2GO GROUP, INC.

2018 ANNUAL REPORT

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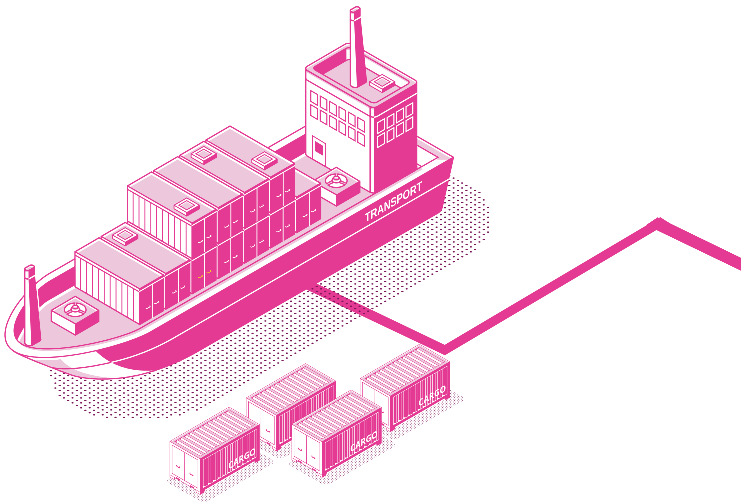


WHO WE ARE

MISSION

To be the preferred end-to-end supply chain, go-to-market, and sea travel company in the Philippines.

VISION

To create value for our customers by helping to grow their businesses through integrated and scalable supply chain and retail solutions.

To provide fun-filled, comfortable, and safe sea travel throughout the Philippines.

To offer rewarding work and opportunities for our employees. To deliver competitive returns to our partners and shareholders.

To be responsible corporate citizens who look after the environment while winning in business.

CORE VALUES

CUSTOMER FIRST
We develop deep and strong relationships that make a positive difference in our customers' and stakeholders' lives.

GOOD CORPORATE CITIZENSHIP
We are good citizens in our communities and we look after the environment.

ACCOUNTABILITY
We hold ourselves accountable in all our dealings and transactions. We do this by delivering on our commitments.

RESPECT FOR PEOPLE
We care for our people, encourage their development and reward their performance.

QUALITY AND EXCELLENCE
We provide the highest standards for products and delightful service that together deliver premium value to our customers.

HONESTY AND INTEGRITY
We uphold the highest standards of honesty and integrity in all our actions.

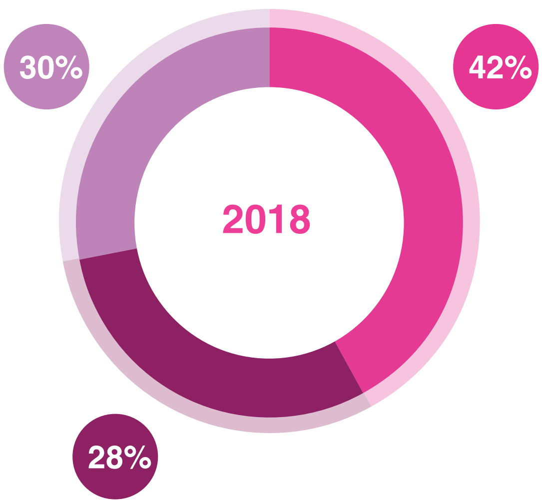
TEAMWORK AND COLLABORATION
We enjoy working together in order to meet the needs of our customers and to help the company win.

INNOVATION
We constantly adapt to the changing needs of our customers and continuously innovate the way we work.

FINANCIAL HIGHLIGHTS

Amounts in PHP Millions except for Stock Prices and EPS

Income Statement	**2018**	**2017**	**2016**
Revenue	21,990	21,551	19,054
Gross Profit	1,205	2,536	3,426
Operating Income	-956	361	1,086
Net Income	-1,348	-310	344
Non-controlling Interests	-2	6	14
EBITDA	1,518	2,211	2,580
Balance Sheet			
Total Assets	15,063	16,507	15,674
Total Liabilities	12,815	12,874	11,745
Stockholders Equity	2,248	3,633	3,930
Cash and CE	1,387	2,096	1,412
Cashflow			
Operating Cash Flow	1,200	2,682	2,841
Stock Information			
Market Capitalization	33,708	45,205	18,688
Stock Price	13.78	18.48	7.64
Earnings (Loss) per Share	-0.55	-0.13	0.14



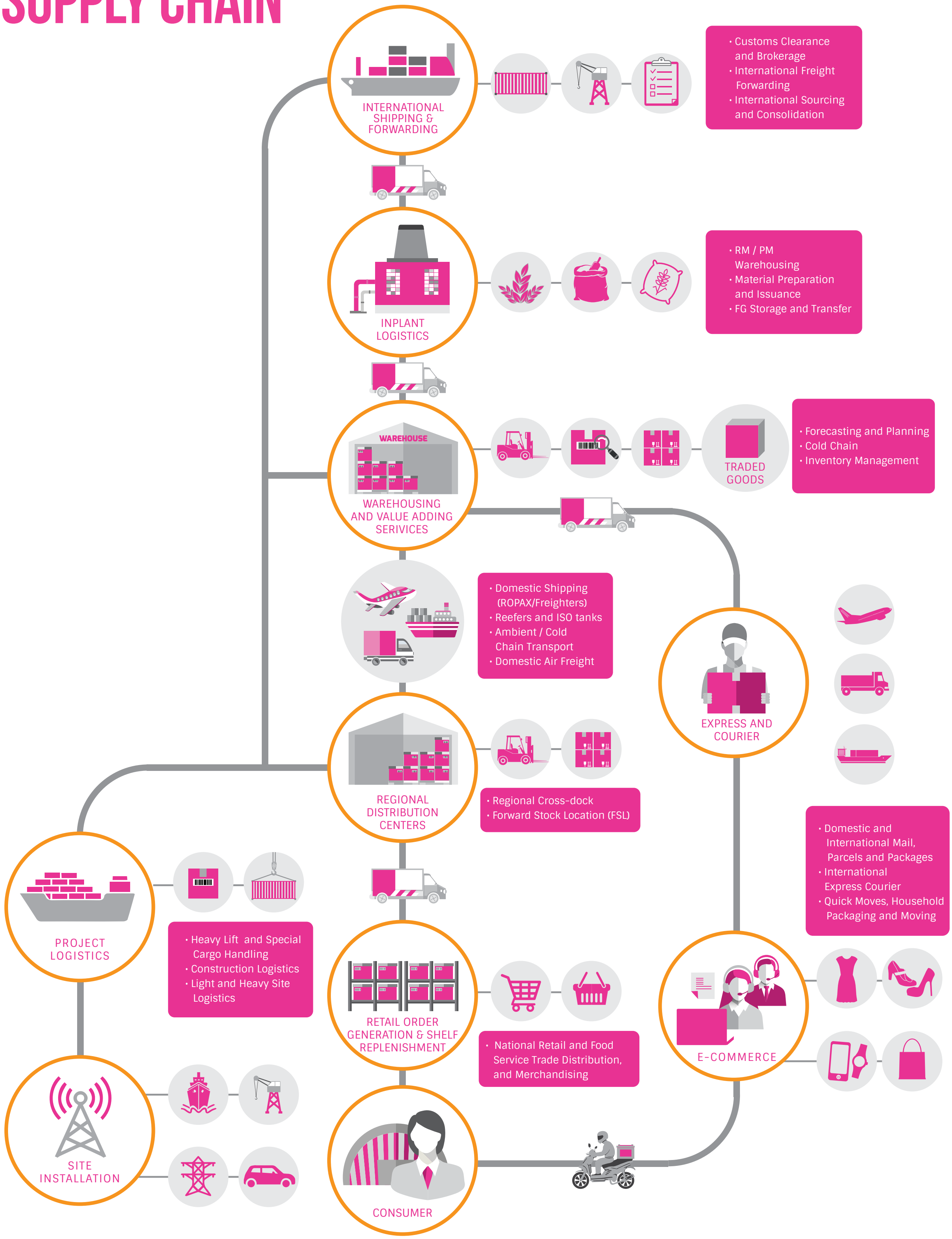
REVENUE DISTRIBUTION

SHIPPING Php9.22B

LOGISTICS Php6.50B

DISTRIBUTION Php6.27B

INTEGRATED SUPPLY CHAIN



CHAIRMAN'S MESSAGE

Mr. Dennis A. Uy
Chairman

Dear Fellow Shareholders,

In 2018, the Philippine economy faced a period of uncertainty when a shortage in the supply of rice and rising world fuel prices, pushed inflation to unfamiliar levels. The peso weakened as the Philippine government incurred deficits in its current account and budget to push its "BUILD, BUILD, BUILD" program, with the depreciation further enhanced by rising interest rates in the US. Amidst these headwinds, the country printed a GDP growth of 6.2%, still a stalwart amongst its neighbors, proving the resilience of the Philippine economy. Your company continues to carry on with its mission to capture synergies and growth through shipping and logistics.

This is not without its challenges. Competition in the shipping and logistics industry, fluctuating fuel prices, and inclement weather came during a time when your company was undergoing adjustments in doing business. The shipping business had more ship down time due to preventive maintenance while the non-shipping group was still rationalizing unprofitable accounts. While these factors resulted to the company's weak financial performance, these decisions were necessary for the long haul.

As promised, your company is committed to increase the level of corporate governance in 2GO. In April 2018, we welcomed Chryss Alfonsus Damuy to the Board of Directors as a Non-Executive Director. Also in the same year, the IT Steering Committee was created to provide oversight on your company's IT modernization program.

Your company announced in 2018 the merger of Negros Navigation and 2GO Group, Inc. We received the approval of the Securities and Exchange Commission, and became effective at the start of 2019. This will streamline operations, reduce costs, and increase shareholder value. We will continue to pursue further efficiency gains. At the same time, your company will remain focused on strict cost discipline.

Our journey is just beginning. We are committed to build on our strengths and capture growth opportunities towards the vision of being the best and biggest company in the transport and supply chain industry. I would like to extend my gratitude to the Board and management, for their hard work and leadership, and to my fellow shareholders for your continued trust.

Dear Shareholders,

After the successful transition of management and the board last year, 2018 has proven to be a challenging year for 2GO. Rising fuel costs, weather disturbances, operational challenges and tightening competition dampened our financial results. Amidst these headwinds, 2GO carries on its journey to capture the opportunities in the growing Philippine shipping and logistics sector, while staying on course to improve its governance and performance.

In 2018, 2GO registered revenues of PHP21.9B. Shipping revenues were affected by inclement weather and a larger number of dry docked vessels up for maintenance, clipping capacities for travel and shipping. The Non-shipping business underwent a rationalization of its accounts, disengaging unprofitable arrangements. Scanasia Overseas, Inc., our distribution business, boosted its revenues by 9%, bagging new accounts and focusing on its customer service. Overall, applying the impact of fuel prices rising by 27%, 2GO reported a consolidated net loss at the end of the year.

Last year, in order to create more touchpoints with our customers, we created a new business unit called 2GO Retail. 2GO Retail consolidates all services that we offer under one roof: courier, parcels, pick-ups, drop-offs, 2GO Travel tickets, and other relevant value added services. We currently have over 3,000 locations nationwide through company-owned stores, agents and partners.

We announced the merger between Negros Navigation and 2GO, with the surviving entity being the latter, in 2018. This is now complete and we have started to reap the efficiencies from this exercise. It has rationalized the corporate structure with 12 entities either ceased, sold, or merged with other operating units. 2GO stays true to its promise to raise the level of governance in the company, simplifying the structure to provide better transparency to its stakeholders.

Looking ahead, 2GO looks to expand and improve its operations on all fronts. The group is investing in its IT system to integrate all legs of the supply-chain to increase operational productivity across all business units. The Shipping group is looking to improve its procurement processes to shorten ship downtime while strengthening its business continuity program. The Non-shipping group seeks to expand by adding more operating stations in more areas to capture the ever growing demand for logistics and other services.

I would like to thank the Board for their guidance and the business units for their hard work and perseverance. I would also like to express my gratitude to the shareholders for your support.

PRESIDENT'S REPORT

Mr. Frederic C. DyBuncio
President/CEO

SHIPPING

The Shipping business cornered 95% of passage market share in and out of Metro Manila and captured 23% of the freight market — still the largest in the industry.

287,450
TEUs for 2018

4.3M
Passengers in 2018

27
Vessels

17,395
Container Vans

23
Ports of Call

LOGISTICS

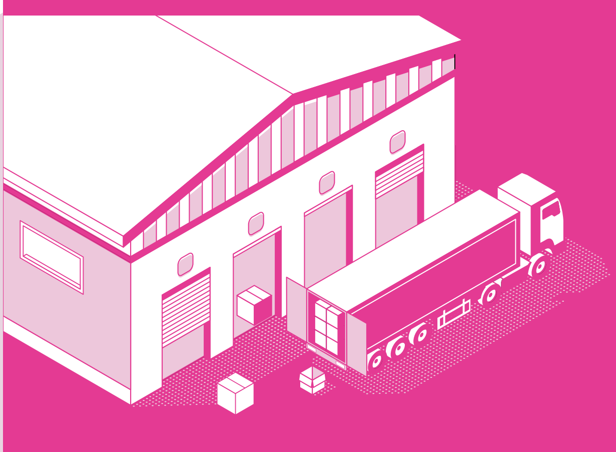
The 2GO Logistics group is comprised of three companies namely; 2GO Logistics, 2GO Express and Special Containers and Value Added Services Inc.

47,741
TEUs of Full and Less-than-Full Container Load deliveries in 2018

3,976
Company-owned and subcontracted trucks

144,558
sqm of warehouse space

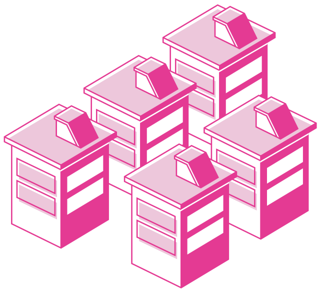
5.4M
e-commerce transactions



DISTRIBUTION

Scanasia Overseas, Inc. is the distribution business unit of the 2GO Group. With the help of 2GO's end-to-end supply chain solution, SOI enables manufacturers to bring their products closer to the consumers through various channels nationwide.

7
Major Principals



SERVICING:

1,328
Retail Outlets

226
Food Service Establishments

1,086
Pharmacies

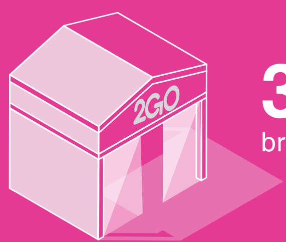
148
Pet Stores

RETAIL

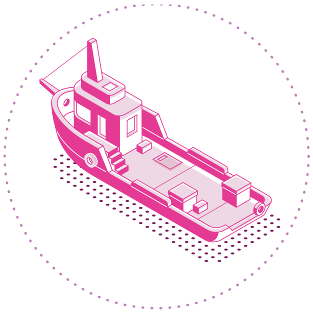
The 2GO Retail group focuses on bringing 2GO's end-to-end solutions closer to its customers. Currently, 2GO Retail has over 3,000 touchpoints nationwide through company-owned stores, agents and partners.

SERVICES OFFERED:

- **FedEx International Services**
- **2GO Travel and Supercat Tickets**
- **Mober: Same-day Bulk Delivery Service**
- **2GO Express Domestic Forwarding**
- **Payments and Other Top-Up Services**



3,000+
branch network



SHIPPING

The Philippine shipping industry was impacted by several headwinds in 2018. As oil prices soared, the competitive landscape tightened while numerous weather disturbances kept ships at bay. The Philippine Coast Guard cancelled 64 freight voyages and 917 passenger trips due to the storms.

For the 2GO Shipping group, these challenges were coupled with standard dry docking activities which clipped freight and passage capacities. This resulted in reductions in the Shipping unit's passage and freight volumes by 4% and 11%, respectively.

Competition tightened in the shipping industry. New services are emerging to provide innovative ways to travel across the Philippine archipelago. This development is a testament to the country's growing tourism industry that 2GO aims to tap by identifying new routes.

However, even with rising competition, 2GO continues to corner 95% passage market share of Philippine sea travel in and out of Manila. 2GO Shipping also holds 23% of freight, still the largest in the industry.

As of the end of 2018, 2GO has a total fleet of 27 vessels, of which 23 are company-owned while the remainder are in lease agreements. The group's operating vessel fleet has a combined Gross Registered Tonnage of approximately 128,985 metric tons with a total passenger capacity of approximately 7,450,162 passengers and an aggregate cargo capacity of approximately 338,305 twenty-foot equivalent units (TEUs).

Much work is left to be done moving forward. The Shipping group aims to improve the quality of revenue through offering new routes and services while continuously improving the customer experience. The group is reviewing internal supply and service procurement processes to make operations more efficient by shortening the ship's downtime. Investments in IT systems and infrastructure, and the modernization of the group's container and shipping assets are underway to increase productivity of the business unit.

LOGISTICS

2GO Logistics

2GO Logistics specializes in land transport, direct delivery, cross-docking, warehousing and domestic freight.

In 2018, the business unit focused on improving the operations through better collections and accounts rationalization. Management succeeded in reducing receivables through its increased collection efforts. However, revenue was lack luster largely due to the disengagement of unprofitable arrangements. These steps were imperative to maintain the economics of the business even under a competitive environment. Consequently, the rationalization impacted warehouse and truck utilization but were slightly recovered as new customers were sought. Revenue from these new accounts will be felt in 2019.

For 2019, 2GO Logistics will continue to focus on active engagement of new customers. The business unit also aims to increase efficiency with the implementation of its upgraded IT infrastructure.

2GO Express

2GO Express provides pick-up and delivery of documents, parcels, and cargo to and from key locations nationwide via land, sea and air. It moves international shipments to over 220 locations worldwide through strategic alliances abroad. It continues to be FedEx's official retail partner in the Philippines and services various embassies, financial institutions and government offices. The Express business is also among the largest enablers of e-commerce in the Philippines, with a dedicated team and a 2,500 sqm warehouse hub dedicated to servicing this growing sector.

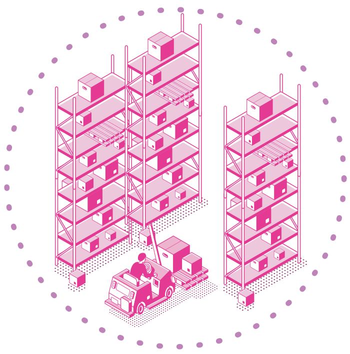
This was a good year for 2GO Express as it set record revenues. The business saw healthy volume growth across all its activities lead by its courier and FedEx services. Growth was particularly evident in the e-commerce business as more local shipping and delivery platforms went online. This encouraged more companies to participate in the last mile delivery sector bringing down industry rates. To combat this, 2GO reconfigured one of its hubs specifically for e-commerce purposes making deliveries more efficient and, improving the cost side of its business.

Looking to 2019, 2GO Express is expanding and upgrading its operations to capture more of the growing demand. It has invested to modernize and optimize its IT systems, allowing greater integration across all parts of the delivery process. Plans are in motion to open new operating stations in various cities to capture the growth of e-commerce. It is adding more delivery personnel nationwide to expand its courier business with its sights set on going beyond its current 98% successful delivery performance.

Special Containers and Value Added Services, Inc.

SCVASI is a shipping and forwarding service provider specializing in cold chain logistics and bulk liquid logistics. It is able to handle isotanks, temperature-controlled reefer vans and trucks, palletized and containerized goods for food, non-food, and chemical products.

In 2018, issues brought about by port congestion and a nationwide shortage of trucking fleets pushed SCVASI to find creative solutions for its customers. SCVASI used co-loading on other vessels and grew its LCL Cold chain services. The business also found opportunities in on-land logistics and by offering its flexibags as another source of revenues. During the holiday season, further opportunities surfaced as major food and consumer companies required more refrigerated storage. It was an important year for the business unit as it entered into project logistics for the first time. The business unit offered its services to customers in the power, mining, telecommunications and infrastructure sectors handling oversized cargoes for various projects. These customer-focused opportunities and tailored solutions helped support the business through a tough period.



DISTRIBUTION

Scanasia Overseas, Inc.

2018 can be described as a year of stabilization after changes were introduced in its operations.

While the business grew only slightly in 2018, it experienced a turn-around in profit. SOI gained two new clients that catered to existing channels thereby raising efficiency. Improved product availability also enabled growth in existing principals. In addition, the business unit streamlined and controlled operations, lowering operating expenses.

Onward to 2019, SOI aims to grow by adding new businesses and by expanding current businesses. Upgrading of the sales structure, in both national key accounts and local accounts, will support the revenue drive. In addition, the implementation of automated selling systems will ensure efficient management of trade inventory and strengthen customer interface. Initiatives on seeking out logistics efficiencies, improving the control of operations, and managing the working capital are expected to enhance profit margins. Finally, the business will focus on its people to raise competitiveness by building their capabilities through continuous training and development.

RETAIL

Prior to the shift in management, the Shipping group had its own agents issuing tickets, while the Logistics group had its own partners accepting and sending parcel deliveries. As these operations were managed separately looking after their own targets, there were no synergies being realized.

Today, 2GO Retail has set its sights on expanding its footprint and versatility. The stores' look has been refreshed, while the offerings are being standardized to provide a single menu of services throughout the network. Whether it's booking for a seat in any of 2GO Travel's choice routes, sending or receiving documents and parcels with 2GO Express, or fulfilling last mile deliveries, 2GO Retail will be able ready to take on that challenge.

Moving forward, 2GO Retail looks to add more locations while offering the full suite of the group's logistics and travel offerings, including other value-added services.

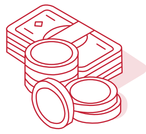
IN SUPPORT OF THE

Sustainable Development Goals

Target 1.1: By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than US$1.25 a day

Target 1.2: By 2030, reduce at least by half the proportion of men, women, and children of all ages living in poverty in all its dimensions according to national definitions

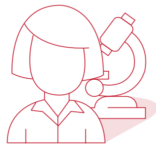
PHP108mn
taxes paid in 2018



15%
higher average entry level wage than mandated minimum wage

Target 4.3: By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university

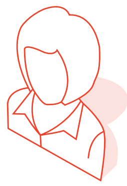
1.3M
student visitors of the Traveling Science Centrum to date



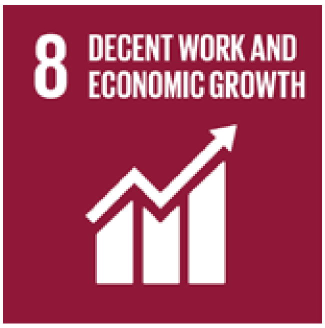
Target 5.1: End all forms of discrimination against all women and girls everywhere

Target 5.5: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life

37% in 2GO workforce are women



41%
leadership roles held by women



Target 8.1: Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7% gross domestic product growth per annum in the least developed countries

5,344
indirect jobs supported through 2GO's third party logistics

Target 12.6: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

Publication of 2GO's 2018 Sustainability Report in accordance with the GRI Standards

Target 15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally

More than
950
tree saplings planted

Target 16.6: Develop effective, accountable and transparent institutions at all levels

Promoting good corporate governance

Target 17.14: Enhance policy coherence for sustainable development

Participant at the GRI Sustainability Summit

To know more about 2GO's sustainability initiatives, download the 2018 Sustainability Report from our website.

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 foster a company that adopts best practices in the areas of systems, integrity, and discipline.

BOARD STRUCTURE

The 2GO Board of Directors is responsible for the long-term sustainability of the Company, and ensures that it balances its corporate objectives with the best interest of its shareholders and other stakeholders. The 2GO Board is composed of nine (9) highly respectable professionals, four (4) of whom, including the Vice Chairman, are non-executive independent directors. The Company's directors possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances. The Board ensures that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, which enables it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction. In line with this, the Company adheres to a board diversity policy that ensures that there is always a diverse composition of directors on the Board which assists in advancing 2GO's strategic objectives. Per the said policy, the Company commits to having a diverse collection of directors, in terms of age, ethnicity, culture, skill, competence, knowledge, gender, among other qualifications. To monitor progress in achieving the Board's diversity goals, the relevant board committee utilizes a Board Matrix, which provides for the mix of attributes, skills, competencies, experience and affiliations, the Board currently possesses and needs to complement its existing composition.

Further to this, the Company's independent directors are free from management responsibilities, substantial shareholdings and material relations, all of which are perceived to impede independent judgment. Likewise, the roles of the Chairman of the Board and the Chief Executive Officer are held by separate individuals to promote a balanced Board and increase accountability and controls.

2GO Group, Inc. Board of Directors

Director	Age	Designation	Directorship	Year First Elected
Mr. Dennis A. Uy	45	Chairman of the Board	Non-Executive Director	Feb. 2017
Mr. Francis C. Chua	69	Vice Chairman	Independent Director	Jan. 2011
Mr. Frederic C. DyBuncio	59	President/Chief Executive Officer	Executive Director	Apr. 2017
Atty. Elmer B. Serrano	51	Director	Executive Director	Feb. 2017
Ms. Ma. Concepcion F. de Claro	60	Director	Non-Executive Director	Apr. 2017
Atty. Joseph C. Tan	60	Lead Independent Director	Independent Director	Feb. 2017
Amb. Raul Ch. Rabe	78	Independent Director	Independent Director	Dec. 2010
Mr. Laurito E. Serrano	59	Independent Director	Independent Director	Apr. 2017
Chryss Alfonsus V. Damuy	46	Director	Non-Executive Director	Apr. 2018

BOARD RESPONSIBILITIES

The Board promotes the highest standard of excellence throughout the organization and conducts itself with utmost honest and integrity in the discharge of its duties, functions, and responsibilities which includes, among others, the following:

- Ensure a sufficient process of selection is in place to guarantee a mix of competent directors and officers, each of whom add value to the Company and contribute independently to the formulation of sound corporate strategies and policies.

- Foster a professional development program for officers and employees and ensure that succession planning is in place for Management.

- Determine the Company's purpose, vision, mission and strategies to carry out its objectives and review it annually, or sooner should the need arise.

- Determine the Company's strategic objectives, policies and procedures that may guide and direct the activities of 2GO and the means to attain the same as well as the mechanism for monitoring Management's performance. While management of the day-to-day affairs of the Company is the responsibility of Management, the Board is, however, responsible for monitoring and overseeing Management's actions and performance.

- Develop an in-depth understanding of the arenas in which the various businesses play, and the range of external factors, opportunities and risks, that each business may face.

- Periodically seek the insights and recommendations of Management on goals and strategies going forward.

- Adopt long-term goals and objectives for the Company, including the formulated strategies necessary to achieve those objectives.

- Review key matters impacting the external reputation and standing of the Company and the 2GO name, including any perceived failure to consistently adhere to corporate values, beliefs and standards of ethical conduct.

- Ensure that each elected director, shall before assumption of office, be required to attend a seminar on corporate governance conducted by a duly recognized private or governance institution.

- Ensure that each director shall annually attend relevant continuing education programs conducted by a regulatory body accredited training provider.

- As and when appropriate, seek expert advice from external providers for specific needs for which internal expertise is unavailable, or for which an independent perspective is considered valuable.

- Ensure that the Company complies with all relevant laws, regulations and codes of best business practices.

- Ensure that the members of the Board exercise their powers and discharge their responsibilities honestly, in good faith, in the best interests of the Company and for the wellbeing of all stakeholders of 2GO.

- Identify the Company's stakeholders and formulate a clear policy on communicating or relating with them effectively through an investor relations program. As a best practice, the Chief Executive Officer (CEO) or Chief Financial Officer (CFO) should have oversight of this program and should actively participate in public activities.

- Adopt a system of internal checks and balances, which may be applied in the first instance to the Board. A regular review of the effectiveness of such system must be conducted so that the decision-making capability and the integrity of corporate operations and reporting systems are maintained at a high level at all times.

- Identify key risk areas which will prevent the Company from achieving its objectives and design key financial and operational performance indicators and monitor these factors with due diligence.

- Ensure that the Company's Code of Business Conduct, which provides the standards for professional and ethical behavior, as well as articulates acceptable and unacceptable conduct and practices in internal and external dealings, is properly disseminated to the Board, Management and employees, and is available to the public via the Company's website.

- Properly discharge Board functions by meeting a minimum of six (6) times annually. Independent views during Board meetings should be given due consideration and all such meetings should be duly minuted.

- Keep Board authority within the powers of the Company as prescribed in the Articles of Incorporation and By-Laws, and in existing laws, rules and regulation.

BOARD PERFORMANCE

Special board meetings may be called by the Chairman, the President or Corporate Secretary at the request of any two (2) directors. A director's absence or non-participation for whatever reason in more than 50% of all meetings, both regular and special, in a year may be a ground for temporary disqualification in the succeeding election. Board meetings are scheduled a year in advance to encourage higher participation. The Company ensures that the Board meets at least once a quarter. Board papers and other materials used during Board meetings are distributed to the relevant parties at least one (1) week or five (5) business days before the actual meeting.

Director	1/18/18	2/23/18	4/5/18	4/5/18	5/7/18	7/26/18	11/8/18	%
	Regular	Special	Regular	Organizational	Special	Regular	Regular	
Dennis A. Uy	√	√	√	√	√	√	√	100
Francis C. Chua	√	√	√	√	√	√	√	100
Frederic C. DyBuncio	√	√	√	√	√	√	√	100
Elmer B. Serrano	√	√	√	√	√	√	√	100
Ma. Concepcion F. de Claro	√	√	√	√	√	√	√	100
Joseph C. Tan	√	√	√	√	√	√	√	100
Raul Ch. Rabe	√	√	√	√	√	X	√	86
Laurito E. Serrano	√	√	√	√	√	√	√	100
Chryss Alfonsus V. Damuy*	N/A	N/A	N/A	√	√	√	√	100

**Mr. Chryss Alfonsus V. Damuy was elected to the Board on April 5, 2018.*

BOARD COMMITTEES

To focus on specific tasks and responsibilities, the Board adopted seven (7) Board Committees, namely the *Executive Committee, Audit Committee, Corporate Governance Committee, Compensation and Remuneration Committee, Risk Oversight Committee, Related Party Transactions Committee and the IT Steering Committee.*

EXECUTIVE COMMITTEE

The Executive Committee acts on behalf of the Board during the interim periods between Board meetings. The Committee is tasked to assist the Board in overseeing the implementation of strategies, set and monitor the Company's performance goals and foster the sharing and dissemination of best practices in all areas of the business.

Executive Committee	
Office	*Director*
Chairman (Executive Director)	Frederic C. DyBuncio
Member (Non-Executive Director)	Dennis A. Uy
Member (Executive Director)	Elmer B. Serrano

AUDIT COMMITTEE

The Audit Committee exercises the Board's oversight function over internal controls and procedures, as well as the audit activities performed by the Company's internal and external auditors. *(Please see the Audit Committee Report for more information on the Committee's roles and activities.)*

Audit Committee	
Office	Director
Chairman (Independent Director)	Laurito E. Serrano
Member (Independent Director)	Joseph C. Tan
Member (Non-Executive Director)	Ma. Concepcion F. de Claro

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee takes the lead in the promotion of the principles of corporate governance throughout the organization via the regular review and development of the Company's various governance related policies and programs. The Committee is also responsible for establishing the criteria used in the selection of directors and key officers and the recommendation of the former for membership of the Board and/or Board Committees. Further to this, the Committee regularly reviews the Company's policies on management development and succession. The Committee is composed entirely of independent non-executive directors.

Corporate Governance Committee				
Office	Director	2/23/18	4/5/18	11/8/18
Chairman (Independent Director)	Joseph C. Tan	√	√	√
Member (Independent Director)	Laurito E. Serrano	√	√	√
Member (Independent Director)	Raul Ch. Rabe	√	√	√

The Corporate Governance Committee also determines the number of directorships which a member of the Board may hold simultaneous to their 2GO board seat.

Director	Reporting Company	Nature of Directorship
Mr. Dennis A. Uy	Phoenix Petroleum Philippines, Inc.	President/CEO/Director
	Chelsea Logistics Holdings Corp.	Chairman
	Apex Mining Company, Inc.	Independent Director
Mr. Francis C. Chua	Basic Energy Corp.	Vice Chairman
	Global Ferronickel Holdings, Inc.	Director
Mr. Frederic C. DyBuncio	SM Investments Corp.	President/CEO/Director
	Phoenix Petroleum Philippines, Inc.	Director
	Atlas Consolidated Mining and Development Corp.	Vice Chairman
Atty. Elmer B. Serrano	DFNN, Inc.	Director
Mr. Chryss Alfonsus V. Damuy	Chelsea Logistics Holdings Corp.	Director
Atty. Joseph C. Tan	LMG Chemicals Corp.	Independent Director
	Pacific Online Systems Corp.	Independent Director
	Premium Leisure Corp.	Independent Director
Amb. Raul Ch. Rabe	Vivant Corp.	Independent Director
Mr. Laurito E. Serrano	Atlas Consolidated Mining and Development Corp.	Lead Independent Director
	APC Group, Inc.	Independent Director
	MJC Investments Corp.	Independent Director
	Pacific Online Systems Corp.	Independent Director

Annual Evaluation of the Board

Through the Corporate Governance Committee, the Board conducts an annual performance evaluation of the collective Board, Board Committees, individual directors, the Company's Chairman of the Board, President and selected officers. The evaluation criteria is based on the duties and responsibilities of the Board of Directors, Board Committees, individual directors, Chairman of the Board, President and the heads of the control functions (Chief Audit Executive, Chief Risk Officer and Chief Compliance Officer) as provided for by the Company's By-Laws, Manual on Corporate Governance and respective Board Committee Charters.

Directors are asked to rate the annual performance of the respective bodies and individuals, as well as identify areas for improvement, such as the quality and timeliness of information provided to them, the frequency and conduct of regular, special or committee meetings, their accessibility to Management, the Corporate Secretary and Board Advisors as well as training/continuing education programs or any other forms of assistance that they may need in the performance of their duties. The Board then reviews the results of the evaluation and agree on action plans to address the issues raised. Every three (3) years, the annual evaluation is conducted by a third-party facilitator. The forms used for the evaluation may be viewed via the Company's website.

Notable Continuing Education/Training of the Board of Directors			
Director	Date of Training	Program	Name of Training Institution
Dennis A. Uy	3/15/18	Seminar on Corporate Governance	Philippine Chamber of Commerce and Industry (PCCI)
Francis C. Chua	5/10/18	Seminar on Corporate Governance	Philippine Chamber of Commerce and Industry (PCCI)
Frederic C. DyBuncio	8/8/18	Advanced Corporate Governance Training Program	Institute of Corporate Directors (ICD)
Elmer B. Serrano	8/8/18	Advanced Corporate Governance Training Program	Institute of Corporate Directors (ICD)
Ma. Concepcion F. de Claro	3/15/18	Seminar on Corporate Governance	Philippine Chamber of Commerce and Industry (PCCI)
Joseph C. Tan	4/12/18	Seminar on Corporate Governance	Sycip Gorres Velayo & Co. (SGV)
Raul Ch. Rabe	8/8/18	Advanced Corporate Governance Training Program	Institute of Corporate Directors (ICD)
Laurito E. Serrano	8/8/18	Advanced Corporate Governance Training Program	Institute of Corporate Directors (ICD)
Chryss Alfonsus V. Damuy	3/19/18	Seminar on Corporate Governance	Risks, Opportunities, Assessment & Management (ROAM)

COMPENSATION AND REMUNERATION COMMITTEE

The Compensation and Remuneration Committee is responsible for the remuneration philosophy of the Company, which contains director, officer, and employee compensation, benefits and incentive plans.

Compensation and Remuneration Committee			
Office	Director	4/5/18	11/8/18
Chairman (Non-Executive Director)	Dennis A. Uy	√	√
Member (Executive Director)	Frederic C. DyBuncio	√	√
Member (Executive Director)	Elmer B. Serrano	√	√

Remuneration of Directors and Senior Management

Members of the Board of Directors receive a per diem for each meeting attended. Total compensation paid to directors is disclosed annually in the Definitive Information Statement sent to shareholders, together with the Notice of the Annual Stockholders' Meeting.

The corporate compensation philosophy for executive remuneration in 2GO is - meritocracy based. Commensurate compensation is given based on the annual performance evaluations of 2GO's executives. Any change in compensation is subject to full discussion and concurrence by the Board upon the review and recommendation of the Compensation and Remuneration Committee.

RISK OVERSIGHT COMMITTEE

The Risk Oversight Committee is responsible for the Company's enterprise risk management system, and leads the organization in the management of its material business risks. The Committee also reviews and assesses the implementation and effectiveness of the Company's risk management framework.

Risk Oversight Committee					
Office	Director	4/5/18	5/29/18	11/6/18	11/8/18
Chairman (Independent Director)	Raul Ch. Rabe	√	√	√	√
Member (Independent Director)	Laurito E. Serrano	√	√	√	√
Member (Executive Director)	Frederic C. DyBuncio	√	√	X	√

Enterprise Wide Risk Management Program

2GO's Board of Directors sets the overall risk tolerance for the Group, but delegates the responsibility of managing risk exposures to the Risk Oversight Committee. In 2018, the Group continued to develop its Enterprise Risk Management program by addressing the Business Continuity Plans of its various business units, particularly those units exposed to technology-based risks. The business units continue to regularly update their risk registers as well as their respective business continuity plans as part of the Group's strategy to ensure that personnel and assets are protected and functional in the event of a disaster and/or crisis. Furthermore, the Crisis Management and Emergency Response Teams of the business units are periodically trained and conduct regular drills to ensure maximum preparedness in the event of a disaster and/or crisis.

RELATED PARTY TRANSACTIONS COMMITTEE

The Related Party Transactions Committee reviews all material related party transactions of the Company and ensures that said transactions are conducted at arms' length. The Committee is composed of three (3) non-executive directors, majority of whom, including the Chairman, are independent directors.

Related Party Transactions Committee			
Office	Director	4/5/18	11/8/18
Chairman (Independent Director)	Joseph C. Tan	√	√
Member (Independent Director)	Raul Ch. Rabe	X	√
Member (Non-Executive Director)	Ma. Concepcion F. de Claro	√	√

IT STEERING COMMITTEE

The IT Steering Committee was adopted to increase Board oversight on IT related matters. The Committee is composed of three (3) non-executive directors, majority of whom are independent directors.

IT Steering Committee						
Office	Director	4/5/18	5/23/18	7/19/18	8/23/18	11/6/18
Chairman* (Executive Director)	Frederic C. DyBuncio	√	√	N/A	N/A	N/A
Chairman* (Independent Director)	Joseph C. Tan	√	√	√	√	√
Member (Independent Director)	Laurito E. Serrano	√	√	X	√	√
Member (Non-Executive Director)	Ma. Concepcion F. de Claro	√	X	√	X	√

*Atty. Joseph C. Tan replaced Mr. Frederic C. DyBuncio as Chairman of the Committee on May 23, 2019.

POLICIES AND PROGRAMS

To ensure the continued development of its corporate governance practices, 2GO regularly reviews its Manual on Corporate Governance, Code of Business Conduct, and other governance related policies and programs. All governance related policies may be viewed via the Company's website at www.2go.com.ph.

Manual on Corporate Governance

The Company's governance principles and practices remain rooted in its Manual on Corporate Governance. In addition to the provisions relating to the Board of Directors and Management, the Manual also contains the Company's governance related policies on disclosure and transparency, communication and training programs, and also outlines the rights of stakeholders and the protection of the interests of minority stockholders. There have been no deviations from the Manual since it was adopted. The Company certifies that its directors, officers and employees are compliant with all leading practices and principles of good corporate governance as provided by the Manual.

Code of Business Conduct

The Code of Business Conduct serves as the pillar for the Company's culture of excellence and integrity. Directors, officers and employees are required to adhere to the Code in the performance of their duties and responsibilities. The Code highlights the importance of integrity in all the dealings with investors, creditors, customers, contractors, suppliers, regulators, co-employees, and the Company's other various stakeholders. It also highlights the Company's duties to its employees, shareholders and the importance of corporate social responsibility.

Conflict of Interest Policy

The Company's Conflict of Interest Policy defines a conflict of interest as a situation wherein a director, officer or employee has or appears to have a direct or indirect personal interest in any transaction, which may deter or influence him/her from acting in the best interests of 2GO. Any director, officer or employee involved in an actual or potential conflict of interest is required to immediately disclose said conflict to the Company.

Insider Trading Policy

Directors, officers and employees are prohibited from trading in the Company's shares, five (5) trading days before and two (2) trading days after the disclosure of any material, stock price-sensitive information. 2GO issues reminders of the "trading ban", before the release of financial reports or the disclosure of other material information to ensure compliance with the policy. All directors, officers and employees are required to report their dealings in company shares within three (3) business days of the transaction. Reports should indicate the date of the trade/s and number of shares traded, at least, and should be submitted to the Company's Compliance Officer.

Policy on Accountability, Integrity and Vigilance (Whistleblowing Policy)

The Company's whistleblowing policy, referred to as the Policy on Accountability, Integrity and Vigilance (PAIV), was adopted to create an environment where concerns and issues, made in good faith, may be raised freely within the organization. Under the policy, any stakeholder may accomplish an incident report on suspected or actual violations of the Code of Business Conduct or any other applicable law or regulation. Upon receipt of an incident report, Management conducts an investigation on its merit, subject to due process and applicable penalties and sanctions thereafter. Furthermore, the policy invokes a "No Retaliation" section for those that have reported in good faith.

Related Party Transactions Policy

The Company discloses in detail the nature, extent and all other material information on transactions with related parties in the Company's financial statements and quarterly and annual reports to regulators. Management regularly presents the details of transactions entered into by 2GO with related parties at the meetings of the Related Party Transactions Committee. This is to ensure that the Company conducts all related-party transactions at an arms' length basis.

DISCLOSURE AND TRANSPARENCY

The Company ensures that its stakeholders receive timely and accurate information on all facets of its business through the utilization of its website and disclosures. 2GO regularly discloses its top shareholders and its beneficial owners who own more than 5% of its shares. Shareholdings of directors and senior management are disclosed in the Definitive Information Statement sent to shareholders prior to the Annual Stockholders' Meeting (ASM).

The ASM provides 2GO shareholders with the opportunity to raise concerns, give suggestions, and vote on relevant issues. Voting methods are clearly defined and explained to shareholders before the ASM to ensure the observance of their voting rights and continued participation in the voting process. Under the Company's By-Laws and Manual on Corporate Governance and in accordance with certain laws, rules and regulation, shareholders may cumulatively vote for the election or replacement of members of the Board of Directors. Prior to the ASM, shareholders are furnished a copy of the annual report, including financial statements, and all relevant information about the current and nominated directors and key officers. Elected directors hold office for one (1) year until their successors are elected following the procedures set forth in 2GO's By-Laws. The Company also includes rationales and explanations for each agenda item which requires shareholder approval in the Notice of the ASM.

Proxy voting is permitted and facilitated through proxy forms which are distributed to shareholders prior to the ASM. Proxy forms may also be downloaded from the Company's website. To encourage shareholders to apply their right to vote through the proxy forms, notarization of such is not required. Shareholders are also given the opportunity to vote on certain corporate acts in accordance with law. These resolutions, along with shareholder questions and the corresponding responses are recorded in the minutes of the ASM, which are posted on the Company's website within five (5) days from the ASM. To ensure that all shareholders' concerns are properly addressed, the Chairman of the Board, Board Directors, the President, Board Committee Chairpersons and Members, the Corporate Secretary, Compliance Officer, Internal and External Auditors, and other members of Management are present during the ASM.

The Company's investor relations professionals provide a means of communication between 2GO and its shareholders. They arrange regular teleconferences and site visits for investors, coordinate with the investor relations departments of the Company's related parties and conduct briefings with analysts and the media. 2GO's shareholders and other various stakeholders that require further information or details on the Company, its operations, directors and/or officers, or would like to provide feedback and/or make other relevant suggestions/recommendations to the Company, may contact the following:

Investor Relations Department
8/F Double Dragon Plaza
2850 Epifanio de los Santos Ave.
Pasay City, 1308 Philippines
+63 2 528 7171
investor_relations@2go.com.ph

PROTECTION OF STAKEHOLDERS

As provided for in its Manual on Corporate and other relevant rules, laws and regulations, 2GO recognizes and protects the rights and interests of its key stakeholders, namely its shareholders, employees, customers, business partners, creditors, the environment and the communities it operates in.

Shareholder Rights

The Manual on Corporate Governance protects the shareholders' appraisal right as well as their rights to vote, inspect corporate books and records, gain access to material information and receive an equitable share of the Company's profits. The exercise of a shareholder's voting right is encouraged by the Company to ensure meaningful participation in shareholders' meetings. Voting methods and vote counting systems employed by the Company are clearly explained to ensure the effective exercise of shareholders' right to vote. The Company adheres to a system of cumulative voting for the election of directors to allow shareholders an opportunity to elect each member of the Board of Directors individually. Shareholders have the right to receive dividends. They may exercise their appraisal right or the right to dissent and demand payment of the fair value of their shares in accordance with the Corporate Code. Minority shareholders are given the right to propose the holding of a meeting as well as the right to propose items in the agenda of the meeting, provided that the items are for legitimate business purposes and in accordance with law, jurisprudence and best practice.

Dividend Policy

Per the Company's 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.

Employee Welfare

The Company provides for the health, safety and welfare of its employees. Through the efforts of its Human Resources Department, the Company has established policies and programs that promote a safe and healthy work environment that caters to all cultures and creeds and encourages employee development and growth. The Company recognizes that awareness and understanding of the principles of good corporate governance are essential to the continued development of its corporate governance program. New employees are given an overview of 2GO's corporate governance framework, policies and its various components via employee orientations. Skills and Leadership development courses are also conducted regularly to ensure that 2GO employees are given ample opportunities for personal growth and development.

For issues or concerns, stakeholders may refer to:

Mr. Reginald H. Tiu
Corporate Governance and Compliance Officer
8/F Double Dragon Plaza
2850 Epifanio de los Santos Ave.
Pasay City, 1308 Philippines
+63 2 528 7171
reg_tiu@2go.com.ph

OUR LEADERS

BOARD OF DIRECTORS

Mr. Dennis A. Uy
Chairman

Mr. Francis C. Chua
Vice Chairman

Mr. Frederic C. DyBuncio
President/CEO

Atty. Elmer B. Serrano
Director

Mr. Chryss Alfonsus V. Damuy
Director

Atty. Joseph C. Tan
Lead Independent Director

Ms. Ma. Concepcion F. de Claro
Director

Amb. Raul Ch. Rabe
Independent Director

Mr. Laurito E. Serrano
Independent Director

Mr. Dennis A. Uy

is the Chairman of the Board of Directors of 2GO Group, Inc. He is also the Founder, Chairman, and Chief Executive Officer of UDENNA Corporation, a holding company with a diverse business portfolio, including interests in petroleum, retail and distribution, shipping and logistics, real estate development, infrastructure, education, leisure and gaming, and telecommunications.

He is the President and Chief Executive Officer of Phoenix Petroleum Philippines, Inc., the country's leading independent oil company, and Chairman of Chelsea Logistics Holdings Corporation, a dominant player in the shipping and logistics industry.

He is the Chairman and President of UDENNA Development Corporation, the developer of real estate projects such as Clark Global City, Calaca Industrial Seaport Park, UDENNA Tower, and The Emerald in Mactan, Cebu. He is the Chairman and President of UDENNA Infrastructure Corp., Chairman of PH Travel and Leisure Holdings Corp., President of Enderun Colleges, Inc., and Chairman of Dennison Holdings.

Mr. Uy is also the Chairman of Phoenix Philippines Foundation, UDENNA Foundation, Siklab Atleta Pilipinas Sports Foundation, and LIFE Fund. He was appointed as Presidential Adviser on Sports in 2016 and as Honorary Consul of Kazakhstan to the Philippines in 2011.

Mr. Uy is a graduate of De La Salle University with a degree in Business Management.

Dr. Francis C. Chua

is the Vice Chairman of the Board of Directors and an independent director of 2GO Group, Inc. He is an appointed Member of the APEC Business Advisory Council, Consul General ad honorem of the Honorary Consulate General of Peru in Manila, and Special Envoy for Trade and Investments by the Office of the President.

He served as director of various companies and academic institutions and was conferred several awards by different organizations. He was a director of the Philippine Stock Exchange in 2002 and was re-elected as director in 2010 up to the present. He served as President of three of the most influential business organizations in the country — the Philippine Chamber of Commerce and Industry, Inc. (PCCI) from 2010 to 2011, Chamber of Commerce of the Philippine Islands, Inc. from 2005 to 2007, and Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. (FFCCCII) from 2005 to 2007.

Currently, Dr. Chua is the Chairman of the Foundation for Crime Prevention, Philippine Business Center, DongFeng Automotive Philippines, and the Green Army Foundation. He is the Chairman Emeritus of PCCI and the Founding Chairman of BA Securities, International Chamber of Commerce, Philippines, and Philippine Silkroad International Chamber of Commerce.

He is also a board member of the University of the Philippines Foundation, Central Luzon State University, Adamson University, Huakiao University of China, and the Normal University of Fukien China.

Mr. Frederic C. DyBuncio

is the President/Chief Executive Officer and a director of 2GO Group, Inc. and SM Investments Corporation. He is the Vice Chairman of the Board of Directors of Atlas Consolidated Mining and Development Corporation and a director of Phoenix Petroleum Philippines, Inc.

Prior to holding the post, he was a career banker who spent over 20 years with JP Morgan Chase and its predecessor institutions. During his stint in the banking industry, he was assigned to various 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 graduated from Ateneo de Manila University with a Bachelor of Science degree in Business Management and finished a Master's degree in Business Administration program at Asian Institute of Management.

Atty. Elmer B. Serrano

is the Corporate Secretary/Corporate Information Officer and a director of 2GO Group, Inc. He is a practicing lawyer specializing in corporate law, mergers & acquisitions, capital markets, and banking and finance. He is a co-founder and the Managing Partner of Martinez Vergara Gonzalez & Serrano, a full-service law firm recognized as top-tier in several practice areas by the foremost international ranking and editorial publications.

After being consistently cited as "Recommended Lawyer" by The Legal500 Asia Pacific, Mr. Serrano is now recognized as an elite "Leading Individual" in Banking & Finance, Legal500's list of outstanding lawyers in Asia Pacific. Mr. Serrano is also ranked a leading lawyer (2019) by IFLR1000 in the areas of Mergers & Acquisitions, Banking & Finance, and Capital Markets.

Aside from 2GO Group, Inc., Mr. Serrano is a director of DFNN Inc., which is also listed with the Philippine Stock Exchange. He is Corporate Secretary of some of the largest and most respected public companies in the Philippines, including SM Investments Corporation, SM Prime Holdings, Inc., Premium Leisure Corp., Crown Equities, Inc., as well as various subsidiaries of BDO Unibank. He is Corporate Secretary of, and counsel to, prominent banking industry associations and companies such as the Bankers Association of the Philippines, PDS Group of Companies, and the Philippine Payments Management, Inc.

Mr. Serrano is a Certified Associate Treasury Professional (2017) and was among the top graduates of the Trust Institute of the Philippines in 2001.

Mr. Serrano holds a Juris Doctor degree from the Ateneo Law School and a BS Legal Management degree from Ateneo de Manila University.

Ms. Ma. Concepcion F. de Claro

is a member of the Board of Directors of 2GO Group, Inc., Udenna Corporation, Conti's Holdings Corporation and subsidiaries, Phoenix Petroleum Philippines, Inc. and subsidiaries, South Pacific, Inc., Enderun Colleges, Inc., and Sagittarius Mines, Inc. She is also the Treasurer of Conti's Holdings Corporation and subsidiaries, and Enderun Colleges, Inc., as well as the Chief Financial Officer of Phoenix Petroleum Philippines, Inc., and the Director for Special Projects of Udenna Corporation.

She served as the Chief Operating Officer of Alsons Corporation from March 2011 to 2017 and as 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), Chief Financial Officer of Two San Isidro-SIAI Assets, Inc. (from March 2011 to March 2014), and Vice President for Corporate Planning and Services and consultant for Mergers & Acquisitions projects of Petron Corporation (November 2008 - September 2010).

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

is an independent director of 2GO Group, Inc. and is a member of the Board of Directors of Minergy Manila, Cagayan Electric Power and Light Company, Inc., and Vivant Corporation. He has been the Corporate Secretary of Manila Economic and Cultural Office since 2001 and Of Counsel for Rodrigo, Berenguer and Guno Law Offices since 1999. He was a Foreign Service Officer of the Department of Foreign Affairs from July 1968 to September 1999 and special envoy of the President for the Americas and OIC countries from February to April 2001.

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 of the Philippine Foreign Services since 1968.

Atty. Joseph C. Tan

is the lead independent director of 2GO Group, Inc. and the Founding Partner of MOST Law Firm from September 2006 to present. He was 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., Pacific Online Systems Corporation, and LMG Chemicals 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 (Class of 1978). He also holds a Bachelor of Laws degree from the Ateneo de Manila College of Law, Makati City, graduating with honors (Class of 1985).

Mr. Laurito E. Serrano

is an Independent Director of 2GO Group, Inc. He concurrently serves as a member of the Board of Directors of Pacific Online Systems Corporation, Atlas Mining & Development Corporation, Carmen Copper Corporation, MRT Development Corporation, Rizal Commercial Banking Corporation, Axelum Resources Corp., and APC Group, Inc.

Mr. Serrano's over 29 years of professional experience in corporate finance advisory work covers the development and promotion of financial advisory and special project engagements involving transaction structuring, public offerings, listings of shares, asset securitization and monetization, workout deals, project studies, business acquisitions, and debt and equity capital-raising.

Mr. Serrano was a Partner in the Corporate Finance Consulting Group of Sycip, Gorres, Velayo & Company (SGV&Co.) from 1992 to 1997 and started his career in the Audit and Business Advisory Group also of SGV&Co. from 1980 to 1992.

Mr. Serrano is a Certified Public Accountant and 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 (MBA) from the Harvard Graduate School of Business in Boston, Massachusetts, U.S.A.

Mr. Chryss Alfonsus V. Damuy

has been a member of the Board of Directors of 2GO Group, Inc. since 2018 and of Chelsea Logistics Holdings Corp. since its incorporation, and was consequently appointed as its President & CEO on March 2017. He is the Chief Operating Officer of Chelsea Shipping Corp. and its subsidiaries and the Vice Chairman of Trans-Asia Shipping Lines, Inc. and subsidiaries.

He was Vice President for Finance of Phoenix Petroleum Philippines, Inc. He also served as the Controller of Lapanday Foods Corporation and held various positions in its subsidiaries, including Fresh Asia Produce as Accounting Manager, and Mindanao Fresh Produce Services Corporation as Assistant Accounting Manager. He also worked as Chief Accountant and Branch Officer of the Regional Educators Multi-Purpose Cooperative. Mr. Damuy started his professional career as College Instructor of the Holy Cross of Davao College. He is a Certified Public Accountant.

FINANCIAL STATEMENTS

2018 ANNUAL REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Operations for the Years Ended December 31, 2018 and 2017

Amounts in millions		Dec 31 2018		Dec 31 2017	% Change
Revenue	₱	**21,990**	₱	**21,551**	**2%**
Costs of Services and Goods Sold		20,786		19,016	(9%)
Gross Profit		**1,204**		**2,535**	**(53%)**
General and Administrative Expenses		2,160		2,175	1%
Operating Income (Loss)		**(957)**		**360**	**(365%)**
Other Charges		285		423	33%
Provision for Income Tax		108		248	56%
Net Loss	₱	**(1,349)**	₱	**(311)**	**334%**
Add back:					
Financing Charges (Interest)		322		390	18%
Provision for Income Tax		108		248	56%
Depreciation and Amortization		2,078		1,883	(10%)
EBITDA	₱	**1,158**	₱	**2,210**	**(48%)**

2GO Group, Inc. and subsidiaries (2GO or the Group) posted a Net Loss after Tax of ₱1.3 billion for the year ended December 31, 2018, a decrease compared to Net Loss of ₱310 million during the same period in 2017.

The Group's revenue increased by 2% in 2018 from 2017 due to gross presentation of certain revenue streams amounting to ₱1.4 billion as required by the new revenue accounting standard (PFRS 15, *Revenue from contracts with customers*). The Group adopted PFRS 15 using the modified retrospective approach with the date of initial application of January 1, 2018. Without the effect of PFRS 15 presentation, Shipping revenue decreased by 6%, primarily due to the drydocking for refurbishment and repairs and maintenance of twelve vessels during the period, compared to ten vessels during the same period last year. Out of the twelve vessels drydocked in 2018, eight were big and medium-sized vessels compared to only five for 2017. With this, the total Freight capacity decreased by 13%. Travel capacity decreased by 8% for the ROPAX vessels, while fast craft capacity decreased by 4%. Shipping revenues were also adversely affected by weather (e.g., typhoons, storms, rough seas), which canceled voyages over the course of the year. The overcapacity and competition in the Freighter market likewise continues to push down freight rates.

Revenue from Non-shipping business (Logistics and Distribution) decreased by 3%. Revenue from Logistics and other services decreased by 12% as a result of the rationalization of unprofitable accounts. The distribution business, on the other hand, increased its revenue by 9%. Hand in hand, 2GO improved its service offerings to existing strategic customers (e.g., end-to-end warehousing, inventory management, cross-docking, delivery, merchandising), with an overall focus on customer service. The Non-shipping business accounted for 58% of total revenue during 2018 vs. 57% during 2017.

Total cost and expenses were maintained despite the rising fuel prices during the year and increased sales of inventory from our Distribution business. Fuel prices increased by 27% in 2018, and 2GO was impacted by a negative price variance of ₱675 million. All other costs and expenses were generally kept at bay due to improvements in efficiencies and focus on controlling costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Position as of December 31, 2018 and December 31, 2017

Amounts in millions		Dec 31 2018		Dec 31 2017	% Change
Current Assets		7,700		8,610	(11%)
Noncurrent Assets		7,363		7,897	(7%)
Total Assets	**₱**	**15,063**	**₱**	**16,507**	**(9%)**
Current Liabilities		9,723		12,388	(22%)
Noncurrent Liabilities		3,092		486	536%
Total Liabilities	**₱**	**12,815**	**₱**	**12,874**	**(0%)**
Total Equity		2,248		3,633	(38%)
Total Liabilities and Equity	**₱**	**15,063**	**₱**	**16,507**	**(9%)**

Total Assets decreased 9% to ₱15.1 billion, while Total Liabilities were consistent.

Assets
Current Assets decreased 11% to ₱7.7 billion from ₱8.6 billion. Cash and Cash Equivalents decreased 34% to ₱1.4 billion from ₱2.1 billion. Trade and Other Receivables, net of Allowance for Doubtful Accounts, decreased 7% to ₱4.1 billion from ₱4.4 billion.

Noncurrent Assets decreased 7% to ₱7.4 billion from ₱7.9 billion.

Liabilities
Current Liabilities decreased 22% to ₱9.7 billion from ₱12.4 billion. Short-term Notes Payable increased 2% to ₱2.7 billion from ₱2.6 billion, while the current portion of Long-term Debt decreased 86% to ₱0.4 billion from ₱3.1 billion. During the year, the Group refinanced the outstanding balance of its long-term loan to fund various expenditures and other general requirements. Trade and Other Payables were consistent.

Noncurrent Liabilities increased 536% to ₱3.1 billion from ₱0.5 billion as of December 31, 2018 and 2017 mainly due to the increase in Long-term Debt (net of the current portion). The Long-term Debt before the refinancing was classified under Current Liabilities.

Equity
Total Equity decreased 38% to ₱2.3 billion from ₱3.6 billion primarily due to the Net Loss generated in 2018.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Key Performance Indicators

The following are the key financial ratios of the Group for the years ended December 31, 2018 and 2017 and as of December 31, 2018 and December 31, 2017.

	Dec 31 2018	Dec 31 2017
Revenue Growth	2%	13%
Net Income Margin	(6%)	(1%)
EBITDA (in Millions of Pesos)	1,158	2,210
EBITDA Margin	5%	10%
	Dec 31 2018	**Dec 31 2017**
Current Ratio	0.8	0.7
Debt to Equity Ratio	5.7	3.5

Current Ratio increased to 0.8 from 0.7 as of December 31, 2018 and 2017. Debt to Equity Ratio increased to 5.7 from 3.5.

Revenue increased 2% in 2018, Net Income Margin decreased to -6% in 2018 vs. -1% in 2017.

EBITDA and EBITDA Margin remained positive at ₱1.2 billion and 5% in 2018, and ₱2.2 billion and 10% in 2017.

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 Rev 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant	**2GO Group, Inc.**	
Signature and Title	**William Charles Howell**	**CFO**
Date	**March 7, 2019**	

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of 2GO Group Inc. and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the year ended December 31, 2018, 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 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, 2018, has audited the consolidated financials 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 26th day of February 2019

REPORT OF THE AUDIT COMMITTEE

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities to ensure the quality and integrity of the Company's financial reporting, internal control system, internal and external audit processes and compliance with relevant laws and regulation. Likewise, the Committee oversees special investigations as may be necessary. It reviews its Charter annually.

The Committee is composed of three (3) non-executive directors, two (2) of whom are independent directors including the Committee Chairperson. The Committee members have relevant background, knowledge, skill and/or experience in areas of accounting, auditing and finance. The profiles and qualifications of the Committee members are as follows:

- **Mr. Laurito E. Serrano,** 59, Filipino, is an Independent Director of 2GO Group, Inc. He concurrently serves as a member of the Board of Directors of Pacific Online Systems Corporation, Atlas Mining & Development Corporation, Carmen Copper Corporation, MRT Development Corporation, Axelum Resources Corp., Rizal Commercial Banking Corporation and APC Group, Inc. Mr. Serrano's over 29 years of professional experience in corporate finance advisory work covers the development and promotion of financial advisory and special project engagements involving transaction structuring, public offerings, listings of shares, asset securitization and monetization, workout deals, project studies, business acquisitions, and debt and equity capital-raising. Mr. Serrano was a Partner in the Corporate Finance Consulting Group of Sycip, Gorres, Velayo & Company (SGV&Co.) from 1992 to 1997 and started his career in the Audit and Business Advisory Group also of SGV&Co. from 1980 to 1992. Mr. Serrano is a Certified Public Accountant and 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 (MBA) from the Harvard Graduate School of Business in Boston, Massachusetts, U.S.A.

- **Atty. Joseph C. Tan,** 60, Filipino, is the lead independent director of 2GO Group, Inc. and the Founding Partner of MOST Law Firm from September 2006 to present. He was 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., Pacific Online Systems Corporation, and LMG Chemicals 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 (Class of 1978). He also holds a Bachelor of Laws degree from the Ateneo de Manila College of Law, Makati City, graduating with honors (Class of 1985).

- **Ms. Ma. Concepcion F. de Claro,** 60, Filipino, is a member of the Board of Directors of 2GO Group, Inc., Udenna Corporation, Conti's Holdings Corporation and subsidiaries, Phoenix Petroleum Philippines, Inc. and subsidiaries, South Pacific, Inc., Enderun Colleges, Inc., and Sagittarius Mines, Inc. She is also the Treasurer of Conti's Holdings Corporation and subsidiaries, and Enderun Colleges, Inc., as well as the Chief Financial Officer of Phoenix Petroleum Philippines, Inc., and the Director for Special Projects of Udenna Corporation. She served as the Chief Operating Officer of Alsons Corporation from March 2011 to 2017 and as 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), Chief Financial Officer of Two San Isidro-SIAI Assets, Inc. (from March 2011 to March 2014), and Vice President for Corporate Planning and Services and consultant for Mergers & Acquisitions projects of Petron Corporation (November 2008 - September 2010). 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.

REPORT OF THE AUDIT COMMITTEE

Presented below are the dates of Committee meetings and the attendance of each member.

Audit Committee												
Committee Designation	Name	1/11/18	2/21/18	4/5/18	4/27/18	5/23/18	7/19/18	8/22/18	10/1/18	11/6/18	11/8/18	12/7/18
Chairman (ID)	Laurito E. Serrano	√	√	√	√	√	√	√	√	√	√	√
Member (ID)	Joseph C. Tan	√	√	√	√	√	√	√	√	√	√	√
Member (NED)	Ma. Concepcion F. de Claro	√	√	√	√	X	√	√	√	√	√	√

In compliance with the Audit Committee Charter, the Manual of Corporate Governance, and relevant laws and regulations, the Audit Committee performed the following activities relating to the three (3) major areas of concern:

Internal Audit

1. The Committee provided oversight of the Internal Audit.

   Under 2GO's Internal Audit Charter, the primary purpose of Internal Audit is to provide an independent, objective, and reasonable assurance and value-adding services through systematic and disciplined evaluation of the Company's governance system, risk management, and internal control environment. The Charter also requires the Internal Audit to do the following:

   - Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by Management, and submit such plan as well as periodic update thereof, to the Audit Committee for review and approval.
   - Implement the approved annual audit plan, including special tasks or projects mandated by Management or Audit Committee.
   - Maintain a team of professional audit staff with sufficient and relevant knowledge, skills, experience, and professional certifications to meet the requirements of the Charter.
   - Issue periodic reports to the Audit Committee and Management, summarizing results of audit activities. Thereafter, conduct follow-up audit in a timely manner to ascertain the adequacy, effectiveness, and timeliness of management actions on the reported audit findings and agreed recommendations.
   - Assist in the investigation of significant suspected fraudulent activities within the Company and notify Management and the Audit Committee of the results.
   - Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.

REPORT OF THE AUDIT COMMITTEE

To maintain the independence of the Internal Audit, the Chief Audit Executive functionally reports to the Board of Directors, through the Audit Committee. He is authorized to have unrestricted access to all functions, records, property, and personnel in the conduct of his duties, and free access to communicate with the Audit Committee and Management.

2. The Committee reviewed and approved the Internal Audit plan, including the scope, methodology, organization structure and staffing.

3. The Committee monitored the implementation of the Internal Audit plan and reviewed the periodic reports of the Chief Audit Executive summarizing the overall assessment of the Company's control environment, significant audit findings and areas of concern as well as the corresponding management response and action plan.

External Audit

The Audit Committee has the primary responsibility to make a well-informed recommendation regarding the appointment, re-appointment or removal of the External Auditor.

The External Auditor is tasked to undertake an independent audit and provide and perform an objective assurance on the preparation and presentation of the financial statements.

4. The Committee reviewed/discussed with the External Auditor, SGV & Co., the following:

   - The annual audit plan for 2018, including scope, approach, risk-based methods, focus areas and time table;
   - The results of its examination and action plan to address pending audit issues; and
   - The assessment of internal controls and quality of financial reporting.

5. The Committee reviewed/discussed the report of SGV & Co. on significant accounting issues, changes in accounting policies/standards and major pending tax legislations which would impact the Company and its subsidiaries.

6. The Committee discussed with SGV & Co. the matters required to be disclosed under the prevailing applicable Auditing Standards, and obtained from said Firm a letter confirming its independence, as required by prevailing applicable Independence Standards.

7. The Committee reviewed and approved all audit and non-audit services provided by SGV & Co, and related professional fees.

Financial Statements

8. The Committee assessed the internal control system of the Company based upon the review and evaluation done and reported by the internal and external auditors and noted that the system is generally adequate to generate reliable financial statements.

9. The Committee reviewed and endorsed to the Board for approval the unaudited financial statements of 2GO Group, Inc. for the first quarter ended March 31, 2018, six- month period ended June 30, 2018, and third quarter ended September 30, 2018.

REPORT OF THE AUDIT COMMITTEE

10. Based on its review and discussion, and subject to the limitations on the roles and responsibilities referred to above, the Committee recommended for Board approval, and the Board approved, the audited financial statements of 2GO Group, Inc. for the year ended December 31, 2018.

11. The Committee reviewed and discussed the performance, independence and qualifications of the External Auditor, SGV & Co., in the conduct of their audit of the financial statements of 2GO Group, Inc. for the year. Based on the review of their performance and qualifications, the Committee also recommended the re-appointment of SGV & Co. as External Auditors for 2019.

February 21, 2019

Laurito E. Serrano
Chairman

Joseph C. Tan
Member

Ma. Concepcion F. de Claro
Member

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
2GO Group, Inc.

Opinion

We have audited the consolidated financial statements of 2GO Group, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years 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, 2018 and 2017 and, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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.

Key Audit Matters

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

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

Revenue recognition and impact of adoption of PFRS 15, Revenue from Contracts with Customers

The Group's revenue from freight, logistics, cold chain and isotank services amounting to ₱15.72 billion and from sale of goods amounting to ₱6.27 billion comprise 71.5% and 28.5%, respectively, of the Group's total consolidated revenues for the year ended December 31, 2018. We considered the recognition of revenue from freight, logistics, cold chain and isotank services and sale of goods as a key audit matter because of the significant amount and volume of the Group's revenue transactions being processed and the risk of recognizing revenue in the improper period, and for the sale of goods, the risk of inappropriate capture of material revenue-related adjustments such as sales discounts, allowances, returns and bad goods.

Further, effective January 1, 2018, the Group adopted the new revenue recognition standard, PFRS 15, *Revenue from Contracts with Customers*, under the modified retrospective approach. The adoption of PFRS 15 resulted in significant changes in the Group's revenue recognition policies, process, and procedures. The adoption of PFRS 15 is significant to our audit because this involves application of significant management judgment and estimation in: determining whether the criteria for the recognition of revenue is met; determining whether there are other promises in the contract that are separate performance obligations; determining whether the transaction price includes variable consideration such as rebates and rights of return; and determining the timing of satisfaction of performance obligation over time or point in time.

Refer to Notes 3 and 4 to the consolidated financial statements for the relevant accounting policies and a discussion of significant judgments and estimation related to revenue recognition.

Audit Response

With the involvement of our internal specialist, we obtained an understanding of the Group's revenue recognition process, the relevant controls, and the related information system, including the determination of revenue adjustments. On a sampling basis, we compared the recorded revenue during the year to the revenue details generated from the Group's information system, analysis prepared by management, and actual documents such as proof of deliveries and sales invoices. We reviewed sample manual journal entries related to revenue and inspected the underlying documentation. On a sampling basis, we also obtained and compared the details of discounts, allowances, returns and bad goods to the amounts recorded in the Group's revenue information system and to documents such as the contracts with customers and principals, return slip, bad goods declaration, reconciliation of billings and collections with customers, and other memorandum adjustments.

We obtained an understanding of the Group's process in implementing the new revenue recognition standard. For significant revenue streams, we obtained sample contracts and reviewed whether the accounting policies appropriately considered the five-step model and cost requirements of PFRS 15. In addition, we reviewed sample contracts and checked whether (1) all performance obligations within contracts with customers have been identified; (2) whether management has identified and estimated all components of the transaction price (variable consideration); and (3) whether the Group's timing of revenue recognition is based on when the performance occurs and control of the related goods or services is transferred to the customer. We reviewed the application of the accounting policy in relation to the adoption of the new standard. We also reviewed the disclosures related to the transition adjustments based on the requirements of PFRS 15.

Recoverability of trade and other receivables and impact of expected credit loss on trade receivables due to PFRS 9, Financial Instruments adoption

As of December 31, 2018, the Group's trade and other receivables totaling to ₱4.10 billion, net of allowance for doubtful accounts of ₱1.26 billion, account for 27.2% of the consolidated total assets.

We considered the recoverability of trade and other receivables as a key audit matter because the determination of the allowance for doubtful receivables, especially with the Group's adoption of the expected credit loss (ECL) model effective January 1, 2018, involves significant management's judgment and estimations. Key areas of judgment in calculating ECL include: segmenting the Group's credit risk exposures; defining default; determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts; and incorporating forward-looking information (called overlays).

Refer to Notes 3 and 4 to the consolidated financial statements for the relevant accounting policies and a discussion of significant accounting judgment and estimates, and Note 8 to the consolidated financial statements for the details of trade and other receivables.

Audit Response

We obtained an understanding of the methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome and the best available forward-looking information.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default against historical analysis of accounts and credit risk management policies and practices in place; (c) tested historical loss rates by inspecting historical recoveries and write-offs; (d) checked the classification of outstanding exposures to their corresponding aging buckets; and (e) checked the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's receivable portfolios and industry practices.

Further, we checked the data used in the ECL models, such as the historical aging analysis and default and recovery data, by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We checked the transition adjustments and reviewed the disclosures made in the financial statements based on the requirements of PFRS 9.

Estimated useful life and impairment of vessels in operations, spare parts and related equipment

As of December 31, 2018, the Group's vessels in operations, spare parts and related equipment amounting to ₱4.70 billion, comprise 31.2% of the Group's consolidated total assets. In accounting for these assets, the Group estimated their useful lives and assessed potential impairment based on the fair value of the assets, physical condition and the cash flows they generate.

In evaluating the useful lives of the vessels, spare parts and related equipment, management takes into account the intended life of the vessel fleet being operated, the estimate of the economic life from the date of purchase or manufacture, the fleet deployment plans including the timing of fleet replacements, regulatory developments in the domestic shipping industry, changes in technology, as well as the repairs and maintenance program, among others.

We considered this as a key audit matter because the changes in the estimated useful lives of the Group's vessels in operations, spare parts and related equipment and the recognition of impairment loss involve significant management judgments and estimates and could have a material impact on the consolidated financial position and performance of the Group.

Refer to Notes 3 and 4 to the consolidated financial statements for the relevant accounting policies and a discussion of significant accounting judgment and estimates, and Note 12 to the consolidated financial statements for the detailed disclosures about the carrying amounts of the vessels in operations, spare parts and related equipment.

Audit response

We evaluated management's estimates of the useful lives of the vessels in operations, spare parts and related equipment based on the Group's fleet plan, historical experience on similar assets, useful lives used by comparable shipping companies, regulatory developments affecting the shipping industry and the Group's repairs and maintenance program. With the involvement of our internal specialist, we reviewed the value in use calculation prepared by management to support the recoverability of the carrying value of the vessels in operations, spare parts and related equipment. We tested the mathematical accuracy of the financial model and compared the key assumptions in the financial projection, such as the revenue growth, changes in the costs and expenses relative to revenue growth, capital expenditures and discount rates, to historical experience by the Group and market information.

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, 2018, 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, 2018 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.

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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.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Josephine H. Estomo.

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. 08-001998-18-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332550, January 3, 2019, Makati City

February 26, 2019

2GO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 and 2017

(Amounts in Thousands)

	Note	December 31 2018	2017
ASSETS			
Current Assets			
Cash and cash equivalents	7	**₱1,387,128**	₱2,095,850
Trade and other receivables	8, 17, 20	**4,097,691**	4,428,276
Inventories	9	**628,210**	555,697
Other current assets	10	**1,586,808**	1,530,462
Total Current Assets		**7,699,837**	8,610,285
Noncurrent Assets			
Property and equipment	12, 17, 18	**6,567,383**	7,096,852
Investments in associates and joint ventures	13	**325,642**	275,676
Deferred income tax assets – net	27	**69,499**	82,700
Other noncurrent assets	14	**400,340**	441,596
Total Noncurrent Assets		**7,362,864**	7,896,824
TOTAL ASSETS		**₱15,062,701**	₱16,507,109
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term notes payable	15	**₱2,685,000**	₱2,644,950
Trade and other payables	16, 20	**6,497,092**	6,506,865
Income tax payable		**15,351**	17,174
Current portion of:			
Long-term debt	17	**442,077**	3,121,315
Obligations under finance lease	12, 18	**83,515**	97,311
Total Current Liabilities		**9,723,035**	12,387,615
Noncurrent Liabilities			
Long-term debt - net of current portion	17	**2,780,436**	1,481
Obligations under finance lease - net of current portion	12, 18	**92,317**	218,430
Accrued retirement benefits	26	**211,420**	260,115
Other noncurrent liabilities		**7,283**	6,082
Total Noncurrent Liabilities		**3,091,456**	486,108
Total Liabilities		**12,814,491**	12,873,723

(Forward)

		December 31	
	Note	**2018**	2017
Equity	21		
Share capital		**₱2,484,653**	₱2,484,653
Additional paid-in capital		**910,901**	910,901
Acquisition of non-controlling interest		**(3,243)**	(3,243)
Excess of cost of investments over net assets of a subsidiary		**(9,835)**	(9,835)
Other comprehensive losses - net		**(92,698)**	(89,839)
Retained earnings (Deficit)		**(1,044,725)**	327,638
Treasury shares		**(58,715)**	(58,715)
Equity Attributable to Equity Holders of the Parent Company		**2,186,338**	3,561,560
Non-controlling Interests		**61,872**	71,826
Total Equity		**2,248,210**	3,633,386
TOTAL LIABILITIES AND EQUITY		**₱15,062,701**	₱16,507,109

See Notes to the Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017
(With Comparative Figures for the Year Ended December 31, 2016)
(Amounts in Thousands, Except for Earnings Per Common Share)

		Years Ended December 31		
	Note	**2018**	2017	2016
REVENUES FROM CONTRACTS WITH CUSTOMERS	5,20			
Shipping		**₱9,220,702**	₱–	₱–
Nonshipping:				
Logistics and other services		**6,495,071**	–	–
Sale of goods		**6,274,371**	–	–
REVENUES	5,20			
Shipping		**–**	8,417,376	8,944,742
Nonshipping:				
Logistics and other services		**–**	7,372,295	6,629,288
Sale of goods		**–**	5,761,828	3,479,845
		21,990,144	21,551,499	19,053,875
COST OF SERVICES AND GOODS SOLD	22	**20,785,631**	19,015,540	15,627,734
GROSS PROFIT		**1,204,513**	2,535,959	3,426,141
GENERAL AND ADMINISTRATIVE EXPENSES	23	**2,160,112**	2,174,522	2,340,885
OPERATING INCOME (LOSS)		**(955,599)**	361,437	1,085,256
OTHER INCOME (CHARGES)				
Equity in net earnings (losses) of associates and joint ventures	13	**(34)**	(6,970)	24,541
Financing charges	24	**(321,757)**	(390,070)	(389,527)
Others - net	24	**37,191**	(25,885)	28,242
		(284,600)	(422,925)	(336,744)
INCOME (LOSS) BEFORE INCOME TAX		**(1,240,199)**	(61,488)	748,512
PROVISION FOR INCOME TAX	27			
Current		**111,257**	265,010	376,723
Deferred		**(3,092)**	(16,924)	27,754
		108,165	248,086	404,477
NET INCOME (LOSS)		**(₱1,348,364)**	(₱309,574)	₱344,035
Attributable to:				
Equity holders of the Parent Company		**(₱1,345,956)**	(₱315,774)	₱330,300
Non-controlling interests		**(2,408)**	6,200	13,735
		(₱1,348,364)	(₱309,574)	₱344,035
Basic/Diluted Earnings (Loss) Per Share	28	**(₱0.5502)**	(₱0.1291)	₱0.1350

See Notes to the Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017
(With Comparative Figures for the Year Ended December 31, 2016)
(Amounts in Thousands)

		Years Ended December 31		
	Note	**2018**	2017	2016
NET INCOME (LOSS)		**(₱1,348,364)**	(₱309,574)	₱344,035
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax				
Item that will be reclassified subsequently to profit or loss:				
Net changes in unrealized gain on AFS investments		**–**	–	171
Item that will not be reclassified subsequently to profit or loss:				
Net changes in unrealized gain on FVTOCI investments		**(707)**	–	–
Remeasurement gains (losses) on net defined benefit liability	26	**(4,221)**	19,211	60,027
Income tax effect		**2,069**	(5,763)	(18,008)
		(2,859)	13,448	42,190
Share in remeasurement gains on retirement benefits of associates and joint ventures	13	**–**	–	876
		(2,859)	13,448	43,066
TOTAL COMPREHENSIVE INCOME (LOSS)		**(₱1,351,223)**	(₱296,126)	₱387,101
Attributable to:				
Equity holders of the Parent Company		**(₱1,348,815)**	(₱302,326)	₱373,366
Non-controlling interests		**(2,408)**	6,200	13,735
		(₱1,351,223)	(₱296,126)	₱387,101

See Notes to the Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017
(With Comparative Figures for the Year Ended December 31, 2016)
(Amounts in Thousands)

	Attributable to Equity Holders					
					Other Comprehensive	
	Share Capital (Note 21)	**Additional Paid-in Capital**	**Acquisition of Non-controlling Interests**	**Excess of Cost of Investments Over Net Assets of a Subsidiary** (Note 21)	**Unrealized Gain on Financial Assets at Fair Value through Other Comprehensive Income**	**Share in Cumulative Translation Adjustment of Associates**
BALANCES AT DECEMBER 31, 2015	**₱2,484,653**	**₱910,901**	**(₱3,243)**	**(₱9,835)**	**₱486**	**₱5,294**
Net income for the year	–	–	–	–	–	–
Other comprehensive income for the year	–	–	–	–	171	–
Total comprehensive income for the year	–	–	–	–	171	–
BALANCES AT DECEMBER 31, 2016	**₱2,484,653**	**₱910,901**	**(₱3,243)**	**(₱9,835)**	**₱657**	**₱5,294**
Net income (loss) for the year	–	–	–	–	–	–
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income (loss) for the year	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2017	**₱2,484,653**	**₱910,901**	**(₱3,243)**	**(₱9,835)**	**₱657**	**₱5,294**
BALANCES AT JANUARY 1, 2018	**₱2,484,653**	**₱910,901**	**(₱3,243)**	**(₱9,835)**	**₱657**	**₱5,294**
Effect of adoption of new accounting standards (Note 3)	–	–	–	–	–	–
AS ADJUSTED BALANCES AT JANUARY 1, 2018	**2,484,653**	**910,901**	**(3,243)**	**(9,835)**	**657**	**5,294**
Net loss for the year	–	–	–	–	–	–
Other comprehensive loss for the year	–	–	–	–	(707)	–
Total comprehensive loss for the year	–	–	–	–	(707)	–
Sale of a subsidiary	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2018	**₱2,484,653**	**₱910,901**	**(₱3,243)**	**(₱9,835)**	**(₱50)**	**₱5,294**

See Notes to the Consolidated Financial Statements.

of the Parent Company							
Income (Losses)							
Remeasurement Losses on Accrued Retirement Benefits - Net of tax (Note 26)	**Share in Remeasurement Gains (Losses) on Accrued Retirement Benefits of Associates and Joint Ventures** (Note 13)	**Subtotal**	**Retained Earnings (Deficit)**	**Treasury Shares** (Note 21)	**Total**	**Non-controlling Interests**	**Total Equity**
(₱157,459)	**₱5,326**	**(₱146,353)**	**₱313,112**	**(₱58,715)**	**₱3,490,520**	**₱51,891**	**₱3,542,411**
–	–	–	330,300	–	330,300	13,735	344,035
42,019	876	43,066	–	–	43,066	–	43,066
42,019	876	43,066	330,300	–	373,366	13,735	387,101
(₱115,440)	**₱6,202**	**(₱103,287)**	**₱643,412**	**(₱58,715)**	**₱3,863,886**	**₱65,626**	**₱3,929,512**
–	–	–	(315,774)	–	(315,774)	6,200	(309,574)
13,448	–	13,448	–	–	13,448	–	13,448
13,448	–	13,448	(315,774)	–	(302,326)	6,200	(296,126)
(₱101,992)	**₱6,202**	**(₱89,839)**	**₱327,638**	**(₱58,715)**	**₱3,561,560**	**₱71,826**	**₱3,633,386**
(₱101,992)	**₱6,202**	**(₱89,839)**	**₱327,638**	**(₱58,715)**	**₱3,561,560**	**₱71,826**	**₱3,633,386**
–	–	–	(26,407)	–	(26,407)	–	(26,407)
(101,992)	**6,202**	**(89,839)**	**301,231**	**(58,715)**	**3,535,153**	**71,826**	**3,606,979**
–	–	–	(1,345,956)	–	(1,345,956)	(2,408)	(1,348,364)
(2,152)	–	(2,859)	–	–	(2,859)	–	(2,859)
(2,152)	–	(2,859)	(1,345,956)	–	(1,348,815)	(2,408)	(1,351,223)
–	–	–	–	–	–	(7,546)	(7,546)
(₱104,144)	**₱6,202**	**(₱92,698)**	**(₱1,044,725)**	**(₱58,715)**	**₱2,186,338**	**₱61,872**	**₱2,248,210**

2GO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017
(With Comparative Figures for the Year Ended December 31, 2016)
(Amounts in Thousands)

	Note	Years Ended December 31 2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before tax		**(₱1,240,199)**	(₱61,488)	₱748,512
Adjustments for:				
Depreciation and amortization of property and equipment and software	12, 14, 22,23	**2,077,742**	1,882,855	1,441,914
Financing charges	24	**321,757**	390,070	389,527
Interest income	24	**(17,172)**	(6,187)	(5,349)
Loss (gain) on disposal of:				
Property and equipment	24	**(11,783)**	(1,623)	8,104
Investment in subsidiaries	24	**1,677**	–	–
Available for sale (AFS) financial assets	24	**–**	–	(8,869)
Equity in net losses (earnings) of associates and joint ventures	13	**34**	6,970	(24,541)
Retirement benefit cost	26	**32,263**	112,128	60,863
Unrealized foreign exchange losses (gains)		**(33,625)**	32,431	(5,854)
Operating cash flows before working capital changes		**1,130,694**	2,355,156	2,604,307
Decrease (increase) in:				
Trade and other receivables		**193,000**	(187,579)	35,287
Inventories		**(74,847)**	118,539	(160,726)
Other current assets		**164,788**	(184,043)	(33,736)
Increase in trade and other payables		**182,360**	976,287	744,172
Cash generated from operations		**1,595,995**	3,078,360	3,189,304
Contribution for retirement fund and benefits paid from book reserve	26	**(84,166)**	(78,833)	(53,934)
Interest received		**17,931**	5,850	4,414
Income taxes paid, including creditable withholding taxes		**(329,515)**	(322,921)	(299,085)
Net cash flows provided by operating activities		**1,200,245**	2,682,456	2,840,699
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment	12	**(1,524,975)**	(1,623,505)	(2,500,290)
Software	14	**(41,898)**	(7,612)	(19,310)
Investment in an associate	13,14	**(25,000)**	–	–
Proceeds from disposal of:				
Property and equipment	12	**38,957**	6,710	1,236
AFS financial assets	14	**–**	–	1,200
Asset held for sale	11	**–**	–	158,239
Divestment of subsidiaries	24	**(85,818)**	–	–
Receipts of (payments for) various deposits		**14,624**	44,307	(76,638)
Net cash flows used in investing activities		**(1,624,110)**	(1,580,100)	(2,435,563)

(Forward)

	Note	Years Ended December 31 2018	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availments of:				
Short-term notes payable	15	**₱5,783,200**	₱2,598,701	₱2,370,109
Long-term debt	17	**2,500,000**	756,911	120,339
Payments of:				
Short-term notes payable	15	**(5,743,150)**	(2,278,306)	(2,114,913)
Long-term debt	17	**(2,384,055)**	(1,035,466)	(269,412)
Interest and financing charges	24	**(275,295)**	(384,935)	(374,019)
Obligations under finance lease	18	**(152,863)**	(77,702)	(87,570)
Debt transaction costs	24	**(18,779)**	–	–
Net cash flows used in financing activities		**(290,942)**	(420,797)	(355,466)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**6,085**	1,911	5,403
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(708,722)**	683,470	55,073
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7	**2,095,850**	1,412,380	1,357,307
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	**₱1,387,128**	₱2,095,850	₱1,412,380

See Notes to the Consolidated Financial Statements.

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

2GO Group, Inc. (2GO or the Company) was incorporated in the Philippines on May 26, 1949. Its corporate life was extended and will expire on May 25, 2045. The Company's registered office address is 8th Floor Tower 1, Double Dragon Plaza, EDSA Extension corner Macapagal Avenue, Pasay City, Metro Manila.

2GO 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 2GO's shipping and logistics services to provide value-added distribution services to principals and customers.

2GO's shares of stock are publicly traded in the Philippine Stock Exchange (PSE). As at December 31, 2018 and 2017, the Company is 88.3%-owned subsidiary of Negros Navigation Co., Inc. ("NN" or the "Parent Company"). As at December 31, 2018 and 2017, NN is 39.85% and 59.60%-owned, respectively, by KGLI-NM Holdings, Inc. (KGLI-NM). The ultimate parent of KGLI-NM is Udenna Corporation (Udenna). KGLI-NM and Udenna are both incorporated and domiciled in the Philippines.

On February 23, 2018, the Board of Directors (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. The merger of NN and 2GO became effective January 1, 2019, pursuant to the Articles of Merger approved by the Philippine Security and Exchange Commission.

The accompanying consolidated financial statements as at and for the years ended December 31, 2018 and 2017, with comparative figures for the year ended December 31, 2016, were approved and authorized for issue by the BOD on February 26, 2019.

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 financial asset investments which are measured at fair value through other comprehensive income. 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.

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

3. Significant Accounting Policies

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, 2018. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Group's consolidated financial statements.

Effective January 1, 2018

- PFRS 15, *Revenue from Contracts with Customers* replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, Philippine Interpretation based on 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 PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

  PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. PFRS 15 requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

  The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at January 1, 2018. The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 11, PAS 18 and related Interpretations.

  The effect of adopting PFRS 15 as at January 1, 2018 includes the reclassification of trade receivables to contract assets amounting to ₱433.2 million and other payables to contract liabilities amounting to ₱224.5 million.

  The shipping revenue and cost of services in 2018 prepared under PFRS 15 amounted to ₱9.2 billion and ₱8.8 billion, respectively. Had PFRS 15 not been adopted, the shipping revenue and the cost of services would have been ₱7.8 billion and ₱7.5 billion, respectively.

  The adoption of PFRS 15 did not have a material impact on OCI and Group's cash flows.

  The nature of the adjustments as at January 1, 2018 and the reason for the significant changes in the consolidated statement of financial position as at December 31, 2018 pertains to the separate presentation of contract assets and liabilities. Further, based on the assessment of the Group's performance obligation under PFRS 15, management concluded that ancillary services such as handling and other freight-related services that are included in the freight rates are separate performance obligations within the context of the contract with the customers and should be recognized as revenue over time as the Group performs the service. Before adopting PFRS 15, the billing to/collection from customers arising from these ancillary services were recognized as payable to the third party providers contracted by the Group to perform these ancillary services, hence, no revenue and cost were recognized.

  Further, some contracts for the sale of goods provide customers with a right of return, particularly for damaged or expired goods, which is usually capped at a certain percentage of sales to the entitled customers. Before adopting PFRS 15, the Group recognized revenue from the sale of goods at the fair value of the consideration received or receivable, net of discounts and actual returns. Under PFRS 15, rights of return give rise to variable consideration. Accordingly, under PFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products. The Group used the expected value method to estimate the goods that will not be returned based on the historical experience. For goods expected to be returned, the Group estimates a refund liability, net of the amounts that are reimbursable or chargeable to the original supplier or principal of the products. No right of return assets are recognized since the returns from customers pertain only to damaged or expired goods, which have nil recoverable value. As at January 1, 2018, no adjustment to the opening retained earnings and refund liability have been recognized as the computed estimated refund liability, net of the reimbursable amounts from the original suppliers or principals of the products, is not significant.

- 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 applied PFRS 9 using the modified retrospective approach, with initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under PAS 39. Differences arising from the adoption of PFRS 9 have been recognized directly in retained earnings.

  The effect of adopting PFRS 9 as at January 1, 2018 was as follows:

	January 1, 2018
Decrease in:	*(In Thousands)*
Assets	
Trade and other receivables	₱26,407
Equity	
Retained earnings	26,407

  Classification and measurement
  Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortized cost, or fair value through OCI (FVTOCI). The classification is based on two criteria:

  a. The Group's business model for managing the assets; and
  b. Whether the instruments' contractual cash flows represent 'solely payment of principal and interest' on the principal amount outstanding.

  The assessment of the Group's business model was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

  The classification and measurement requirements of PFRS 9 did not have a significant impact to the Group. The Group continued measuring at fair value all financial assets previously held at fair value under PAS 39. The following are the changes in the classification of the Group's financial assets:

  a. Trade receivables and Other non-current financial assets classified as Loans and receivables as at December 31, 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortized cost beginning January 1, 2018.

  b. Equity investments in non-listed companies classified as AFS financial assets as at December 31, 2017 are classified and measured as Equity instruments designated at FVTOCI beginning January 1, 2018. The Group elected to classify irrevocably its non-listed equity investments under this category at the date of initial application as it intends to hold these investments for the foreseeable future. There were no impairment losses recognized in profit or loss for these investments in prior periods.

  c. Listed equity investments classified as AFS financial assets as at 31 December 2017 are classified and measured as FVTOCI beginning January 1, 2018. The Group assessed that these equity investments are not held for trading and made an irrevocable election at initial recognition to measure it at FVTOCI.

Below is the summary of the impact of PFRS 9 had the Group adopted the standard as at January 1, 2018.

		PFRS 9 measurement category		
PAS 39 measurement category	**Total**	**Fair value through Profit and Loss**	**Fair value through OCI**	**Amortized cost**
		(In Thousands)		
Loans and receivables:				
Cash in banks and cash equivalents	₱2,023,389	₱–	₱–	₱2,023,389
Trade and other receivables	4,161,470	–	–	4,135,063
Refundable deposits	184,613	–	–	184,613
Restricted time deposits	152,736	–	–	152,736
Due from related parties	217,180	–	–	217,180
Advances to officers and employees	49,626	–	–	49,626
Available for sale				
Listed equity investment	811	–	811	–
Non-listed equity investment	2,600	–	2,600	–

Impairment
The adoption of PFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to recognize an allowance for ECL for all debt instruments not held at fair value through profit or loss and contract assets.

Below is the reconciliation of the ending impairment allowance in accordance with PAS 39 to the opening loss allowance determined in accordance with PFRS 9.

	Allowance for impairment under PAS 39 as at December 31, 2017	Remeasurement	ECL under PFRS 9 as at January 1, 2018
		(In Thousands)	
Loans and receivable under PAS 39/Financial assets at amortized cost under PFRS 9	₱1,343,894	₱26,407	₱1,370,301

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

- Philippine Interpretation based on 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.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. Retrospective application is required.

Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2019. 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, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- PFRS 16, *Leases*, sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group assessed that the adoption of the new standard will result to the following:

a. Assets and liabilities will increase because of the capitalization of the right of use asset from operating lease agreements; and
b. Rental expense will decrease while amortization and interest expense will increase.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Group is currently assessing the impact of adopting this interpretation.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, Investments in Associates and Joint Ventures.

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

    The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

    An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

    Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

- PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Events after the Reporting Period* and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes 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.

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 2GO and the subsidiaries listed below:

	Nature of Business	Percentage of Ownership 2018	2017[7]
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 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) [6]	Vessel support services	**100.0**	100.0
Red.Dot Corporation (RDC) [5]	Manpower services	**–**	100.0
Supersail Services, Inc. (SSI) [5]	Vessel support services	**–**	100.0
Astir Engineering Works, Inc. (AEWI) [6]	Engineering services	**100.0**	100.0
WG&A Supercommerce, Incorporated (WSI) [1]	Vessels' hotel management	**100.0**	100.0
North Harbor Tugs Corporation (NHTC)	Tugboat assistance	**58.9**	58.9
Super Terminals, Inc. (STI) [2] [3]	Passenger terminal operator	**50.0**	51.0
Sungold Forwarding Corporation (SFC) [5]	Transportation/logistics	**–**	50.0
2GO Rush Delivery, Inc. (RUSH)[4]	Transportation/logistics	**100.0**	100.0

[1]Ceased commercial operations in February 2006
[2]Ceased commercial operations in 2017
[3]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. Dormant company.
[4]Incorporated in December 2016 but has not yet started business operations
[5]Subsidiaries sold in 2018
[6]Ceased commercial operations on December 31, 2018
[7]Ownership in 2017 is the same with 2016

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 reassesses 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 non-controlling 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 statement 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 statement 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:		
Hansa Meyer Projects (Phils.), Inc. (HMPPI) [(1)]	Project logistics and consultancy	50.0
Mober Technology PTE Inc. (Mober)[(2)]	Logistics services	50.0
MCC Transport Philippines (MCCP)	Container transportation	33.0
Joint Ventures:		
KLN Logistics Holdings Philippines Inc. (KLN)[(3)]	Holding company	78.4
Kerry Logistics Philippines, Inc. (KLI)	International freight and cargo forwarding	62.5

[1]*Ceased commercial operations effective December 31, 2017.*
[2]*Investment by 2GO Express in 2018.*
[3]*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. The assets, liabilities, revenues and expenses relating to the Group's interest in the joint operation have been recognized in the consolidated financial statements of the Group.

As at December 31, 2018 and 2017, the Company has interest in joint operation in United South Dockhandlers, Inc. (USDI).

Current versus Noncurrent classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the financial reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the financial reporting period.

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

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 principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that 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 – Effective Prior to January 1, 2018

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.

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 profit or loss 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 derecognition 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.

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 profit or loss. 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 income and recognized in the consolidated statement of profit or loss. 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.

Financial Instruments – effective starting January 1, 2018

Date of Recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement 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). With the exception of trade receivables or for which the Group has applied the practical expedient, the Group's initial measurement of financial instruments, except for those classified as fair value through profit or loss (FVTPL), includes transaction cost. Trade receivables or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

Financial assets

At initial recognition, the Group classifies its financial assets as follows:

- FVTPL
- Fair value through other comprehensive income (FVTOCI)
- Financial assets measured at amortized cost

The basis of the classification of the Group's financial instruments depends on the following:

- The Group's business model for managing its financial assets; and
- The contractual cash flow characteristics of the financial assets

A financial asset is classified to be measured at amortized cost if following conditions were met:

- The financial asset is held to collect the contractual cash flows; and
- Contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are classified as FVTOCI if the following conditions were met:

- The financial asset is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the financial asset; and
- Contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets shall be classified as FVTPL unless it is measured at amortized cost or at FVTOCI. The Group may also irrevocably elect at the initial recognition of equity instruments that would otherwise be measured at FVTPL to be presented as FVTOCI.

Financial liabilities
Financial liabilities are classified as measured at amortized cost except for:

- Financial liabilities measured at FVTPL which includes derivatives that liabilities measured at fair value;
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- Financial guarantee contracts;
- Commitments to provide a loan at a below-market interest rate;
- Contingent considerations recognized by an acquirer in a business combination to which PFRS 3 applies.

"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 profit or loss 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 profit or loss 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.

Subsequent measurement
Financial assets measured at amortized cost
After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by considering 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 profit or loss 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 in banks 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 statement of financial position) are classified under this category.

FVTOCI (equity instruments)
Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Financial liabilities measured at amortized cost
After initial recognition, these financial liabilities are 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 recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement 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 (NRV). 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 obsolescence 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 statement 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 statement 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 statement 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.

<u>Investment Property</u>
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 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 "Excess of cost of investments over net assets of a subsidiary" account in the equity section of the consolidated statement 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 PFRS 9, 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 FVTOCI financial assets, share in OCI of associates and remeasurement gains or losses on accrued retirement benefits.

Retained Earnings (Deficit) represents the cumulative balance of net income or loss, net of any dividend declaration and other capital adjustments.

<u>Revenue – Effective prior to January 1, 2018</u>
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, value added taxes (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.

<u>Revenue from contracts with customers – effective starting January 1, 2018</u>
Revenue from contracts with customers is recognized when controls of goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the goods and services. The specific recognition criteria for each type of revenue are as follows:

Shipping Revenues are recognized when the related services are rendered. Shipping revenues include revenue from ancillary services such as wharfage, arrastre, stevedoring and other freight related services. Customer payments for services which have not yet been rendered are classified as contract liabilities 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.

Sale of Goods are recognized at the point in time when control of the asset is transferred to the customer, generally on the delivery of the goods.

Contract balances
Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Trade receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section Financial instruments – initial recognition and subsequent measurement.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Other Income
Rental Income arising from operating leases is recognized on a straight-line basis over the lease term.

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.

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 statement 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) over Regular Corporate Income Tax (RCIT) 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 over RCIT 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.

Creditable withholding taxes (CWTs)
CWTs, included in "Other current assets" account in the consolidated statement 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.

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 from contracts with customers
The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining the timing of satisfaction of performance obligation
Shipping and logistics and other services
The Group assessed that performance obligation for shipping and logistics and other services are rendered to the customers over time. As a result, the Group the revenue is recognized based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgement.

Sale of goods
The Group assessed that performance obligation for sale of goods are satisfied at a point in time. The Group uses its judgement on when a customer obtains control of the promised goods. The Group has assessed that the actual delivery of the goods to the customer is the point in time when the performance obligation has been satisfied.

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). Refer to Note 18.

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 - Effective prior to January 1, 2018
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 and accounts of defaulted agents.

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 8.

Provision for ECL of trade receivables and contract assets – Effective starting January 1, 2018
The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Refer to Note 8.

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 9.

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 2018 and 2017, the Group assessed that the aggregate carrying values of CWTs, input VAT and deferred input VAT are fully recoverable. Refer to Notes 10 and 14.

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 Refer to Note 12.

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:

	Note	December 31 2018	2017
		(In Thousands)	
Property and equipment	12	**₱6,567,383**	₱7,096,852
Investments in associates and joint ventures	13	**325,642**	275,676

As at December 31, 2018 and 2017, 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.

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 Income Tax Assets
The carrying amount of deferred income 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 income 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 income 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. Revenue from Contracts with Customers

Disaggregated revenue information
The disaggregation of the Group's revenue from contracts with customers is presented in the consolidated statement of profit or loss and disclosed in the operating segment information.

Performance obligations and timing of revenue recognition
The Group's performance obligations are summarized below.

- Shipping and logistics and other services: performance obligations are generally satisfied over time once the delivery services are completed.
- Sale of goods: performance obligation is generally satisfied upon delivery of the goods to the customers which is the point in time where the control has been transferred to the customer.

6. 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, 2018			
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
	(In Thousands)			
External customers	**₱9,220,702**	**₱12,769,442**	**₱–**	**₱21,990,144**
Intersegment revenue	**822,081**	**639,979**	**(1,462,060)**	**–**
Revenues from contracts with customers	**₱10,042,783**	**₱13,409,421**	**(₱1,462,060)**	**₱21,990,144**
Income (loss) before income tax	**(₱1,190,609)**	**₱46,078**	**(₱95,668)**	**(₱1,240,199)**
Provision for income tax	**(3,519)**	**(104,646)**	**–**	**(108,165)**
Segment Loss	**(₱1,194,128)**	**(₱58,568)**	**(₱95,668)**	**(₱1,348,364)**
Segment Assets	**₱11,446,647**	**₱6,514,260**	**(₱2,898,206)**	**₱15,062,701**
Segment Liabilities	**₱8,019,363**	**₱6,823,339**	**(₱2,028,211)**	**₱12,814,491**
Other Information:				
Capital expenditures	**₱1,245,086**	**₱291,090**	**₱–**	**₱1,536,176**
Depreciation and amortization	**1,874,396**	**203,346**	**–**	**2,077,742**
Reversal of credit losses	**(29,924)**	**(33,456)**	**–**	**(63,380)**
Provision for cargo losses and inventory write-down	**7,319**	**164,414**	**–**	**171,733**
Dividend income	**(42,000)**	**(53,667)**	**95,667**	**–**
Equity in net losses (earnings) of associates and joint ventures	**9,269**	**(9,235)**	**–**	**34**

	December 31, 2017			
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
	(In Thousands)			
External customers	₱8,417,376	₱13,134,123	₱–	₱21,551,499
Intersegment revenue	1,189,477	1,402,609	(2,592,086)	–
Revenues	₱9,606,853	14,536,732	(₱2,592,086)	₱21,551,499
Income (loss) before income tax	₱692,199	(₱206,977)	(₱546,710)	(₱61,488)
Provision for income tax	(70,561)	(177,525)	–	(248,086)
Segment Profit (Loss)	₱621,638	(₱384,502)	(₱546,710)	(₱309,574)
Segment Assets	₱13,655,184	₱8,089,480	(₱5,237,555)	₱16,507,109
Segment Liabilities	₱9,170,188	₱8,162,782	(₱4,459,247)	₱12,873,723
Other Information:				
Capital expenditures	₱1,581,420	₱281,955	–	₱1,863,375
Depreciation and amortization	1,699,592	183,263	–	1,882,855
Provision for doubtful accounts - net	8,805	285,643	–	294,448
Provision for cargo losses and inventory write-down	12,435	233,005	–	245,440
Dividend income	(515,000)	(31,710)	546,710	–
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 customers	₱8,952,984	₱10,100,891	₱–	₱19,053,875
Intersegment revenue	1,493,377	948,345	(2,441,722)	–
Revenues	₱10,446,361	₱11,049,236	(₱2,441,722)	₱19,053,875
Income (loss) before income tax	₱812,682	(₱48,318)	(₱15,852)	₱748,512
Provision for income tax	(212,205)	(192,272)	–	(404,477)
Segment Profit (Loss)	₱600,477	(₱240,590)	(₱15,852)	₱344,035
Segment Assets	₱13,596,095	₱7,640,634	(₱5,562,580)	₱15,674,149
Segment Liabilities	₱9,734,905	₱6,827,148	(₱4,817,416)	₱11,744,637
Other Information:				
Capital expenditures	₱2,343,976	₱304,041	₱–	₱2,648,017
Depreciation and amortization	1,309,617	132,297	–	1,441,914
Provision for doubtful accounts - net	132,760	404,860	–	537,620
Provision for cargo losses and inventory write-down	17,091	68,071	–	85,162
Equity in net losses (earnings) of associates and joint ventures	(31,545)	7,004	–	(24,541)

7. Cash and Cash Equivalents

This account consists of:

	December 31	
	2018	2017
	(In Thousands)	
Cash on hand and in banks	**₱1,104,177**	₱1,907,953
Cash equivalents	**282,951**	187,897
	₱1,387,128	₱2,095,850

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 ₱17.2 million, ₱6.2 million and ₱5.3 million for the years ended December 31, 2018, 2017 and 2016, respectively (see Note 24).

8. Trade and Other Receivables

This account consists of:

	Note	December 31	
		2018	2017
		(In Thousands)	
Trade		**₱3,523,069**	₱4,213,384
Contract assets		**442,956**	–
Nontrade		**1,290,673**	1,291,980
Due from related parties	20	**81,814**	217,180
Advances to officers and employees		**21,597**	49,626
		5,360,109	5,772,170
Less allowance for:			
ECL		**1,262,418**	–
Doubtful accounts		**–**	1,343,894
		₱4,097,691	₱4,428,276

a. Trade receivables are noninterest-bearing and are generally on 30 to 60 days terms. Freight receivables of the Group amounting to nil and ₱601.5 million as at December 31, 2018 and 2017, respectively, have been assigned to secure one of its long-term debts (see Note 17).

b. Contract assets include unbilled receivables which represent amounts recognized as revenue for which the invoices have not yet been issued to the customers.

c. Nontrade receivables include advances to principals, suppliers and contractors, passage bonds, receivable from trustee fund and insurance from other claims. These receivables are noninterest-bearing and collectible on demand.

d. The following tables set out the rollforward of the allowance for ECL as of December 31, 2018 and allowance for doubtful accounts as of December 31, 2017 and 2016:

		December 31, 2018		
	Note	**Trade and Contract Assets**	**Nontrade**	**Total**
		(In Thousands)		
Beginning		**₱802,103**	**₱541,791**	**₱1,343,894**
Effect of adoption of new standard	2	**22,326**	**4,081**	**26,407**
Beginning, as adjusted		**824,429**	**545,872**	**1,370,301**
Provision (Recovery)	23	**(22,730)**	**(40,650)**	**(63,380)**
Write-off/Other adjustments		**(19,842)**	**(9,889)**	**(29,731)**
Effect of divestment of subsidiaries		**(14,525)**	**(247)**	**(14,772)**
Ending		**₱767,332**	**₱495,086**	**₱1,262,418**

		December 31, 2017		
	Note	Trade	Nontrade	Total
		(In Thousands)		
Beginning		₱758,340	₱446,554	₱1,204,894
Provision	23	180,073	127,525	307,598
Reversal	23	(11,263)	(1,887)	(13,150)
Write-off		(145,034)	(8,380)	(153,414)
Adjustments		19,987	(22,021)	(2,034)
Ending		₱802,103	₱541,791	₱1,343,894

		December 31, 2016		
	Note	Trade	Nontrade	Total
		(In Thousands)		
Beginning		₱496,305	₱226,444	₱722,749
Provision	23	342,484	220,110	562,594
Reversal	23	(24,974)	–	(24,974)
Write-off		(28,364)	–	(28,364)
Adjustments		(27,111)	–	(27,111)
Ending		₱758,340	₱446,554	₱1,204,894

9. Inventories

This account consists of:

	December 31	
	2018	2017
	(In Thousands)	
At lower of cost and net realizable value:		
Trading goods	**₱441,776**	₱448,525
Materials, parts and supplies	**27,378**	11,706
At cost:		
Fuel, oil and lubricants	**159,056**	95,466
	₱628,210	₱555,697

The cost of inventories carried at net realizable value amounted to ₱469.2 million and ₱460.2 million as of December 31, 2018 and 2017, respectively. The allowance for inventory obsolescence as of December 31, 2018 and 2017 amounted to ₱99.6 million and ₱41.8 million, respectively.

Cost of inventories 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		
	Note	**2018**	2017	2016
		(In Thousands)		
Cost of services	22	**₱3,761,078**	₱3,337,688	₱2,660,785
Cost of goods sold	22	**5,607,518**	5,191,146	2,946,534
General and administrative expenses	23	**14,294**	13,310	21,807
		₱9,382,890	₱8,542,144	₱5,629,126

The cost of inventories used is presented as "Cost of services" and pertains mainly to fuel, oil and lubricants used in vessels' operation, food and beverages sold by the shipping segment, and materials and supplies used. The cost of inventories expensed and presented as "Cost of goods sold" pertains to the trading goods sold by the nonshipping segment. The cost of inventories presented as "General and administrative expenses" pertains to office supplies.

10. Other Current Assets

This account consists of:

		December 31	
	Note	**2018**	2017
		(In Thousands)	
CWTs		**₱1,263,425**	₱1,056,292
Input VAT		**185,515**	106,440
Refundable deposits - current portion	14	**62,614**	77,577
Restricted time deposit		**–**	152,736
Prepaid expenses and others		**84,958**	145,798
		1,596,512	1,538,843
Less: Allowance for impairment losses		**(9,704)**	(8,381)
		₱1,586,808	₱1,530,462

a. CWTs represent 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. Restricted time deposit as of December 31, 2017 pertains to the time deposit collateralized for Omnibus Loans and Security Agreement (OLSA) (see Note 17).

c. Prepaid expenses and others include prepaid rent, insurance and taxes.

11. 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. 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.

12. Property and Equipment

	Vessels in Operations	Containers and Reefer Vans	Terminal and Handling Equipment	Furniture and Other Equipment
Cost				
January 1, 2018	**₱11,015,320**	**₱2,033,474**	**₱1,303,737**	**₱772,800**
Additions	**944,285**	**145,527**	**66,058**	**83,086**
Disposals/retirements	**(31,029)**	**(64,154)**	**(1,098,800)**	**(288,665)**
Transferred assets from sale of subsidiaries	**–**	**–**	**(1,339)**	**(8,276)**
Reclassifications/adjustments	**(119)**	**(325)**	**(488)**	**559**
December 31, 2018	**11,928,457**	**2,114,522**	**269,168**	**559,504**
Accumulated Depreciation and Amortization				
January 1, 2018	**5,895,413**	**1,412,472**	**1,034,052**	**685,902**
Depreciation and amortization	**1,685,007**	**102,391**	**54,132**	**57,102**
Disposals/retirements	**(28,959)**	**(64,087)**	**(1,081,078)**	**(286,630)**
Transferred assets from sale of subsidiaries	**–**	**–**	**(1,339)**	**(6,773)**
Reclassifications/adjustments	**(16)**	**(380)**	**548**	**–**
December 31, 2018	**7,551,445**	**1,450,396**	**6,315**	**449,601**
Net carrying amounts	**₱4,377,012**	**₱664,126**	**₱262,853**	**₱109,903**

	Vessels in Operations	Containers and Reefer Vans	Terminal and Handling Equipment	Furniture and Other Equipment
Cost				
January 1, 2017	₱9,205,969	₱1,941,480	₱1,155,577	₱759,927
Additions	1,053,294	163,005	103,038	52,888
Disposals/retirements	(214,633)	(13,481)	(388)	(30,331)
Reclassifications/adjustments	970,690	(57,530)	45,510	(9,684)
December 31, 2017	11,015,320	2,033,474	1,303,737	772,800
Accumulated Depreciation and Amortization				
January 1, 2017	4,522,633	1,315,946	993,821	660,809
Depreciation and amortization	1,535,245	69,283	41,121	53,103
Disposals/retirements	(162,525)	(13,480)	(107)	(28,338)
Reclassifications/adjustments	60	40,723	(783)	328
December 31, 2017	5,895,413	1,412,472	1,034,052	685,902
Net carrying amounts	₱5,119,907	₱621,002	₱269,685	₱86,898

	Vessels in Operations	Containers and Reefer Vans	Terminal and Handling Equipment	Furniture and Other Equipment
Cost				
January 1, 2016	₱7,764,858	₱1,828,889	₱1,065,751	₱694,006
Additions	1,533,932	166,804	107,284	78,646
Disposals/retirements	(92,492)	–	(121)	(2,188)
Reclassifications/adjustments	(329)	(54,213)	(17,337)	(10,537)
December 31, 2016	9,205,969	1,941,480	1,155,577	759,927
Accumulated Depreciation and Amortization				
January 1, 2016	3,362,302	1,294,167	966,889	627,236
Depreciation and amortization	1,157,828	74,299	26,938	37,349
Disposals/retirements	(92,492)	–	(121)	(2,170)
Reclassifications/adjustments	94,995	(52,520)	115	(1,606)
December 31, 2016	4,522,633	1,315,946	993,821	660,809
Net carrying amounts	₱4,683,336	₱625,534	₱161,756	₱99,118

December 31, 2018

Land Improvements	Buildings and Warehouses	Transportation Equipment	Spare parts and Service Equipment	Leasehold Improvements	Construction-In-Progress	Total
(In Thousands)						
₱489,864	₱138,878	₱687,878	₱443,034	₱663,982	₱71,207	₱17,620,174
–	3,489	84,458	15,066	150,295	43,912	1,536,176
(6,354)	(1,646)	(60,445)	–	(126,146)	(1,371)	(1,678,610)
–	(2,509)	(57,242)	–	(1,104)	–	(70,470)
–	–	–	–	(157)	–	(530)
483,510	138,212	654,649	458,100	686,870	113,748	17,406,740
152,823	95,110	569,147	112,131	566,272	–	10,523,322
7,125	4,770	46,736	27,232	50,207	–	2,034,702
(3,229)	(1,646)	(61,339)		(124,466)	–	(1,651,434)
–	(2,074)	(56,127)	–	(923)	–	(67,236)
–	–	–	–	(149)	–	3
156,719	96,160	498,417	139,363	490,941	–	10,839,357
₱326,791	₱42,052	₱156,232	₱318,737	₱195,929	₱113,748	₱6,567,383

December 31, 2017

Land Improvements	Buildings and Warehouses	Transportation Equipment	Spare parts and Service Equipment	Leasehold Improvements	Construction-In-Progress	Total
(In Thousands)						
₱455,361	₱139,127	₱626,098	₱422,195	₱617,187	₱731,440	₱16,054,361
34,909	1,987	86,816	48,370	31,657	298,190	1,874,154
–	(305)	(8,780)	(1,574)	(7,115)	–	(276,607)
(406)	(1,931)	(16,256)	(25,957)	22,253	(958,423)	(31,734)
489,864	138,878	687,878	443,034	663,982	71,207	17,620,174
143,394	90,496	532,886	86,931	488,046	–	8,834,962
9,442	4,834	43,657	32,263	78,620	–	1,867,568
–	(220)	(7,504)	(394)	(7,115)	–	(219,683)
(13)	–	108	(6,669)	6,721	–	40,475
152,823	95,110	569,147	112,131	566,272	–	10,523,322
₱337,041	₱43,768	₱118,731	₱330,903	₱97,710	₱71,207	₱7,096,852

December 31, 2016

Land Improvements	Buildings and Warehouses	Transportation Equipment	Spare parts and Service Equipment	Leasehold Improvements	Construction-In-Progress	Total
(In Thousands)						
₱440,622	₱121,187	₱595,858	₱422,195	₱585,746	₱69,346	₱13,588,458
14,293	18,182	39,847	–	26,935	662,094	2,648,017
–	(226)	(13,261)	–	–	–	(108,288)
446	(16)	3,654	–	4,506	–	(73,826)
455,361	139,127	626,098	422,195	617,187	731,440	16,054,361
134,936	87,554	519,619	1,041	469,438	–	7,463,182
8,458	3,033	24,099	85,890	17,676	–	1,435,570
–	(91)	(11,508)	–	–	–	(106,382)
–	–	676	–	932	–	42,592
143,394	90,496	532,886	86,931	488,046	–	8,834,962
₱311,967	₱48,631	₱93,212	₱335,264	₱129,141	₱731,440	₱7,219,399

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, 2018 and 2017 amounting to nil and ₱37.4 million, respectively. The related depreciation of the leased containers, reefer vans, isotanks, cargo handling equipment and transportation equipment for the years ended December 31, 2018, 2017 and 2016 amounted to ₱74.6 million, ₱62.9 million and ₱65.3 million, respectively, were computed on the basis of the Group's depreciation policy for property and equipment.

Unpaid acquisition costs of property and equipment amounted to ₱86.0 million and ₱74.8 million as of December 31, 2018 and 2017, respectively.

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 (2) passenger ferries, M/V St. Camael and M/V St. Sariel. The Group incurred construction cost of nil and ₱198.0 million for the years ended December 31, 2018 and 2017, respectively. Included in this amount are capitalized borrowing costs related to the loans payable amounting to nil and ₱3.6 million for the years ended December 31, 2018 and 2017, 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 amounting to ₱697.3 million and ₱298.0 million for the years ended December 31, 2018 and 2017, 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 consideration of ₱39.0 million, ₱6.7 million and ₱1.2 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Depreciation and Amortization
Depreciation and amortization were recognized and presented in the following accounts in the consolidated statement of profit or loss:

		Years Ended December 31		
	Note	**2018**	2017	2016
		(In Thousands)		
Cost of services and goods sold	22	**₱1,973,991**	₱1,806,833	₱1,397,998
General and administrative expense	23	**60,711**	60,735	37,572
		₱2,034,702	₱1,867,568	₱1,435,570

Property and Equipment Held as Collateral
The Group's vessels in operations with total carrying value of ₱2,962.1 million and ₱3,407.3 million as at December 31, 2018 and 2017, respectively are mortgaged to secure certain obligations (see Note 17). Containers and other equipment held as collateral for finance leases as at December 31, 2018 and 2017 amounted to ₱261.2 million and ₱390.8 million, respectively (see Note 18).

13. Investments in Associates and Joint Ventures

Details of investments in associates and joint ventures are as follows:

	Note	Years ended December 31 2018	2017	2016
		(In Thousands)		
Acquisition - cost				
Balances at beginning of year		**₱28,175**	₱28,175	₱28,175
Acquisition during the year	14	**50,000**	–	–
Balances at the end of the year		**78,175**	28,175	28,175
Accumulated equity in net earnings:				
Balances at beginning of year		**236,005**	242,975	218,434
Equity in net earnings (losses) during the year		**(34)**	(6,970)	24,541
Balances at end of year		**235,971**	236,005	242,975
Share in remeasurement gain on retirement benefits of associates and joint ventures		**6,202**	6,202	6,202
Share in cumulative translation adjustment of associates		**5,294**	5,294	5,294
		₱325,642	₱275,676	₱282,646

Summarized financial information of the Group's associates and joint ventures and reconciliation with the carrying amount of the investment in the consolidated financial statements are set as follows:

Statements of financial position	December 31 2018	2017
	(In Thousands)	
Current assets	**₱817,591**	₱788,928
Noncurrent assets	**690,921**	642,034
Current liabilities	**596,993**	494,679
Noncurrent liabilities	**354,943**	343,990
Equity	**556,576**	592,295

Statements of comprehensive income	Years ended December 31 2018	2017	2016
	(In Thousands)		
Revenue from contracts with customers	**₱2,468,013**	₱–	₱–
Revenue	**–**	2,074,897	2,168,175
Net income (loss)	**(49,682)**	(74,111)	171,249
Total comprehensive income (loss)	**(49,682)**	(72,706)	182,734

14. Other Noncurrent Assets

	December 31	
	2018	2017
	(In Thousands)	
Deferred input VAT	**₱230,205**	₱243,309
Refundable deposits - net of current portion	**112,664**	107,036
Software	**43,138**	45,134
Investment property	**9,763**	9,763
Others	**4,570**	36,354
	₱400,340	₱441,596

a. Deferred input VAT relates primarily to the major capital expenditures and drydocking 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. The movements in Software are as follows:

	December 31		
	2018	2017	2016
		(In Thousands)	
Cost			
Balances at beginning of year	**₱652,469**	₱644,857	₱625,547
Additions	**41,898**	7,612	19,310
Disposals/Retirement	**(932)**	–	–
Sale of subsidiaries	**(2,909)**	–	–
Balances at end of year	**690,526**	652,469	644,857
Accumulated Amortization			
Balances at beginning of year	**607,335**	592,048	585,704
Amortization	**43,040**	15,287	6,344
Disposals/Retirement	**(912)**	–	–
Sale of subsidiaries	**(2,075)**	–	–
Balances at end of year	**647,388**	607,335	592,048
Carrying Amount	**₱43,138**	₱45,134	₱52,809

Amortization was recognized and presented in the following accounts in the consolidated statement of profit or loss:

		Years ended December 31		
	Note	**2018**	2017	2016
			(In Thousands)	
Cost of services and goods sold	22	**₱–**	₱1,030	₱203
General and administrative expenses	23	**43,040**	14,257	6,141
		₱43,040	₱15,287	₱6,344

d. The Group's investment property 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 January 12, 2018 amounted to P74.6 million. This was determined based on the valuation performed by qualified, independent and SEC-accredited 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 was no significant change on the fair value of investment property as at December 31, 2018.

For the years ended December 31, 2018, 2017 and 2016, there were no income and expenses arising from the Group's investment property.

e. Other noncurrent assets as of December 31, 2017 include advances for future investment amounting to ₱25.0 million in Mober Technology PTE Inc (Mober). These advances and the additional cash invested in Mober amounting to ₱25.0 million in 2018 were reclassified to investment in associate.

15. Short-term Notes Payable

Notes payable 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 short-term notes payable was ₱92.6 million, ₱134.4 million and ₱148.8 million for the years ended December 31, 2018, 2017 and 2016, respectively (see Note 24).

16. Trade and Other Payables

		December 31	
	Note	**2018**	2017
		(In Thousands)	
Trade:			
Third parties		**₱2,757,165**	₱2,369,395
Related parties	20	**122,894**	388,927
Nontrade - Third parties		**688,201**	872,653
Accrued expenses:			
Third parties		**1,366,059**	1,756,201
Related parties	20	**754,803**	460,728
Due to related parties	20	**631,629**	457,821
Contract liabilities		**42,326**	–
Other payables	19	**134,015**	201,140
		₱6,497,092	₱6,506,865

a. Trade and other payables are noninterest-bearing and normally have 30 to 45 days terms. Trade payables from related parties are payable on demand.

b. Accrued expenses pertain to various expenses which were already incurred but no invoice has been received at the end of the financial reporting period.

c. Nontrade payables consists of customers' deposits, advances from principals and contractors, payables due to government agencies and others.

d. Contract liabilities include advance payments received for services to be rendered.

e. Other payables include:

- Provision for cargo losses and damages for the cost of claims for breakages, cargo losses, cargo short weight or passenger claims which are not covered by insurance. Provisions recognized amounted to ₱107.3 million ₱156.8 million and ₱24.2 million for the years ended December 31, 2018, 2017 and 2016, respectively (see Note 22). The actual claims amounted to ₱85.0 million, ₱104.4 million and ₱60.9 million for the years ended December 31, 2018, 2017 and 2016, respectively.

- Provision for contingencies amounted to ₱47.0 million as at December 31, 2018 and 2017. (see Note 19).

17. Long-term Debt

Long-term debt consists of:

	Note	December 31 2018	2017
		(In Thousands)	
Banco de Oro Unibank, Inc. (BDO)	20	**₱2,500,000**	₱2,293,161
United Coconut Planters Bank (UCPB)		**375,000**	446,429
Development Bank of the Philippines (DBP)		**356,297**	370,000
AUB Bank		**7,500**	13,903
RCBC Savings Bank		**–**	2,472
Unamortized debt arrangement fees		**(16,284)**	(3,169)
		3,222,513	3,122,796
Current portion		**(442,077)**	(3,121,315)
Noncurrent portion		**₱2,780,436**	₱1,481

<u>BDO</u>

BDO Omnibus Loan and Security Agreement

On June 11, 2013, the Company (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, the Company availed of a ₱3.6 billion term loan (i) to refinance the Company'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 certain vessels, real properties, and trade receivables. As at December 31, 2017, the Company, NN and SFFC collateralized their vessels under Mortgage Trust Indenture (MTI) with carrying values amounting to ₱3,279.9 million and certain outstanding customers receivables amounting to ₱601.5 million (see Notes 8 and 12). The loan was repaid in full in April 2018.

In accordance with the Omnibus Loan, the Group is required to maintain the following financial ratios based on NN 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 NN, April 30 of the succeeding year and (ii) with respect to the June 30 consolidated unaudited financial statements of NN, September 30 of the same year.

BDO Term Loan Facility

On April 10, 2018, 2GO entered into a five-year ₱3.5 billion term loan facility agreement with BDO to refinance the outstanding balance from the OLSA and to fund various capital expenditures and other general requirements. The loan allows multiple draw downs within one year from the date the agreement was signed. The principal is due upon maturity at the end of five years, while interest is payable quarterly based on the prevailing interest rates. In April 2018, 2GO borrowed ₱2.5 billion from the facility which is payable in April 2023. Interest rate is at 6.2%.

The facility is secured by a cross suretyship among 2GO, 2GO Express, 2GO Logistics, SOI, SFFC, SCVASI and HLP.

In accordance with the term loan facility agreement, 2GO is required to maintain a debt to equity ratio not exceeding 2.5:1 based on the latest audited annual consolidated financial statements of 2GO.

UCPB
On March 14, 2017, 2GO availed of a ₱500.0 million term loan from UCPB payable in twenty-eight (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 NN 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 financial statements of 2GO and NN.

DBP
On May 20, 2016, SFFC obtained a long-term loan facility from DBP of ₱370.0 million at 6.5% interest payable up to fifteen (15) years to finance the construction of the two (2) vessels (see Note 12). The principal of the loan is payable in fifty-three (53) equal quarterly amortizations which commenced on August 28, 2018 through November 28, 2031.

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 NN as the basis for determining the said ratios.

Borrowing Costs and Debt Transaction Costs
Interests from long-term borrowings of the Group recognized as expense totaled ₱197.0 million, ₱213.6 million and ₱205.4 million for the years ended December 31, 2018, 2017 and 2016, respectively (see Note 24).

In 2018, the Group paid ₱18.8 million debt transaction cost as a result of the loan availment under the BDO facility. Amortization of debt transaction costs included under financing charges amounted to ₱2.6 million, ₱4.0 million and ₱6.0 million for the years ended December 31, 2018, 2017 and 2016, respectively (see Note 24).

Compliance with debt covenants
As of December 31, 2017, the Group did not meet the minimum current ratio 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 as of December 31, 2017. The Group has not received a notice of default from its creditors and continues to pay long-term loans based on original credit terms.

As of December 31, 2018, the Group obtained consent letters from the banks to waive the financial covenant such as the maximum debt-to-equity ratio and minimum debt service coverage ratio under the Group's long-term loan agreements.

18. Obligations Under Finance Lease

The Group has various finance lease arrangements with third parties for the lease of containers, reefer vans, isotanks, cargo handling equipment and transportation equipment. The lease agreements provide for a purchase option to the Company, 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 do not include restrictions, contingent rentals and escalation clauses.

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:

	December 31, 2018		December 31, 2017	
	Future Minimum Lease Payments	**Present Value of Minimum Lease payments**	Future Minimum Lease Payments	Present Value of Minimum Lease payments
		(In thousands)		
Less than one year	**₱90,867**	**₱83,515**	₱111,166	₱97,311
Between one and five years	**95,362**	**92,317**	233,674	218,430
	186,229	**175,832**	344,840	315,741
Interest component	**10,397**	**–**	29,099	–
Present value	**₱175,832**	**₱175,832**	₱315,741	₱315,741

The net carrying values of the above equipment held by the Group under finance leases under various property and equipment accounts in Note 12 to the consolidated financial statements are summarized as follows:

	December 31	
	2018	2017
	(In Thousands)	
Cost	**₱548,752**	₱630,091
Less accumulated depreciation	**287,507**	239,338
Net book value	**₱261,245**	₱390,753

The interest expense recognized related to these leases amounted to ₱13.0 million, ₱16.9 million and ₱14.1 million for the years ended December 31, 2018, 2017 and 2016, 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.

The Group recognized provision for probable losses arising from these legal cases amounting to ₱47.0 million as at December 31, 2018 and 2017, respectively (see Note 16).

20. Related Parties

In the normal course of business, the Group has transacted with the following related parties:

Relationship	**Name**
Parent Company	Negros Navigation Co., Inc. (NN)
Subsidiaries of the Parent Company	Negrense Marine Integrated Services, Inc. (NMISI) (1)
	Brisk Nautilus Dock Integrated Services, Inc. (BNDISI) (2)
	Sea Merchants Inc. (SMI) (2)
	Bluemarine Inc. (BMI) (2)
Subsidiaries	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) (2)
	NN-ATS Logistics Management and Holdings Corporation, Inc. (NALMHCI)
	Super Terminals, Inc. (STI) (2)
	J&A Services Corporation (JASC)
	Red.Dot Corporation (RDC) (1)
	North Harbor Tugs Corporation (NHTC)
	Supersail Corporation (SSI) (1)
	Astir Engineering Works, Inc. (AEWI)
	United South Dockhandlers, Inc. (USDI)
	WG & A Supercommerce, Inc. (WSI) (2)

Relationship	Name
Associates	MCC Transport Philippines, Inc. (MCCP)
	Hansa Meyer Projects (Phils.), Inc. (HMPPI) [(2)]
	Mober Technology PTE Inc.
Joint Ventures	KLN Logistics Holdings Philippines, Inc. (KLN)
	Kerry Logistics (Phils.), Inc. (KLI)
Stockholders of the Parent Company	Chelsea Logistics Holdings Corporation
Other Affiliated Companies	Chelsea Marine Power Resources, Inc.
	Phoenix Petroleum Philippines, Inc.
	Supervalue, Inc.
	BDO Unibank, Inc.

[(1)]*Sold in 2018. Related party disclosure pertains to the transactions until the date of sale.*
[(2)]*Dormant companies*

The following are the revenue and income (costs and expenses) included in the consolidated statement of profit or loss with related parties:

		Years Ended December 31		
	Nature	**2018**	2017	2016
			(In Thousands)	
Parent Company	Vessel leasing	**(₱224,000)**	(₱276,000)	(₱492,000)
	Rent	**–**	–	(9,524)
	Other operating expense	**(4,464)**	–	(21,216)
	Other overhead expense	**(234,602)**	(293,428)	(290,924)
Associates and joint venture	Shared cost	**(469)**	18,682	13,449
	Freight expense	**(71,286)**	(33,108)	(4,306)
	Other overhead expense	**(484)**	–	–
	Freight revenue	**2,260**	–	–
Entities under Common Control	Other revenue	**–**	12,128	5,930
	Outside services	**–**	(220,132)	(223,604)
	Steward supplies	**(227)**	(74,236)	(81,656)
	Repairs and maintenance	**–**	(36,618)	(35,093)
	Shared cost	**(389)**	–	–
	Food and subsistence	**(687)**	(13,522)	(10,306)
	Transportation and delivery	**(23)**	–	(228)
Key Management Personnel	Short-term employee benefits	**(77,670)**	(89,365)	(127,358)
	Post-employment benefits	**–**	(13,891)	(20,377)
Stockholders of the Parent Company	Co-loading	**(446,050)**	(34,703)	–
Other Affiliated Companies	Fuel and lubricant	**(2,605,615)**	(1,414,780)	–
	Food and beverage	**(278,446)**	(90,026)	–
	Rent	**–**	(48,860)	–
	Interest	**(151,140)**	(215,056)	–
	Outside services	**–**	(30,338)	–
	Office Supplies	**–**	(1,257)	–
	Freight revenue	**13,969**	–	–

The consolidated statements of financial position include the following amounts with respect to the balances with related parties:

	Financial Statement Account	Terms and Conditions	December 31 2018	2017
			(In Thousands)	
Parent Company	Due from related parties	On demand; noninterest-bearing; no impairment	**₱1,858**	₱13,263
	Trade payables	30 to 60 days; noninterest-bearing	**–**	(239,915)
	Accrued expenses	30 to 60 days; noninterest-bearing	**–**	(197,645)
	Due to related parties	30 to 60 days; noninterest-bearing	**(616,362)**	(457,751)
Associates and joint venture	Due from related parties	On demand; noninterest-bearing	**72,580**	179,965
	Trade payables	30 to 60 days; noninterest-bearing	**(4,848)**	(8,314)
	Accrued expenses	30 to 60 days; noninterest-bearing	**–**	(63,974)
	Due to related parties		**(4,214)**	–
Entities under Common Control	Due from related parties	On demand; noninterest-bearing	**₱7,376**	₱23,952
	Trade payables	30 to 60 days; noninterest-bearing	**–**	(140,698)
	Accrued expenses	30 to 60 days; noninterest-bearing	**–**	(199,109)
	Due to related parties	30 to 60 days; noninterest-bearing	**(11,000)**	(70)
Other Affiliated Company	Long-term debt	Note 17	**(2,500,000)**	(2,293,161)
	Cash in bank	On demand	**872,544**	1,247,214
	Trade payables	30 to 60 days; noninterest-bearing	**(118,046)**	(42,192)
	Accrued expenses	30 to 60 days; noninterest-bearing	**(754,803)**	(50,874)
	Due to related parties	30 to 60 days; noninterest-bearing	**(53)**	–

The outstanding related party balances are unsecured and settlement is expected to be 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.

Outstanding balances of reporting period are unsecured and settlement will be in cash, unless otherwise indicated.

Other terms and conditions related to the above related party balances and transactions are as follows:

Transactions with NN

- The Company entered into vessel leasing arrangements with NN involving four (4) of NN's vessels at a fixed monthly rate for a period of one (1) year, subject to renewal as agreed by the parties (see Note 29).
- NN charges shared cost to the Company and its subsidiaries.

Transactions with Subsidiaries, Associates and Other Related Parties under Common Control

- Transactions with other associates and related companies consist of shipping services, management services, ship management services, agency fee for manpower services, purchase of steward supplies, availment of stevedoring, arrastre, trucking, and repair services and rental.
- The Company's transactions with 2GO Express Group include shipping and forwarding services, commission and trucking services.
- The Company provided management services to SFFC, 2GO Express, 2GO Logistics, HLP and SOI at fees based on agreed rates.

Intercompany Balances Eliminated during Consolidation
The following are the intercompany balances among related parties which are eliminated in the audited consolidated financial statements:

Amounts owed to:	Amounts owed by:	Terms and Conditions	**2018**	2017
			(In Thousands)	
2GO	2GO Express	30 to 60 days; noninterest-bearing	**₱252,716**	₱76,972
	SFFC	6.5% interest-bearing	**204,521**	187,789
	SOI	30 to 60 days; noninterest-bearing	**461,464**	1,075,796
	2GO Express/2GO Logistics/Others	30 to 60 days; noninterest-bearing	**831,700**	1,162,427
AEWI	2GO	30 to 60 days; noninterest-bearing	**16,759**	17,882
	SFFC	30 to 60 days; noninterest-bearing	**67**	–
2GO Express	2GO Logistics	30 to 60 days; noninterest-bearing	**68,572**	–
	WTC	30 to 60 days; noninterest-bearing	**12,460**	–
	2GO	30 to 60 days; noninterest-bearing	**8,101**	24,223
	SCVASI	30 to 60 days; noninterest-bearing	**592**	724
	Others	30 to 60 days; noninterest-bearing	**1,751**	–
2GO Logistics	2GO	30 to 60 days; noninterest-bearing	**4,961**	67,650
	SOI	30 to 60 days; noninterest-bearing	**53,551**	–
	SCVASI	30 to 60 days; noninterest-bearing	**5,055**	–
	Others	30 to 60 days; noninterest-bearing	**1,267**	–
SOI	2GO Logistics	30 to 60 days; noninterest-bearing	**21,933**	–
	2GO	30 to 60 days; noninterest-bearing	**233**	44,000
	Others	30 to 60 days; noninterest-bearing	**240**	–
SFFC	2GO/2GO Express	30 to 60 days; noninterest-bearing	**3,318**	442
NALMHCI	2GO/2GO Express /2GO Logistics	30 to 60 days; noninterest-bearing	**8,889**	2,144
JASC	2GO/NHTC	30 to 60 days; noninterest-bearing	**5,668**	3,280
RDC	2GO Logistics/ SOI/ NALMHCI	30 to 60 days; noninterest-bearing	**–**	49,152
SSI	2GO/2GO Express/ 2GO Logistics	30 to 60 days; noninterest-bearing	**–**	97,427
STI	2GO	30 to 60 days; noninterest-bearing	**–**	82
NHTC	2GO/JASC	30 to 60 days; noninterest-bearing	**4,618**	3,777
SCVASI	2GO	30 to 60 days; noninterest-bearing	**43,165**	61,646
	Others	30 to 60 days; noninterest-bearing	**6,907**	–
USDI	2GO	30 to 60 days; noninterest-bearing	**14,715**	–

21. Equity

a. Share Capital

Details of share capital as at December 31, 2018 and 2017 are as follows:

	Number of Shares	Amount
		(In Thousands)
Authorized common shares at ₱1.00 par value each	4,070,343,670	₱4,070,344
Issued and outstanding common shares	2,446,136,400	₱2,446,136

Movements in issued and outstanding capital stocks follow:

Date	**Activity**	**Issue price**	**Number of shares Common shares**
May 26, 1949	Issued capital stocks as of incorporation date	₱1,000.00	1,002
December 10, 1971 to October 26, 1998	Increase in issued capital stock	1,000.00	1,496,597,636
December 6, 2002	Reclassification of common shares to preferred shares	1.00	40,000,000
February 10, 2003	Issuance of preferred shares before redemption	1.00	–
November 18, 2003	Redemption of preferred shares	6.67	–
September 6, 2004	Issuance of common shares by way of stock dividends	1.00	393,246,555
November 22, 2004	Redemption of preferred shares	6.67	–
December 31, 2004	Issuance of common shares prior to reorganization	1.00	(756)
October 24, 2005	Issuance of common shares through share swap transactions	1.76	414,121,123
August 22 to October 13, 2006	Conversion of redeemable preferred shares to common shares	3.20	140,687,340
December 6 -31, 2012	Redemption of redeemable preference share	6.00	–
			2,484,652,900
December 31, 2001	Treasury shares*	1.50	(38,516,500)
			2,446,136,400

* *The carrying value of treasury shares is inclusive of ₱0.9 million transaction cost.*

Issued and outstanding common shares are held by 1,888 and 1,893 equity holders as of December 31, 2018 and 2017 respectively.

b. Retained earnings is net of undistributed earnings amounting to ₱408.0 million and ₱1,328.0 million as of December 31, 2018 and 2017, representing accumulated equity in net earnings of subsidiaries and associates, which are not available for dividend declaration until received in the form of dividends from such subsidiaries and associates. Retained earnings is further restricted to the extent of the cost of the shares held in treasury and deferred income tax assets recognized as of December 31, 2018 and 2017.

c. Excess of cost of investment over net assets pertains to the Group's excess investment cost over the net assets of acquired entities under common control during the time of the acquisition.

22. Cost of Services and Goods Sold

This account consists of the following:

	Note	2018	2017	2016
		Years Ended December 31		
			(In Thousands)	
Cost of Services				
Outside services	20	**₱4,136,404**	₱3,695,263	₱3,383,439
Fuel, oil and lubricants	9	**3,145,508**	2,691,882	2,041,529
Depreciation and amortization	12, 14	**1,973,991**	1,807,863	1,398,201
Transportation and delivery	20	**1,494,907**	806,899	926,021
Personnel costs	25, 26	**825,182**	1,110,533	961,386
Rent	20, 29	**794,491**	892,766	828,395
Repairs and maintenance	20	**588,085**	437,482	547,776
Food and beverage	9	**405,370**	381,888	372,463
Arrastre and stevedoring		**350,334**	251,895	255,183
Vessel leasing	20	**265,207**	348,228	574,340
Material and supplies used	9	**210,200**	263,918	246,793
Insurance		**205,158**	180,933	224,065
Cargo losses and damages	16	**171,733**	245,440	85,162
Food and subsistence		**126,195**	124,917	91,457
Sales-related expenses		**114,632**	123,635	126,883
Communication, light and water		**112,380**	124,741	127,154
Taxes and licenses		**41,010**	56,379	54,683
Special projects		**–**	2,688	159,737
Others		**217,326**	277,044	276,533
		15,178,113	13,824,394	12,681,200
Cost of Goods Sold	9	**5,607,518**	5,191,146	2,946,534
		₱20,785,631	₱19,015,540	₱15,627,734

23. General and Administrative Expenses

This account consists of the following:

	Note	2018	2017	2016
		Years Ended December 31		
			(In Thousands)	
Personnel costs	25, 26	**₱752,961**	₱571,548	₱484,053
Outside services	20	**356,128**	205,390	276,378
Shared cost reimbursable	20	**226,795**	288,658	315,112
Transportation and travel	20	**136,336**	98,903	105,656
Rent	29	**133,354**	56,231	63,001
Advertising and promotion		**125,879**	198,453	180,564
Depreciation and amortization	12, 14	**103,751**	74,992	43,713
Taxes and licenses		**91,336**	114,162	47,372
Communication, light and water		**77,901**	67,478	60,097
Computer charges		**46,237**	37,288	31,772
Entertainment, amusement and recreation		**31,343**	52,020	81,965
Repairs and maintenance	20	**29,976**	10,360	14,053
Special projects		**19,346**	15,905	19,686
Insurance		**13,963**	18,854	18,372
Office supplies	9	**14,294**	13,310	21,807
Provision for doubtful accounts	8	**–**	294,448	537,620
Others		**512**	56,522	39,664
		₱2,160,112	₱2,174,522	₱2,340,885

Others consists of various expenses that are individually immaterial. In 2018, this account is net of the recovery from doubtful accounts amounting to ₱62.3 million (see Note 8).

24. Other Income (Charges)

Financing Charges

	Note	Years Ended December 31 2018	2017	2016
			(In Thousands)	
Interest expense on:				
Long-term debt	17	**₱197,024**	₱213,631	₱205,398
Short-term notes payable	15	**92,602**	134,410	148,785
Bank charges		**2,871**	6,429	5,501
Amortization of:				
Obligations under finance lease	18	**12,954**	16,884	14,093
Debt transaction costs	17	**2,593**	3,990	5,987
Other financing charges		**13,713**	14,726	9,763
		₱321,757	₱390,070	₱389,527

Other financing charges comprise of items that are individually immaterial.

Others - net

	Note	Years Ended December 31 2018	2017	2016
			(In Thousands)	
Interest income	7	**₱17,172**	₱6,187	₱5,349
Gain (loss) on disposal of:				
Property and equipment	12	**11,783**	1,623	(8,104)
AFS financial assets		**–**	–	8,869
Subsidiaries		**(1,677)**	–	–
Foreign exchange gains (losses)		**33,625**	(34,342)	(3,214)
Write-off of assets		**(13,602)**	–	(3,397)
Impairment loss on vessel held for sale, goodwill and other assets	10, 11, 14	**–**	(7,633)	–
Others - net		**(10,110)**	8,280	28,739
		₱37,191	(₱25,885)	₱28,242

During 2018, the Group sold certain wholly owned and non-wholly owned subsidiary for a total consideration of ₱44.5 million, of which ₱15.0 million was received in 2018. Net assets of disposed subsidiaries amounted to ₱46.2 million.

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	Years Ended December 31 2018	2017	2016
			(In Thousands)	
Salaries and wages		**₱1,434,275**	₱1,150,635	₱1,014,404
Retirement benefit cost	26	**32,263**	112,128	60,863
Other employee benefits		**111,605**	419,318	370,172
		₱1,578,143	₱1,682,081	₱1,445,439

Other employee benefits include medical allowances and hospitalization, Social Security System, Philhealth, Pag-ibig premiums, directors' fee, and other items that are individually immaterial.

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 ₱70.8 million to the retirement fund in 2019. 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 statements of profit or loss are as follows:

	Years Ended December 31		
	2018	2017	2016
		(In thousands)	
Current service cost	**₱64,710**	₱96,627	₱45,655
Net interest cost	**10,836**	15,501	15,208
Curtailment	**(43,283)**	–	–
	₱32,263	₱112,128	₱60,863

The following tables summarize the funded status and amounts recognized in the consolidated statements of financial position:

	December 31, 2018		
	Defined Benefit Obligations	**Fair Value of Plan Assets**	**Accrued Retirement Benefits**
		(In thousands)	
January 1	**₱475,383**	**(₱215,268)**	**₱260,115**
Net retirement benefits cost in profit or loss:			
Current service cost	**64,710**	**–**	**64,710**
Net interest cost	**24,154**	**(13,318)**	**10,836**
Curtailment gain	**(43,283)**	**–**	**(43,283)**
	45,581	**(13,318)**	**32,263**
Benefits paid from:			
Plan assets	**(27,173)**	**27,173**	**–**
Book reserve	**(23,167)**	**–**	**(23,167)**
	(50,340)	**27,173**	**(23,167)**
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:			
Financial assumptions	**(118,413)**	**–**	**(118,413)**
Experience adjustments	**104,154**	**–**	**104,154**
Return on plan assets	**–**	**18,480**	**18,480**
	(14,259)	**18,480**	**4,221**
Actual contributions	**–**	**(60,999)**	**(60,999)**
Transfer of liability of sold subsidiaries	**(1,013)**	**–**	**(1,013)**
December 31	**₱455,352**	**(₱243,932)**	**₱211,420**

	December 31, 2017		
	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits
		(In Thousands)	
January 1	₱407,586	(₱161,318)	₱246,268
Net retirement benefits cost in profit or loss:			
Current service cost	96,627	–	96,627
Net interest cost	22,586	(7,085)	15,501
	119,213	(7,085)	112,128
Benefits paid	(29,247)	23,247	(6,000)
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:			
Financial assumptions	(29,103)	–	(29,103)
Demographic assumptions	37,100	–	37,100
Experience adjustments	(30,166)	–	(30,166)
Return on plan assets	–	8,721	8,721
	(22,169)	8,721	(13,448)
Actual contributions	–	(78,833)	(78,833)
December 31	₱475,383	(₱215,268)	₱260,115

	December 31, 2016		
	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits
		(In Thousands)	
January 1	₱418,129	(₱121,356)	₱296,773
Net retirement benefits cost in profit or loss:			
Current service cost	45,655	–	45,655
Net interest cost	12,003	3,205	15,208
	57,658	3,205	60,863
Benefits paid	(37,310)	22,934	(14,376)
Remeasurement gains in other comprehensive income - actuarial changes arising from changes in:			
Financial assumptions	(9,641)	–	(9,641)
Demographic assumptions	(10,328)	–	(10,328)
Experience adjustments	(10,922)	–	(10,922)
Return on plan assets	–	(12,167)	(12,167)
	(30,891)	(12,167)	(43,058)
Actual contributions	–	(53,934)	(53,934)
December 31	₱407,586	(₱161,318)	₱246,268

The plan assets available for benefits are as follows:

	December 31	
	2018	2017
	(In Thousands)	
Cash and cash equivalents	**₱55,741**	₱21,706
Receivables	**1,289**	3,609
Investments in debt securities	**186,902**	185,556
Others	**–**	4,397
Fair value of plan assets	**₱243,932**	₱215,268

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.

As of December 31, 2018 and 2017, 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.

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.

	2018	2017
Discount rate	**7.71% - 7.92%**	5.03% - 5.11%
Future salary increase	**6.00%**	5.00% - 6.00%
Turnover rate	**0.00% - 7.50%**	0.00% - 17.00%

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, 2018.

	Increase (Decrease)	Impact on Accrued Retirement Benefits
		(In Thousands)
Discount rate	+1%	(₱48,577)
	-1%	57,622
Salary increase rate	+1%	58,066
	-1%	(49,747)

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.

Maturity analysis of the benefit payments:

	2018	2017
	(In Thousands)	
Less than 5 years	**₱123,921**	₱97,637
More than 5 year to 10 years	**347,501**	260,526
More than 10 years	**3,919,591**	3,983,204

27. Income Taxes

a. The components of provision for income tax are as follows:

	Years Ended December 31		
	2018	2017	2016
	(In Thousands)		
Current:			
RCIT	**₱99,915**	₱247,040	₱365,417
MCIT	**11,342**	17,970	11,306
	111,257	265,010	376,723
Deferred	**(3,092)**	(16,924)	27,754
	₱108,165	₱248,086	₱404,477

b. The components of the Group's recognized net deferred tax assets and liabilities are as follows:

	Years ended December 31	
	2018	2017
	(In Thousands)	
Directly recognized in profit or loss		
Deferred income tax assets on:		
Allowances for:		
Accrued retirement benefits	**₱19,571**	₱20,554
Past service cost	**12,027**	13,731
Accruals and others	**11,578**	5,329
	43,176	39,614
Deferred income tax liabilities on other taxable temporary differences	**(10,560)**	(9,030)
	32,616	30,584
Directly recognized in OCI		
Deferred income tax asset on remeasurement of accrued retirement benefit costs	**36,883**	52,116
	₱69,499	₱82,700

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, re as follows:

<u>NOLCO</u>

					Balances as at December 31, 2018	
Year Incurred	Available Until	Amount	Applied	Expired	Amount	Tax Effect
			(In Thousands)			
2018	2021	₱1,621,138	₱–	₱–	₱1,621,138	₱486,341
2017	2020	148,678	(26,349)	–	122,329	36,699
2016	2019	30,106	–	–	30,106	9,032
2015	2018	13	(13)	–	–	–
		₱1,799,935	(₱26,362)	₱–	₱1,773,573	₱532,072

Excess MCIT over RCIT

Year Incurred	Available Until	Amount	Applied	Expired	Balances as at December 31, 2018
			(In Thousands)		
2018	2021	₱11,342	₱–	₱–	₱11,342
2017	2020	18,021	–	–	18,021
2016	2019	15,786	–	–	15,786
2015	2018	16,497	(11,905)	(4,592)	–
		₱61,646	(₱11,905)	(₱4,592)	₱45,149

d. The following are the Group's NOLCO and other deductible temporary differences for which no deferred tax assets have been recognized:

	December 31	
	2018	2017
	(In Thousands)	
NOLCO	**₱1,773,573**	₱178,797
Allowance for doubtful accounts	**1,262,418**	1,343,894
Allowance for inventory obsolescence	**99,584**	41,764
Provision for probable loss and damages	**129,016**	98,790
Excess of MCIT over RCIT	**45,149**	50,304
Accrued retirement	**5,627**	–

e. Reconciliation between the income tax expense computed at statutory income tax rate of 30% in 2018, 2017 and 2016 to the provision for income tax expense as shown in profit or loss is as follows:

	Years Ended December 31		
	2018	2017	2016
		(In Thousands)	
Tax effect of income at statutory rates	**(₱372,060)**	(₱18,447)	₱224,554
Income tax effects of:			
Deductible temporary differences for which no deferred tax assets were recognized	**516,553**	250,860	249,728
Nondeductible expense	**17,921**	11,312	–
Interest income already subjected to final tax	**(2,344)**	(501)	(1,172)
Dividend income	**–**	–	(2,509)
Equity in net losses (earnings) of associates	**–**	2,091	(7,362)
Income tax holiday incentive on registered activities	**(27,095)**	(7,545)	–
Derecognition of deferred tax assets	**–**	(106)	–
Others	**(24,810)**	10,422	(58,762)
Provision for income tax	**₱108,165**	₱248,086	₱404,477

28. Earnings (Loss) Per Share (EPS)

Basic and diluted earnings per share were computed as follows:

	Years ended December 31		
	2018	2017	2016
		(In Thousands)	
Net income (loss) for the year attributable to equity holders of the Parent Company	**(₱1,345,956)**	(₱315,774)	₱330,300
Weighted average number of common shares outstanding for the year	**2,446,136**	2,446,136	2,446,136
Earnings (Loss) per common share	**(₱0.5502)**	(₱0.1291)	₱0.1350

There are no potentially dilutive common shares as at December 31, 2018 and 2017.

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:

	December 31	
	2018	2017
	(In Thousands)	
Within one year	**₱352,313**	₱603,143
After one year but not later than five years	**923,263**	866,341
	₱1,275,576	₱1,469,484

b. Rent expense is presented under "Cost of Services and Goods Sold" and "General and Administrative Expenses" as follows:

	Note	Years Ended December 31		
		2018	2017	2016
			(In Thousands)	
Cost of services and goods sold	22	**₱794,491**	₱892,766	₱828,395
General and administrative expenses	23	**133,354**	56,231	63,001
		₱927,845	₱948,997	₱891,396

c. The Group annually enters into several vessel leasing agreements. For the years ended December 31, 2018, 2017 and 2016, vessel lease rates are based on total agreed monthly rent of ₱18.6 million, ₱23.0 million and ₱41.0 million, respectively (see Note 20).

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, 2018, 2017 and 2016, the Group did not hold collateral from any counterparty.

The credit quality per class of financial assets and contract assets that are neither past due nor impaired is as follows:

December 31, 2018

	High	Medium	Total
		(In Thousands)	
Financial assets:			
Cash in banks	**₱1,061,925**	**₱–**	**₱1,061,925**
Cash equivalents	**282,951**	**–**	**282,951**
Trade receivables	**5,758**	**1,350,540**	**1,356,298**
Nontrade receivables	**–**	**146,801**	**146,801**
Due from related parties	**19,763**	**–**	**19,763**
Advances to officers and employees	**–**	**4,843**	**4,843**
Contract assets	**–**	**260,549**	**260,549**
Total	**₱1,370,397**	**₱1,762,733**	**₱3,133,130**

December 31, 2017

	High	Medium	Total
		(In Thousands)	
Loans and receivables:			
Cash in banks	₱1,835,492	₱–	₱1,835,492
Cash equivalents	187,897	–	187,897
Trade receivables	6,482	1,496,947	1,503,429
Nontrade receivables	–	86,356	86,356
Due from related parties	59,473	–	59,473
Advances to officers and employees	11,129	–	11,129
Refundable deposits	184,613	–	184,613
Restricted time deposit	152,736	–	152,736
AFS financial assets	3,411	–	3,411
Total	₱2,441,233	₱1,583,303	₱4,024,536

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.

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 and contract assets, and the expected credit loss as of December 31, 2018 follows:

		Past Due						
	Current	**Less than 30 Days**	**31 to 60 Days**	**61 to 90 Days**	**91 to 120 Days**	**Over 120 Days**	**Expected Credit Loss**	**Total**
				(In Thousands)				
Financial assets:								
Cash in banks	**₱1,061,925**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,061,925**
Cash equivalents	**282,951**	**–**	**–**	**–**	**–**	**–**	**–**	**282,951**
Trade receivables	**1,356,298**	**830,716**	**296,111**	**138,130**	**413,225**	**488,590**	**(692,219)**	**2,830,851**
Nontrade receivables	**146,801**	**420,538**	**181,899**	**60,870**	**57,791**	**422,774**	**(495,086)**	**795,587**
Due from related parties	**19,763**	**3,252**	**11,097**	**5,917**	**14,012**	**27,773**	**–**	**81,814**
Advances to officers and employees	**4,843**	**6,117**	**3,107**	**418**	**7,112**	**–**	**–**	**21,597**
Contract assets	**260,549**	**86,452**	**25,017**	**13,825**	**14,784**	**42,328**	**(75,113)**	**367,842**
Total	**₱3,133,130**	**₱1,347,075**	**₱517,231**	**₱219,160**	**₱506,924**	**₱981,465**	**(₱1,262,418)**	**₱5,442,567**

The aging per class of financial that were past due but not impaired as of December 31, 2017 follows:

	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	Over 120 Days		
				(In Thousands)				
Financial assets:								
Cash in banks	₱1,835,492	₱–	₱–	₱–	₱–	₱–	₱–	₱1,835,492
Cash equivalents	187,897	–	–	–	–	–	–	187,897
Trade receivables	1,503,429	731,448	260,727	121,624	363,847	430,206	802,103	4,213,384
Nontrade receivables	86,356	235,931	103,331	34,578	32,829	240,164	541,791	1,274,980
Due from related parties	59,473	1,621	29,458	15,707	37,196	73,725	–	217,180
Advances to officers and employees	11,129	14,056	7,140	960	–	16,341	–	49,626
Refundable deposits	184,613	–	–	–	–	–	–	184,613
Restricted time deposit	152,736	–	–	–	–	–	–	152,736
AFS financial assets	3,411	–	–	–	–	–	–	3,411
Total	₱4,024,536	₱983,056	₱400,656	₱172,869	₱433,872	₱760,436	₱1,343,894	₱8,119,319

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, 2018			
	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
		(In Thousands)		
Financial Liabilities				
Trade and other payables*	**₱5,911,698**	**₱–**	**₱–**	**₱5,911,698**
Short-term notes payable	**2,685,000**	**–**	**–**	**2,685,000**
Long-term debt	**442,077**	**2,796,720**	**–**	**3,238,797**
Obligations under finance lease	**97,370**	**107,561**	**–**	**204,931**
	₱9,136,145	**₱2,904,281**	**₱–**	**₱12,040,426**
Financial Assets				
Cash and cash equivalents	**₱1,387,128**	**₱–**	**₱–**	**₱1,387,128**
Trade and other receivables	**5,360,109**	**–**	**–**	**5,360,109**
	₱6,747,237	**₱–**	**₱–**	**₱6,747,237**

** Excludes nonfinancial liabilities amounting to ₱585.3 million as of December 31, 2018*

	December 31, 2017			
	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
		(In Thousands)		
Financial Liabilities				
Trade and other payables*	₱6,434,298	₱–	₱–	₱6,434,298
Short-term notes payable	2,644,950	–	–	2,644,950
Long-term debt**	3,121,315	1,481	–	3,122,796
Obligations under finance lease	97,311	218,430	–	315,741
Other noncurrent liabilities	–	6,084	–	6,084
	₱12,297,874	₱225,995	₱–	₱12,523,869
Financial Assets				
Cash and cash equivalents	₱2,095,850	₱–	₱–	₱2,095,850
Trade and other receivables	4,428,276	–	–	4,428,276
Refundable deposits	–	184,613	–	184,613
Restricted time deposits	–	152,736	–	152,736
	₱6,524,126	₱337,349	₱–	₱6,861,475

**Excludes nonfinancial liabilities amounting to ₱72.6 million as of December 31, 2017.*
*** Noncurrent portion of long-term debt has been classified to current amounting to ₱356.3 million (see Note 17).*

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, 2018 and 2017 are as follows:

	December 31, 2018		December 31, 2017	
	USD1	**Total Peso Equivalent**	USD2	Total Peso Equivalent
		(In Thousands)		
Financial Assets				
Cash in banks	**$330**	**₱17,351**	$126	₱6,291
Trade receivables	**288**	**15,143**	191	9,537
Restricted time deposits	**–**	**–**	3,059	152,736
	618	**32,494**	3,376	168,564
Financial Liabilities				
Trade and other payables	**1,256**	**66,040**	13,449	671,509
Obligations under finance lease	**1,638**	**86,126**	2,441	121,879
	2,894	**152,166**	15,890	793,388
Net foreign currency denominated assets (liabilities)	**($2,276)**	**(₱119,672)**	($12,514)	(₱624,824)

[1]$1 = ₱52.58
[2]$1 = ₱49.93

The Group has recognized foreign exchange gain (loss) amounting to ₱33.6 million, (₱34.3 million) and ₱3.2 million for the years ended December 31, 2018, 2017 and 2016, respectively (see Note 24).

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 years ended December 31, 2018, 2017 and 2016.

	Appreciation (Depreciation) of Foreign Currency	Effect on Income Before Tax		
		December 31		
		2018	2017	2016
		(In Thousands)		
US Dollar (USD)	1%	**₱1,252**	₱5,400	₱13,470
	-1%	**(1,252)**	(5,400)	(13,470)

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 8.5% as at December 31, 2018, and 2017.

As of December 31, 2017, the Group's ₱4.0 billion loans under the OLSA include ₱2.0 billion loans which bear variable interest rates and exposes the Group to cash flow interest rate risk. In April 2018, the Group fully paid the outstanding balance of the loan.

The sensitivity of the consolidated statement of profit or loss presented below is the effect of the assumed changes in interest rates on the income before income tax for one year, based on the floating rate of non-trading financial liabilities held as at December 31, 2018 and 2017, with other variables held constant:

	Changes in Interest Rates	Effect on Income Before Tax	
		2018	2017
	+80 basis points	**₱–**	(₱24,982)
For more than one year	-80 basis points	**–**	24,982

	Increase (Decrease) in Interest Rates	Effect on Equity	
		2018	2017
		(In Thousands)	
	+80 basis points	**₱–**	(₱17,488)
For more than one year	-80 basis points	**–**	17,488

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 the level 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 statement of financial position. The capital ratios are as follows:

	December 31	
	2018	2017
Assets financed by:		
Creditors	**85%**	78%
Stockholders	**15%**	22%

As of December 31, 2018 and 2017, 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, 2018		December 31, 2017	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
		(In Thousands)		
Financial Liabilities				
Long-term debts	**₱3,222,513**	**₱3,164,104**	₱3,122,796	₱3,200,649
Obligations under finance lease	**175,832**	**175,832**	315,741	288,009
	₱3,398,345	**₱3,339,936**	₱3,438,537	₱3,488,658

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.

FVTOCI
The fair values of FVTOCI 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, 2018 and 2017.

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, 2018 and 2017.

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. Notes to Consolidated Statements of Cash Flows

The Group adopted the Amendments to PAS 7, *Statement of Cash Flows* in 2017. Changes in liabilities arising from financing activities are as follows:

For the Year Ended December 31, 2018:

	January 1, 2018	Cash Flows					**December 31, 2018**
		Availments	Payments	Net	New leases	Others	
Short-term notes payable	**₱2,644,950**	₱5,783,200	(₱5,743,150)	₱40,050	₱–	₱–	**₱2,685,000**
Current portion of long-term debt	**3,121,315**	–	(2,384,055)	(2,384,055)	–	(295,183)	**442,077**
Current portion of obligations under finance lease	**97,311**	–	(152,863)	(152,863)	–	139,067	**83,515**
Noncurrent portion of long-term debt	**1,481**	2,500,000	–	2,500,000	–	278,955	**2,780,436**
Noncurrent portion of obligations under finance lease	**218,430**	–	–	–	–	(126,113)	**92,317**
Total liabilities from financing activities	**₱6,083,487**	₱8,283,200	(₱8,280,068)	₱3,132	₱–	(₱3,274)	**₱6,083,345**

For the Year Ended December 31, 2017:

	January 1, 2017	Cash Flows					December 31, 2017
		Availments	Payments	Net	New leases	Others	
Short-term notes payable	₱2,324,555	₱2,598,701	(₱2,278,306)	₱320,395	₱–	₱–	₱2,644,950
Current portion of long-term debt	3,398,474	–	(1,035,466)	(1,035,466)	–	758,307	3,121,315
Current portion of obligations under finance lease	91,706	–	(77,702)	(77,702)	–	83,307	97,311
Noncurrent portion of long-term debt	2,877	756,911	–	756,911	–	(758,307)	1,481
Noncurrent portion of obligations under finance lease	249,995	–	–	–	37,400	(68,965)	218,430
Total liabilities from financing activities	₱6,067,607	₱3,355,612	(₱3,391,474)	(₱35,862)	₱37,400	₱14,342	₱6,083,487

"Others" includes the effect of reclassification of non-current portion to current due to the passage of time and amortization of debt transaction costs capitalized.

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Early Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		√		
PFRS Practice Statement Management Commentary				√
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	√		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	√		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			√
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			√
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			√
	Amendments to PFRS 1: Government Loans			√
PFRS 2	Share-based Payment			√
	Amendments to PFRS 2: Vesting Conditions and Cancellations			√
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			√
	Amendments to PFRS 2: Definition of Vesting Condition			√
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			√
PFRS 3 (Revised)	Business Combinations	√		
	Amendments to PFRS 3 : Accounting for Contingent Consideration in a Business Combination	√		
	Amendments to PFRS 3 : Scope Exceptions for Joint Arrangements			√
PFRS 4	Insurance Contracts		√	
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts		√	
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments, with PFRS 4		√	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	√		
	Changes in Method of Disposal	√		
PFRS 6	Exploration for and Evaluation of Mineral Resources			√
PFRS 7	Financial Instruments Disclosures	√		
	Amendments to PFRS 7: Transition	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	√		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	√		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	√		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	√		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	√		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	√		
	Amendments to PFRS 7: Servicing Contracts			√
PFRS 8	Operating Segments	√		
	Amendments to PFRS 8 : Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Asset	√		
PFRS 9	Financial Instruments	√		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Early Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	√		
	Amendments to PFRS 10: Transition Guidance	√		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	√		
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception	√		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		√	
PFRS 11	Joint Arrangements	√		
	Amendments to PFRS 11: Transition Guidance	√		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	√		
PFRS 12	Disclosure of Interests in Other Entities	√		
	Amendments to PFRS 12: Transition Guidance	√		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	√		
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception	√		
	Clarification of the Scope of the Standard	√		
PFRS 13	Fair Value Measurement	√		
	Amendments to PFRS 13 : Portfolio Exception	√		
PFRS 14	Regulatory Deferral Accounts			√
PFRS 15	Revenue from Contracts with Customers	√		
PFRS 16	Leases		√	
PFRS 17	Insurance			√
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	√		
	Amendment to PAS 1: Capital Disclosures	√		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			√
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	√		
	Amendments to PAS 1, Disclosure Initiative	√		
PAS 2	Inventories	√		
PAS 7	Statement of Cash Flows	√		
	Amendments to PAS 7: Disclosure Initiative	√		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	√		
PAS 10	Events after the Reporting Period	√		
PAS 11	Construction Contracts			√
PAS 12	Income Taxes	√		
	Amendment to PAS 12 : Deferred Tax: Recovery of Underlying Assets	√		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	√		
PAS 16	Property, Plant and Equipment	√		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	√		
	Amendments to PAS 16 and 38: Proportionate Restatement of Accumulated Amortization	√		
	Amendments to PAS 16 and PAS 41: Bearer Plants			√
PAS 17	Leases	√		
PAS 18*	Revenue	√		
PAS 19 (Revised)	Employee Benefits	√		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	√		
	Regional Market Issue Regarding Discount Rate	√		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	√		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Early Adopted	Not Applicable
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			√
PAS 21	The Effects of Changes in Foreign Exchange Rates	√		
	Amendment: Net Investment in a Foreign Operation	√		
PAS 23 (Revised)	Borrowing Costs	√		
PAS 24 (Revised)	Related Party Disclosures	√		
	Key Management Personnel	√		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	√		
PAS 27 (Amended)	Separate Financial Statements	√		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	√		
	Amendment: Equity Method in Separate Financial Statements			√
PAS 28 (Amended)	Investments in Associates and Joint Ventures	√		
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception	√		
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value			√
PAS 29	Financial Reporting in Hyperinflationary Economies			√
PAS 32	Financial Instruments: Disclosure and Presentation	√		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			√
	Amendment to PAS 32: Classification of Rights Issues			√
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	√		
PAS 33	Earnings per Share	√		
PAS 34	Interim Financial Reporting	√		
	Disclosure of Information 'Elsewhere in the Interim Financial Report'	√		
PAS 36	Impairment of Assets	√		
	Amendment to PAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	√		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	√		
PAS 38	Intangible Assets	√		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	√		
PAS 39*	Financial Instruments: Recognition and Measurement	√		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	√		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			√
	Amendments to PAS 39: The Fair Value Option			√
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			√
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	√		
PAS 39* (cont'd)	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			√
	Amendment to PAS 39: Eligible Hedged Items			√
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			√
PAS 40	Investment Property	√		
	Interrelationship between PFRS 3 and PAS 40	√		
	Amendments to PAS 40: Transfers of Investment Property	√		
PAS 41	Agriculture			√
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			√
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			√

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Early Adopted	Not Applicable
IFRIC 4	Determining Whether an Arrangement Contains a Lease	√		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			√
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			√
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			√
IFRIC 9	Reassessment of Embedded Derivatives			√
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			√
IFRIC 10	Interim Financial Reporting and Impairment	√		
IFRIC 12	Service Concession Arrangements			√
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	√		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement	√		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			√
IFRIC 17	Distributions of Non-cash Assets to Owners	√		
IFRIC 18	Transfers of Assets from Customers			√
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	√		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			√
IFRIC 21	Levies	√		
IFRIC 22	Foreign Currency Transactions and Advance Consideration	√		
IFRIC 23	Incentive Tax Position	√		
SIC-7	Introduction of the Euro			√
SIC-10	Government Assistance - No Specific Relation to Operating Activities			√
SIC-15	Operating Leases - Incentives	√		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			√
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	√		
SIC-29	Service Concession Arrangements: Disclosures			√
SIC-31	Revenue - Barter Transactions Involving Advertising Services	√		
SIC-32	Intangible Assets - Web Site Costs	√		

CORPORATE INFORMATION

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Pasay City 1302, Philippines

External Auditor

SyCip Gorres Velayo & Co.

Stockholder Inquiries

2GO Group, Inc.'s common stock is listed and traded in the Philippine Stock Exchange (PSE) under the symbol of "2GO". For inquiries regardin dividend payments, account status, address changes, stock certificates, and other pertinent matters, please contact the company's transfer agent.

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