COVER SHEET

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SEC Registration Number

N E G R O S   N A V I G A T I O N   C O . ,   I N C .

(Company's Full Name)

8 T H   F L O O R   T O W E R   1   D O U B L E   D R A G O N
P L A Z A   M A C A P A G A L   B L V D .   C O R N E R
E D S A   E X T E N S I O N   P A S A Y   C I T Y

(Business Address: No. Street City/Town/Province)

ELMER B. SERRANO
(Contract Person)

(02) 687-1195
(Company Telephone Number)

1	2		3	1

Month *Day*
(Fiscal Year)

2	0	-	I	S

(Form Type)

Month *Day*
(Annual Meeting)

Definitive Information Statement
(Secondary License Type, If Applicable)

Corporation Finance Department
Dept. Requiring this Doc.

N/A
Amended Articles Number/Section

Total Amount of Borrowings

3,258
Total No. of Stockholders

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

**INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

   [ ] Preliminary Information Statement

   [X] Definitive Information Statement

2. **NEGROS NAVIGATION CO., INC.**
   Name of Registrant as specified in its charter

3. **PHILIPPINES**
   Province, country or other jurisdiction of incorporation or organization

4. **PW00001275**
   SEC Identification Number

5. **000-199-315-000**
   BIR Tax Identification Code

6. **8th Floor Tower 1 Double Dragon Plaza Macapagal Blvd. corner EDSA Extension, Pasay City**
   Address of principal office Postal Code 1302

7. **(02) 528-7171**
   Registrant's telephone number, including area code

8. **April 05, 2018, 2:00 p.m., Forbes Ballroom, Conrad Manila, Seaside Boulevard corner Coral Way, Mall of Asia Complex, Pasay City**
   Date, time and place of the meeting of security holders

9. **13 March 2018**
   Approximate date on which the Information Statement is first to be sent or given to security holders

11. Securities registered pursuant to Sections 8 and 12 of the Code 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 stock, P0.20 par value	**3,364,768,096 shares**
Series "A" Preferred Shares, P0.20 par value	**1,000,000,000 shares**
Series "B" Preferred Shares, P0.65 par value	**1,232,323,315 shares**

12. Are any or all of registrant's securities listed in a Stock Exchange?

    Yes [ ] No [x]

NEGROS NAVIGATION CO., INC.
NOTICE OF ANNUAL STOCKHOLDERS' MEETING
April 5, 2018 | 2:00 p.m.
Forbes Ballroom, Conrad Manila, Seaside Boulevard, Coral Way
Mall of Asia Complex, Pasay City

To all Stockholders:

The 2018 annual stockholders' meeting of **NEGROS NAVIGATION CO., INC.** will be held on **April 5, 2018, 2:00 p.m.** at the **Forbes Ballroom, Conrad Manila, Seaside Boulevard cor. Coral Way, Mall of Asia Complex, Pasay City**.

AGENDA

1. Call to order
2. Certification of Notice and Quorum
3. Approval of Minutes of Annual Meeting of Stockholders held on September 20, 2017
4. Approval of Annual Report for the Year 2017 (Open Forum)
5. Approval and Ratification of the Acts of the Board of Directors and Management
6. Election of Directors for 2018 – 2019
7. Appointment of External Auditor
8. Approval of Internal Restructuring Involving Merger with 2GO Group, Inc.
9. Other Matters
10. Adjournment

Each agenda item for approval is explained in the Definitive Information Sheet, with brief details and rationale in the attached **Annex A**.

The Board of Directors has fixed March 12, 2018 as the record date for the determination of stockholders entitled to notice of and to vote at such meeting and any adjournment thereof.

In case you cannot personally attend the meeting, you may accomplish the attached proxy form and submit it to the office of the Corporate Secretary at the 33rd Floor, The Orient Square, F. Ortigas Jr. Road, Ortigas Center, Pasig City 1600 at least ten (10) days before the date set for the annual meeting or until March 26, 2018, in accordance with the By-Laws of the Company.

For your convenience in registering your attendance, please bring proof of identification, such as a passport, driver's license, or company I.D.

Pasig City, February 27, 2018.

ELMER B. SERRANO
Corporate Secretary

Annex A
Rationale for Agenda Items:

Agenda Item 3: Approval of Minutes of Annual Stockholders' Meeting held on September 20, 2017

The Board of Directors recommends the stockholders to consider subject minutes for approval on April 5, 2018.

Agenda Item 4: Approval of Annual Report for 2017

The Company's 2017 performance results have been duly summarized in the Annual Report, which includes the Audited Financial Statements (AFS) of the Company for the year ended 31 December 2017. The AFS, as audited by the external auditor Sycip Gorres Velayo & Co. (**SGV&Co.**) which expressed an unqualified opinion therefor, have been reviewed and approved by the Audit Committee and the Board of Directors of the Company. Any stockholder who would like to receive a hard or soft copy of the 2017 Annual Report may do so through the Investor Relations Office.

Agenda Item 5: General Ratification of Acts of the Board of Directors, Board Committees and Management during Term

Actions and proceedings of the Board of Directors, the Board Committees, and the Management during their term or from the last Annual Meeting held on September 20, 2017 to the date of this year's meeting will be subject to stockholders approval and ratification.

Agenda Item 6: Election of Directors for 2018

Nominees for election as members of the Board of Directors for 2018-2019, including the independent directors, have been pre-qualified by the Corporate Governance Committee. The Nominees' proven competence, expertise and qualifications based on current regulatory standards, will help sustain the Company's solid performance for the benefit of all its stockholders. The profiles of the nominees are presented in the Definitive Information Statement for reference. Directors for 2018-2019 will be elected during this year's stockholders' meeting.

Agenda Item 7: Appointment of the External Auditor

Upon recommendation of the Audit Committee, the Board approved and endorses for stockholders' approval the appointment of SyCip Gorres Velayo & Co. (SGV & Co.) as external auditor for 2018. SGV & Co. is one of the top auditing firms in the country and is duly accredited with the Securities and Exchange Commission. appointment of SGV&Co. as external auditor of the Company for 2018 is subject to stockholders' approval during this year's stockholders' meeting.

Agenda Item 8: Approval of Internal Restructuring of Involving the Merger with 2GO Group, Inc., with 2GO as Surviving Entity

To simplify the corporate structure and to develop efficiencies and economies within the Group, the Board approved the merger of the Company with its subsidiary, 2GO Group, Inc. (2GO), with 2GO as the surviving corporate entity. This is in line with its efforts to streamline operations, reduce costs, and increase shareholder value. is subject to stockholders' approval during this year's stockholders' meeting.

PROXY

The undersigned stockholder of NEGROS NAVIGATION CO., INC. ("NENACO") hereby appoints ____ or in his absence, the Chairman of the meeting, as attorney and proxy, with power of substitution, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of NENACO on April 5, 2018 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of minutes of previous meetings.

   ___ Yes ___ No ___ Abstain

2. Approval of annual report.

   ___ Yes ___ No ___ Abstain

3. Ratification of all Acts and Resolutions of the Board of Directors and Management

   ___ Yes ___ No ___ Abstain

4. Election of Directors.

   ____ a) Vote for all nominees listed below:

      1. Francis C. Chua
      2. Dennis A. Uy
      3. Ma. Concepcion F. de Claro
      4. Frederic C. DyBuncio
      5. Raul Ch. Rabe
      6. Elmer B. Serrano
      7. Laurito E. Serrano
      8. Joseph C. Tan
      9. Chryss Alfonsus V. Damuy

   ____ b) Withhold authority for all nominees listed above

   ____ c) Vote for the nominees listed below:

   ________________ ________________
   ________________ ________________
   ________________ ________________
   ________________ ________________
   ________________ ________________

5. Election of SyCip Gorres Velayo & Co. as external auditor.

   ___ Yes ___ No ___ Abstain

6. Approval of internal restructuring of NENACO involving the merger with 2GO Group, Inc.

   ___ Yes ___ No ___ Abstain

7. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.

   ___ Yes ___ No ___ Abstain

____
Printed Name of Stockholder

____
Signature of Stockholder / Authorized Signatory

____
Date

THE PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE **MARCH 26, 2018 (MONDAY)**, THE DEADLINE FOR SUBMISSION OF PROXIES.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSED HIS INTENTION TO VOTE IN PERSON.

PART I

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. **Date, time and place of meeting of security holders.**

Date of meeting	:	5 April 2018
Time of meeting	:	2:00 p.m.
Place of meeting	:	Forbes Ballroom, Conrad Manila, Seaside Boulevard corner Coral Way, Mall of Asia Complex, Pasay City
Approximate date of mailing of this Statement	:	13 March 2018
Registrant's Mailing Address	:	8th Floor Tower 1 Double Dragon Plaza, Macapagal Blvd. corner Edsa Extension, Pasay City

Item 2. **Dissenters' Right of Appraisal**

Negros Navigation Co., Inc. (**NENACO** or the **Company**) respects the inherent rights of shareholders under the law. 2GO recognizes that all stockholders should be treated fairly and equally whether they be controlling, majority or minority, local or foreign.

The following items which are subject to approval during the annual stockholders' meeting afford dissenting stockholders the right of appraisal, defined to be the right of any stockholder to dissent and demand payment of the fair value of his shares:

1. Internal Restructuring Involving the Merger of NENACO with 2GO Group, Inc. (**2GO**), with 2GO as the Surviving Entity

Any stockholder who wishes to exercise his appraisal right must have voted against the proposed corporate action, must make a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares as well as comply with all other requirements provided under Title X of the Corporation Code. Failure to make the demand within such period or comply with the requirements provided under Title X of the Corporation Code shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made. No payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment. Upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

Item 3. **Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

No director or officer of the Company at any time since the beginning of the last fiscal year, or any nominee for election as a director of the Company, or any associate of any of the foregoing persons, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in the stockholders' meeting, other than their re-election to their respective positions.

No director has informed the Company in writing that he intends to oppose any action to be taken by the Company at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. **Voting Securities and Principal Holders Thereof**

(a) The Company has 3,364,768,096 issued and outstanding common shares, 1,000,000,000 issued and outstanding Series "A" preferred shares and 1,232,323,315 Series "B" preferred shares, as of February 28, 2018, with the following foreign ownership:

Title of Class	No. of Shares owned by Foreigners	Percent of Class	Total Foreign Ownership To the Total

			Outstanding Shares
Common	778,214	0.02%	00.01%
Series "A" Preferred	999,999,996	100%	17.87%
Series "B" Preferred	1,232,323,315	100%	22.02%
TOTAL	2,233,101,525		39.90%

Each common share and Series "A" and Series "B" preferred shares is entitled to one (1) vote with respect to all matters to be taken up during the Annual Stockholders' Meeting.

(b) The record date for determining stockholders entitled to notice and to vote during the annual stockholders' meeting and also to this information statement is **March 12, 2018**.

(c) At each election for directors, every common, Series "A" preferred and Series "B" preferred stockholder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate his vote by giving one (1) candidate as many votes as the number of such directors multiplied by the number of shares shall equal, or by distributing such votes on the same principle among any number of candidates.

(d) Security ownership of certain record and beneficial owners and management:

Security ownership of certain record and beneficial owners of five per centum (5%) or more of the outstanding capital stock of the Registrant as of February 28, 2018:

Title of Class	Name and Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	**KGLI-NM Holdings, Inc. (KGLI-NM)** 1103 Pearl of the Orient Condominium, Roxas Boulevard, Ermita, Manila (Majority Shareholder)	Negros Navigation Co., Inc. (Majority Shareholder) KGL Investment B.V. (Minority Shareholder)	Filipino	3,335,535,038	59.59%
Series "A" Preferred	**China-ASEAN Marine B.V. (CAMBV)** Suite 6713-6716 Two International Finance Centre, 8 Finance Street, Central, Hong Kong (Shareholder)	China-ASEAN Marine Cooperatief U.A. (Sole Shareholder)	Dutch	999,999,996	17.87%
Series "B" Preferred	**China-ASEAN Marine B.V.** Suite 6713-6716 Two International Finance Centre, 8 Finance Street, Central, Hong Kong (Shareholder)	China-ASEAN Marine Cooperatief U.A. (Sole Shareholder)	Dutch	1,232,323,315	22.02%

Security Ownership of Management – Record and Beneficial Owners as of February 28, 2018:

Title of Class	Name of the Record / Beneficial Owner	Citizenship	Amount and Nature of Record / Beneficial Ownership	% Of Class
Directors				
Series A Preferred	Francis C. Chua	Filipino	1 (Direct – KGLI-NM)	0.000%
Common	Dennis A. Uy	Filipino	1 (Direct)	0.000%
Series A Preferred	Frederic C. Dybuncio	Filipino	1 (Direct – CAMBV)	0.000%
Common	Raul Ch. Rabe	Filipino	1 (Direct – Independent)	0.000%

Title of Class	Name of the Record / Beneficial Owner	Citizenship	Amount and Nature of Record / Beneficial Ownership		% Of Class
Common	Monico V. Jacob	Filipino	1	(Direct - Independent)	0.000%
Series A Preferred	Joseph C. Tan	Filipino	1	(Direct - CAMBV)	0.000%
Series A Preferred	Laurito E. Serrano	Filipino	1	(Direct – Independent)	0.000%
Common	Ma. Concepcion F. De Claro	Filipino	1	(Direct)	0.000%
Common	Elmer B. Serrano	Filipino	1	(Direct)	0.000%
	Total – Directors as a Group		**9**		**0.000%**
Executive Officers					
Common	Dennis A. Uy	Filipino	1	(Direct)	0.000%
Common	William Charles Howell	Filipino	0	N/A	0.000%
	Fred S. Pajo	Filipino	0	N/A	0.000%
Common	Jose Manuel L. Mapa	Filipino	13,973	(Direct)	0.000%
	Stephen Rey R. Tagud	Filipino	0	(R)	0.000%
	Zenaida R. Cabral	Filipino	0	N/A	0.000%
	Mia Jazmin M. Ormita	Filipino	0	N/A	0.000%
	Total – Officers as a Group		**13,974**		**0.000%**
Directors and Executive Officers as a Group			**13,983**		**0.000%**

Security Ownership of the Directors and Officers in the Registrant as a Group: Common is 13,978 shares; Preferred – 4 shares

Voting Trust Holders of 5% or more

No person holds more than 5% of a class of shares under a voting trust agreement or similar arrangement.

Changes in Control

On March 31, 2017, SM Investments Corporation (**SMIC**) acquired a 34.5% economic stake in NENACO through China-ASEAN Marine B.V. (**CAM B.V.**). For such acquisition, SMIC acquired from CAM B.V. 888,467,234 Series B Preferred Shares of NENACO representing 15.87% of the voting interest for a cash consideration of US$0.14/share or a total amount of One Hundred Twenty Four Million Five Hundred Thousand Dollars (US$124,500,000.00) based on the shares' fair market value. The Tax Clearance and Certificate Authorizing Registration of the acquired shares in NENACO are currently being processed with the Bureau of Internal Revenue for the transfer of shares to SMIC.

In 2016, Udenna Corporation entered into a Share Purchase Agreement for its acquisition of the entire outstanding stock of KGL Investment B.V. (**KGLI-BV**), a company organized and existing under laws of Netherlands, approximately owning 39.71% voting interest in KGLI-NM Holdings, Inc. (**KGLI-NM**). KGLI-NM in turn owns 59.59% equity interests in NENACO.

On 15 February 2018, the Philippine Competition Commission (**PCC)** ruled that Udenna's acquisition of KGLI-BV is a notifiable transaction under Rules and Regulations to Implement the Philippine Competition Act. PCC declared the acquisition void. The PCC decision does not affect the ownership of NENACO, since KGLI-NM remains to be the stockholder of record of majority of shares in NENACO.

On 02 May 2017, Chelsea Logistics Holdings Corp. (**CLC**), a subsidiary of Udenna Corporation, entered into agreements to acquire the following shares of KGLI-NM: (i) 43,081 Redeemable Preferred B shares and 200 Common Shares, representing 9.93% of NENACO, voting stock for a total cash consideration of Php1,193,172,286.29; and (2) 219,609 Preferred C shares, representing 50.37% of KGLI-NM's voting capital stock for a cash consideration of Php219,609.00. Approval of the PCC of these share acquisitions is likewise currently being processed.

Item 5. **Directors and Executive Officers**

<u>DIRECTORS</u>

The following are the business experience/s of the members of the Board during the last five (5) years:

Mr. Dennis A. Uy, 44, Filipino, has been the Chairman of the Board of NENACO and 2GO Group, Inc. ("2GO") since

September 2017. He served as the Chief Executive Officer and President of NENACO and 2GO from April to September 2017. He is the Chairman of the Compensation and Remuneration Committee and a member of the Executive Committee. Mr. Uy serves as the Chief Executive Officer and President of Comstech Integration Alliance, Inc. Mr. Uy co-founded P-H-O-E-N-I-X Petroleum Philippines, Inc. in 2002 and has been its Chief Executive Officer and President since 2002. Mr. Uy serves as the Chief Executive Officer and President of Chelsea Shipping Corporation, Global Synergy Trade and Distribution Corporation, Udenna Development Corporation, Value Leases Inc., and Udena Foundation, Inc. As President, Mr. Uy spearheads operation and management of four companies: Bullex Mining Corporation, BBL Mining Corporation, Davao GM Foods Corporation and Granland Resources Corporation. He serves as the President of Phoenix Petroleum Holdings, Inc. He serves as Chairman and President of Udenna Holdings Corportion and Dencio's Kamayan Inc. He serves as the Chairman of Oilink Mindanao Distribution, Mindanao Media Dynamics, Le Don Printers and Bohemian Promotions and Training Center. Mr. Uy serves as the Chairman of the Board of Directors of Phoenix Petroleum Holdings, Inc., the holding company of PPPI and Udenna Corporation, the ultimate parent company of PPPI. He serves as Chairman of F2 Logistics, Phoenix Philippines Foundation, Inc., and Udenna Foundation, Inc. He serves as Vice Chairman of P-H-O-E-N-I-X Petroleum Philippines, Inc. He has been an Independent Director of Apex Mining Co. Inc. since March 19, 2013. He serves as a Director of P-H-O-E-N-I-X Petroleum Philippines, Inc., First Oriental Packaging, Senorita Farms, Aquamines Philippines, Bulbscor Minerals Corporation and Blucor Minerals Corporation. He has been a Director of 2GO Group, Inc. since February 6, 2017. Mr. Uy served as an Independent Director of Transpacific Broadband Group International Inc. since February 28, 2003. He is a member of the Young President Organization-Philippine Chapter and the Philippine Business for Social Progress. Mr. Uy is the Honorary Consul of Kazakhstan to the Philippines since November 2011. He is also a Member of the Management Association of the Philippines (MAP), the American Chamber of Commerce, Davao Chapter, the Davao City Chamber of Commerce and a Business Sector representative to the Chinatown Development Council in Davao. He was also Past-President of Apo Golf & Country Club and was a Director of Elias Lopez Sports Foundation. Mr. Uy holds a Bachelor of Science Degree in Business Management at the De La Salle University in Manila.

Mr. Francis C. Chua, 68, Filipino, has been an Independent Director of NENACO and 2GO since January 2011. He served as Chairman of the Board of NENACO and 2GO from July 2011 until September 2017. His other current positions include Honorary Consulate General of the Republic of Peru in Manila; President and Eminent Adviser of the Philippine Chamber of Commerce and Industry; Chairman of the Philippine Chamber of Commerce and Industry Foundation, CLMC Group of Companies, and Green Army Philippines Network Foundation; President of DongFeng Automotive, Inc. and Philippine Satellite Corporation; Director of Philippine Stock Exchange, National Grid Corporation of the Philippines, Bank of Commerce, Basic Energy, and Overseas Chinese University; and Trustee of Xavier School Educational Trust Fund, and Adamson University. He graduated with a Bachelor of Science degree in Industrial Engineering from the University of the Philippines.

Mr. Frederic C. DyBuncio, 57, Filipino, has been the President and CEO of 2GO since September 2017 and a Director of NENACO and 2GO since April 2017. He is the Chairman of the Executive Committee and a member of the Risk Oversight Committee, Compensation and Remuneration Committee, and the IT Steering Committee. He is currently an Executive Vice President in SM Investments Corporation. Prior to joining 2GO, he was a career banker who spent over 20 years with JPMorgan Chase and its predecessor institutions. During his stint in the banking industry, he was assigned to various managerial/executive positions where he gained substantial professional experience in the areas of credit, relationship management and origination, investment banking, capital markets, and general management. He has worked and lived in several major cities including New York, Seoul, Bangkok, Hong Kong and Manila. He obtained his undergraduate degree in Business Management from the Ateneo de Manila University, and his master's degree in Business Administration from the Asian Institute of Management.

Atty. Elmer B. Serrano, 50, Filipino, has been a Director, Corporate Secretary and Corporate Information Officer of NENACO and 2GO since February 2017. He is a member of the Executive Committee and the Compensation and Remuneration Committee. He has been in the practice of corporate law for over two decades and is a named partner of the law firm of Martinez Vergara Gonzalez & Serrano and has been practicing corporate law for over two decades. Atty. Serrano is currently the Corporate Information Officer of BDO Unibank, Inc. He is also the Corporate Secretary of SM Investments Corporation, SM Prime Holdings, Inc., Premium Leisure Corporation, Premium Leisure Amusement Incorporation, Crown Equities, Inc., and Corporation Secretary of subsidiaries of BDO Unibank, Inc. namely, BDO Capital & Investment Corporation, BDO Securities Corporation, BDO Insurance Brokers, Inc., and Averon Holding Corporation. He was a director of OCLP Holdings, Inc. until November 2014. He is a graduate of the Ateneo Law School and holds a degree of B.S. Legal Management from the Ateneo de Manila University.

Ms. Ma. Concepcion F. de Claro, 59, Filipino, became a Director of NENACO and 2GO in April 2017. She is a member of the Audit Committee, the Related Party Transaction Committee, and the IT Steering Committee. She served as the Chief Operating Officer of Alsons Corporation from March 2011 to 2017 and as a member of the Board of Alsons Power Holdings Corporation from October 2011 to 2017. She was previously a member of the Board of Directors of Manila North Harbour Port, Inc. (from April 2011-June 2012) and Limay Energen Corporation (from July 2011 to March 2012), and a Chief Financial Officer of Two San Isidro-SIAI Assets, Inc. (from March 2011 to March 2014). She is a Certified Public Accountant with a B.S, Commerce degree, Major in Accounting, *magna cum laude*, from Colegio de San Juan de Letran.

Amb. Raul Ch. Rabe, 77, Filipino, has been an Independent Director of NENACO and 2GO since December 2010. He is also the Chairman of the Risk Management Committee. He has served as Independent Director of KGLI-NM Holdings, Inc.

since July 2008, Director of Bancommerce Investment Corporation since 2007, Director of Vivant Corporation since 2002; Director of Bank of Commerce since 2001, Corporate Secretary of Manila Economic and Cultural Office since 2001, and Of Counsel for Rodrigo, Berenguer and Guno Law Offices since 1999. He graduated with a Bachelor of Arts degree at the University of Santo Tomas, and a Bachelor of Laws degree from the Ateneo de Manila Law School. He has been a member of the Philippine Bar since 1965 and the Philippine Foreign Services since 1968. He completed the Colombo Plan Scholarship on Diplomacy at the Australian Institute of Foreign Service in Canberra, Australia.

Atty. Monico V. Jacob, 73, Filipino, has served as an Independent Director of NENACO and 2GO since December 2011. He is a member of the Related Party Transaction Committee, Risk Oversight Committee, and the Corporate Governance Committee. As a partner of the Jacob & Jacob Law Firm, he has been involved in corporate recovery work including rehabilitation receiverships and restructuring advisory in the following firms: The Uniwide Group of Companies, ASB Holdings, Inc., RAMCAR Group of Companies, Atlantic Gulf and Pacific Company of Manila, Inc., Petrochemicals Corporation of Asia-Pacific, All Asia Capital and Trust Corporation (now known as Advent Capital and Finance Corporation), Nasipit Lumber Company, Inc. and NENACO. His current positions include: President and CEO of Systems Technology Institute, Inc. (STI), Information and Communications Technology Academy, Inc., PhilPlans First, Inc., Philhealthcare, Inc., Banclife Insurance Co. Inc., and JTH Davies Holdings, Inc.; Member of the Boards of Jollibee Foods, Inc., Advent Capital and Finance Corp., Asian Life Financial Assurance, Asian Terminals, Inc., Mindanao Energy, Inc., Phoenix Petroleum Philippines, Inc., De los Santos – STI College, De los Santos – STI Medical Center, Philippine Health Educators, Inc., Philippine Women's University, Unlad Resources Development Corporation, and Anvaya Cove Beach and Nature Club; and Chairman of the Boards of Total Consolidated Asset Mgmt, Inc., and Global Resource for Outsourced Workers, Inc. He completed his Bachelor of Arts in Liberal Arts from Ateneo de Naga and Bachelor of Laws from the Ateneo de Manila University.

Atty. Joseph C. Tan, 59, Filipino, became an Independent Director of NENACO and 2GO in February 2017. He is the Chairman of the Corporate Governance Committee and a member of the Related Party Transaction Committee, Audit Committee, and the IT Steering Committee. He is a Founding Partner of MOST Law Firm (formerly Marcos Ochoa Serapio Tan Law Offices) from September 2006 to present. He was a Special Counsel for the Agus Cruz & Manzano Law Office from 2004 to August 2006. He was an Associate of Puno & Puno Law Offices from 1991 to 1995. He is currently an independent director of Premium Leisure Corp.and was a director of San Carlos Bioenergy Corporation. He was also a director of Philippine Bank of Communications from September 2010 to August 2011. Atty. Tan holds a Bachelor of Arts with a Major in Business Administration degree from University of San Francisco, USA. He also holds a Bachelor of Laws degree from the Ateneo de Manila College of Law, Makati City, graduating with honors.

Mr. Laurito E. Serrano, 58, Filipino, became an Independent Director of NENACO and 2GO in April 2017. He is the Chairman of the Audit Committee and a member of the IT Steering Committee. He serves as Group Chief Finance Officer, Executive Vice President and Treasurer of Metro Global Holdings Corporation. Mr. Serrano serves as Chief Finance Officer of Fil-Eatate group. He has been the Managing Director of CibaCapital Philippines, Inc. since March 2010, where he develops and promotes financial advisory and project development engagements, involving transaction structuring, public offerings, listings of shares, asset securitization and monetization, work-out deals, project studies, business acquisitions and debt and equity capital-raisings. His area of specialization is Financial Advisory and Corporate Finance. He served as Principal Executive Officer of Metro Global Holdings Corporation and served as its Comptroller. Mr. Serrano was Partner of Corporate Finance Consulting Group of Sycip, Gorres, Velayo & Company (SGV & Co.) from 1992 to 1997 and part of the Audit and Business Advisory Group of SGV from 1980 to 1992. He has been an Independent Director of Pacific Online Systems Corporation since May 23, 2014. Mr. Serrano has been an Independent Director of Atlas Consolidated Mining & Development Corp. since August 22, 2012. He has been a Director of Philippine Veterans Bank since June 2012. He has been a Director at Atlas Consolidated Mining Corporation since August 2012. He serves as an Independent Director of APC Group Inc. He has been an Independent Director of Travellers International Hotel Group, Inc. since June 08, 2013. He serves as a Director of MRT Development Corporation. He served as Director of Fil-Estate Corp. until December 9, 2010. He served as a Director at Metro Global Holdings Corporation until December 03, 2010. He is a Certified Public Accountant and ranked twelfth in the Certified Public Accountant licensure examinations. Mr. Serrano graduated cum laude from the Polytechnic University of the Philippines, where he obtained his Bachelor of Science Degree in Commerce. He obtained his Master's degree in Business Administration from Harvard Business School in Boston, Massachusetts, U.S.A.

EXECUTIVE OFFICERS

Mr. William Charles Howell, 39, Filipino-American, has been the Chief Finance Officer and Treasurer of NENACO since February 2017. He has also been the Chief Financial Officer and Treasurer of 2GO Group, Inc. since July 2017 and Vice President of Investments Portfolio at SM Investments Corporation. Previously, he served as CFO and Treasurer of Philippine Geothermal Production Company, Inc. Prior, Mr. Howell held roles in Corporate Development at JDS Uniphase Corporation (now Viavi Solutions Inc.), a technology company listed on the NASDAQ; and Transaction Advisory at Ernst & Young in the San Francisco Bay Area. He brings broad management experience and expertise in accounting, finance, tax, and mergers & acquisitions in various industries including software and technology, distribution, real estate, and energy, among others. He is a Certified Public Accountant in the states of California and Georgia.

Atty. Mia M. Ormita , 41, Filipino is the Assistant Corporate Secretary since February 2017. She is a Partner of the law firm of Martinez Vergara Gonzalez & Serrano. She has been the Corporate Information Officer and Company Secretary of

Steniel Manufacturing Corp. since December 6, 2010. Attorney Ormita served as Compliance Officer of Steniel Manufacturing Corp. since October 2012. She served as an Assistant Corporate Secretary and Assistant Corporate Information Officer at Lodestar Investment Holdings Corp. from November 29, 2007 to May 15, 2009. Attorney Ormita served as a Director of Steniel Manufacturing Corp. Attorney Ormita holds a Bachelor of Arts in Political Science from Ateneo de Manila University in 1997 and a Juris Doctor from Ateneo de Manila Law School in 2003.

Mr. Mark Matthew F. Parco is the Chief Operating Officer of 2GO's Shipping Division. He worked for the Neptune Orient Lines/American President Lines (APL) for over 24 years; started in Sales Management and have moved to different leadership roles in different countries and subsidiaries. He has solid experience in the executive role of managing big multinational organizations particularly in startups, front line offices, in the corporate office, and in a business process unit. His performance and experience has led him to head APL Indonesia, the largest Front Line Office in South East Asia. Prior to joining 2GO, he worked at Philippine Transmarine Carriers in Business Development with the task of growing the maritime, training, and shared services sectors.

Mr. Ricardo B. Aguas Jr. has more than 30 years of vast experience in the areas of end to end supply chain management, sales and marketing, manufacturing, quality management, regulatory affairs, procurement, logistics, human resource, information technology, and finance. He has worked locally with companies such as Procter and Gamble, Selecta Dairy Products, Jollibee Food Corporation and Metro Retail Stores Group. He was posted internationally for regional and global leadership roles and worked for companies such as Michelin in France, Diageo in Singapore and AstraZeneca in China. Currently, he is the Chief Operating Officer of 2go Logistics Group. He is a graduate of Bachelor of Science major in Business Management and Bachelor of Arts major in Political Science and graduated as one of the Top Ten Students of the Philippines. He subsequently finished executive programs in Asian Institute of Management, Pennsylvania State University and University of California, Davis Campus. He used to be part of the Singapore Customs Advisory Council and Asia Pacific Efficient Consumer Response Council. He is currently active with Supply Chain Management Association of the Philippines. He is an industry resource for Best in Breed Supply Chain Solutions.

Mr. Jose S. Ejercito is currently the President of Scanasia Overseas Inc. He was a Consultant for SM Markets from 2012 to 2017. Prior to SM, Pong was the Managing Director of Unilever Korea from 2008 and 2011. He was a Member of the Board of Unilever Philippines and its Customer Development Director. He managed the distribution strategy and operations of Unilever Philippines for many years and held various roles, such as Head of the Multi-Functional Operations Committee, Marketing/Sales Operations Manager, and General Sales (Field) Manager. In the Asia Region, he was assigned as the team leader of the World Class Customer Development (CD) Community tasked to develop world class skills within the CD function. He was posted in Unilever China as National Sales Operations Controller from 2003 to 2006 and set up the first Unilever-operated sales branch in China. Externally, he served as Co-Chair of the industry organization ECR (Efficient Consumer Response) Philippines from 1999 to 2001. He has been a fellow of the Institute of Corporate Directors since 2012. Pong earned his degree of Industrial Engineering from the University of the Philippines. He took up Advanced Executive Program at Northwestern University's Kellogg School of Management in Evanston, Illinois.

Nomination Committee and Nominees for Election as Members of the Board of Directors

Any stockholder of record, including a minority stockholder, entitled to notice of and to vote at the regular or special meeting of the stockholders for the election of directors may be nominated for election to the Board of Directors of the Company. For this purpose, the Company's By-Laws incorporated the procedures for the nomination and election of Independent Directors under Rule 38 of the Securities Regulation Code.

As of September 2017, the Nomination Committee has been folded into the Corporate Governance Committee. The members of the Corporate Governance Committee, all independent directors, are as follows:

Chairman:	Joseph C. Tan
Members:	Monico V. Jacob
	Raul Ch. Rabe

The Corporate Governance Committee passes upon the qualifications of, and pre-screens, all candidates and prepares the list of pre-qualified nominees for directorship of the Company, including independent directors for the 2018-2019.

Pursuant to the Company's by-laws, the period for the nomination of directors closes at least ten (10) business days before the date for the Annual Meeting or on March 26, 2018. [Art III, Sec. 10.2]

As of date, the following have been nominated for election to the Board of Directors for the ensuing year, 2018-2019:

1. Francis C. Chua
2. Dennis A. Uy
3. Ma. Concepcion F. de Claro
4. Frederic C. DyBuncio
5. Raul Ch. Rabe
6. Elmer B. Serrano

7. Laurito E. Serrano
8. Joseph C. Tan
9. Chryss Alfonsus V. Damuy

The nominees for independent directors for 2018-2019 are Messrs. Francis C. Chua, Raul Ch. Rabe, Laurito E. Serrano, and Joseph C. Tan. They were nominated by Mr. Kenneth Siao and Ms. Lina Siao who, to NENACO's knowledge, are not related to the nominees within the fourth degree of consanguinity.

Period in Which Directors and Executive Officers Should Serve

The directors and executive officers should serve for a period of one (1) year and until the election and qualification of their successors.

Term of Office of a Director

The nine (9) directors shall be stockholders and shall be elected annually by the stockholders owning a majority of the outstanding common and preferred shares of the Company for a term of one (1) year and shall serve until the election and qualification of their successors.

Any vacancy in the board of directors other than removal or expiration of term may be filled by a majority vote of the remaining members thereof at a meeting called for that purpose if they still constitute a quorum, and the director or directors so chosen shall serve for the unexpired term.

Significant Employees

The Corporation considers the contribution of every employee important to the fulfillment of its goals.

Family Relationships

There are no other family relationships within the fourth degree of consanguinity known to NENACO.

Involvement in Certain Legal Proceedings

To the knowledge and/or information of NENACO, none of its nominees for election as directors, the present members of its Board of Directors or its executive officers, underwriter or control person, is presently or during the last five (5) years been involved in any legal proceeding in any court or government agency on the Philippines or elsewhere which would put to question their ability and integrity to serve NENACO and its stockholders.

Further, with respect to its nominees for election as directors, the present members of its Board of Directors and its executive officers, the Company is not aware that during the past five (5) years up to even date of: (a) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (b) any conviction by final judgment of such person in a criminal proceeding, excluding traffic violations and other minor offenses; (c) such person being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, by any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting such person's involvement in any type of business, securities, commodities or banking activities; and (d) such person being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

Certain Relationships and Related Transactions

In the ordinary course of business, NENACO has transactions with subsidiaries, associates, and other related companies consisting of ship management services, charter hire, management services, courier services, purchases of steward supplies, availment of stevedoring, arrastre, trucking, rental and repair services. NENACO needs these services to complement its services to its freight and passage customers.

The identification of the related parties transacting business with NENACO and how the transaction prices were determined by the parties are discussed in the Notes to the financial statements as of December 31, 2017. NENACO will continue to engage the services of these related parties as long as it is economically beneficial to both parties.

The Company has no transaction during the last two years or proposed transaction to which it was or is to be a party in which any of its directors, officers, or nominees for election as directors or any member of the immediate family of any of the said persons had or is to have a direct or indirect material interest.

Moreover, NENACO and its subsidiaries do not have existing or proposed transactions with parties that are considered outside of the definition of "related parties" but have the influence of negotiating the terms of material transactions that may not be available to other, more clearly independent parties on an arm's length basis.

Resignation or Refusal to Stand for Re-election by Members of the Board of Directors

No Director has declined to stand for re-election to the Board of Directors since the date of the last annual meeting because of a disagreement with NENACO on matters relating to the its operations, policies and practices. Resignations by previous members of the Board have been made voluntarily and not due to disagreement on any matter relating to the NENACO's operations, policies or practices.

Item 6. **Compensation of Directors and Executive Officers**

The following table summarizes certain information regarding compensation paid or accrued during the last two (2) calendar years and to be paid in the ensuing calendar year to the Chief Executive Officer and the top five (5) highly compensated executive officers of the Company:

SUMMARY OF COMPENSATION TABLE

President and four (4) most highly compensated executive officers	Year	Salary	Bonuses (13th & 14th Month Pay)
1. Frederic C. DyBuncio. - President and Chief Executive Officer 2. Ricardo B. Aguas Jr. - Chief Operating Officer of 2GO Logistics Group 3. Jose S. Ejercito - President of Scanasia Overseas Inc. 4. William Charles Howell - Treasurer and Chief Finance Officer 5. Mark Matthew F. Parco - Chief Operating Officer - Shipping Division	2018 (estimate)	7,967,978.40	1,327,996
New Management 1. Frederic C. DyBuncio. - President and Chief Executive Officer 2. Ricardo B. Aguas Jr. - Chief Operating Officer of 2GO Logistics Group 3. Jose S. Ejercito - President of Scanasia Overseas Inc. 4. William Charles Howell - Treasurer and Chief Finance Officer 5. Mark Matthew F. Parco - Chief Operating Officer - Shipping Division Old Management 1. Sulficio O. Tagud Jr. - President and Chief Executive Officer 2. Jose Manuel L. Mapa – EVP for Enterprise Accounts of 2GO Logistics 3. Jeremias E. Cruzabra - EVP Chief Finance Officer 4. Samuel J. Quino – SVP for Operations of 2GO Logistics 5. Fred S. Pajo – EVP and Chief Operating Officer	2017	11,573,800	1,928,967
1. Sulficio O. Tagud Jr. - President and Chief Executive Officer 2. Jose Manuel L. Mapa – EVP for Enterprise Accounts of 2GO Logistics 3. Jeremias E. Cruzabra - EVP Chief Finance Officer 4. Samuel J. Quino – SVP for Operations of 2GO Logistics 5. Fred S. Pajo – EVP and Chief Operating Officer	2016	5,098,800	1,438,000

All other officers and directors as a group unnamed	2018 (estimate)	21,141,246	3,370,938
	2017	19,944,571	3,180,130
	2016	19,321,200	3,220,200

The Company does not have any significant or special arrangements of any kind as regards the compensation of all officers and directors other than the funded, contributory tax qualified retirement plans covering all regular employees. Once an officer or director has resigned they are no longer entitled to any compensation outside of the qualified retirement plans, if applicable.

Each director receives a monthly allowance of P80,000 except, for the Chairman of the Board who receives P120,000 a month. Further, a per diem of P30,000 is given to each Director and P45,000 for the Chairman for every Board meeting attended. Such maximum allowances and per diems are shared equally with 2GO whenever board meetings of 2GO and the Company are held on the same day.

Further, for 2017 estimates, the compensation of NENACO's officers is shared proportionately with 2GO. Of the above total amounts, the share of 2GO is equivalent to the 80% compensation of the officers.

Except for the regular company retirement plan, which by its very nature will be received by the officers concerned only upon retirement, the above-mentioned directors and officers do not receive any profit sharing or any other compensation in the form of warrants, options, bonuses, etc.

Likewise, there are no standard arrangements that compensate directors directly or indirectly, for any services provided to the Company either as director or as committee member or both or for any other special assignments.

Item 7. **Independent Public Accountant**

With the entry of new management in the Company, the Board of Directors appointed a new set of senior executives who took on their roles effective starting April 7, 2017. The Board also engaged the audit firm, Sycip, Gorres, Velayo & Company (SGV & Co.), to perform an opening balance sheet audit of the Company and subsidiaries, as of quarter ended March 31, 2017. The purpose of the audit was to establish a firm opening balance sheet for the new shareholders, which is customary after an acquisition. Such audit was conducted to ensure fair presentation of financial statements and establish accountabilities.

During the course of the SGV & Co. audit, certain adjustments were noted particularly in Accounts Receivable and Fixed Assets resulting from or attributable to the lack of or the apparent breakdown in internal controls and the inconsistent application of accounting policies.

Based on these findings, the new Audit Committee and Board agreed to the further conduct by SGV & Co. of an audit of the financials for the quarter ended March 31, 2017, and the audit of the adjustments and their application to the relevant accounting periods. In view of the materiality of the restatements and adjustments, the Audit Committee and the Board of Directors approved the filing of the restated financial statements with the SEC with the following details:

The details of the basis of the restatement and reclassification of accounts discussing the impact of the newly-adopted accounting policy, estimate or recognition method to the specific restated or reclassified accounts	The details of the basis of the restatements and reclassifications were disclosed in Note 32 of the consolidated financial statements for the Year Ended December 31, 2017, which include the comparative restated figures as of December 31, 2016 and January 1, 2016 and Years Ended December 31, 2016 and 2015)
The relevant accounting standards supporting the restatement and reclassification	
Provision for doubtful receivables (Refer to Note 32.a)	For the periods covered by the restatements, there is no provision for doubtful accounts recognized. Under PAS 39, the Group is required at the end of each reporting period to determine whether there is any objective evidence that receivables are impaired, on a specific and collective basis. There was no specific allowance for doubtful receivables provided for receivables such as those from unpaid invoice balances that were deducted outright by customers upon payment and disengaged customers. For the remaining past due receivables, the Group's collective impairment assessment policy has not been applied.

	PAS 39 par. 64 requires "*An entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant (see paragraph 59). If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.*" Further, PAS 39 par. 58 requires "*An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaire*d." PAS 39 par. 59 provides that "*The objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:* ***(a) significant financial difficulty of the issuer or obligor;*** ***(b) a breach of contract, such as a default or delinquency in interest or principal payments*** ***…*** *(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:* ***(i) adverse changes in the payment status of borrowers in the group (e.g., an increased number of delayed payments*** *or an increased number of credit card borrowers who have reached their credit limit and are paying the minimum monthly amount); or…(underscoring ours)"*
Property and equipment-related adjustments (Refer to Note 32.b)	For the periods covered by the restatements, the Group (a) capitalized the cost of repainting, repairs and maintenance (as part of property and equipment), which should have been expensed, and (b) failed to depreciate fixed assets that are available for use. In addition, in 2016, the Group did not shorten the estimated useful life of its vessels in accordance with the re-fleeting plan. PAS 16 par. 7 requires that "*The cost of an item of property, plant and equipment shall be recognized as an asset if, and only if: (a)* ***it is probable that future economic benefits associated with the item will flow to the entity****; and (b) the cost of the item can be measured reliably.* PAS 16 par 12 further *states "Under the recognition principle in paragraph 7, an entity does not recognise in the carrying amount of an item of property, plant and equipment the costs of the day-to-day servicing of the item. Rather, these costs are recognised in profit or loss as incurred. Costs of day-to-day servicing are primarily the costs of labour and consumables, and may include the cost of small parts.* ***The purpose of these expenditures is often described as for the 'repairs and maintenance' of the item of property, plant and equipment.***" PAS 16 par. 51 requires that "*The residual value and the useful life of an asset shall be reviewed at least at each financial year-end and,* ***if expectations differ from previous estimates****, the change(s) shall be accounted for as a change in an accounting estimate in accordance with PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors."* PAS 16 par. 12 provides that *"Depreciation of an asset begins when it is* ***available for use****, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.*" • PAS 17 par. 28 requires that "*The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset;* ***otherwise the asset is depreciated over the shorter of the lease term and its useful life*** *(underscoring ours).*"

Reversal of recognized revenue (Refer to Note 32.c)	For the periods covered by the restatements, there were revenue recognized that did not meet the revenue recognition criteria under PAS 18, *Revenue*, such as those without proof of delivery, unrecorded returns and deliveries in the inappropriate period. PAS 18 par. 14 provides that "*Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:* ***(a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;*** *(b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;* *(c) the amount of revenue can be measured reliably;* ***(d) it is probable that the economic benefits associated with the transaction will flow to the entity;*** *and* *(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably (underscoring ours).* PAS 18 par. 20 provides that "*When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:* *(a) the amount of revenue can be measured reliably;* *(b) it is probable that the economic benefits associated with the transaction will flow to the entity;* *(c) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and* *(d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.*
Impairment of goodwill of SOI (Refer to Note 32.d)	The Group impaired the goodwill on SOI in 2015 because SOI incurred operating loss during that year, resulting to its capital deficiency position, and its recoverable value based on its value in use is lower than its carrying amount. PAS 36 par. 90 provides that "*A cash-generating unit to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. If the recoverable amount of the unit exceeds the carrying amount of the unit, the unit and the goodwill allocated to that unit shall be regarded as not impaired. If the carrying amount of the unit exceeds the recoverable amount of the unit, the entity shall recognise the impairment loss in accordance with paragraph 104, which states that "An impairment loss shall be recognised for a cash-generating unit (the smallest group of cash-generating units to which goodwill or a corporate asset has been allocated) if, and only if, the recoverable amount of the unit (group of units) is less than the carrying amount of the unit (group of units).*"
Assets held for sale (Refer to Note 32.e)	In September 2015, the Group's BOD approved the sale of one of its vessels. Management assessed that the vessel would qualify as asset held for sale on the date of BOD approval for its sale. Accordingly, the Group reclassified its vessel from property and equipment to assets held for sale in the December 31, 2015 consolidated statement of financial position and recognized impairment loss in the 2015 consolidated statement of profit or loss. PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations* par. 6 requires "*An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use*." PFRS 5 par 15 further requires "*An entity shall measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell.*" PFRS 5 par 20 requires "An entity shall recognise an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell, to the extent that it has not been recognised in accordance with paragraph 19."
Inventory-related adjustments (Refer to	The prior period adjustments arose from physical count-to-books reconciliation,

Note 32.f)	additional provision for inventory obsolescence on expiring stocks, and write-down of costs to reflect net realizable values. PAS 2, *Inventories* provides that *"The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. The practice of writing inventories down below cost to net realisable value is consistent with the view that assets should not be carried in excess of amounts expected to be realised from their sale or use."*
Related party transactions and balances (Refer to Note 32.f)	The Group adjusted certain related party transactions and balances that did not reconcile due to (a) differences among subsidiaries in accruing intercompany revenue and costs and (b) timing differences when recognizing income and expense. PAS 1 par. 27 requires "*An entity shall prepare its financial statements, except for cash flow information, using the* ***accrual basis of accounting***.
Provisions for contingencies (Refer to Note 32.f)	In consultation with its legal counsels, the Group assessed it is probable that certain exposures on litigations and claims would require an outflow of resources to settle based on the status of the cases in 2015. PAS 37 states that "*A provision shall be recognised when: (a) an entity has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation.* "
Recognition of costs and expenses (Refer to Note 32.f)	The prior period adjustments pertain to unrecorded liabilities/expenses which have already been incurred and the expensing out of certain deferred expenses. PAS 1 par. 27 and 28 provides that "*An entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting. When the accrual basis of accounting is used, an entity recognises items as assets, liabilities, equity, income and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the Framework"*
Derecognition of deferred income tax assets (Refer to Note 32.h)	The Group assessed that deferred income taxes on certain deductible temporary differences would not qualify for recognition due to insufficient available taxable income in the future to which the deductible temporary differences and excess Minimum Corporate Income Tax (MCIT) can be applied. PAS 12, *Income Taxes* par. 5 defines deductible temporary differences as follows: "*Deductible temporary differences, which are temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.*" PAS 12 par. 24 requires " *A deferred tax asset shall be recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized*"
Reclassification of noncurrent-portion of long-term debt to current liabilities (Refer to Note 32.i)	The Group breached its financial ratios required under its long-term debt agreements. Accordingly, the Group reclassified the noncurrent portion of its long-term debt that are subject to such covenants or with cross-default provision in the loan agreements to current liabilities. PAS 1 requires "*When an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it classifies the liability as current, even if the lender agreed, after the reporting period and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach. An entity classifies the liability as current because, at the end of the reporting period, it does not have an unconditional right to defer its settlement for at least twelve months after that date.*"
Over-all impact of the restatement and reclassification to the company's Result of Operations and Financial condition	The over-all impact of the restatement and reclassification to the Group's results of operations and financial condition was disclosed in Note 32.

The identification of each item affected by the restatement are discussed in Note 32 of the consolidated financial statements for the Year Ended December 31, 2017.

SGV & Co. is being recommended for re-appointment as the Company's external auditor for 2018, for approval by the stockholders at the scheduled Annual Stockholders' Meeting. Representatives of SGV & Co. are expected to be present at the stockholders' meeting, where they are given the opportunity to make a statement should they desire to do so, and to respond to questions from stockholders.

SGV & Co. was appointed as the external auditor of NENACO starting calendar year 2017, with Ms. Josephine H. Estomo as the assigned signing partner.

Pursuant to the Charter of the Audit Committee, the Audit Committee recommends to the Board of Directors the appointment of the external auditor and the fixing of the audit fees. Prior to commencement of audit, the Committee is mandated to discuss with the external auditor the nature, scope and approach, of the audit including coordination of audit effort with internal audit. The Manual on Corporate Governance also provides that the Committee shall pre-approve all audit plans, scope and frequency one month before the conduct of external audit.

The Committee also evaluates the performance of the external auditor and recommends to the Board the appointment, re-appointment or removal of the external auditor. The Committee further reviews the independence of the external auditor and meets with the latter separately to discuss any matters that either party believes should be discussed privately.

The members of the Audit Committee are as follows:

Chairman:	Mr. Laurito E. Serrano (Independent Director)
Members:	Ms. Ma. Concepcion F. de Claro
	Mr. Joseph C. Tan (Independent Director)

The Audit Committee and the Board of Directors endorse for stockholder approval the re-appointment of SGV & Co. appointed as the external auditor for the 2018.

External Audit Fees and Services

a. **Audit and Audit Related Fees**

This represents professional fees paid to SGV & Co. for financial assurance services rendered for NENACO's Annual Financial Statements, review, and opinion for the SEC Annual Report as of December 31, 2017.

With the support and approval of the newly-elected members of the audit committee and board of directors, NENACO Management agreed to restate prior period financial statements under SGV & Co. to reflect fairly the state of the business. Audit fees paid to SGV & Co. for the special audit amounted to P201,000.00.

	Year ended 31 December 2017	**Year ended 31 December 2016**	**Year ended 31 December 2015**
Audit Fees	**P 12,250,000**	**P 370,000.00**	**P 201,000.00**
Audit-Related Fees			
All Other Fees			
TOTAL	**P 12,250,000**	**P 370,000.00**	**P 201,000.00**

b. **Tax Fees and Other Fees**

The Company did not engage the services of its external auditor for tax accounting, compliance, advice, planning and any other forms of tax services, or for any other services, for which any fees were due thereunder.

c. **Audit Committee Approval Policies and Procedures for the Above Services**

Audit services provided to the Company by the external auditor have been pre-approved by the Audit Committee and recommended to the Board of Directors for approval. The Audit Committee has reviewed the magnitude and nature of these services to ensure that they are compatible with maintaining the independence of the external auditors.

Item 8. **Mergers, Consolidations, Acquisitions and Similar Matters**

The Board of Directors, at its regular meeting held on 23 February 2018, approved the Group's internal restructuring involving the merger of NENACO with 2GO, with 2GO as the surviving corporation. The Board also approved the engagement of legal and financial advisers for the merger.

Considering the fact that NENACO and 2GO own, hold and manage various assets for the same beneficial owner and is part of one Group, with NENACO being parent company of 2GO, their respective Board of Directors deemed it necessary and advisable to merge the two companies, in order to achieve greater efficiency and economy in the management and operations of both companies to the Companies' and their stockholders' advantage.

NENACO presently owns 2,160,141,991 common shares in 2GO, amounting to approximately 88.31% of 2GO Group, Inc.'s outstanding capital stock.

The effective date of the merger shall be, for all intents and purposes, the date when the Certificate of Merger shall have been issued and released by the Securities and Exchange Commission.

Upon effective date of the merger, each stockholder of NENACO approving the merger shall receive common shares of stock in 2GO using the exchange or swap ratio of 0.26 share in 2GO for every one (1) NENACO share. Any stockholder, in the alternative, can exercise his appraisal right under the law.

If the merger is completed, NENACO ceases to operate and loses its corporate. 2GO will in turn be directly owned by entities which currently hold indirect interests in the Company.

Material Features of the Proposed Transaction

NENACO has no dividends in arrears nor defaults in principal or interest in respect of any security that will be impaired or affected by the proposed merger with 2GO.

The proposed merger must satisfy the mandatory notification requirements of the Philippine Competition Commission. The parties will institute the notification process with the after it receives the affirmative vote of their respective stockholders representing at least two thirds (2/3) of the outstanding capital stock.

Representatives of SGV & Co. at the annual stockholders' meeting on 5 April 2018 will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

Comparison of Relevant Information

Below is a comparison of the net sales, loss from continuing operations, and long-term obligations of NENACO/NN and 2GO covering two fiscal years:

(A) Net sales or operating revenues;

P '000	2017	2016
NENACO	21,591,089	19,180,272
2GO	21,551,499	19,053,875

(B) Income (loss) from continuing operations; and

P '000	2017	2016
NENACO	(306,959)	510,508
2GO	(309,574)	344,035

(C) Long-term obligations and redeemable preferred stock

Long-Term Debt & Obligation under Finance Lease

P '000	2017	2016
NENACO	3,447,233	3,862,781
2GO	3,438,537	3,743,052

Next is a table comparing the book value per share, cash dividends declared per share, and income or loss per share from continuing operations of 2GO and NENACO/NN:

(A) Book value per share

	2017	2016
NN	1.80	1.89
2GO	1.49	1.61

(B) Cash dividends declared per share

	2017	2016
NN	-	-
2GO	-	-

(C) Income (loss) per share from continuing operations

	2017	2016
NN	(0.09)	0.15
2GO	(0.13)	0.14

INFORMATION FOR THE REGISTRANT AND FOR THE OTHER PERSON

For the relevant information for the registrant NENACO, please refer to pages 46-68 of this Information Statement.

The information on 2GO is as follows:

2GO MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Financial information for the three years ended December 31, 2017, 2016 and 2015 are as follows:

Results of Operations for the Years Ended December 31, 2017 and 2016

Amounts in millions	Dec 31, 2017	Restated Dec 31, 2016	% Change
Revenue	₱ 21,551	₱ 19,054	13%
Costs of Services and Goods Sold	19,015	15,628	(22%)
Gross Profit	**2,536**	**3,426**	**(26%)**
General and Administrative Expenses	2,175	2,341	7%
Operating Income	**361**	**1,085**	**(67%)**
Other Charges	423	337	(26%)
Provision for Income Tax	248	404	39%
Net Income (Loss)	**₱ (310)**	**₱ 344**	**(190%)**
Add back:			
Financing Charges (Interest)	390	390	(0%)
Provision for Income Tax	248	404	39%
Depreciation and Amortization	1,883	1,442	(31%)
EBITDA	**₱ 2,211**	**₱ 2,580**	**(14%)**

2GO Group, Inc. and subsidiaries (2GO or the Group) reported ₱21.6 billion of Revenue in 2017, 13% higher than 2016, and Net Loss of ₱310 million versus Net Income of ₱344 million in 2016.

Revenue increased in 2017, driven by the Group's Non-shipping business (Logistics and Distribution) which continued its strong growth. Non-shipping revenue grew 30% in 2017 driven by increased service offerings to existing strategic customers (e.g., end-to-end warehousing, inventory management, cross-docking, delivery, merchandising), the addition of new customers, and an overall focus on customer service. With the strong growth of the Non-shipping business, the revenue mix of the Group further pushes towards Non-shipping which now accounts for 61% of total Revenue.

Shipping revenue decreased by 6% in 2017. While Freight volumes remained relatively consistent in 2017 and 2016, revenue decreased due pricing pressures from the increased competition in the freight market. Revenue from Passage continued to grow in 2017 as total passengers carried increased during the year.

Costs of Services and Goods Sold increased by 22% in 2017, driven primarily by the increase in fuel prices, costs of goods (inventory) sold in the Distribution business, and non-recurring items described below. Fuel prices increased by 34% during 2017, where the Group was impacted by a negative price variance of ₱525 million. General and Administrative Expenses decreased 7% in 2017 primarily due to the Group's focus on controlling costs and higher restatement related adjustments incurred in 2016 than in 2017.

Net Income excluding Nonrecurring Costs totaled ₱314 million in 2017. EBITDA excluding Nonrecurring Costs totaled ₱2.9 billion in 2017.
Details of Nonrecurring Costs for the years ended December 31, 2017 and 2016 are described as follows:

Amounts in millions		Dec 31, 2017		Dec 31, 2016
Bad debts, inventory losses, related party adjustments	₱	410	₱	676
Restructuring costs		67		-
Provisions and Other Nonrecurring Charges		169		20
Total Nonrecurring Costs	**₱**	**647**	**₱**	**696**
Net Income (Loss)	₱	(310)	₱	344
Add Nonrecurring Costs, net of Income Tax		624		690
Net Income Excluding Nonrecurring Costs	**₱**	**314**	**₱**	**1,034**
EBITDA	₱	2,211	₱	2,580
Add Nonrecurring Costs		647		696
EBITDA Excluding Nonrecurring Costs	**₱**	**2,858**	**₱**	**3,276**

Provisions and Other Nonrecurring Charges primarily consists of one-time costs such as vessel layup costs, provisions for unsettled claims and other charges.

Restructuring costs consist of charges incurred as the Group streamlines its operations.

Financial Position as of December 31, 2017 and 2016

				Restated	
Amounts in millions		Dec 31, 2017		Dec 31, 2016	% Change
Current Assets	₱	8,610	₱	7,602	13%
Noncurrent Assets		7,897		8,072	(2%)
Total Assets	**₱**	**16,507**	**₱**	**15,674**	**5%**
Current Liabilities	₱	12,388	₱	11,237	10%
Noncurrent Liabilities		486		507	(4%)
Total Liabilities	**₱**	**12,874**	**₱**	**11,744**	**10%**
Total Equity		3,633		3,930	(8%)
Total Liabilities and Equity	**₱**	**16,507**	**₱**	**15,674**	**5%**

Total Assets increased 5% to ₱16.5 billion, while Total Liabilities increased 10% to ₱12.9 billion.

Assets
Current Assets increased 13% to ₱8.6 billion from ₱7.6 billion. Cash and Cash Equivalents increased 48% to ₱2.1 billion from ₱ 1.4 billion primarily due to improved collections of accounts receivables from customers, more efficient management of Inventories, and an increase in Trade and Other Payables. Trade and Other Receivables, net of Allowance for Doubtful Accounts, increased only 4% to ₱4.4 billion from ₱4.2 billion, while Revenue increased 13% in 2017 from 2016.

Noncurrent Assets remained at approximately ₱8.0 billion as of Dec 31, 2017 and 2016.

Liabilities
Current Liabilities increased 10% to ₱12.4 billion from ₱11.2 billion. Short-term Notes Payable increased 14% to ₱2.6 billion from ₱2.3 billion, while the current portion of Long-term Debt decreased 8% to ₱3.1 billion from ₱3.4 billion as 2GO took advantage of lower borrowing rates under short-term credit facilities. Trade and Other Payables increased 20% to ₱6.5 billion from ₱5.4 billion primarily due to advances from its parent company (Negros Navigation Co., Inc.) for use in operations, and accruals for recurring and non-recurring costs.

Noncurrent Liabilities remained at approximately ₱500 million as of Dec 31, 2017 and 2016.

Equity
Total Equity decreased 8% to ₱3.6 billion from ₱3.9 billion due to the Net Loss incurred in 2017.

All significant elements of income or loss from continuing operations are discussed in the management discussion and notes to the consolidated financial statements. Likewise, any significant elements of income or loss that did not arise from continuing operations are disclosed either in the management discussion or notes to the consolidated financial statements. There are no known trends, events, material changes, seasonal aspects, or uncertainties that are expected to affect the Group's continuing operations.

Except as disclosed in the management discussion or notes to the consolidated financial statements, there are no other known events that will trigger direct or contingent financial obligation that is material to 2GO, including any default or acceleration of an obligation. There is no material off-balance sheet transaction, arrangement, obligation, and other relationships of 2GO with unconsolidated entities or other persons incurred during the reporting period. The Group does not expect any liquidity issues within the next twelve months. Capital expenditures are funded through cash generated from operations or additional borrowings.

Key Performance Indicators

The following are the key financial ratios of the Group as of and for the years ended for the years ended December 31, 2017 and 2016.

Accounts	Dec 31, 2017	Dec 31, 2016
Current Ratio	0.7	0.7
Debt to Equity Ratio	3.5	3.0
Revenue Growth	13%	16%
Net Income Margin	(1%)	2%
EBITDA (in Millions of Pesos)	₱ 2,211	₱ 2,580
EBITDA Margin	10%	14%

Current Ratio remained at 0.7 as of December 31, 2017 and 2016.

Debt to Equity Ratio increased to 3.5 in 2017 from 3.0 in 2016, which is attributable to the increase in Trade and Other Payables described above.

Revenue Growth remained robust in 2017 with an increase of 13% from 2016, driven by growth in 2GO's Logistics and Distribution business. Revenue growth of 16% in 2016 benefited from national, regional and local government elections.

Net Income Margin decreased to negative 1% in 2017 from positive 2% in 2016 primarily due to increased fuel costs and non-recurring costs.

EBITDA and EBITDA Margin remained strong at ₱2.2 billion and 10% in 2017, and ₱2.6 billion and 14% in 2016. The decrease is attributable to the Net Loss incurred in 2017 primarily due to increased fuel costs and non-recurring costs.

The Group calculates the key financial ratios as follows:

1. Current Ratio — Current Assets / Current Liabilities
2. Debt to Equity Ratio — Total Liabilities / Total Equity
3. Revenue Growth — (Total Revenue current period / Total Revenue prior period) - 1
4. Net Income Margin — Net Income / Total Revenue
5. EBITDA — Net Income + Interest + Inc Tax + Depreciation & Amortization
6. EBITDA Margin — EBITDA / Total Revenue

Company Outlook

2GO Group continues to serve its customers and stakeholders as the Philippines' largest end-to-end logistics solutions provider. The Group provides shipping, logistics and distribution services to small and medium enterprises, large corporations, and government agencies throughout the Philippines. The shipping group operates ocean-going freighters, roll-on/roll-off freight and passenger vessels, and fast ferry passenger vessels. The logistics group offers transportation, warehousing and distribution, cold chain solutions, domestic and international ocean and air forwarding services, customs brokerage, project logistics, and express and last mile package and e-commerce delivery. The distribution group leverages 2GO's shipping and logistics services to provide value-added distribution services to principals and customers.

During 2017, management's focus centered on strengthening corporate governance and ensuring that the proper internal controls and systems were in place and were effective. For 2018, the Group continues its corporate governance initiatives, and aims to expand and further enhance its service offerings to its customers and stakeholders. The Group plans to achieve this through more streamlined operations and collaboration within its business units, investment in warehousing and logistics information technology solutions for customers, and synergies and best practices from its new shareholders. Management is confident that 2GO will further its growth and become an even stronger logistics solutions provider going forward.

B. FOR THE YEARS ENDED DECEMBER 31, 2016 (as restated) VERSUS 2015

KEY PERFORMANCE INDICATORS (KPIs)

The following key performance indicators (KPIs) are used to evaluate the financial performance of 2GO Group, Inc. and its subsidiaries (2GO or the Company).

a. **Revenues** – Consolidated revenues consist of shipping (freight and passage) and nonshipping (logistics, sale of goods, cold chain and isotank services, port services, international freight forwarding and other revenues). Total Revenue for the year ended 2016 is P19.1 billion, an increase of 16% from 2015.

b. **Operating Income** – Computed as revenues less operating costs and expenses. Operating Income for the year ended 2016 is P1.1 billion or 2% less than 2015.

c. **Net Income** – Represents earnings of the Company after provision for income tax. Net Income for the year ended 2016 is P344.0 million or P234.9 million higher than 2015.

d. **Debt-to-Equity Ratio** – Calculated by dividing total liabilities over total equity. The Company's debt-to-equity ratio as of December 31, 2016 is 2.99:1.0, which is consistent with prior year. Total liabilities and equity stood at P11.7 billion and P3.9 billion respectively.

e. **Current Ratio** – Calculated by dividing total current assets by total current liabilities. The Company's current ratio as of December 31, 2016 is 0.89:1.0 vs. 1.03:1.0 as of December 31, 2015. Total current assets are P7.6 billion. Total current liabilities are to P8.5 billion.

The following table presents comparative figures of the KPIs for the years ended 2016 and 2015 based on the consolidated financial statements of the Company (amounts are in thousands of pesos except for the financial ratios):

	Year ended	
2GO Group and Subsidiaries	**2016**	**2015**
Revenues (a)	19,053,875	16,383,336
Operating Income (b)	1,081,860	1,101,244
Net Income (c)	344,036	109,130
	As of	
Financial Ratios	**Dec 31, 2016**	**Dec 31, 2015**
Debt-to-Equity Ratio (d)	2.99:1.00	3.03:1.00
Current Ratio (e)	0.89:1.00	1.03:1.00

Note: The figures above are in P' Thousands except otherwise indicated.

CONSOLIDATED INCOME STATEMENT

	Year ended			
In P' Thousands	2016	2015	'16 vs '15	% variance
REVENUES				
Shipping				
Freight	5,003,299	4,963,311	39,987	1%
Passage	3,941,443	3,524,230	417,213	12%
Nonshipping				
Logistics	4,592,193	3,120,439	1,471,754	47%
Sale of goods	3,479,845	3,223,700	256,145	8%
Cold chain and isotank services	1,415,570	1,169,782	245,788	21%
Port services	153,532	140,438	13,095	9%
International freight forwarding	46,946	39,323	7,624	19%
Others	421,046	202,112	218,934	108%
	19,053,875	16,383,336	2,670,539	16%
Cost of services and goods sold	16,349,315	13,986,498	2,362,817	17%
GROSS PROFIT	2,704,561	2,396,838	307,723	13%
General and administrative expenses	1,622,701	1,295,594	327,107	25%
OPERATING INCOME	1,081,860	1,101,244	(19,384)	(2%)
OTHER INCOME (CHARGES)				
Equity in net earnings of associates and joint ventures	24,541	58,704	(34,163)	(58%)
Financing charges	(389,527)	(331,459)	(58,069)	18%
Others - net	31,640	(235,737)	267,377	(113%)
	(333,346)	(508,492)	175,145	(34%)
INCOME BEFORE INCOME TAX	748,513	592,752	155,761	26%
PROVISION FOR INCOME TAX				
Current	376,724	163,928	212,795	130%
Deferred	27,754	319,693	(291,940)	(91%)
	404,477	483,622	(79,145)	(16%)
NET INCOME	344,036	109,130	234,906	215%
ATTRIBUTABLE TO:				
Equity holders of the Parent Company	330,301	97,033	233,267	240%
Noncontrolling interests	13,735	12,097	1,639	14%
	344,036	109,130	234,906	215%
Basic/ Diluted Earnings Per Share	0.1350	0.0397	0.0954	240%

Note: The figures above are in P' Thousands except earnings per share amounts.

Results of Operations

2GO Group, Inc.'s Net Income for the year ended 2016 increased significantly to P344.0 million or by 215% compared to 2015.

Total consolidated revenues increased 16% to P19.1 billion in 2016, from P16.4 billion in 2015. The non-shipping group grew by 28%, while the shipping group grew by 5%. The non-shipping group primarily grew due to increased service offerings. The shipping group grew from higher volumes and improved vessel turnaround for both large and medium-sized ropax vessels. Revenue mix continues to tilt towards non-shipping, which now accounts for 53% of the total turnover, while shipping contributed 47%.

The Company continues to focus on tightening its cost and expenses. However, financial performance was affected by the recognition of non-recurring restatement adjustments for provision for bad debts and inventory and related party adjustments totaling P260.7 million. Excluding the non-recurring restatement adjustments, Net Income for the year 2016 would have been P604.8 million compared to the Net Income of P696.5 million for the same period in 2015, as presented in the table below.

In P' Thousands	Period ended Dec 31, 2016	Dec 31, 2015
Net Income, as restated	**344,036**	**109,130**
Non-recurring adjustments		
Provision for bad debts (Trade and other receivables)	**71,577**	**17,936**
Provision for bad debts (Non trade and other receivables)	**105,278**	**75,151**
Inventory on consignment	**-**	**178**
Related party balances adjustment	**83,892**	**(16,334)**
Impairment of vessel and recognition and valuation of asset held for sale	**-**	**260,404**
Goodwill impairment	**-**	**250,000**
Total non-recurring adjustments	**260,747**	**587,335**
Net Income excluding non-recurring adjustments	**604,783**	**696,465**

Earnings per Share

Earnings per Share is calculated by dividing Net Income Attributable to Equity Holders of the Parent Company over weighted-average number of common shares outstanding for the year. Earnings per Share for the year ended 2016 is P0.1350, compared to P0.0397 per share in 2015.

Other changes (+/-5% or more) in the financial statements not covered in the above discussion

2016 vs. 2015

Revenue
- 12% or P417.2 million increase in Passage
- 47% or P1.5 billion increase in Logistics
- 8% or P256.1 million increase in Sale of goods
- 21% or P245.8 million increase in Cold chain and isotank services
- 9% or P13.1 million increase in Port Services
- 19% or P7.6 million increase in International freight forwarding
- 108% or P218.9 million increase in Other Revenues

Other Income / (Charges)
- 58% or P34.2 million decrease in Equity in net earnings of associates
- 18% or P58.1 million increase in Financing charges
- 113% or P267.4 million increase in Other income

CONSOLIDATED BALANCE SHEETS

	Audited			
	As of		Amount	%
In P' Thousands	Dec 2016	Dec 2015	'16 vs '15	variance
ASSETS				
Current Assets				
Cash and cash equivalents	1,412,380	1,357,308	55,071	4%
Trade and other receivables - net	4,240,360	4,044,765	195,595	5%
Inventories - net	674,236	513,511	160,726	31%
Other current assets	1,274,995	1,308,456	(33,461)	(3%)
	7,601,972	7,224,040	377,932	5%
Asset held for sale		158,239	(158,239)	(100%)
Total Current Assets	7,601,972	7,382,279	219,692	3%
Noncurrent Assets				
Property and equipment	7,219,399	6,125,276	1,094,122	18%
Investments in associates and joint ventures	282,647	257,230	25,417	10%
Deferred tax assets - net	76,556	112,360	(35,804)	(32%)
Other noncurrent assets	493,577	396,304	97,274	25%
Total Noncurrent Assets	8,072,179	6,891,170	1,181,009	17%
TOTAL ASSETS	15,674,151	14,273,449	1,400,701	10%
LIABILITIES AND EQUITY				
Current Liabilities				
Notes payable	2,324,556	2,111,017	213,539	10%
Trade and other payables	5,408,255	4,492,462	915,793	20%
Income tax payable	14,441	3,999	10,442	261%
Current portion of:				
Long-term debt	696,343	374,094	322,249	86%
Obligations under finance lease	91,706	65,837	25,869	39%
Total Current Liabilities	8,535,300	7,047,408	1,487,892	21%
Noncurrent Liabilities				
Long-term debt - net of current portion	2,705,008	3,176,330	(471,322)	(15%)
Obligations under finance lease - net of current portion	249,995	208,273	41,722	20%
Accrued retirement benefits	246,269	296,773	(50,504)	(17%)
Other noncurrent liabilities	8,067	2,255	5,812	258%
Total Noncurrent Liabilities	3,209,339	3,683,631	(474,292)	(13%)
Total Liabilities	11,744,639	10,731,039	1,013,600	9%
Equity				
Share capital	2,484,653	2,484,653	-	0%
Additional paid-in capital	910,901	910,901	-	0%
Equity reserve	(3,243)	(3,243)	-	0%
Excess of cost of investments over net assets	(9,835)	(9,835)	-	0%
Other comprehensive losses - net	(103,287)	(146,353)	43,066	(29%)
Retained earnings	643,412	313,112	330,301	105%
Treasury shares	(58,715)	(58,715)	-	0%
Equity Attributable to Owners of the Parent Company	3,863,885	3,490,519	373,366	11%
Noncontrolling Interests	65,627	51,891	13,735	26%
Total Equity	3,929,512	3,542,410	387,102	11%
Total Liabilities & Equity	15,674,151	14,273,449	1,400,701	10%

The Company's total assets as of December 31, 2016 stood at P15.7 billion, 10% higher than P14.3 billion as of December 31, 2015.

Current assets increased by 3% or P219.7 million, to P7.6 billion as of December 31, 2016, from P7.4 billion as of December 31, 2015. Cash and cash equivalents increased by 4% or P55.1 million to P1.4 billion as of the end of 2016, from P1.4 billion by the end of 2015, mainly due to increased financing activities. Trade and other receivables increased by 5% or P195.6 million, to P4.2 billion in 2016 from P4.0 billion in 2015. The Company maintained its trade and other receivables close to the same level as last year despite the growth in revenues primarily due to the Company's improved collection performance. However, the Company increased its allowance for doubtful accounts by P552.3M compared to December 31, 2015. Inventories increased by P160.7 million or 31% mainly due to business expansion of the organic principals of the distribution business. This is aside from the reclassification of spare parts amounting to P344.60 million from inventory to Property and Equipment in accordance with the requirements of accounting standards. Other current assets decreased by P33.5 million or 3%.

Non-current assets increased by P1.2 billion or 17%, to P8.1 billion in 2016 from P6.9 billion as of December 31, 2015. Property and equipment increased by 18% or P1.1 billion mainly due to mainly due to vessel-related capex, purchase of containers and the reclassification of spare parts to PPE as mentioned above.
Other Non-current assets increased by 25% or P97.3 million while Investments in associates and joint ventures increased by 10% or P25.4 million.

Total liabilities increased by 9% or P1.0 billion as of 2016 compared to December 31, 2015 mainly due to the increase in trade and other payables by 20% or P915.8 million. Notes payables increased by 10% or P213.5 million. There was also an increase in income tax payable by 261% or P10.4 million, an increase in current portion of long term debt by 86% or P322.2 million, and an increase of 39% or P25.9 million in current portion of obligations under finance lease.

Noncurrent liabilities decreased by P474.3 million or 13%. Long-term debt (net of current portion) decreased by P471.3 million or 15% to P2.7 billion as the end of 2016 from P3.2 billion as of December 31, 2015. There was also a decrease of P50.5 million or 17% in accrued retirement benefits, an increase of P41.7 million or 20% in obligations under finance lease – net of current portion and an increase of P5.8 million or 258% in other noncurrent liabilities.

Total equity increased by 11% to P3.9 billion as of December 31, 2016 versus P3.5 billion in December 31, 2015 due to the net income the Company for the year 2016.

CONSOLIDATED CASHFLOW STATEMENTS

	Period Ended December			
In P' Thousands	2016	2015	'16 vs '15	% variance
Net cash flows provided by operating activities	**2,742,618**	**1,370,075**	**1,372,543**	**100%**
Net cash flows used in investing activities	**(2,320,652)**	**(1,347,609)**	**(973,043)**	**72%**
Net cash flows provided by (used in) financing activities	**(372,298)**	**223,898**	**(596,195)**	**(266%)**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**5,403**	**9,442**	**(4,038)**	**(43%)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**55,071**	**255,805**	**(200,733)**	**(78%)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,357,308**	**1,101,503**	**255,805**	**23%**
CASH AND CASH EQUIVALENTS AT END OF QUARTER	**1,412,380**	**1,357,308**	**55,071**	**4%**

The Company ended the year 2016 with a net increase in cash of P55.1 million. Net cash flows from operating activities increased by P1.4 billion or 100% compared to last year. The Company's cash flow used in investing activities increased by P973.0 million or 72%. Net cash used in financing activities is higher by 266% or P596.2 million compared to last year.

Other Information

i. Other material events and uncertainties known to management that would address the past and would have an impact on 2GO's future operations are discussed below.

ii. Total fuel/lubes expense is a major component of 2GO's total costs and expenses. The company benefitted from the relatively low fuel prices that continued in 2016.

iii. Except as disclosed in the management discussion and notes to the financial statements, there are no other known events that will trigger direct or contingent financial obligation that is material to 2GO, including any default or acceleration of an obligation. There are also no other known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on revenues or income from operations.

iv. All significant elements of income or loss from continuing operations are already discussed in the management discussion and notes to financial statements. Likewise, any significant elements of income or loss that did not arise from 2GO continuing operations are disclosed either in the management discussion or notes to financial statements.

v. There is no material off-balance sheet transaction, arrangement, obligation, and other relationships of 2GO with unconsolidated entities or other persons created during the reporting period.

vi. Seasonal aspects of the business are considered in 2GO's financial forecast.

vii. 2GO does not expect any liquidity or cash problem within the next twelve months. Capital expenditures are funded through cash generated from operations and additional borrowings.

Company Outlook

2GO Group, Inc. and subsidiaries, which is the country's largest end-to-end logistics solutions provider, offers a full range of capabilities and unmatched resources. Services include warehousing, inventory management, domestic and international express mail and courier services, sales distribution and merchandising, domestic freight services for full/ less container load shipments, Isotank, reefer and cold chain services, heavy lift and project logistics, regular liner passenger service, corporate/ leisure travel and package tours, and international freight forwarding and brokerage.

2GO continues to innovate and adapt to the competitive landscape which continues to evolve and modernize. There are three globally-proven drivers of trade modernization that are happening in the Philippines today: (1) Retailer expansion has shifted to small formats as seen in the proliferation of 24/7 convenience stores; (2) Accelerated GDP growth, especially in the upper middle class, has boosted the increase in personal consumption leading to greater gains in the FMCG industry; and (3) Continued urbanization and sectorization, bringing the growth outside Metro Manila to the key cities in Visayas and Mindanao.

It is in this context that 2GO offers its integrated supply chain platform to provide a unique proposition that is to enable growth for its customers. The over-riding approach is based on the principle of creating value for its customers: engage customers at tactical and strategic levels; collaborate, design and implement solutions to complex challenges; and expand into other relevant, fast growing sectors.

With this, the growth of the Philippines provides a stable and solid backdrop for 2GO's potential to become a stronger player in the industry.

C. <u>FOR THE YEARS ENDED DECEMBER 31, 2015 VERSUS, 2014</u>

KEY PERFORMANCE INDICATORS (KPIs)

The following KPIs are used to evaluate the financial performance of 2GO Group and its subsidiaries. The amounts are in millions of pesos except for the financial ratios.

a. **Revenues** – Consolidated revenues consists of Shipping (Freight and Passage) and non-shipping (Logistics, Distribution, Cold Chain and ISO Tank services, Port services, International Freight Forwarding, other Value Added services). Total Revenue for the period ended December 31, 2015 is P16.42 billion.

b. **Operating Income** – is computed as revenues less operating costs and expenses. Operating income for the period ended December 31, 2015 is P1.81 billion.

c. **Net Income after Income Tax (NIAT)** – is the earnings of the company after income tax expense. The Income after Income Tax for the period December 31, 2015 is P1.08 billion.

d. **Debt-to-equity ratio** – is determined by dividing total liabilities over stockholders' equity. 2GO Group debt-to-equity ratio for the period ended December 31, 2015 is 2.2:1.0.Total liabilities and equity stood at P10.79 billion and P4.95 billion respectively.

e. **Current ratio** – is measured by dividing total current assets by total current liabilities. The Company's current ratio as of December 31, 2015 is 1.15:1:0. Total current assets are P8.16 billion. Total current liabilities amounted to P7.11 billion.

The following table shows comparative figures of the Top Five key performance indicators (KPI) for the full year 2015 versus 2014 and 2013 (amounts in billions except for the financial ratios) based on the consolidated financial statement of 2GO and its subsidiaries:

	For the Period Period December 31		
Consolidated 2GO and Subsidiaries	**Dec. 31, 2015**	**Dec. 31, 2014**	**Dec. 31, 2013**
REVENUES (a)	16,418,049	14,426,995	13,373,193
Operating Income (b)	1,805,780	1,155,564	490,094
NIAT (c)	1,081,328	842,555	227,081
Debt-to-Equity Ratio (d)	2.18:1.00	2.58:1.00	3.06:1.00
Current Ratio (e)	1.15:1.00	1.16:1.00	1.14:1.00

Note: The figures above are in P'MM except otherwise indicated.

CONSOLIDATED INCOME STATEMENT

In P'MM	Period Ended Dec 31				
REVENUES	2015	2014	2013	'15 vs '14	% variance
Shipping	8,487,542	7,482,007	6,872,368	1,005,535	13%
Passage	3,524,230	3,221,718	2,986,689	302,512	9%
Freight (Note 23)	4,963,311	4,260,289	3,885,679	703,023	17%
Non-Shipping	7,930,508	6,944,988	6,500,825	985,520	14%
Logistics	3,152,197	3,038,804	2,849,148	113,393	4%
Distribution	3,225,800	2,410,751	1,974,780	815,049	34%
Cold Chain and Isotank Services	1,169,782	869,307	693,623	300,475	35%
Port Services	140,438	152,028	174,720	(11,590)	(8%)
International Freight Forwarding	39,323	37,622	35,834	1,700	5%
Others (Note 23)	202,968	436,476	772,720	(233,507)	(53%)
	16,418,049	14,426,995	13,373,193	1,991,055	14%
OPERATING COSTS AND EXPENSES (Note 25)					
Operating	8,892,315	8,800,716	8,766,408	91,599	1%
Terminal	1,718,785	1,405,330	1,356,859	313,455	22%
Cost of Goods Sold	2,638,688	2,087,071	1,720,991	551,617	26%
Overhead	1,362,481	978,314	1,038,841	384,167	39%
	14,612,269	13,271,431	12,883,099	1,340,838	10%
OPERATING INCOME	1,805,780	1,155,564	490,094	650,216	56%
OTHER INCOME (CHARGES)					
Equity in net earnings of associates (Note 12)	58,330	10,974	44,846	47,356	432%
Financing Charges (Note 26)	(351,417)	(332,630)	(369,014)	(18,787)	6%
Reversal of impairment losses on assets held for sale and property and equipment -net			60,606		
Income from retirement of redeemable preferred	5,988				
Others - net (Note 26)	(1,480)	54,205	486,241	(55,685)	(103%)
	(288,579)	(267,451)	222,679	(21,128)	8%
INCOME BEFORE INCOME TAX	1,517,201	888,113	712,773	629,088	71%
PROVISION FOR INCOME TAX (Note 29)	435,873	45,558	485,692	390,315	857%
NET INCOME	1,081,328	842,555	227,081	238,773	28%
ATTRIBUTABLE TO:					
Equity holders of the Parent Company (Notes 10 and 13)	1,069,231	827,735	212,044		
Minority Interest (Note 12)	12,097	14,820	15,037		
	1,081,328	842,555	227,081		
Basic/Diluted Earnings (Loss) Per Share (Note 30)	0.4371	0.3384	0.0867		

Results of Operations

2GO Group, Inc. reported a record setting 71% growth in its 2015 Net Income before Tax to P1.5 billion from P888.1 million the same period last year. Management attributes this record setting performance largely to its focused drive to expand all the business units within the Group by targeting double-digit increases in revenues and supporting this with stringent cost management. 2GO's operating income from the core businesses expanded 56% to P1.8 billion from P1.2 billion against previous year.

The phenomenal growth of 2GO can be attributed to the focused drive to expand all the business units within the Group by targeting double-digit increases in revenues and supporting this with stringent cost management. Though both the Shipping and Non-Shipping business grew immensely, the Non-Shipping group outpaced the Shipping group by growing 14% in revenues as compared to Shipping's increase of 13%.

With this, Group has successfully transformed itself into the largest and most complete supply chain solutions provider. It is now ready and well positioned to address the needs of a growing Philippine economy that is driven by consumption and inter-island trade. The expansion is being propelled by the Group's logistics and value-added services, with 2GO's shipping operations providing a stable platform and a sustainable competitive advantage.

Total consolidated revenues increased by P2.0 billion (or 14%) to P16.4 billion from P14.4 billion for the same period last year. Shipping revenues expanded 13% while Non-shipping grew by 14%. Freight revenues increased 17% mainly due to higher volume (11%) arising from more round trips and optimized routing initiatives. Passage revenues grew 9% on account of a 12% increase in volume. 2GO continues to innovate and improve its service offerings amidst the improving domestic tourism industry that has a positive impact on the volume of sea travelers. At the same token, the growth of the Logistics, Express, Distribution, Cold Chain and Isotank services were are a result of business expansion for its organic and new businesses.

Total costs and expenses grew by 10% only which is slower than the 14% increase in revenues. The Group was able to maintain its Operating costs to P8.9 billion despite the substantial increase in revenues. Its Operating cost ratio is now 54% from 61% the previous year. The shipping group likewise benefited from the relatively low fuel prices in 2015. Cost of goods sold increased by P551.62 million or 26% to P2.64 billion in 2015 from P2.09 billion in 2014 mainly due to the increase in trading goods in relation to the growth in the distribution business. Terminal costs increased by P313.46 million or 22% to P1.72 billion in 2015 from P1.41 billion in 2014 primarily due to outside services, transportation and delivery cost to support its increase in revenues. Its Terminal cost ratio, however, was maintained at 10% of revenues. Overhead cost increased by 39% or P384.17million to P1.36 billion in 2015 compared to P0.98 billion in 2014.

Accordingly, 2GO's net income after tax gained a substantial 28% increase to P1.08 billion from P842.56 million for the same period last year.

2GO is the country's largest total logistics solutions provider that has a full range of capabilities and unmatched resources including warehousing, inventory management, domestic and international express mail and courier services, sales distribution and merchandising, domestic freight services for full/ less container load shipments, ISO tank, reefer and cold chain services, heavy lift and project logistics, regular liner passenger service, corporate/ leisure travel and package tours, and international freight forwarding and brokerage. 2GO Group, Inc. can carry the lightest parcel to the heaviest equipment by land, by sea and by air, be it domestic or international. They continue to reinforce its competitive position by continuously growing its logistics platform by exploiting its various competencies and replicating this in other channels and industries as well.

Earnings (Loss) per Share

Earnings (Loss) Per Share is computed by dividing Net Income (Loss) Attributable to Equity Holders of the Parent over weighted average number of common shares outstanding for the year. Earnings (loss) per share for 2015 stood at P0.4371/ share compared to P0.3384/ share in 2014.

Other changes (+/-5% or more) in the financial statement not covered in the above discussion

<u>**2015 vs. 2014**</u>

Revenue
- 8% or P11.59 million decrease in Port Services
- 53% or P233.50 million decrease in Others

Other Income / (Charge)
- 432% or P47.36 million increase in equity in net earnings of associates and joint venture
- 103% or P55.69 million decrease in 'other' items

CONSOLIDATED BALANCE SHEETS

In P' Thousands	Period Ended Dec 2015	Dec 2014	Dec 2013	Amount '15 vs '14	% variance
ASSETS					
Current Assets					
Cash and cash equivalents (Note 7)	1,325,355	1,101,361	918,645	223,994	20%
Trade and other receivables (Notes 8 and 23)	4,474,797	3,973,094	3,949,819	501,703	13%
Inventories (Note 9)	938,553	877,542	421,957	61,010	7%
Other current assets (Note 10)	1,423,396	1,209,253	1,054,409	214,143	18%
Total Current Assets	8,162,101	7,161,250	6,344,830	1,000,851	14%
Noncurrent Assets					
Property and equipment (Notes 13 and 20)	6,353,750	5,403,570	5,054,932	950,180	18%
Available-for-sale investments (Note 11)	4,507	5,707	6,907	(1,200)	(21%)
Investments in associates and joint ventures (Note 12)	257,229	192,951	181,977	64,278	33%
Investment Property (Note 14)	9,763	9,763	9,763	(0)	(0%)
Software - net (Note 15)	39,843	29,139	15,379	10,704	37%
Deferred tax assets (Note 29)	318,021	589,334	477,076	(271,313)	(46%)
Goodwill (Note 6)	250,450	250,450	250,450	(0)	(0%)
Other noncurrent assets (Note 16)	346,737	274,092	180,590	72,644	27%
Total Noncurrent Assets	7,580,300	6,755,006	6,177,074	825,294	12%
TOTAL ASSETS	15,742,401	13,916,256	12,521,904	1,826,144	13%
LIABILITIES AND EQUITY					
Notes payable (Note 17)	2,111,017	1,415,651	1,344,927	695,366	49%
Trade and other payables (Notes 18 and 23)	4,553,606	4,612,088	4,189,244	(58,482)	(1%)
Income tax payable	4,687	18,009	5,772	(13,321)	(74%)
Redeemable preferred shares (Notes 21 and 24)	0	5,988	6,680	(5,988)	(100%)
Current portion of:					
Long-term debt (Note 19)	374,094	85,977	373	288,116	335%
Obligations under finance lease (Notes 13 and 20)	65,837	32,837	28,592	32,999	100%
Total Current Liabilities	7,109,241	6,170,550	5,575,588	938,691	15%
Noncurrent Liabilities					
Long-term debt - net of current portion (Note 19)	3,176,330	3,519,186	3,597,496	(342,856)	(10%)
Obligations under finance lease - net of current portion (Notes 13 and 20)	208,273	103,165	89,192	105,108	102%
Accrued retirement benefits (Note 28)	298,072	217,558	167,243	80,514	37%
Other noncurrent liabilities	2,255	14,078	9,369	(11,823)	(84%)
Total Noncurrent Liabilities	3,684,930	3,853,987	3,863,300	(169,057)	(4%)
Total Liabilities	10,794,171	10,024,537	9,438,888	769,634	8%
Equity (Note 24)					
Attributable to Owners of the Parent Company:					
Share Capital	2,484,653	2,484,653	2,484,653	0	0%
Additional paid-in capital	910,901	910,901	910,901	0	0%
Acquisitions of non-controlling interests	(3,243)	(3,243)	(3,243)	(0)	0%
Excess of cost over net asset value of investments	(9,835)	(9,835)	(9,835)	0	(0%)
Other Comprehensive losses - net	(145,074)	(120,257)	(86,405)	(24,817)	21%
Retained Earnings	1,717,652	648,421	(179,314)	1,069,231	165%
Treasury shares	(58,715)	(58,715)	(58,715)	0	0%
	4,896,339	3,851,925	3,058,042	1,044,415	27%
Non-controlling Interests	51,891	39,794	24,974	12,097	30%
Total Equity	4,948,230	3,891,719	3,083,016	1,056,511	27%
TOTAL LIABILITIES AND EQUITY	15,742,401	13,916,256	12,521,904	1,826,145	13%

The Group's total assets as of December 31, 2015 stood at P15.74 billion, 13% higher than P13.92 billion as of December 31, 2014.

Current assets increased by 14% or P1.00 billion to P8.16 billion in 2015 from P7.16 billion as of December 31, 2014. Cash and cash equivalents increased by 20% or P223.99 million to P1.33 billion in 2015 from P1.10 billion in 2014 mainly due to the improved operational performance of the Group, coupled with improved collection efforts. Trade and other receivables increased by 13% or P501.70 million to P4.47 billion in 2015 from P3.97 billion in 2014 as a result of higher revenues. Inventories

increased by P61.01 million or 7% mainly due to business expansion of organic as well as with the new principals of the distribution business. Other current assets increased by P214.14 million or 18%.
Non-current assets increased by P825.29 million or 12% to P7.58 billion in 2015 from P6.76 billion as of December 31, 2014. Property and equipment increased by 18% or P950.18 million mainly due to the purchase of a ropax vessel for the Shipping business. Investment in associates increased by 33% or P64.28 million while software costs increased by 37% or P10.70 million. Other Non-current assets likewise increased by 27% or P72,64 million. On the other hand, Available-for-sale financial assets decreased by 21% or P1.20 million while Deferred Tax Assets decreased by 46% or P271.31 million.

Total liabilities increased by 8% or P769.63 million for 2015 compared to 2014 primarily due to the increase in current liabilities by 15% or P938.69 million. The increase in current liabilities was mainly due to the increase in notes payables by 49% or P695.37 million as a result of the payment of major vessel, capital expenditures and dry docking expenses incurred for the year 2015. Trade and other payables slightly decreased by 1% or P58.48 million. Income tax payable decreased by 74% or P13.32 million. Likewise, there are no unredeemed redeemable preferred shares as of December 31, 2015. The current portion of the long-term debt increased by 335% or P288.12 million. There was also an increase in Obligations under finance lease by 100% or P33.0 million in 2015 compared to 2014.

Noncurrent liabilities slightly decreased by 4% or P169.06 million mainly due to the decrease in long term debt (net of current portion) by P342.86 million or 10% to P3.18 billion for the year 2015 from P3.52 billion in 2014. Accrued retirement benefits increased by 37% or P80.51 million to P298.07 million in 2015 from P217.56 million in 2014 as per actuarial valuation. There was an increase in obligations under finance lease (net of current portion) by 102% or P105.11 million while other non-current liabilities decreased by P84% or P11.82 million.

Total equity increased by 27% to P4.95 billion as of December 31, 2015 versus P3.89 billion in December 31, 2014 due to the very strong performance of the Group in 2015.

CONSOLIDATED CASHFLOW STATEMENTS

in P'MM	Period Ended Dec 31				
	2015	**2014**	**2013**	**'15 vs '14**	**% variance**
Net cash flows provided by operating activities	**1,270,205**	**1,439,124**	**1,414,449**	**(168,919)**	**-12%**
Net cash flows used in investing activities	**(1,231,845)**	**(993,476)**	**(1,221,391)**	**(238,369)**	**24%**
Net cash flows used in financing activities	**185,634**	**(262,936)**	**(59,946)**	**448,570**	**-171%**
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	0	4	(1,323)		
NET INCREASE IN CASH AND CASH EQUIVALENTS	**223,994**	**182,716**	**131,789**	**41,278**	**23%**

The Group ended the December 31, 2015 with a net increase in cash of P223.99 million. Net cash flows from operating activities decreased by P168.92 million or 12% compared to 2014. The Group's net cash flow used in investing activities increased by P238.37 million or 24% for 2015. Net cash from financing activities increased by 171% or P448.57 million compared to 2014.

III. BRIEF DESCRIPTION OF THE GENERAL NATURE AND SCOPE OF THE BUSINESS OF THE REGISTRANT AND ITS SUBSIDIARIES

2GO was formed and organized in May 26, 1949 under the corporate name William Lines, Inc. It is majority owned by NENACO, one of the oldest domestic shipping companies in the Philippines.

2GO is engaged in the movement of people operating under brand names '2GO Travel' for passage business and '2GO Freight' for cargo business.

1. 2GO TRAVEL

2GO Travel provides comfortable and secure transport between major destinations across the country. Beyond routine point-to-point transport, 2GO Travel provides a leisurely and low-cost travel experience. The company's ability to guarantee convenience and affordability underpins its positioning as the preferred means of travel around the islands. The company has upgraded its vessel amenities and range of service offerings. 2GO Travel now offers a wide selection of hotel and accommodation services, as well as tours and events, on top of traditional passenger transport.

2. 2GO FREIGHT

2GO Freight provides cargo handling services for various types of goods and shipments, including full container load (FCL) and LCL, loose cargo, roll-on/roll-off and rolling cargo. What primarily sets the company apart from other shipping lines is its ability to provide exceptional reliability. 2GO Group has the highest frequency of voyages from Manila to major ports across the country and it is the most reliable operator which is increasingly important as companies move toward Just-In-Time processes, which is particularly crucial for perishable and time- sensitive cargo.

Significant Subsidiaries of 2GO

1. 2GO Express, Inc.

2GO Express Incorporated includes:

1) Domestic Services composed of electronic commerce, general cargo and courier services
2) Sea Services, composed of both Less Container and Full Container Loads. 2GO Express used its historical and inherent strength in moving cargo by sea, being one of the biggest users of cargo space on all 2GO ships. Aside from moving balikbayan boxes from international forwarders, 2GO Express started moving automotive and motorcycle parts as the vehicle industry continues to generate consistent double-digit growth, especially seen in the expansion of vehicle dealers in the Visayas and Mindanao cities.
3) International Services

2GO Express' Subsidiaries

Hapag-Lloyd Philippines, Inc. (HLP)

Hapag-Lloyd Philippines, Inc. (HLP), a wholly owned subsidiary of 2Go Express, has been the Philippine agent of Germany's largest liner shipping company, Hapag-Lloyd Actiengesellschaft (HLAG), for more than 20 years since it started in November 1, 1992.

HLP gained its assertive presence in the market through the synergy of two dependable partners HLAG and 2GO. Hapag-Lloyd is one of the world's leading liner shipping companies in terms of global market coverage. Its core business which is the liner service, also encompasses door to door delivery in the Philippines through the 2GO network.

HLP has expanded its services with branches in Cebu, Davao and General Santos offering the same operational structure with standardized process and customized solutions for customers. Through this cooperative interaction, HLP has continuously increased its revenue year on year and is confident that it will sustain its positive performance in an expanding Philippine market and the positive economic growth of its main trading partners.

Today, Hapag-Lloyd Philippines Inc. and 2GO name embodies a proud legacy of leadership and service built on years of shipping and logistics experience. Our unique work ethic remains unchanged. Our goal is to be the best and the most reliable transport and supply chain provider in the country, moving products and catalyzing business growth in domestic and international markets.

Hansa Meyer Projects (Phils.), Inc. (HMPPI)

A worldwide experienced and one of the leading/competent project Cargo Forwarder providing complete transport/logistics solution. Established as one of the business unit of ***Hansa Meyer Global -*** which has 18 branches and exclusive partners at the most strategic venues of the world.

As a transport architect, HMPPI's services include, but are not limited to Project & Transport Feasibility Studies, Budget Calculations, Duty, Tax and Customs Consultancy, Seafreight and Airfreight, Transshipment, Trucking, Heavy Lift Transport by Land, Air and Sea, Vessel and/or Barge Loading and/or Unloading, Customs Clearance, Project Site Logistics, Positioning on foundation, Global Project Coordination of Cargo Movements, Chartering of International & Domestic Vessels & Barges, Port and/or Pier Management, Civil Works for Delivery Support (Beach Heads and Jetty Construction, Temporary construction of by pass, Bridge reinforcement and structural works).

For 20 years, HMPPI had been successful in delivering capital and/or plant equipment when and where they matter and will continue to offer project management and consultancy services for transportation of heavy and bulk-sized equipment used in power, manufacturing plants, telecommunications, infrastructure, and mining. HMPPI handled over 150 major projects and over one million freight tons having 280T as the heaviest single cargo handled in the Philippines.

2GO Logistics, Inc.

The Philippine economy continued to show strong growth with a thriving consumer market driven by its growing middle class, overseas remittances and the BPO sector. The growth in consumption has continued to bring about changing needs of manufacturers and retailers. The changing consumer and retail landscape has provided both opportunities and challenges, primarily in the field of supply chain services. The growth in modern retail outside of traditional geographical markets, characterized by “smaller and farther” retail formats has put a strain on both the cost to serve stores efficiently and replenish products effectively.

2GO Logistics continues to string together various solution sets designed to address these concerns and enable the opening of stores in new markets while replenishing products at the fastest possible time that ensure availability of the products at store shelves. 2GO Group’s collective capability to serve retailers’ orders nationwide given its expansive physical infrastructure of warehouses, trucks, and its own vessels that have priority berthing in highly congested ports, highlights the advantages that 2GOLI provides its customers.

One such solution set is 2GOLI’s cross-docking and FSL (Forward Stock Locations) service which provides a fast and economically viable means of reaching retail outlets. This service provides retailers with better product availability where it matters.

This capability of 2GOLI to add value through innovative solutions has made it a very attractive proposition for many FMCG and Retail companies and has resulted in an increasing number of engagements from existing clients, as well as an increasing number of new customers served by 2GOLI.

SUPPLY CHAIN SOLUTIONS

The Supply Chain Solutions (SCS) team was established in 2015 to address the need to deliver value to key customers through the combination of services within 2GO Group. Through the years, and countless conversations with customers, we have learned to recognize that the different pillars of ‘end to end’ services must be of the highest quality, extensive in scope, seamless in its execution, and coordinated from a single point.

The objective of SCS is to engage with key customers and address both their day to day operational and cost issues, as well as their farther reaching strategic business directions. SCS is organized to harness the collective strength of 2GO Group through the different Business Units. It will package innovative, sustainable and relevant solutions that impacts on the performance of its customers by ensuring that their products are available in retail stores when and where needed, in the most efficient way.

Collaboration with customers is a regular occurrence where issues and solutions are crafted with the help of our key account teams supported closely by our logistics design and implementation team. This type of approach is meant to address on-going concerns as well as the design and implementation of new initiatives and projects. Our SCS team becomes the first point of contact with our key customers, driving the required changes or enhancements where needed.

SCS is likewise organized to engage, on an ongoing basis, new customers that require ‘end to end’ services, and who share the same collaborative approach to developing a lasting relationship based on value creation. While many of its customers belong to the Philippines top consumer manufacturing and retail sectors, SCS continues to explore new solutions for other growing sectors in the country, as well as large global companies who have limited presence in the Philippines.

The importance of organizing SCS underscores 2GO Group’s aspiration to dominate the supply chain industry in the country.

ScanAsia Overseas Inc. (SOI)

Scanasia Overseas Inc. (SOI) is the Distribution business unit of the 2Go Group. It completes the end to end proposition of the 2Go Organization by making products of Principals available all the way to store shelves of various stores nationwide.

Established some 31 years ago, Scanasia traces its roots to specialist distribution services for the Dairy category by representing leading brands in various Modern Trade and Food Service outlets. Some nine years ago, the foot print of Scanasia expanded towards the Pharma-Convenience store Channel with the appointment by Procter and Gamble to be the National Distributor of their products for Mercury Drugstore. Since then, this coverage was further extended to include Southstar Drugstore.

Kerry Logistics (Phils.), Inc. (KLPI)

A partnership created with the purpose of providing the best integrated logistics, international freight forwarding and supply chain solutions. Kerry Logistics (Phils.), Inc. (KLPI) was established in 2009 by way of a joint venture entered into by 2Go Group Inc., through 2Go Express, and Kerry Logistics Network Limited of Hong Kong, through the former's holding companies KLN Investment Holdings Philippines, Inc. and KLN Logistics Holdings Philippines, Inc.

KLPI has strengthened its competitive advantage within the freight forwarding industry with the synergy of two solid and dependable brands, Kerry Logistics and 2Go. Kerry Logistics, which holds 51% share of KLPI, is one of the Top 25 Global Freight Forwarders based on gross revenue/turnover and freight forwarding volumes as reported by Armstrong & Associates, Inc. Its core business encompasses integrated logistics, international freight forwarding, express and supply chain solutions. It is currently expanding its global footprint by acquiring/merging with other 3PL companies in Europe, USA and Asia. The expansion is in line with Kerry's strategy to accelerate the business development on a global scale. It is in partnership and the choice of top 100 brands. 2Go Express, on the other hand, holds 49% share of KLPI and is part of the 2Go Group of Companies, the largest and premier logistics provider in the Philippines. With 150 years combined shipping and logistics experience, it provides complete supply chain solutions with seamless links to over 150 countries worldwide.

KLPI has continued to strengthen its market presence through its expertise in integrated freight forwarding, supply chain solutions, integrated logistics, including warehousing. To further intensify its market reach, it has eight branches strategically located in Manila, Luzon, Visayas and Mindanao including five warehouses offering diverse services to include international and domestic air and sea freight forwarding, cargo consolidation, warehousing and domestic distribution, dangerous goods handling, customs brokerage, building logistics and exhibition logistics.

Aside from the support of both 2Go and Kerry Logistics, KLPI is likewise a member of the Global Logistics Network (GLN), an umbrella organization that encompasses leading independently owned and operated companies worldwide that specialize in the logistics industry. It has a global presence that spans 596 Offices in 309 Cities in 119 Countries, handling over 3 million shipments per year.

WRR Trucking Corporation (WTC)

WRR Trucking Corporation (WTC) is a wholly owned subsidiary of 2GO Express Inc., and was incorporated on March 25, 2008 primarily to engage in the business of transportation, hauling or forwarding of cargo, freight, merchandise, goods, and other articles within the lawful commerce of man by means of trucks, automobiles, and both container and closed vans. Regular business started on May 1, 2008.

WRR Trucking Corporation is a member of the Confederation of the Truckers Association of the Philippines (CTAP).

2. The Supercat Fast Ferry Corporation (SFFC)

SuperCat Fast Ferry Corporation (SFFC) supports the tourism industry in the islands it serves and continuously improves to provide safe, reliable and convenient marine passage to inter-island travelers - complementing the seamless service of its mother ship, 2GO Travel. All SuperCat vessels adhere to the highest standards of safety, with International Safety Management (ISM) certification, and compliance with maritime and class regulations.

A Customer Interaction Center (CIC) and a SuperCat website linked to 2GO Travel allows travelers and tourists the convenience of booking their trips online, as well as, seamlessly linking with any of 2GO Travel's various destinations. Ticket outlets are found nationwide to cater to the needs of the traveling public. Passengers may choose cabin accommodations from economy open-air class, to tourist and business class. Snacks and refreshments are offered on board, and passengers are attended to by friendly and well-trained cabin crew members.

3. NN-ATS Logistics Management & Holding Co., Inc. (NALMHCI)

NNATS Logistics Management and Holding Co., Inc., is always in constant pursuit of creative and innovative ways to help improve the client's business and excel in all the services it provides.

United Dock South Dockhandlers, Inc. (USDI) has been assessed by AJA Registrars and registered under ISO 14001:2004 Environmental Management System. EMS is a framework that helps an organization achieve its environmental goals through consistent review, evaluation, and improvement of its environmental performance. Previously, USDI has been an ISO 9001:2008 Quality Management System (QMS) certified and the only Arrastre & Stevedoring Organization in Cebu to have been certified in ISO 9001:2008 and ISO 14001:2004.

NNATS Logistics Management and Holdings Company Incorporated has launched its Passenger/Cargo RORO Vessel (ROPAX) under the SulitFerry brand powered by 2GO Group Inc. The vessel is brand new with 532 seating capacity and 25 units of Passenger Bus or Cargo Trucks. It plies the route of Matnog, Sorsogon to Allen, Northern Samar and vice versa via Eastern Nautical Highway.

Supersail Services Incorporated on the other hand has locked a business deal for a manpower requirement with a shoe manufacturer, Asaphil in Clark Freeport, Mabalacat, Pampanga.

4. Special Container and Value Added Services, Inc. (SCVASI)

In its aim to be the sought-after transport and logistics provider nationwide, Special Container and Value Added Services, Inc. (SCVASI) sustained its expertise as the market leader in the cold chain and liquid transportation sector.

SCVASI as a whole, deals with an innovative strategic approach to a variety of businesses to wit; hauling service for bulk liquids (ISO tank and Flexibags), temperature-controlled vans and trucks (Reefer Containers for FCL and LCL), palletized and containerized goods for food and non-food products where its value-added services always come built-in for our Quikmove business.

The company started its corporate life on March 8, 2012 and began its commercial operations on January 1, 2013. It is 100% owned by 2GO Group Inc.

SCVASI also offers ISO tanks and Flexibags services for domestic and international liquid transport. With the continuing partnership with our foreign principals such as BULKHAUL and SEACUBE for ISO tanks, and Bulk Packing and Qingdao-LET for Flexibag supply, SCVASI was able to serve the requirement of the solvents industry. This also assist to cover our target market in the Food Grade business – palm oil, coconut oil and ethanol and to accommodate our growing market for liquid products including our land move projects in Luzon.

Vessel Fleet

As of December 31, 2017, 2GO and its subsidiaries has a total fleet of twenty-four (24) operating vessels, of which twenty-one (21) are company-owned ships. The fleet consists of ten (10) fast crafts, eight (8) RoRo/Pax vessels of which one (1) vessel is leased. On the other hand, three (3) freighters are under lease agreement with Caprotec and two (2) more vessels are chartered with 3rd parties. 2GO's operating vessel fleet has a combined Gross Registered Tonnage of approximately 128,690 metric tons, total passenger capacity of approximately 14,161 passengers and aggregate cargo capacity of approximately 3,724 twenty-foot equivalent units (TEUs).

During the year, two fast craft vessels were constructed and deployed in the Ormoc-Cebu service. 2GO continues to engage in charter agreements for 5 freighter vessels for additional capacities to serve the freight market.

Currently, 2GO operates five (5) RoRo/Pax vessels calling on Manila as their homeport. These vessels are larger coastwise vessels that sail from Luzon to Visayas and Mindanao. Further, 2GO operates three (3) medium-sized vessels, formerly called the Cebu Ferries, two (2) of which have Batangas as its homeport, plying on the Batangas-Caticlan route, while the other vessel calling on Manila as homeport serves the Palawan route. The six (6) fast craft passenger vessels, on the other hand, are smaller fast crafts that ply on short distances. 2GO also operates eight (8) purely-cargo vessels to fully complement its freight business.

Land, Buildings and Warehouses

2GO owns several pieces of land and a number of buildings and warehouses. These are used in the normal course of business.

Ports of call

2GO's extensive presence throughout the country, from Luzon to Mindanao, is carried out through its branch operations and agency networks resulting to maximized efficiencies in network coverage by clustering vessel port calls with minimal nautical mileage. These are located primarily in Manila, Batangas, Calapan, Puerto Princesa, Odiongan, Bacolod, Caticlan, Cebu, Dumaguete, Iloilo, Ormoc, Tagbilaran, Butuan, Cagayan de Oro, Davao, Dipolog, General Santos, Iligan, Ozamis, and Zamboanga.

Market Share

As of December 31, 2017, 2Go continues to dominate the Philippine Sea Travel with 90% passage market share in and out Manila. Freight market share also is at 27%, still leading the market even with competitors adding more ships.

Legal Proceedings

There are certain legal cases filed against 2GO Group, Inc. and its subsidiaries in the normal course of business. Management and its legal counsel believe that they have substantial legal and factual bases for their position and are of the opinion that losses arising from these cases, if any, will not have a material adverse impact on the consolidated financial statements.

IV. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The Names and Business Background of 2GO's directors and executive officers are as follows:

DIRECTORS

The following are the business experience/s of the members of the Board during the last five (5) years:

Mr. Dennis A. Uy, 44, Filipino, has been the Chairman of the Board of 2GO and NENACO since September 2017. He served as the Chief Executive Officer and President of 2GO and NENACO from April to September 2017. He is the Chairman of the Compensation and Remuneration Committee and a member of the Executive Committee. Mr. Uy serves as the Chief Executive Officer and President of Comstech Integration Alliance, Inc. Mr. Uy co-founded P-H-O-E-N-I-X Petroleum Philippines, Inc. in 2002 and has been its Chief Executive Officer and President since 2002. Mr. Uy serves as the Chief Executive Officer and President of Chelsea Shipping Corporation, Global Synergy Trade and Distribution Corporation, Udenna Development Corporation, Value Leases Inc., and Udenna Foundation, Inc. As President, Mr. Uy spearheads operation and management of four companies: Bullex Mining Corporation, BBL Mining Corporation, Davao GM Foods Corporation and Granland Resources Corporation. He serves as the President of Phoenix Petroleum Holdings, Inc. He serves as Chairman and President of Udenna Holdings Corporation and Dencio's Kamayan Inc. He serves as the Chairman of Oilink Mindanao Distribution, Mindanao Media Dynamics, Le Don Printers and Bohemian Promotions and Training Center. Mr. Uy serves as the Chairman of the Board of Directors of Phoenix Petroleum Holdings, Inc., the holding company of PPPI and Udenna Corporation, the ultimate parent company of PPPI. He serves as Chairman of F2 Logistics, Phoenix Philippines Foundation, Inc., and Udenna Foundation, Inc. He serves as Vice Chairman of P-H-O-E-N-I-X Petroleum Philippines, Inc. He has been an Independent Director of Apex Mining Co. Inc. since March 19, 2013. He serves as a Director of P-H-O-E-N-I-X Petroleum Philippines, Inc., First Oriental Packaging, Senorita Farms, Aquamines Philippines, Bulbscor Minerals Corporation and Blucor Minerals Corporation. He has been a Director of 2GO Group, Inc. since February 6, 2017. Mr. Uy served as an Independent Director of Transpacific Broadband Group International Inc. since February 28, 2003. He is a member of the Young President Organization-Philippine Chapter and the Philippine Business for Social Progress. Mr. Uy is the Honorary Consul of Kazakhstan to the Philippines since November 2011. He is also a Member of the Management Association of the Philippines (MAP), the American Chamber of Commerce, Davao Chapter, the Davao City Chamber of Commerce and a Business Sector representative to the Chinatown Development Council in Davao. He was also Past-President of Apo Golf & Country Club and was a Director of Elias Lopez Sports Foundation. Mr. Uy holds a Bachelor of Science Degree in Business Management at the De La Salle University in Manila.

Mr. Francis C. Chua, 68, Filipino, has been an Independent Director of 2GO and NENACO since January 2011. He served as Chairman of the Board of 2GO and NENACO from July 2011 until September 2017. His other current positions include Honorary Consulate General of the Republic of Peru in Manila; President and Eminent Adviser of the Philippine Chamber of Commerce and Industry; Chairman of the Philippine Chamber of Commerce and Industry Foundation, CLMC Group of Companies, and Green Army Philippines Network Foundation; President of DongFeng Automotive, Inc. and Philippine Satellite Corporation; Director of Philippine Stock Exchange, National Grid Corporation of the Philippines, Bank of Commerce, Basic Energy, and Overseas Chinese University; and Trustee of Xavier School Educational Trust Fund, and Adamson University. He graduated with a Bachelor of Science degree in Industrial Engineering from the University of the Philippines.

Mr. Frederic C. DyBuncio, 57, Filipino, has been the President and CEO of 2GO since September 2017 and a Director of 2GO and NENACO since April 2017. He is the Chairman of the Executive Committee and a member of the Risk Oversight Committee, Compensation and Remuneration Committee, and the IT Steering Committee. He is currently an Executive Vice President in SM Investments Corporation. Prior to joining 2GO, he was a career banker who spent over 20 years with JPMorgan Chase and its predecessor institutions. During his stint in the banking industry, he was assigned to various managerial/executive positions where he gained substantial professional experience in the areas of credit, relationship management and origination, investment banking, capital markets, and general management. He has worked and lived in several major cities including New York, Seoul, Bangkok, Hong Kong and Manila. He obtained his undergraduate degree in Business Management from the Ateneo de Manila University, and his master's degree in Business Administration from the Asian Institute of Management.

Atty. Elmer B. Serrano, 50, Filipino, has been a Director, Corporate Secretary, and Corporate Information Officer of 2GO and NENACO since February 2017. He is a member of the Executive Committee and the Compensation and Remuneration Committee. He has been in the practice of corporate law for over two decades and is a senior partner at the law firm of Martinez Vergara Gonzalez & Serrano. Atty. Serrano is currently the Corporate Information Officer of BDO Unibank, Inc. and BDO Leasing and Finance, Inc. He is also the Corporate Secretary of SM Investments Corporation, SM Prime Holdings, Inc., Premium Leisure Corp., PremiumLeisure and Amusement, Inc., Crown Equities, Inc., BDO Capital & Investment Corporation, BDO Securities Corporation, BDO Insurance Brokers, Inc., Bankers Association of the Philippines and Philippine Dealing System Holdings Corp. and its subsidiaries. He was a director of OCLP Holdings, Inc. until November 2014. He is likewise a director and Corporate Secretary of DFNN Inc. He is a graduate of the Ateneo Law School, a Certified Associate Treasury Professional, and holds a degree of B.S. Legal Management from Ateneo de Manila University.

Ms. Ma. Concepcion F. de Claro, 59, Filipino, became a Director of 2GO and NENACO in April 2017. She is a member of the Audit Committee, the Related Party Transaction Committee, and the IT Steering Committee. She is a member of the Board of Directors of Enderun Colleges, Inc., Sagittarius Mines, Inc., and Udenna Corporation. She is also the Treasurer of Enderun Colleges, Inc. She served as the Chief Operating Officer of Alsons Corporation from March 2011 to 2017 and as a member of the Board of Alsons Power Holdings Corporation from October 2011 to 2017. She was previously a member of the Board of Directors of Manila North Harbour Port, Inc. (from April 2011-June 2012) and Limay Energen Corporation (from July 2011 to March 2012), and Chief Financial Officer of Two San Isidro-SIAI Assets, Inc. (from March 2011 to March 2014). She is a Certified Public Accountant with a B.S. Commerce degree, Major in Accounting, *magna cum laude*, from Colegio de San Juan de Letran.

Amb. Raul Ch. Rabe, 77, Filipino, has been an Independent Director of 2GO since December 2010. He is also the Chairman of the Risk Management Committee. He served as an Independent Director of NENACO since December 2010, Independent Director of Vivant Corporation since 2004, Director of Bank of Commerce since 2001; Corporate Secretary of Manila Economic and Cultural Office since 2001, and Of Counsel for Rodrigo, Berenguer and Guno Law Offices since 1999. He graduated with a Bachelor of Arts degree at the University of Santo Tomas and a Bachelor of Laws degree from the Ateneo de Manila Law School. He has been a member of the Philippine Bar since 1965 and the Philippine Foreign Services since 1968.

Atty. Monico V. Jacob, 73, Filipino, has served as an Independent Director of 2GO since December 2011 and as an Independent Director of NENACO since December 2010. He is a member of the Related Party Transaction Committee, Risk Oversight Committee, and the Corporate Governance Committee. As a partner of the Jacob & Jacob Law Firm, he has been involved in corporate recovery work including rehabilitation receiverships and restructuring advisory in the following firms: The Uniwide Group of Companies, ASB Holdings, Inc., RAMCAR Group of Companies, Atlantic Gulf and Pacific Company of Manila, Inc., Petrochemicals Corporation of Asia-Pacific, All Asia Capital and Trust Corporation (now known as Advent Capital and Finance Corporation), Nasipit Lumber Company, Inc. and NENACO. His current positions include: President and CEO of Systems Technology Institute, Inc. (STI), Information and Communications Technology Academy, Inc., PhilPlans First, Inc., Philhealthcare, Inc., Banclife Insurance Co. Inc., and JTH Davies Holdings, Inc.; Member of the Boards of Jollibee Foods, Inc., Advent Capital and Finance Corp., Asian Life Financial Assurance, Asian Terminals, Inc., Mindanao Energy, Inc., Phoenix Petroleum Philippines, Inc., De los Santos – STI College, De los Santos – STI Medical Center, Philippine Health Educators, Inc., Philippine Women's University, Unlad Resources Development Corporation, and Anvaya Cove Beach and Nature Club; and Chairman of the Boards of Total Consolidated Asset Mgmt, Inc., and Global Resource for Outsourced Workers, Inc. He completed his Bachelor of Arts in Liberal Arts from Ateneo de Naga and Bachelor of Laws from the Ateneo de Manila University.

Atty. Joseph C. Tan, 59, Filipino, became an Independent Director of 2GO and NENACO in February 2017. He is the Chairman of the Corporate Governance Committee and a member of the Related Party Transaction Committee, Audit Committee, and the IT Steering Committee. He is a Founding Partner of MOST Law Firm (formerly Marcos Ochoa Serapio Tan Law Offices). He was a Special Counsel for the Agus Cruz & Manzano Law Office from 2004 to August 2006. He was an Associate of Puno & Puno Law Offices from 1991 to 1995. He is currently an independent director of Premium Leisure Corp. and was a director of San Carlos Bioenergy Corporation. He was also a director of Philippine Bank of Communications from September 2010 to August 2011. Atty. Tan holds a Bachelor of Arts with a Major in Business Administration degree from University of San Francisco, USA. He also holds a Bachelor of Laws degree from the Ateneo de Manila Law School, graduating with honors.

Mr. Laurito E. Serrano, 58, Filipino, became an Independent Director of 2GO and NENACO in April 2017. He is the Chairman of the Audit Committee and a member of the IT Steering Committee. He serves as Group Chief Finance Officer, Executive Vice President and Treasurer of Metro Global Holdings Corporation. Mr. Serrano serves as Chief Finance Officer of Fil-Estate group. He has been the Managing Director of CibaCapital Philippines, Inc. since March 2010, where he develops and promotes financial advisory and project development engagements, involving transaction structuring, public offerings, listings of shares, asset securitization and monetization, work-out deals, project studies, business acquisitions and debt and equity capital-raisings. His area of specialization is Financial Advisory and Corporate Finance. He served as Principal Executive Officer of Metro Global Holdings Corporation and served as its Comptroller. Mr. Serrano was Partner of Corporate Finance Consulting Group of Sycip, Gorres, Velayo & Company from 1992 to 1997 and part of the Audit and Business Advisory Group of SGV from 1980 to 1992. He has been an Independent Director of Pacific Online Systems Corporation since May 23, 2014. Mr. Serrano has been an Independent Director of Atlas Consolidated Mining & Development Corp. since August 22, 2012. He has been a Director of Philippine Veterans Bank since June 2012. He has been a Director at Atlas

Consolidated Mining Corporation since August 2012. He serves as an Independent Director of APC Group Inc. He has been an Independent Director of Travellers International Hotel Group, Inc. since June 08, 2013. He serves as a Director of MRT Development Corporation. He served as Director of Fil-Estate Corp. until December 9, 2010. He served as a Director at Metro Global Holdings Corporation until December 03, 2010. He is a Certified Public Accountant and ranked twelfth in the Certified Public Accountant licensure examinations. Mr. Serrano graduated cum laude from the Polytechnic University of the Philippines, where he obtained his Bachelor of Science Degree in Commerce. He obtained his Master's degree in Business Administration from Harvard Business School in Boston, Massachusetts, U.S.A.

EXECUTIVE OFFICERS

The following are the business experience/s of the officers during the last five years:

Mr. William Charles Howell, 39, Filipino-American, is the Chief Financial Officer and Treasurer at 2GO Group, Inc. since July 2017. He has served also as the Chief Finance Officer of NENACO since February 2017 and Vice President of Investments Portfolio at SM Investments Corporation. Previously, he served as CFO and Treasurer of Philippine Geothermal Production Company, Inc. Prior, Mr. Howell held roles in Corporate Development at JDS Uniphase Corporation (now Viavi Solutions Inc.), a technology company listed on the NASDAQ; and Transaction Advisory at Ernst & Young in the San Francisco Bay Area. He brings broad management experience and expertise in accounting, finance, tax, and mergers & acquisitions in various industries including software and technology, distribution, real estate, and energy, among others. He is a Certified Public Accountant in the states of California and Georgia.

Atty. Mia M. Ormita, 41, Filipino, is the Assistant Corporate Secretary since February 2017. She is a Partner of the law firm of Martinez Vergara Gonzalez & Serrano. She has been the Corporate Information Officer and Company Secretary of Steniel Manufacturing Corp. since December 6, 2010. Attorney Ormita served as Compliance Officer of Steniel Manufacturing Corp. since October 2012. She served as an Assistant Corporate Secretary and Assistant Corporate Information Officer at Lodestar Investment Holdings Corp. from November 29, 2007 to May 15, 2009. Attorney Ormita served as a Director of Steniel Manufacturing Corp. Attorney Ormita holds a Bachelor of Arts in Political Science from Ateneo de Manila University in 1997 and a Juris Doctor from Ateneo de Manila Law School in 2003.

Mr. Mark Matthew F. Parco is the Chief Operating Officer of 2GO's Shipping Division. He worked for the Neptune Orient Lines/American President Lines (APL) for over 24 years; started in Sales Management and have moved to different leadership roles in different countries and subsidiaries. He has solid experience in the executive role of managing big multinational organizations particularly in startups, front line offices, in the corporate office, and in a business process unit. His performance and experience has led him to head APL Indonesia, the largest Front Line Office in South East Asia. Prior to joining 2GO, he worked at Philippine Transmarine Carriers in Business Development with the task of growing the maritime, training, and shared services sectors.

Mr. Ricardo B. Aguas Jr. has more than 30 years of vast experience in the areas of end to end supply chain management, sales and marketing, manufacturing, quality management, regulatory affairs, procurement, logistics, human resource, information technology, and finance. He has worked locally with companies such as Procter and Gamble, Selecta Dairy Products, Jollibee Food Corporation and Metro Retail Stores Group. He was posted internationally for regional and global leadership roles and worked for companies such as Michelin in France, Diageo in Singapore and AstraZeneca in China. Currently, he is the Chief Operating Officer of 2go Logistics Group. He is a graduate of Bachelor of Science major in Business Management and Bachelor of Arts major in Political Science and graduated as one of the Top Ten Students of the Philippines. He subsequently finished executive programs in Asian Institute of Management, Pennsylvania State University and University of California, Davis Campus. He used to be part of the Singapore Customs Advisory Council and Asia Pacific Efficient Consumer Response Council. He is currently active with Supply Chain Management Association of the Philippines. He is an industry resource for Best in Breed Supply Chain Solutions.

Mr. Jose S. Ejercito is currently the President of Scanasia Overseas Inc. He was a Consultant for SM Markets from 2012 to 2017. Prior to SM, Pong was the Managing Director of Unilever Korea from 2008 and 2011. He was a Member of the Board of Unilever Philippines and its Customer Development Director. He managed the distribution strategy and operations of Unilever Philippines for many years and held various roles, such as Head of the Multi-Functional Operations Committee, Marketing/Sales Operations Manager, and General Sales (Field) Manager. In the Asia Region, he was assigned as the team leader of the World Class Customer Development (CD) Community tasked to develop world class skills within the CD function. He was posted in Unilever China as National Sales Operations Controller from 2003 to 2006 and set up the first Unilever-operated sales branch in China. Externally, he served as Co-Chair of the industry organization ECR (Efficient Consumer Response) Philippines from 1999 to 2001. He has been a fellow of the Institute of Corporate Directors since 2012. Pong earned his degree of Industrial Engineering from the University of the Philippines. He took up Advanced Executive Program at Northwestern University's Kellogg School of Management in Evanston, Illinois.

V. MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

A. Market Information

The Common Stock of the Corporation is listed at the Philippine Stock Exchange. As of February 28, 2018, the market price of 2GO's common stock is P17.96 per share.

Below is the range of high and low bid information for 2GO's common equity for each quarter within the last two fiscal years and any subsequent interim period:

	HIGH	**LOW**
2017		
First Quarter	9.90	9.00
Second Quarter	29.15	11.50
Third Quarter	25.00	19.20
Fourth Quarter	20.50	16.30
2016		
First Quarter	7.57	5.92
Second Quarter	7.38	7.27
Third Quarter	7.39	7.34
Fourth Quarter	7.65	7.60
2015		
First Quarter	10.50	3.31
Second Quarter	7.48	5.80
Third Quarter	11.60	5.71
Fourth Quarter	8.94	6.65

2GO is not aware of any recent sales of unregistered or exempt securities, including recent issuance of securities constituting an exempt transaction.

B. Stockholders

The number of common shareholders of record as of February 28, 2018 was 1,891. The top 20 common stockholders as of February 28, 2018 are as follows:

	Name	**No. of Shares**	**Percentage**
1	NEGROS NAVIGATION CO., INC.	2,160,141,991	88.31%
2	PCD NOMINEE CORPORATION (FILIPINO)	265,359,594	10.85%
3	ABACUS SECURITIES CORPORATION	1,530,000	0.06%
4	SANTIAGO TANCHAN III	1,262,500	0.05%
5	CONSTANTINE TANCHAN	1,262,500	0.05%
6	PCD NOMINEE CORPORATION (FOREIGN)	693,979	0.03%
7	PHILIPS MULTIEMPLOYER RETIREMENT PLAN	631,250	0.03%
8	RAMON RIVERO	600,000	0.02%
9	AMA RURAL BANK OF MANDALUYONG, INC.	441,875	0.02%
10	ALEXANDER J. TANCHAN	430,260	0.02%
11	ELIZABETH CHIU	378,750	0.02%
12	RAMON R. RIVERO	320,000	0.01%
13	LILIAN S. LIM	315,625	0.01%
14	FAST CARGO TRANSPORT CORP.	300,000	0.01%
15	BONIFACIO O. DOROY	222,960	0.01%

16	MEREAN T. LU	189,375	0.01%
17	HERMINIGILDO TRINIDAD	189,375	0.01%
18	SHI RONG ZHOU	162,862	0.01%
19	TONY WONG	159,075	0.01%
20	JAVIER ARRIETA	145,187	0.01%

As of February 28, 2018, the total number of shares owned by the public is equivalent to 285,298,390 shares or equivalent to 11.66%.

C. Dividends Declaration

There were no dividends declared during the years 2012 to 2017.

Per Article VI, Section 3 of the By-laws, "dividends payable out of the surplus profits of 2GO shall be declared at such time and in such manner and in such amounts as the Board of Directors shall determine; Provided that, stock dividends shall be subject to the approval of the stockholders in a meeting called for the purpose."

VI. CORPORATE GOVERNANCE

2GO and its subsidiaries, in its pursuit of attaining corporate objectives and goals, commit themselves to the principles and best practices of corporate governance and resolve to build a company that adopts best practices in the area of systems, governance and discipline.

BOARD STRUCTURE

The 2GO Board is composed of nine (9) highly respectable individuals — seven (7) non-executive directors which includes the Chairman and two (2) executive directors. Of the nine (9), there are five (5) independent directors, including the Chairman, who are experts in their respective fields.

Chairman : Dennis A. Uy
Members : Francis C. Chua, Independent Director
Frederic C. DyBuncio
Ma. Concepcion F. de Claro
Elmer B. Serrano
Laurito E. Serrano, Independent Director
Joseph C. Tan, Independent Director
Raul Ch. Rabe, Independent Director
Monico V. Jacob, Independent Director

Splitting up the role of the Chairman and the Chief Executive Officer (CEO) was brought into focus when shortcomings in corporate governance were observed in companies where the two roles are combined. Thus, to foster an appropriate balance of power, increased transparency, accountability and control over company operations, the elected Chairman of the Board, a non-executive director, is separate and distinct from the appointed CEO of 2GO.

BOARD COMMITTEES

The Board is further assigned to the following committees—the Executive Committee, Audit Committee, Corporate Governance Committee, Risk Oversight Committee, Compensation and Remuneration Committee, and Related Party Transaction Committee. The Board and its committees oversee and advise management in developing 2GO's financial and business goals, oversee its public disclosures and the processes behind them, and evaluate management's performance in pursuing and achieving those goals.

The Charters for all Board Committees were adopted on September 20, 2017.

COMPENSATION AND REMUNERATION COMMITTEE

The Compensation and Remuneration Committee is mainly responsible for establishing the overall compensation philosophy of 2GO including directors and employee compensation, benefits and incentive plans. The Compensation and Remuneration Committee met three (3) times in 2017. All meetings were duly attended by the committee members.

The committee members are as follows:

Chairman: Mr. Dennis A. Uy

Members:	Mr. Frederic C. DyBuncio
	Mr. Elmer B. Serrano

AUDIT COMMITTEE

The Audit Committee oversees the internal and external auditors in the conduct of their duties and responsibilities. The Committee is primarily responsible for the review of financial reports and performance of its external auditors and the nomination for approval of the external auditor for the year. Furthermore, the Committee reviews 2GO Group's internal control system, its audit plans, processes and related party transactions.

The committee members are as follows:

Chairman:	Mr. Laurito E. Serrano
Members:	Ms. Ma. Concepcion F. de Claro
	Mr. Joseph C. Tan

The Audit Committee met seven (7) times in 2017. All five meetings were duly attended by the committee members.

As part of its responsibility to encourage open communication, the committee meets periodically with management, internal audit function, and the external auditor in separate sessions to discuss the results of operations and its evaluation of 2GO's internal control system. It reviews and approves the internal audit plan; reviews internal and external audit performance; monitors results of audit activities and corresponding action plans provided by management; selects and approves external auditor; and presents audited financial statements for Board approval.

The committee reviews and assess the audit master plan on a risk-based approach to identify significant areas of concern that should be prioritized as well as to ensure efficient use of resources during the period.

A detailed Audit and Corporate Governance Committee Report for 2017 is presented in a subsequent section.

<u>Audit Committee Charter</u>

In compliance with SEC Memorandum Circular No. 4, Series of 2012, the Company has adopted an Audit Committee Charter, which was approved on September 20, 2017 by the Board of Directors, pursuant to the recommendation of the Audit Committee.

The Audit Committee Charter of the Company aims to assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the company's process for monitoring compliance with laws and regulations and the code of conduct.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee is responsible for assisting the Board of Directors of 2GO in fulfilling its oversight functions related to the company's overall approach to corporate governance, size and composition of board and its committee. The Committee also takes the lead in promulgating and overseeing the principles of corporate governance by reviewing committee charters, directors' independence as well as code of ethics for executives, employees and directors. The Committee met two (2) times in 2017.

The committee members are as follows:

Chairman:	Mr. Joseph C. Tan
Members:	Mr. Monico V. Jacob
	Mr. Raul C. Rabe

RISK OVERSIGHT COMMITTEE

The ultimate accountability over risk oversight and risk management in the organization rests with the Board. However, the Risk Management Committee, as a Board subcommittee, is responsible in leading the organization's strategic direction in the management of material business risks such that leaders are able to make informed decisions. The committee also provides oversight for the establishment, implementation, and effectiveness review and assessment of the company's risk management framework. The Committee met two (2) times in 2017.

The committee members are as follows:

Chairman:	Mr. Raul C. Rabe
Members:	Mr. Monico V. Jacob
	Mr. Frederic C. DyBuncio

RELATED PARTY TRANSACTION COMMITTEE

The committee members are as follows:

Chairman:	Mr. Monico V. Jacob
Members:	Mr. Joseph C. Tan
	Ms. Ma. Concepcion F. de Claro

The Committee met two (2) times in 2017.

IT STEERING COMMITTEE

The Committee was created on 18 January 2018 to establish IT policies and processes.

The committee members are as follows:

Members:	Mr. Frederic C. DyBuncio
	Mr. Laurito E. Serrano
	Ma. Concepcion F. de Claro
	Mr. Larsen Kunkel

EXECUTIVE COMPENSATION POLICY

Meritocracy based. This is the corporate compensation philosophy for executive remuneration in 2GO. Commensurate compensation is given based on the annual performance evaluation of its executives. Any change in compensation is subject to full discussion and concurrence by the Board upon the review and recommendation of its Board Compensation, Remuneration and Nomination Committee. The Committee met two (2) times in 2017.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The table of the monthly fixed allowance and per diem per meeting attendance[1] of the 2GO Board of Directors in 2017 is shown below.

Compensation	Director	Chairman of the Board
Monthly Fixed Allowance	P80,000	P120,000
Board Meeting Per Diem	P30,000	P45,000
Committee Meeting Per Diem	P30,000	P45,000

SOCIAL RESPONSIBILITY

In 2GO's continuous pursuit of its mission to become more responsible corporate citizens of the nation, efforts of 2GO on corporate social responsibility programs for 2016 were continuously geared toward three (3) main facets: education, social advocacy and environmental protection and rehabilitation.

CODE OF BUSINESS CONDUCT

The 2GO Code of Business Conduct serves to guide employees' actions aligned with the company's corporate values. The Code consists of policies relating to ethical and legal standards of behavior that 2GO expects of its employees. Its applicability extends to all the business units in the organization. The Code explicitly states the corresponding disciplinary actions that include suspension and termination for violations committed against company policies and the Code. 2GO believes that employees' adherence to desirable behaviors and conduct is a prerequisite to work excellence and indispensable to success.

CORPORATE GOVERNANCE SCORECARD

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[1] These amounts are shared equally with Negros Navigation Co. Inc. whenever the board meetings of both companies are held on the same day.

While companies are not expressly mandated to comply with recommended best practices on corporate governance, the "comply-or-explain" approach employed by the SEC and PSE through its Corporate Governance scorecard and disclosures definitely exerted pressure for companies to comply.

2GO, with its unwavering pursuit of systemic corporate governance reforms within the organization, continues to participate in the assessment of corporate governance standards and practices of publicly listed companies.

As of date, there are no findings that there has been any deviations from 2GO's Manual of Corporate Governance since the implementation of the said Manual. However, continuous and ongoing internal audits are being conducted to determine if such deviation has occurred.

OUTLOOK

As businesses continue to open up to the global market and liberalization happens, the decision-making process becomes more diffused. This brings up the level of accountability of corporate leaders to all their stakeholders, including employees, customers and in particular, their shareholders. Good corporate governance, to this purpose, is effecting appropriate changes to existing practices to better meet the collective interests of all stakeholders. Rules must be designed in accordance with the governance principles they are designed to maintain.

2GO, headed by its Board and management, aims to further strengthen its commitment to the corporate governance principles of accountability, transparency and integrity consistent with global best practices. 2GO strives to align, as much as possible, the interests of individuals, of 2GO and of society, in the face of a more complex, open, and global market.

FURTHER INFORMATION

The following are available on www.2go.com.ph/IR/governance

- 2GO Corporate Governance
- 2GO Articles of Incorporation
- 2GO Code of Business Conduct
- 2GO By-Laws
- 2GO Anti-Money Laundering Statement of Policies & Procedure

INFORMATION TECHNOLOGY GOVERNANCE

Rationalization of network connectivity, server equipments and data centers were undertaken in order to reduce IT Opex. After rationalization, Opex was lowered and thus enabled investment into high availability infrastructure. Such investment will provide resiliency and redundancy and secure functioning of our mission-critical system during and after disaster.

Evaluation was carried of different systems to find a comprehensive solution, which would support end to end supply chain solution. A platform was identified, which will provide centralization of customer data base and real time visibility of operations. In effect this would provide 360 degrees of business opportunities which would eventually enable greater growth rate of revenue.

Re-establishment of IT governance was undertaken, which enables review of existing policies to adapt to current business model and would drive the implementation of measurement of IT performance. This would also prepare ground for transition to a new business model, once comprehensive solution is implemented.

ENTERPRISE WIDE RISK MANAGEMENT PROGRAM (ERM)

With the continuous evolution of 2GO Group, it was deemed by the Board of Directors that a review of the ERM program was in order in 2012. During the first quarter of 2012, the Risk Management Department (RMD) conducted ERM activities to determine whether the various business units were ready to take the plunge for the re-launch of the ERM program. In the second quarter of 2012, discussions were then conducted with the Audit Committee in order to determine how best to tackle the new ERM Program. With the ideal program being laid from top to bottom, the first action taken was to determine the Board and Risk Management Committee's responsibilities:

The Board sets the overall risk tolerance for 2GO Group, Inc. and delegates the responsibility of managing all the group's risk exposures to the Risk Management Committee; Design and approval of the Risk Management Framework.

Risk Management Committee / Board level

- Review and endorsement of the Risk Management Framework;
- Approval of the Enterprise Risk Management Program;
- Oversight of the processes by which risks are managed including:
- Articulating the overall risk tolerance levels;

- Monitor 2GO Group Inc. Risk Management performance

For 2017, the Group continuously worked on developing the ERM program, addressing Business Continuity Plans of the various business units. Should a risk exposure be unavoidable, the ability to quickly rebound and recover from a threat or disaster has always been the objective. More attention has been given on the technology side as reliance on systems and business applications for operations has steadily increased. All Crisis Management and Emergency Response Teams (ERT) of the business units are training and drilling on a periodic basis to gradually treat or respond to all types of risks the group is exposed to. The Corporate Claims and Risk Management Department shall provide support and assistance during the entire process.

The business units continue to update their Risk Registers as well as their respective (BCP) Business Continuity Plans as part of the group's strategy to ensure that personnel and assets are protected and able to function in the event of a disaster. The following is the framework of the ERM program for the year:

I. Concept Loading
   a. Cascade ERM Framework (Group-wide)
   b. Training/ drilling of ERM concepts and protocols to all Crisis Management / ERTs

II. Policy Creation
   a. Development of ERM Councils and Emergency Response Teams
   b. Business Unit, Corporate Risk Management, I.T. Dept. and Internal Audit's role

III. Program Implementation
   a. ERM Risk Treatment Mechanisms
   b. Business Continuity Plans
   c. Monitoring and Process Audit

The Group understands that this is an on-going process and that it will continue to evolve as the organization grows. Such is the dynamic nature of risk management, the ability of the group to learn, adapt and rebound from any risk, threat or disaster. The ERM Program of the Group will gradually be a major contributor in helping the organization achieve its goals, and in the future be the backbone in the thrust for corporate resiliency.

AUDIT COMMITTEE REPORT

The Audit Committee is an operating committee of the Board of Directors charged with oversight of financial reporting and disclosure. The committee assists the Board of Directors in fulfilling its corporate governance and overseeing responsibilities in relation to an entity's financial reporting, internal control and risk management system and internal and external audit functions. Its role is to provide recommendations to the board within the scope of its charter.

During the year, the Audit Committee monitored the execution of internal audit plan, approved the succeeding period's internal audit plan and budget as well as provided inputs to audit results, recommendations and management action plans. It also reviewed the previous year audited financial report presented by the external auditor for approval by the board.

The Audit Committee maintains an effective working relationship with the Board by providing them assistance in promoting good corporate governance and audit-related decisions. It also ensures its objectivity by having an independent committee chairman who concurrently chairs the board of directors.

Meetings

As mentioned, the Board Audit Committee held seven (7) meetings in 2017.

During the meetings held in 2017, regular updates, status and highlights of audit engagements particularly on corporate governance, risk management and control processes were discussed as well as business strategies to address items of concern.

System of Internal Controls

The framework of control, risk management and governance processes exist within the 2GO group of companies. This aims to encourage incorruptibility and deter fraudulent activities by management and employees. The current processes of 2GO are continuously being reviewed by Management, Audit and External Consultants to identify areas wherein controls may be strengthen. Some of these processes are either combined and/or reduced to provide the basic elements of control and good governance needed to sustain operations.

The culture of accountability is apparent with the general adherence of employees to Code of Conduct, management policies and directives in order to efficiently and effectively achieve company objectives.

The internal control system is effectively designed to safeguard assets, to protect confidentiality, availability and integrity of information and as far as possible the reliability, relevance and accuracy of records; effectiveness and efficiency of operations and programs; and to ensure compliance with regulatory requirements.

Various measures of internal control undertaken by management include setting and updating policies that are designed to attain the company's goals, sourcing and maintaining competent personnel, segregation of incompatible duties and safeguarding of all critical assets.

Continuous enhancement of performance metrics and speedy resolution of audit issues raised are likewise given focus to assure risks are addressed/mitigated and company objectives are met. Every quarter, resolution of internal audit observations are updated and discussed with Senior Management and Audit Committee to ensure they are timely attended to and resolved within their commitment.

Moving forward, 2GO management is responsible in maintaining the internal control system and ensuring that resources are properly applied in the manner and to the activities intended.

The Audit Committee has noted that the business units have been attentive in addressing recommendations with regards to the enhancement of internal control environment.

Internal Audit

In accordance with the International Standards for the Professional Practice of Internal Auditing (ISPPIA) and Code of Ethics by the Institute of Internal Auditors (IIA), the Internal Audit Department (IAD) continually strives to improve the proficiency, effectiveness and quality of the internal audit activities.

The IAD, headed by Mr. Anthony Vergel B. Velasco, directly reports to the Board Audit Committee and responsible for providing independent, objective assurance and consulting services designed to assist management in ensuring the adequacy and effectiveness of 2GO's governance, risk management and control processes in attaining its business objectives.

The IAD strives to improve on a yearly basis by introducing processes that increases coverage of audit engagements. In 2017, there was an increase in audit and consultancy engagements completed that are timely communicated to management and Audit Committee. There were minimal resignations during the year which contributed to continuing effective performance of the group's annual audit plan. IAD plans to increase its efficiency by maintaining its competency through internal and external trainings that are relevant to the group. This is to further demonstrate IAD's continued compliance with existing Internal Audit Standards.

Included in the process of IAD is to continue monitoring the implementation of recommendations and action plans on a regular basis in line with target completion dates set by management. During 2017, IAD conducted regular review of previous engagements and met with various audit clients to ensure completion of action plans committed. Results of these monitoring are communicated accordingly with Senior Management and the Audit Committee. IAD effectively utilizes audit analytics software to efficiently obtain relevant data and continuously review transactions on a daily basis.

IAD continued to deliver its value-adding services by providing meaningful recommendations to its audit clients using a risk-based approach and methodology to maximize its resources and align its audit activities with the objectives of the organization.

For 2017, the IAD will be further strengthened to address the internal auditing needs of 2GO.

Risk Management

Last 2014, the business units presented to the President and senior management their Risk Registers and Business Continuity Plans. Each business unit was able to comply with the Enterprise Risk Management (ERM) framework and their respective ERM councils and Emergency Response Teams (ERT) were formed to apply and execute the risk treatment mechanisms. Since then, the ERT and ERM councils have been training and drilling on a periodic basis to gradually combat all types of risks the group is exposed to. The business units also continue to update their Risk Registers as their respective operations grow and expand to make sure that both existing and new risks are identified and addressed.

The Corporate Risk Management Department has been reviewing the insurance coverages of the Group and in the process enhanced some of the insurance policies to make sure that all risks and exposures are covered. It has been the responsibility of the department to secure complete protection for the entire group.

Throughout the year, the Group has been implementing the ERM program, addressing Business Continuity Plans of the various business units. Regular updating of the top risk exposures of the Business Units have been reflected in their respective Risk Registers. Emergency Call Trees were established and have been updated. Continuous testing (Fire, Earthquake drills etc.) and business interruption scenarios are conducted. We are also looking to possibly engage an external consultant to further assist in our Business Continuity Management efforts particularly in the information technology field.

This year, Joy Eugenio-Limpasan was appointed by the Board of Directors as Risk Officer of 2GO.

Corporate Governance

2GO continues to practice good corporate governance based on principles and leading practices. Being in a dynamic environment, 2GO ensures that it still promotes its core values of transparency, openness, and accountability. For 2GO, good corporate governance and a value-oriented management are pillars of business resilience.

External Audit

SGV & Co. is the appointed external auditor of 2GO for its 2017 Financial Statements. SGV & Co. focuses its review mainly on the financial reporting controls of 2GO in order to express an opinion as to the overall presentation of the financial statements of 2GO and that the financial reporting standards are consistently applied in the preparation of the financial reports. It also maintains independence during the course of their audit in compliance with external audit standards.

RG. Manabat & Co. was the external auditor for the 2016, 2015, and 2014 Financial Statements while SGV & Co. was the previous external auditor of 2GO for the 2013 Financial Statements.

2017 Financial Results

During the period covered by this report, the Board Audit Committee concurred with the opinions expressed by SGV and Co. on the overall presentation of the financial statements of 2GO.

The audit also included an evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management.

The audit concluded that the balance sheets and the related statement of income and expenses, cash flows, changes in capital and reserves present fairly, in all material aspects, the financial position of 2GO.

Based on the judgment about quality of accounting principles, SGV and Co. disclosed that the accounting principles used by 2GO are in compliance with the Philippine Financial Reporting Standards. Significant accounting principles are disclosed in the notes to the financial statements, as required by the standards. Attached with this report is the Audited Financial Statements as of December 31, 2017.

D. <u>OTHER MATTERS</u>

Item 9. **Action with Respect to Reports**

a. During the Annual Stockholders Meeting held on 20 September 2017 at City of Dreams Manila, Aseana Ave. cor. Roxas Blvd., Entertainment City, Parañaque City, a total of 5,567,890,249 shares were present, in person or by proxy, representing approximately 99% of the outstanding shares of NENACO.

The Stockholders approved the Minutes of the Previous Annual Stockholders Meeting held last 15 June 2016, ratified the resolutions passed by its Board of Directors and the President covering the period from 15 June 2016 up to 20 September 2017 and noted the Management and Financial Reports for 2016. The Stockholders likewise casted all their votes equally in favor of the 9 individuals nominated as Directors who shall serve for the ensuing year and until their successors are duly elected and qualified.

The minutes of the annual meeting of the stockholders held on 20 September 2017 (attached as **Annex A**) and the Annual Report of Management for the year ended 31 December 2017 will be submitted to the stockholders for their approval.

b. The following acts of the Board of Directors and Management, adopted primarily in the ordinary course of business (including those which have been the subject of previous disclosures to the Securities and Exchange Commission) shall be submitted to the stockholders for its ratification:

i. approvals for the acquisition, lease, disposition of vessels as well as other personal and/or real properties;
ii. approval to lease spaces for, and retirement of, Ticketing Offices;
iii. filing of legal proceedings and appointment of lawyers and/or attorneys-in-fact and authorized representatives in connection with legal proceedings (including amicable settlement proceedings) affecting the Company and/or its assets;

iv. confirmation of authorized representatives in dealings with government agencies and instrumentalities;
v. approval for the availment of certain credit facilities, bridge financing, execution of a collateral trust agreement;
vi. approval for treasury matters related to opening of accounts and bank transactions (including removal of/revisions to authorized bank signatories);
vii. authority to apply for local government permits and other necessary government licenses;
viii. approval of the 2017 Budget;
ix. general authority of the President to pass resolutions for day-to-day operations of the Company and approval of resolutions passed in relation to said authority; and
x. approval of the 2017 audited financial statements

Item 10. **Voting Procedures**

As to each matter, which is to be submitted to a vote of security holders, furnish the following information:

(a) Vote required for Approval

The affirmative vote of stockholders representing at least a majority of the outstanding voting shares of the Registrant is required for the approval and/or ratification:

i. Minutes of Previous Annual Stockholders' Meeting;
ii. Management Annual Report for the preceding year;
iii. Election of the Board of Directors;
iv. Appointment of External Auditor for Calendar Year ending 31 December 2018; and
v. All Acts and Resolutions of the Board of Directors and Management since 16 June 2016.

The affirmative vote of stockholders representing at least two thirds (2/3) of the outstanding voting shares of the Registrant is required for the approval and/or ratification:

i. Approval of the internal restructuring of NENACO involving the merger with 2GO Group, Inc.

(b) Method by which Votes will be counted

At each meeting of the stockholders, every stockholder shall be entitled to vote in person or by proxy, for each share of stock held by him, which has voting power upon the matter in question. As provided in Section 7, Article II of the By-laws of the Registrant, except upon demand by any stockholder, the votes upon any question before the meeting, except with respect to procedural questions that shall be determined by the Chairman of the meeting, shall be by viva voce or show of hand.

The method and manner of counting the votes of shareholders shall be in accordance with the general provision of the Corporation Code of the Philippines. The counting of votes shall be witnessed by representatives from SGV & Co., stock and transfer agent BDO Trust and Investments Group and the Company's Corporate Secretary.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the PASIG CITY on MAR 12 2018.

By:

ELMER B. SERRANO
CORPORATE SECRETARY

MINUTES OF THE ANNUAL MEETING OF THE
STOCKHOLDERS OF

NEGROS NAVIGATION CO., INC.

Held at Ballroom 3, City of Dreams Manila
Aseana Avenue cor. Roxas Blvd., Entertainment City, Paranaque City
On 20 September 2017, 2:30 p.m.

DIRECTORS PRESENT:

DENNIS A. UY	Chief Executive Officer and President Director
FREDERIC C. DYBUNCIO	Director Chairman, Executive Committee Member, Audit Committee Member, Nomination Committee Member, Compensation Committee Member, Risk Management Committee
RAUL CH. RABE	Independent Director Chairman, Risk Management Committee Member, Corporate Governance Committee
MONICO V. JACOB	Independent Director Chairman, Related Party Transactions Committee Member, Risk Management Committee Member, Corporate Governance Committee
ELMER B. SERRANO	Director Corporate Secretary Corporate Information Officer Member, Executive Committee Member, Nomination Committee Member, Compensation Committee
LAURITO E. SERRANO	Independent Director Chairman, Audit Committee
MA. CONCEPCION F. DE CLARO	Director Member, Audit Committee Member, Related Party Transactions Committee

NOT PRESENT:

FRANCIS C. CHUA	Chairman Independent Director
JOSEPH C. TAN	Independent Director Chairman, Corporate Governance Committee Member, Audit Committee Member, Related Party Transactions Committee

ALSO PRESENT:

WILLIAM CHARLES HOWELL	Chief Financial Officer and Treasurer
Stockholders present in person or represented by proxy	**5,567,890,249** shares (Please see Record of Attendance attached Annex "A")

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1. Call to Order

Mr. Dennis A. Uy, acting as Chairman of the Meeting, called the meeting to order, and presided over the proceedings. The Corporate Secretary, Atty. Elmer B. Serrano, recorded the minutes of meeting.

2. Certification of Notice and Quorum

The Corporate Secretary certified that written notices of the annual stockholders' meeting together with the agenda and the Definitive Information Statement were sent beginning 29 August 2017 to all stockholders of record as of 21 August 2017 by personal delivery and by mail.

The Chairman inquired from the Corporate Secretary whether there was a quorum for the transaction of business by the stockholders.

The Corporate Secretary certified that based on the proxies recorded and on the registration of those personally present at the meeting, that shareholders owning **5,567,890,249** or 99% of the 5,597,091,411 shares, outstanding and entitled to vote, were either present in person or represented by proxy at the meeting. He then, certified that a quorum was present for the transaction of business by the stockholders.

The Chairman then declared that there was a quorum for the transaction of business at hand.

3. Approval of the Minutes of the Annual Meeting of Stockholders held on 15 June 2016

The President proceeded to the next item in the agenda which was the approval of the minutes of the annual meeting of the stockholders held on 15 June 2016.

Upon motion duly made and seconded, the stockholders approved the minutes of the annual meeting of the stockholders held on 15 June 2016 and the following resolution was passed and adopted:

> **RESOLVED,** the Minutes of the Annual Stockholders' Meeting of Negros Navigation Co., Inc. held on 15 June 2016.

Based on the tabulation of votes of shares present and represented, stockholders owning **5,567,890,249** voting shares or 99% of the total number of voting shares represented at the meeting approved the said resolution.

4. Approval of 2016 Annual Report and Audited Financial Statements

The President delivered his report on the Corporation's results of operations for 2016. The President reported as follows:

"The year 2016 was another outstanding year for Negros Navigation Co., Inc. Its net income reached ₱510.5 million, growing 51% over 2015. The Group has further improved its financial and operational performance in 2016 despite intense competition in the market. NENACO delivered consolidated revenues of ₱19.2 billion, up by 17% over the previous year. The non-shipping group grew by 28%, while the shipping group grew by 6%. The non-shipping group primarily grew due to increased service offerings. The shipping group grew from higher volumes and improved vessel turnaround for both large and medium-sized ropax vessels. Revenue mix continues to tilt towards non-shipping, which now accounts for 53% of the total turnover, while shipping contributed 47%.

"NERNACO has come a long way since the acquisition of ATS Corporation (ATSC) in December 2010. Six years after the formal start of the integration, the Group has surged and shown growth unparalleled in the logistics industry. Between 2011 and 2016, we have achieved more than P1.9 billion turnaround – from a ₱1.39 billion net loss in 2011 to a ₱510.5 million net income in 2016. We are very confident that this trajectory will continue and further improve in the coming years.

"The NENACO group made history in 2016 by being COMELEC's logistics partner in the 2016 national elections. It was the very first time that all the logistics requirements of COMELEC were awarded to just one company, covering all seventeen (17) regions of the country. And we performed the job with flying colors, with no doubt or question from the public in the performance of our task.

"NENACO continues its winning streak with its impressive performance for the full year 2016. The Group's value proposition is that we are the best enabler of business growth as we are the only integrated platform that can truly provide end-to-end supply chain solutions. We do this through the shortest, most consistent, fastest speed to shelf; the most responsive customer service support; and integrated supply chain and logistics solution sets and services.

"In this very dynamic market, NENACO continues to innovate and adapt to the competitive landscape which continues to evolve and modernize. There are three globally-proven drivers of trade modernization that are happening in the Philippines today: (1) Retailer expansion has shifted to small formats as seen in the proliferation of 24/7 convenience stores and minimarts; (2) Accelerated GDP growth, especially expanding the upper middle class, that continues to boost personal consumption, which in turn leads to greater gains in the Fast Moving Consumer Goods (FMCG) industry; and (3) Continued urbanization bringing the growth outside Metro Manila to the key cities in Visayas and Mindanao.

"It is in this context that the Group is offering its integrated supply chain platform to provide a unique proposition to enable limitless growth for its customers. The over-riding approach is based on the principle of creating value for its customers: engage customers at tactical and strategic levels; collaborate, design, and implement solutions to complex challenges; and expand into other relevant, fast growing sectors.

"Our shipping and passage business supports our logistics business. To date, the Group is the only operator of long and medium-haul Roro and Passenger (ROPAX) vessels, allowing it to run a highly efficient schedule given the vessels' docking priority and fixed berthing windows even in congested major sea ports in the country. The Group's 24-vessel fleet calls on 24 ports nationwide. Its ROPAX and fast crafts carry over 4.3 million passengers annually, while its freight carriers transport over 329,000 Twenty-foot Equivalent Units (TEUs) a year. We also have the widest reach with 2,900 outlets nationwide. The Group leverages an extensive number of storage and cargo handling assets, alongside the biggest sea transport capacity, to create an unmatched end-to-end delivery platform.

"We believe that the bright economic prospects of the Philippines will continue and will directly translate to even brighter prospects for NENACO. The Philippines' economy is expected to advance 6.5-6.8 percent this year, amid a recovery in external trade, strong consumer spending, and investments. Government spending is also estimated to rise, supported by the implementation of big infrastructure projects.

"With the acquisition by SM Investments Corporation and Udenna Corporation into the company, management is exploring for synergies that may be implemented to improve the overall operational performance of its various companies. Management is likewise looking at efficiencies and cost benefits that may result in applying best practices that may be shared by the Group. We are currently putting the appropriate systems in place to improve efficiency and correspondingly, improve the value to our shareholders.

"With this new development at the parent company level coupled with the very stable economic environment, the new management is very optimistic that the growth of NENACO will reach even greater heights as we move forward to further grow the business and become an even stronger player from 2017 onwards.

"In the area of Corporate Social Responsibility (CSR), we recognize our role in serving our host communities and to the whole nation. We will continue to embark on social advocacy programs, education, environmental protection and rehabilitation. These are the endeavors that we consistently focus on year after year as a way of giving back to our community and our country.

"We also recognize the vital role that we play in the Philippine economy. Being the biggest and most dominant player in the industry, we are committed to do our role in enabling the growth of trading activities nationwide and helping our customers in attaining their targets as well.

"Finally, we would like to thank our customers, business partners, suppliers, bankers, and the communities where we operate for the strong partnership and support extended to us. Your cooperation and unwavering support has been an integral part of our success."

The President explained that the 2016 Audited Financial Statements of the Corporation, already reflecting the restatements as approved by the Board of Directors, were appended to the Definitive Information Statement sent to all stockholders of record and was also presented for notation and approval by the stockholders.

The Corporate Secretary then opened the floor to stockholders for questions or comments.

There being no comments nor questions from the stockholders, the following resolution was unanimously passed and approved upon motion made and duly seconded:

RESOLVED, that the 2016 Annual Report and the 2016 Audited Financial Statements of the of Negros Navigation Co., Inc., reflecting restatements and adjustments approved by the Board of Directors, are approved.

Based on the tabulation of votes of shares present and represented, stockholders owning **5,567,890,249** voting shares or 99% of the total number of voting shares represented at the meeting approved the said resolution.

5. Ratification of Acts of Management and of the Board of Directors

The next item in the agenda was the ratification of all acts, transactions and contracts entered into, as well as resolutions made and adopted by the Board of Directors and its Committees from the date of the last annual stockholders' meeting up to the present stockholders' meeting and of acts of Management since 07 April 2017 up to this date. Copies of the corporate acts are listed in the Definitive Information Statement provided to all stockholders of record.

On motion duly made and seconded, the stockholders approved the following resolutions were passed and adopted:

> **RESOLVED,** that the acts of the Board of Directors and Board Committees of Negros Navigation Co., Inc. (the **Corporation**) from the date of the last Annual Stockholders' Meeting up to the date of meeting, and the acts of Management from 07 April 2017 up to this meeting, be, in all respects, approved, ratified, and confirmed;
>
> **RESOLVED, FURTHER,** that all contracts, acts, proceedings, elections and appointments heretofore made or taken by the Board of Directors, its committees, and/or the Management of the Corporation, and all acts and proceedings performed or taken pursuant to the foregoing resolution, be in all respects, approved, ratified, and confirmed.

Based on the tabulation of votes of shares present and represented, stockholders owning **5,567,890,249** voting shares or 99% of the total number of voting shares represented at the meeting approved the said resolution.

6. Election of Directors for 2017-2018

The next item in the agenda is the election of the Corporation's directors for the year 2017-2018. The Corporate Secretary, stating that the Nomination Committee had pre-screened and short-listed all candidates qualified and nominated to the Board of Directors, announced that the following have been nominated and qualified by the Nomination Committee for election of the Board for the year 2017 to 2018:

DENNIS A. UY
FREDERIC C. DYBUNCIO
ELMER B. SERRANO
MA. CONCEPCION F. DE CLARO

<u>Independent Directors</u>

FRANCIS C. CHUA
MONICO V. JACOB
RAUL CH. RABE
JOSEPH C. TAN
LAURITO E. SERRANO

Upon motion, duly made and seconded, all unqualified votes were cast equally in favor of the nominees who were thus elected to the Board for the period 2017-2018 until their successors shall have been duly elected and qualified and the following resolution was passed and approved:

RESOLVED, that the following persons are hereby elected directors of Negros Navigation Co., Inc. for a period of one (1) year until their successors shall have been duly elected and qualified:

DENNIS A. UY
FREDERIC C. DYBUNCIO
ELMER B. SERRANO
MA. CONCEPCION F. DE CLARO

Independent Directors

FRANCIS C. CHUA
MONICO V. JACOB
RAUL CH. RABE
JOSEPH C. TAN
LAURITO E. SERRANO

The votes received and cast in favor of the said nominees are as follows:

Nominee	Number of shares voting in favor	Number of shares abstaining
Dennis A. Uy	**5,567,890,249**	
Frederic C. Dybuncio	**5,567,890,249**	
Elmer B. Serrano	**5,567,890,249**	
Ma. Concepcion F. De Claro	**5,567,890,249**	
Francis C. Chua	**5,567,890,249**	
Monico V. Jacob	**5,567,890,249**	
Raul Ch. Rabe	**5,567,890,249**	
Joseph C. Tan	**5,567,890,249**	
Laurito E. Serrano	**5,567,890,249**	

7. Appointment of External Auditors

The next item in the agenda was the appointment of the Corporation's external auditor for 2017. The Chairman informed the shareholders that the Audit Committee screened the nominees for external auditor and qualified Sycip, Gorres, Velayo & Co. for appointment as external auditor for 2017. The Board of Directors likewise approved and endorses this appointment.

Upon motion made and seconded, Sycip, Gorres, Velayo & Co. was appointed as the external auditor of the Company for 2017 and the following resolution was passed and approved:

RESOLVED, that Sycip, Gorres, Velayo & Co. be appointed as the external auditor of Negros Navigation Co., Inc. for 2017, under such terms and conditions as may be approved by the Board of Directors.

Based on the tabulation of votes of shares present and represented, stockholders owning **5,567,890,249** voting shares or 99% of the total number of voting shares represented at the meeting approved the said resolution.

8. Other Matters

The President inquired if there were other matters that could properly be taken up at this meeting. The Corporate Secretary confirmed that there were none.

9. Adjournment

There being no further business to transact, the meeting was upon motion duly made and seconded thereupon adjourned.

CERTIFIED CORRECT:

ELMER B. SERRANO
Corporate Secretary

ATTESTED:

DENNIS A. UY
Chairman of the Meeting

Annex “A”

Negros Navigation Co., Inc.
Annual Stockholders' Meeting
20 September 2017, 2:30 p.m.

Record of Attendance

Total number of shares present by proxy	5,567,862,399
Total number of shares present in person	27,850
Total number of shares represented by proxy and in person	**5,567,890,249**
Attendance Percentage	**99%**
Total number of voting shares outstanding	5,597,091,411

MANAGEMENT REPORT

I. CONSOLIDATED AUDITED FINANCIAL STATEMENTS

The Consolidated Audited Financial Statements for the year ended and as of December 31, 2017 are attached to this report.

II. DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

There were no disagreements with SGV and Co. in 2017 with regard to any matter relating to accounting principles or practices or financial disclosures or auditing scope or procedure.

III. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 and 2015

The Financial information for the two years ended December 31, 2017 and 2016 are as follows:

A. FOR THE YEARS ENDED DECEMBER 31, 2017 VERSUS, 2016

Results of Operations for the Years Ended December 31, 2017 and 2016

Amounts in millions		Dec 31, 2017		Dec 31, 2016	% Change
Revenue	₱	21,591	₱	19,180	13%
Costs of Services and Goods Sold		18,945		15,478	22%
Gross Profit		**2,646**		**3,702**	**(29%)**
General and Administrative Expenses		2,253		2,393	(6%)
Operating Income		**393**		**1,309**	**(70%)**
Other Charges		434		368	18%
Provision for Income Tax		265		430	(38%)
Net Income (Loss)	**₱**	**(307)**	**₱**	**511**	**(160%)**
Add back:					
Financing Charges (Interest)		401		409	(2%)
Provision for Income Tax		265		430	(38%)
Depreciation and Amortization		2,009		1,642	22%
EBITDA	**₱**	**2,368**	**₱**	**2,992**	**(21%)**

Negros Navigation Co., Inc. and subsidiaries (NN or the Group) reported ₱21.6 billion of Revenue in 2017, 13% higher than 2016, and Net Loss of ₱307 million versus Net Income of ₱511 million in 2016.

Revenue increased in 2017, driven by the Group's Non-shipping business (Logistics and Distribution) which continued its strong growth. Non-shipping revenue grew 29% in 2017 driven by increased service offerings to existing strategic customers (e.g., end-to-end warehousing, inventory management, cross-docking, delivery, merchandising), the addition of new customers, and an overall focus on customer service. With the strong growth of the Non-shipping business, the revenue mix of the Group further pushes towards Non-shipping which now accounts for 61% of total Revenue.

Shipping revenue decreased by 6% in 2017. While Freight volumes remained relatively consistent in 2017 and 2016, revenue decreased due to pricing pressures from the increased competition in the freight market. Revenue from Passage continued to grow in 2017 as total passengers carried increased during the year.

Costs of Services and Goods Sold increased by 22% in 2017, driven primarily by the increase in fuel prices, costs of goods (inventory) sold in the Distribution business, and non-recurring items described below. Fuel prices increased by 34% during 2017, where the Group was impacted by a negative price variance of ₱525 million. General and Administrative Expenses decreased 6% in 2017 primarily due to the Group's focus on controlling costs and higher restatement related adjustments incurred in 2016 than in 2017.

Net Income excluding Nonrecurring Costs totaled ₱381 million in 2017. EBITDA excluding Nonrecurring Costs totaled ₱ 3.1 billion in 2017.

Details of Nonrecurring Costs for the years ended December 31, 2017 and 2016 are described as follows:

Amounts in millions		Dec 31, 2017		Dec 31, 2016
Bad debts, inventory losses, related party adjustments	₱	410	₱	676
Restructuring costs		90		-
Provisions and Other Nonrecurring Charges		229		20
Total Nonrecurring Costs	**₱**	**729**	**₱**	**696**
Net Income (Loss)		(307)		511
Add Nonrecurring Costs, net of Income Tax		688		690
Net Income Excluding Nonrecurring Costs	**₱**	**381**	**₱**	**1,200**
EBITDA		2,368		2,993
Add Nonrecurring Costs		729		696
EBITDA Excluding Nonrecurring Costs	**₱**	**3,097**	**₱**	**3,689**

Provisions and Other Nonrecurring Charges primarily consists of one-time costs such as vessel layup costs, provisions for unsettled claims and other charges.

Restructuring costs consist of charges incurred as the Group streamlines its operations.

Financial Position as of December 31, 2017 and 2016

Amounts in millions		Dec 31, 2017		Dec 31, 2016	% Change
Current Assets	₱	8,798	₱	8,009	10%
Noncurrent Assets		9,420		9,744	(3%)
Total Assets		**18,218**		**17,754**	**3%**
Current Liabilities		11,553		10,674	8%
Noncurrent Liabilities		614		727	16%
Total Liabilities		**12,166**		**11,402**	**7%**
Total Equity		6,052		6,352	(5%)
Total Liabilities and Equity	**₱**	**18,218**	**₱**	**17,754**	**3%**

Total Assets increased 3% to ₱18.2 billion, while Total Liabilities increased 7% to ₱12.2 billion.

Assets

Current Assets increased 10% to ₱8.8 billion from ₱8.0 billion. Cash and Cash Equivalents increased 50% to ₱2.2 billion from ₱1.5 billion primarily due to improved collections of accounts receivables from customers, more efficient management of Inventories, and an increase in Trade and Other Payables. Trade and Other Receivables, net of Allowance for Doubtful Accounts, decreased 2% to ₱4.3 billion from ₱4.4 billion, while Revenue increased 13% in 2017 from 2016.

Noncurrent Assets decreased by 3% to ₱9.4 billion as of Dec 31, 2017 from ₱9.7 billion in 2016.

Liabilities

Current Liabilities increased 8% to ₱11.6 billion from ₱10.7 billion. Short-term Notes Payable increased 11% to ₱2.6 billion from ₱2.4 billion, while the current portion of Long-term Debt decreased 11% to ₱3.1 billion from ₱3.5 billion as NN took advantage of lower borrowing rates under short-term credit facilities. Trade and Other Payables increased 21% to ₱5.7 billion from ₱4.7 billion primarily due to accruals for recurring and non-recurring costs.

Noncurrent Liabilities decreased by 16% to ₱613.6 million as of Dec 31, 2017 from ₱727.4 million in 2016.

Equity

Total Equity decreased 5% to ₱6.1 billion from ₱6.4 billion due to the Net Loss incurred in 2017.

All significant elements of income or loss from continuing operations are discussed in the management discussion and notes to the consolidated financial statements. Likewise, any significant elements of income or loss that did not arise from continuing operations are disclosed either in the management discussion or notes to the consolidated financial statements. There are no known trends, events, material changes, seasonal aspects, or uncertainties that are expected to affect the Group's continuing operations.

Except as disclosed in the management discussion or notes to the consolidated financial statements, there are no other known events that will trigger direct or contingent financial obligation that is material to NN, including any default or acceleration of an obligation. There is no material off-balance sheet transaction, arrangement, obligation, and other relationships of NN with unconsolidated entities or other persons incurred during the reporting period. The Group does not expect any liquidity issues within the next twelve months. Capital expenditures are funded through cash generated from operations or additional borrowings.

Key Performance Indicators

The following are the key financial ratios of the Group as of and for the years ended for the years ended December 31, 2017 and 2016.

Accounts		Dec 31, 2017		Dec 31, 2016
Current Ratio		0.8		0.8
Debt to Equity Ratio		2.0		1.8
Revenue Growth		13%		17%
Net Income Margin		(1%)		3%
EBITDA (in Millions of Pesos)	₱	2,368	₱	2,992
EBITDA Margin		11%		16%

Current Ratio remained at 0.8 as of December 31, 2017 and 2016.

Debt to Equity Ratio increased to 2.0 in 2017 from 1.8 in 2016, which is attributable to the increase in Trade and Other Payables described above.

Revenue Growth remained robust in 2017 with an increase of 13% from 2016, driven by growth in NN's Logistics and Distribution business. Revenue growth of 17% in 2016 benefited from national, regional and local government elections.

Net Income Margin decreased to negative 1% in 2017 from positive 3% in 2016 primarily due to increased fuel costs and non-recurring costs.

EBITDA and EBITDA Margin remained strong at ₱2.4 billion and 11% in 2017, and ₱3.0 billion and 16% in 2016. The decrease is attributable to the Net Loss incurred in 2017 primarily due to increased fuel costs and non-recurring costs.

The Group calculates the key financial ratios as follows:

7. Current Ratio — Current Assets / Current Liabilities
8. Debt to Equity Ratio — Total Liabilities / Total Equity
9. Revenue Growth — (Total Revenue current period / Total Revenue prior period) - 1
10. Net Income Margin — Net Income / Total Revenue
11. EBITDA — Net Income + Interest + Inc Tax + Depreciation & Amortization
12. EBITDA Margin — EBITDA / Total Revenue

Company Outlook

Negros Navigation Co., Inc. continues to serve its customers and stakeholders as the Philippines' largest end-to-end logistics solutions provider. The Group provides shipping, logistics and distribution services to small and medium enterprises, large corporations, and government agencies throughout the Philippines. The shipping group operates ocean-going freighters, roll-on/roll-off freight and passenger vessels, and fast ferry passenger vessels. The logistics group offers transportation, warehousing and distribution, cold chain solutions, domestic and international ocean and air forwarding services, customs brokerage, project logistics, and express and last mile package and e-commerce delivery. The distribution group leverages NN's shipping and logistics services to provide value-added distribution services to principals and customers.

During 2017, management's focus centered on strengthening corporate governance and ensuring that the proper internal controls and systems were in place and were effective. For 2018, the Group continues its corporate governance initiatives, and aims to expand and further enhance its service offerings to its customers and stakeholders. The Group plans to achieve this through more streamlined operations and collaboration within its business units, investment in warehousing and logistics information technology solutions for customers, and synergies and best practices from its new shareholders. Management is confident that NN will further its growth and become an even stronger logistics solutions provider going forward.

B. FOR THE YEARS ENDED DECEMBER 31, 2016 VERSUS, 2015

KEY PERFORMANCE INDICATORS (KPIs)

The following key performance indicators (KPIs) are used to evaluate the financial performance of Negros Navigation Co., Inc. and its subsidiaries (NN or the Company).

a. **Revenues** – Consolidated revenues consist of shipping (freight and passage) and nonshipping (logistics, sale of goods, cold chain and isotank services, port services, international freight forwarding and other revenues). Total Revenue for the year ended December 31, 2016 is P19.2 billion.

b. **Operating Income** – Computed as revenues less operating costs and expenses. Operating Income for the year ended December 31, 2016 is P1.3 billion.

c. **Net Income** – Represents earnings of the Company after provision for income tax. Net Income for the year ended December 31, 2016 is P510.5 million.

d. **Debt-to-equity ratio** – Calculated by dividing total liabilities over total equity. The Company's debt-to-equity ratio as of December 31, 2016 is 1.79:1.0. Total liabilities and equity stood at P11.4 billion and P6.4 billion, respectively.

e. **Current ratio** – Calculated by dividing total current assets by total current liabilities. The Company's current ratio as of December 31, 2016 is 1.01:1.0. Total current assets are P8.0 billion. Total current liabilities are to P8.0 billion.

The following table presents comparative figures of the KPIs for the years ended December 31, 2016 and December 31, 2015 based on the consolidated financial statements of the Company (amounts are in thousands of pesos except for the financial ratios):

	For the Period Ended Dec 31	
Negros Navigation Co., Inc.	**2016**	**2015**
REVENUES (a)	19,180,272	16,457,780
Operating Income (b)	1,305,382	1,117,760
NET INCOME (c)	510,509	338,109
Financial Ratios	**Dec 31, 2016**	**Dec 31, 2015**
Debt-to-Equity Ratio (d)	1.79:1.00	1.87:1.00
Current Ratio (e)	1.01:1.00	1.13:1.00

Note: The figures above are in P' Thousands except otherwise indicated.

CONSOLIDATED INCOME STATEMENT

In P' Thousands	Period Ended Dec 31 2016	2015	'16 vs '15	% % variance
REVENUES				
Shipping				
Freight	5,003,299	4,963,311	39,987	1%
Passage	3,992,337	3,535,818	456,518	13%
Nonshipping				
Logistics	4,592,193	3,120,439	1,471,754	47%
Sale of goods	3,479,845	3,223,700	256,145	8%
Cold chain and isotank services	1,415,570	1,169,782	245,788	21%
Port services	248,005	238,325	9,680	4%
International freight forwarding	46,946	39,323	7,624	19%
Others	402,076	167,081	234,995	141%
	19,180,272	16,457,780	2,722,492	17%
Cost of services and goods sold	16,202,034	13,950,317	2,251,717	16%
GROSS PROFIT	2,978,238	2,507,463	470,775	19%
General and administrative expenses	1,672,855	1,389,704	283,152	20%
OPERATING INCOME	1,305,382	1,117,760	187,623	17%
OTHER INCOME (CHARGES)				
Equity in net earnings of associates and joint ventures	24,541	58,704	(34,163)	(58%)
Financing charges	(409,230)	(362,329)	(46,901)	(13%)
Others - net	20,060	17,919	2,141	12%
	(364,628)	(285,705)	(78,923)	(28%)
INCOME BEFORE INCOME TAX	940,754	832,054	108,700	13%
PROVISION FOR INCOME TAX				
Current	402,492	178,664	223,828	125%
Deferred	27,754	315,281	(287,528)	(91%)
	430,246	493,945	(63,700)	(13%)
NET INCOME	510,509	338,109	172,400	51%
ATTRIBUTABLE TO:				
Equity holders of the Parent Company	428,884	314,669	114,215	36%
Noncontrolling interests	81,625	23,440	58,185	248%
	510,509	338,109	172,400	51%
Basic / Diluted earnings per share	0.1275	0.0935	0.0339	36%

Note: The figures above are in P' Thousands except earnings per share amounts.

Results of Operations

Negros Navigation Co., Inc. posted P510.5 million net income after tax for the year 2016 versus P338.1 million for last year, or a substantial increase of 51%.

Total consolidated revenues increased by 17% to P19.2 billion in 2016, from P16.5 billion in 2015. The non-shipping group grew by 28%, while the shipping group grew by 6%. The non-shipping group primarily grew due to increased service offerings. The shipping group grew from higher volumes and improved vessel turnaround for both large and medium-sized ropax vessels. Revenue mix continues to tilt towards non-shipping, which now accounts for 53% of the total turnover, while shipping contributed 47%.

The Company continues to focus on tightening its cost and expenses. However, financial performance was affected by the recognition of non-recurring restatement adjustments for provision for bad debts and inventory and related party adjustments totaling P306.6 million. Excluding the non-recurring restatement adjustments, Net Income for the year 2016 would have been P817.1 million compared to the Net Income of P675.4 million for the same period in 2015, as presented in the table below.

In P' Thousands	Period ended Dec 31, 2016	Dec 31, 2015
Net Income, as restated	**510,509**	**338,109**
Non-recurring adjustments		
Provision for bad debts (Trade and other receivables)	**71,577**	**17,936**
Provision for bad debts (Non trade and other receivables)	**129,960**	**75,151**
Inventory on consignment	**-**	**178**
Related party balances adjustment	**83,892**	**(16,334)**
Impairment of vessel and recognition and valuation of asset held for sale	**-**	**260,404**
Goodwill impairment	**21,127**	
Total non-recurring adjustments	**306,556**	**337,335**
Net Income excluding non-recurring adjustments	**817,065**	**675,444**

Earnings per Share

Earnings Per Share is calculated by dividing Net Income Attributable to Equity Holders of the Parent Company over weighted-average number of common shares outstanding for the period. Earnings per share for the year of 2016 stood at P0.1275, compared to P0.0935 per share in 2015.

I. Other changes (+/-5% or more) in the financial statements not covered in the above discussion

2016 vs. 2015

Revenue

- 13% or P456.5 million increase in Passage
- 47% or P1.5 billion increase in Logistics
- 8% or P256.1 million increase in Sale of goods
- 21% or P245.8 million increase in Cold chain and isotank services
- 19% or P7.6 million increase in International freight forwarding
- 141% or P235.0 million increase in Other Revenues

Other Income / (Charges)

- 58% or P34.2 million decrease in Equity in net earnings of associates
- 13% or P46.9 million increase in Financing charges
- 12% or P2.1 million increase in Other income

CONSOLIDATED BALANCE SHEETS

In P' Thousands	Audited As of Dec 2016	Dec 2015	Amount '16 vs '15	% variance
ASSETS				
Current Assets				
Cash and cash equivalents	1,453,754	1,409,088	44,666	3%
Trade and other receivables - net	4,408,076	4,367,625	40,451	1%
Inventories - net	676,544	516,576	159,968	31%
Other current assets	1,470,780	1,493,227	(22,447)	(2%)
	8,009,154	7,786,516	222,638	3%
Asset held for sale		158,239	(158,239)	(100%)
Total Current Assets	8,009,154	7,944,755	64,399	1%
Noncurrent Assets				
Property and equipment	8,145,058	7,240,173	904,885	12%
Investments in associates and joint ventures	299,043	273,626	25,417	9%
Deferred income tax assets - net	76,552	112,356	(35,804)	(32%)
Goodwill	686,896	708,023	(21,127)	(3%)
Other noncurrent assets	536,911	440,460	96,451	22%
Total Noncurrent Assets	9,744,460	8,774,638	969,822	11%
TOTAL ASSETS	17,753,614	16,719,394	1,034,221	6%
LIABILITIES AND EQUITY				
Current Liabilities				
Notes payable	2,374,556	2,161,017	213,539	10%
Trade and other payables	4,684,423	4,214,507	469,916	11%
Income tax payable	14,465	4,023	10,442	260%
Current portion of:				
Long-term debt	785,835	463,131	322,704	70%
Obligations under finance lease	97,759	74,845	22,914	31%
Total Current Liabilities	7,957,037	6,917,522	1,039,515	15%
Noncurrent Liabilities				
Long-term debt - net of current portion	2,725,372	3,285,188	(559,816)	(17%)
Obligations under finance lease - net of current portion	253,815	218,146	35,669	16%
Accrued retirement benefits	457,240	465,488	(8,248)	(2%)
Other noncurrent liabilities	8,067	2,255	5,812	258%
Total Noncurrent Liabilities	3,444,493	3,971,076	(526,583)	(13%)
Total Liabilities	11,401,531	10,888,599	512,932	5%
Equity				
Share capital	1,673,964	1,673,964	-	0%
Additional paid-in capital	5,495,917	5,495,917	-	0%
Effect of change of ownership interest in a subsidiary	102,430	102,430	-	0%
Other comprehensive losses - net	(225,963)	(231,709)	5,746	2%
Deficit	(1,263,824)	(1,692,708)	428,884	25%
Equity Attributable to Equity Holders of the Parent Company	5,782,524	5,347,894	434,630	8%
Noncontrolling Interests	569,560	482,900	86,659	18%
Total Equity	6,352,084	5,830,795	521,289	9%
Total Liabilities & Equity	17,753,614	16,719,394	1,034,221	6%

The Company's total assets as of December 31, 2016 stood at P17.8 billion, 6% higher than P16.7 billion as of December 31, 2015.

Current assets increased by 1% or P64.4 million, to P8.0 billion as of December 31, 2016, from P7.9 billion as of December 31, 2015. Cash and cash equivalents increased by 3% or P44.7 million to P1.5 billion as of the end of 2016, from P1.4 billion by the end of 2015, mainly due to increased financing activities. Trade and other receivables increased by 1% or P40.5 million, to P4.4 billion in 2016 from P4.4 billion in 2015. The Company maintained its trade and other receivables close to the same level as last year despite the growth in revenues primarily due to the Company's improved collection performance. However, the Company increased its allowance for doubtful accounts by P578.2M compared to December 31, 2015. Inventories increased by P160.0 million or 31% mainly due to business expansion of the organic principals of the distribution business. This is aside from the reclassification of spare parts amounting to P344.60 million from inventory to Property and Equipment in accordance with the requirements of accounting standards. Other current assets decreased by P22.4 million or 2%.

Non-current assets increased by P969.8 million or 11%, to P9.7 billion in 2016 from P8.8 billion as of December 31, 2015. Property and equipment increased by 12% or P904.9 million mainly due to mainly due to vessel-related capex, purchase of containers and the reclassification of spare parts to PPE as mentioned above. Other Non-current assets increased by 22% or P96.5 million while Investments in associates and joint ventures increased by 9% or P25.4 million.

Total liabilities increased by 5% or P512.9 million as of December 31, 2016 compared to December 31, 2015 mainly due to the increase in trade and other payables by 11% or P469.9 million. Notes payables increased by 10% or P213.5 million. There was also an increase in income tax payable by 260% or P10.4 million, an increase in current portion of long term debt by 70% or P322.7 million, and an increase of 31% or P22.9 million in current portion of obligations under finance lease.

Noncurrent liabilities decreased by P526.6 million or 13%. Long-term debt (net of current portion) decreased by P559.8 million or 17% to P2.7 billion as the end of December 31, 2016 from P3.3 billion as of December 31, 2015. There was also a decrease of P8.2 million or 2% in accrued retirement benefits, an increase of P35.7 million or 16% in obligations under finance lease – net of current portion and an increase of P5.8 million or 258% in other noncurrent liabilities.

Total equity increased by 9% to P6.4 billion as of December 31, 2016 versus P5.8 billion as December 31, 2015 due to the net income the Company for the year 2016.

CONSOLIDATED CASHFLOW STATEMENTS

	Period Ended December 31			
In P' Thousands	2016	2015	'16 vs '15	% variance
Net cash flows provided by operating activities	2,846,185	1,995,196	850,989	43%
Net cash flows used in investing activities	(2,332,952)	(1,802,065)	(530,887)	(29%)
Net cash flows provided by (used in) financing activities	(473,971)	74,889	(548,860)	(733%)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	5,403	9,442	(4,038)	(43%)
NET INCREASE IN CASH AND CASH EQUIVALENTS	44,666	277,462	(232,797)	(84%)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,409,088	1,131,626	277,463	25%
CASH AND CASH EQUIVALENTS AT END OF QUARTER	1,453,754	1,409,088	44,666	3%

The Company ended the year 2016 with a net increase in cash of P44.7 million. Net cash flows from operating activities increased by P851.0 million or 43% compared to last year. The Company's cash flow used in investing activities increased by P530.9 million or 29%. Net cash used in financing activities is higher by 733% or P548.9 million compared to last year.

Other Information

viii. Other material events and uncertainties known to management that would address the past and would have an impact on NN's future operations are discussed below.

ix. Total fuel/lubes expense is a major component of NN's total costs and expenses. The company benefitted from the relatively low fuel prices that continued in 2016.

x. Except as disclosed in the management discussion and notes to the financial statements, there are no other known events that will trigger direct or contingent financial obligation that is material to NN, including any default or acceleration of an obligation. There are also no other known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on revenues or income from operations.

xi. All significant elements of income or loss from continuing operations are already discussed in the management discussion and notes to financial statements. Likewise, any significant elements of income or loss that did not arise from NN continuing operations are disclosed either in the management discussion or notes to financial statements.

xii. There is no material off-balance sheet transaction, arrangement, obligation, and other relationships of NN with unconsolidated entities or other persons created during the reporting period.

xiii. Seasonal aspects of the business are considered in NN's financial forecast.

xiv. NN does not expect any liquidity or cash problem within the next twelve months. Capital expenditures are funded through cash generated from operations and additional borrowings.

Company Outlook

Negros Navigation Co., Inc . and subsidiaries, which is the country's largest end-to-end logistics solutions provider, offers a full range of capabilities and unmatched resources. Services include warehousing, inventory management, domestic and international express mail and courier services, sales distribution and merchandising, domestic freight services for full/ less container load shipments, Isotank, reefer and cold chain services, heavy lift and project logistics, regular liner passenger service, corporate/ leisure travel and package tours, and international freight forwarding and brokerage.

NN continues to innovate and adapt to the competitive landscape which continues to evolve and modernize. There are three globally-proven drivers of trade modernization that are happening in the Philippines today: (1) Retailer expansion has shifted to small formats as seen in the proliferation of 24/7 convenience stores; (2) Accelerated GDP growth, especially in the upper middle class, has boosted the increase in personal consumption leading to greater gains in the FMCG industry; and (3) Continued urbanization and sectorization, bringing the growth outside Metro Manila to the key cities in Visayas and Mindanao.

It is in this context that NN offers its integrated supply chain platform to provide a unique proposition that is to enable growth for its customers. The over-riding approach is based on the principle of creating value for its customers: engage customers at tactical and strategic levels; collaborate, design and implement solutions to complex challenges; and expand into other relevant, fast growing sectors.

With this, the growth of the Philippines provides a stable and solid backdrop for NN's potential to become a stronger player in the industry.

C. FOR THE YEARS ENDED DECEMBER 31, 2015 VERSUS, 2014

KEY PERFORMANCE INDICATORS (KPIs)

The following KPIs are used to evaluate the financial performance of Negros Navigation Co. Inc. and its subsidiaries. The amounts are in millions of pesos except for the financial ratios.

a. **Revenues** – Consolidated revenues consists of Shipping (Freight and Passage) and Non-shipping (Logistics, Distribution, Cold Chain and ISO Tank services, Port services, International Freight Forwarding, other Value Added services). Total Revenue for the period ended December 31, 2015 is P16.49 billion.

b. **Operating Income** – is computed as revenues less operating costs and expenses. Operating income for the period ended December 31, 2015 is P1.84 billion.

c. **Net Income (Loss) after Income Tax (NIAT)** – is the earnings of the company after income tax expense. The Income after Income Tax for the period December 31, 2015 is P1.07 billion.

d. **Debt-to-equity ratio** – is determined by dividing total liabilities over stockholders' equity. 2GO Group debt-to-equity ratio for the period ended December 31, 2015 is 1.55:1.0.Total liabilities and equity stood at P10.93 billion and P7.04 billion respectively.

e. **Current ratio** – is measured by dividing total current assets by total current liabilities. The Company's current ratio as of December 31, 2015 is 1.25:1:0. Total current assets are P8.71 billion. Total current liabilities amounted to P6.96 billion.

The following table shows comparative figures of the Top Five key performance indicators (KPI) for 2015 versus 2014 (amounts in millions except for the financial ratios) based on the consolidated financial statement of Negros Navigation Co. Inc. and its subsidiaries:

	For the Period Ended December 31		
NEGROS NAVIGATION CO., INC.	**2015**	**2014**	**2013**
REVENUES (a)	16,492,493	14,561,142	13,406,856
Operating Income (b)	1,836,083	912,458	198,549
NIAT (c)	1,073,639	415,696	(255,355)
Debt-to-Equity Ratio (d)	1.55:1.00	1.72:1.00	1.75:1.00
Current Ratio (e)	1.25:1.00	1.27:1.00	1.28:1.00

Note: The figures above are in P'MM except otherwise indicated.

CONSOLIDATED INCOME STATEMENT

In P'MM	Period Ended Dec 31				
REVENUES	**2015**	**2014**	**2013**	**'15 vs '14**	**% variance**
Shipping	8,499,130	7,572,620	6,939,560	926,510	12%
Passage	3,535,818	3,312,331	3,053,881	223,487	7%
Freight	4,963,311	4,260,289	3,885,679	703,022	17%
Non-Shipping	7,993,364	6,988,522	6,467,296	1,004,841	14%
Logistics	3,152,197	3,038,804	2,849,148	113,393	4%
Distribution	3,225,800	2,410,751	1,974,780	815,049	34%
Cold Chain and Isotank Services	1,169,782	869,307	693,623	300,475	35%
Port Services	238,325	191,863	260,603	46,462	24%
International Freight Forwarding	39,323	37,622	35,834	1,700	5%
Others	167,937	440,175	653,308	(272,238)	(62%)
	16,492,493	14,561,142	13,406,856	1,931,351	13%
OPERATING COSTS AND EXPENSES (Note 28)					
Operating	8,749,039	8,827,414	8,511,326	(78,374)	(1%)
Terminal	1,811,565	1,472,862	1,533,503	338,703	23%
Cost of Goods Sold	2,638,688	2,087,071	1,720,991	551,617	26%
Overhead	1,457,118	1,261,337	1,442,487	195,780	16%
	14,656,410	13,648,684	13,208,307	1,007,726	7%
OPERATING INCOME	1,836,083	912,458	198,549	923,625	101%
OTHER INCOME (CHARGES)					
Equity in net earnings of associates (Note 13)	58,330	10,975	44,846	47,355	431%
Financing Charges (Note 28)	(382,290)	(417,186)	(452,181)	34,896	(8%)
Others - net (Note 28)	7,713	59,362	403,108	(51,649)	(87%)
	(316,247)	(346,849)	(4,227)	30,602	(9%)
INCOME BEFORE TRANSACTION AND INTEGRATION COSTS	1,519,836	565,609	194,322	954,227	169%
TRANSACTION AND INTEGRATION COSTS (Notes 20 and 30)	0	0	(10,826)	0	0%
INCOME BEFORE INCOME TAX	1,519,836	565,609	183,496	954,227	169%
PROVISION FOR INCOME TAX (Note 32)	446,197	149,913	438,851	296,284	198%
NET INCOME (LOSS)	1,073,639	415,696	(255,355)	657,943	158%
ATTRIBUTABLE TO:					
Equity holders of the Parent Company	936,549	305,354	(296,100)	631,195	
Minority Interests	137,090	110,342	40,745	26,748	
	1,073,639	415,696	(255,355)	657,943	
Basic/Diluted Earnings (Loss) Per Share (Note 32)	0.2783	0.0908	(0.0880)	0.1876	
Weighted average number of common shares outstanding for the year	3,364,768	3,364,768	3,364,768		

Results of Operations

Negros Navigation Co. Inc. posted a phenomenal 169% growth in its 2015 Net Income before Tax to P1.52 billion from P565.61 million the same period last year. Management attributes this record setting performance largely to its focused drive to expand all the business units within the Group by targeting double-digit increases in revenues and supporting this with stringent cost management. NN's operating income from the core businesses expanded 101% to P1.8 billion from P912.5 million against previous year.

Management attributes the Group's impressive performance to higher revenues particularly from the non-shipping group which grew 14% during the period outpacing the 12% growth in the shipping group.

With this, NN has successfully transformed itself into the largest and most complete supply chain solutions provider. It is now ready and well positioned to address the needs of a growing Philippine economy that is driven by consumption and inter-island trade. The expansion is being propelled by the Group's logistics and value-added services, with the Group's shipping operations providing a stable platform and a sustainable competitive advantage.

Total consolidated revenues increased by P1.93 billion (or 13%) to P16.49 billion from P14.56 billion in 2014. Shipping revenues increased by 12% while Non-shipping grew by 14%. Freight revenues increased 17% mainly due to higher volume (11%) arising from more round trips and optimized routing initiatives. Passage revenues grew 7% on account of a 12%

increase in volume. The Group continues to innovate and improve its service offerings amidst the improving domestic tourism industry that has a positive impact on the volume of sea travelers. At the same token, the growth of the Logistics, Express, Distribution, Cold Chain and Isotank services were are a result of business expansion for its organic and new businesses.

Even though total revenues increased by 13% over the same period last year, the total costs and expenses for the Group increased by only 7% during the period. The Group was able to maintain its Operating costs to P8.7 billion despite the substantial increase in revenues. Its Operating cost ratio is now 53% from 61% the previous year. The shipping group likewise benefited from the relatively low fuel prices in 2015. Cost of goods sold increased by P551.62 million or 26% to P2.64 billion in 2015 from P2.09 billion in 2014 mainly due to the increase in trading goods in relation to the growth in the distribution business. Terminal costs increased by P338.70 million or 23% to P1.81 billion in 2015 from P1.47 billion in 2014 primarily due to outside services, transportation and delivery cost to support its increase in revenues. Its Terminal cost ratio, however, was maintained at 11%. Overhead cost increased by 16% or P195.78 million to P1.46 billion in 2015 compared to P1.26 billion in 2014.

This gives the Group a substantial 101% increase in operating income to P1.84 billion as of December 31, 2015 from P912.46 million during the same period last year.

Accordingly, Negros Navigation's 2015 net income after tax gained a substantial 158% increase to P1.07 billion from P415.70 million for the same period last year.

Negros Navigation Co. Inc. is the country's largest total logistics solutions provider that has a full range of capabilities and unmatched resources including warehousing, inventory management, domestic and international express mail and courier services, sales distribution and merchandising, domestic freight services for full/ less container load shipments, ISO tank, reefer and cold chain services, heavy lift and project logistics, regular liner passenger service, corporate/ leisure travel and package tours, and international freight forwarding and brokerage. The Group can carry the lightest parcel to the heaviest equipment by land, by sea and by air, be it domestic or international. They continue to reinforce its competitive position by continuously growing its logistics platform by exploiting its various competencies and replicating this in other channels and industries as well.

Earnings (Loss) per Share

Earnings (Loss) Per Share is computed by dividing Net Income (Loss) Attributable to Equity Holders of the Parent over weighted average number of common shares outstanding for the year. Earnings (loss) per share for the year 2015 stood at P0.2783/ share compared to P0.0908/ share in 2014.

II. Other changes (+/-5% or more) in the financial statement not covered in the above discussion

2015 vs. 2014

Revenue

- 24% or P46.46 million increase in Port services
- 62% or P272.24 million decrease in others

Other Income / (Charge)

- 431% or P47.36 million increase in equity in net earnings of associates and joint venture
- 8% or P34.90 million decrease in finance charges
- 87% or P51.65 million decrease in 'other' items

CONSOLIDATED BALANCE SHEETS

In P' Thousands	Dec 2015	Dec 2014	Dec 2013	'15 vs '14	variance
ASSETS					
Current Assets					
Cash and cash equivalents (Note 7)	1,377,004	1,131,440	958,765	245,564	22%
Trade and other receivables -net (Note 8, 21 and 26)	4,787,412	4,362,662	4,383,741	424,750	10%
Inventories - net (Note 9)	941,618	880,287	429,356	61,331	7%
Other current assets (Note 10)	1,608,544	1,378,856	1,198,678	229,688	17%
Total Current Assets	8,714,578	7,753,245	7,045,986	961,333	12%
Noncurrent Assets					
Property and equipment -net (Notes 15, 21 and 22)	7,468,646	6,672,420	6,602,964	796,226	12%
Available-for-sale financial assets (Note 12)	5,936	7,136	8,336	(1,200)	(17%)
Investments in associates and joint ventures (Note 13)	272,930	209,348	198,373	63,582	30%
Investment Property (Note 16)	49,790	49,790	49,790	0	0%
Software-net (Note 17)	39,851	29,139	15,430	10,712	37%
Deferred tax assets -net (Note 32)	339,225	603,707	590,966	(264,482)	(44%)
Goodwill (Note 6)	730,078	730,078	730,078	(0)	(0%)
Other noncurrent assets (Note 18)	349,429	293,997	218,395	55,432	19%
Total Noncurrent Assets	9,255,885	8,595,615	8,414,332	660,270	8%
TOTAL ASSETS	17,970,463	16,348,860	15,460,318	1,621,603	10%
LIABILITIES AND EQUITY					
Notes payable (Note 19)	2,161,017	1,465,650	1,394,927	695,367	47%
Trade and other payables (Notes 20 and 26)	4,256,146	4,392,561	3,855,565	(136,415)	(3%)
Income tax payable	4,711	17,415	5,945	(12,704)	(73%)
Redeemable preferred shares (Note 24)	0	5,988	6,680	(5,988)	(100%)
Current portion of:					
Long-term debt (Note 21)	463,131	175,015	89,410	288,116	165%
Obligations under finance lease (Note 22)	74,845	67,305	96,056	7,540	11%
Restructured debt (Note 23)	0	2,382	44,453	(2,382)	(100%)
Total Current Liabilities	6,959,850	6,126,316	5,493,036	833,534	14%
Noncurrent Liabilities					
Long-term debt - net of current portion (Note 21)	3,285,188	3,717,081	3,884,429	(431,893)	(12%)
Obligations under finance lease - net of current portion (Note 22)	218,145	122,046	142,540	96,099	79%
Accrued retirement benefits (Note 31)	466,787	368,349	305,006	98,438	27%
Other noncurrent liabilities	2,256	14,079	9,368	(11,823)	(84%)
Total Noncurrent Liabilities	3,972,376	4,221,555	4,341,343	(249,179)	(6%)
Total Liabilities	10,932,226	10,347,871	9,834,379	584,355	6%
Equity					
Share Capital (Note 27)	1,673,964	1,673,964	1,673,964	(0)	(0%)
Additional paid-in capital (Notes 26 and 27)	5,495,917	5,495,917	5,495,917	0	0%
Effect of change of ownership interest in a subsidiary (Note 27)	102,430	102,430	102,430	(0)	(0%)
Other comprehensive losses -net	(230,657)	(200,569)	(159,923)	(30,088)	15%
Deficit (Notes 23, 26 and 27)	(645,806)	(1,582,355)	(1,887,709)	936,549	(59%)
Equity attributable to owners of the Parent Company	6,395,848	5,489,387	5,224,679	906,461	17%
Non-controlling Interests	642,389	511,602	401,260	130,787	26%
Total Equity	7,038,237	6,000,989	5,625,939	1,037,248	17%
TOTAL LIABILITIES AND EQUITY	17,970,463	16,348,860	15,460,318	1,621,603	10%

The Group's total assets as of December 31, 2015 stood at P17.97 billion, 10% higher than P16.35 billion as of December 31, 2014.

Current assets increased by 12% or P961.33 million to P8.71 billion in 2015 from P7.75 billion as of December 31, 2014. Cash and cash equivalents increased by 22% or P245.56 million to P1.38 billion in 2015 from P1.13 billion in 2014 mainly due to the improved operational performance of the Group, coupled with improved collection efforts. Trade and other receivables increased by 10% or P424.75 million to P4.79 billion in 2015 from P4.36 billion in 2014 as a result of higher revenues. Inventories increased by P61.33 million or 7% mainly due to business expansion of organic accounts as well as with the new principals of the distribution business. Other current assets increased by P229.69 million or 17%.

Non-current assets increased by P660.27 million or 8% to P9.36 billion in 2015 from P8.60 billion as of December 31, 2014. Property and equipment increased by 12% or P796.23 million mainly due to the purchase of a ropax vessel for the Shipping business. Available-for-sale financial assets decreased by 17% or P1.20 million, while Other Non-current assets increased by 19% or P55.43 million. On the other hand, there was a decrease in Deferred Tax Assets - net by 44% or P264.48 million, an increase in Investment in Associates by 30% or P63.58 million and an increase in Software - net by 37% or P10.71 million.

Total liabilities increased by 6% or P584.36 million in 2015 compared to 2014 primarily due to the increase in current liabilities by 14% or P833.53 million. The increase in current liabilities was mainly due to the increase in notes payables by 47% or P695.37 million as a result of major vessel, capital expenditures and dry docking expenses incurred for the year 2015. Trade and other payables slightly decreased by 3% or P136.41 million. Income tax payable was reduced by 73% or P12.70 million. Likewise, there are no unredeemed redeemable preferred shares as of December 31, 2015. The current portion of the long-term debt increased by 165% or P288.12 million. There was also an increase in the current portion of Obligations under finance lease by 11% or P7.54 million in 2015 compared to 2014 and a 100% decrease in restructured debt or P2.38 million.

Noncurrent liabilities slightly decreased by 6% or P249.18 million primarily due to the decrease in long-term debt (net of current portion) by 12% or 431.89 million. Obligations under finance lease (net of current portion) increased by P96.10 million or 79% to P218.15 million in 2015 from P122.05 million in 2014. Other non-current liabilities decreased by P84% or P11.82 million. Likewise, accrued retirement benefits increased by 27% or P98.44 million to P466.79 million in 2015 from P368.35 million in 2014 as per actuarial valuation.

Total equity increased by 17% to P7.03 billion as of December 31, 2015 versus P6.00 billion in December 31, 2014 due to the very strong performance of the Group in 2015.

CONSOLIDATED CASHFLOW STATEMENTS

in P'MM	Period Ended Dec 31				
	2015	2014	2013	'15 vs '14	% variance
Net cash flows from operating activities	1,451,086	1,414,990	1,330,614	36,096	3%
Net cash flows used in investing activities	(1,237,749)	(765,115)	(1,277,933)	(472,634)	62%
Net cash flows used in financing activities	32,227	(477,200)	101,136	509,427	-107%
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	0	0	3,077	0	
NET INCREASE IN CASH AND CASH EQUIVALENTS	245,564	172,675	156,894	72,888	42%

The Group ended the year 2015 with a net increase in cash of P245.56 million. Net cash flows from operating activities increased by P36.10 million or 3% compared to 2014. The Group's cash flow used in Investing activities increased by P472.63 billion mainly due to the additions to property and equipment. Net cash from financing activities is lower by 107% or P509.43 million compared to 2014.

Business of Registrant and its Significant Subsidiaries

a. **Description of Business**

(i) **Principal Services**

The Company and its subsidiaries (collectively referred to as "the Group") is primarily engaged in the business of operating seagoing vessels, motorboats and other kinds of watercraft; aircraft and trucks; and acting as agent for domestic and foreign shipping companies for purposes of transportation of cargoes and passengers by air, land and sea within the waters and territorial jurisdiction of the Philippines.

(ii) **Percentage of Sales or Revenues**

All revenues of the Group are derived from sales within the Philippines. Its revenue mix for the past three years is as follows:

	2017	2016	2015
REVENUES			
Shipping	**₱8,436,144**	₱8,995,636	₱8,499,129
Non-shipping:			
Logistics and other services	**7,393,117**	6,704,791	4,734,950
Sale of goods	**5,761,828**	3,479,845	3,223,700

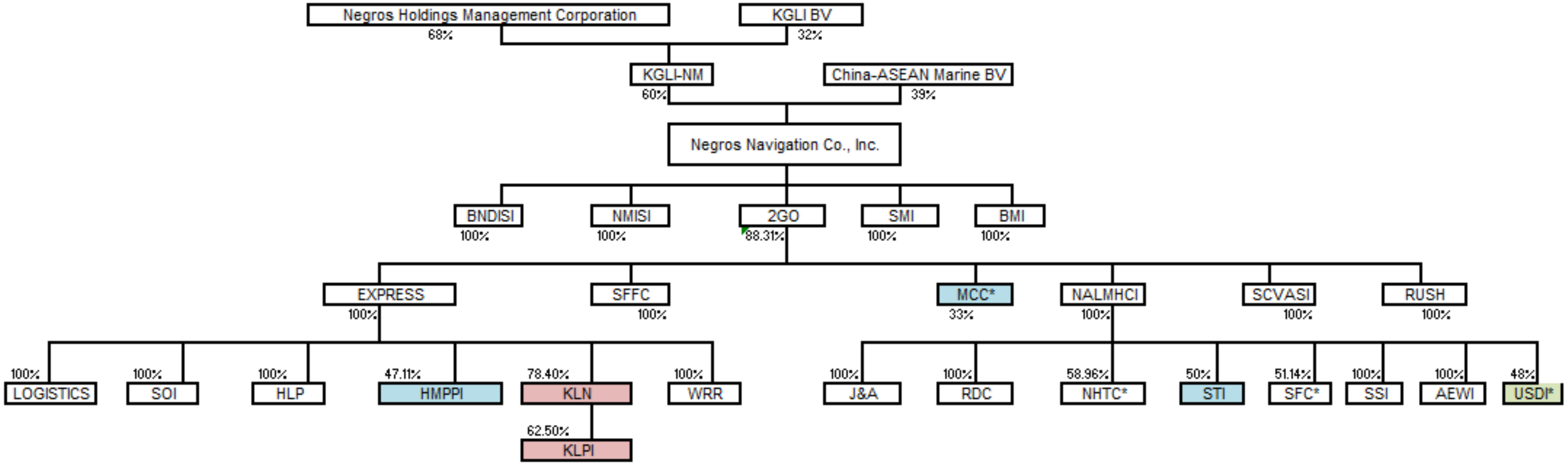
	21,591,089	19,180,272	16,457,779

Shipping revenues pertains to freight and passage business; non-shipping revenues are largely attributable to the revenues of the supply chain group consisting of service fees (for logistics, cold chain and isotank services, port services and international freight forwarding) and sale of goods (distribution).

(iii) **Distribution**

The Registrant and its subsidiaries operate a network of branches and sales agencies throughout the Philippines to service passenger ticketing and cargo booking requirements. Sales outlets are strategically located in key cities nationwide. nationwide.

IV. Corporate Structure



	Nature of Business	Percentage of Ownership	
		2016	2015
2GO Group, Inc. (2GO)	Transporting passenger and cargoes	**88.3**	88.3
The Supercat Fast Ferry Corporation (SFFC)	Transporting passenger	**100.0**	100.0
Special Container and Value Added Services, Inc. (SCVASI)	Transportation/logistics	**100.0**	100.0
2GO Rush Delivery Inc.(2GO RUSH) [2]	Transportation/logistics	**100.0**	-
2GO Express, Inc. (2GO Express)	Transportation/logistics	**100.0**	100.0
2GO Logistics, Inc. (2GO Logistics)	Transportation/logistics	**100.0**	100.0
Scanasia Overseas, Inc. (SOI)	Sales of goods	**100.0**	100.0
Hapag-Lloyd Philippines, Inc. (HLP)	Transportation/logistics	**100.0**	100.0
WRR Trucking Corporation (WTC)	Transportation	**100.0**	100.0
NN-ATS Logistics Management and Holdings Co., Inc. (NALMHCI)	Holding and logistics management	**100.0**	100.0
J&A Services Corporation (JASC)	Vessel support services	**100.0**	100.0
Red.Dot Corporation (RDC)	Manpower services	**100.0**	100.0
North Harbor Tugs Corporation (NHTC)	Tug assistance	**58.9**	58.9
Super Terminals, Inc. (STI)	Passenger terminal operator	**50.0**	50.0
Sungold Forwarding Corporation (SFC)	Transportation/logistics	**51.0**	51.0
Supersail Services, Inc. (SSI)	Manpower provider and vessel support services	**100.0**	100.0
Astir Engineering Works, Inc. (AEWI)	Engineering services	**100.0**	100.0
Negrense Marine Integrated Services, Inc. (NMISI)	Hotel and allied services	**100.0**	100.0
Brisk Nautilus Dock Integrated Services, Inc. (BNDISI)	Freight and related services	**100.0**	100.0
Sea Merchants, Inc. (SMI)	Hotel and allied services	**100.0**	100.0
Bluemarine Inc. (BMI)	Housekeeping and allied services	**100.0**	100.0
WG&A Supercommerce Incorporated (WSI)[1]	Vessels' hotel management	**100.0**	100.0

All significant inter-company transactions and balances are eliminated in the consolidation.

Please see notes 3 and 23 of the 2017 Consolidated and Audited Financial Statements.

(v) **Competition**

The Group considers the following as its major competitors in the domestic shipping industry: Phil Span Asia Container Corp, Oceanic Container Lines and National Marine Corporation, Lorenzo Shipping, Solid Shipping Lines and Moreta Shipping.

The Group also considers the airline industry and the Ro-Ro Nautical Highway as its indirect competitors, particularly in the passage business.

Passage and freight rates are generally determined by the Philippine Liner Shipping Association (PLSA), the association of shipping operators, where the Registrant is also a member.

(vi) **Sources and availability of supplies**

Fuel and vessel spare parts are the major supplies needed for operations which are available locally and abroad. The Group does not expect any shortage in any of these supplies nor depend upon one or limited number of suppliers for said supplies. Selected major suppliers of the Group follow:

Items/Services Supplied	Major Suppliers
* Fuel and lubricants	Phoenix Petroleum Philippines, Inc. Petrilliam Blac Corporation Promethium Marketing Co. F2020 International Corp.
* Vessel repairs	Jersa Industrial & Marine Corp. Astir Engineering Works Inc. Chesteel Marine Industrial JCG Marine and Industrial Supply
* Vessel spare parts	Phil-Nippon Swan & Concorde, Inc. Sumiyoshi Trading Co. Ltd. Daikai Engineering Pte Power System Inc. Cesmel Europe Marine and Industrial IHI Turbo International Trade Rurex Fabrication and Trading
* Vessel safety equipment	Racomser – Radars FM Apolinario Co., Inc. MPM Safety Industries, Inc. Offshore Marine and Industrial
* Container van rentals	Waterfront Container Leasing
* Container van repairs	Brisk Nautilus Dock Integrated Services Ardee's Venture Regan Industrial Sales, Inc.
* Drydocking services	Subic Drydocking Corp. Keppel Batangas Shipyard
* Security services	Vestina Security
* Terminal equipment rental	Ravago – crane and generators Exec Engineering Hasting Motors
* Terminal equipment repairs	Exec Engineering Asian Engine Rebuilding Portmizer
* Insurance	Pioneer Insurance Steamship Mutual Management (Bermuda) Limited Philippine Charter Insurance Corp.
* Stevedoring and arrastre	Asian Terminal Inc. Manila North Harbor Port Inc. Iliasco Arrastre& Stevedoring Co. IMASCO Arrastre & Stevedoring

Items/Services Supplied	Major Suppliers
	Oro Port Cargo Handling Services, Inc.
	Visayan Vets & Ports Services
	Filipinas Port Services, Inc.
	Zamboanga City Integrated Port
	South Cotabato Integrated Port
	Central Inter-Transport Logistics
* Trucking services	NN-ATS Logistics and Management Holding Co., Inc. (NALMHCI)
	Harbour Link Transport Inc./ARR Ent.
	Fast Cargo Logistics Corp.
	Fast Services, Nice Trucking
	PKT Trucking, TFO Trucking, MTT Trucking
	PTC Mindanao Port Services, F. Tio Trucking, David Trucking, Nocos Hauling Services, D Eck Trans System Corp.
	Isometric Enterprises
* Communications	Racomser, Jeda Marine
	PLDT
	e-PLDT
	Innove

(vii) **Dependence upon a single or few customers**

The Group is not dependent upon a single or few customers for both passenger and freight businesses. The current market for inter-island shipping services covers virtually all passengers and cargoes which need to be transported across waterways in selected major ports of the Philippines.

(viii) **Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. The key management personnel of the Group and post-employment benefit plans for the benefit of the Group's employees are also considered to be related parties. In considering each related party relationships, attention is directed to the substance of the transaction and not merely its legal form.

(ix) **Patents, trademarks, copyrights, franchises, concessions and royalty agreements held**

The Registrant, 2GO, NN-ATS and SFFC vessels are duly registered with the Maritime Industry Authority (MARINA) and subjected to regular survey and International Safety Management (ISM) audit to ascertain its adherence to vessel and manning safety standards.

(x) **Government approval of principal services**

MARINA is the governmental agency tasked to accredit and issue special permits to domestic shipping lines, based on the financial capability of the Registrant, to provide water transport service in the country. The Registrant, 2GO, NN-ATS and SFFC are holders of a current Certificate to Engage in Domestic Shipping Business. Each of the vessels of the Registrant holds a valid Certificate of Public Convenience issued by the MARINA to service domestic ports of call.

MARINA through Memorandum Circular No. 79 requires all owners/operators of inter-island vessels engaged in Public Transport Service to secure a certificate of accreditation of domestic shipping enterprise / entities from the Authority before they can provide a water transport service.

The Circular is intended to foster standards for domestic shipping operations in order to protect public interest and to generate vital information that will enable MARINA to effectively supervise, regulate and rationalize the organizational movement, ownership and operation of all inter-island water transport utilities, and consequently, to prevent the proliferation of incompetent, inefficient, unreliable and fly-by-night operators.

Accreditation serves as a prerequisite to the granting of franchises for individual vessel operations. The Registrant, 2GO and SFFC vessels have been issued Certificates of Public Convenience (CPC), Provisional Authorities (PA) and Special Permits (SP) to operate in specified routes.

(xi) **Effect of existing government regulations on the business**

On October 15, 2011, the Ship Management Division (SMD) of 2GO Group Inc. took over the ship, crewing and purchasing management as well as the ship cost accounting and fuel management of the whole 2GO Fleet.

NENACO, as a ship management company is certified and compliant with the International Safety Management Code (ISM) administered by the Maritime Industry Authority (MARINA) and the National Security Programme for Sea Transport and Maritime Infrastructure (NSPSTMI), a National Ship Security (NSS) certification administered by the Office for Transport Security.

The ISM code is an International Maritime Organization (IMO) initiated mandatory requirement for all ship-operating companies. Its objectives are to ensure safety at sea, prevention of human injury or loss of life, and avoidance of damage to the environment, in particular, to the marine environment, and to property,

NENACO believes in ensuring Talent Development through competency enhancement programs particularly in investing in relevant training programs. For technical trainings, Ship Management Head, Mr. Eduardo G. Dela Cruz, partnered with reputable and globally recognized Training Institutions, like DNV-GL. Some of the trainings attended by our Ship Management Team are **Superintendents Workshop In Managing day to day Operations,** the aim of said workshop is to provide the participants with the knowledge, understanding and proficiency necessary to fulfil the role of a superintendent**,** the **Compliance to MLC 2006** provided management guidance on updated regulatory requirements for fair terms of employment and guarantee safe, secure and decent living and working conditions on board ship, while the **Internal Audit ISM-ISPS-MLS for Shipping Companies, Designated Person Ashore, Maritime Risk Management** are inter related courses for a holistic approach in the integration of all regulatory requirements that supports Risk Management programs through proper application of Threat and Error Management, Incident Investigation and Root Cause analysis, to support the company's thrust on Safety Culture and ensure business reliability and continuity. The Ship Management Division, through its Safety and Quality Assurance team and in coordination with HROD, conducts refresher courses for both shore based and ship based personnel such as: ISM Training, Occupational Safety Training, Risk Management, Accident and Incident Investigation, Environmental Management Training, Video-Tel Computer Based Training, Safe Navigation Training, Port Entry Guide Training, Hazardous Goods and Dangerous Cargoes Training, Bassnet Systems Planned Maintenance Training and behavioral training programs as well for its vessel officers and crew.

SMD's Safety, Quality, and Assurance department launched several programs such as the "Hero of the Day" program to acknowledge and commend individuals/crew member/s who had shown extraordinary support in saving Life, Environment, Reputation, and Property and the "Cleanest Ship of the Year' to acknowledge and commend the Ship's effort to maintain good housekeeping as the first principle of safety. The same department has stimulated the "Safety and Environmental Topic of the Month"- which refers to posters to promote and raise awareness on safety and environmental issues to the whole fleet.

In line with vessel security the **Seafarers with Designated Security Duties (SDSD)** courses were likewise conducted on-board Fleet Vessels in order to amplify the safety and security responsibilities of fleet personnel.

To strengthen vessel security posture the **Company Security Course** was also added in the list of courses taken; the **CSO** course elaborated the responsibilities of securing the vessel's internal security including tasks related to risk assessment, crisis management, personnel safety and vessel security.

To ensure that NENACO vessels are manned with qualified, efficient, suitably-experienced seafarers and competent shore-based technical staff leading to a better operation of ships, the use of **BASS Fleet Management** Systems and the **I-PROC** integrated software system is now in full swing covering all the main areas of NENACO Fleet Maritime Operations Logistics requirements.

(xii) **Research and development activities**

Research and development (R&D) are the Company's activities to discover and create new lines of services and/or make major improvements on the existing ones. This is consistent with the Group's strategy to focus its efforts on developing and maintaining its existing value-added businesses where it believes much of its future will lie.

(xiii) **Costs and effect of compliance with environmental laws**

The Company adheres to environmental laws such as Presidential Decree 600, also known as the Marine Pollution Decree of 1974 and MARPOL 73/78 for the prevention of pollution by oil, noxious liquid and garbage by ships. Compliance to these laws has no material effect in the operating costs of the Company.

(xiv) **Number of employees**

The Registrant has 244 regular employees as of December 31, 2017 (a total of 283 and 299 as of 31 December 2016 and 2015 respectively). The Union of the Registrant's rank and file employees represents its members in the Collective Bargaining Agreement (CBA). The CBA's economic benefits are being negotiated every three years, while non-economic benefits are being negotiated every five years.

(xv) **Major risks**

With safety being the Group's no. 1 priority, a safety management system was developed to tie in all these requirements and create a comprehensive system that is dynamic and auditable. The system, developed in 1999 with the assistance of the Det Norske Veritas (DNV), was patterned after the IMO's International Safety Management (ISM) Code. The Group's vessels and relevant shore-based offices are subjected to audits by the MARINA and are certified as compliant to the ISM Code.

Vessel officers and crew demonstrate commitment to safety through strict conduct of emergency drills and exercises, among several other activities. Various drills are conducted regularly in port and at sea. The drills include fire, collision, steering casualty, oil spill, man overboard, and abandon ship. The drills prepare them for the unlikely event of an emergency. Ship-shore drills are also performed to enhance the skills of shore-based crisis management committees in responding to emergency situations involving vessels.

Drydocking for each vessel in the fleet is conducted to ensure that the vessels' hull, machinery and critical equipment meet the requirements of the MARINA and classification societies in terms of seaworthiness. The vessels are classed with various classification societies.

In addition, the whole fleet is compliant to the National Security Programme for Sea Transport and Maritime Infrastructure (NSPSTMI), an International Ship and Port Security Code (ISPS) certification administered by the Office for Transport Security.

(xvi) **Legal Proceedings**

There are certain legal cases filed against Negros Navigation Co., Inc. and its subsidiaries in the normal course of business. Management and its legal counsel believe that they have substantial legal and factual bases for their position and are of the opinion that losses arising from these cases, if any, will not have a material adverse impact on the consolidated financial statements.

Land, Buildings and Warehouses

NENACO owns several pieces of land, which are used in the normal course of business.

Market for Issuer's Common Equity and Related Stockholder Matters

A. Market Price of and Dividends on Common Equity of the Company and Related Stockholder Matters

(1) **Market Information**

a) The Registrant's common shares were listed in the Philippine Stock Exchange (PSE) until the Board of Directors of PSE, in its regular meeting held on December 8, 2004, approved the issuance of an Order to Delist the shares of the Registrant from the Official Registry of the Exchange, in view of its Petition for Voluntary Delisting.

The historical high and low share prices of the Registrant's stock during the last two fiscal years before its delisting are as follows:

	High	Low
2004		
Following the filing on March 29, 2004 of a Petition for Corporate Rehabilitation with Prayer for Suspension of Debt Payments, PSE issued an indefinite trading suspension on the Registrant's common shares effective March 30, 2004, pursuant to Article XIII, Section 2 of the Amended Listing and Disclosure Rules. Closing PSE stock price on March 29, 2004 (last trade prior to suspension) – P0.37 per share.		
2003		
First Quarter	0.48	0.30
Second Quarter	0.55	0.37
Third Quarter	0.54	0.40
Fourth Quarter	0.45	0.42

b) Closing PSE stock price on 29 March 2004 (last trade prior to suspension) – P0.37 per share.

The Registrant is not aware of any recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction.

(2) Holders

As of February 28, 2018, the Registrant has a total of 3,258 stockholders, consisting of 3,252 common stockholders, 5 Series A preferred stockholders and 1 Series B preferred stockholder.

The top 20 common stockholders, and their respective number of shares held and percentage of ownership as regards the total outstanding capital stock of the Registrant is as follows:

	Name of Shareholder	No. of Shares	%
1	KGLI-NM Holdings, Inc.	3,335,535,033	59.59%
2	First Metro Investment Corp.	2,494,813	0.04%
3	Doll Agricultural Corporation	1,999,999	0.04%
4	Summit Securities, Inc.	1,698,897	0.03%
5	Julio & Florentina Ledesma Foundation Inc.	1,301,926	0.02%
6	Daniel L. Lacson Jr.	1,037,341	0.02%
7	Conchita A. Ledesma	776,311	0.01%
8	Ofelia L. Montelibano	696,516	0.01%
9	PCD Nominee Corp. (Filipino)	619,024	0.01%
10	Amparo L. De Gustilo	585,354	0.01%
11	Bond Equities Securities & Traders Inc.	538,125	0.01%
12	Atty. Ramon G. Ledesma Jr. FAO Banago Port Stevedoring Co., Inc.	500,000	0.01%
13	Christer Bigander	430,000	0.01%
14	Julio A. Ledesma	428,935	0.01%
15	Ma. Carla A. Ledesma	322,529	0.01%

16	Julieta L. Ledesma	319,997	0.01%
17	Bartolome Lacson	315,802	0.01%
18	PNB Holdings Corporation	288,750	0.01%
19	Bo Q. Lin	281,000	0.01%
20	Margie L. Macasa	268,447	0.00%
		3,350,438,799	**59.86%**

The six (6) Series A and Series B Preferred stockholders, and their respective number of shares held and percentage of ownership as regards the total outstanding capital stock are as follows:

	Name of Shareholder	No. of Shares	%
1	China-ASEAN Marine B.V. (Series A)	999,999,996	17.87%
2	China-ASEAN Marine B.V. (Series B)	1,232,323,315	22.02%
3	Francis Chua (Series A)	1	0.00%
4	Frederic C. DyBuncio (Series A)	1	0.00%
5	Joseph C. Tan (Series A)	1	0.00%
6	Laurito E. Serrano (Series A)	1	0.00%
		2,232,323,315	**39.88%**

3. **Dividends**

No dividends were declared as of February 28, 2018 and in the years 2017, 2016 and 2015.

Pursuant to the Company's By-laws, the Board of Directors may declare dividends out of the unrestricted retained earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them.

The Preferred Stockholders shall be entitled to receive dividends on the basis of par value, in such amounts per share as may be declared by resolution of the Board of Directors of the Corporation from time to time, payable in Philippine Pesos, to be paid out of the Corporation's unrestricted retained earnings for dividend periods as may be determined by the Board of Directors.

Unless full dividends on all outstanding Preferred Shares shall have been paid, or declared and set apart for payment for all past dividend payment periods, no dividends shall be paid or declared and set apart for payment, or other distribution made upon the Common Shares or on any other stock of the Corporation ranking junior to, or on a parity with, the Preferred Shares as to dividends and distribution upon liquidation, dissolution or winding up nor shall any Common Shares, or any other stock of the Corporation ranking junior to, or on a parity with, the Preferred Shares as to dividends or distribution upon liquidation, dissolution or winding up be redeemed, purchased or otherwise acquired for any consideration (or any payment made to or made available for a sinking fund for the redemption of any shares of such stock) by the Corporation (except for conversion of such junior or parity stock into, or exchange of such junior or parity stock for, stock ranking junior to the Preferred Shares as to dividends and distribution upon liquidation, dissolution or winding up).

Corporate Governance

The Board of Directors and Management, i.e. officers and staff, of NENACO and its Subsidiaries hereby commit themselves to the principles and best practices contained in its Manual of Corporate Governance, and acknowledge that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization.

On 06 December 2012, the Board of Directors of the Registrant approved the revisions to its existing Manual of Corporate Governance, in compliance with SEC Memorandum Circular Nos. 6-2009 and 3-2007. The same was filed with the Securities and Exchange Commission on 15 January 2013. On February 28, 2014, the company filed the revised Manual of Corporate Governance. In compliance with SEC Memorandum Circular No. 9, Series of 2014, the Registrant filed its latest revised Corporate Governance Manual on 29 August 2014.

There were no deviations from the Company's Manual of Corporate Governance since the implementation of the said Manual.

NENACO, in the pursuit of systemic corporate governance reforms within the organization, shall participate in the assessment of standards and best practices of corporate governance through periodic review of the following aspects:

- Sound business strategies
- Well-structured and functioning board
- Robust internal audit function

- Enterprise risk management
- Integrity of financial reports
- Shareholder rights
- Disclosure and transparency
- Sustainability
- Conflict of interest / business interest disclosure

NAME AND ADDRESS – REQUEST FOR SEC FORM 17-A ANNUAL REPORT

Any Stockholder, upon request, will be provided with a copy of NENACO's Annual Report in SEC Form 17-A without charge. All requests should be directed at:

INVESTOR RELATIONS OFFICE **NEGROS NAVIGATION CO., INC.** **8th Floor, Tower 1, Double Dragon Plaza** **Macapagal Blvd. Corner EDSA Extension, Pasay City**

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Negros Navigation Co., Inc. and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the consolidate financial statements including the schedules attached therein, for the year ended December 31, 2017, 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 the 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 or members.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders for the year ended December 31, 2017, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Dennis A. Uy
Chairman of the Board

Frederic C. Dybuncio
President and Chief Executive Officer

William Howell
Chief Financial Officer and Treasurer

Signed this 23rd day of February 2018.

SUBSCRIBED AND SWORN TO, before me this February 27, 2018 at Makati City, personally appeared the following persons with their sufficient proof of identification.

DENNIS A. UY	TIN NO. 172-020-135
FREDERIC C. DYBUNCIO	TIN NO. 103-192-854
WILLIAM HOWELL	TIN NO. 321-579-394

Doc. No. 140;
Page No. 28;
Book No. 20;
Series of 2018.

ATTY. REINIER S. QUIAMBAO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2018
PTR NO. 6657416 / 01.25.18 / MAKATI CITY
IBP NO. 025016 / 01.10.18 / TARLAC CITY
TIN 238-251-699 ROLL NO. 62283
MCLE NO. V - 0011532 / 10.06.15

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of Negros Navigation Co., Inc. and Subsidiaries as at December 31, 2017, in accordance with *Philippine Financial Reporting Standards* as required by accounting and auditing standards.

In discharging this responsibility, I hereby declare that I am one of the *Financial Controllers* of the Group.

Furthermore, in my compilation services for the preparation of the financial statements and notes to the financial statements, I was not assisted by or did not avail of the services of Sycip Gorres Velayo & Co., which is the external auditor who rendered the audit opinion for the said financial statements and notes to the financial statements.

I hereby declare, under penalties of perjury and violation of Republic Act No. 9298, that my statements are true and correct.

ROMMEL M. RECIO

CPA Certificate No. 0098934
Valid Until May 24, 2019

BOA Accreditation No.4331
Valid Until December 31, 2018

SUBSCRIBED AND SWORN to before me this MAR 12 2018 at Pasig City, affiant exhibiting to me his PRC ID No. 0098934 valid until May 24, 2019.

Doc. No. 282;
Page No. 58;
Book No. I;
Series of 2018.

KATHLEEN MAE C. TUASON
Appointment No. 15(2018-2019)
Notary Public for Pasig City
Until December 31, 2019
Attorney's Roll No. 70340
33rd Floor, The Orient Square
F. Ortigas, Jr. Road, Ortigas Center, Pasig City
PTR Receipt No. 3859421; 01.04.18; Pasig City
IBP Lifetime No. 017279; 05.19.17; RSM

Negros Navigation Co., Inc. and Subsidiaries

Consolidated Financial Statements
As of and for the Year Ended December 31, 2017
(With Comparative Figures As of
December 31, 2016 and January 1, 2016
and Years Ended December 31, 2016 and 2015)

and

Independent Auditor's Report

SGV
Building a better working world

A member firm of Ernst & Young Global Limited

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Negros Navigation Co., Inc.

Opinion

We have audited the consolidated financial statements of Negros Navigation Co., Inc. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Other Matter

The consolidated financial statements of the Group as at December 31, 2016 and 2015 and for the years then ended, were audited by another auditor who expressed an unqualified opinion on those statements on April 12, 2017. As part of our audit of the consolidated financial statements as of and for the year ended December 31, 2017, we also audited the adjustments described in Note 32 to the consolidated financial statements that were applied to the 2016 and 2015 annual consolidated financial statements to come up with the consolidated statement of financial position as at January 1, 2016 presented as corresponding figures. In our opinion, such adjustments are appropriate and have been properly applied in accordance with PFRSs. We were not engaged to audit, review, or apply any procedures to the 2016 and 2015 annual consolidated financial statements of the Group other than with respect to the adjustments, and accordingly, we do not express an opinion or any other form of assurance on the 2016 and 2015 annual consolidated financial statements taken as a whole.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Philippine Securities and Exchange Commission (SEC) Form17-A for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 17-A and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2017 are expected to be made available to us after that date.

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 audit 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 PFRSs, 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 consolidated 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 as 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the 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.

SYCIP GORRES VELAYO & CO.

Josephine H. Estomo
Partner
CPA Certificate No. 46349
SEC Accreditation No. 0078-AR-4 (Group A),
June 9, 2016, valid until June 9, 2019
Tax Identification No. 102-086-208
BIR Accreditation No. 08-001998-18-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 6621259, January 9, 2018, Makati City

February 23, 2018

NEGROS NAVIGATION CO., INC AND SUBSIDIARIES
(A Subsidiary of KGLI-NM Holdings, Inc.)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017
(With Comparative Figures as of December 31, 2016 and 2015)
(Amounts in Thousands)

	Note	**December 31, 2017**	December 31, 2016 (As restated, Note 32)	January 1, 2016* (As restated, Note 32)
ASSETS				
Current Assets				
Cash and cash equivalents	*6*	**₱2,181,243**	₱1,453,754	₱1,409,088
Trade and other receivables	*7, 17, 20*	**4,332,379**	4,408,076	4,367,625
Inventories	*8*	**555,825**	676,544	516,576
Other current assets	*9*	**1,728,855**	1,470,780	1,493,227
		8,798,302	8,009,154	7,786,516
Asset held for sale	*10*	**–**	–	158,239
Total Current Assets		**8,798,302**	8,009,154	7,944,755
Noncurrent Assets				
Property and equipment	*11, 17, 18*	**7,898,962**	8,145,058	7,240,173
Investments in associates and joint ventures	*12*	**292,072**	299,042	273,625
Deferred income tax assets - net	*27*	**82,696**	76,552	112,356
Goodwill	*13*	**686,896**	686,896	708,023
Other noncurrent assets	*14*	**459,139**	536,911	440,460
Total Noncurrent Assets		**9,419,765**	9,744,459	8,774,637
TOTAL ASSETS		**₱18,218,067**	₱17,753,613	₱16,719,392
LIABILITIES AND EQUITY				
Current Liabilities				
Short-term notes payable	*15*	**₱2,644,950**	₱2,374,556	₱2,161,017
Trade and other payables	*16, 20*	**5,663,393**	4,684,424	4,209,469
Income tax payable		**17,198**	14,465	4,023
Current portion of:				
Long-term debt	*17*	**3,126,193**	3,502,908	463,131
Obligations under finance lease	*11, 18*	**101,130**	97,759	74,845
Total Current Liabilities		**11,552,864**	10,674,112	6,912,485
Noncurrent Liabilities				
Long-term debt - net of current portion	*17*	**1,481**	8,299	3,285,188
Obligations under finance lease - net of current portion	*11, 18*	**218,430**	253,815	218,146
Accrued retirement benefits	*26*	**387,574**	457,239	465,488
Other noncurrent liabilities		**6,085**	8,065	2,256
Total Noncurrent Liabilities		**613,570**	727,418	3,971,078
Total Liabilities		**₱12,166,434**	₱11,401,530	₱10,883,563

**The opening balances as of January 1, 2016 are the same as the balances as of December 31, 2015.*

(Forward)

	Note	**December 31, 2017**	December 31, 2016 (As restated, Note 32)	January 1, 2016* (As restated, Note 32)
Equity	*21*			
Share capital		**₱1,673,964**	₱1,673,964	₱1,673,964
Additional paid-in capital		**5,495,917**	5,495,917	5,495,917
Effect of change of ownership interest in a subsidiary		**102,430**	102,430	102,430
Other comprehensive losses - net		**(221,026)**	(225,963)	(226,674)
Deficit		**(1,540,069)**	(1,263,825)	(1,721,986)
Equity Attributable to Equity Holders of the Parent Company		**5,511,216**	5,782,523	5,323,651
Non-controlling interests		**540,417**	569,560	512,178
Total Equity		**6,051,633**	6,352,083	5,835,829
TOTAL LIABILITIES AND EQUITY		**₱18,218,067**	₱17,753,613	₱16,719,392

**The opening balances as of January 1, 2016 are the same as the balances as of December 31, 2015.*
See Notes to the Consolidated Financial Statements.

NEGROS NAVIGATION CO., INC AND SUBSIDIARIES
(A Subsidiary of KGLI-NM Holdings, Inc.)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2017
(With Comparative Figures for the Years Ended December 31, 2016 and 2015)
(Amounts in Thousands, Except for Earnings Per Common Share)

		Years Ended December 31		
	Note	**2017**	2016 (As restated, Note 32)	2015 (As restated, Note 32)
REVENUES	*5*			
Shipping	*20*	**₱8,436,144**	₱8,995,636	₱8,499,129
Nonshipping:				
Logistics and other services	*20*	**7,393,117**	6,704,791	4,734,950
Sale of goods		**5,761,828**	3,479,845	3,223,700
		21,591,089	19,180,272	16,457,779
COST OF SERVICES AND GOODS SOLD	*22*	**18,945,442**	15,478,473	13,265,783
GROSS PROFIT		**2,645,647**	3,701,799	3,191,996
GENERAL AND ADMINISTRATIVE EXPENSES	*23*	**2,253,025**	2,393,019	1,805,422
OPERATING INCOME		**392,622**	1,308,780	1,386,574
OTHER INCOME (CHARGES)				
Equity in net earnings (losses) of associates and joint ventures	*12*	**(6,970)**	24,541	58,704
Financing charges	*24*	**(400,696)**	(409,230)	(362,329)
Others - net	*24*	**(26,669)**	16,662	(250,895)
		(434,335)	(368,027)	(554,520)
INCOME (LOSS) BEFORE INCOME TAX		**(41,713)**	940,753	832,054
PROVISION FOR INCOME TAX	*27*			
Current		**282,170**	402,491	178,664
Deferred		**(16,924)**	27,754	315,281
		265,246	430,245	493,945
NET INCOME (LOSS)		**(₱306,959)**	₱510,508	₱338,109
Attributable to:				
Equity holders of the Parent Company		**(₱276,244)**	₱458,161	₱285,391
Non-controlling interests		**(30,715)**	52,347	52,718
		(₱306,959)	₱510,508	₱338,109
Basic Earnings (Loss) Per Share	*28*	**(₱0.0821)**	₱0.1362	₱0.0848
Diluted Earnings (Loss) Per Share	*28*	**(₱0.0330)**	₱0.0547	₱0.0341

See Notes to the Consolidated Financial Statements.

NEGROS NAVIGATION AND CO., INC. AND SUBSIDIARIES
(A Subsidiary of KGLI-NM Holdings, Inc.)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017
(With Comparative Figures for the Years December 31, 2016 and 2015)
(Amounts in Thousands)

		Years Ended December 31		
	Note	**2017**	2016 (As restated, Note 32)	2015 (As restated, Note 32)
NET INCOME (LOSS)		**(₱306,959)**	₱510,508	₱338,109
OTHER COMPREHENSIVE INCOME (LOSS) – Net of tax				
Items that will be reclassified subsequently to profit or loss:				
Net changes in unrealized gain on AFS investments	*14*	**–**	171	–
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement gains (losses) on net defined benefit liability	*26*	**9,299**	6,713	(54,486)
Income tax effect	*27*	**(2,790)**	(2,014)	16,346
		6,509	4,870	(38,140)
Share in remeasurement gains on retirement benefits of associates and joint ventures	*12*	**–**	876	5,575
		6,509	5,746	(32,565)
TOTAL COMPREHENSIVE INCOME (LOSS)		**(₱300,450)**	₱516,254	₱305,544
Attributable to:				
Equity holders of the Parent Company		**(₱271,307)**	₱458,872	₱255,667
Non-controlling interests		**(29,143)**	57,382	49,877
		(₱300,450)	₱516,254	₱305,544

See Notes to the Consolidated Financial Statements.

NEGROS NAVIGATION CO., INC. AND SUBSIDIARIES
(A Subsidiary of KGLI-NM Holdings, Inc.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Comparative Figures for the Years Ended December 31, 2016 and 2015)
(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company													
						Other Comprehensive Income (Losses)								
	Share Capital													
	Common (Note 21)	Preferred (Note 21)	Total	Additional Paid-in Capital (Note 21)	Effect of Change of Ownership Interest in a Subsidiary (Note 21)	Unrealized Gain on Available-for-sale Financial Assets (Note 14)	Share in Cumulative Translation Adjustment of Associates	Remeasurement Losses on Accrued Retirement Benefits – Net of Tax (Note 26)	Share in Re-measurement Gains (Losses) on Accrued etirement Benefits of Associates and Joint Ventures (Note 12)	Subtotal	Retained Earnings (Deficit)	Total	Non-controlling Interests	Total Equity
BALANCES AT DECEMBER 31, 2014 (As restated, Note 32)	**₱672,954**	**₱1,001,010**	**₱1,673,964**	**₱5,495,917**	**₱102,430**	**₱497**	**(₱647)**	**(₱196,595)**	**(₱205)**	**(₱196,950)**	**(₱2,007,377)**	**₱5,067,984**	**₱462,301**	**₱5,530,285**
Net loss for the year	–	–	–	–	–	–	–	–	–	–	285,391	285,391	52,718	338,109
Other comprehensive loss for the year	–	–	–	–	–	–	–	(34,976)	5,252	(29,724)	–	(29,724)	(2,841)	(32,565)
Total comprehensive loss for the year	–	–	–	–	–	–	–	(34,976)	5,252	(29,724)	285,391	255,667	49,877	305,544
BALANCES AT DECEMBER 31, 2015 (As restated, Note 32)	**672,954**	**1,001,010**	**1,673,964**	**5,495,917**	**102,430**	**497**	**(647)**	**(231,571)**	**5,047**	**(226,674)**	**(1,721,986)**	**5,323,651**	**512,178**	**5,835,829**
Net loss for the year	–	–	–	–	–	–	–	–	–	–	458,161	458,161	52,347	510,508
Other comprehensive loss for the year	–	–	–	–	–	171	–	(336)	876	711	–	711	5,035	5,746
Total comprehensive loss for the year	–	–	–	–	–	171	–	(336)	876	711	458,161	458,872	57,382	516,254
BALANCES AT DECEMBER 31, 2016 (As restated, Note 32)	**672,954**	**1,001,010**	**1,673,964**	**5,495,917**	**102,430**	**668**	**(647)**	**(231,907)**	**5,923**	**(225,963)**	**(1,263,825)**	**5,782,523**	**569,560**	**6,352,083**
Net loss for the year	–	–	–	–	–	–	–	–	–	–	**(276,244)**	**(276,244)**	**(30,715)**	**(306,959)**
Other comprehensive loss for the year	–	–	–	–	–	–	–	**4,937**	–	**4,937**	–	**4,937**	**1,572**	**6,509**
Total comprehensive loss for the year	–	–	–	–	–	–	–	**4,937**	–	**4,937**	**(276,244)**	**(271,307)**	**(29,143)**	**(300,450)**
BALANCES AT DECEMBER 31, 2017	**₱672,954**	**₱1,001,010**	**₱1,673,964**	**₱5,495,917**	**₱102,430**	**₱668**	**(₱647)**	**(₱226,970)**	**₱5,923**	**(₱221,026)**	**(₱1,540,069)**	**₱5,511,216**	**₱540,417**	**₱6,051,633**

See Notes to the Consolidated Financial Statements.

NEGROS NAVIGATION CO., INC. AND SUBSIDIARIES
(A Subsidiary of KGLI-NM Holdings, Inc.)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Comparative Figures for the Years Ended December 31, 2016 and 2015)
(Amounts in Thousands)

		Years Ended December 31		
	Note	**2017**	2016 (As restated, Note 32)	2015 (As restated, Note 32)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**(₱41,713)**	₱940,753	₱832,054
Adjustments for:				
Depreciation and amortization of property and equipment and software	*11, 14, 22, 23*	**2,009,152**	1,642,664	1,160,857
Financing charges	*24*	**400,696**	409,230	362,329
Interest income	*24*	**(6,283)**	(5,421)	(4,057)
Loss (gain) on disposal and sale of property and equipment	*10, 24*	**(3,587)**	9,714	11,807
Impairment loss on goodwill and vessel held for sale	*10, 11, 13, 24*	**–**	21,127	260,404
Equity in net losses (earnings) of associates and joint ventures	*12*	**6,970**	(24,541)	(58,704)
Gain on sale of AFS investments	*24*	**–**	(8,869)	–
Unrealized foreign exchange losses		**32,458**	11,067	6,307
Retirement benefit cost	*26*	**129,346**	90,485	72,279
Operating cash flows before working capital changes		**2,527,039**	3,086,209	2,643,276
Decrease (increase) in:				
Trade and other receivables		**75,943**	(112,102)	(280,899)
Inventories		**120,719**	(159,968)	(52,320)
Other current assets		**(184,075)**	(29,330)	(36,955)
Increase (decrease) in trade and other payables and other noncurrent liabilities		**848,653**	629,863	(700,672)
Cash generated from operations		**3,388,279**	3,414,672	1,572,430
Contribution for retirement fund	*26*	**(177,630)**	(104,480)	(22,703)
Interest received		**6,037**	8,900	91,666
Income taxes paid, including creditable withholding taxes		**(342,656)**	(340,273)	(271,343)
Net cash flows provided by operating activities		**2,874,030**	2,978,819	1,370,050

(Forward)

	Note	2017	2016 (As restated, Note 32)	2015 (As restated, Note 32)
		Years Ended December 31		
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment	*11*	**(₱1,624,021)**	(₱2,512,678)	(₱1,256,181)
Software	*14*	**(7,612)**	(19,302)	(15,535)
Proceeds from:				
Assets held for sale	*10*	**–**	158,239	–
Sale/disposal of property and equipment	*11*	**8,213**	1,951	3,482
Redemption of AFS financial assets	*14*	**–**	1,200	1,200
Receipt (payments for) various deposits	*14*	**70,097**	(75,824)	(77,299)
Net cash flows used in investing activities		**(1,553,323)**	(2,446,414)	(1,344,333)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availments of:				
Short-term notes payable	*15*	**2,598,701**	2,370,109	2,050,757
Long-term debt	*17*	**756,911**	121,338	31,862
Payments of:				
Short-term notes payable	*15*	**(2,328,306)**	(2,114,913)	(1,355,390)
Interest and financing charges	*25*	**(396,468)**	(420,541)	(354,624)
Long-term debt	*17*	**(1,140,444)**	(358,449)	(90,656)
Obligations under finance lease	*18*	**(85,525)**	(87,570)	(17,833)
Restructured debts		**–**	–	(2,382)
Redemption of preferred shares		**–**	–	(11,983)
Net cash flows provided by (used in) financing activities		**(595,131)**	(490,026)	249,751
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**1,913**	2,287	1,994
NET INCREASE IN CASH AND CASH EQUIVALENTS		**727,489**	44,666	277,462
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,453,754**	1,409,088	1,131,626
CASH AND CASH EQUIVALENTS AT END OF YEAR	*6*	**₱2,181,243**	₱1,453,754	₱1,409,088

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Number of Shares, Earnings per Share, Exchange Rate Data and When Otherwise Indicated)

1. Corporate Information and Approval of the Consolidated Financial Statements

Negros Navigation Co., Inc. (NN or the Company) was organized and registered with the Philippine Securities and Exchange Commission (SEC) on July 26, 1932. The registration was subsequently renewed prior to its expiration in July 1982 for a period of 50 years ending July 2032. The Company's registered office address is 15th Floor, Times Plaza Building, United Nations Avenue corner Taft Avenue, Ermita, Manila, while its principal place of business is Pier 2 and Pier 4, North Harbor, Tondo, Manila. On January 18, 2018, the Board of Directors (BOD) approved the change in its principal office address to 8th Floor Tower 1, Double Dragon Plaza, DD Meridian Park corner Macapagal Avenue and EDSA Extension, Bay Area, Pasay City, Metro Manila. The change in principal office address and the corresponding amendment to the Company's Articles of Incorporation will be submitted to the Company's shareholders for approval during the Annual Shareholders' Meeting to be held on April 5, 2018.

NN and its subsidiaries (collectively referred to as the Group) provide shipping, logistics and distribution services to small and medium enterprises, large corporations, and government agencies throughout the Philippines. The shipping group operates ocean-going freighters, roll-on/roll-off freight and passenger vessels, and fast ferry passenger vessels. The logistics group offers transportation, warehousing and distribution, cold chain solutions, domestic and international ocean and air forwarding services, customs brokerage, project logistics, and express and last mile package and e-commerce delivery. The distribution group leverages NN's shipping and logistics services to provide value-added distribution services to principals and customers.

As at December 31, 2017 and 2016, the Company is 59.6%-owned subsidiary of KGLI-NM Holdings, Inc. (KGLI-NM). Its ultimate parent is Chelsea Logistics Holdings Corp (Chelsea). KGLI-NM and Chelsea are both incorporated and domiciled in the Philippines.

The accompanying consolidated financial statements as at and for the year ended December 31, 2017, with comparative figures as at and for the years ended December 31, 2016 and 2015, were approved and authorized for issue by the BOD on February 23, 2018.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for quoted available-for-sale (AFS) investments which are measured at fair value. The consolidated financial statements are presented in Philippine peso (Peso), which is the Group's functional and presentation currency. All values are presented to the nearest thousands, except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional consolidated statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the consolidated financial statements. An additional consolidated statement of financial position as at January 1, 2016 is presented in the consolidated financial statements due to prior period adjustments discussed in Note 32 to the consolidated financial statements. The opening balances as of January 1, 2016 are presented as December 31, 2015 balances in the notes to the consolidated financial statements.

Statement of Compliance
The consolidated financial statements of the Group are prepared in accordance with Philippine Financial Reporting Standards (PFRS).

3. **Significant Accounting Policies**

The significant accounting policies adopted in the preparation of the consolidated financial statements are summarized below.

Basis of Consolidation
The consolidated financial statements include the accounts of NN and the subsidiaries listed below:

	Nature of Business	Percentage of Ownership
2GO Group, Inc. (2GO)	Transporting passenger and cargoes	**88.3**
The Supercat Fast Ferry Corporation (SFFC)	Transporting passenger	**100.0**
Special Container and Value Added Services, Inc. (SCVASI)	Transportation/logistics	**100.0**
NN-ATS Logistics Management and Holdings Co., Inc. (NALMHCI)	Holding and logistics management	**100.0**
2GO Express, Inc. (2GO Express)	Transportation/logistics	**100.0**
2GO Logistics, Inc. (2GO Logistics)	Transportation/logistics	**100.0**
Scanasia Overseas, Inc. (SOI)	Sales of goods	**100.0**
Hapag-Lloyd Philippines, Inc. (HLP)	Transportation/logistics	**100.0**
WRR Trucking Corporation (WTC)(2)	Transportation	**100.0**
J&A Services Corporation (JASC)	Vessel support services	**100.0**
Red.Dot Corporation (RDC)	Manpower services	**100.0**
Supersail Services, Inc. (SSI)	Manpower provider and vessel support services	**100.0**
Astir Engineering Works, Inc. (AEWI)	Engineering services	**100.0**
WG&A Supercommerce, Incorporated (WSI)(1)	Vessels' hotel management	**100.0**
North Harbor Tugs Corporation (NHTC)	Tug assistance	**58.9**
Super Terminals, Inc. (STI)(2)(4)	Passenger terminal operator	**50.0**
Sungold Forwarding Corporation (SFC)	Transportation/logistics	**51.0**
2GO Rush Delivery, Inc. (RUSH)(3)	Transportation/logistics	**100.0**
Negrense Marine Integrated Services, Inc. (NMISI)	Hotel and allied services	**100.0**
Brisk Nautilus Dock Integrated Services, Inc. (BNDISI)	Freight and related services	**100.0**
Sea Merchants, Inc. (SMI)	Hotel and allied services	**100.0**
Bluemarine, Inc. (BMI)	Housekeeping and allied services	**100.0**

(1) Ceased commercial operations in February 2006
(2) Ceased commercial operations in 2017
(3) Incorporated in December 2016 but has not yet started business operations in 2017
(4) NALMHCI has control over STI since it has the power to cast the majority of votes at the BOD's meeting and the power to govern the financial and reporting policies of STI.

The Group is considered to have control over an investee, if and only if, the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation adjustments recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and,
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate.

Changes in the controlling ownership interest, i.e., acquisition of noncontrolling interest or partial disposal of interest over a subsidiary that do not result in a loss of control, are accounted for as equity transactions.

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but has no control or joint control over those policies.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control wherein each party has rights over the net assets of the joint venture.

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

Investments in associates and joint ventures (investee companies) are accounted for under the equity method of accounting from the day it becomes an associate or joint venture. The excess of the cost of the investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the investee's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and instead included as income in the determination of the share in the earnings of the investees.

Under the equity method, the investments in the investee companies are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the investee companies, less any impairment loss. The consolidated statements of profit or loss reflects the share of the results of the operations of the investee companies. The Group's share of post-acquisition movements in the investee's equity reserves is recognized directly in equity. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee companies. When the investee companies subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee companies and the Group are identical and the investee companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of profit or loss.

The consolidated financial statements include the significant associates and joint ventures of the Group listed below:

	Nature of Business	Effective Percentage of Ownership
Associates:		
MCC Transport Philippines (MCCP)	Container transportation	**29.1**
Hansa Meyer Projects (Phils.), Inc. (HMPPI)[1]	Project logistics and consultancy	**44.2**
Joint Ventures:		
KLN Logistics Holdings Philippines Inc. (KLN)[2]	Holding company	**69.2**
Kerry Logistics Philippines, Inc. (KLI)	International freight and cargo forwarding	**55.2**

[1] *Ceased commercial operations effective December 31, 2017.*
[2] *KLN is 78.4% owned by 2GO Express.*

All entities are incorporated in the Philippines.

Interest in a Joint Operation
The Group has an interest in a joint operation which is a jointly controlled entity, whereby the joint venture partners have a contractual arrangement that establishes joint control over the economic activities of the entity. Upon adoption of PFRS 11, the assets, liabilities, revenues and expenses relating to its interest in the joint operation have been recognized in the consolidated financial statements of the Group.

As at December 31, 2017, 2016 and 2015, the Company has interest in joint operation in United South Dockhandlers, Inc. (USDI).

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three months or less, and are subject to an insignificant risk of change in value.

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

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

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

Financial Instruments
Date of Recognition
The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets, recognition and de-recognition, as applicable, that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

Initial Recognition of Financial Instruments
Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those classified as fair value through profit or loss (FVPL), includes transaction cost.

Subsequent to initial recognition, the Group classifies its financial instruments in the following categories:

- Loans and receivables
- AFS investments
- Other financial liabilities

The classification depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

"Day 1" Difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data that is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS investments or financial assets at FVPL.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized and impaired, as well as through the amortization process. Loans and receivables are included under current assets if realizability or collectibility is within twelve months after the reporting period. Otherwise, these are classified as noncurrent assets.

The Group's cash and cash equivalents, trade and other receivables and refundable deposits (presented as part of "Other current assets" account and "Other noncurrent assets" account in the consolidated statements of financial position) are classified under this category.

AFS Investments
AFS investments are non-derivative financial assets that are designated under this category or are not classified in any of the other categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Subsequent to initial recognition, AFS investments are carried at fair value in the consolidated statements of financial position. Changes in the fair value of such assets are reported as net unrealized gain or loss on AFS investments in the consolidated statement of comprehensive income under "Unrealized gain or loss on AFS financial assets" account until the investment is derecognized or the investment is determined to be impaired. On de-recognition or impairment, the cumulative gain or loss previously reported in consolidated statement of comprehensive income is transferred to the consolidated statement of profit or loss. Interest earned on holding AFS investments is recognized in the consolidated statement of profit or loss using the effective interest method. Assets under this category are classified as current if expected to be disposed of within 12 months after the reporting period. Otherwise, they are classified as noncurrent.

The Group's investments in quoted and unquoted shares of stocks are classified under this category.

Other Financial Liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon inception of the liability. These include liabilities arising from operations or borrowings.

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses on other financial liabilities are recognized in the consolidated statement of profit or loss when the liabilities are derecognized, as well as through the amortization process.

The Group's notes payable, trade and other payables excluding provision for cargo losses and damages and unearned revenue, long-term debt, obligations under finance lease and other noncurrent liabilities are classified under this category.

De-recognition of Financial Assets and Liabilities

Financial Assets. A financial asset is derecognized when:
- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or,
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

Impairment of Financial Assets
The Group assesses at each reporting period whether a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables. The Group first assesses whether objective evidence of impairment exists for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective impairment assessment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the impaired asset shall be reduced through the use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group. If in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. If a future write off is later recovered, the recovery is recognized in the consolidated statement of profit or loss to the extent of the carrying amount that would have been determined had no impairment loss been recognized.

Financial Assets Carried at Cost. If there is objective evidence that an impairment loss has been incurred in an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS Investments. The Group assesses at each reporting period whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS investments, an objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Significant decline in fair value is evaluated against the original cost of the investment, while prolonged decline is assessed against the periods in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of profit or loss, is removed from the consolidated statement of comprehensive profit or loss and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of profit or loss; increases in fair value after impairment are recognized directly in the consolidated statement of comprehensive income.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount of the asset and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Interest income" account in the consolidated statement of profit or loss. If in subsequent years, the fair value of a debt instrument should increase and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of profit or loss, the impairment loss is reversed through the consolidated statement of profit or loss.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is an 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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Inventories
Inventories are valued at the lower of cost and net realizable value. Cost, which includes all costs directly attributable to acquisition, such as purchase price and transport costs, is primarily determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. An allowance for inventory obsolescense is provided for based on the Group's historical inventory expiration experience and physical inspection.

Assets Held for Sale
Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale must be highly probable. For the sale to be highly probable, (a) an appropriate level of management must be committed to a plan to sell the asset, (b) an active program must have been initiated, (c) the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value, (d) the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and (e) actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell and its depreciation or amortization ceases.

The Group presents assets classified as held for sale and liabilities related to assets held for sale separately from other assets and other liabilities, respectively, in the consolidated statements of financial position. These assets and liabilities shall not be offset and presented as a single amount and the major classes of assets and liabilities classified as held for sale shall be separately disclosed either in the consolidated statements of financial position or in the notes.

Impairment loss is recognized for any subsequent write-down of the asset to fair value less costs to sell. Gain for any subsequent increase in fair value less costs to sell of an asset is also recognized but not in excess of the cumulative impairment loss that has been previously recognized.

If the Group has classified an asset as held for sale but the criteria as set out above are no longer met, the Group ceases to classify the asset as held for sale, the Group measures a noncurrent asset that ceases to be classified as held for sale at the lower of (a) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset not been classified as held for sale, and (b) its recoverable amount at the date of the subsequent decision not to sell.

Property and Equipment
Property and equipment, except land, is stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs necessary in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation and related interest incurred during the construction.

When significant parts of property and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Land is carried at cost, less accumulated impairment losses.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Drydocking costs, consisting mainly of main engine overhaul, replacement of steel plate of the vessels' hull and related expenditures, are capitalized as a separate component of "Vessels in operations". When significant drydocking costs are incurred prior to the end of the amortization period, the remaining unamortized balance of the previous drydocking cost is derecognized in profit or loss.

Vessels under refurbishment, if any, include the acquisition cost of the vessels, the cost of ongoing refurbishments and other direct costs. Construction-in-progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the refurbishment of vessels and construction of property and equipment are capitalized during the refurbishment and construction period. Vessels under refurbishment and construction in progress are not depreciated until such time the relevant assets are complete and available for use but tested for impairment losses. Refurbishment of existing vessels is capitalized as part of vessel improvements and depreciated at the time the vessels are put back into operation.

Vessel on lay-over, if any, represents vessel for which drydocking has not been done pending availability of the necessary spare parts. Such vessels, included under the "Property and equipment" account in the consolidated statements of financial position are stated at cost, less accumulated depreciation and any impairment in value.

Minor spare parts and service equipment are typically carried as inventory and recognized in profit or loss as consumed. Major spare parts and stand-by equipment are carried as property and equipment when an entity expects to use them during more than one period or when they can be used only in connection with an item of property and equipment.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, namely:

	Note	In Years
Vessels in operations, excluding drydocking costs and vessel equipment and improvements	*4*	30 - 35*
Drydocking costs		2 - 2.5
Vessel equipment and improvements		3 - 5
Containers and reefer vans		5 - 10
Terminal and handling equipment		5 - 10
Furniture and other equipment		3 - 5
Land improvements		5 - 10
Buildings and warehouses		5 - 20
Transportation equipment		5 - 10
Spare parts and service equipment		3 - 5
Leasehold improvements		Shorter of 5 - 20 or lease term

**From the time the vessel was built*

Depreciation or amortization commences when an asset is in its location or condition capable of being operated in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held-for-sale in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period. The carrying values of the assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is credited or charged to current operations.

When property and equipment are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization and accumulated provision for impairment losses are removed from the accounts and any resulting gain or loss is charged to profit or loss.

Investment Property
The Group's investment property consists of a parcel of land of 2GO Express, is measured at cost, less any impairment loss. The Group used the fair value of the land at the date the Company acquired 2GO Express as the cost in the consolidated financial statements.

Expenditures incurred after the investment property has been put in operation such as repairs and maintenance costs are charged to profit or loss.

Investment property is derecognized when disposed or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are charged to profit or loss.

Transfers are made to (from) investment property when there is a change in use evidenced by ending (commencement) of owner-occupation, or, commencement of an operating lease to another party (commencement of development with a view to sell).

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Software
Software is initially recognized at cost. Following initial recognition, software is carried at cost, less accumulated amortization and any accumulated impairment losses.

The software is amortized on a straight-line basis over its estimated useful life of three to five years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the software is available for use. The amortization period and the amortization method for the software are reviewed at each financial year end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense is recognized in profit or loss in the expense category consistent with the function of the software.

Property Acquisitions and Business Combinations

Property Acquisitions. When property is acquired through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

When such an acquisition is not judged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

Business Combinations. Business combinations are accounted for using the acquisition method except for business combinations under common control in which an accounting similar to pooling of interest method is used. Business combinations under common control are those in which all of the combining entities or businesses are controlled by the same party or parties both before and after the business combination, and that control is not transitory. Under the acquisition method, the cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in "Selling, general and administrative expenses" account in the consolidated statement of profit or loss.

For accounting similar to pooling of interest method, the assets, liabilities and equity of the acquired companies for the reporting period in which the common control business combinations occur, and for any comparative periods presented, are included in the consolidated financial statements of the Group at their carrying amounts as if the combinations had occurred from the date when the acquired companies first became under the control of the Group. The excess of the cost of business combinations over the net carrying amounts of the assets and liabilities of the acquired companies is recognized under "Equity adjustments from common control transactions" account in the equity section of the consolidated statements of financial position.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with Philippine Accounting Standard (PAS) 39, *Financial Instruments: Recognition and Measurement* either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be re-measured and subsequent settlement is accounted for within equity.

Goodwill

Initial Measurement of Goodwill or Gain on a Bargain Purchase. Goodwill is initially measured by the Group at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as gain on a bargain purchase.

Subsequent Measurement of Goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment Testing of Goodwill. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and,
- is not larger than an operating segment as defined in PFRS 8, *Operating Segments*, before aggregation.

Frequency of Impairment Testing. Irrespective of whether there is any indication of impairment, the Group tests goodwill acquired in a business combination for impairment at least annually.

Allocation of Impairment Loss. An impairment loss is recognized for a CGU if the recoverable amount of the unit or group of units is less than the carrying amount of the unit or group of units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit or group of units first to reduce the carrying amount of goodwill allocated to the CGU or group of units and then to the other assets of the unit or group of units pro rata on the basis of the carrying amount of each asset in the unit or group of units.

Measurement Period. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. The measurement period ends as soon as the Group receives the information it was seeking as of the acquisition date or learns that more information is not obtainable. The measurement period shall not exceed one year from the acquisition date.

Impairment of Nonfinancial Assets

The carrying values of the Group's nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or CGUs are written-down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less cost to sell or value in use (VIU). The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the consolidated statement of profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. In such a case, the recoverable amount is estimated. Any previously recognized impairment loss is reversed only when there is a change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Accordingly, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized in prior years. Such reversal is recognized in the consolidated statement of profit or loss. After such a reversal, the depreciation or amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity
Share capital is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Additional Paid-in Capital (APIC) is the difference between the proceeds and the par value when the shares are sold at a premium. Contributions received from shareholders are recorded at the fair value of the items received with the credit going to share capital and any excess to APIC.

Treasury Shares are the Group's own equity instruments that are reacquired. Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as APIC. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them.

Other Comprehensive Income (OCI) comprises items of income and expenses that are not recognized in profit or loss for the year. OCI of the Group includes net changes in fair value of AFS financial assets, share in OCI of associates and remeasurement gains or losses on accrued retirement benefits.

Retained Earnings represents the cumulative balance of net income, net of any dividend declaration and other capital adjustments.

Revenue
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, VAT or duties, if any. The Group assesses its revenue arrangement against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria for each type of revenue are as follows:

Shipping Revenues are recognized when the related services are rendered. Customer payments for services which have not yet been rendered are classified as unearned revenue under "Trade and other payables" account in the consolidated statement of financial position.

Logistics Revenues are recognized when the related services have been rendered. Service fees are also recognized when cargoes are received by either shipper or consignee for export and import transactions. These amounts are presented, net of certain costs which are reimbursed by customers.

Sale of Goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is upon delivery of the goods and acceptance by the buyer.

Interest Income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Rental Income arising from operating leases is recognized on a straight-line basis over the lease term.

Management Fee is recognized when the related services are rendered.

Dividend Income is recognized when the shareholders' right to receive the payment is established.

Costs and Expenses

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

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits

Majority of the subsidiaries of the Group have separate funded, noncontributory retirement plans, administered by the respective trustees, covering their respective permanent employees.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting the 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 plans is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and,
- Re-measurements 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 on the earlier of the date of the plan amendment or curtailment, and the date the Group recognizes restructuring related costs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined 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 benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Re-measurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. 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 obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined 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.

Foreign Currency-denominated Transactions and Translations
Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of the reporting period. All differences are taken to the consolidated statements of profit or loss.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions and are not retranslated. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Group as a Lessee. Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated statement of profit or loss.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of profit or loss on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Group as a Lessor. Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments 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. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

Borrowing Cost
Borrowing cost is capitalized as part of the cost of the asset if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing cost commences when the activities to prepare the asset are in progress and expenditures and borrowing cost are incurred. Borrowing cost is capitalized until the assets are substantially ready for their intended use. Borrowing cost is capitalized when it is probable that they will result in future economic benefits to the Group. All other borrowing costs are expensed as incurred. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowings is used.

Taxes
Current Tax. Current tax assets and liabilities for the current periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the end of each reporting period.

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 at the financial 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 and carryforward benefits of excess Minimum Corporate Income Tax (MCIT) and Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefits of excess MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and,
- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at reporting date.

Income tax relating to items recognized directly in the consolidated statement of comprehensive income is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of profit or loss.

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

VAT. Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

CWTs

CWTs, included in "Other current assets" account in the consolidated statements of financial position, are amounts withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rule on Philippine income taxation. CWTs which are expected to be utilized as payment for income taxes within twelve (12) months are classified as current assets.

Basic/Diluted Earnings (Loss) Per Common Share (EPS)

Basic EPS is computed by dividing the net income (loss) for the period attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding, after retroactive adjustment for any stock dividends and stock splits declared during the year.

For the purpose of computing diluted EPS, the net income (loss) for the period attributable to equity holders of the Parent Company and the weighted-average number of issued and outstanding common shares are adjusted for the effects of all dilutive potential ordinary shares.

Dividends

Dividends on common shares are recognized as a liability and deducted from retained earnings when approved by the respective shareholders of the Company and subsidiaries. Dividends for the year that are approved after the reporting period are dealt with as an event after the reporting period.

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 are disclosed when an inflow of economic benefits is probable.

Related Parties
A related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel (KMP), directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Events After Reporting Period
Post yearend events that provide additional information about the Group's financial position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post yearend events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group's Chief Decision Maker regularly reviews the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Financial information on business segments is presented in Note 5.

Standards Issued But Not Yet Adopted
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2018. The Group has not applied the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

The Group will adopt the following new or revised standards, amendments to standards and interpretations on the respective effective dates, as applicable:

Effective January 1, 2018

- PFRS 9, *Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The Group is assessing the potential impact on its consolidated financial statements resulting from the application of PFRS 9.

- PFRS 15, *Revenue from Contracts with Customers* replaces PAS 11 Construction Contracts, PAS 18, *Revenue*, International Financial Reporting Interpretation Committee (IFRIC 13), *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers* and Standards Interpretation Committee (SIC) 31, *Revenue - Barter Transactions Involving Advertising Services*.

The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of PFRS 15.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration* clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

  The interpretation is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

- *Transfers of Investment Property* (Amendments to PAS 40, *Investment Property*) amends the requirements on when an entity should transfer a property asset to, or from, investment property. A transfer is made when and only when there is an actual change in use - i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.

  The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. An entity may apply the amendments to transfers that occur after the date of initial application and also reassess the classification of property assets held at that date or apply the amendments retrospectively, but only if it does not involve the use of hindsight.

Effective January 1, 2019

- PFRS 16, *Leases* supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

  PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 at or before the date of initial application of PRFS 16. The Group is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date.

- Deferral of the local implementation of Amendments to PFRS 10, *Events after the Reporting Period* and PAS 28, *Investment in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture,* address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

  The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

  Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date of these amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Accounting policies have been applied consistently to all years presented in the consolidated financial statements, except for the changes in accounting policies explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations
The Group has adopted the following amendments to standards starting January 1, 2017. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Group's consolidated financial statements.

- *Disclosure initiative* (Amendments to PAS 7, *Statement of Cash Flows*) addresses financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. When an entity first applies the amendments, it is not required to provide comparative information for preceding periods.

- *Recognition of Deferred Tax Assets for Unrealized Losses* (Amendments to PAS 12, *Income Taxes*) clarifies that:

  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;

  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;

  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2017. On initial application, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If an entity applies the relief, it shall disclose that fact.

- *Clarification of the scope of the standard* (Amendments to PFRS 12, *Disclosure of Interests in Other Entities*) clarifies that the disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution.

4. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements in compliance with PFRSs requires management to make judgments, accounting estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These judgments, estimates and assumptions are based on management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

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:

Revenue Recognition
The Group's revenue arises from its shipping and non-shipping business. Revenue from shipping business comprised mainly of freight and passenger services while the revenue from non-shipping business comprised mainly of logistics and sale of goods. These revenue transactions are subject to risk of recognizing revenue in the improper period or inappropriate amount due to numerous manual adjustments. Further, the sale of goods is also subject to risk of inappropriate or untimely capture of material revenue-related adjustments such as sales discounts, allowances, returns and bad goods. The Group considers these risks over revenue recognition and makes judgment in recognizing and determining appropriate amount of revenue and material revenue-related adjustments in the proper period.

Determining whether the Group is acting as principal or an agent
The Group assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:
- whether the Group has primary responsibility for providing the services;
- whether the Group has inventory risk;
- whether the Group has discretion in establishing prices; and
- whether the Group bears the credit risk.

If the Group has determined it is acting as a principal, the Group recognizes revenue on a gross basis with the amount remitted to the other party being accounted as part of costs and expenses. If the Group has determined it is acting as an agent, only the net amount retained is recognized as revenue.

The Group assessed its revenue arrangements and concluded that it is acting as principal in all arrangements.

Classification of Leases - the Group as a Lessee
The Group has entered into commercial property leases on its distribution warehouses, sales outlets, trucking facilities and administrative office locations. Management has determined that all the significant risks and benefits of ownership of these properties remain with the lessor and thus, accounts for these leases as operating leases.

The Group has also entered into finance lease agreements covering certain property and equipment. The Group has determined that it bears substantially all the risks and benefits incidental to ownership of said properties based on the terms of the contracts (such as existence of bargain purchase option and the present value of minimum lease payments amount to at least substantially all of the fair value of the leased asset). See Note 18 for related balances.

Classification of Leases - the Group as a Lessor
The Group has entered into short-term leases or chartering arrangements, which provide no transfer of ownership to the lessee. The Group has determined that, based on an evaluation of the terms and conditions of the arrangements, it retains all the significant risks and rewards of ownership of these equipment and accounts for these as operating leases.

Evaluation of Events after the Reporting Period
Management exercises judgment in determining whether an event, favorable or unfavorable, occurring between the end of reporting period and the date when the consolidated financial statements are authorized for issue, is an adjusting event or nonadjusting event. Adjusting events provide evidence of conditions that existed at the end of the reporting period whereas nonadjusting events are events that are indicative of conditions that arose after the reporting period. Management evaluated that there are no significant adjusting or nonadjusting events after the reporting period.

Estimates and Assumptions
The following are the key assumptions concerning the future and other key sources of estimation uncertainty, at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Estimation of Allowance for Doubtful Receivables
The Group maintains allowances for doubtful accounts on trade and other receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group’s relationship with debtors, their payment behavior and known market factors. The Group reviews the age and status of the receivables, and identifies accounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group’s allowance for impairment losses would increase the Group’s recorded expenses and decrease current assets.

The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties. The Group assesses impairment into two areas: individually assessed allowances and collectively assessed allowances.

The Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are the accounts that have been endorsed to the legal department, nonmoving account receivables, accounts of defaulted agents and accounts from closed stations.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence of individual impairment. Impairment losses are estimated by taking into consideration the aging profile of the receivables, historical loss rates and other factors that may affect collectability. Refer to Note 7.

Determination of NRV of Inventories
The Group's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the reporting period. A new assessment is made of NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV. In estimating the allowance for inventory obsolescence, the Group also considers the physical condition of inventory stocks and expiration dates of inventories. Management estimates the provisioning rates to be applied to the age brackets of expiring inventories based on the Group's historical expiration experience. Refer to Note 8.

Estimation of Probable Losses on CWTs and Input VAT
The Group makes an estimate of the provision for probable losses on its CWTs and input VAT. Management's assessment is based on historical experience and other developments that indicate that the carrying value may no longer be recoverable. In 2017, 2016 and 2015, the Group assessed that the aggregate carrying values of CWTs, input VAT and deferred input VAT are fully recoverable. Refer to Notes 9 and 14.

Classification and valuation of assets held for sale
Management assessed whether its existing vessels met the criteria as assets held based on the following: (1) the related assets are available for immediate sale; (2) preliminary negotiations with willing buyers were executed; and (3) the sale is expected to be completed within 12 months from the end of reporting period. Refer to Note 10.

Estimation of Useful Lives of Property and Equipment
The useful life of each of the Group's items of property and equipment is estimated based on the period over which the asset is expected to be available for use until it is derecognized. Such estimation is based on a collective assessment of similar businesses, internal technical evaluation and experience with similar assets. Specifically, in evaluating the useful lives of the vessels and related assets, management takes into account the intended life of the vessel fleet being operated, the estimate of the economic life from the date purchased or manufactured, development in the domestic shipping regulations, the fleet deployment plans including the timing of fleet replacements, the changes in technology, as well as the repairs and maintenance program, among others.

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded depreciation expenses and decrease the carrying value of property and equipment. In 2016, based on the review of estimated useful lives of the vessels in operations, the Group shortened the estimated useful lives of the vessels in operations. Refer to Note 11.

Assessment of Impairment and Estimation of Recoverable Amount of Property and equipment and Investments in associates and joint ventures
The Group assesses at the end of each reporting period whether there is any indication that the nonfinancial assets listed below may be impaired. If such indication exists, the entity shall estimate the recoverable amount of the asset, which is the higher of an asset's fair value less costs to sell and its VIU. In determining fair value less costs to sell, an appropriate valuation model is used, which can be based on quoted prices or other available fair value indicators. In estimating the VIU, the Group is required to make an estimate of the expected future cash flows from the CGU and also to choose an appropriate discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amounts of the nonfinancial assets, which involves the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the use of estimates and assumptions that can materially affect the consolidated financial statements. Future events could indicate that these nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations of the Group.

The preparation of estimated future cash flows involves significant judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect its assessment of recoverable values and may lead to future additional impairment charges under PFRSs.

Assets that are subject to impairment testing when impairment indicators are present (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenues or other external indicators) are as follows:

		December 31		
	Note	**2017**	2016	2015
			(In Thousands)	
Property and equipment	*11*	**₱7,898,962**	₱8,145,058	₱7,240,173
Investments in associates and joint ventures	*12*	**292,072**	299,042	273,625

As at December 31, 2017, 2016 and 2015, management evaluated the recoverable amount of the property and equipment based on its value in use. No impairment loss was recognized on the Group's property and equipment as the recoverable amount of the assets are higher than their carrying values.

Management determined that there are no impairment indicators on its investments in associates and joint ventures since the associates and joint ventures have profitable operations.

Impairment of Goodwill
The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the VIU of the CGUs to which the goodwill is allocated. Estimating the VIU requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The significant assumptions used in estimating the recoverable amount of the CGU are described in Note 13.

In 2016 and 2014, the Group impaired the goodwill amounting to ₱21.1 million and ₱22.1 million, respectively, related to three CGUs of nonshipping business due to operational losses, resulting to capital deficiency position. The impairment loss recognized has been determined based on VIU calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. Refer to Note 13.

Estimation of Retirement Benefits Costs and Obligation
The determination of the obligation and cost for pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions were described in Note 26 and include, among others, discount rate and future salary increase. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension and other retirement obligations.

The discount is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. Refer to Note 26.

Recognition of Deferred Tax Assets
The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of excess MCIT and NOLCO is based on the projected taxable income in future periods. Based on the projection, not all deductible temporary differences and carryforward benefits of excess MCIT and NOLCO will be realized. Consequently, only a portion of the Group's deferred tax assets was recognized. Refer to Note 27.

Estimation of Provisions for Contingencies
The Group is involved in certain legal and administrative proceedings arising from the ordinary course of business. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimates. These estimates are based on consultations with independent outside parties, historical experience and other available data. The Group does not believe that these proceedings will have a material adverse effect on its financial position and performance. It is possible, however, that significant differences in actual experience or assumption may materially affect the recorded provision. The inherent uncertainty over the outcome of these legal proceedings and other claims is brought about by the difference in the interpretation and implementation of the relevant laws and regulations. Refer to Note 19.

5. Operating Segment Information

The Group has identified two reportable operating segments as follows:

- The shipping segment provides ocean-going transportation of passengers, rolling cargo, and freight cargo.
- The nonshipping segment provides logistics, sale of goods, supply chain management and other services.

The BOD monitors the operating results of its two operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with the operating profit or loss in the consolidated financial statements.

Segment revenue includes revenue from services between operating segments. Such revenue and related costs are fully eliminated in the consolidation. Further, there were no revenue transactions with a single customer that accounts for 10.0% or more of total revenues.
Revenues, expenses, results of operations, assets, liabilities and other information about the business segments are as follows:

	December 31, 2017			
	Shipping	**Non Shipping**	**Eliminations/ Adjustments**	**Consolidated Balance**
		(In Thousands)		
External customer	**₱8,501,548**	**₱13,089,542**	**₱–**	**₱21,591,089**
Intersegment revenue	**3,041,443**	**537,809**	**(3,579,252)**	**–**
Revenues	**₱11,542,991**	**₱13,627,350**	**(₱3,579,252)**	**₱21,591,089**
Income (loss) before income tax	**₱722,975**	**(₱206,978)**	**(₱557,710)**	**(₱41,713)**
Provision for income tax	**(87,721)**	**(177,525)**	**–**	**(265,246)**
Segment Profit	**₱635,254**	**(₱384,503)**	**(₱557,710)**	**(₱306,959)**
Assets	**(₱20,206,999)**	**(₱8,089,480)**	**₱10,078,412**	**(₱18,218,067)**
Liabilities	**(₱9,813,351)**	**(₱8,162,784)**	**₱5,809,701**	**(₱12,166,434)**
Other Information:				
Capital expenditures	**₱1,603,342**	**₱274,593**	**₱–**	**₱1,877,935**
Depreciation and amortization	**1,825,913**	**183,239**	**–**	**2,009,152**
Provision for doubtful accounts	**14,345**	**285,643**	**–**	**299,988**
Provision for cargo losses and inventory write-down	**13,275)**	**233,004**	**–**	**246,279**
Dividend income	**(526,000)**	**(31,710)**	**557,710**	**–**
Equity in net losses of associates and joint ventures	**3,530**	**3,440**	**–**	**6,970**

	December 31, 2016			
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
		(In Thousands)		
External customer	₱9,079,381	₱10,100,891	₱–	₱19,180,272
Intersegment revenue	2,668,555	948,345	(3,616,900)	–
Revenues	₱11,747,936	₱11,049,236	(₱3,616,900)	₱19,180,272
Income (loss) before income tax	₱1,018,923	(₱48,318)	(₱29,852)	₱940,753
Provision for income tax	(237,973)	(192,272)	–	(430,245)
Segment Profit (Loss)	₱780,950	(₱240,590)	(₱29,852)	₱510,508
Segment Assets	₱20,383,563	₱7,640,633	(₱10,270,583)	₱17,753,613
Segment Liabilities	₱10,557,630	₱6,827,148	(₱5,983,248)	₱11,401,530
Other Information:				
Capital expenditures	₱2,360,928	₱304,041	₱–	₱2,664,969
Depreciation and amortization	1,510,367	132,297	–	1,642,664
Provision for doubtful accounts	134,617	404,860	–	539,477
Provision for cargo losses and inventory write-down	18,075	68,071	–	86,146
Dividend income	(14,000)	–	14,000	–
Equity in net losses (earnings) of associates and joint ventures	(31,545)	7,004	–	(24,541)

	December 31, 2015			
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
		(In Thousands)		
External customer	₱8,575,417	₱7,882,362	₱–	₱16,457,779
Intersegment revenue	1,988,366	860,035	(2,848,401)	–
Revenues	₱10,563,783	₱8,742,397	(₱2,848,401)	₱16,457,779
Income before income tax	₱783,572	₱135,429	(₱86,947)	₱832,054
Provision for income tax	(419,973)	(73,972)	–	(493,945)
Segment Profit	₱363,599	₱61,457	(₱86,947)	₱338,109
Segment Assets	₱19,009,727	₱6,407,876	(₱8,698,211)	₱16,719,392
Segment Liabilities	₱9,663,330	₱5,383,335	(₱4,163,102)	₱10,883,563

	December 31, 2015			
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
		(In Thousands)		
Other information:				
Capital expenditures	₱1,629,912	₱187,345	₱–	₱1,817,257
Depreciation and amortization	1,056,880	103,977	–	1,160,857
Provision for doubtful accounts	168,526	109,899	–	278,425
Provision for cargo losses and inventory write-down	8,265	128,862	–	137,127
Dividend income	40,000	–	(40,000)	–
Equity in net earnings of associates and joint ventures	50,756	7,948	–	58,704

6. Cash and Cash Equivalents

This account consists of:

	December 31		
	2017	2016	2015
		(In Thousands)	
Cash on hand and in banks	**₱1,992,722**	₱1,328,668	₱1,279,911
Cash equivalents	**188,521**	125,086	129,177
	₱2,181,243	₱1,453,754	₱1,409,088

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are placements for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at prevailing market rates.

Interest income earned by the Group from cash in banks and cash equivalents amounted to ₱6.3 million, ₱5.4 million and ₱4.0 million for the years ended December 31, 2017, 2016 and 2015 (see Note 24).

7. Trade and Other Receivables

This account consists of:

		December 31		
	Note	**2017**	2016	2015
			(In Thousands)	
Trade	*20*	**₱4,292,880**	₱4,173,709	₱3,760,169
Nontrade	*20*	**1,220,286**	1,463,654	1,366,657
Due from related parties	*21*	**193,595**	–	–
Advances to officers and employees		**62,320**	63,084	49,168
		5,769,081	5,700,447	5,175,994
Less allowance for doubtful receivables		**1,436,702**	1,292,371	808,369
		₱4,332,379	₱4,408,076	₱4,367,625

a. Trade receivables are noninterest-bearing and are generally on 30 to 60 days terms. Freight receivables of the Group amounting to ₱601.5 million, ₱968.5 million and ₱1,042.2 million as at December 31, 2017, 2016 and 2015, respectively, have been assigned to secure the long-term debt (see Note 17).

b. Nontrade receivables include advances to principals, suppliers and contractors, passage bonds, receivable from trustee fund and insurance and the consideration from the sale of shares of 2GO to certain non-controlling shareholders amounting to ₱396.0 million which was collected in December 2017. These receivables are noninterest-bearing and collectible on demand.

The following tables set out the rollforward of the allowance for doubtful receivables as of December 31, 2017, 2016 and 2015:

		December 31, 2017		
	Note	**Trade**	**Nontrade**	**Total**
			(In Thousands)	
Beginning		**₱835,383**	**₱446,554**	**₱1,281,937**
Provision	***23***	**182,266**	**122,493**	**304,759**
Reversal	***23***	**(11,263)**	**6,492**	**(4,771)**
Write-off		**(145,034)**	**(8,622)**	**(153,656)**
Adjustments		**19,987**	**(11,554)**	**8,433**
Ending		**₱881,339**	**₱555,363**	**₱1,436,702**

		December 31, 2016		
	Note	Trade	Nontrade	Total
			(In Thousands)	
Beginning		₱571,560	₱236,809	₱808,369
Provision	*23*	344,272	220,179	564,451
Reversal		(24,974)	–	(24,974)
Write-off		(28,364)	–	(28,364)
Adjustments		(27,111)	–	(27,111)
Ending		₱835,383	₱456,988	₱1,292,371

		December 31, 2015		
	Note	Trade	Nontrade	Total
			(In Thousands)	
Beginning		₱448,514	₱147,960	₱596,474
Provision	*23*	196,581	87,666	284,247
Reversal		(236)	(5,586)	(5,822)
Adjustments		(73,299)	6,769	(66,530)
Ending		₱571,560	₱236,809	₱808,369

The Group has not provided allowance for doubtful accounts on amounts due from related parties and advances to officers and employees as of December 31, 2017, 2016 and 2015.

The following table sets out the analysis of individual and collective impairment of trade and other receivables:

	December 31, 2017		
	Individually Impaired	**Collectively Impaired**	**Total**
		(In Thousands)	
Trade	**₱290,948**	**₱590,390**	**₱881,338**
Nontrade	**215,491**	**339,873**	**555,364**
	₱506,439	**₱930,263**	**₱1,436,702**

	December 31, 2016		
	Individually Impaired	Collectively Impaired	Total
		(In Thousands)	
Trade	₱491,538	₱343,845	₱835,383
Nontrade	164,560	292,428	456,988
	₱656,098	₱636,273	₱1,292,371

	December 31, 2015		
	Individually Impaired	Collectively Impaired	Total
		(In Thousands)	
Trade	₱330,988	₱240,572	₱571,560
Nontrade	134,145	102,664	236,809
	₱465,133	₱343,236	₱808,369

8. Inventories

This account consists of:

	December 31		
	2017	2016	2015
		(In Thousands)	
Trading goods	**₱428,010**	₱529,101	₱408,696
Fuel, oil and lubricants	**95,595**	71,911	57,182
Materials, parts and supplies	**32,220**	75,532	50,698
	₱555,825	₱676,544	₱516,576

The allowance for inventory obsolescence as at December 31, 2017, 2016 and 2015 totaled ₱46.0 million, ₱55.3 million and ₱73.4 million, respectively.

Cost of inventories were recognized and presented in the following accounts in the consolidated statement of profit or loss (see Notes 22 and 23):

	Years Ended December 31		
	2017	2016	2015
	(In Thousands)		
Cost of services	**₱3,365,618**	₱2,611,472	₱2,919,062
Cost of goods sold	**5,191,146**	2,946,534	2,639,915
General and administrative expenses	**13,640**	22,374	13,528
	₱8,570,404	₱5,580,380	₱5,572,505

The cost of inventories presented as "Cost of services" pertain mainly to fuel, oil and lubricants used in vessels' operation and food and beverages sold by the shipping segment. The cost of inventories presented as "Cost of goods sold" pertain to the trading goods sold by the nonshipping segment. The cost of inventories presented as "General and administrative expenses" pertain to office supplies.

9. Other Current Assets

This account consists of:

		December 31		
	Note	**2017**	2016	2015
		(In Thousands)		
CWTs		**₱1,229,555**	₱1,155,556	₱1,207,334
Input VAT		**114,312**	102,533	57,508
Refundable deposits - current portion	*14*	**77,577**	73,485	37,434
Restricted time deposits	*14*	**152,736**	–	–
Prepaid expenses and others		**154,675**	139,206	190,951
		₱1,728,855	₱1,470,780	₱1,493,227

a. CWTs represents creditable tax certificates which can be applied against any related income tax liability of a company in the Group to which the CWTs relate.

b. Prepaid expenses and others include prepaid rent, insurance and taxes, and advances to suppliers.

10. Asset Held for Sale

On September 23, 2015, the BOD approved the sale of one of the Group's passenger/cargo vessel, namely M/V St. Joan of Arc. Accordingly, the Group recognized related impairment loss for the vessel amounting to ₱260.4 million, representing the excess of carrying value of the vessel over its estimated selling price. The net carrying value of the vessel, net of impairment, amounting to ₱158.2 million was reclassified from property and equipment to asset held for sale in the consolidated statement of financial position as of December 31, 2015.

In June 2016, the Group sold the vessel for a total consideration of ₱158.2 million, which was paid in full and delivered to the buyer in July 2016.

11. **Property and Equipment**

	December 31, 2017										
	Vessels in Operations	**Containers and Reefer Vans**	**Terminal and Handling Equipment**	**Furniture and Other Equipment**	**Land and Land Improvements**	**Buildings and Warehouses**	**Transportation Equipment**	**Spare parts and Service Equipment**	**Leasehold Improvement s**	**Construction-In-Progress**	**Total**
						(In Thousands)					
Cost											
January 1, 2017	**₱10,646,634**	**₱2,435,108**	**₱1,480,072**	**₱1,027,255**	**₱455,361**	**₱518,491**	**₱676,111**	**₱422,195**	**₱624,251**	**₱733,740**	**₱19,019,218**
Additions	**1,053,294**	**163,005**	**103,173**	**53,748**	**34,909**	**1,987**	**89,445**	**48,370**	**31,814**	**298,190**	**1,877,935**
Disposals/retirements	**(218,019)**	**(38,826)**	**(24,388)**	**(53,542)**	**–**	**(305)**	**(14,262)**	**(1,602)**	**(7,115)**	**–**	**(358,059)**
Reclassifications/adjustments	**970,690**	**(57,530)**	**45,373**	**(9,735)**	**(406)**	**370**	**(50,166)**	**(23,753)**	**54,123**	**(960,723)**	**(31,757)**
December 31, 2017	**12,452,599**	**2,501,757**	**1,604,230**	**1,017,726**	**489,864**	**520,543**	**701,128**	**445,210**	**703,073**	**71,207**	**20,507,337**
Accumulated Depreciation and Amortization											
January 1, 2017	**5,279,191**	**1,763,470**	**1,266,685**	**922,580**	**143,394**	**356,157**	**562,542**	**86,931**	**493,210**	**–**	**10,874,160**
Depreciation and amortization	**1,605,241**	**90,039**	**57,850**	**56,537**	**9,442**	**13,614**	**50,048**	**32,263**	**78,831**	**–**	**1,993,865**
Disposals/retirements	**(165,726)**	**(38,739)**	**(24,107)**	**(51,103)**	**–**	**(220)**	**(12,703)**	**(421)**	**(7,115)**	**–**	**(300,134)**
Reclassifications/adjustments	**(10)**	**41,077**	**(786)**	**(5,415)**	**(13)**	**(1)**	**12,526**	**(6,640)**	**(254)**	**-**	**40,484**
December 31, 2017	**6,718,696**	**1,855,847**	**1,299,642**	**922,599**	**152,823**	**369,550**	**612,413**	**112,133**	**564,672**	**–**	**12,608,375**
Net Carrying Amounts	**₱5,733,903**	**₱645,910**	**₱304,588**	**₱95,127**	**₱337,041**	**₱150,993**	**₱88,715**	**₱333,077**	**₱138,401**	**₱71,207**	**₱7,898,962**

	December 31, 2016										
	Vessels in Operations	Containers and Reefer Vans	Terminal and Handling Equipment	Furniture and Other Equipment	Land and Land Improvements	Buildings and Warehouses	Transportation Equipment	Spare parts and Service Equipment	Leasehold Improvements	Construction-In-Progress	Total
						(In Thousands)					
Cost											
January 1, 2016	₱9,205,523	₱2,412,359	₱1,389,563	₱958,567	₱440,622	₱499,778	₱636,935	₱422,195	₱596,430	₱70,120	₱16,632,092
Additions	1,533,932	166,807	107,967	82,684	14,293	18,182	49,454	–	27,256	664,394	2,664,969
Disposals/retirements	(92,492)	(89,845)	(121)	(3,460)	–	(226)	(13,932)	–	(3,939)	–	(204,015)
Reclassifications/adjustments	(329)	(54,213)	(17,337)	(10,536)	446	757	3,654	–	4,504	(774)	(73,828)
December 31, 2016	10,646,634	2,435,108	1,480,072	1,027,255	455,361	518,491	676,111	422,195	624,251	733,740	19,019,218
Accumulated Depreciation and Amortization											
January 1, 2016	3,975,738	1,806,946	1,223,000	885,597	134,936	345,641	544,194	1,041	474,816	–	9,391,909
Depreciation and amortization	1,300,950	96,485	43,691	41,232	8,458	10,606	29,794	85,890	19,214	–	1,636,320
Disposals/retirements	(92,492)	(87,441)	(121)	(2,642)	–	(90)	(11,958)	–	(1,751)	–	(196,495)
Reclassifications/adjustments	94,995	(52,520)	115	(1,607)	–	–	512	–	931	–	42,426
December 31, 2016	5,279,191	1,763,470	1,266,685	922,580	143,394	356,157	562,542	86,931	493,210	–	10,874,160
Net Carrying Amounts	₱5,367,443	₱671,638	₱213,387	₱104,675	₱311,967	₱162,334	₱113,569	₱335,264	₱131,041	₱733,740	₱8,145,058

	December 31, 2015										
	Vessels in Operations	Containers and Reefer Vans	Terminal and Handling Equipment	Furniture and Other Equipment	Land and Land Improvements	Buildings and Warehouses	Transportation Equipment	Spare parts and Service Equipment	Leasehold Improvements	Construction-In-Progress	Total
						(In Thousands)					
Cost											
January 1, 2015	₱8,595,984	₱2,292,205	₱1,321,517	₱928,705	₱432,419	₱491,950	₱607,025	₱–	₱606,002	₱38,572	₱15,314,379
Additions	1,301,928	303,502	68,818	41,250	6,980	11,076	41,019	–	15,452	27,232	1,817,257
Disposals/retirements	(3,649)	(174,547)	(4,520)	(5,729)	–	(22,352)	(8,121)	–	(5,063)	–	(223,981)
Reclassification to assets held for sale	(686,112)	–	–	–	–	–	–	–	–	–	(686,112)
Reclassifications/adjustments	(2,628)	(8,801)	3,738	(5,659)	1,223	19,104	(2,988)	422,195	(19,961)	4,316	410,539
December 31, 2015	9,205,523	2,412,359	1,389,553	958,567	440,622	499,778	636,935	422,195	596,430	70,120	16,632,082
Accumulated Depreciation and Amortization											
January 1, 2015	3,336,536	1,897,821	1,186,420	855,588	125,244	334,393	524,268	–	475,861	–	8,736,131
Depreciation and amortization	921,365	74,896	40,827	37,588	7,560	22,098	33,967	1,041	17,556	–	1,156,898
Impairment loss on assets held for sale	260,404	–	–	–	–	–	–	–	–	–	260,404
Disposals/retirements	(3,451)	(165,563)	(512)	(4,393)	–	(293)	(7,189)	–	(5,057)	–	(186,458)
Reclassification to assets held for sale	(527,873)	–	–	–	–	–	–	–	–	–	(527,873)
Reclassifications/adjustments	(11,243)	(208)	(3,735)	(3,186)	2,132	(10,557)	(6,852)	–	(13,544)	–	(47,193)
December 31, 2015	3,975,738	1,806,946	1,223,000	885,597	134,936	345,641	544,194	1,041	474,816	–	9,391,909
Net Carrying Amounts	₱5,229,785	₱605,413	₱166,553	₱72,970	₱305,686	₱154,137	₱92,741	₱421,154	₱121,614	₱70,120	₱7,240,173

Noncash Additions - Property and Equipment under Finance Lease
Containers, reefer vans, isotanks, cargo handling equipment and transportation equipment include units acquired under finance lease arrangements (see Note 18).

Noncash additions include costs of leased assets for the years ended December 31, 2017, 2016 and 2015 amounting to ₱37.4 million, ₱155.2 million and ₱207.6 million, respectively. The related depreciation of the leased containers, reefer vans, isotanks, cargo handling equipment and transportation equipment for the year ended December 31, 2017, 2016 and 2015 amounted to ₱62.9 million, ₱65.3 million and ₱42.4 million, respectively were computed on the basis of the Group's depreciation policy for property and equipment.

Unpaid acquisition of property and equipment amounted to ₱74.8 million, ₱149.0 million and ₱558.5 million as of December 31, 2017, 2016 and 2015, respectively.

Vessel Acquisition
In November 2015, the Group acquired additional vessel amounting to ₱303.7 million. Additional costs were incurred in bringing the vessel to its working condition amounting to ₱285.0 million in 2016 and ₱144.4 million in 2015.

Residual Value of Vessels
The Group reviews the residual value of the vessels periodically to ensure that the amount is consistent with the future economic benefits embodied in these vessels at the point of disposal. The residual value for vessels is based on the lightweight and the market price of scrap metals.

Management determined that the changes in the market scrap rates of metals during the period did not result to changes in the residual value of vessels.

Vessels under Construction
In 2016, the Group contracted Austal Philippines Pty Ltd. for the construction of two passenger ferries, MV St. Camael and MV St. Sariel. The Group incurred construction cost of ₱272.6 million and ₱190.1 million for the year ended December 31, 2017 and 2016, respectively. Included in this amount are capitalized borrowing costs related to the loans payable amounting to ₱3.6 million and ₱0.5 million for the years ended December 31, 2017 and 2016, respectively, calculated using the interest rate of 6.5% (see Note 17).

Capitalization of Drydocking Costs
Vessels in operations also include capitalized drydocking costs incurred for the vessels drydocked amounting to ₱298.0 million, ₱658.4 million and ₱419.2 million for the years ended December 31, 2017, 2016 and 2015, respectively. The related depreciable life of drydocking costs ranges from two years to two-and-a-half years.

Sale and Disposal of Property and Equipment
The Group disposed certain property and equipment for net cash proceeds of ₱8.2 million, ₱1.2 million and ₱3.5 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Reclassification of Spare Parts and Service Equipment
In 2016, the Group reclassified its spare parts and service equipment from inventory to property and equipment amounting to ₱380.8 million, net of accumulated depreciation of ₱41.4 million. Management assessed that the spare parts are to be useful for more than a year in rendering maintenance services of vessels.

The balance amounting to ₱344.6 million of the said spare parts and service equipment as at December 31, 2015 was also reclassified from inventory to property and equipment to conform to the 2016 presentation (see Note 8). The reclassification did not materially affect the Group's previously reported financial position, results of operations and cash flows.

Impairment of Property and Equipment
In 2015, the Group recognized impairment loss amounting to ₱260.4 million on one of its vessels that was reclassified to asset held for sale (see Note 10).

Depreciation and Amortization
Depreciation and amortization were recognized and presented in the following accounts in the consolidated statements of profit or loss (see Notes 22 and 23):

	Years Ended December 31		
	2017	2016	2015
		(In Thousands)	
Cost of services and goods sold	**₱1,929,037**	₱1,593,083	₱1,108,166
General and administrative expenses	**64,828**	43,237	48,732
	₱1,993,865	₱1,636,320	₱1,156,898

Property and Equipment Held as Collateral
The Group's vessels in operations with total carrying value of ₱3,279.9 million, ₱4,008.0 million and ₱3,960.9 million are mortgaged to secure certain obligations as at December 31, 2017, 2016 and 2015, respectively (see Note 17). Containers and other equipment held as collateral for finance leases as at December 31, 2017, 2016 and 2015 amounted to ₱458.1 million, ₱468.4 million and ₱416.2 million, respectively (see Note 18).

12. Investments in Associates and Joint Ventures

Details of investments in associates and joint ventures are as follows:

	December 31		
	2017	2016	2015
		(In Thousands)	
Acquisition cost	**₱133,827**	₱133,827	₱133,827
Accumulated equity in net earnings:			
Balances at beginning of year	**159,939**	135,398	76,694
Equity in net earnings (losses) during the year	**(6,970)**	24,541	58,704
Balances at end of year	**152,969**	159,939	135,398
Accumulated share in remeasurement gain on retirement benefits of associates and joint ventures:			
Balances at beginning of year	**5,923**	5,047	(205)
Share in remeasurement gains during the year	–	876	5,252
Balances at end of year	**5,923**	5,923	5,047
Share in cumulative translation adjustment of associates	**(647)**	(647)	(647)
	₱292,072	₱299,042	₱273,625

Summarized financial information of the Group's associates and joint ventures, as included in their own financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	December 31		
	2017	2016	2015
	(In Thousands)		
Current assets	**₱788,928**	₱1,037,731	₱881,567
Noncurrent assets	**642,034**	757,286	998,574
Current liabilities	**494,679**	726,866	675,410
Noncurrent liabilities	**343,990**	294,284	488,993
Equity	**592,295**	773,867	678,148
Revenue	**2,074,897**	1,976,648	2,168,175
Net income (loss)	**(74,111)**	95,372	171,249
Total comprehensive income (loss)	**(72,706)**	97,174	182,734

13. **Goodwill**

Impairment Testing of Goodwill
On December 28, 2010, NN acquired 93.2% ownership interest in 2GO by paying cash to the majority shareholders of 2GO. The acquisition of 2GO is expected to achieve economies of scale and realize synergies in the operations of the shipping and transport operations of the Company and 2GO. The resulting goodwill from 2GO's acquisition amounting to ₱848.5 million has been attributed to each of 2GO's CGUs. The recoverable amount of the CGUs were determined based on VIU calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

In 2016 and 2014, the Group impaired goodwill amounting to ₱21.1 million and ₱22.1 million, respectively, related to three CGUs of the nonshipping business, two of which due to operational losses, resulting to their capital deficiency position. The impairment loss recognized has been determined based on VIU calculations using cash flow projections approved by senior management covering a five-year period.

Key Assumptions Used in VIU Calculations for the Shipping Business
The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Budgeted Earnings before Interest, Tax, Depreciation and Allowance (EBITDA)
Budgeted EBITDA has been based on past experience adjusted for the following:

- *Passage and Cargo Volume*. Management based the passage and cargo volume on the number of round trips per year. The increase in volume is based on the assumption that traffic will grow in relation with the expected gross domestic product (GDP) growth of 6.0% to 7.0%.

- *Rates, Exclusive of VAT.* Management expects an increase in passage and freight rates by 2% in 2018 and in subsequent years based on the history of rates increases.

- *Fuel Prices*. Management expects an increase in fuel prices of 5.0% in 2018 and 2.5% every year onwards. Management expects to recover from the Group's customers any change in fuel prices that are beyond budget through implementation of surcharge. Management believes the fuel surcharge would not cause any material change in the forecasted passenger and cargo volume.

- *Fixed Operating Costs and Expenses*. Based on the cost savings analysis made by management, terminal operation's fixed costs are expected to decrease due to consolidation of ports and container yards in various locations in the Philippines.

- *Terminal and Overhead Expenses*. Management expects that costs and expenses, in general, will increase by 3.0% on the second year and remains steady until the seventh year.

Discount rate
The discount rate applied to cash flow projections was 8.6%.

Budgeted Capital Expenditure
Budgeted capital expenditure is based on management's plan to expand the Group's supply chain segment.

Sensitivity to Changes in Assumptions
Other than as disclosed above, management believes that any reasonably possible change in any of the above key assumptions would not cause the carrying value of goodwill to exceed its recoverable amount.

Key Assumptions Used in VIU Calculations for the CGUs of the Nonshipping Business
The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Budgeted Earnings Before Interest, Tax, Depreciation and Allowance (EBITDA)
Budgeted EBITDA has been based on past experience adjusted for the following:

- *Revenue Growth.* Management based the growth on the growth of the domestic logistics industry as a whole, which grows at a multiple of GDP growth.

- *Cost of Services and Goods Sold.* Management expects that the cost of services and goods sold will increase in line with revenue growth, and that general and administrative expenses & other operating expenses will increase by 8% annually due to the increasing scale of the Nonshipping business.

Discount rate
The discount rate applied to cash flow projections was 8.3%.

Terminal growth rate
Cash flows beyond the five-year period are extrapolated using a zero percent growth rate.

14. Other Noncurrent Assets

	December 31		
	2017	2016	2015
		(In Thousands)	
Deferred input VAT	**₱224,036**	₱186,842	₱115,556
Refundable deposits - net of current portion	**108,114**	69,342	80,045
Restricted time deposit	–	152,736	143,210

(Forward)

	December 31		
	2017	2016	2015
		(In Thousands)	
Software	**45,134**	52,809	39,851
Investment property	**49,790**	49,790	49,790
Available-for-sale financial assets (AFS)	**4,255**	4,840	5,936
Others	**27,810**	20,552	6,072
	₱459,139	₱536,911	₱440,460

a. Deferred input VAT relates primarily to the major capital expenditures and dry docking of vessels.

b. Refundable deposits consist of amounts paid for rental deposits which can be applied as rental payment at the end of the lease term or can be collected in cash upon termination of the lease.

c. Restricted time deposit pertains to the time deposit collateralized by the Company for the OLSA.

The movements in software are as follows:

	December 31		
	2017	2016	2015
		(In Thousands)	
Cost			
Balance at beginning of year	**₱645,602**	₱626,301	₱609,189
Additions	**7,612**	19,310	17,112
Retirement/adjustment	**–**	(9)	–
Balances at end of year	**653,214**	645,602	626,301
Accumulated Amortization			
Balance at beginning of year	**592,793**	586,449	580,904
Amortization	**15,287**	6,344	3,959
Retirement/adjustment	**–**	–	1,587
Balances at end of year	**608,080**	592,793	586,450
Carrying Amount	**₱45,134**	₱52,809	₱39,851

Amortization was recognized and presented in the following accounts in the consolidated statements of profit or loss (see Notes 22 and 23):

	Years Ended December 31		
	2017	2016	2015
		(In Thousands)	
Cost of services and goods sold	**₱1,030**	₱203	₱–
General and administrative expenses	**14,257**	6,141	3,959
	₱15,287	**₱6,344**	**₱3,959**

d. The Group's investment property as at December 31, 2017, 2016 and 2015 amounting to ₱49.8 million pertains to a parcel of land not currently being used in operations. The fair value of the investment property based on the latest appraisal report dated February 16, 2015 amounted to ₱49.8 million. This was determined based on the valuation performed by independent appraisers using the Market Data Approach.

The Group assessed that the fair value determination for the investment property was Level 3 since significant unobservable inputs were used in the valuation. Significant changes to the estimated price per square meter in isolation would result in a significantly higher or lower fair value. Management assessed that there were no significant changes on the fair value of investment property as at December 31, 2017.

For the years ended December 31, 2017, 2016 and 2015, there were no income and expenses arising from the Group's investment property.

e. AFS financial assets consists of unquoted and quoted equity investments. The unquoted shares of stocks amounted to ₱2.6 million as of December 31, 2017 and 2016 and ₱3.9 million as of December 31, 2015.

   Meanwhile, the quoted equity investments of the Group are listed shares of stocks that are carried at market value. The recurring fair value is classified under Level 1. Unrealized gains or losses on AFS financial assets are recognized in other comprehensive income and included in the equity amounting to ₱1.0 million, ₱1.0 million and ₱0.9 million as at December 31, 2017, 2016 and 2015, respectively.

f. Others include advances for future investment amounting to ₱25.0 million.

15. Short-Term Notes Payable

Notes payable as at December 31, 2017, 2016 and 2015 consist of the following:

The Company
On July 4, 2016, the Company repaid an existing ₱50.0 million short-term note payable to a bank. On September 28, 2016, the Company availed of a short-term note from a bank of ₱50.0 million at annual interest of 5.75%, which was repaid on December 20, 2017.

2GO and Subsidiaries
As at December 31, 2017, 2016 and 2015, the notes payable amounting to ₱2,645.0 million, ₱2,324.6 million and ₱2,111.0 million, respectively, represent unsecured short-term peso-denominated notes payable obtained by the Group from local banks with annual interest rates ranging from 5.0% to 8.5%.

Total interest expense incurred by the Group for the notes payable amounted to ₱137.3 million, ₱151.2 million and ₱146.6 million for the years ended December 31, 2017, 2016 and 2015, respectively (see Note 24).

16. Trade and Other Payables

		December 31		
	Note	**2017**	2016	2015
			(In Thousands)	
Trade		**₱2,485,072**	₱2,229,061	₱1,638,452
Nontrade		**921,572**	1,172,659	1,337,609
Accrued expenses		**2,053,217**	1,117,043	1,089,494
Other payables	*19*	**203,532**	165,661	143,914
		₱5,663,393	₱4,684,424	₱4,209,469

a. Trade and other payables are noninterest-bearing and normally have 30 to 45 days terms. Nontrade payables to related parties are payable on demand.

b. Nontrade payables consist of customers' deposits, advances from principals and contractors, payables due to government agencies and others.

c. Details of accrued expenses are as follows:

	December 31		
	2017	2016	2015
		(In Thousands)	
Freight and handling	**₱386,823**	₱126,093	₱147,730
Rent	**246,733**	95,867	59,476
Salaries and wages	**245,631**	141,368	138,292
Outside services	**240,566**	38,045	92,380
Fuel and lube	**182,184**	161,536	180,419
Pick-up and delivery	**163,880**	75,925	95,259
Repairs and maintenance	**137,076**	159,081	88,586
Insurance	**99,446**	17,549	4,262
Communication, light and water	**78,893**	22,622	21,589
Taxes and licenses	**75,035**	8,286	26,488
Co-loading	**44,790**	91,903	96,182
Advertising and promotions	**40,788**	11,958	6,919
Interest	**39,011**	21,282	27,801
Professional fees	**18,447**	57,152	36,291
Others	**53,914**	88,376	67,820
	₱2,053,217	₱1,117,043	₱1,089,494

d. Other payables include unearned revenue from ticket sales, provision for cargo losses and provision for contingencies.

Unearned revenue consists of ticket sales that are not yet used by the passengers and are not yet expired. Tickets expire after a year from the date of scheduled boarding.

Provision for cargo losses and damages refers to the cost of claims for breakages, cargo losses, cargo short weight or passenger claims which are not covered by insurance. Provisions recognized amounted to ₱156.8 million, ₱24.2 million and ₱38.3 million for the years ended December 31, 2017, 2016 and 2015 (see Note 22). The actual claims amounted to ₱105.2 million, ₱60.9 million and ₱107.8 million the years ended December 31, 2017 , 2016 and 2015, respectively.

Provision for contingencies amounted to ₱58.9 million, ₱61.2 million and ₱61.0 million as of December 31, 2017, 2016 and 2016, respectively (see Note 19).

17. **Long-term Debt**

Long-term debt consists of:

	Note	December 31 **2017**	2016	2015
		(In Thousands)		
Banco de Oro Unibank, Inc. (BDO)	*20*	**₱2,293,161**	₱3,339,270	₱3,668,056
United Coconut Planters Bank (UCPB)		**446,429**	–	–
Development Bank of the Philippines (DBP)		**370,000**	120,339	–
Asia United Bank (AUB)		**13,903**	20,024	25,500
Caprotec Corporation, Inc.		**4,878**	34,146	63,415
RCBC Savings Bank		**2,472**	3,735	4,649
Security Bank		–	999	–
Unamortized debt arrangement fees		**(3,169)**	(7,306)	(13,301)
		3,127,674	3,511,207	3,748,319
Current portion		**(3,126,193)**	(3,502,908)	(463,131)
Noncurrent portion		**₱1,481**	₱8,299	₱3,285,188

NN

NN/BDO Facility Agreement

In 2011, the Company borrowed ₱388.5 million in the form of term loan to prepay an existing ₱31.2 million term loan and partially finance the acquisition of a passenger/cargo vessel. The principal of the loan is subject to 26 quarterly amortizations which commenced in December 2011 until March 2018. Interest is payable quarterly in arrears, which shall be based on an adjustable interest rate per annum. Interest rate for the years ended December 31, 2017, 2016 and 2015 is at 9.4%. The loan was fully repaid on December 22, 2017.

The term loan was collaterized by the acquired vessel. As of December 31, 2017, 2016 and 2015, the carrying amount of the collateralized vessel totaled ₱655.2 million, ₱704.3 million and ₱505.2 million, respectively (see Note 11).

Loan with Caprotec Corporation, Inc.

In 2011, the Company availed of unsecured loans from Caprotec Corporation, Inc. of ₱200.0 million to partially finance the acquisition cost of a passenger/cargo vessel. The loan carries fixed annual interest of 10.3% and payable in monthly installments starting May 2011. The loan was fully repaid in February 2018.

2GO

BDO

BDO Omnibus Loan and Security Agreement

On June 11, 2013, 2GO (as Borrower and Assignor), BDO (as Lender), NN, SOI, 2GO Express, 2GO Logistics (as Sureties and Assignors), and SFFC (as Assignor), executed an Omnibus Loan and Security Agreement ("OLSA"). Under the OLSA, 2GO availed of a ₱3.6 billion term loan (i) to refinance the 2GO's existing loans and (ii) to fund various capital expenditures such as drydocking and major repairs of vessels, capital expenditures related to the supply chain business, and other general corporate requirements. Interest is fixed for fifty percent (50.0%) of the principal amount, while the remaining fifty percent (50.0%) has a quarterly floating annual interest rate, provided, such floating interest rate shall have a minimum of 5.0% per annum. The principal of the term loan is subject to thirteen (13) quarterly amortizations which commenced in June 2015 through June 2018.

The OLSA is secured by vessels, real properties, and accounts receivables. As at December 31, 2017, 2016 and 2015, the Company, 2GO and SFFC collateralized their vessels under Mortgage Trust Indenture (MTI) with carrying values amounting to ₱3,279.9 million, ₱4,008.0 million and ₱3,960.9 million; and certain outstanding customers receivables amounting to ₱601.5 million, ₱968.5 million and ₱1,042.2 million, respectively (see Notes 7 and 11).

In accordance with the Omnibus Loan, the Group is required to maintain the following financial ratios based on the Company's consolidated financial statements at each testing date: minimum current ratio of 1.0 times; maximum debt-to-equity ratio of 2.2 times; and, minimum DSCR of 2.0 times. Testing date means: (i) with respect to the December 31 consolidated audited financial statements of the Company, April 30 of the succeeding year and (ii) with respect to the June 30 consolidated unaudited financial statements of the Company, September 30 of the same year.

UCPB

On March 14, 2017, 2GO availed of a ₱500.0 million term loan from UCPB payable in 28 quarterly amortizations through March 14, 2024. Interest is fixed at 7.03% in the first year. The succeeding interest rates shall be based on the prevailing market rate of 5-year PDST-R2 plus 2.5%, subject to review and repricing at the option of UCPB. The loan is guaranteed by the Company through a continuing suretyship agreement with UCPB.

In accordance with the UCPB term loan agreement, 2GO is required to maintain a debt service coverage ratio of at least 1.5:1 and debt to equity ratio not exceeding 2.2:1 based on the latest audited annual consolidated financial statements of the Company.

DBP

On May 20, 2016, SFFC obtained a long-term loan facility from DBP of ₱370 million at 6.5% interest payable up to 15 years to finance the construction of the two (2) vessels (see Note 11).

In accordance with the loan agreement, SFFC is required to maintain debt-to-equity ratio of 2.3:1 and maintain debt service coverage ratio of 2:1 at each testing date. Should SFFC fail to meet the required financial ratios, the parties should use the consolidated financial statements of the Company as the basis for determining the said ratios.

Borrowing Costs and Debt Transaction Costs

Interest costs from long-term borrowings of the Group recognized as expense amounted to ₱213.6 million, ₱205.4 million and ₱185.1 million for the years ended December 31, 2017, 2016 and 2015, respectively (see Note 24).

Amortization of these debt transaction costs included under interest and financing charges amounted to ₱4.0 million, ₱6.0 million and ₱5.3 million for the years ended December 31, 2017, 2016 and 2015, respectively (see Note 24).

Compliance with debt covenants

The Group did not meet the minimum current ratio as of December 31, 2017 and 2016 required under the Group's long-term loan agreements. Accordingly, the Group reclassified the noncurrent portion of its long-term debts that are subject to such covenants or has cross-default provision in the loan agreements, from noncurrent liabilities to current liabilities amounting to ₱731.3 million and ₱2,717.1 million as of December 31, 2017 and 2016, respectively. However, the Group has not received a notice of default from its creditors and the Group continues to pay the long-term loans based on original credit terms.

18. Obligations Under Finance Lease

The Group has various finance lease arrangements with third parties for the lease of containers, reefer vans, isotanks, cargo handlng equipment and transporation equipment. The lease agreements provide for a purchase option to the Company, 2GO, 2GO Express and SCVASI at the end of the lease term, which among other considerations met the criteria for a finance lease. Therefore, the leased assets were capitalized. The lease agreements did not include restrictions, contingent rentals and escalation clauses. Renewal is at the option of the Group.

The future minimum lease payments on the obligations under finance lease together with the present value of the net minimum lease payments are as follows:

	Future Minimum Lease Payment			**Interest**			**Present Value of Minimum Lease Payments**		
	December 31			December 31			December 31		
	2017	2016	2015	**2017**	2016	2015	**2017**	2016	2015
				(In thousands)					
Less than one year	**₱115,114**	₱112,737	₱85,901	**₱13,984**	₱14,978	₱11,056	**₱101,130**	₱97,759	₱74,845
Between one and five years	**233,674**	270,419	226,425	**15,244**	16,604	15,605	**218,430**	253,815	210,820
More than five years	–	–	7,445	–	–	120	–	–	7,325
	₱348,788	₱383,156	₱319,771	**₱29,228**	₱31,582	₱26,781	**₱319,560**	₱351,574	₱292,990

The net carrying values of the above assets held by the Group under finance leases under various property and equipment accounts in Note 11 to the consolidated statement of financial position are summarized as follows.

	December 31		
	2017	2016	2015
		(In Thousands)	
Cost	**₱741,605**	₱661,956	₱575,694
Less accumulated depreciation	**283,447**	193,568	159,510
Net book value	**₱458,158**	₱468,388	₱416,184

The interest expense recognized related to these leases amounted to ₱17.6 million, ₱15.5 million and ₱10.2 million for the years ended December 31, 2017, 2016 and 2015, respectively, under "Financing charges" account in the consolidated statements of profit or loss (see Note 24).

19. Provisions and Contingencies

There are certain legal cases filed against the Group in the normal course of business. Management and its legal counsel believe that the Group has substantial legal and factual bases for its position and are of the opinion that losses arising from these cases, if any, will not have a material adverse impact on the consolidated financial statements. Further, certain legal claims against the Group are reimbursable from Aboitiz Equity Ventures, Inc. (AEV) and Aboitiz & Company, Inc. (ACO).

The Group recognized provision for probable losses arising from these legal cases amounting to ₱58.9 million, ₱61.2 million and ₱61.0 million as of December 31, 2017, 2016 and 2015, respectively (see Note 16).

20. **Related Parties**

In the normal course of business, the Group has transacted with the following related parties:

Relationship	Name
Subsidiaries	Negrense Marine Integrated Services, Inc. (NMISI)
	Brisk Nautilus Dock Integrated Services, Inc. (BNDISI)
	Sea Merchants Inc. (SMI)
	Bluemarine Inc. (BMI)
	2GO Group, Inc.
	2GO Express, Inc. (2GO Express)
	2GO Logistics, Inc. (2GO Logistics)
	Scanasia Overseas, Inc. (SOI)
	Hapag-Lloyd Philippines, Inc. (HLP)
	WRR Trucking Corporation (WTC)
	Special Container and Value Added Services, Inc. (SCVASI)
	The Supercat Fast Ferry Corporation (SFFC)
	2GO Rush, Inc. (Rush)
	NN-ATS Logistics Management and Holdings Corporation, Inc. (NALMHCI)
	Super Terminals, Inc. (STI)
	J&A Services Corporation (JASC)
	Red.Dot Corporation (RDC)
	North Harbor Tugs Corporation (NHTC)
	Sungold Forwarding Corporation (SFC)
	Supersail Corporation (SSI)
	Astir Engineering Works, Inc. (AEWI)
	United South Dockhandlers, Inc. (USDI)
	WG & A Supercommerce, Inc. (WSI)
Associates	MCC Transport Philippines, Inc. (MCCP)
	Hansa Meyer Projects (Phils.), Inc. (HMPPI)
Joint Ventures	KLN Logistics Holdings Philippines, Inc. (KLN)
	Kerry Logistics (Phils.), Inc. (KLI)
Stockholders	KGLI-NM Holdings, Inc. (KGLI)
	SM Investments Corporation
Stockholder of the Parent Company	Chelsea Logistics Holdings Corporation
Other Affiliated Company	BDO Unibank, Inc.
	Chelsea Marine Power Resources, Inc.
	Phoenix Petroleum Philippines, Inc.
	Supervalue, Inc.

The following are the revenue and income (costs and expenses) included in the consolidated statements of profit or loss with related parties which are not eliminated:

		Years Ended December 31		
	Nature	**2017**	2016	2015
		(In Thousands)		
Associates	Freight income	**₱33,108**	₱9,005	₱20,505
	Shared cost	**18,682**	13,449	1,340
	Freight expense	**(33,108)**	(4,306)	(11,412)
Stockholders of the Parent Company	Co-loading	**34,704**	–	–
	Management income	**1,370**	–	–
Other Affiliated Companies	Fuel, oil and lubricants	**(1,414,780)**	–	–
	Food and beverage	**(90,026)**	–	–
	Rent	**(48,860)**	–	–
	Office supplies	**1,257**		
	Outside services	**(30,338)**	–	–
Key Management Personnel	Short-term employee benefits	**(106,082)**	(165,499)	(131,502)
	Post-employment benefits	**(16,470)**	(26,734)	(6,698)

The consolidated statements of financial position includes the following amounts with respect to the balances with related parties:

	Financial Statement Account	Terms and Conditions	December 31 2017	2016	2015
			(In Thousands)		
Associate	Nontrade receivables	On demand; non-interest-bearing	**₱169,525**	₱186,233	₱60,345
Other Affiliated Company	Long - term debt	Based on NN/BDO Facility Agreement and OLSA as discussed in Note 17	**(2,293,161)**	(3,339,270)	(3,668,056)
	Cash in bank	On demand	**1,326,973**	508,990	506,385
	Trade payables	30 to 60 days; noninterest-bearing	**(42,192)**	–	–
	Accrued expenses	30 to 60 days; noninterest-bearing	**(50,874)**	–	–

The outstanding related party balances are unsecured and settlement is expected to be settled in cash, unless otherwise indicated. The Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken at each reporting period through examining the financial position of the related parties and the market in which these related parties operate.

Transactions and Balances with Related Parties Eliminated during Consolidation
The following are the transactions and balances among related parties which are eliminated in the consolidated financial statements:

Costs and Expenses Recognized by:	Revenue and Other IncomeRecognized by:	Nature	Years Ended December 31 2017	2016	2015
			(In Thousands)		
2GO	NN	Vessel lease	**₱276,000**	₱492,000	₱312,000
NN/2GO	AEWI/BNDISI	Repairs and maintenance	**36,158**	38,815	24,523
NN/2GO	NMISI	Outside services	**50,596**	42,814	119,601
NN/2GO	BNDISI	Hustling and stuffing	**4,227**	4,090	6,961
NN/2GO	NMISI	Manpower services	**52,299**	37,540	37,532
BNDISI/ SFFC	NN	Management fee	**2,143**	5,916	2,679
NN/2GO/ NMISI	BNDISI	Rent	**4,846**	1,071	–
NN/2GO/ SFFC	NMISI	Housekeeping	**82,429**	25,286	81,184
NN/2GO	NMISI	Agency income	**75,061**	77,727	73,781
NN/2GO	NMISI	Linen rental	**74,236**	44,839	51,748

Amounts owed to:	Amounts owed by:	Terms and Conditions	December 31 2017	2016	2015
			(In Thousands)		
NN	2GO	30 to 60 days; noninterest-bearing	**₱940,660**	₱619,084	₱229,922
	2GO/BNDISI/NMISI and Others	On demand; noninterest-bearing	**155,338**	213,440	196,013
2GO	NMISI/NN/BNDISI	On demand; noninterest-bearing	**114,911**	145,628	19,050
NMISI	NN/2GO/SOI/Others	On demand; noninterest-bearing	**127,431**	175,220	93,362

Amounts owed to:	Amounts owed by:	Terms and Conditions	December 31 2017	2016	2015
			(In Thousands)		
BNDISI	2GO	On demand; noninterest-bearing	**51,669**	49,994	36,968
	NN	On demand; noninterest-bearing	**4,080**	4,080	1,600
AEWI	NN	On demand; noninterest-bearing	–	3,061	3,031
NALMCHI	NN	On demand; noninterest-bearing	–	909	909

The Company and 2GO

- The Company entered into vessel leasing arrangements with 2GO involving four of its vessels at a fixed monthly rate for a period of one year, subject to renewal as agreed by the parties.

The Company and Other Subsidiaries

- BNDISI provides container and vessel repairs and trucking to 2GO.
- 2GO pays NMISI an agency fee for its manpower services and for the management of its food and beverage business. NMISI also provides housekeeping and manpower pooling services to 2GO and SFFC.

Outstanding balances at reporting period are unsecured and settlement will be in cash, unless otherwise indicated.

21. Equity

a. Share Capital

Details of share capital as at December 31, 2017, 2016 and 2015 are as follows:

	Number of Shares	Amount
	(In Thousands)	
Authorized Share Capital		
Common shares (₱0.20 par value)	**12,406,900,000**	**₱2,481,380**
Preferred shares:		
Series A (₱0.20 par value)	**1,000,000,000**	**200,000**
Series B (₱0.65 par value)	**1,500,000,000**	**975,000**
	14,906,900,000	**₱3,656,380**
Issued and Outstanding		
Common shares	**3,364,768,097**	**₱672,954**
Preferred shares:		
Series A	**1,000,000,000**	**200,000**
Series B	**1,232,323,315**	**801,010**
	5,597,091,412	**₱1,673,964**

There were no movements on the share capital of the Group for the years ended December 31, 2017, 2016 and 2015.

b. The preferred shares shall have the following rights and privileges, and shall be subjected to the following restrictions:
   - each series of preferred shares is entitled to one vote per share;

- preferred shareholders are entitled to receive dividends on the basis of par value, in such amounts per share as may be declared by the BOD, and to be paid in full prior to payment of any amount to common shareholders;
- preferred shareholders are given preference in the distribution of the assets of the Company in case of dissolution prior to payment of any amount to common shareholders; and
- each outstanding preferred share shall be convertible into such number of common shares with a par value of ₱0.20 per share of the Company on at least a par for par basis. As such, the conversion rate of the Series A Preferred Shares to common shares would be 1:1 per share and the conversion rate of the Series B to common shares would be 1:3.25 per share.

c. In December 2012, the Group sold portion of its shareholdings in 2GO to certain noncontrolling shareholders for a total consideration of ₱396.0 million. As a result, the Group's ownership interest in 2GO decreased by 9.8%, from 98.1% to 88.3%. the difference between the consideration received and the book value of the shares disposed to the contolling shareholders amounted to ₱102.4 million and was recognized in equity under "Effect of change in ownership interest in a subsidiary."

22. Cost of Services and Goods Sold

		Years Ended December 31		
	Note	**2017**	2016	2015
			(In Thousands)	
Cost of Services				
Outside services	*20*	**₱4,315,169**	₱4,160,316	₱3,214,649
Fuel, oil and lubricants	*8*	**2,696,758**	2,045,966	2,383,120
Depreciation and amortization	*11, 14*	**1,930,067**	1,593,286	1,108,166
Personnel costs	*25, 26*	**1,248,357**	1,180,189	1,020,418
Rent	*20, 29*	**897,371**	827,387	659,321
Food and beverage	*8*	**457,806**	391,955	374,120
Repairs and maintenance	*20*	**427,059**	565,038	455,285
Arrastre and stevedoring		**251,895**	255,183	152,953
Cargo losses and damages	*16*	**246,279**	86,146	137,127
Insurance		**216,322**	276,779	277,836
Material and supplies used	*8*	**159,215**	173,551	161,822
Food and subsistence		**137,573**	114,334	80,668
Communication, light and water		**131,123**	135,037	115,149
Sales-related expenses		**123,635**	126,823	127,201
Transportation and travel		**82,970**	71,354	61,161
Taxes and licenses		**58,774**	57,106	69,173
Others		**373,923**	471,489	227,699
		13,754,296	12,531,939	10,625,868
Cost of Goods Sold	*8*	**5,191,146**	2,946,534	2,639,915
		₱18,945,442	₱15,478,473	₱13,265,783

23. General and Administrative Expenses

This account consists of the following:

	Note	Years Ended December 31 **2017**	 2016	 2015
			(In Thousands)	
Personnel costs		**₱846,394**	₱742,702	₱766,092
Provision for doubtful account	*7*	**299,988**	539,477	278,425
Outside services	*20*	**247,904**	302,059	54,690
Advertising and promotion		**198,739**	180,686	137,294
Taxes and licenses		**116,889**	58,131	71,134
Transportation and travel	*20*	**113,090**	121,683	83,364
Depreciation and amortization		**79,085**	49,378	52,691
Communication, light and water		**73,280**	67,440	65,289
Entertainment, amusement and recreation		**61,663**	97,171	76,579
Rent	*20, 29*	**57,519**	65,885	46,090
Computer charges		**37,288**	31,772	26,682
Insurance		**20,312**	21,384	12,784
Special projects		**15,905**	19,686	12,292
Repairs and maintenance	*20*	**13,771**	15,265	14,769
Office supplies	*8*	**13,640**	22,374	13,528
Shared cost reimbursable	*20*	**–**	2,972	35,362
Others		**57,558**	54,954	58,357
		₱2,253,025	₱2,393,019	₱1,805,422

24. Other Income (Charges)

Financing Charges

	Note	Years Ended December 31 **2017**	 2016	 2015
			(In Thousands)	
Interest expense on:				
Long-term debt	*17*	**₱220,604**	₱221,238	₱185,125
Short-term notes payable	*15*	**137,341**	151,181	146,554
Amortization of:				
Obligation under finance lease	*18*	**17,599**	15,473	10,212
Debt transaction costs	*17*	**3,990**	5,987	5,321
Other financing charges		**21,162**	15,351	15,117
		₱400,696	₱409,230	₱362,329

Other financing charges comprise of items that are individually immaterial.

Others - net

	Note	2017	2016	2015
		Years Ended December 31		
		(In Thousands)		
Interest income	*6*	**₱6,283**	₱5,421	₱4,057
Dividend income		**–**	2,676	–
Gain (loss) on disposal of:				
Property and equipment	*11*	**3,587**	(9,714)	(11,807)
AFS assets		**–**	8,869	–
Foreign exchange losses		**(34,371)**	(3,359)	(161)
Write-off of assets		**–**	(3,397)	(8,411)
Impairment loss on vessel held for sale and goodwill	*10, 11, 13*	**–**	(21,127)	(260,404)
Others - net		**(2,168)**	37,293	25,831
		(₱26,669)	₱16,662	(₱250,895)

Others - net comprise of prompt payment discount and other items that are individually immaterial.

25. Personnel Costs

Details of personnel costs are as follows:

	Note	2017	2016	2015
		Years Ended December 31		
		(In Thousands)		
Salaries and wages		**₱1,389,724**	₱1,322,020	₱1,228,989
Retirement benefit cost	*26*	**129,347**	90,484	72,279
Other employee benefits		**575,680**	510,387	485,242
		₱2,094,751	₱1,922,891	₱1,786,510

26. Retirement Benefits

The Group has funded defined benefit pension plans covering all regular and permanent employees. The benefits are based on employees' projected salaries and number of years of service. The Group's retirement plans meet the minimum requirement specified under Republic Act No. 7641, *Retirement Pay Law.*

The fund is administered by trustee banks under the supervision of the Board of Trustees who is also responsible for the investment strategy of the plan. The investment strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plans. The Group expects to contribute ₱78.8 million to the retirement fund in 2018. The Group's transaction with the plan pertain to contribution and benefit payments.

The following tables summarize the components of retirement benefit cost included in the consolidated statement of profit or loss are as follows:

	Years Ended December 31		
	2017	2016	2015
		(In thousands)	
Current service cost	**₱107,945**	₱11,460	₱55,070
Net interest cost	**21,402**	79,024	17,209
	₱129,347	₱90,484	₱72,279

The following tables summarize the funded status and amounts recognized in the consolidated statements of financial position:

	December 31, 2017		
	Defined Benefit Obligations	**Fair Value of Plan Assets**	**Accrued Retirement Benefits**
		(In Thousands)	
January 1	**₱690,398**	**(₱233,159)**	**₱457,239**
Net retirement benefits cost in profit or loss:			
Current service cost	**114,166**	**–**	**114,166**
Net interest cost	**36,729**	**(15,327)**	**21,402**
Settlement gain	**(6,221)**	**–**	**(6,221)**
	144,674	**(15,327)**	**129,347**
Benefits paid	**(98,245)**	**70,354**	**(27,891)**
Remeasurements losses (gains) in other comprehensive income - actuarial changes arising from changes in:			
Financial assumptions	**(37,920)**	**–**	**(37,920)**
Demographic assumptions	**42,529**	**–**	**42,529**
Experience adjustments	**(40,627)**	**12,449**	**(28,178)**
Return on plan assets	**(28,257)**	**58,335**	**30,078**
	(64,275)	**70,784**	**6,509**
Actual contributions	**–**	**(177,630)**	**(177,630)**
December 31	**₱672,552**	**(₱284,978)**	**₱387,574**

	December 31, 2016		
	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits
		(In Thousands)	
January 1	₱716,121	(₱250,633)	₱465,488
Net retirement benefits cost in profit or loss:			
Current service cost	11,460	–	11,460
Net interest cost	9,907	69,117	79,024
	21,367	69,117	90,484
Benefits paid	(32,922)	32,922	–

	December 31, 2016		
	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits
Remeasurements losses (gains) in other comprehensive income - actuarial changes arising from changes in:			
Financial assumptions	₱4,194	₱–	₱4,194
Demographic assumptions	(20,546)	–	(20,546)
Experience adjustments	3,949	–	3,949
Return on plan assets	–	18,149	18,149
	(12,403)	18,149	5,746
Actual contributions	(1,765)	(102,714)	(104,479)
December 31	₱690,398	(₱233,159)	₱457,239

	December 31, 2015		
	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits
		(In Thousands)	
January 1	₱629,019	(₱245,672)	₱383,347
Net retirement benefits cost in profit or loss:			
Current service cost	55,070	–	55,070
Net interest cost	24,455	(7,246)	17,209
	79,525	(7,246)	72,279
Benefits paid	(19,120)	19,120	–
Remeasurements losses (gains) in other comprehensive income - actuarial changes arising from changes in:			
Financial assumptions	(28,025)	–	(28,025)
Demographic assumptions	(1,957)	–	(1,957)
Experience adjustments	56,679	–	56,679
Return on plan assets	–	5,868	5,868
	26,697	5,868	32,565
Actual contributions	–	(22,703)	(22,703)
December 31	₱716,121	(₱250,633)	₱465,488

The plan assets available for benefits are as follows:

	December 31		
	2017	2016	2015
		(In Thousands)	
Cash and cash equivalents	**₱35,971**	₱43,065	₱63,240
Receivables	**4,183**	52,840	49,185
Investments in debt securities	**240,427**	135,569	137,703
Others	**4,397**	1,685	505
Fair value of plan assets	**₱284,978**	₱233,159	₱250,633

Curtailment gain recognized in 2017 amounted to ₱6.2 million. As of December 31, 2017, 2016 and 2015, the Group has no transactions with its retirement funds such as loans, investments, gratuities, or surety. The fund also does not have investments in debt or equity securities of the companies in the Group.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk. Management reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligations.

Some debt instruments held have quoted prices in an active market. The remaining plan assets do not have quoted market price in an active market. The plan assets have diverse investments and do not have any concentration risk.

The cost of defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining DBO for the Group's plans are shown below:

	December 31		
	2017	2016	2015
Discount rate	**5.36% - 5.88%**	5.03% - 5.11%	4.87% - 5.19%
Future salary increase	**5.00% - 6.00%**	5.00% - 6.00%	5.00% - 6.00%
Turnover rate	**0.00% - 17.00%**	0.00% - 17.00%	0.00% - 19.00%

The accrued retirement benefits is subject to several key assumptions. Shown below is the sensitivity analysis of the retirement obligation to reasonably possible changes on each significant assumption as of December 31, 2017:

	Increase (Decrease)	Impact on Accrued Retirement Benefits
		(In Thousands)
Discount rate	+1%	(₱46,310)
	-1%	54,406
Salary increase rate	+1%	56,563
	-1%	(48,974)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses.

The average duration of the defined benefit obligation at the end of the reporting period is 25 years in 2017, 2016 and 2015.

Maturity analysis of the benefit payments:

	December 31		
	2017	2016	2015
Less than 5 years	**₱188,774**	₱317,447	₱235,323
More than 5 year to 10 years	**348,394**	301,107	210,903
More than 10 years	**4,454,413**	2,565,622	3,246,530

27. **Income Taxes**

a. The components of provision for income tax are as follows:

	Years Ended December 31		
	2017	2016	2015
		(In Thousands)	
Current:			
RCIT	**₱253,273**	₱379,495	₱122,027
MCIT	**28,897**	22,996	56,637
	282,170	402,491	178,664
Deferred	**(16,924)**	27,754	315,281
	₱265,246	₱430,245	₱493,945

b. The components of the Group's recognized net deferred income tax assets and liabilities are as follows:

	December 31		
	2017	2016	2015
		(In Thousands)	
Directly recognized in profit or loss			
Deferred income tax assets on:			
Allowances for:			
Accrued retirement benefits	**₱44,201**	₱50,156	₱75,272
Past service cost	**9,491**	9,608	7,525
Unrealized foreign exchange loss	**3,438**	3,438	4,957
Accruals and others	**3,064**	7,657	19,198
	60,194	70,859	106,952
Deferred income tax liabilities on other taxable temporary differences	**(7,329)**	(5,162)	(14,025)
	52,865	65,697	92,927
Directly recognized in OCI			
Deferred income tax asset on remeasurement of retirement costs	**29,831**	10,855	19,429
	₱82,696	₱76,552	₱112,356

c. Details of the Group's NOLCO and excess MCIT over RCIT which can be carried forward and claimed as tax credit against regular taxable income and regular income tax due, respectively, are as follows:

NOLCO

Year Incurred	Available Until	Amount	Applied	Expired	Balances as at December 31, 2017 Amount	Tax Effect
				(In Thousands)		
2017	2020	₱168,106	₱–	₱–	₱168,106	₱50,432
2016	2019	30,106	–	–	30,106	9,032
2015	2018	8,884	–	–	8,884	2,665
2014	2017	708,498	23,459	(685,040)	–	–
		₱915,594	₱23,459	(₱685,040)	₱207,096	₱62,129

Excess MCIT over RCIT

Year Incurred	Available Until	Amount	Applied	Expired	**Balances as at December 31, 2017**
			(In Thousands)		
2017	2020	₱25,821	₱–	₱–	**₱25,821**
2016	2019	25,879	–	–	**25,879**
2015	2018	22,703	–	–	**22,703**
2014	2017	44,319	(42,893)	(1,273)	**153**
		₱118,722	(₱42,893)	(₱1,273)	**₱74,556**

d. The following are the Group's NOLCO and other deductible temporary differences for which no deferred tax assets have been recognized.

	December 31		
	2017	2016	2015
		(In Thousands)	
NOLCO	**₱207,096**	₱492,804	₱769,587
Allowance for doubtful accounts	**1,041,825**	1,292,371	808,369
Allowance for inventory obsolescence	**100,142**	55,265	73,409
Excess of MCIT over RCIT	**74,557**	94,581	54,317
Estimated retirement costs and accrued sick leave	**134,346**	154,810	45,139
Impairment of asset held for sale	**8,735**	–	260,404
Provision for probable loss and damages	**20,289**	–	11,888
Unrealized foreign exchange loss	**2,547**	–	–

e. Reconciliation between the income tax expense computed at statutory income tax rate of 30% for years ended December 31, 2017, 2016 and 2015 to the provision for income tax expense as shown in profit or loss is as follows:

	Years Ended December 31		
	2017	2016	2015
	(In Thousands)		
Tax effect of income at statutory rates	**(₱12,514)**	₱282,226	₱249,616
Income tax effects of:			
Deductible temporary differences for which no deferred tax assets were recognized	**250,189**	99,371	146,388
Equity in net losses (earnings) of associates	**2,091**	(7,362)	(17,611)
Interest income already subjected to final tax	**(528)**	(1,193)	(1,217)
Dividend income	**–**	(6,759)	(26,084)
Nondeductible expense	**16,098**	12,241	84,283
Others	**9,910**	51,721	58,570
Provision for income tax	**₱265,246**	₱430,245	₱493,945

28. **Earnings (Loss) Per Share (EPS)**

Basic and diluted earnings per share were computed as follows:

	Years Ended December 31		
	2017	2016	2015
	(In Thousands, except EPS)		
Net income (loss) for the period attributable to equity holders of the Parent Company	**(₱276,244)**	₱458,161	₱285,391
Divided by weighted average number of common shares outstanding for the year	**3,364,768**	3,364,768	3,364,768
Basic earnings per common share	**(₱0.0821)**	₱0.1362	₱0.0848

There are potentially dilutive common shares as at December 31, 2017, 2016 and 2015, computed as follows:

	Years Ended December 31		
	2017	2016	2015
	(In Thousands, except EPS)		
Net income (loss) for the period attributable to equity holders of the Parent Company	**(₱276,244)**	₱458,161	₱285,391
Divided by weighted average number of dilutive shares for the year			
Outstanding common shares	**3,364,768**	3,364,768	3,364,768
Series A (Note 21)	**1,000,000**	1,000,000	1,000,000
Series B (Note 21)	**4,005,050**	4,005,050	4,005,050
Dilutive shares	**8,369,818**	8,369,818	8,369,818
Diluted earnings per common share	**(₱0.0330)**	₱0.0547	₱0.0341

29. **Agreements and Commitments**

a. The Group has entered into various operating lease agreements for its office spaces. The future minimum rentals payable under the noncancellable operating leases are as follows:

	Years Ended December 31		
	2017	2016	2015
		(In Thousands)	
Within one year	**₱603,143**	₱196,733	₱258,292
After one year but not later than five years	**866,341**	271,683	215,710
	₱1,469,484	₱468,416	₱474,002

The lease agreements did not include restrictions, contingent rentals, purchase options and escalation clauses. Renewal of the lease agreements is at the option of the Group.

b. Rent expense is presented under Cost of Services and Goods Sold and General and Administrative Expenses as follows:

		Years Ended December 31		
	Note	**2017**	2016	2015
			(In thousands)	
Cost of services and goods sold	*22*	**₱897,371**	₱827,387	₱659,321
General and administrative expenses	*23*	**57,519**	65,885	46,090
		₱954,890	₱893,272	₱705,411

30. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments comprise cash and cash equivalents, short-term notes payable, long-term debt and obligations under finance lease. The main purpose of these financial instruments is to raise financing for the Group's operations. The Group has other various financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from operations.

The main risks arising from the Group's financial instruments are credit risk involving possible exposure to counter-party default, primarily, on its trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments and maturing obligations; foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements and borrowings; and interest rate risk resulting from movements in interest rates that may have an impact on interest bearing financial instruments.

There has been no change to the Group's exposure to credit, liquidity, foreign exchange, interest rate and equity price risks on the manner in which it manages and measures the risks since prior years.

Credit Risk
To manage credit risk, the Group has policies in place to ensure that all customers that wish to trade on credit terms are subject to credit verification procedures and approval of the Credit Committee. In addition, receivable balances are monitored on an ongoing basis to reduce the Group's exposure to bad debts. The Group has policies that limit the amount of credit exposure to any particular customer.

The Group does not have any significant credit risk exposure to any single counterparty. The Group's exposures to credit risks are primarily attributable to cash and collection of trade and other receivables with a maximum exposure equal to the carrying amount of these financial instruments. As of December 31, 2017, 2016 and 2015, the Group did not hold collateral from any counterparty.

The credit quality per class of financial assets that are neither past due nor impaired is as follows:

December 31, 2017

	High	**Medium**	**Total**
		(In Thousands)	
Loans and receivables			
Cash in banks	**₱1,919,025**	**₱–**	**₱1,919,025**
Cash equivalents	**188,521**	**–**	**188,521**
Trade and other receivables	**6,659**	**1,544,469**	**1,551,127**
Nontrade receivables	**–**	**118,832**	**118,832**
Advances to officers and employees	**11,343**	**–**	**11,343**
Refundable deposits	**185,691**	**–**	**185,691**
Restricted time deposit	**152,736**	**–**	**152,736**
AFS Financial assets	**4,255**	**–**	**4,255**
Total	**₱2,468,228**	**₱1,663,301**	**₱4,131,530**

December 31, 2016

	High	Medium	Total
		(In Thousands)	
Loans and receivables			
Cash in banks	₱1,286,647	₱–	₱1,286,647
Cash equivalents	125,086	–	125,086
Trade and other receivables:			
Freight	–	688,836	688,836
Passage	45,836	–	45,836
Service fees	–	562,971	562,971
Sale of goods	–	138,536	138,536
Others	–	7,553	7,553
Nontrade receivables	–	191,197	191,197
Insurance and other claims	–	6,658	6,658
Advances to officers and employees	58,865	–	58,865
Refundable deposits	142,827	–	142,827
Restricted time deposit	152,736	–	152,736
AFS	4,840	–	4,840
Total	₱1,816,837	₱1,595,751	₱3,412,588

December 31, 2015

	High	Medium	Total
		(In Thousands)	
Loans and receivables			
Cash in banks	₱1,239,425	₱–	₱1,239,425
Cash equivalents	129,177	–	129,177
Trade and other receivables:			
Freight	–	754,351	754,351

(Forward)

	High	Medium	Total
		(In Thousands)	
Passage	₱25,725	₱–	₱25,725
Service fees	–	546,625	546,625
Sale of goods	–	279,069	279,069
Others	–	15,923	15,923
Nontrade receivables	–	358,805	358,805
Insurance and other claims	–	88,669	88,669
Advances to officers and employees	33,543	–	33,543
Refundable deposits	117,478	–	117,478
Restricted time deposit	143,210	–	143,210
AFS	5,936	–	5,936
Total	₱1,694,494	₱2,043,442	₱3,737,936

High quality receivables pertain to receivables from related parties and customers with good favorable credit standing. Medium quality receivables pertain to receivables from customers that slide beyond the credit terms but pay a week after being past due. Low quality receivables are accounts that are deemed uncollectible and provided for with a provision. For new customers, the Group has no basis yet as far as payment habit is concerned. With regards to the forwarders, most are either under litigation or suspension. In addition, their payment habits extend beyond the approved credit terms because their funds are not sufficient for the conduct of their operations.

The Group evaluated its cash in banks as high quality financial assets since these are placed in financial institutions of high credit standing. It also evaluated its advances to officers and employees as high grade since these are collected through salary deductions.

The aging per class of financial assets that were past due but not impaired is as follows:

As of December 31, 2017

	Neither Past Due nor Impaired	Past Due but not Impaired					Impaired Financial Assets	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to over 360 Days		
				(In Thousands)				
Loans and receivables								
Cash in banks	**₱1,919,025**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,919,025**
Cash equivalents	**188,521**	**–**	**–**	**–**	**–**	**–**	**–**	**188,521**
Trade receivables	**1,551,127**	**738,373**	**258,647**	**124,612**	**350,012**	**388,768**	**881,339**	**4,292,878**
Nontrade receivables	**118,832**	**188,231**	**83,341**	**54,531**	**112,922**	**283,662**	**555,363**	**1,396,882**
Advances to officers and employees	**11,343**	**14,275**	**7,145**	**960**	**1,295**	**27,302**	**–**	**62,320**
Refundable deposits	**185,691**	**–**	**–**	**–**	**–**	**–**	**–**	**185,691**
Restricted time deposit	**152,736**	**–**	**–**	**–**	**–**	**–**	**–**	**152,736**
AFS financial assets	**4,255**	**–**	**–**	**–**	**–**	**–**	**–**	**4,255**
Total	**₱4,131,530**	**₱940,879**	**₱349,133**	**₱180,103**	**₱464,229**	**₱699,732**	**₱1,436,702**	**₱8,202,308**

As at December 31, 2016

	Neither Past Due nor Impaired	Past Due but not Impaired: Less than 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to over 360 Days	Impaired Financial Assets	Total
				(In Thousands)				
Loans and receivables								
Cash in banks	₱1,286,647	₱–	₱–	₱–	₱–	₱–	₱–	₱1,286,647
Cash equivalents	125,086	–	–	–	–	–	–	125,086
Trade receivables	1,443,732	753,307	100,591	379,395	192,222	469,078	835,384	4,173,709
Nontrade receivables	197,855	133,010	204,533	106,765	202,583	161,920	456,988	1,463,654
Advances to officers and employees	58,865	2,131	261	397	1,430	–	–	63,084
Refundable deposits	142,827	–	–	–	–	–	–	142,827
Restricted time deposit	152,736	–	–	–	–	–	–	152,736
AFS financial assets	4,840	–	–	–	–	–	–	4,840
Total	₱3,412,588	₱888,448	₱305,385	₱486,557	₱396,235	₱630,998	₱1,292,372	₱7,412,583

As at December 31, 2015

	Neither Past Due nor Impaired	Past Due but not Impaired: Less than 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to over 360 Days	Impaired Financial Assets	Total
				(In Thousands)				
Loans and receivables								
Cash in banks	₱1,239,425	₱–	₱–	₱–	₱–	₱–	₱–	₱1,239,425
Cash equivalents	129,177	–	–	–	–	–	–	129,177
Trade receivables	1,621,693	651,206	105,277	286,507	119,797	404,129	571,560	3,760,169
Nontrade receivables	447,474	254,698	51,490	51,732	205,002	119,452	236,809	1,366,657
Advances to officers and employees	33,543	4,539	1,051	386	9,649	–	–	49,168
Refundable deposits	117,478	–	–	–	–	–	–	117,478
Restricted time deposit	143,210	–	–	–	–	–	–	143,210
AFS financial assets	5,936	–	–	–	–	–	–	5,936
Total	₱3,737,936	₱910,443	₱157,818	₱338,625	₱334,448	₱523,581	₱808,369	₱6,811,220

Liquidity Risk

The Group manages its liquidity profile to be able to finance its capital expenditures and service its maturing debt by maintaining sufficient cash during the peak season of the passage business. The Group regularly evaluates its projected and actual cash flows generated from operations.

The Group's existing credit facilities with various banks are covered by the Continuing Suretyship for the accounts of the Group.

The liability of the Surety is primary and solidary and is not contingent upon the pursuit by the bank of whatever remedies it may have against the debtor or collaterals/liens it may possess. If any of the secured obligations is not paid or performed on due date (at stated maturity or by acceleration), the Surety shall, without need for any notice, demand or any other account or deed, immediately be liable therefore and the Surety shall pay and perform the same.

The following table summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual repayment obligations and the Group's cash to be generated from operations and the Group's financial assets:

	December 31, 2017			
	Less than 1 Year	**1 to 5 Years**	**Over 5 Years**	**Total**
		(In Thousands)		
Financial Liabilities				
Trade and other payables*	**₱5,594,537**	**₱–**	**₱–**	**₱5,594,537**
Short-term notes payable	**2,644,950**	**–**	**–**	**2,644,950**
Long-term debt**	**3,126,193**	**1,481**	**–**	**3,127,674**
Obligations under finance lease	**101,130**	**218,430**	**–**	**319,560**
Other noncurrent liabilities	**6,085**	**–**	**–**	**6,085**
	₱11,472,895	**₱219,911**	**₱–**	**₱11,692,806**
Financial Assets				
Cash and cash equivalents	**₱2,181,243**	**₱–**	**–**	**₱2,181,243**
Trade and other receivables	**4,332,379**	**–**	**–**	**4,332,379**
Refundable deposits	**–**	**185,691**	**–**	**185,691**
Restricted time deposits	**152,736**	**–**	**–**	**152,736**
	₱6,666,358	**₱185,691**	**₱–**	**₱6,852,049**

** Excludes nonfinancial liabilities amounting to ₱92.7 million as of December 31, 2017.*
***Noncurrent portion of long-term debt has been classified to current amounting to ₱3,087.0 million (see Note 17).*

	December 31, 2016			
	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
		(In Thousands)		
Financial Liabilities				
Trade and other payables*	₱3,869,642	₱–	₱–	₱3,869,642
Short-term notes payable	2,374,556	–	–	2,374,556
Long-term debt**	3,487,967	22,908	–	3,510,875
Obligations under finance lease	97,759	253,815	–	351,574
Other noncurrent liabilities	–	8,067	–	8,067
	₱9,829,924	₱284,790	₱–	₱10,114,714
Financial Assets				
Cash and cash equivalents	₱1,453,754	₱–	₱–	₱1,453,754
Trade and other receivables	4,408,076	–	–	4,408,076
Refundable deposits	73,485	69,342	–	142,827
Restricted time deposits	–	152,736	–	152,736
	₱5,935,315	₱222,078	₱–	₱6,157,393

** Excludes nonfinancial liabilities amounting to ₱814.8 million as at December 31, 2016.*

***Noncurrent portion of long-term debt has been classified to current amounting to ₱2,717.1 million (see Note 17).*

	December 31, 2015 (As restated, Note 33)			
	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
	(In Thousands)			
Financial Liabilities				
Trade and other payables*	₱3,477,110	₱–	₱–	₱3,477,110
Short-term notes payable	2,161,017	–	–	2,161,017
Long-term debt	463,131	3,285,188	–	3,748,319
Obligations under finance lease	74,845	218,146	–	292,991
Other noncurrent liabilities	–	2,255	–	2,255
	₱6,176,103	₱3,505,589	₱–	₱9,681,692
Financial Assets				
Cash and cash equivalents	₱1,409,088	₱–	₱–	₱1,409,088
Trade and other receivables	4,367,625	–	–	4,367,625
Refundable deposits	37,434	80,045	–	117,479
Restricted time deposits	–	5,936	–	5,936
	₱5,814,147	₱85,981	₱–	₱5,900,128

** Excludes nonfinancial liabilities amounting to ₱737.4 million as at December 31, 2015.*

Trade and other payables and maturing other liabilities are expected to be settled using cash to be generated from operations, drawing from existing and new credit lines, and additional capital contribution of the shareholders.

Foreign Exchange Risk

Foreign currency risk arises when the Group enters into transactions denominated in currencies other than their functional currency. Management closely monitors the fluctuations in exchange rates so as to anticipate the impact of foreign currency risks associated with the financial instruments. To mitigate the risk of incurring foreign exchange losses, the Group maintains cash in banks in foreign currency to match its financial liabilities.

The Group's significant foreign currency-denominated financial assets and financial liabilities as of December 31, 2017, 2016 and 2015 are as follows:

	December 31, 2017		December 31, 2016		December 31, 2015	
	USD[1]	**Total Peso Equivalent**	USD[2]	Total Peso Equivalent	USD[3]	Total Peso Equivalent
			(In Thousands)			
Financial Assets						
Cash in banks	**$126**	**₱6,291**	$1,740	₱86,513	$565	₱26,589
Trade receivables	**191**	**9,537**	191	9,497	166	7,812
Insurance receivables	**–**	**–**	33	1,641	702	33,036
Restricted time deposits	**3,059**	**152,736**	3,072	152,740	3,043	143,204
	3,376	**168,564**	5,036	250,390	4,476	210,641
Financial Liabilities						
Trade and other payables	**13,449**	**671,509**	993	49,372	152	7,153
Obligations under finance lease	**2,441**	**121,879**	5,100	253,572	140	6,588
	15,890	**793,388**	6,093	302,944	292	13,742
Net foreign currency denominated assets (liabilities)	**($12,514)**	**(₱624,824)**	($1,057)	(₱52,554)	$4,184	₱196,899

[1]$1 = ₱49.93 [2]$1 = ₱49.72 [3]$1 = ₱47.06

The Group has recognized foreign exchange gain (loss) amounting to (₱32.5 million), ₱2.0 million and ₱9.3 million for the years ended December 31, 2017, 2016 and 2015, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax for the years ended December 31, 2017, 2016 and 2015.

	Appreciation (Depreciation) of Foreign Currency	Effect on Income Before Tax December 31 **2017**	2016	2015
			(In Thousands)	
US Dollar (USD)	1%	**(₱5,400)**	₱13,470	₱11,914
	-1%	**5,400**	(13,470)	(11,914)

There is no other impact on the Group's equity other than those already affecting profit or loss.

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings are subject to fixed interest rates ranging from 5% to 6.5% as at December 31, 2017, 2016 and 2015.

The Group's ₱4.0 billion loans under the OLSA includes P2.0 billion loans which bear variable interest rates and exposes the Group to cash flow interest rate risk.

The sensitivity of the consolidated statements of profit or loss presented below is the effect of the assumed changes in interest rates on the income before income (loss) tax for one year, based on the floating rate of non-trading financial liabilities held as at December 31, 2017 and 2016 with other variables held constant:

	Changes in Interest Rates	Effect on Income Before Tax December 31 **2017**	2016	2015
			(In Thousands)	
For more than one year	+80 basis points	**(₱24,982)**	(₱29,997)	(₱28,403)
	-80 basis points	**24,982**	29,997	28,403

	Increase (Decrease) in Interest Rates	Effect on Equity December 31 **2017**	2016	2015
			(In Thousands)	
For more than one year	+80 basis points	**(₱17,488)**	(₱20,998)	(₱19,882)
	-80 basis points	**17,488**	20,998	19,882

Capital Risk Management Objectives and Procedures

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and produce adequate and continuous opportunities to its employees; and to provide an adequate return to shareholders by pricing products/services commensurately with evel of risk.

The Group sets the amount of capital in proportion to risk. It manages the capital structure and makes adjustments in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Group's overall strategy in managing its capital remains unchanged since the prior year.

The Group considers its total equity as its capital. The Group monitors capital on the basis of the carrying amount of equity as presented on the consolidated statements of financial position. The capital ratios are as follows:

	December 31		
	2017	2016	2015
Assets financed by:			
Creditors	**67%**	64%	65%
Stockholders	**33%**	36%	35%

As of December 31, 2017, 2016 and 2015, the Group met its capital management objectives.

31. **Fair Values of Financial Instruments and Nonfinancial Assets**

The table below shows the carrying amounts and fair values of financial assets and liabilities. The fair values have been determined based on level 3 fair value hierarchy. The table below does not include the fair value information for financial assets and liabilities not measured at fair value if the carrying amounts are the reasonable approximation of their fair values.

	December 31, 2017		December 31, 2016		December 31, 2015	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value	Carrying Amount	Fair Value
			(In Thousands)			
Financial Liabilities						
Long-term debts	**₱3,127,674**	**₱3,206,070**	₱3,511,207	₱3,608,907	₱3,748,319	₱3,778,725
Obligations under finance lease	**319,560**	**291,279**	351,574	381,420	292,991	290,737
	₱3,447,234	**₱3,497,349**	₱3,862,781	₱3,990,327	₱4,041,310	₱4,069,462

The following methods and assumptions are used to estimate the fair value of each class of financial instruments and nonfinancial asset:

Cash and Cash Equivalents, Trade and Other Receivables, Trade and Other Payables, Refundable Deposits

The carrying amounts of these financial instruments approximate their respective fair values due to their relatively short-term maturities.

Short-term Notes Payable
The carrying value of short-term notes payable that reprice every three (3) months, approximates their fair value because of recent and regular repricing based on current market rate. For fixed rate loans, the carrying value approximates fair value due to its short-term maturities, ranging from three months to twelve months.

AFS Financial Assets
The fair values of AFS financial assets are based on quoted market prices, except for unquoted equity shares which are carried at cost since fair values are not readily determinable.

Long-term Debt
Discount rate of 5.8% was used in calculating the fair value of the long-term debt as of, December 31, 2017, 2016 and 2015.

Obligations Under Finance Lease
The fair values of obligations under finance lease are based on the discounted net present value of cash flows using the discount rate ranging from 3.5% to 3.7% as of December 31, 2017, 2016 and 2015.

Investment Property
The fair value of the investment property is determined using the Market Data Approach, which is a process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.

32. Effect of Prior Period Adjustments

The Group's management determined the following adjustments should be recognized in the consolidated financial statements as at December 31, 2016 and January 1, 2016 and for the years ended December 31, 2016 and 2015.

Consolidated Statements of Financial Position

		December 31, 2016				January 1, 2016			
	Note	As previously reported	Prior Period Adjustments	Reclassification	As restated	As previously reported	Prior Period Adjustments	Reclassification	As restated
				(In thousands)					
ASSETS									
Current Assets									
Cash and cash equivalents		₱1,457,887	₱44	(₱4,177)	₱1,453,754	₱1,377,004	₱44	₱32,040	₱1,409,088
Trade and other receivables - net	*a, c*	5,748,210	(1,188,862)	(151,272)	4,408,076	4,787,412	(364,450)	(55,337)	4,367,625
Inventories - net	*f*	623,245	(10,716)	64,015	676,544	597,023	3,317	(83,764)	516,576
Other current assets	*g*	1,275,224	164,817	30,739	1,470,780	1,608,544	6,685	(122,002)	1,493,227
		9,104,566	(1,034,717)	(60,695)	8,009,154	8,369,983	(354,404)	(229,063)	7,786,516
Asset held for sale	*e*	–	–	–	–	–	158,239	–	158,239
Total Current Assets		9,104,566	(1,034,717)	(60,695)	8,009,154	8,369,983	(196,165)	(229,063)	7,944,755
Noncurrent Assets									
Property and equipment	*b, e*	9,050,747	(884,450)	(21,239)	8,145,058	7,813,241	(629,430)	56,362	7,240,173
Investments in associates and joint ventures		298,347	374	321	299,042	272,930	374	321	273,625
Deferred tax assets - net	*g*	257,392	(242,807)	61,967	76,552	339,225	(245,443)	18,574	112,356
Goodwill	*d*	730,078	(43,182)	–	686,896	730,078	(22,055)	–	708,023
Other noncurrent assets		568,736	18,001	(49,826)	536,911	445,006	(9,343)	4,797	440,460
Total Noncurrent Assets		10,905,300	(1,152,064)	(8,777)	9,744,459	9,600,480	(905,897)	80,054	8,774,637
TOTAL ASSETS		₱20,009,866	(₱2,186,781)	(₱69,472)	₱17,753,613	₱17,970,463	(₱1,102,062)	(₱149,009)	₱16,719,392

		December 31, 2016				January 1, 2016			
	Note	As previously reported	Prior Period Adjustments	Reclassification	As restated	As previously reported	Prior Period Adjustments	Reclassification	As restated
LIABILITIES AND EQUITY									
Current Liabilities									
Notes payable		₱2,374,556	₱–	₱–	₱2,374,556	₱2,161,017	₱–	₱–	₱2,161,017
Trade and other payables	*f*	4,632,154	127,234	(74,964)	4,684,424	4,256,145	105,793	(152,469)	4,209,469
Income tax payable	*g*	15,780	(504)	(811)	14,465	4,711	856	(1,544)	4,023
Current portion of:									
Long-term debt	*i*	785,835	2,717,073	–	3,502,908	463,131	–	–	463,131
Obligations under finance lease		97,759	–	–	97,759	74,845	–	–	74,845
Total Current Liabilities		7,906,084	2,843,803	(75,775)	10,674,112	6,959,849	106,649	(154,013)	6,912,485
Noncurrent Liabilities									
Long-term debt - net of current portion	*i*	2,725,372	(2,717,073)	–	8,299	3,285,188	–	–	3,285,188
Obligations under finance lease - net of current portion		253,815	–	–	253,815	218,146	–	–	218,146
Accrued retirement benefits		457,239	–	–	457,239	466,787	–	(1,299)	465,488
Other noncurrent liabilities		8,065	–	–	8,065	2,256	–	–	2,256
Total Noncurrent Liabilities		3,444,491	(2,717,073)	–	727,418	3,972,377	–	(1,299)	3,971,078
Total Liabilities		11,350,575	126,730	(75,775)	11,401,530	10,932,226	106,649	(155,312)	10,883,563
Equity									
Share capital		1,673,964	–	–	1,673,964	1,673,964	–	–	1,673,964
Additional paid-in capital		5,495,917	–	–	5,495,917	5,495,917	–	–	5,495,917
Effect of change of ownership interest in a subsidiary		102,430	–	–	102,430	102,430	–	–	102,430
Other comprehensive losses - net		(220,772)	(11,494)	6,303	(225,963)	(230,657)	(2,320)	6,303	(226,674)
Deficit	*h*	796,684	(2,060,509)	–	(1,263,825)	(645,806)	(1,076,180)	–	(1,721,986)
Equity Attributable to Owners of the Parent Company		7,848,223	(2,072,003)	6,303	5,782,523	6,395,848	(1,078,500)	6,303	5,323,651
Noncontrolling interests		811,068	(241,508)	–	569,560	642,389	(130,211)	–	512,178
Total Equity		8,659,291	(2,313,511)	6,303	6,352,083	7,038,237	(1,208,711)	6,303	5,835,829
TOTAL LIABILITIES AND EQUITY		₱20,009,866	(₱2,186,781)	(₱69,472)	₱17,753,613	₱17,970,463	(₱1,102,062)	(₱149,009)	₱16,719,392

Consolidated Statements of Profit or Loss

		Years Ended December 31					
		2016			2015		
	Note	As previously reported	Prior period adjustments	As restated	As previously reported	Prior period adjustments	As restated
REVENUES							
Shipping:							
Freight		₱5,014,995	(₱11,696)	₱5,003,299	₱4,963,311	–	₱4,963,311
Passage		3,992,337	–	3,992,337	3,535,818	–	3,535,818
Nonshipping:							
Logistics		4,671,004	(78,810)	4,592,194	3,152,197	(31,758)	3,120,439
Sale of goods		3,547,864	(68,019)	3,479,845	3,225,800	(2,100)	3,223,700
Cold chain and isotank services		1,424,305	(8,735)	1,415,570	1,169,782	–	1,169,782
Port services		248,005	–	248,005	238,325	–	238,325
International freight forwarding		46,946	–	46,946	39,323	–	39,323
Others		456,782	(54,706)	402,076	167,937	(856)	167,081
	c	19,402,238	(221,966)	19,180,272	16,492,493	(34,714)	16,457,779
COST OF SERVICES AND GOODS SOLD	*b, c, f*	14,898,868	579,605	15,478,473	13,199,292	66,491	13,265,783
GROSS PROFIT		4,503,370	(801,571)	3,701,799	3,293,201	(101,205)	3,191,996
GENERAL AND ADMINISTRATIVE EXPENSES	*a, b, f*	1,665,445	727,574	2,393,019	1,457,118	348,304	1,805,422
OPERATING INCOME (LOSS)		2,837,925	(1,529,145)	1,308,780	1,836,083	(449,509)	1,386,574
OTHER INCOME (CHARGES)							
Equity in net earnings of associates		24,541	–	24,541	58,330	374	58,704
Financing charges		(409,294)	64	(409,230)	(382,290)	19,961	(362,329)
Income from retirement of redeemable preferred shares		–	–	–	5,988	(5,988)	–
Others - net	*d, e*	(200,715)	217,377	16,662	1,725	(252,620)	(250,895)
		(585,468)	217,442	(368,027)	(316,247)	(238,273)	(554,520)
INCOME (LOSS) BEFORE INCOME TAX		2,252,457	(1,311,704)	940,753	1,519,836	(687,782)	832,054
PROVISION FOR INCOME TAX	*g*	641,288	(211,043)	430,245	446,197	47,748	493,945
NET INCOME (LOSS)		₱1,611,169	(₱1,100,661)	₱510,508	₱1,073,639	(₱735,530)	₱338,109
Attributable to:							
Equity holders of the Parent Company		₱1,442,490	(₱984,329)	₱458,161	₱936,549	(₱651,158)	₱285,391
Non-controlling interests		168,679	(116,332)	52,347	137,090	(84,372)	52,718
		₱1,611,169	(₱1,100,661)	₱510,508	₱1,073,639	(₱735,530)	₱338,109
Basic Earnings (Loss) Per Share		₱0.4287	(₱0.2925)	₱0.1362	₱0.2783	(₱0.1935)	₱0.0848
Diluted Earnings (Loss) Per Share		₱0.1723	(₱0.1176)	₱0.0547	₱0.1119	(₱0.0778)	₱0.0341

Consolidated Statements of Comprehensive Income

		Years Ended December 31					
		2016			2015		
	Note	As previously reported	Prior period adjustments	As restated	As previously reported	Prior period adjustments	As restated
NET INCOME (LOSS)		₱1,611,169	(₱1,100,661)	₱510,508	₱1,073,639	(₱735,530)	₱338,109
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax							
Items that will be reclassified subsequently to profit or loss							
Net changes in unrealized gain on AFS investments		171	–	171	–	–	–
Items that will not be reclassified subsequently to profit or loss							
Remeasurement gains (losses) on net defined benefit liability		12,625	(5,912)	6,713	(50,486)	(4,000)	(54,486)
Income tax effect		(3,787)	1,773	(2,014)	15,146	1,200	16,346
		9,009	(4,139)	4,870	(35,340)	(2,800)	(38,140)
Share in remeasurement gains on retirement benefits of associates and joint ventures		876	–	876	5,252	323	5,575
		9,885	(4,139)	5,746	(30,088)	(2,477)	(32,565)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		₱1,621,054	(₱1,104,800)	₱516,254	₱1,043,551	(₱738,007)	₱305,544
Attributable to:							
Equity holders of the Parent Company		₱1,452,375	(₱993,503)	₱458,872	₱912,764	(₱657,097)	₱255,667
Noncontrolling interests		168,679	(111,297)	57,382	130,787	(80,910)	49,877
		₱1,621,054	(₱1,104,800)	₱516,254	₱1,043,551	(₱738,007)	₱305,544

Year Ended December 31, 2016 (As restated, Note 32)

	Attributable to Equity Holders of the Parent Company												Non-controlling Interests	Total Equity
	Share Capital					Other Comprehensive Income (Losses)								
	Common (Note 21)	Preferred (Note 21)	Total	Additional Paid-in Capital	Effect of change of ownership interest in a subsidiary	Unrealized Gain on Available-for-sale Financial Assets	Share in Cumulative Translation Adjustment of Associates	Remeasurement Losses on Accrued Retirement Benefits - Net of Tax	Share in Re-measurement Gains (Losses) on Accrued Retirement Benefits of Associates and Joint Ventures (Note 12)	Subtotal	Retained Earnings (Deficit)	Total		
BALANCES AT JANUARY 1, 2016, AS PREVIOUSLY REPORTED	**₱672,954**	**₱1,001,010**	**₱1,673,964**	**₱5,495,917**	**₱102,430**	**₱444**	**(₱647)**	**(₱235,501)**	**₱5,047**	**(₱230,657)**	**(₱645,806)**	**₱6,395,848**	**₱642,389**	**₱7,038,237**
Effect of prior period adjustments	–	–	–	–	–	53	–	3,930	–	3,983	(1,076,180)	(1,072,197)	(130,211)	(1,202,408)
BALANCES AT JANUARY 1, 2016, AS RESTATED	**672,954**	**1,001,010**	**1,673,964**	**5,495,917**	**102,430**	**497**	**(647)**	**(231,571)**	**5,047**	**(226,674)**	**(1,721,986)**	**5,323,651**	**512,178**	**5,835,829**
Net income for the year, as previously reported	–	–	–	–	–	–	–	–	–	–	1,442,490	1,442,490	168,679	1,611,169
Effect of prior period adjustments	–	–	–	–	–	–	–	–	–	–	(984,329)	(984,329)	(116,332)	(1,100,661)
Net income for the year, as restated	–	–	–	–	–	–	–	–	–	–	458,161	458,161	52,347	510,508
Other comprehensive income for the year	–	–	–	–	–	171	–	8,838	876	9,885	–	9,885	–	9,885
Effect of restatements	–	–	–	–	–	–	–	(9,174)	–	(9,174)	–	(9,174)	5,035	(4,139)
Other comprehensive income for the year, as restated	–	–	–	–	–	171	–	(336)	876	711	–	711	5,035	5,746
Total comprehensive income for the year, as restated	–	–	–	–	–	171	–	(336)	876	711	458,161	458,872	57,382	516,254
BALANCES AT DECEMBER 31, 2016, AS RESTATED	**₱672,954**	**₱1,001,010**	**₱1,673,964**	**₱5,495,917**	**₱102,430**	**₱668**	**(₱647)**	**(₱231,907)**	**₱5,923**	**(₱225,963)**	**(₱1,263,825)**	**₱5,782,523**	**₱569,560**	**₱6,352,083**

Year Ended December 31, 2015 (As restated, Note 32)

	Attributable to Equity Holders of the Parent Company												Non-controlling Interests	Total Equity
	Share Capital					Other Comprehensive Income (Losses)								
	Common (Note 21)	Preferred (Note 21)	Total	Additional Paid-in Capital	Effect of change of ownership interest in a subsidiary	Unrealized Gain on Available-for-sale Financial Assets	Share in Cumulative Translation Adjustment of Associates	Remeasurement Losses on Accrued Retirement Benefits - Net of Tax	Share in Re-measurement Gains (Losses) on Accrued Retirement Benefits of Associates and Joint Ventures (Note 12)	Subtotal	Retained Earnings (Deficit)	Total		
BALANCES AT JANUARY 1, 2015, AS PREVIOUSLY REPORTED	**₱672,954**	**₱1,001,010**	**₱1,673,964**	**₱5,495,917**	**₱102,430**	**₱444**	**(₱647)**	**(₱200,161)**	**(₱205)**	**(₱200,569)**	**(₱1,582,355)**	**₱5,489,387**	**₱511,602**	**₱6,000,989**
Effect of prior period adjustments	–	–	–	–	–	53	–	3,566	–	3,619	(425,022)	(421,403)	(49,301)	(470,704)
BALANCES AT JANUARY 1, 2015, AS RESTATED	**672,954**	**1,001,010**	**1,673,964**	**5,495,917**	**102,430**	**497**	**(647)**	**(196,595)**	**(205)**	**(196,950)**	**(2,007,377)**	**5,067,984**	**462,301**	**5,530,285**
Net income for the year, as previously reported	–	–	–	–	–	–	–	–	–	–	936,549	936,549	137,090	1,073,639
Effect of prior period adjustments	–	–	–	–	–	–	–	–	–	–	(651,158)	(651,158)	(84,372)	(735,530)
Net income for the year, as restated	–	–	–	–	–	–	–	–	–	–	285,391	285,391	52,718	338,109
Other comprehensive loss for the year	–	–	–	–	–	–	–	(35,340)	5,252	(30,088)	–	(30,088)	(6,303)	(36,391)
Effect of prior period adjustments	–	–	–	–	–	–	–	364	–	364	–	364	3,462	3,826
Other comprehensive loss for the year, as restated	–	–	–	–	–	–	–	(34,976)	5,252	(29,724)	–	(29,724)	(2,841)	(32,565)
Total comprehensive loss for the year, as restated	–	–	–	–	–	–	–	(34,976)	5,252	(29,724)	285,391	255,667	49,877	305,544
BALANCES AT DECEMBER 31, 2015, AS RESTATED	**₱672,954**	**₱1,001,010**	**₱1,673,964**	**₱5,495,917**	**₱102,430**	**₱497**	**(₱647)**	**(₱231,571)**	**₱5,047**	**(₱226,674)**	**(₱1,721,986)**	**₱5,323,651**	**₱512,178**	**₱5,835,829**

Consolidated Statements of Cash Flows

		Years Ended December 31					
		2016			2015		
	Note	As previously reported	Prior period adjustments	As restated	As previously reported	Prior period adjustments	As restated
Net cash flows from operation activities	*f*	₱2,965,786	₱13,033	₱2,978,819	₱1,451,203	(₱81,153)	₱1,370,050
Net cash used in investing activities	*b*	(2,417,399)	(29,015)	(2,446,414)	(1,237,749)	(106,584)	(1,344,333)
Net cash used in financing activities		(472,907)	(17,119)	(490,026)	32,227	217,524	249,751
Effect of foreign exchange rate changes on cash and cash equivalents		5,403	(3,116)	2,287	(117)	2,111	1,994
Net increase in cash and cash equivalents		80,883	(36,217)	44,666	245,564	31,898	277,462
Cash and cash equivalents at beginning of year		1,377,004	32,084	1,409,088	1,131,440	186	1,131,626
Cash and cash equivalents at end of year		₱1,457,887	(₱4,133)	₱1,453,754	₱1,377,004	₱32,084	₱1,409,088

a. The Group recognized provision for doubtful receivables totaling ₱578.2 million in 2016 and ₱213.6 million in 2015 based on the Group's application of its specific and collective impairment assessment.

b. The Group adjusted its property and equipment and recognized the related costs and expenses in the consolidated statement of profit or loss, which comprised mainly of: (a) repainting and other repairs and maintenance expenses amounting to ₱192.7 million in 2016 and ₱110.1 million in 2015; (b) additional depreciation of property and equipment in accordance with the Group's depreciation policy totaling to ₱494.0 million in 2016 and ₱6.5 million in 2015; (c) write-off of certain container and reefer vans amounting to ₱9.3 million in 2016.

c. The Group adjusted its consolidated revenue by the amounts that did not meet the revenue recognition criteria amounting to ₱222.0 million in 2016 and ₱34.7 million in 2015.

d. In 2016 and 2014, the Group impaired goodwill amounting to ₱21.1 million and ₱22.1 million, respectively, related to three CGUs, two of which due to operational losses, resulting to their capital deficiency position and their recoverable value based on their value in use is lower than their carrying amount.

e. The Group reclassified its vessel from property and equipment to assets held for sale in the December 31, 2015 statement of financial position. Impairment recognized in 2015 amounted to ₱260.4 million (see Note 10).

f. Other restatements to the consolidated financial statement and prior period adjustments include adjustments on additional provision for inventory obsolescence, recognition of provision for contingency, reconciliation of related party transactions and balances, and recognition of certain costs and expenses in proper period.

g. The Group assessed the impact of the above adjustments on the current and deferred income tax expense. Accordingly, the Group reduced its provision for income tax by ₱210.4 million in 2016 for the year ended December 31, 2016 and increased its provision for income tax by ₱47.7 million in 2015, with corresponding adjustments to creditable withholding taxes, deferred income tax assets and income tax payable.

h. The Group also reduced its retained earnings as of January 1, 2015 by ₱421.4 million and the non-controlling interest by ₱49.3 million due to prior period adjustments in 2014 arising mainly from additional provision for doubtful accounts, recognition of repairs and maintenance expense, reversal of recognized revenue, and derecognition of deferred income tax assets.

i. As discussed in Note 17, the Group breached its financial ratios required under its long-term agreements. Accordingly, the noncurrent portion of Group's long-term debt amounting to ₱2,717.1 million were reclassified to current liabilities in the consolidated statement of financial position as of December 31, 2016.

33. **Events after Reporting Period**

On February 23, 2018, the BOD approved the internal restructuring of the Group via merger of 2GO with its parent company, NN, with 2GO as the surviving entity. This will simplify the Group's corporate structure and is in line with the Group's efforts to streamline operations, reduce costs and increase shareholder value.

NEGROS NAVIGATION CO., INC. and SUBSIDIARIES
Schedule A - Financial Assets
DECEMBER 31, 2017
(Amounts in Thousand)

Name of Issuing Entity and Association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the Balance Sheet	Income received and accrued
At Cost:			
Harbor Center	70	2,600	-
Others	500,000	745	-
At Equity:			
Hansa-Meyer ATS Projects, Inc.	32,076	2,265	(17,359)
MCC Transport Philippines, Inc.	119,504	199,499	(3,530)
At FMV:			
PLDT	6,000	66	-
Listed shares of stocks & Club shares	1,204	1,429	-
		206,604	-20,889

(i) Each issue shall be stated separately, except that reasonable grouping, without enumeration may be made of (a) securities issued or guaranteed by the Philippine Government or its agencies and (b) securities issued by others for which the amounts in the aggregate are not more than two percent of total assets.
(ii) State the basis of determining the amounts shown in the column. This column shall be totaled to correspond to the respective balance sheet caption or captions.
(iii) This column may be omitted if all amounts that would be shown are the same as those in the immediately preceding column.

NEGROS NAVIGATION CO., INC. and SUBSIDIARIES
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
DECEMBER 31, 2017
(Amounts in Thousand)

Name & Designation of Debtor	Balance Dec 2016	Additions	Amounts Collected	Amounts Written-Off	Current	Noncurrent	Balance Dec 2017	
Advances to officers and employees	63,084	71,206	(71,970)	0	62,321	0	62,321	-
	63,084	71,206	(71,970)	0	62,321	0	62,321	

NEGROS NAVIGATION CO., INC. and SUBSIDIARIES
Schedule C - Amounts Receivable from (Payable to) Related Parties which are eliminated during the consolidation of financial statements
DECEMBER 31, 2017
(Amounts in Thousand)

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Amounts Collected	Amounts Written-Off	Current	Noncurrent	Balance at End of Year
2GO Group, Inc.	619,084	1,271,050	(619,084)	-	651,966	-	651,966
Negrense Marine Integrated Services, Inc.	156,396	256,121	(156,396)	-	99,725	-	99,725
Brisk Nautilus Dock Integrated Services, Inc.	56,507	103,866	(56,507)	-	47,359	-	47,359
Astir Engineering Works Inc.	8,566	13,566	(8,566)	-	5,000	-	5,000
NN-ATS Logistics Management and Holdings. Co. Inc.	63,277	126,554	(63,277)	-	63,277	-	63,277
Supersail, Inc.	13	13	(13)	-	-	-	-
2GO Express, Inc.	3,748	7,497	(3,748)		3,748	-	3,748
Scanasia Overseas Inc.	12,916	10,004			10,004	-	10,004
SCVASI	167	591	(167)		425		425
Sea Merchants, Inc.	37	3,039			3,039	-	3,039
2GOLI	26,277	26,266			26,266		26,266
SFFC	50,737	39,870			39,870		39,870
Negros Navigation Co., Inc.	33,697	57,004	(33,697)		23,307	-	23,307
	1,031,422	1,915,441	(941,455)	0	973,986	0.00	973,986

NEGROS NAVIGATION CO., INC. and SUBSIDIARIES
Schedule D - Intangible Assets - Other Assets
DECEMBER 31, 2017
(Amounts in Thousand)

Description	Beginning Balance	Additions At Cost	Deductions		Other Changes- Additions (Deductions)	Ending Balance
			Charged to Costs and Expenses	Charged to Other Accounts		
Part A – Intangible Assets						
A. Goodwill	686,896	-	-	-	-	686,896
B. Software - net	52,809	7,612	(15,287)	-	-	45,134
	739,705	7,612	(15,287)	-	-	732,030
Part B – Other Assets	Not applicable – Other assets accounts do not exceed 5% of Total Assets					

NEGROS NAVIGATION CO., INC. and SUBSIDIARIES
Schedule E - Long-term debt
DECEMBER 31, 2017
(Amounts in Thousand)

Title of Issue and Type of Obligation	Under Current Portion of Long-Term Debts in	Long-Term Debts in Related Balance Sheet	Total
Obligations under finance lease	101,130	218,430	319,560
Long-term debt	3,126,193	1,480	3,127,674
Total	3,227,324	219,910	3,447,235

NEGROS NAVIGATION CO., INC. and SUBSIDIARIES
Schedule F - Indebtedness to Related Parties
DECEMBER 31, 2017
(Amounts in Thousand)

Name of Affiliate	Beginning Balance	Ending Balance
Kerry - ATS Logistics Inc.	7,505	9,444
2GO Express, Inc.	12	250
2GO Group, Inc.	152,845	145,876
2GOLI	335	122
Astir Engineering Works, Inc.	3,031	5
Brisk Nautilus Dock Integrated	68,980	72,640
Negrense Marine Integrated	181,138	136,525
ScanAsia Overseas, Inc.	277	416
	414,122	365,278

Schedule G. Guarantees of Securities of Other Issuers. - This schedule shall be filed with respect to any guarantees of securities of other issuing entities by the issuer for which the statement is filed.

Schedule G. Guarantees of Securities of Other Issuers

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 (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)

(i) Indicate in a note any significant changes since the date of the last balance sheet filed. If this schedule is filed in support of consolidated financial statements, there shall be set forth guarantees by any person included in the consolidation except such guarantees of securities which are included in the consolidated balance sheet.
(ii) There must be a brief statement of the nature of the guarantee, such as Guarantee of principal and interest, "Guarantee of Interest", or Guarantee of dividends. If the guarantee is of interest, dividends, or both, state the annual aggregate amount of interest or dividends so guaranteed.

- not applicable in the previous year -

NEGROS NAVIGATION CO., INC. and SUBSIDIARIES
Schedule H - Capital Stock
DECEMBER 31, 2017

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions and Other Rights	Number of Shares Held by		
				Affiliates	Officers and Employees	Others
Common Shares	12,406,900,000	3,364,768,097	–	3,335,535,039	13,982	29,219,076
Preferred Shares						
Series A	1,000,000,000	1,000,000,000	–	1,000,000,000	–	–
Series B	1,500,000,000	1,232,323,315	–	1,232,323,315	–	–

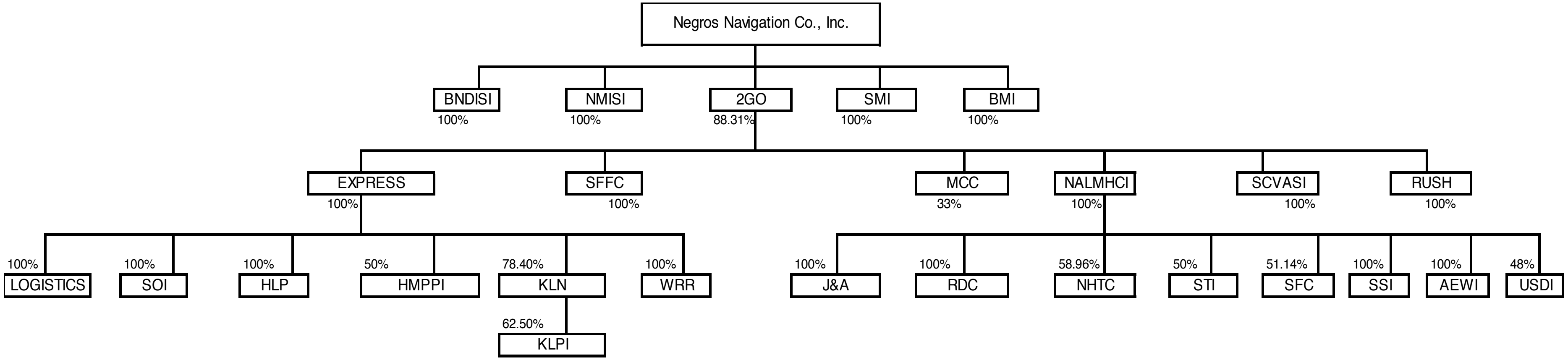
NEGROS NAVIGATION CO. INC.
15/F Times Plaza Bldg., cor. Taft, U.N. Ave., Ermita Manila
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2017

Deficit, beginning	**(₱**1,111,555**)**
Deferred tax assets, beginning	**(4)**
Deficit, *as adjusted to available for dividend distribution,* beginning	**(1,111,551)**
Add: Net income actually earned/realized during the period	
Net income during the period closed to Retained Earnings	**12,883**
Less: Non-actual/ unrealized income, net of tax:	
Adjustment due to deviation from PFRS/ GAAP - gain	–
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–
Sub-total	**12,883**
Add: Non-actual losses, net of tax:	
Adjustment due to deviation from PFRS/ GAAP – loss	–
Net income actually earned during the period	**12,883**
Add (Less):	
Dividend declarations during the period	–
Distributions paid	–
Appropriations of retained earnings during the year	–
Reversal of appropriations	–
Treasury shares	–
	12,883
TOTAL DEFICIT, END AVAILABLE FOR DIVIDEND	**(₱1,098,672)**

NEGROS NAVIGATION AND CO.,INC AND SUBSIDIARIES
15/F Times Plaza Bldg., cor. Taft, U.N. Ave., Ermita Manila
KEY PERFORMANCE INDICATORS
AS OF DECEMBER 31, 2017 AND 2016
(Amounts in Thousands)

	December 31, 2017	December 31, 2016
Total Liabilities	**₱12,166,434**	₱11,401,530
Total Stockholders' Equity	**6,051,633**	6,352,083
Debt-to-Equity	**₱2.01**	1.79
Total Current Assets	**₱8,798,302**	₱8,009,154
Total Current Liabilities	**11,552,865**	10,674,112
Current Ratio	**₱0.76**	₱0.75
Total Quick Assets	**₱6,513,622**	₱5,861,830
Total Current Liabilities	**11,552,865**	10,674,112
Quick Ratio	**₱0.56**	₱0.55
Total Assets	**₱18,218,067**	₱17,753,613
Total Liabilities	**12,166,434**	11,401,530
Solvency Ratio	**₱1.50**	₱1.56
Total Liabilities	**₱12,166,434**	₱11,401,530
Total Assets	**18,218,067**	17,753,613
Debt-to-Asset Ratio	**₱0.67**	₱0.64
Total Assets	**₱18,218,067**	₱17,753,613
Total Stockholders' Equity	**6,051,633**	6,352,083
Equity-to-Asset Ratio	**₱3.01**	₱2.79
Net Income	**(₱306,959)**	₱510,508
Average Total Assets	**21,591,089**	17,236,503
Return On Assets	**(₱0.02)**	0.03
Net Income	**(₱306,959)**	₱510,508
Average Total Stockholders' Equity	**6,201,858**	6,093,956
Return on Equity	**(₱0.05)**	0.08

	December 31, 2017	December 31, 2016
Sales	**₱21,591,089**	₱19,180,272
Cost of Services and Goods Sold	**18,945,442**	15,478,473
Gross Profit	**2,625,647**	3,701,799
Gross Profit Margin	**₱0.12**	₱0.19
Net Income	**(₱306,959)**	₱510,508
Sales	**21,591,089**	19,180,272
Net Profit Margin	**(₱0.01)**	₱0.03
EBIT	**₱358,983**	₱1,349,983
Interest Expense	**400,696**	409,230
Interest Coverage Ratio	**₱0.90**	₱3.30



Legend:

BNDISI *Brisk Nautilus Dock Integrated Services, Inc.*
NMISI *Negrense Marine Integrated Services, Inc.*
2GO *2GO Group, Inc.*
SMI *Sea Merchants, Inc.*
BMI *Bluemarine (BMI) Inc.*
EXPRESS *2GO Express, Inc.*
SFFC *Supercat Fast Ferry Corporation*

MCC *MCCP Transport Philippines, Inc.*
NALMHCI *NN-ATS Logistics Management & Holdings Co., Inc.*
SCVASI *Special Container and Value Added Services, Inc.*
LOGISTICS *2GO Logistics, Inc.*
SOI *Scanasia Overseas, Inc.*
HLP *Hapag Lloyd Philippines, Inc.*
HMPPI *Hansa Meyer Projects Philippines, Inc.*
KLN *KLN Logistics Holdings Philippines, Inc.*
WRR *WRR Trucking Corporation*
KALI *Kerry Logistics Philippines, Inc.*

J&A *J&A Services Corporation*
RDC *Red.Dot Corporation*
NHTC *North Harbor Tugs Corporation*
STI *Super Terminals, Inc.*
SFC *Sun-Gold Forwarding Corporation*
SSI *Supersail Services Inc.*
AEWI *Astir Engineering Works, Inc.*
USDI *United South Dockhandlers, Inc.*
RUSH *2GO Rush Delivery Inc.*