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.

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

<u>Changes in Accounting Policies and Disclosures</u>
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of amended standards effective beginning January 1, 2025. 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 21, *Lack of exchangeability*

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, 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 17, *Insurance Contracts*
- PFRS 18, *Presentation and Disclosure in Financial Statements*

  The standard replaces PAS 1 *Presentation of Financial Statements* and responds to investors' demand for better information about companies' financial performance. The new requirements include:

  - Required totals, subtotals and new categories in the statement of profit or loss
  - Disclosure of management-defined performance measures
  - Guidance on aggregation and disaggregation

  The new standard will have an impact on the presentation of income and expenses and additional disclosures on management-defined performance measures but will not have an impact on the recognition and measurement in the consolidated 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.

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 at December 31, 2025 and 2024, 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, 2025 and 2024, 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 which was settled during the year was classified under this category (Notes 12, 18 and 19).

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.

Derecognition of Financial Assets and Financial Liabilities

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

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

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

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

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

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

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

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

Guarantee fee represents advance payment to a related party for the use of its property as collateral in the Parent Company's notes payable.

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.

<u>Revenue Recognition</u>
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 following specific recognition criteria must also be met before revenue is recognized:

Service revenue
Service revenue is recognized when services are rendered.

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

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

Other income
Other income is recognized when earned.

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

Expenses are recognized in profit or loss:

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

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.

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.

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.

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, 2025 and 2024. Further details on the nonfinancial assets are disclosed in Notes 8 and 9.

4. Cash

This account consists of cash in bank amounting to ₱95.54 million and ₱384.38 million as of December 31, 2025 and 2024, respectively.

Cash in banks earn interest at the prevailing bank deposit rates ranging from 0.05% to 1.00% and 0.06% to 2.75% in 2025 and 2024, respectively. Interest income earned from cash in banks amounted to ₱0.31 million and ₱0.19 million in 2025 and 2024, respectively.

5. Receivables

This account consists of third-party receivables amounting to ₱0.01 million as at December 31, 2025 and 2024, which are due and demandable.

6. Prepayments and Other Current Assets

This account consists of:

	2025	2024
Prepaid guarantee fee	**₱92,622,679**	₱–
Loans receivable (Notes 10 and 15)	**72,075,846**	335,279,766
Restricted cash equivalents	**49,211,112**	141,219,919
Input VAT	**13,141,409**	22,269,063
Creditable withholding taxes (CWTs)	**1,858,882**	5,743,871
Prepaid expenses	**762,692**	2,503,092
Deferred input VAT	**216,884**	–
	229,889,504	507,015,711
Less: noncurrent portion (Notes 10 and 15)	**123,865,532**	321,145,723
	₱106,023,972	₱185,869,988

Details of noncurrent portion follow:

	2025	2024
Prepaid guarantee fee	**₱68,000,000**	₱–
Loans receivable	**55,739,292**	320,932,254
Others	**126,240**	213,469
	₱123,865,532	₱321,145,723

Prepaid guarantee fee pertains to advance payments to guarantor for the use of its property as collateral in the Parent Company's notes payable (see Note 15).

Loans receivable pertains to receivable of the Parent Company from Transtech Co., Ltd. and LBCE (see Notes 10 and 15).

Restricted cash equivalents represent time deposits of the Parent Company used as a guarantee to LBCE's loan (see Note 15). Interest income earned from restricted cash equivalents amounted to ₱5.04 million and ₱9.01 million in 2025 and 2024, respectively. Interest ranging from 5.13% to 5.75% and 5.88% to 6.00% in 2025 and 2024, 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 software license and subscription fee and interest 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 15).

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:

	2025	2024
Balance at beginning of period	**₱1,189,469**	₱1,138,605
Unrealized fair value gain during the year	**54,749**	50,864
	₱1,244,218	₱1,189,469

In 2025 and 2024, the Parent Company recognized unrealized fair value gains of ₱54,749 and ₱50,864, respectively, related to investment at FVPL.

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.

The Parent Company's interest in OFII is accounted for using cost method less any accumulated impairment in value. In 2025 and 2024, the investment in OFII amounted to ₱227.92 million.

The summarized statements of financial position of OFII follows:

	2025	2024
Current assets	**₱653,085,981**	₱619,467,749
Noncurrent assets	**166,932,128**	196,606,556
Current liabilities	**224,875,327**	223,988,554
Noncurrent liabilities	**97,788,051**	103,701,073
Equity	**497,354,731**	488,384,678

The summarized statements of comprehensive income of OFII follows:

	2025	2024
Revenue	**₱967,386,980**	₱933,381,150
Cost and expenses	**848,537,138**	811,596,095
Net income	**118,849,842**	121,785,055
Other comprehensive income (loss)	**120,216**	(3,374,977)
Total comprehensive income	**₱118,970,058**	₱118,410,078

On February 28, 2025, LBCH received stock dividends from OFII equivalent to 364,285 shares. There is no change in the percentage of ownership.

In 2025 and 2024, OFII declared dividends amounting to ₱33.00 million and ₱30.00 million, respectively (see Note 15). No impairment loss was recognized for the investment in associate in 2025 and 2024.

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	2025	2024
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.

No impairment loss for investment in subsidiaries was recognized in 2025 and 2024.

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, within the Licensed Territory. Licensed Territory refer to Japan and other Asian countries agreed between the parties. As consideration for the exclusive use of license, LBCH shall pay royalty of $0.13 million annually.

In 2025 and 2024, LBCH incurred royalty fee amounting to ₱7.20 million and ₱7.18 million, respectively (see Note 16). The related payable was offset to LBCH's interest receivable and loan receivable from Transtech amounting to ₱1.49 million and ₱5.71 million, respectively in 2025 and ₱1.65 million and ₱5.53 million, respectively, in 2024. Effect of foreign currency exchange rate related to interest receivable and loan receivable offsetting amounted to ₱1.13 million and ₱1.43 million in 2025 and 2024, respectively.

Loans receivable as at December 31, 2025 and 2024 is as follows:

	2025	2024
Current portion*	**₱16,336,554**	₱14,347,511
Noncurrent portion**	**55,739,292**	62,308,929
	₱72,075,846	₱76,656,440

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

Interest income earned amounted to ₱1.49 million and ₱1.65 million in 2025 and 2024, respectively.

11. Accounts and Other Payables

This account consists of:

	2025	2024
Accrued guarantee fee (Note 15)	**₱12,141,260**	₱–
Accrued interest payable	**6,276,027**	–
Accrued professional fees and outside services	**2,286,775**	8,807,116
Withholding tax payable	**615,999**	2,198,835
Accounts payable	**34,792**	6,992,913
Deferred output VAT	–	13,826,100
Others	**255,303**	275,093
	₱21,610,156	₱32,100,057

Accrued interest payable is related to the bank loan availed this year (Note 13).

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.

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.

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

12. **Convertible Instrument**

This account consists of:

	2025	2024
Derivative liability		
Balances at beginning of year	**₱2,528,532,365**	₱2,030,069,446
Fair value loss on derivative	**66,880,573**	218,344,697
Modification of maturity	–	280,118,222
Loss on redemption	**4,708,473**	–
Redemption	**(2,600,121,411)**	–
Balances at end of year	**₱–**	₱2,528,532,365
Bond payable		
Balances at beginning of year	**₱2,065,585,876**	₱1,979,740,743
Accretion of interest	**187,020,306**	319,594,107
Unrealized foreign exchange loss (gain)	**(24,520,236)**	89,504,093
Amortization of issuance cost	–	1,049,271
Modification of maturity	–	(324,302,338)
Redemption	**(2,228,085,946)**	–
Balances at end of year	**₱–**	₱2,065,585,876

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, 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 15).

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 15). 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 15).

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.

On August 15, 2025, LBCH received a notice setting the maturity date of the convertible instrument on September 15, 2025. The instrument amounting to $39.0 million was redeemed by the Group on the said date for a total redemption price of ₱4,828.20 million (US$84.51 million). Total loss on redemption of convertible instrument amounted to ₱4.71 million in 2025.

13. **Notes Payable**

On August 20, 2025, the Parent Company and LBCE entered into a loan agreement with a local bank to finance the redemption of the convertible instrument amounting to ₱4.70 billion, allocated between LBCH and LBCE at ₱3.40 billion and ₱1.30 billion, respectively.

The interest will be paid monthly while the principal will be paid semi-annually for five years starting February 2026.

The loan is secured with real estate mortgage on various properties owned by an affiliate valued at ₱4.93 billion. Effective the same date, in consideration of the affiliate's accommodation to the Group's request to use its assets as loan collateral, the Group agreed to pay the affiliate a guarantee fee of 1% of the face value of the loan and until said assets are released by the bank as loan collateral. Total transaction cost of the loan recognized and to be amortized over the life of the loan amounted to ₱35.20 million, of which ₱25.50 million pertains to LBCH. Amortization of transaction cost amounted to ₱1.86 million in 2025.

Notes payable as at December 31, 2025 is as follows (nil in 2024):

Current portion	₱216,000,000
Noncurrent portion	3,160,357,338
	₱3,376,357,338

The maturity analysis of the notes payable follows (nil in 2024):

	December 31, 2025	Interest rate
Due 2026	₱216,000,000	6.25% subject to repricing
Due 2027	324,000,000	6.25% subject to repricing
Due 2028	324,000,000	6.25% subject to repricing
Due 2029	360,000,000	6.25% subject to repricing
Due 2030	2,176,000,000	6.25% subject to repricing
	₱3,400,000,000	
Less debt issue cost	(23,642,662)	
	₱3,376,357,338	

14. **Equity**

Capital Stock
As at December 31, 2025 and 2024, 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

15. **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, 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, 2025 and 2024 are as follows:

	2025			
	Amount/Volume	**Receivable (Payable)**	**Terms**	**Conditions**
Due from a related party				
Subsidiaries				
a.) Service fee	**₱40,760,326**	**₱–**	Non-interest bearing; due and demandable	Unsecured, no impairment
b.) Cash advances	–	**14,697,500**	Non-interest bearing; due and demandable	Unsecured, no impairment
d.) Interest income	**11,698,709**	–	Due and demandable	Unsecured, no impairment
Officers/beneficial owners				
b.) Advances	–	**28,424,682**	Non-interest bearing; due and demandable	Unsecured, no impairment
		₱43,122,182		
Dividends receivable				
Subsidiaries				
e.) Dividends earned and receivable	**₱229,263,670**	**₱–**	Non-interest bearing; due and demandable	Unsecured, no impairment
Associate				
e.) Dividends earned and receivable	**33,000,000**	–	Non-interest bearing; due and demandable	Unsecured, no impairment
		₱–		
Accrued expenses				
f.) Guarantee fee	**₱12,389,041**	**(₱12,141,260)**	Non-interest bearing; due and demandable	Unsecured, no impairment
Due to related parties				
Subsidiary				
b.) Expense reimbursement	**₱92,622,679**	**(₱14,281,458)**	Non-interest bearing; due and demandable	Unsecured, no impairment
Officer				
b.) Advances	–	**(43,927)**	Non-interest bearing; due and demandable	Unsecured, no impairment
		(₱14,325,385)		

	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	Non-interest bearing; due and demandable	Unsecured, no impairment
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				
b.) 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.) Loans receivable - noncurrent portion	–	₱258,623,325	Interest bearing; fixed quarterly payments	
Due to related parties				
b.) Officer (Advances)	₱–	₱43,927		

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. This was fully settled in 2025.

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.

On August 29, 2025, LBCE paid all outstanding loan amounting to ₱451.39 million. As of December 31, 2024, total outstanding loans payable amounted to ₱418.22 million, of which ₱258.62 million of the balances are presented as noncurrent under "Due to related parties - noncurrent portion".

Interest income earned from loans receivable amounted to ₱11.70 million and ₱20.09 million in 2025 and 2024, respectively. Unpaid interest amounted to ₱1.41 million as at December 31, 2024.

e.) On July 1, 2025 and June 26, 2024, LBCH recognized cash dividend from OFII amounting to ₱33.00 million and ₱30.00 million, respectively, for its 30% interest on OFII.

On August 20, 2025, BOD of LBC Australia Pty Limited declared cash dividends amounting to AUD 800,000 (₱29.38 million). Further on August 22, 2025, LBC Airfreight (S) Pte. Ltd. declared cash dividends amounting to SGD 4.50 million (₱199.26 million).

On November 30, 2024, LBCH recognized cash dividends from LBCE amounting to ₱250.00 million which was paid in 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, 2025 and 2024, the balance of time deposit amounted to ₱49.21 million and ₱141.21 million, respectively (see Note 6). Such guarantee shall substitute the existing real estate mortgage on LBCE's real estate properties as security.

On August 20, 2025, the Parent Company and LBCE entered into a loan agreement with BDO to finance the redemption of the convertible instrument amounting to ₱4.70 billion allocated to LBCH and LBCE at the amount of ₱3.40 billion and ₱1.30 billion, respectively. The loan is secured with real estate property of an affiliate. Effective the same date, in consideration of the affiliate's accommodation to the use of its property as loan collateral, the Parent Company agreed to pay the affiliate a guarantee fee of 1% of the face value of the loan and until said assets are released by the bank as loan collateral. The Parent Company also agreed to pay in advance ₱92.62 million. ₱68.00 million which shall be applied to 4th and 5th year of the agreement. The guarantee fee is reported as part of interest expense in the statements of comprehensive income amounting to ₱12.39 million in 2025.

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.

16. **Operating Expenses**

This account consists of:

	2025	2024
Dues and subscriptions	**₱36,730,313**	₱33,269,962
Professional fees	**31,013,250**	93,382,362
Guarantee fees	**12,389,041**	–
Royalty fees (Note 10)	**7,201,961**	7,183,778
Outside services	**1,726,750**	847,868
Taxes and licenses	**41,712**	247,413
Others	**720,367**	307,413
	₱89,823,394	₱135,238,796

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

17. **Income Taxes**

Provision for income tax consists of:

	2025	2024
Current	**₱4,926,893**	₱577,998
Deferred	**(326,546,722)**	(39,334,246)
	(₱321,619,829)	(₱38,756,248)

The provision for current tax represents MCIT in 2025 and 2024.

As of December 31, 2025 and 2024, the deductible temporary differences for which no deferred tax assets are recognized pertains to NOLCO and MCIT of the Parent Company amounting to ₱1,155.96 million and ₱0.58 million, respectively, since management believes that there are no sufficient taxable profits against which the deferred tax assets can be utilized.

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

	2025	2024
Deferred tax assets arising from:		
Unrealized foreign exchange losses	**₱26,432,543**	₱34,042,290
NOLCO	**358,312,289**	18,245,156
	384,744,832	52,287,446
Deferred tax liabilities arising from:		
Others	**(5,910,665)**	–
	₱378,834,167	₱52,287,446

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/Others	Balance	Expiry Date
2025	₱2,510,721,770	₱–	₱2,510,721,770	2028
2024	72,980,625	–	72,980,625	2027
	₱2,583,702,395	₱–	₱2,583,702,395	

MCIT

Year Incurred	Amount	Used/Expired/Others	Balance	Expiry Date
2025	₱4,926,893	₱–	₱4,926,893	2028
2024	577,998	–	577,998	2027
	₱5,504,891	₱–	₱5,504,891	

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:

	2025	2024
Income tax at the statutory income tax rate	**(₱20,324,932)**	(₱90,482,603)
Tax effects of the items not subject to statutory rate:		
Movement in unrecognized DTA	**(310,161,062)**	–
Nondeductible expenses	**18,488,330**	133,238,933
Interest income subjected to final tax	**(1,358,478)**	(9,198,717)
Nontaxable income	**(8,263,687)**	(72,313,861)
	(₱321,619,829)	(₱38,756,248)

18. 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, 2025 and 2024 with all other variables held constant.

	Effect on total comprehensive income	
	2025	2024
Change in NAV		
+5.00%	**₱62,211**	₱59,473
-5.00%	**(62,211)**	(59,473)

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 before its full redemption in September 2025. In 2024, 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
The Group's exposure to the risk of changes in market interest rate relates primarily to its notes payable that are subject to repricing. 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 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
Credit spread +1%	₱12,117,306
Credit spread -1%	(12,189,551)

Interest Rate Risk Sensitivity Analysis.
The following table demonstrates the sensitivity to a reasonably possible change in tax interest rates with all other variables held other constant of the Group's income before income tax (nil in 2024).

	Increase (Decrease) in Basis Points	Effect on income before income tax
2025	100	(₱31,840,000)
	(100)	31,840,000

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, 2025 and 2024 follow:

	2025	
	Foreign currency	**Peso equivalent**
Assets:		
US dollars	**1,389,671**	**₱81,698,738**

The translation exchange rate used was ₱58.79 to USD 1 as at December 31, 2025

	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.

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

Reasonably possible change in foreign exchange rate for every two units of Philippine Peso	Increase (decrease) in income before tax	
	2025	2024
₱2	**₱2,779,341**	(₱67,782,860)
(2)	**(2,779,341)**	67,782,860

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, 2025 and 2024, 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:

	2025			
	High Grade	**Medium Grade**	**Low Grade**	**Total**
Cash	**₱95,541,749**	**₱–**	**₱–**	**₱95,541,749**
Receivables	**14,983**	**–**	**–**	**14,983**
Prepayments and other current assets	**16,336,554**	**–**	**–**	**16,336,554**
Loans receivable	**55,739,292**	**–**	**–**	**55,739,292**
Restricted cash equivalents	**49,211,112**	**–**	**–**	**49,211,112**
Due from related parties	**43,122,182**	**–**	**–**	**43,122,182**
Investment at FVPL	**1,244,218**	**–**	**–**	**1,244,218**
	₱261,210,090	**₱–**	**₱–**	**₱261,210,090**

	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

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.

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, 2025 and 2024 based on remaining contractual undiscounted collections and payments:

	2025		
	Due in less than one year	**Due in more than one year**	**Total**
Financial assets			
Cash in banks	**₱95,541,749**	**₱–**	**₱95,541,749**
Receivables	**14,983**	**–**	**14,983**
Loans receivable	**16,336,554**	**55,739,292**	**72,075,846**
Restricted cash equivalents	**49,211,112**	**–**	**49,211,112**
Due from related parties	**43,122,182**	**–**	**43,122,182**
Investment at FVPL	**1,244,218**	**–**	**1,244,218**
	₱205,470,798	**₱55,739,292**	**₱261,210,090**
Financial liabilities			
Notes payable	**₱216,000,000**	**₱3,160,357,338**	**₱3,376,357,338**
Accounts and other payables	**20,738,854**	**–**	**20,738,854**
Due to related parties	**14,325,385**	**–**	**14,325,385**
	₱251,064,239	**₱3,160,357,338**	**₱3,411,421,577**

	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	320,932,254	335,279,765
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	₱320,932,254	₱1,639,492,575
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

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, 2025 and 2024. 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, 2025 and 2024 amounting to ₱1,767.17 million and ₱1,526.85 million, respectively.

19. **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 5.05% to 5.92% and 5.92% to 5.95% in 2025 and 2024.

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 4.25% to 6.06% in 2025.

The estimated fair value of the derivative liability as at December 31, 2024 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% in 2024. In 2024, 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. 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:

	2025				
			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	**₱1,244,218**	**₱1,244,218**	**₱–**	**₱–**	**₱1,244,218**
Assets for which fair value are disclosed					
Loans receivable - net of current portion	**55,739,292**	**55,739,292**	**–**	**–**	**55,739,292**
Liabilities for which fair value are disclosed					
Long-term notes payable	**3,160,357,338**	**3,059,131,879**	**–**	**–**	**3,059,131,879**

	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	320,932,254	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

During the years ended December 31, 2025 and 2024, 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, 2025 and 2024, 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, 2025			
Royalty offsetting	**Gross Amount**	**Offsetting**	**Forex**	**Net Amount**
Loan receivable	**₱76,656,676**	**(₱5,711,857)**	**₱1,131,027**	**₱72,075,846**
Interest receivable	**1,490,104**	**(1,490,104)**	**–**	**–**
Royalty payable	**(7,201,961)**	**7,201,961**	**–**	**–**
	₱70,944,819	**₱–**	**₱1,131,027**	**₱72,075,846**

	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

In 2025 and 2024, the Parent Company's royalty payable has been offset against loans receivable and accrued interest receivable from Transtech.

20. Note to Statement of Cash Flows

In 2025, the Parent Company has the following non-cash transactions under:

Operating Activities
a.) Offsetting of interest of loans receivable amounting to ₱1.49 million.

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

	December 31, 2024	**Cash Flows**	**Interest**	**Foreign exchange movement**	**Others**	**December 31, 2025**
Convertible instrument (bond payable and derivative liability)	**₱4,594,118,241**	**(₱4,828,207,357)**	**₱187,020,306**	**(₱24,520,236)**	**₱71,589,046**	**₱–**
Notes payable	**–**	**3,376,357,338**	**–**	**–**	**–**	**3,376,357,338**
Interest	**–**	**(71,877,397)**	**78,153,424**	**–**	**–**	**6,276,027**
Total liabilities from financing activities	**₱4,594,118,241**	**(₱1,523,727,416)**	**₱265,173,730**	**(₱24,520,236)**	**₱71,589,046**	**₱3,382,633,365**

Others pertain to fair value changes and loss on redemption (see Note 12).

In 2024, the Parent Company has the following non-cash transactions under:

Operating Activities
a.) Offsetting of interest of loans receivable amounting to ₱1.65 million.

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

	December 31, 2023	Cash Flows	Interest	Dividends declared	Modification	Foreign exchange movement	Fair value changes	December 31, 2024
Convertible instrument (bond payable and derivative liability)	₱4,009,810,189	₱–	₱320,643,378	₱–	(₱44,184,116)	₱89,504,093	₱218,344,697	₱4,594,118,241
Due to related parties	43,927	–	–	–	–	–	–	43,927
Total liabilities from financing activities	₱4,009,854,116	₱–	₱320,643,378	₱–	(₱44,184,116)	₱89,504,093	₱218,344,697	₱4,594,162,168

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and Board of Directors
LBC Express Holdings, Inc.
LBC Central Exchange, L2 C5 Extension, Moonwalk
Parañaque 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, 2025 and 2024 and have issued our report thereon dated April 14, 2026. 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
[redacted]
CPA Certificate No. 112004
Tax Identification No. 925-713-249
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 112004-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001998-119-2025, December 16, 2024, valid until December 15, 2027
PTR No. 10765095, January 2, 2026, Makati City

April 14, 2026

LBC EXPRESS HOLDINGS, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

For the year ended December 31, 2025

Unappropriated retained earnings, beginning of the year		₱45,561,509
Add: <u>Category A</u>: 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	(605,009,011)	
Unrealized foreign exchange gain in prior year	(110,576,515)	
Less: <u>Category B</u>: 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	(715,585,526)	–
Unappropriated retained earnings, as adjusted		45,561,509
Net income for the current year		240,320,101
Less: <u>Category C.1</u>: 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		285,881,610
Add: <u>Category C.2</u>: 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	(326,546,722)	
Adjustment due to deviation from PFRS/GAAP – gain (loss)	–	
Others	–	
Sub-total		(326,546,722)
TOTAL RETAINED EARNINGS, END OF THE PERIOD AVAILABLE FOR DIVIDEND DECLARATION		**(₱40,665,112)**