2019 ANNUAL REPORT

VISION

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

MISSION

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 a responsible corporate citizen who looks 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.

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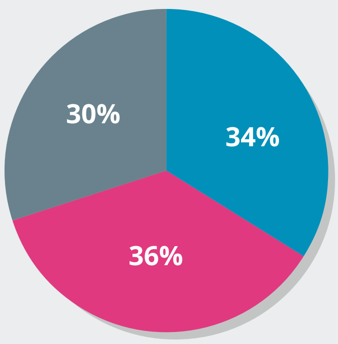
FINANCIAL HIGHLIGHTS

In PHP Millions except for Stock Prices and EPS

INCOME STATEMENT	2019	2018	2017
Revenue	**21,410**	19,666	19,287
Operating Income	**48**	-693	43
Net Income	**-892**	-1,470	-307
EBITDA	**1,947**	1,162	2,333
BALANCE SHEET			
Total Assets	**16,400**	16,835	18,317
Total Liabilities	**12,846**	12,298	12,273
Total Stockholders Equity	**3,555**	4,537	6,043
Cash and Cash Equivalents	**893**	1,415	2,181
STOCK INFORMATION			
Market Capitalization - Year End	**25,853**	33,708	45,205
Stock Price - Year End	**10.50**	13.78	18.48
Earnings (Loss) Per Common Share	**-0.36**	-0.60	-0.13

2019 REVENUE DISTRIBUTION

SHIPPING	P7.10B
LOGISTICS	P6.71B
DISTRIBUTION	P7.60B



OUR ASSETS

8 roll-on/roll-off and passenger (ROPAX) vessels

1 freighter

103,158 metric tons of cargo capacity

13,972 container vans

506 reefer vans

86 ISO tanks

951 truck chassis

229 company-owned trucks

68,731 pallet positions

223,676 m² container yard space

83 tractors

OUR NETWORK

46 warehouses

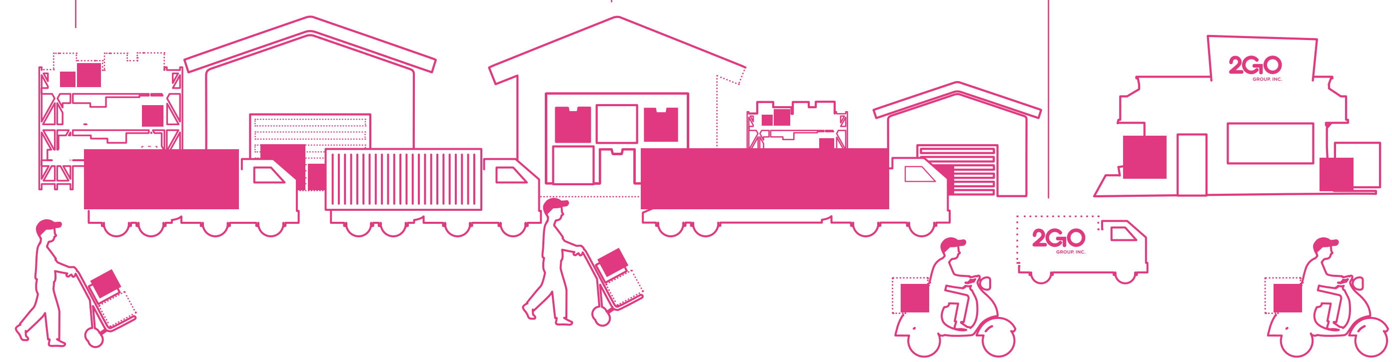
142,714 m² warehouse space

14 hubs

1,726 m² hub space

20 ports of call

2,794 outlets



CHAIRMAN'S MESSAGE

Dear Fellow Shareholders,

The Philippine economy remained resilient through 2019. Inflation was benign as oil and food prices remained steady. Despite the delay of the 2019 budget, government spending caught up in the second half of the year, resulting to a 5.9% expansion in GDP for 2019. The long term growth prospects of the Philippines remain strong and your company remains fully committed in participating in it.

While the opportunities are plenty, the path to success in our highly competitive industry is sustainable profitability.

In previous years, your company has improved the quality of its revenues by rationalizing its business partners and relationships ensuring that efforts were being directed on long term profitable growth. In 2019, the group implemented changes to drive focus by rationalizing its assets and optimizing operations. While this is an ongoing process, the initial results of these changes were promising. The group managed to trim operational costs resulting to pared down losses by the year end. The 2GO Group is committed to creating shareholder value and is taking the necessary steps to achieve this.

Your company remains committed to the principles and best practices of corporate governance.
In 2019, the 2GO Group reached a milestone as it was recognized for its corporate governance

practices by the Institute of Corporate Directors (ICD), the country's representative to the Asian Development Bank and ASEAN Capital Markets Forum's scorecard initiative. 2GO Group's governance program underwent rigorous scrutiny based on the ASEAN Corporate Governance Scorecard and emerged as one of the top performers in the country. The 2GO Group is cognizant of the value of good corporate governance and will continue to develop its policies and programs to keep pace with ever evolving global best practices.

2GO continues to believe that a country's growth is intrinsically connected to the efficient flow of people, goods and services. As the world becomes ever more connected, this flow will become even more important in the future. It is your company's vision to be the leading enabler of this growth.

I would like to extend my appreciation to the Board and management, for their guidance and support, and to my fellow shareholders for your continued trust.

Mr. Dennis A. Uy
Chairman

2GO CONTINUES TO BELIEVE THAT A COUNTRY'S GROWTH IS INTRINSICALLY CONNECTED TO THE EFFICIENT FLOW OF PEOPLE, GOODS AND SERVICES. AS THE WORLD BECOMES EVER MORE CONNECTED, THIS FLOW WILL BECOME EVEN MORE IMPORTANT IN THE FUTURE. IT IS YOUR COMPANY'S VISION TO BE THE LEADING ENABLER OF THIS GROWTH.

PRESIDENT'S REPORT

Dear Shareholders,

One word characterized 2GO's journey in 2019: FOCUS. This was the recurring theme across the group as the business units implemented major changes in their operations to capitalize on identified growth areas in the Philippine economy.

With our Shipping business, we rationalized our fleet and optimized our operations by changing the vessel mix and routes. To this end, we focused on the ROPAX vessels which provide a significant service differentiation in the market due to its reliability and speed. As a consequence, we divested our freight vessels in 2019, which were not profitable given the continued severe overcapacity of supply in the market, and instead focused on co-loading on vessels of other shipping operators. We have also divested from the short-haul fast ferry passenger business which is not core to our strategic objectives.

In our Non-Shipping business, specifically in Logistics, I am pleased to report that we have made progress in our turnaround plans. We have rationalized our footprint, improved commercial agreements, streamlined and consolidated our operations and assets to bring down overall costs. To achieve this, we have invested in technology, specifically our warehouse management system to be at par with international standards. We have also brought in new skills sets not only to improve our overall operations but also enable us to participate in other higher margin verticals.

Taken together these measures will make 2GO leaner, operationally agile and focused on profitability and efficiency. This ensures that 2GO remains a relevant player in the Shipping and Logistics industry, maintaining high levels of service to meet our customers' needs.

As we carried out these changes, our business continued to deliver for our customers, even against a challenging industry environment.

Total Revenues grew 9% to P21.4B in 2019 driven largely by Scanasia. Shipping revenues however, contracted by 2% as a result of rationalizing our fleet size. In the Non-shipping businesses, the Express and Special Containers units led the growth and maintained margins while the Logistics business continued to stabilize as new strategies and operational improvements were implemented. The initial results of the improvement initiatives are promising as losses narrowed to P850M in 2019 from P1.5B in 2018.

With the structural changes we have put in we look positively to 2020, confident that the decisions we made in 2019 has laid the groundwork towards success in the coming years.

I would like to express my sincere gratitude to the Board for their invaluable counsel, the business units for their unwavering dedication, and the shareholders for their continued support.

Frederic C. DyBuncio
President/CEO

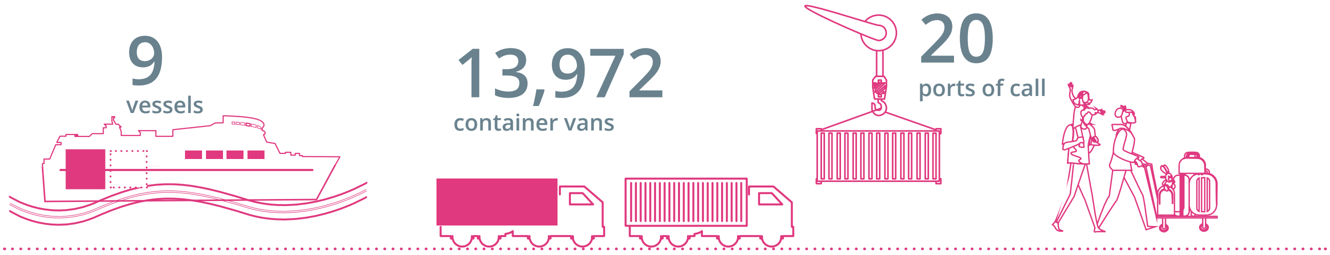
WITH THE STRUCTURAL CHANGES WE HAVE PUT IN WE LOOK POSITIVELY TO 2020, CONFIDENT THAT THE DECISIONS WE MADE IN 2019 HAS LAID THE GROUNDWORK TOWARDS SUCCESS IN THE COMING YEARS.

SHIPPING

2GO Shipping offers the speed, schedule reliability and voyage frequency that would allow their customers to win their respective markets.

The Philippine shipping landscape continued to be competitive with plenty of freight capacity in the market. Upon careful review of the industry, management has decided to right-size its operations to match the demand of the market.

First, 2GO Shipping changed its vessel mix to differentiate itself from the rest of the market. 2GO reduced the number of its freight-only vessels to focus on the use of its ROPAX vessels that offers the speed, schedule reliability and voyage frequency that would allow their customers to win their respective markets. At the same time, the business sold its short-haul fast ferry passenger business to align with the shipping business' strategic objectives.



Second, the business rationalized its assets and expenses. Container yards were consolidated and improved to increase efficiencies. Aside from improving yard capacity, recoveries were made from the disposal of assets such as container vans and chassis. To respond to market demand and improve yields, ports of call were reprioritized, trip frequencies were adjusted, and vessels were redeployed. Vessel consumable contracts were renegotiated, and usage was stringently monitored to reduce cost.

Third, management undertook an optimization plan that sought to improve operations and revenue quality. The business implemented Project Modelship that allowed it to maximize ship and network capacity through dynamic cargo management, segmentation and load planning at voyage level. The project is expected to further improve yield though high grading, coupled with the implementation of the general rate increase as well as the introduction of auxiliary revenue streams such as charging stations, and valuation and excess baggage charges.

Investments were also made to modernize operations through the deployment of Softship OS, a platform that integrates front-end and back-end processes. In 2019, the VOYCES (voyage scheduling), SMARTS (Repairs & Maintenance) and CMC (Container Tracking) modules were successfully deployed. Management aims to roll out the whole solution by 2020. A new point of sale (POS) system was also rolled out to improve on-board inventory control, order processing, and sales monitoring.

In optimizing our capacity and operational processes, 2GO Shipping is in a position to respond to the opportunities presented by the consumer-driven Philippine economy. By leveraging on our unique proposition, the management is optimistic that we will capture the growth of our selected verticals as well as achieve rolling cargo leadership.

LOGISTICS

2GO's on-land logistics portfolio is comprised of three operating entities: 2GO Logistics Inc., 2GO Express Inc., and Special Containers and Value Added Services Inc. Each business addresses a unique logistic need.

2GO Logistics

2GO Logistics Inc. (2GOLI), with an increased focus on profitability, continued its multi-year rationalization program. In 2019, management put their sights on improving asset and revenue quality, operational efficiency, rationalization and modernization. Major changes were implemented throughout the year that brought 2GOLI closer to its goal.

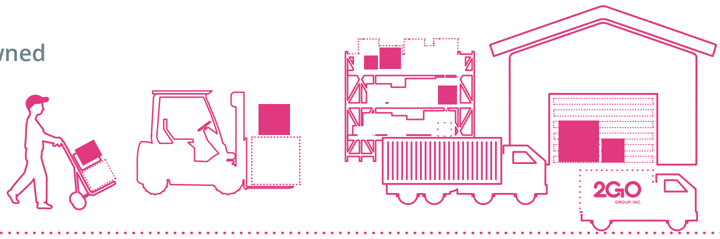
2GOLI right-sized its operating footprint through consolidation of its warehouses and disengaging with unprofitable accounts thereby optimizing asset use and improving operating margins. In alignment with the Group's overall digitization strategy,

46
warehouses

142,714 m^2
warehouse space

229
company-owned trucks

83
tractors



the business deployed a globally recognized Warehouse Management System (WMS) that fully integrates and streamlines the supply-chain infrastructure. The WMS automated warehouse processes enable complex piece picking operations with a high degree of accuracy. Furthermore, 2GOLI enhanced operational skill sets to support specialized solutions to our selected verticals. New solutions and products have been deployed to specifically cater to its targeted customers.

The modernization and rationalization paved the way for the business to reduce its overall cost structure. With the increase in absorptive capacity of the warehouse network, some of the assets were converted for other purposes while others were disposed. The right-sizing of operations, as well as the subsequent improvement in processes resulted to a reduction in required manpower by 36%. In addition, the business renegotiated arrangements it had with its suppliers to reduce cost.

Having managed and reorganized its cost base, 2GOLI looks forward to the future with optimism. Opportunities in the sector continue to be abundant as the Philippines continue on with its growth story. Management is confident that it has created a lean and agile operating structure that will capture this growth.

2GO Express

2GO Express registered record revenues growing by 13% against the previous year. Growth was led by its General Cargo business that grew by 26%, which also contributed a lion's share to its total revenues. E-commerce volumes continue to grow registering double-digit expansion in 2019.

The establishment of its new operating station along R10 has proved to be a worthwhile experiment. Its strategic location has led to operational efficiencies by allowing it to serve its customer base quickly while improving flow of goods coming from 2GO Freight's container yard. This has created productivity gains for the e-commerce, courier and general cargo businesses and enabled quick turnaround time for sea-bound cargo and for northbound parcels and packages. Following its success, the facility was expanded by another 5,000 sqm, which enabled the business to broaden its services by increasing LCL Land service through additional trips to Tacloban and Ormoc, and new trips to the ports of Butuan and Davao. Applying the knowledge gleaned from this endeavor, the business has also established the North Hub, a satellite facility that caters to areas north of Metro Manila.

2GO Express is looking forward to many developments in its operations. As it continues to expand its portfolio of corporate clients, it is actively pursuing new sectors of growth to participate in. It looks to expand its operations through the establishment of a major operating hub while optimizing existing operations by upgrading its operating technologies. These steps will create synergies

Special Containers and Value Added Services, Inc.

SCVASI closed 2019 positively despite challenges brought about by the tough competitive environment and effects of the African Swine Fever (ASF) in the Philippines.

Its Full-Container Load (FCL) cold chain business was adversely affected by the African Swine Fever (ASF) as it dampened domestic demand for pork products. Several provinces disallowed any meat products and food that have been stored in the same cold storage facility with pork, pork-related products and its byproducts. This development urged management to seek new sources of income.

As FCL volumes decreased, SCVASI expanded Less-than Container Load (LCL) services. Reefer vans were used to consolidate and move smaller shipments. This allowed SCVASI to capture new customers who otherwise shipped via air. Additionally, reefer vans were offered as extended cold storage facilities for SCVASI's clients, especially when demand was higher in the fourth quarter of 2019.

SCVASI's growth at bulk liquid transportation was also challenged by the changing competitive landscape. New operators for ISOTANKs emerged putting pressure on rates. However, synergizing with the rest of the 2GO Group, SCVASI generated new opportunities by augmenting its ISOTANKs solutions to include land transport as well.

SCVASI's project logistics business, formally dubbed 2GO Projects, continued to expand. 2GO Projects was able to move a 115MT equipment and a full load breakbulk ship as a start in 2019. With both the private and the public sectors increasing infrastructure spending in the country, 2GO Projects sees opportunities in moving and lifting oversized cargo for clients across varying sectors such as, but not limited to, power, telecommunications, mining, and property.

DISTRIBUTION

Scanasia distributes a breadth of categories from infant formula, adult milk, personal care, home care, dairy, pet food, confectionaries to over 3,000 doors nationwide.

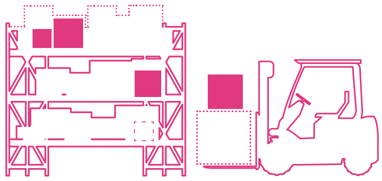
Scanasia Overseas, Inc.
2019 was Scanasia's most profitable year in the company's history. It grew revenues by 26.3% largely contributed by the addition of new local and multinational clients. Furthermore, volumes from existing principals increased by 24.2%. Scanasia now distributes a breadth of categories from infant formula, adult milk, personal care, home care, dairy, pet food, confectionaries and other related goods. The business now serves over 3,000 doors nationwide.

From an operations standpoint, Scanasia enacted changes that had notable impact on the business. Trade returns and bad orders were

3,093
food service establishments served

2,078
pharmacies served

2,094
retail outlets served



significantly improved helping reduce exposure on product claims. Collections were streamlined and systematized, allowing for faster turn of inventory. Efforts were made to rationalize the product mix and quantities that were sold in the stores. Scanasia also enhanced its key accounts management program, enriching its relationships with national retailer chains. It introduced sales force automation to ensure more consistent stock ordering and replenishment at the branch level.

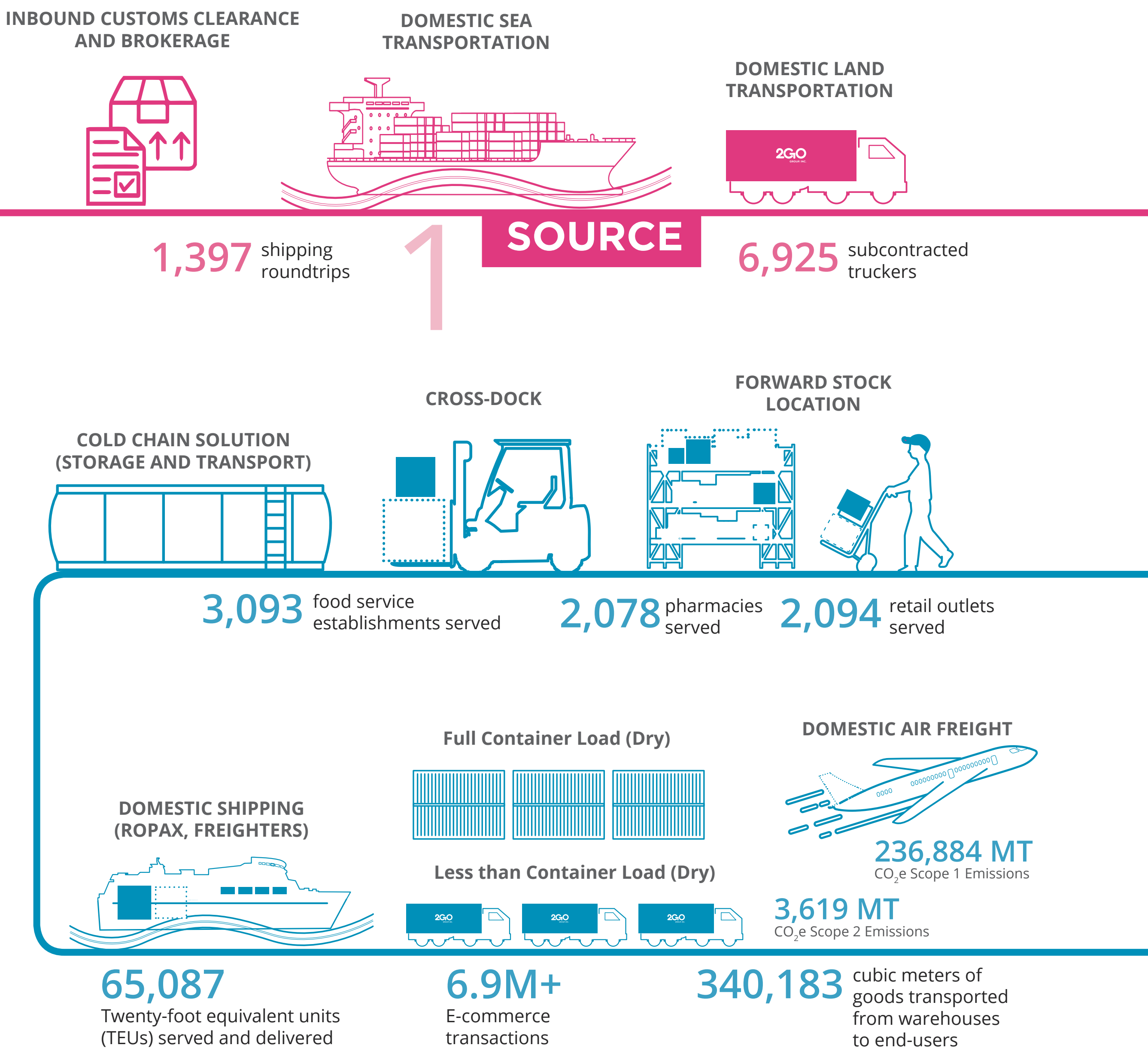
Scanasia values its personnel. It continues to develop and train its employees to enhance their capabilities and skills. The business will pilot its official employee recognition program; a first in the 2GO Group. Awards will be given to employees for their outstanding efforts based on measurable key performance indicators. The program seeks to motivate and appreciate its employees which is core to the engine that keeps Scanasia running.

Moving forward, Scanasia plans to further improve its operational efficiencies by continuing to monitor and manage its receivables, inventory covers and working capital. Ultimately, it aims to continue improving the product availability and visibility of all Scanasia brands to delight its principals, customers and consumers.

SUSTAINABLE SUPPLY CHAIN SYSTEM

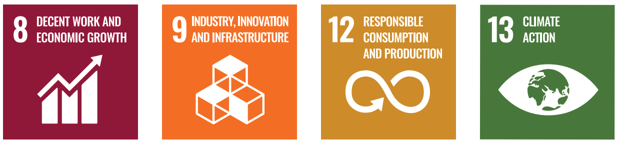
The 2GO Sustainable Supply Chain System encompasses our sustainable approach to operations that is hinged on three key pillars: Technology, Process and People.

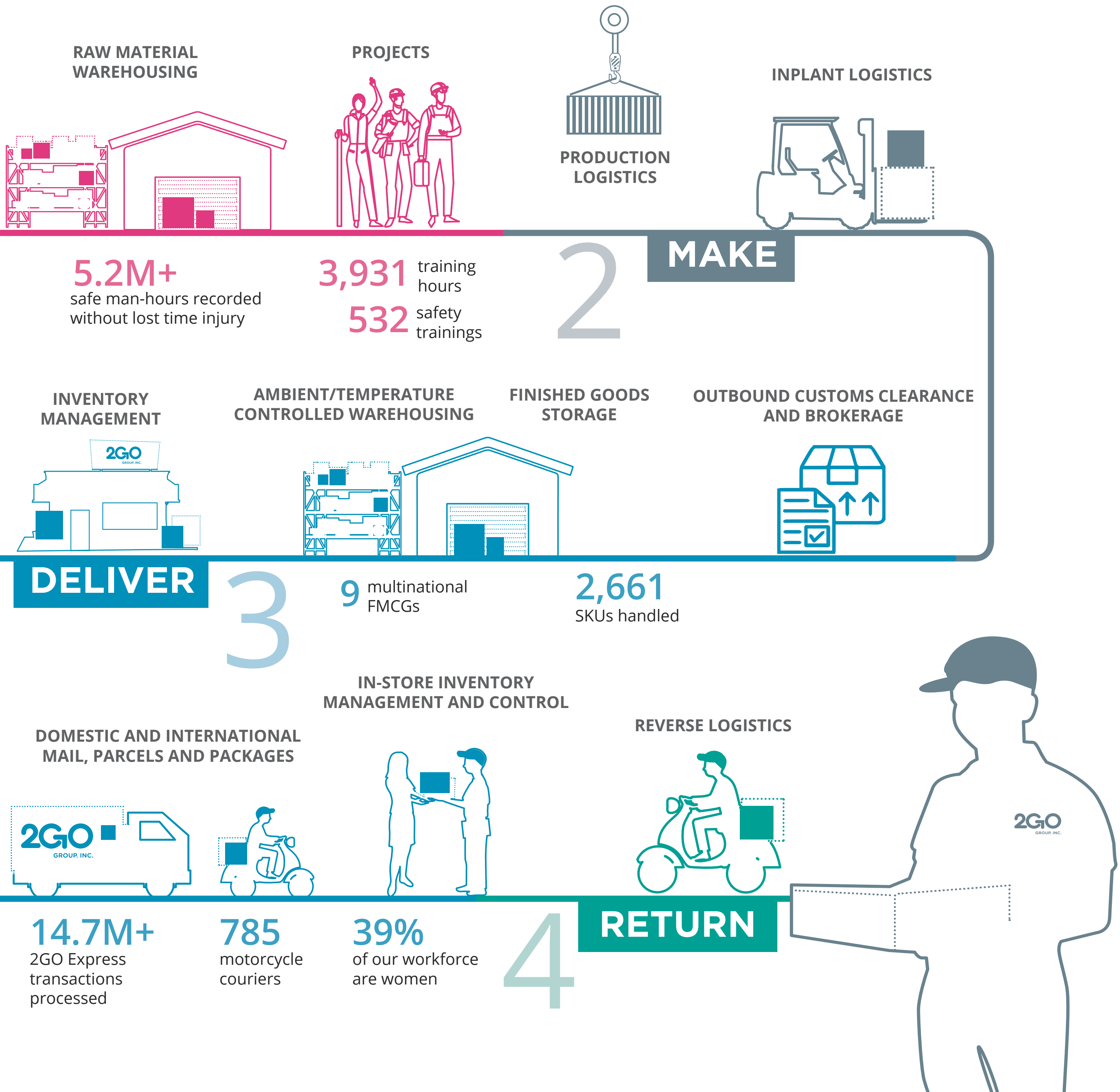
Our investment in these three pillars supports our customer-focused approach in providing an integrated end-to-end supply chain solution that is grounded on our commitment to create shared value with our customers, employees, and partners, while mitigating our environmental impacts.



This also enables us to do our share in achieving specific United Nations Sustainable Development Goals (UN SDGs) that we have identified to be the most relevant in our business models and supply chain.

Read 2GO's 2019 Sustainability Report
www.2go.com.ph/sustainability






2GO
2GO

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

2GO Group, Inc. is committed to the principles and best practices of corporate governance. The Company ensures that its business is conducted in a manner that exudes the governance principles of fairness, accountability and transparency, and strives to keep pace with globally-recognized best practices in corporate governance.

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.

Per the Company's Manual on Corporate Governance, 2GO shall have at least three (3) independent directors at all times. In line with corporate governance best practice, 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**
Dennis A. Uy	46	Chairman of the Board	Non-Executive Director	Feb. 2017
Francis C. Chua	71	Vice Chairman (Independent Director)	Non-Executive Director	Jan. 2011
Frederic C. DyBuncio	60	President/Chief Executive Officer	Executive Director	Apr. 2017
Elmer B. Serrano	52	Director	Executive Director	Feb. 2017
Ma. Concepcion F. de Claro	62	Director	Non-Executive Director	Apr. 2017
Chryss Alfonsus V. Damuy	46	Director	Non-Executive Director	Apr. 2018
Joseph C. Tan	62	Lead Independent Director	Non-Executive Director	Feb. 2017
Laurito E. Serrano	59	Independent Director	Non-Executive Director	Apr. 2017
Jesus G. Dureza	72	Independent Director	Non-Executive Director	Apr. 2019

BOARD RESPONSIBILITIES
The Board promotes the highest standard of excellence throughout the organization and conducts itself with honesty and integrity in the discharge of its duties, functions, andresponsibilities 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.
- Take a direct interest in leadership succession, for the CEO in particular and other senior officers, who must possess motivation, integrity, competence and professionalism. 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.
- 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.
- Establish and maintain an alternative dispute resolution system to settle conflicts between the Company and its shareholders or third parties, including regulatory authorities.
- 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
In accordance with the Manual on Corporate Governance, the Board meets at least six (6) times annually. Board meetings are scheduled a year in advance to encourage higher participation. 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. Furthermore, non-executive directors meet at least once a year, without any executive directors or representatives of Management present. Board papers and other materials used during Board meetings are distributed to the relevant parties at least one (1) week before the actual meeting.

Director	1/29/19	2/26/19	3/19/19	4/11/19	5/9/19	6/25/19	8/6/19	10/2/19	11/7/19	12/19/19	%
Dennis A. Uy	√	√	√	√	√	√	√	√	√	√	100
Francis C. Chua	√	√	√	√	√	√	√	√	√	√	100
Frederic C. DyBuncio	√	√	√	√	√	√	√	√	√	√	100
Elmer B. Serrano	√	√	√	√	√	√	√	√	√	√	100
Ma. Concepcion F. de Claro	√	√	√	√	√	√	√	√	√	√	100
Chryss Alfonsus V. Damuy	√	√	√	√	√	√	√	√	√	√	100
Joseph C. Tan	√	√	√	√	√	√	√	√	√	√	100
Laurito E. Serrano	√	√	√	√	√	√	√	√	√	√	100
Jesus G. Dureza*	N/A	N/A	N/A	√	√	√	√	√	X	√	100

**Atty. Jesus G. Dureza was elected to the Board in April 2019.*

BOARD COMMITTEES

To further enhance its corporate governance programs, as well as to address specific tasks and responsibilities, the Board adopted five (5) board committees, namely the Executive Committee, the Audit Committee, the Risk Oversight Committee, the Related Party Transaction Committee, and the Corporate Governance Committee. The latter of which also performs the functions of the former Nomination Committee and the Remuneration Committee. Each committee has a Charter which defines its composition, roles and responsibilities based on the provisions found in the Manual on Corporate Governance. The Charters include administrative provisions on the conduct of meetings and proceedings, reportorial responsibilities and provide the standards for evaluation of the respective committee performance. The Board Committee Charters are reviewed annually and were developed to ensure that each Committee is equipped with what is necessary to attain its objectives.

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	Committee Meetings & Attendance	
		4/11/19	11/7/19
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.

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

CORPORATE GOVERNANCE COMMITTEE				
Office	Director	Committee Meetings & Attendance		
		2/26/19	4/11/19	9/26/19
Chairman (Independent Director)	Joseph C. Tan	√	√	√
Member (Independent Director)	Laurito E. Serrano	√	√	√
Member (Independent Director)	Jesus G. Dureza*	N/A	√	√

**Atty. Jesus G. Dureza became a member of the Board in April 2019.*

Director	Reporting Company	Nature of Directorship
Mr. Dennis A. Uy	Phoenix Petroleum Philippines, Inc.	President/CEO/Director
	Chelsea Logistics Holdings Corp.	Chairman
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.	President/CEO/Director
Atty. Joseph C. Tan	LMG Chemicals Corp.	Independent Director
	Pacific Online Systems Corp.	Independent Director
	Premium Leisure 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.

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 Corporate Governance Committee.

Notable Continuing Education/Training of the Board of Directors

Director	Date of Program	Program	Name of Training Institution
Dennis A. Uy	3/15/19	Seminar on Corporate Governance	Risks, Opportunities, Assessment and Management (ROAM)
Francis C. Chua	8/15/19	Advanced Corporate Governance Training Program	Institute of Corporate Directors (ICD)
Frederic C. DyBuncio	8/15/19	Advanced Corporate Governance Training Program	Institute of Corporate Directors (ICD)
Elmer B. Serrano	8/15/19	Advanced Corporate Governance Training Program	Institute of Corporate Directors (ICD)
Ma. Concepcion F. de Claro	3/15/19	Seminar on Corporate Governance	Risks, Opportunities, Assessment and Management (ROAM)
Joseph C. Tan	3/28/19	Seminar on Corporate Governance	Sycip Gorres Velayo & Co. (SGV)
Laurito E. Serrano	8/15/19	Advanced Corporate Governance Training Program	Institute of Corporate Directors (ICD)
Chryss Alfonsus V. Damuy	3/15/19	Seminar on Corporate Governance	Risks, Opportunities, Assessment and Management (ROAM)
Jesus G. Dureza	10/16/19	Annual Forum on Good Governance, Ethics & Compliance	Good Governance Advocates & Practitioners of the Philippines (GGAPP)

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.

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 2019, 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.

RISK OVERSIGHT COMMITTEE			
Office	*Director*	*Committee Meetings & Attendance*	
		4/11/19	10/2/19
Chairman (Independent Director)	Jesus G. Dureza	√	√
Member (Independent Director)	Laurito E. Serrano	√	√
Member (Executive Director)	Frederic C. DyBuncio	√	√

RELATED PARTY TRANSACTIONS COMMITTEE			
Office	*Director*	*Committee Meetings & Attendance*	
		4/11/19	9/26/19
Chairman (Independent Director)	Joseph C. Tan	√	√
Member (Independent Director)	Jesus G. Dureza	√	√
Member (Non-Executive Director)	Ma. Concepcion F. de Claro	√	√

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 Manual on Corporate Governance institutionalizes the principles and best practices of good corporate governance in the organization and remains a testament to the belief that good corporate governance is a critical component of sound strategic business management. In addition to the provisions relating to the Board of Directors and Management, the Manual also contains the Company's policies on disclosure and transparency, and mandates the conduct of communication, and training programs on corporate governance. It also outlines the rights of all stakeholders, and the protection of the interests of minority stockholders. There have been no deviations from the Manual since it was adopted.

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. Further to this, the Code prohibits directors, officers and employees from soliciting or accepting gifts, hospitality, and/or entertainment in any form from any business partner. The term gift covers anything of value, such as but not limited to cash or cash equivalent.

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. Likewise, related party transactions that are considered "material" in nature, or exceed the materiality threshold provided for by the Company's *Policy on Material Related Party Transactions* are subject to the process of review and approval as provided by the same policy.

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 8528 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.

Environmentally Friendly Value-Chain

The Company ensures the environmental friendliness of its operations, and contributes to the overall sustainability of the physical environment where the Company operates. The Company is committed to the protection of the environment and complies with all applicable environmental laws and regulations. The Company also assesses and addresses the foreseeable environmental, health and safety- related risks associated with the delivery of the Company's goods and services and strives to avoid or, when unavoidable, mitigate them. 2GO continually seeks to improve its corporate environmental performance through its supply chain by adopting technologies, developmental practices and other related programs that encourage an environmentally friendly value-chain.

Customer Welfare

The Company provides its customers with quality care and service in the provision of goods and services under terms and conditions that are fair and satisfactory. All customers are given fair and proper treatment and are provided with complete, correct and actual information.

Supplier/Contractor Selection

The Company also ensures that the goods and services it provides meets all agreed upon and/or legally required standards for consumer health and safety, including those pertaining to health warnings and safety information. Furthermore, the Company strives to meet the needs of its vulnerable and/or disadvantaged customers. The Company observes propriety and acts with fairness and transparency in dealing with business partners (i.e., contractors, suppliers, creditors and other entities that engage in business with the Company). 2GO adheres to its principles of healthy competition, equal opportunity and fair treatment of business partners. The Company has a bidding committee to screen, review and approve major contracts with contractors and suppliers to ensure that it is conducted on an arm's length basis.

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

BOARD OF DIRECTORS

Mr. Dennis A. Uy
Chairman

Mr. Francis C. Chua
Vice Chairman

Mr. Frederic C. DyBuncio
President/CEO

Ms. Ma. Concepcion F. de Claro
Director

Atty. Elmer B. Serrano
Director

Atty. Joseph C. Tan
Lead Independent Director

Atty. Jesus G. Dureza
Independent Director

Mr. Laurito E. Serrano
Independent Director

Mr. Chryss Alfonsus V. Damuy
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 a practicing lawyer specializing in Corporate Law, Mergers & Acquisitions, Capital Markets and Banking & Finance. He is 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.

Mr. Serrano is a director of 2GO Group, Inc. and DFNN Inc., both 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.

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, MJIC Investments Corporation, United Paragon Mining 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.

Atty. Jesus G. Dureza
is an Independent Director of 2GO Group, Inc. He earned his Bachelor of Arts degree from the Ateneo de Davao University. He earned his law degree from the same university in 1973 and placed 10th in the Philippine Bar Examination. He then became editor of the Mindanao Times, correspondent for Manila Times, Manila Bulletin and Associated Press, and hosted Davao's first TV talk show "Brainstorm".

Atty. Dureza became Davao Congressman in 1987 and served until 1993. He was appointed by President Fidel V. Ramos as Presidential Assistant for Mindanao and chairman of the Mindanao Development Authority. In 2002, he founded the Advocacy Mindanow Foundation. During the administration of President Gloria Macapagal-Arroyo, he served in various capacities as Chairman of the Government Peace Panel with the MILF, as Press Secretary, Presidential Peace Adviser, Chief Presidential Legal Counsel and Chairman of Mindanao Development Authority.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2GO
2GO
SPECIAL CONTAINERS
CAUTION

FINANCIAL STATEMENTS

MANAGEMENT'S DISCUSSION & ANALYSIS

The Financial information for the years ended December 31, 2019 and 2018 are as follows:

Results of Continuing Operations for the Years Ended December 31, 2019 and 2018

Amounts in millions	Dec 31, 2019	Dec 31, 2018	% Change
Revenue	**P 21,410**	**P 19,666**	**9%**
Costs of Services and Goods Sold	19,671	18,435	(7%)
Gross Profit	**1,739**	**1,231**	**41%**
General and Administrative Expenses	1,493	1,923	22%
Other Operational Expenses	198	-	-
Operating Income	**48**	**(693)**	**107%**
Other Charges	377	250	(50%)
Provision for Income Tax	90	87	(3%)
Net Income (Loss) from Continuing Operations	**P (419)**	**P (1,030)**	**59%**
Net Income (Loss) from Discontinued Operations	(473)	(440)	(8%)
Net Income (Loss)	**P (892)**	**P (1,470)**	**39%**
Add back:			
Financing Charges (Interest)	449	322	(40%)
Provision for Income Tax	90	87	(3%)
Depreciation and Amortization	2,300	2,223	(3%)
EBITDA	**P 1,947**	**P 1,162**	**68%**

2GO Group, Inc. (**2GO**) and subsidiaries (collectively referred to as the **Group**) generated P48 million in Operating Income from Continuing Operations in 2019, an improvement from its Operating Loss from Continuing Operations of P693 million in 2018. Net Loss from Continuing Operations was P419 million in 2019, an improvement of 59% from losses of P1.0 billion in 2018. During 2019, 2GO completed a series of restructuring activities as part of Management's plan to focus on improving core services and profitability. 2GO incurred Net Loss from these Discontinued Operations of P473 million 2019 and P440 million in 2018. Net Loss in total was P892 million in 2019, an improvement of 39% from the Net Loss of P1.5 billion in 2018.

2GO's revenue increased year-over-year (YoY) by 9% in 2019 as demand for services and goods continued. Revenue from the Non-shipping business (Logistics and Distribution) increased YoY by 15% in 2019. The Distribution business grew YoY by 26% in 2019, while the Logistics business grew YoY by 5%. The Non-shipping business accounted for 67% of revenue in 2019 compared to 63% in 2018.

Revenue from the Shipping business decreased YoY by 2% in 2019. Overcapacity in the domestic interisland freighter market continued to weigh negatively on freighter rates. As a result, during 2019, the Shipping business discontinued operations of its interisland freighter vessels and short-haul fast ferry passenger vessels as a part of Management's plan to focus on improving core ROPAX services and profitability.

Costs of Services and Goods Sold increased YoY by 7% in 2019. The main drivers of the increase were from inventory goods sold by the Distribution business, and bunker fuel oil consumed by the Shipping business. Inventory goods increased YoY by 23%, which was in line with the Distribution business' increase in revenue. Fuel costs increased YoY by 14% in 2019 due to an increased number of roundtrips by the Shipping business' ROPAX vessels.

General and Administrative Expenses decreased YoY by 22% in 2019 as 2GO continued its cost management initiatives, which include among others, increased controls over spending, consolidation of offices and facilities, and investments in technology to further drive efficiencies.

During 2019, 2GO completed a series of non-recurring restructuring activities which primarily included consolidating its operations in certain container yards, warehouses, and offices, and exiting related leases. These costs are included in Other Operational Expenses in 2019.

Other Charges include financing charges, equity in net earnings/losses from associates and joint ventures, and other non-operating gains/losses. Other charges increased YoY by 50% in 2019. Financing charges increased by P124 million or 42% in 2019, due to additional amortization of leases from adoption of PFRS 16 and increased interest expense on short-term notes payable.

Discontinued operations

During 2019, the Shipping business discontinued operations of its interisland freighter vessels and short-haul fast ferry passenger vessels as a part of Management's plan to focus on improving core ROPAX services and profitability. In October 2019, 2GO sold 100% of its shares in The SuperCat Fast Ferry Corporation to Chelsea Logistics and Infrastructure Holdings Corp. for P650 million. 2GO also disposed two of its interisland freighter vessels in second quarter of 2019, and terminated long-term charter leases for three freighter vessels in the fourth quarter of 2019.

Financial Position as of December 31, 2019 and December 31, 2018

	As of		
Amounts in millions	**Dec 31, 2019**	**Dec 31, 2018**	**% Change**
Current Assets	P 7,864	P 8,006	(2%)
Noncurrent Assets	8,536	8,828	(3%)
Total Assets	**16,400**	**16,835**	**(3%)**
Current Liabilities	8,883	8,871	0%
Noncurrent Liabilities	3,962	3,427	16%
Total Liabilities	**12,846**	**12,298**	**4%**
Total Equity	3,555	4,537	(22%)
Total Liabilities and Equity	**P 16,400**	**P 16,835**	**(3%)**

Total Assets decreased 3% to P16.4 billion from P16.8 billion in 2018. Total Liabilities increased by 4% to P12.8 billion from 2018 to 2019. The adoption of a new accounting standard (PFRS 16, Leases) at January 1, 2019 led to an increase in both Assets and Liabilities by 1.3, which are included above.

Assets
Current Assets decreased 2% to 7.9 billion in 2019 from P8.0 billion in 2018. Cash and Cash Equivalents decreased 37% to P893 million in 2019 from P1.4 billion in 2018. Trade and Other Receivables, net of Allowance for Doubtful Accounts, were consistent at P4.3 billion in 2019, from P4.2 billion in 2018 even as revenue grew YoY as 2GO continues to focus on collections.

Noncurrent Assets decreased 3% to P8.5 billion in 2019 from P8.8 billion in 2018.

Liabilities
Current Liabilities remained consistent at P8.9 billion for 2019 and 2018. Short-term Notes Payable remained consistent at P2.7 billion in 2019 and 2018. Trade and other payables decreased 4% to P5.7 billion in 2019 from P6.0 billion in 2018.

Noncurrent Liabilities increased 16% to 4.0 billion from P3.4 billion as of December 31, 2019 and 2018 mainly due to the adoption of PFRS 16 and an increase in accrued retirement benefits to P338.8 million in 2019 from P211.4 million in 2018.

Equity
Total Equity decreased 22% in 2019 due to net losses incurred during the periods.

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 Company'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 Company does not expect any liquidity issues within the next twelve months. Capital expenditures are funded through cash generated from operations or additional borrowings.

Key Performance Indicators

The following are the key financial ratios of 2GO for the years ended December 31, 2019 and 2018 and as of December 31, 2019 and 2018.

	Dec 31, 2019	Dec 31, 2018
Revenue Growth	9%	1%
Net Income Margin	(4%)	(7%)
EBITDA (in Millions of Pesos)	P 1,947	P 1,162
EBITDA Margin	9%	6%

	As of	
	Dec 31, 2019	Dec 31, 2018
Current Ratio	0.9	0.9
Interest Bearing Debt to Total Equity	1.5	1.3
Total Liabilities (less effect of PFRS 16) to Total Equity	3.2	2.7
Total Liabilities to Total Equity	3.6	2.7

Revenue increased by 9% in 2019 and 1% in 2018. Net Income Margin was -4% in 2019 vs. -7% in 2018.

EBITDA and EBITDA margin were P1.9 billion and 9% in 2019, up 68% from P1.2 billion and 6% in 2018.

Current Ratio remained consistent 0.9 as of December 31, 2019 and 2018. Interest Bearing Debt to Total Equity is 1.5 in 2019, compared to 1.3 in 2018. Total Liabilities to Total Equity is 3.6 in 2019, up from 2.7 in 2018. Excluding the effect of PFRS 16, Total Liabilities to Total Equity is 3.2 in 2019.

The Group calculates the key financial ratios as follows:

Revenue Growth	(Total Revenue current period / Total Revenue prior period) – 1
Net Income Margin	Net Income / Total Revenue
EBITDA	Net Income + Interest + Income Tax + Depreciation & Amortization
EBITDA Margin	EBITDA / Total Revenue
Current Ratio	Current Assets / Current Liabilities
Interest-Bearing Debt to Total Equity	Total Interest-Bearing Debt / Total Equity
Total Liabilities (less effect of PFRS 16) to Total Equity	(Total Liabilities – Capitalized Operating Leases) / Total Equity
Total Liabilities to Total Equity	Total Liabilities / Total Equity

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 offers roll-on and roll-off freight services and passenger travel via its interisland ROPAX 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.

For 2020, the Group continues its focus on improving core services and profitability, and aims to gradually build expertise for new services and industry verticals to better respond to market demand. The Group plans to achieve this through more streamlined operations and collaboration within its business units, investments in technology, and synergies and best practices from its shareholders. Management is confident that 2GO will continue to grow and become an even stronger logistics solutions provider going forward.

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, 2019, 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, 2019, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Dennis A. Uy
Chairman of the Board

Frederic C. Dybuncio
President/CEO

William Howell
Chief Financial Officer and Treasurer

Signed this 27th day of February 2020.

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, MJIC Investments Corporation, United Paragon Mining Corporation, Axelum Resources 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**, 62, 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,** 62, 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.

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

Audit Committee										
Committee Designation	Name	Committee Meetings & Attendance								
		1/25/19	4/10/19	5/8/19	7/4/19	7/26/19	9/26/19	10/8/19	11/4/19	12/3/19
Chairman (ID)	Laurito E. Serrano	√	√	√	√	√	√	√	√	√
Member (ID)	Joseph C. Tan	√	√	√	√	√	√	√	√	√
Member (NED)	Ma. Concepcion F. de Claro	√	√	√	X	X	√	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.

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 2019, 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, 2019, six- month period ended June 30, 2019, and third quarter ended September 30, 2019.

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, 2019.

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 2020.

Laurito E. Serrano
Chairman

Joseph C. Tan
Member

Ma. Concepcion F. de Claro
Member

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
2GO Group, Inc.
8th Floor, Tower 1, Double Dragon Plaza
EDSA Extension cor. Macapagal Avenue
Pasay City

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, 2019 and 2018, 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 each of the three years in the period ended December 31, 2019 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, 2019 and 2018 and, its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 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

The Group's revenue from shipping, logistics and other services amounting to P13.81 billion and from sale of goods amounting to P7.60 billion comprise 64.5% and 35.5%, respectively, of the Group's total consolidated revenues for the year ended December 31, 2019. 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.

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

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.

Recoverability of trade and other receivables

As of December 31, 2019, the Group's trade and other receivables totaling to P4.34 billion, net of allowance for expected credit losses (ECL) of P1.14 billion, account for 26.5% 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 ECL on these receivables involves significant management 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 update on our understanding of the methodologies, models and forward-looking information used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9, Financial Instruments to reflect an unbiased and probability-weighted outcome.

We assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics. We compared the data used in the ECL models prepared by management, such as the historical aging analysis and default and recovery data, to the financial reporting systems and loss allowance analysis/models. To the extent that the loss allowance analysis is based on credit exposures that have been specifically identified or have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the specific identification or disaggregation from the loss allowance analysis to the source systems. We also assessed the assumptions used where there are missing or insufficient data. We also checked the forward-looking information used for overlay in the ECL models through statistical test and corroboration using publicly available information and our understanding of the Group's receivable portfolios and industry practices. We recalculated impairment provisions on a sample basis.

Estimation of useful life and impairment of vessels in operations and related equipment, and impairment of goodwill

As of December 31, 2019, the Group's vessels in operations and related equipment amounting to P3.22 billion and goodwill allocated to the shipping business amounting to P580.65 million, comprise 19.6% and 3.5%, respectively, of the Group's consolidated total assets. In accounting for these assets, the Group estimated the useful lives of vessels in operations and related equipment and assessed these for 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 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 and related equipment and the recognition of impairment loss on vessels in operation and related equipment, and goodwill 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 Notes 11 and 13 to the consolidated financial statements for the disclosures about the carrying amounts of the vessels in operations and related equipment, and goodwill of the shipping business.

Audit response

We evaluated management's estimates of the useful lives of the vessels in operations 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 and related equipment, and goodwill. 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.

Adoption of PFRS 16, Leases

Effective January 1, 2019, the Group adopted PFRS 16 under the modified retrospective approach which resulted in significant changes in the Group's accounting policy for leases.

We considered the Group's adoption of PFRS 16 as a key audit matter because the Group has high volume lease agreements; the recorded amounts are material to the consolidated financial statements; the change in accounting policy requires policy elections, which involves the application of significant judgment and estimation in determining whether the contract contains a lease; determining the lease term; determining which of the lease arrangements would qualify for the practical expedient on low-value assets and short-term leases; and determining the incremental borrowing rate. This resulted in transition adjustments to recognize right-of-use assets by P1.55 billion and obligations under lease by P1.49 billion as of January 1, 2019 and the recognition of amortization expense and interest expense of P518.62 million and P93.16 million, respectively, for the year ended December 31, 2019.

Refer to Notes 3 and 4 to the consolidated financial statements for the adoption of PFRS 16 applied by the Group, the relevant accounting policy and a discussion of significant judgments, and Notes 11, 18 and 29 for the disclosures of the lease arrangements.

Audit response

We obtained an understanding of the Group's process in implementing the new standard on leases, including the determination of the population of the lease contracts covered by PFRS 16, the application of the short-term and low-value assets exemption, the selection of the transition approach and any election of available practical expedients. We selected sample lease agreements (i.e., lease agreements existing prior to the adoption of PFRS 16 and new lease agreements in 2019) from the Master Lease Schedule and identified their contractual terms and conditions. We traced these selected contracts to the lease calculations prepared by management, covering the calculation of the financial impact of PFRS 16, including the transition adjustments.

We tested the underlying lease data used (e.g., lease payments, lease term) by agreeing the terms of the selected contracts with the lease calculation. For selected lease contracts with renewal and/or termination option, we reviewed the management's assessment of whether the optional periods are enforceable. We tested the parameters used in the determination of the incremental borrowing rate by reference to market data. We test computed the lease calculation prepared by management, including the transition adjustments.

We reviewed the disclosures related to leases, including the transition adjustments, based on the requirements of PFRS 16 and Philippine Accounting Standards (PAS) 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

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, 2019, 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, 2019 are expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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-5 (Group A),
June 11, 2019, valid until June 10, 2022
Tax Identification No. 102-086-208
BIR Accreditation No. 08-001998-18-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125236, January 7, 2020, Makati City

February 27, 2020

2GO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019, 2018 and 2017

(Amounts in Thousands)

		December 31		
	Note	2019	2018 (As re-presented, Note 33)	2017 (As re-presented, Note 33)
ASSETS				
Current Assets				
Cash and cash equivalents	*7*	**P892,540**	P1,415,411	P2,181,243
Trade and other receivables	*8, 17, 20*	**4,339,620**	4,191,514	4,331,827
Inventories	*9*	**811,805**	628,210	555,825
Other current assets	*10*	**1,820,144**	1,771,132	1,728,855
Total Current Assets		**7,864,109**	8,006,267	8,797,750
Noncurrent Assets				
Property and equipment	*11, 17, 18*	**6,447,128**	7,211,433	7,898,962
Investments in associates and joint ventures	*12*	**277,039**	325,642	292,072
Deferred income tax assets	*27*	**113,337**	69,495	82,696
Goodwill	*13*	**686,896**	686,896	686,896
Other noncurrent assets	*14*	**1,011,718**	534,956	558,287
Total Noncurrent Assets		**8,536,118**	8,828,422	9,518,913
TOTAL ASSETS		**P16,400,227**	P16,834,689	P18,316,663

LIABILITIES AND EQUITY				
Current Liabilities				
Short-term notes payable	*15*	**P2,678,500**	P2,685,000	P2,644,950
Trade and other payables	*16,19,20*	**5,742,553**	5,980,552	5,770,192
Income tax payable		**11,428**	15,374	17,198
Current portion of:				
Long-term debt	*17*	**1,500**	106,336	3,126,193
Obligations under lease	*11,18*	**449,427**	–	–
Obligations under finance lease	*11,18*	–	83,515	101,130
Total Current Liabilities		**8,883,408**	8,870,777	11,659,663
Noncurrent Liabilities				
Noncurrent portion of:				
Long-term debt	*17*	**2,487,153**	3,116,177	1,481
Obligations under lease	*11,18*	**1,136,331**	–	–
Obligations under finance lease	*11,18*	–	92,317	218,430
Accrued retirement benefits	*26*	**338,806**	211,420	387,574
Other noncurrent liabilities		–	7,284	6,085
Total Noncurrent Liabilities		**3,962,290**	3,427,198	613,570
Total Liabilities		**12,845,698**	12,297,975	12,273,233

(Forward)

		December 31		
	Note	2019	2018 (As re-presented, Note 33)	2017 (As re-presented, Note 33)
Equity	*21*			
Share capital		**P2,500,663**	P2,484,653	P2,484,653
Additional paid-in capital		**2,498,621**	910,901	910,901
Other equity reserve		**712,245**	2,315,975	2,315,975
Other comprehensive losses - net		**(174,026)**	(93,767)	(90,908)
Retained earnings (Deficit)		**(1,984,269)**	(1,084,205)	409,697
Treasury shares		**(58,715)**	(58,715)	(58,715)
Equity Attributable to Equity Holders of the Parent Company		**3,494,519**	4,474,842	5,971,603
Non-controlling Interests		**60,010**	61,872	71,827
Total Equity		**3,554,529**	4,536,714	6,043,430
TOTAL LIABILITIES AND EQUITY		**P16,400,227**	P16,834,689	P18,316,663

See accompanying Notes to the Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

(Amounts in Thousands, Except Earnings Per Common Share)

		Years Ended December 31		
	Note	**2019**	2018 (As re-presented, Note 33)	2017 (As re-presented, Note 33)
CONTINUING OPERATIONS REVENUES FROM CONTRACTS WITH CUSTOMERS				
Shipping	*5,20*	**P7,101,950**	P7,231,199	P-
Nonshipping:				
Logistics and other services		**6,707,486**	6,416,692	–
Sale of goods		**7,600,478**	6,017,746	–
REVENUES	*5,20*			
Shipping		**–**	–	6,599,162
Nonshipping:				
Logistics and other services		**–**	–	6,925,696
Sale of goods		**–**	–	5,761,828
		21,409,914	19,665,637	19,286,686
COST OF SERVICES AND GOODS SOLD	*22*	**19,671,121**	18,434,883	16,903,533
GROSS PROFIT		**1,738,793**	1,230,754	2,383,153
GENERAL AND ADMINISTRATIVE EXPENSES	*23*	**1,493,029**	1,923,310	2,339,831
RESTRUCTURING COSTS	*33c*	**198,262**	–	–
OPERATING INCOME (LOSS) FROM CONTINUING OPERATIONS		**47,502**	(692,556)	43,322
OTHER INCOME (CHARGES)				
Equity in net losses of associates and joint ventures	*12*	**(49,682)**	(34)	(6,970)
Financing charges	*24*	**(421,326)**	(297,249)	(386,490)
Others - net	*24*	**94,351**	46,821	202,338
		(376,657)	(250,462)	(191,122)
LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS		**(329,155)**	(943,018)	(147,800)
PROVISION FOR INCOME TAX	*27*			
Current		**95,596**	90,155	247,228
Deferred		**(5,787)**	(3,092)	(16,924)
		89,809	87,063	230,304
NET LOSS FROM CONTINUING OPERATIONS		**(418,964)**	(1,030,081)	(378,104)
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	*33b*	**(473,250)**	(439,822)	71,145
NET LOSS		**(P892,214)**	(P1,469,903)	(P306,959)
Net Income (Loss) Attributable to:				
Equity holders of the Parent Company		**(P890,352)**	(P1,467,495)	(P313,159)
Non-controlling interests		**(1,862)**	(2,408)	6,200
		(P892,214)	(P1,469,903)	(P306,959)
Basic/Diluted Loss Per Share	*28*	**(P0.3616)**	(P0.5999)	(P0.1280)

See accompanying Notes to the Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

(Amounts in Thousands)

		Years Ended December 31		
	Note	**2019**	2018 (As re-presented, Note 33)	2017 (As re-presented, Note 33)
NET LOSS		**(P892,214)**	(P1,469,903)	(P306,959)
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax				
Item that will be reclassified subsequently to profit or loss:				
Net changes on cash flow hedge	*30*	**2,911**	–	–
Income tax effect	*27*	**(873)**	–	–
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement gains (losses) on net defined benefit liability	*26*	**(132,982)**	(4,221)	9,299
Net changes in unrealized loss on FVTOCI investments		**–**	(707)	–
Income tax effect	*27*	**39,894**	2,069	(2,790)
		(91,050)	(2,859)	6,509
Share in remeasurement gains on retirement benefits of associates and joint ventures	*12*	**1,079**	–	–
		(89,971)	(2,859)	6,509
TOTAL COMPREHENSIVE LOSS		**(P982,185)**	(P1,472,762)	(P300,450)
Total Comprehensive Income (Loss) Attributable to:				
Equity holders of the Parent Company		**(P980,323)**	(P1,470,354)	(P306,650)
Non-controlling interests		**(1,862)**	(2,408)	6,200
		(P982,185)	(P1,472,762)	(P300,450)

See accompanying Notes to the Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 and 2017

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company													
				Other Comprehensive Income (Losses)										
	Share Capital (Note 21)	Additional Paid-in Capital (Note 21)	Other Equity Reserve (Note 21)	Unrealized Gain on Financial Assets at Fair Value through Other Comprehensive Income	Share in Cumulative Translation Adjustment of Associates	Remeasurement Losses on Accrued Retirement Benefits - Net of tax (Note 26)	Cash Flow Hedge Reserve - Net of tax (Note 30)	Share in Remeasurement Gains (Losses) on Accrued Retirement Benefits of Associates and Joint Ventures (Note 13)	Subtotal	Retained Earnings (Deficit) (Note 21)	Treasury Shares (Note 21)	Total	Non-controlling Interests	Total Equity
BALANCES AT DECEMBER 31, 2016, as previously reported	**P2,484,653**	**P910,901**	**(P13,078)**	**P657**	**P5,294**	**(P115,440)**	**P–**	**P6,202**	**(P103,287)**	**P643,412**	**(P58,715)**	**P3,863,886**	**P65,627**	**P3,929,513**
Effect of merger	–	–	2,329,053	–	–	5,622	–	248	5,870	79,444	–	2,414,367	–	2,414,367
BALANCES AT DECEMBER 31, 2016, as re-presented	**2,484,653**	**910,901**	**2,315,975**	**657**	**5,294**	**(109,818)**	**–**	**6,450**	**(97,417)**	**722,856**	**(58,715)**	**6,278,253**	**65,627**	**6,343,880**
Net loss for the year*	–	–	–	–	–	–	–	–	–	(313,159)	–	(313,159)	6,200	(306,959)
Other comprehensive income for the year*	–	–	–	–	–	6,509	–	–	6,509	–	–	6,509	–	6,509
Total comprehensive loss for the year*	–	–	–	–	–	6,509	–	–	6,509	(313,159)	–	(306,650)	6,200	(300,450)
BALANCES AT DECEMBER 31, 2017	**P2,484,653**	**P910,901**	**P2,315,975**	**P657**	**P5,294**	**(P103,309)**	**P–**	**P6,450**	**(P90,908)**	**P409,697**	**(P58,715)**	**P5,971,603**	**P71,827**	**P6,043,430**
BALANCES AT DECEMBER 31, 2017, as previously reported	**P2,484,653**	**P910,901**	**(P13,078)**	**P657**	**P5,294**	**(P101,992)**	P–	**P6,202**	**(P89,839)**	**P327,638**	**(P58,715)**	**P3,561,560**	**P71,826**	**P3,633,386**
Effect of merger	–	–	2,329,053	–	–	(1,317)	–	248	(1,069)	82,059	–	2,410,043	1	2,410,044
BALANCES AT DECEMBER 31, 2017, as re-presented	**P2,484,653**	**P910,901**	**P2,315,975**	**P657**	**P5,294**	**(P103,309)**	**P–**	**P6,450**	**(P90,908)**	**P409,697**	**(P58,715)**	**P5,971,603**	**P71,827**	**P6,043,430**
BALANCES AT JANUARY 1, 2018	**P2,484,653**	**P910,901**	**(P13,078)**	**P657**	**P5,294**	**(P101,992)**	P–	**P6,202**	**(P89,839)**	**P327,638**	**(P58,715)**	**P3,561,560**	**P71,826**	**P3,633,386**
Effect of PFRS 9 adoption	–	–	–	–	–	–	–	–	–	(26,407)	–	(26,407)	–	(26,407)
BALANCES AT JANUARY 1, 2018, as previously reported	**2,484,653**	**910,901**	**(13,078)**	**657**	**5,294**	**(101,992)**	–	**6,202**	**(89,839)**	**301,231**	**(58,715)**	**3,535,153**	**71,826**	**3,606,979**
Effect of merger	**–**	**–**	**2,329,053**	**–**	**–**	**(1,317)**	**–**	**248**	**(1,069)**	**82,059**	**–**	**2,410,043**	**1**	**2,410,044**
BALANCES AT JANUARY 1, 2018, as re-presented	**2,484,653**	**910,901**	**2,315,975**	**657**	**5,294**	**(103,309)**	–	**6,450**	**(90,908)**	**383,290**	**(58,715)**	**5,945,196**	**71,827**	**6,017,023**

(Forward)

	Share Capital (Note 21)	Additional Paid-in Capital (Note 21)	Other Equity Reserve (Note 21)	Unrealized Gain on Financial Assets at Fair Value through Other Comprehensive Income	Share in Cumulative Translation Adjustment of Associates	Remeasurement Losses on Accrued Retirement Benefits - Net of tax (Note 26)	Cash Flow Hedge Reserve - Net of tax (Note 30)	Share in Remeasurement Gains (Losses) on Accrued Retirement Benefits of Associates and Joint Ventures (Note 13)	Subtotal	Retained Earnings (Deficit) (Note 21)	Treasury Shares (Note 21)	Total	Non-controlling Interests	Total Equity
	Attributable to Equity Holders of the Parent Company			Other Comprehensive Income (Losses)										
Net loss for the year*	–	–	–	–	–	–	–	–	–	(1,467,495)	–	(1,467,495)	(2,408)	(1,469,903)
Other comprehensive loss for the year*	–	–	–	(707)	–	(2,152)	–	–	(2,859)	–	–	(2,859)	–	(2,859)
Total comprehensive loss for the year*	–	–	–	(707)	–	(2,152)	–	–	(2,859)	(1,467,495)	–	(1,470,354)	(2,408)	(1,472,762)
Sale of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(7,547)	(7,547)
BALANCES AT DECEMBER 31, 2018	**P2,484,653**	**P910,901**	**P2,315,975**	**(P50)**	**P5,294**	**(P105,461)**	**P–**	**P6,450**	**(P93,767)**	**(P1,084,205)**	**(P58,715)**	**P4,474,842**	**P61,872**	**P4,536,714**
BALANCES AT DECEMBER 31, 2018, as previously reported	**P2,484,653**	**P910,901**	**(P13,078)**	**(P50)**	**P5,294**	**(P104,144)**	P–	**P6,202**	**(P92,698)**	**(P1,044,725)**	**(P58,715)**	**P2,186,338**	**P61,872**	**P2,248,210**
Effect of merger	–	–	2,329,053	–	–	(1,317)	–	248	(1,069)	(39,480)	–	2,288,504	–	2,288,504
BALANCES AT DECEMBER 31, 2018, as re-presented	**2,484,653**	**910,901**	**2,315,975**	**(50)**	**5,294**	**(105,461)**	–	**6,450**	**(93,767)**	**(1,084,205)**	**(58,715)**	**4,474,842**	**61,872**	**4,536,714**
Net loss for the year	–	–	–	–	–	–		–	–	(890,352)	–	(890,352)	(1,862)	(892,214)
Other comprehensive loss for the year	–	–	–	–	–	(93,088)	2,038	1,079	(89,971)	–	–	(89,971)	–	(89,971)
Total comprehensive loss for the year	–	–	–	–	–	(93,088)	2,038	1,079	(89,971)	(890,352)	–	(980,323)	(1,862)	(982,185)
Effect of merger	16,010	1,587,720	(1,603,730)	–	–	–	–	–	–	–	–	–	–	–
Other comprehensive income closed to retained earnings		–	–	50	–	9,662	–	–	9,712	(9,712)	–	–	–	–
BALANCES AT DECEMBER 31, 2019	**P2,500,663**	**P2,498,621**	**P712,245**	**P–**	**P5,294**	**(P188,887)**	**P2,038**	**P7,529**	**(P174,026)**	**(P1,984,269)**	**(P58,715)**	**P3,494,519**	**P60,010**	**P3,554,529**

See accompanying Notes to the Consolidated Financial Statements.

**As re-presented balances include the effect of merger as disclosed in Note 33 (a)*

2GO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

(Amounts in Thousands)

		Years Ended December 31		
	Note	**2019**	2018 (As re-presented, Note 33)	2017 (As re-presented, Note 33)
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax from continuing operations		**(P329,155)**	(P943,018)	(P147,800)
Income (loss) before tax from discontinued operations	*33b*	**(463,501)**	(415,657)	106,087
Adjustments for:				
Depreciation and amortization of property and equipment and software	*12, 14, 22,23*	**2,300,073**	2,223,266	2,009,152
Financing charges	*24, 33b*	**449,463**	321,908	400,696
Interest income	*24, 33b*	**(17,371)**	(17,276)	(6,283)
Gain on disposal of:				
Property and equipment	*24*	**(81,523)**	(14,690)	(3,587)
Disposal group	*33b*	**(37,592)**	–	–
Investment in subsidiaries	*24*	–	(1,098)	–
Investment in associate	*24*	–	(3,604)	–
Impairment loss on property and equipment		–	5,273	–
Equity in net losses of associates and joint ventures	*12*	**49,682**	34	6,970
Retirement benefit cost	*26*	**77,665**	60,463	129,347
Unrealized foreign exchange losses (gains)		**(1,523)**	(33,632)	32,458
Operating income before working capital changes		**1,946,218**	1,181,969	2,527,040
Decrease (increase) in:				
Trade and other receivables		**(39,584)**	(23,862)	75,943
Inventories		**(193,990)**	(74,719)	120,719
Other current assets		**45,492**	173,680	(184,075)
Increase in trade and other payables		**(69,129)**	361,694	848,652
Cash generated from operations		**1,689,007**	1,618,762	3,388,279
Contribution for retirement fund and benefits paid from book reserve	*26*	**(72,926)**	(109,198)	(177,630)
Interest received		**17,371**	18,034	6,037
Income taxes paid, including creditable withholding taxes		**(247,059)**	(345,210)	(342,656)
Net cash flows provided by operating activities		**1,386,393**	1,182,388	2,874,030

(Forward)

	Note	2019	2018 (As re-presented, Note 33)	2017 (As re-presented, Note 33)
		Years Ended December 31		
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment	*11*	**(766,054)**	(1,524,526)	(1,624,021)
Software	*14*	**(57,089)**	(41,898)	(7,612)
Investment in an associate	*12*	–	(25,000)	–
Proceeds from disposal of:				
Property and equipment	*11*	**107,865**	41,980	8,213
Investment in associate	*12*	**–**	10,000	–
Collection of proceeds from the sale of disposal group	*33b*	**101,856**	–	–
Payment of capital gains tax from the sale of disposal group	*33b*	**(19,602)**	–	–
Cash of the disposal group	*33b*	**(40,417)**	–	–
Cash of divested subsidiaries	*24*	**–**	(109,312)	–
Receipts of (payments for) various deposits		**63,464**	(8,634)	70,097
Net cash flows used in investing activities		**(609,977)**	(1,657,390)	(1,553,323)
CASH FLOWS FROM FINANCING ACTIVITIES	*32*			
Proceeds from availments of:				
Short-term notes payable	*15*	**P3,921,500**	P5,783,200	P2,598,701
Long-term debt	*17*	–	2,500,000	756,911
Payments of:				
Short-term notes payable	*15*	**(3,878,000)**	(5,743,150)	(2,328,306)
Long-term debt	*17*	**(401,556)**	(2,388,820)	(1,140,444)
Obligations under lease	*18*	**(488,900)**	–	–
Obligations under finance lease	*18*	–	(156,810)	(85,525)
Interest and financing charges	*24*	**(452,343)**	(275,445)	(396,468)
Debt transaction costs	*24*	–	(18,780)	–
Net cash flows used in financing activities		**(1,299,299)**	(299,805)	(595,131)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**12**	8,975	1,913
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(522,871)**	(765,832)	727,489
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*7*	**1,415,411**	2,181,243	1,453,754
CASH AND CASH EQUIVALENTS AT END OF YEAR	*7*	**P892,540**	P1,415,411	P2,181,243

See accompanying Notes to the Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

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 renewed on May 12, 1995 and will expire on May 25, 2049. However, under the Revised Corporation Code of the Philippines, 2GO shall have a perpetual corporate life. The Company's registered office address is 8th Floor Tower 1, Double Dragon Plaza, EDSA Extension corner Macapagal Avenue, Pasay City, Metro Manila. 2GO's shares of stock are publicly traded on the Philippine Stock Exchange (PSE).

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 interisland roll-on/roll-off freight and passenger vessels, interisland freighters, and short-haul 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.

On February 23, 2018, the Board of Directors (BOD) approved the internal restructuring of the Group via merger of 2GO with its parent company, Negros Navigation Co., Inc. (NN), with 2GO as the surviving entity. The purpose of this was to simplify the Group's corporate structure and to streamline operations, reduce costs and increase shareholder value. Prior to the merger and as of December 31, 2018, NN owned 88.31% of 2GO, while NN is 39.85%-owned by KGLI-NM Holdings, Inc. (KGLI-NM), 34.5% owned by SM Investments Corporation (SMIC), 25.30%-owned by China-ASEAN Marine B.V. (CAMBV) and 0.35% owned by public shareholders. KGLI-NM's ultimate parent is Udenna Corporation.

Effective January 1, 2019, NN was merged into 2GO, with 2GO as the surviving entity, pursuant to the Articles of Merger as approved by the Securities and Exchange Commission (SEC). Hence, the separate corporate existence of NN ceased by operation of law as provided under Section 80(2) of the Corporation Code. To execute the merger, 2GO issued a total of 2,176,151,907 shares with a par value of One Peso (P1.00) per share to the stockholders of NN in exchange for the net assets of NN, which shares were composed of the 2,160,141,991 shares reacquired by 2GO as a result of the merger, and 16,009,916 shares from the unissued authorized capital stock of 2GO. As a result, 2GO is 35.22%-owned by KGLI-NM Holdings, Inc., 30.49% owned by SMIC, 22.36%-owned by CAMBV and 11.93% owned by public shareholders as of December 31, 2019. The effect of the merger is presented in Note 21 and 33a.

During 2019, 2GO completed a series of restructuring activities as part of a plan to focus on improving core services and profitability. 2GO discontinued the operations of its short-haul fast ferry passenger vessels, inter-island freighters, and consolidated its operations in certain container yards, warehouses and offices (see Note 33b).

The accompanying consolidated financial statements as at December 31, 2019, 2018 and 2017 and for the years then ended were approved and authorized for issue by the BOD on February 27, 2020.

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 and hedging instruments 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 adopted the following amendments to standards starting January 1, 2019. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Group's consolidated financial statements.

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

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  These amendments had no impact on the consolidated financial statements of the Group.

- 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 Philippine Accounting Standards (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 the 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, *Revenue from Contracts with Customers. 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 adopted PFRS 16 using the modified retrospective approach with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

The Group elected to use the following transition practical expedient:

a. allowing the standard to be applied only to contracts that were previously identified as leases applying PAS 17 and International Financial Reporting Interpretation Committee (IFRIC) 4, *Determining Whether an Arrangement Contains a Lease* at the date of initial application;
b. recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'); and
c. lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of PFRS 16 as at January 1, 2019 is as follows:

	Increase (decrease)
	(In Thousands)
Assets	
Right of use assets	P1,548,641
Property and equipment	(261,288)
Other current assets	(6,667)
Total assets	P1,280,686
Liabilities	
Obligations under lease	P1,486,051
Obligations under finance lease	(175,833)
Trade and other payables	(29,532)
Total liabilities	P1,280,686

Based on the above, as at January 1, 2019:

- Property and equipment were recognized amounting to P1,548.6 million representing the amount of right-of-use assets set up on transition date.
- Additional lease liabilities of P1,310.2 million were recognized.
- Prepayments of P6.7 million and trade and other payables of P29.5 million related to previous operating leases arising from straight lining under PAS 17 were derecognized.

Nature of the effect of adoption of PFRS 16
The Group has lease contracts for various items of property and equipment. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all the risks and rewards incidental to ownership of the leased asset to the

Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the finance lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under "Other current assets" and "Trade and other payables", respectively.

Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

- Leases previously classified as finance leases
  The Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under PAS 17). The requirements of PFRS 16 were applied to these leases from January 1, 2019.
- Leases previously accounted for as operating leases
  The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients as follows:

a. Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
b. Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
c. Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
d. Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Below is the reconciliation of the operating lease commitment as of December 31, 2018 and the recognized lease liability as at January 1, 2019.

	(In Thousands)
Operating lease commitments as at December 31, 2018	P1,718,883
Add: Minimum lease payment on finance lease as at December 31, 2018	186,229
Less:	
Short-term leases	(50,606)
Low-value assets	(60,344)
Gross lease liability as at January 1, 2019	1,794,162
Discount (6%)[1]	(308,111)
Present value of lease liability as at January 1, 2019	P1,486,051

[1] *Weighted average discount rate at the time of initial application*

- 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, Income Taxes 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.

  Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing of intercompany transactions. The Group determined, based on its tax compliance and transfer pricing assessment, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authority. The interpretation did not have any impact on the consolidated financial statements of the Group.

- 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 had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments or settlements during the period.

- 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 had no impact on the consolidated financial statements as the Group does not have any long-term interests in its associates and joint ventures.

- *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 had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

  - 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 pas t 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, these had no impact on the consolidated financial statements of the Group.

Standards Issued But Not Yet Adopted
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2020. 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 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.

- 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 PFRS 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 adoption 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, *Consolidated Financial Statements 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 2019	2018	2017
2GO Express, Inc. (2GO Express)	Transportation/logistics	**100.0**	100.0	100.0
2GO Logistics, Inc. (2GO Logistics)	Transportation/logistics	**100.0**	100.0	100.0
Scanasia Overseas, Inc. (SOI)	Sales of goods	**100.0**	100.0	100.0
Hapag-Lloyd Philippines, Inc. (HLP) (1)	Transportation/logistics	**100.0**	100.0	100.0
WRR Trucking Corporation (WTC)	Transportation	**100.0**	100.0	100.0
Special Container and Value Added Services, Inc. (SCVASI)	Transportation/logistics	**100.0**	100.0	100.0
The Supercat Fast Ferry Corporation (SFFC) (2)	Transporting passengers	**–**	100.0	100.0
WG&A Supercommerce, Incorporated (WSI) (3)	Vessels' hotel management	**100.0**	100.0	100.0
2GO Rush Delivery, Inc. (RUSH)(4)	Transportation/logistics	**100.0**	100.0	100.0
NN-ATS Logistics Management and Holdings Co., Inc. (NALMHCI)	Holdings and logistics management	**100.0**	100.0	100.0
North Harbor Tugs Corporation (NHTC)	Tugboat assistance	**58.9**	58.9	58.9
Astir Engineering Works, Inc. (AEWI) (5)	Engineering services	**100.0**	100.0	100.0
Super Terminals, Inc. (STI) (6) (7) (9)	Passenger terminal operator	**50.0**	50.0	51.0
J&A Services Corporation (JASC) (5) (9)	Vessel support services	**100.0**	100.0	100.0
Red.Dot Corporation (RDC) (8)	Manpower services	–	–	100.0
Supersail Services, Inc. (SSI) (8)	Vessel support services	–	–	100.0
Sungold Forwarding Corporation (SFC) (8)	Transportation/logistics	–	–	50.0
Negrense Marine Integrated Services, Inc. (NMISI) (8) (10)	Hotel and allied services	**–**	–	100.0
Brisk Nautilus Dock Integrated Services, Inc. (BNDISI) (9) (10)	Freight and related services	**100.0**	100.0	100.0
Sea Merchants, Inc. (SMI) (9) (10)	Hotel and allied services	**100.0**	100.0	100.0
Bluemarine, Inc. (BMI) (9) (10)	Housekeeping and allied services	**100.0**	100.0	100.0

[1] *Ended corporate life on December 31, 2019*
[2] *Sold in October 2019*
[3] *Ceased commercial operations in February 2006*
[4] *Incorporated in December 2016 but has not yet started business operations*
[5] *Ceased commercial operations on December 31, 2018*
[6] *Ceased commercial operations in 2017*
[7] *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, a dormant company.*
[8] *Subsidiaries sold in 2018*
[9] *Ending corporate life in 2020*
[10] *Percentage of ownership in 2018 and 2017 reflects the direct ownership interest of NN to these subsidiaries before the merger*

The Parent Company or its subsidiaries are considered to have control over an investee, if and only if, they have:

- 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 Parent Company or its subsidiaries have less than a majority of the voting or similar rights of an investee, they consider all relevant facts and circumstances in assessing whether they have power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and,
- The Parent Company or its subsidiaries' voting rights and potential voting rights.

The Parent Company or its subsidiaries reassess whether or not they control 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 Parent Company or its subsidiaries obtain control over the subsidiary and ceases when they lose 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 Parent Company or its subsidiaries gain control until the date they cease 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 Parent Company 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.

<u>Investments in Associates and Joint Ventures</u>
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. Corporate life ended September 30, 2019.*
[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, 2019 and 2018, 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 of 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 of input that is significant to the fair value measurement is directly or indirectly observable; and,
Level 3 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.

Financial Instruments

Date of Recognition

The Group recognizes a financial asset or a financial liability in the consolidated 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 unearned revenue, long-term debt, obligations under lease, 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 the consolidated statements of 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.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information (e.g., financial difficulty or insolvency) indicates that the Group is unlikely to receive the outstanding contractual cash flows in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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.

Cash Flow Hedge
Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss.

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognized directly in OCI within equity (Cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in profit or loss. When the hedged cash flow affects the profit or loss, the effective portion of the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the profit or loss.

When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognized in OCI at that time remains in OCI and is recognized when the hedged forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to profit or loss.

The Group has commodity swap agreement for its exposure to volatility in fuel price (commodity price risk).

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.

Noncurrent Assets Held for Sale and Discontinued Operations
Noncurrent assets and disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The noncurrent assets and disposal group must be available for immediate sale in their 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. Noncurrent assets and disposal group 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.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit or loss.

Additional disclosures are provided in Note 33. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

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.

Investment Property

The Group's investment property pertains to a parcel of land of 2GO Express, is measured at cost, less any impairment loss.

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 (Loss) (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.

Revenue - Effective prior to January 1, 2018

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.

Revenue from contracts with customers - Effective starting January 1, 2018

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.

<u>Other Income</u>
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.

<u>Costs and Expenses</u>
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.

<u>Employee Benefits</u>
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 - Effective prior to January 1, 2019

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.

Leases - Effective January 1, 2019
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

Right-of-use assets are recognized at the commencement date of the lease. These assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the following amount:

- lease liabilities recognized;
- initial direct costs incurred; and
- lease payments made at or before the commencement date less any lease incentives received.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, as follows.

	In Years
Container Yard	10
Office	10
Warehouse	10
Outlet	3
Equipment	3-10

Lease liabilities are recognized at the commencement date of the lease and is measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Lease liability is carried at amortized cost. Lease liabilities are remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group applies the following recognition exemptions:

- short-term lease (leases with lease term of 12 months or less from the commencement date and do not contain a purchase option); or
- low-value assets.

Lease payments under short-term leases and low value assets are recognized as rent expense on a straight-line basis over the lease term.

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.

Value-added taxes (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 consolidated statement of financial position. When input VAT exceeds output VAT, the excess is recognized as an asset in the consolidated 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 6.

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, 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 - Effective prior to January 1, 2019
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 - Effective prior to January 1, 2019
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.

Determining the lease term of contracts with renewal and termination options - Group as lessee
The Group determines the lease term as the non-cancellable term of the lease. The Group also determines whether a particular contract contains an option to extend the lease or an option to terminate the lease.

Management determines that there are no enforceable options to extend or terminate the existing lease arrangements of the Group. Refer to Note 31.

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:

Leases - Estimation of Incremental Borrowing Rate (IBR)
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

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 2019 and 2018, 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 built, 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 11.

Assessment of Impairment and Estimation of Recoverable Amount of Property and equipment and Investments in Associates and Joint Ventures

The Group assesses at the end of each reporting period whether there is any indication that the nonfinancial assets listed below may be impaired. If such indication exists, the entity shall estimate the recoverable amount of the asset, which is the higher of an asset's fair value less costs to sell and its VIU. In determining fair value less costs to sell, an appropriate valuation model is used, which can be based on quoted prices or other available fair value indicators. In estimating the VIU, the Group is required to make an estimate of the expected future cash flows from the CGU and also to choose an appropriate discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amounts of the nonfinancial assets, which involves the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the use of estimates and assumptions that can materially affect the consolidated financial statements. Future events could indicate that these nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations of the Group.

The preparation of estimated future cash flows involves significant judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect its assessment of recoverable values and may lead to future additional impairment charges under PFRS.

Assets that are subject to impairment testing when impairment indicators are present (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenues or other external indicators) are as follows:

		December 31		
	Note	**2019**	2018	2017
			(In Thousands)	
Property and equipment	*11*	**P6,447,128**	P7,211,433	P7,898,962
Investments in associates and joint ventures	*12*	**277,039**	325,642	292,072

As at December 31, 2019, 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 is higher than their carrying values.

Management determined that no impairment loss has to be recognized on its investments in associates and joint ventures.

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. Refer to Note 13.

Estimation of Retirement Benefits Costs and Obligation
The determination of the obligation and cost for pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions were described in Note 26 and include, among others, discount rate and future salary increase. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension and other retirement obligations.

The discount is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. Refer to Note 26.

Recognition of Deferred 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. The Group's disaggregation of revenue from contracts with customers based on categories that depict the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

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, 2019			
	Shipping	**Non Shipping**	**Eliminations/ Adjustments**	**Consolidated Balance**
		(In Thousands)		
External customers	**P7,101,950**	**P14,307,964**	**P–**	**P21,409,914**
Intersegment revenue	**673,925**	**735,040**	**(1,408,965)**	**–**
Revenues from contracts with customers	**P7,775,875**	**P15,043,004**	**(P1,408,965)**	**P21,409,914**
Loss before income tax from continuing operations	**(P272,625)**	**(P21,530)**	**(P35,000)**	**(P329,155)**
Provision for income tax	**(1,413)**	**(88,396)**	**–**	**(89,809)**
Segment loss from continuing operations	**(P274,038)**	**(P109,926)**	**(P35,000)**	**(P418,964)**
Segment assets	**P13,141,049**	**P7,349,968**	**(P4,090,790)**	**P16,400,227**
Segment liabilities	**P8,133,568**	**P8,164,960**	**(P3,452,830)**	**P12,845,698**
Other Information:				
Capital expenditures	**P679,082**	**P99,920**	**P–**	**P779,002**
Depreciation and amortization	**1,936,065**	**364,008**	**–**	**2,300,073**
Provision for ECL - net	**546**	**(48,630)**	**–**	**(48,084)**
Dividend income	**35,000**	**–**	**(35,000)**	**–**
Equity in net losses of associates and joint ventures	**(25,875)**	**(23,807)**	**–**	**(49,682)**

	December 31, 2018, As re-presented			
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
		(In Thousands)		
External customers	P7,231,199	P12,434,438	P–	P19,665,637
Intersegment revenue	1,368,031	639,979	(2,008,010)	–
Revenues from contracts with customers	P8,599,230	P13,074,417	(P2,008,010)	P19,665,637
Loss before income tax from continuing operations	(P798,524)	(P48,827)	(P95,667)	(P943,018)
Provision for income tax	13,577	(100,640)	–	(87,063)
Segment loss from continuing operations	(P784,947)	(P149,467)	(P95,667)	(P1,030,081)
Segment assets	P18,104,029	P6,514,260	(P7,783,600)	P16,834,689
Segment liabilities	P8,850,654	P6,823,339	(P3,376,018)	P12,297,975
Other Information:				
Capital expenditures	P1,247,760	P287,966	P–	P1,535,726
Depreciation and amortization	2,081,450	141,816	–	2,223,266
Reversal of ECL - net	(29,924)	(33,456)	–	(63,380)
Dividend income	42,000	53,667	(95,667)	–
Equity in net earnings (losses) of associates and joint ventures	10,919	(10,953)	–	(34)

	December 31, 2017, As re-presented			
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
		(In Thousands)		
External customers	P6,599,162	P12,687,524	P–	P19,286,686
Intersegment revenue	3,041,443	537,809	(3,579,252)	–
Revenues	P9,640,605	P13,225,333	(P3,579,252)	P19,286,686
Income (loss) before income tax from continuing operations	P616,888	(P206,978)	(P557,710)	(P147,800)
Provision for income tax	(52,779)	(177,525)	–	(230,304)
Segment profit (loss) from continuing operations	P564,109	(P384,503)	(P557,710)	(P378,104)
Segment assets	P20,305,595	P8,089,480	(P10,078,412)	P18,316,663
Segment liabilities	P9,920,150	P8,162,784	(P5,809,701)	P12,273,233
Other Information:				
Capital expenditures	P1,603,342	P274,593	–	P1,877,935
Depreciation and amortization	2,011,244	183,239	–	2,194,483
Provision for doubtful accounts - net	14,345	285,643	–	299,988
Dividend income	526,000	31,710	(557,710)	–
Equity in net losses of associates and joint ventures	(3,530)	(3,440)	–	(6,970)

Reconciliation of segment loss and net loss reported in the consolidated statement of profit or loss follows:

		Years Ended December 31		
	Note	**2019**	2018	2017
		(In Thousands)		
Segment loss		**(P418,964)**	(P1,030,081)	(P378,104)
Net income (loss) from discontinued operations	*33b*	**(473,250)**	(439,822)	71,145
Net loss		**(P892,214)**	(P1,469,903)	(P306,959)

7. Cash and Cash Equivalents

This account consists of:

		December 31		
	Note	**2019**	2018	2017
			(In Thousands)	
Cash on hand and in banks	*20*	**P867,419**	P1,132,460	P1,992,722
Cash equivalents		**25,121**	282,951	188,521
		P892,540	P1,415,411	P2,181,243

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 P17.0 million, P17.1 million and P6.2 million for the years ended December 31, 2019, 2018 and 2017, respectively (see Note 24).

8. Trade and Other Receivables

This account consists of:

		December 31		
	Note	**2019**	2018	2017
			(In Thousands)	
Trade		**P3,695,278**	P3,633,907	P4,292,880
Contract assets		**421,545**	442,956	–
Nontrade	*20*	**1,338,469**	1,441,945	1,413,329
Advances to officers and employees		**21,175**	21,953	62,320
		5,476,467	5,540,761	5,768,529
Less allowance for ECL		**(1,136,847)**	(1,349,247)	–
Less allowance for doubtful accounts		**–**	–	(1,436,702)
		P4,339,620	P4,191,514	P4,331,827

a. Trade receivables are noninterest-bearing and are generally on 30 to 60 days terms. Freight receivables of the Group amounting to P601.5 million as at December 31, 2017 were assigned to secure the long-term debt (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. As of January 1, 2018, upon adoption of PFRS 15, the Group reclassified unbilled receivables amounting to P443.0 million from Trade receivables to Contract assets.
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. These also include the current portion of the receivable from Chelsea Logistics and Infrastructure Corp. amounting to P113.5 million (see Notes 14, 24 and 33b).
d. The following tables set out the rollforward of the allowance for ECL as of December 31, 2019 and 2018 and allowance for doubtful accounts as of December 31, 2017:

		December 31, 2019		
	Note	**Trade and Contract Assets**	**Nontrade**	**Total**
				(In Thousands)
Beginning		**P840,657**	**P508,590**	**P1,349,247**
Provision (recovery)	*23*	**10,806**	**(58,890)**	**(48,084)**
Write-off/other adjustments		**(77,187)**	**(85,227)**	**(162,414)**
Sale of a subsidiary	*33*	**–**	**(1,902)**	**(1,902)**
Ending		**P774,276**	**P362,571**	**P1,136,847**

	Note	December 31, 2018 Trade and Contract Assets	Nontrade	Total
		(In Thousands)		
Beginning		P881,339	P555,363	P1,436,702
Effect of adoption of PFRS 9 in 2018	*2*	22,326	4,081	26,407
Beginning, as adjusted		903,665	559,444	1,463,109
Reversal	*23*	(22,730)	(40,650)	(63,380)
Write-off/other adjustments		(19,842)	(9,888)	(29,730)
Effect of divestment of subsidiaries		(20,436)	(316)	(20,752)
Ending		P840,657	P508,590	P1,349,247

	Note	December 31, 2017 Trade	Nontrade	Total
		(In Thousands)		
Beginning		P835,383	P446,554	P1,281,937
Provision	*23*	182,266	122,493	304,759
Reversal	*23*	(11,263)	6,492	(4,771)
Write-off/other adjustments		(125,047)	(20,176)	(145,223)
Ending		P881,339	P555,363	P1,436,702

9. Inventories

This account consists of:

	December 31 **2019**	2018	2017
	(In Thousands)		
At lower of cost and net realizable value:			
Trading goods	**P721,863**	P441,776	P428,010
Materials, parts and supplies	**19,209**	27,274	32,220
At cost:			
Fuel, oil and lubricants	**70,733**	159,160	95,595
	P811,805	P628,210	P555,825

The cost of trading goods carried at net realizable value amounted to P779.7 million, P519.4 million and P448.5 million as of December 31, 2019, 2018 and 2017, while the cost of materials, parts and supplies carried at net realizable value amounted to P44.2 million, P53.5 million and P57.7 million, respectively. The allowance for inventory obsolescence as of December 31, 2019, 2018 and 2017 amounted to P82.8 million, P103.8 million and P46.0 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	**2019**	2018	2017
		(In Thousands)		
Continuing operations:				
Cost of services	*22*	**P3,200,655**	P2,955,136	P2,873,326
Cost of goods sold	*22*	**6,907,186**	5,607,518	5,191,146
General and administrative expenses	*23*	**7,125**	9,291	13,450
Discontinued operations:	*33*			
Cost of services		**455,150**	812,048	440,453
General and administrative expenses		**187**	324	190
		P10,570,303	P9,384,317	P8,518,565

The cost of inventories used is presented as "Cost of services" and pertains mainly to fuel, oil and lubricants used in vessels' operations, 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	**2019**	2018	2017
		(In Thousands)		
CWTs		**P1,595,425**	P1,458,121	P1,247,219
Input VAT		**74,048**	186,589	118,658
Refundable deposits - current portion	*14*	**66,968**	62,614	77,577
Prepaid expenses and others		**97,554**	87,588	155,855
Restricted time deposit		**–**	–	152,736
		1,833,995	1,794,912	1,752,045
Less allowance for impairment losses		**(13,851)**	(23,780)	(23,190)
		P1,820,144	P1,771,132	P1,728,855

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. Prepaid expenses and others include prepaid rent, insurance and taxes, and derivative assets arising from fuel hedging (see Note 31).
c. Restricted time deposit as of December 31, 2017 pertains to the time deposit collateralized for Omnibus Loan and Security Agreement (OLSA) (see Note 17).

11. Property and Equipment

	December 31, 2019											
	Vessels in Operations	Containers and Reefer Vans	Terminal and Handling Equipment	Furniture and Other Equipment	Land and Improvements	Buildings and Warehouses	Transportation Equipment	Spare parts and Service Equipment	Leasehold Improvements	Construction-In-Progress	Right-of-Use Assets	Total
							(In Thousands)					
Cost												
January 1, 2019, as previously reported	P13,365,736	P2,518,440	P556,177	P720,869	P483,510	P479,024	P656,330	P460,276	P670,483	P115,119	P–	P20,025,964
Effect of adoption of PFRS 16	–	(467,884)	(72,678)	–	–	–	(8,233)	–	–	–	1,836,149	1,287,354
January 1, 2019, as restated	13,365,736	2,050,556	483,499	720,869	483,510	479,024	648,097	460,276	670,483	115,119	1,836,149	21,313,318
Additions	481,245	31,261	106,460	60,421	7,090	3,143	11,493	3,649	55,401	18,839	614,962	1,393,964
Disposals/retirements	(1,072,707)	(341,420)	(39,745)	(101,947)	(108)	(11,250)	(7,756)	(14,392)	(8,727)	–	(37,578)	(1,635,630)
Transferred assets from sale of subsidiaries	(2,001,236)	–	–	(7,032)	–	–	(1,738)	(49,662)	(5,032)	(33,950)	–	(2,098,650)
Reclassifications/ adjustments	509,961	(226)	324,786	14,354	1,910	(110,972)	(308,514)	(388,098)	52,335	(95,553)	–	(17)
December 31, 2019	11,282,999	1,740,171	875,000	686,665	492,402	359,945	341,582	11,773	764,460	4,455	2,413,533	18,972,985
Accumulated Depreciation and Amortization												
January 1, 2019, as previously reported	8,461,433	1,846,591	269,816	605,339	156,719	350,590	545,695	139,365	438,983	–	–	12,814,531
Effect of adoption of PFRS 16	–	(245,116)	(35,148)	–	–	–	(7,243)	–	–	–	287,507	–
January 1, 2019, as restated	8,461,433	1,601,475	234,668	605,339	156,719	350,590	538,452	139,365	438,983	–	287,507	12,814,531
Depreciation and amortization	1,491,950	60,815	50,301	48,731	3,901	7,295	49,123	9,931	44,708	–	518,618	2,285,373
Disposals/retirements	(971,880)	(341,399)	(37,459)	(95,395)	–	(11,250)	(7,640)	(1,796)	(6,705)	–	(12,069)	(1,485,593)
Transferred assets from sale of subsidiaries	(1,081,440)	–	–	(6,505)	–	–	(1,693)	(24,831)	(4,571)	–	–	(1,119,040)
Reclassifications/ adjustments	177,366	30,758	329,596	24,980	(12,042)	(66,121)	(361,473)	(120,427)	27,949	–	–	30,586
December 31, 2019	8,077,429	1,351,649	577,106	577,150	148,578	280,514	216,769	2,242	500,364	–	794,056	12,525,857
Net carrying amounts	P3,205,570	P388,522	P297,894	P109,515	P343,824	P79,431	P124,813	P9,531	P264,096	P4,455	P1,619,477	P6,447,128

	December 31, 2018										
	Vessels in Operations	Containers and Reefer Vans	Terminal and Handling Equipment	Furniture and Other Equipment	Land and Improvements	Buildings and Warehouses	Transportation Equipment	Spare parts and Service Equipment	Leasehold Improvements	Construction-In-Progress	Total
						(In Thousands)					
Cost											
January 1, 2018	P12,452,599	P2,501,757	P1,604,230	P1,017,726	P489,864	P520,543	P701,128	P445,210	P703,073	P71,207	P20,507,337
Additions	944,285	145,527	65,728	83,416	–	3,489	84,008	15,066	150,295	43,912	1,535,726
Disposals/retirements	(31,029)	(128,519)	(1,111,953)	(352,903)	(6,354)	(38,452)	(61,088)	–	(176,422)	–	(1,906,720)
Transferred assets from sale of subsidiaries	–	–	(1,339)	(27,929)	–	(6,556)	(67,718)	–	(6,306)	–	(109,848)
Reclassifications/adjustments	(119)	(325)	(489)	559	–	–	–	–	(157)	–	(531)
December 31, 2018	13,365,736	2,518,440	556,177	720,869	483,510	479,024	656,330	460,276	670,483	115,119	20,025,964
Accumulated Depreciation and Amortization											
January 1, 2018	6,718,696	1,855,847	1,299,642	922,599	152,823	369,550	612,413	112,133	564,672	–	12,608,375
Depreciation and amortization	1,771,713	119,019	60,972	58,134	7,125	24,270	58,898	27,232	52,863	–	2,180,226
Disposals/retirements	(28,959)	(128,275)	(1,089,079)	(350,746)	(3,229)	(38,452)	(62,045)	–	(173,372)	–	(1,874,157)
Transferred assets from sale of subsidiaries	–	–	(1,339)	(25,196)	–	(4,778)	(63,571)	–	(5,031)	–	(99,915)
Reclassifications/adjustments	(17)	–	(380)	548	–	–	–	–	(149)	–	2
December 31, 2018	8,461,433	1,846,591	269,816	605,339	156,719	350,590	545,695	139,365	438,983	–	12,814,531
Net carrying amounts	P4,904,303	P671,849	P286,361	P115,530	P326,791	P128,434	P110,635	P320,911	P231,500	P115,119	P7,211,433

	December 31, 2017										
	Vessels in Operations	Containers and Reefer Vans	Terminal and Handling Equipment	Furniture and Other Equipment	Land and Improvements	Buildings and Warehouses	Transportation Equipment	Spare parts and Service Equipment	Leasehold Improvements	Construction-In-Progress	Total
						(In Thousands)					
Cost											
January 1, 2017	P10,646,634	P2,435,108	P1,480,072	P1,027,255	P455,361	P518,491	P676,111	P422,195	P624,251	P733,740	P19,019,218
Additions	1,053,294	163,005	103,173	53,748	34,909	1,987	89,445	48,370	31,814	298,190	1,877,935
Disposals/retirements	(218,019)	(38,826)	(24,388)	(53,542)	–	(305)	(14,262)	(1,602)	(7,115)	–	(358,059)
Reclassifications/adjustments	970,690	(57,530)	45,373	(9,735)	(406)	370	(50,166)	(23,753)	54,123	(960,723)	(31,757)
December 31, 2017	12,452,599	2,501,757	1,604,230	1,017,726	489,864	520,543	701,128	445,210	703,073	71,207	20,507,337
Accumulated Depreciation and Amortization											
January 1, 2017	5,279,191	1,763,470	1,266,685	922,580	143,394	356,157	562,542	86,931	493,210	–	10,874,160
Depreciation and amortization	1,605,241	90,039	57,850	56,537	9,442	13,614	50,048	32,263	78,831	–	1,993,865
Disposals/retirements	(165,726)	(38,739)	(24,107)	(51,103)	–	(220)	(12,703)	(421)	(7,115)	–	(300,134)
Reclassifications/adjustments	(10)	41,077	(786)	(5,415)	(13)	(1)	12,526	(6,640)	(254)	–	40,484
December 31, 2017	6,718,696	1,855,847	1,299,642	922,599	152,823	369,550	612,413	112,133	564,672	–	12,608,375
Net carrying amounts	P5,733,903	P645,910	P304,588	P95,127	P337,041	P150,993	P88,715	P333,077	P138,401	P71,207	P7,898,962

Property and Equipment under Lease
Containers, reefer vans, isotanks, cargo handling equipment and transportation equipment and office and operational spaces as of December 31, 2019, 2018 and 2017 include units acquired under lease arrangements (see Note 18).

Noncash additions include costs of leased assets for the years ended December 31, 2019, 2018 and 2017 amounting to P614.9 million, nil and P37.4 million, respectively. The related depreciation of the leased assets for the years ended December 31, 2019, 2018 and 2017 amounted to P518.6 million, P74.6 million, P62.9 million, respectively, were computed on the basis of the Group's depreciation policy for property and equipment. Set out below are the carrying amount of right-of-use assets:

	Container yard	Office	Warehouse	Outlet	Equipment	Total
			(In Thousands)			
Cost						
January 1, 2019	P214,349	P495,974	P560,516	P3,016	P562,294	P1,836,149
Additions	180,696	–	434,266	–	–	614,962
Disposal	(37,578)	–	–	–	–	(37,578)
December 31, 2019	357,467	495,974	994,782	3,016	562,294	2,413,533
Accumulated depreciation						
January 1, 2019	–	–	–	–	287,507	287,507
Depreciation	143,332	63,828	231,744	1,392	78,322	518,618
Disposal	(12,069)	–	–	–	–	(12,069)
December 31, 2019	131,263	63,828	231,744	1,392	365,829	794,056
Net Carrying Amount	P226,204	P432,146	P763,038	P1,624	P196,465	P1,619,477

Unpaid acquisition costs of property and equipment amounted to P98.9 million, P86.0 million and P74.8 million as of December 31, 2019, 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 reassessed by management based on the lightweight and the market price of scrap metals and history of vessel disposal.

Vessels under Construction
In 2016, the Group contracted Austal Philippines Pty Ltd. for the construction of two (2) passenger ferries, MV St. Camael and MV St. Sariel. The Group incurred construction cost of P198.0 million for the year ended December 31, 2017. Included in this amount are capitalized borrowing costs related to the loans payable amounting P3.6 million for the year ended December 31, 2017 calculated using the interest rate of 6.5%. In 2019, these vessels are part of transferred assets from sale of SFFC.

Capitalization of Drydocking Costs
Vessels in operations also include capitalized drydocking costs incurred amounting to P224.1 million, P697.3 million and P298.0 million for the years ended December 31, 2019, 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 P191.6 million, P41.9 million and P8.2 million for the years ended December 31, 2019, 2018 and 2017, respectively. The proceeds from the disposal of property and equipment in 2019 pertain mainly to the sale of fully depreciated container vans. The proceeds also include the consideration from the sale of two cargo vessels, which are part of the disposal group, amounting to P83.7 million (see Note 33b).

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

		Years Ended December 31		
	Note	**2019**	2018	2017
Continuing operations:			*(In Thousands)*	
Cost of services and goods sold	*22*	**P1,767,299**	P1,855,892	P1,706,216
General and administrative expense	*23*	**117,959**	61,473	64,240
Discontinued operations	*33*	**400,115**	262,861	223,409
		P2,285,373	P2,180,226	P1,993,865

Property and Equipment Held as Collateral
The Group's vessels in operations with total carrying value of P555.4 million and P3,279.9 million as at December 31, 2018 and 2017, respectively, are mortgaged to secure certain obligations (see Note 17). Containers and other equipment held or deemed as collateral for leases as at December 31, 2019, 2018 and 2017 amounted to P1,619.5 million, P261.2 million and P390.8 million, respectively (see Note 18).

12. Investments in Associates and Joint Ventures

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

		Years ended December 31		
	Note	**2019**	2018	2017
			(In Thousands)	
Acquisition - cost:				
Balances at beginning of year		**P177,443**	P133,827	P133,827
Acquisition during the year	*14*	**–**	50,000	–
Disposal		**–**	(6,384)	–
Balances at end of year		**177,443**	177,443	133,827
Accumulated equity in net earnings:				
Balances at beginning of year		**142,923**	152,969	159,939
Equity in net losses during the year		**(49,682)**	(34)	(6,970)
Disposal		**–**	(10,012)	–
Balances at end of year		**93,241**	142,923	152,969
Share in remeasurement gain on retirement benefits of associates and joint ventures		**7,002**	5,923	5,923
Share in cumulative translation adjustment of associates		**(647)**	(647)	(647)
		P277,039	P325,642	P292,072

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

	December 31		
Statements of financial position	**2019**	2018	2017
		(In Thousands)	
Current assets	**P775,553**	P817,591	P788,928
Noncurrent assets	**628,704**	690,921	642,034
Current liabilities	**725,277**	596,993	494,679
Noncurrent liabilities	**156,604**	354,943	343,990
Equity	**522,374**	556,575	592,295

	Years ended December 31		
Statements of comprehensive income	**2019**	2018	2017
		(In Thousands)	
Revenue from contracts with customers	**P2,118,672**	P2,468,013	P–
Revenue	**–**	–	2,074,897
Net loss	**(27,217)**	(49,682)	(74,111)
Total comprehensive income (loss)	**(27,217)**	(49,682)	(72,706)

Below is the reconciliation of the total equity of the associates and joint ventures and the investment in associates and joint ventures:

	Years ended December 31		
	2019	2018	2017
		(In Thousands)	
Equity	**P522,374**	P556,975	P592,295
Effective percentage of ownership	**33% to 78%**	33% to 78%	33% to 78%
Share in equity	**P277,039**	P325,642	P292,072

**The Group effectively owns 33% of MCCP, 49% of KLI, 50% of Mober, 50% of HMPPI and 78% of KLN.*

13. Goodwill

Impairment Testing of Goodwill

As a result of the merger discussed in Note 1, the goodwill recognized in NN consolidated financial statements was recognized in 2GO consolidated financial statements, which arose from the acquisition of 2GO by NN in December 2010. The resulting goodwill from the business combination in 2010 amounted to P848.5 million which has been attributed to each of 2GO's CGUs. The recoverable amounts of the CGUs were determined based on VIU calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. As of December 31, 2019, 2018 and 2017, the carrying value of the goodwill amounted to P686.9 million, net of impairment loss recognized in prior years for ceratain CGUs. Goodwill allocated to the shipping and non-shipping business amounted to P580.7 million and P106.3 million, respectively.

Key Assumptions Used in VIU Calculations for the Shipping Business

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Budgeted Earnings before Interest, Tax, Depreciation and Allowance (EBITDA)
Budgeted EBITDA has been based on past experience adjusted for the following:

- *Passage and Cargo Revenue*. Management projected passage and cargo revenue in line with historical volumes and rates, adjusted for the number of round trips per year.
- *Rates, Exclusive of VAT.* Management expects an increase in passage and freight rates by 2% in 2020 and in subsequent years based on the history of rates increases.
- *Fuel Prices*. Management expects fuel prices to increase in line with inflation. Management expects to recover from the Group's customers any change in fuel prices that are beyond budget through implementation of surcharge. Management believes the fuel surcharge would not cause any material change in the forecasted passenger and cargo volume.
- *Fixed Operating Costs and Expenses*. Based on the cost savings analysis made by management, terminal operation's fixed costs are expected to increase in line with inflation, partially mitigated by ongoing optimization of sites and assets in various locations in the Philippines.
- *Terminal and Overhead Expenses*. Management expects that costs and expenses, in general, will increase in line with inflation.

Discount rate
The discount rate applied to cash flow projections was between 9% and 11%.

Budgeted Capital Expenditure
Budgeted capital expenditure is based on maintenance requirements of the Parent Company's fleet and land-based assets.

Terminal growth rate
Cash flows beyond the five-year period are extrapolated using a growth rate of 0% to 3%.

Sensitivity to Changes in Assumptions
Other than as disclosed above, management believes that any reasonably possible change in any of the above key assumptions would not cause the carrying value of goodwill to exceed its recoverable amount.

<u>*Key Assumptions Used in VIU Calculations for the CGUs of the Nonshipping Business*</u>
The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Budgeted Earnings Before Interest, Tax, Depreciation and Allowance (EBITDA)

Budgeted EBITDA has been based on past experience adjusted for the following:

- *Revenue Growth.* Management based the growth on the growth of the domestic logistics industry as a whole, which is historically positively correlated with Gross Domestic Product (GDP) growth.
- *Cost of Services and Goods Sold.* Management expects that the cost of services and goods sold will increase in line with revenue growth, and that general and administrative expenses and other operating expenses will increase due to inflation and the increasing scale of the Nonshipping business.

Discount rate
The discount rate applied to cash flow projections was between 11% and 13%.

Budgeted Capital Expenditure
Budgeted capital expenditure is based on the process improvement of non-shipping business' information technology (IT) infrastructure.

Terminal growth rate
Cash flows beyond the five-year period are extrapolated using a growth rate of 0% to 3%.

Sensitivity to Changes in Assumptions
Other than as disclosed above, management believes that any reasonably possible change in any of the above key assumptions would not cause the carrying value of goodwill to exceed its recoverable amount.

14. Other Noncurrent Assets

		December 31		
	Note	**2019**	2018	2017
		(In Thousands)		
Receivable from a related party - net of current portion	*8,20,33b*	**P518,363**	P–	P–
Deferred input VAT		**239,934**	329,870	323,184
Software		**116,112**	43,138	45,134
Refundable deposits - net of current portion		**84,692**	112,158	108,114
Investment property		**49,790**	49,790	49,790
Others	*20*	**2,827**	–	32,065
		P1,011,718	P534,956	P558,287

a. Receivable from Chelsea Logistics Holdings Corporation as of December 31, 2019 pertains to long-term receivable arising from the sale of SFFC.
b. Deferred input VAT relates primarily to the major capital expenditures and drydocking of vessels.
c. The movements in software are as follows:

	December 31		
	2019	2018	2017
	(In Thousands)		
Cost			
Balances at beginning of year	**P205,041**	P166,984	P159,372
Additions	**57,089**	41,898	7,612
Disposals/Retirement	**(7,227)**	(932)	–
Sale of subsidiaries	**–**	(2,909)	–
Balances at end of year	**254,903**	205,041	166,984
Accumulated Amortization			
Balances at beginning of year	**161,903**	121,850	106,563
Amortization	**14,700**	43,040	15,287
Disposals/Retirement	**(7,227)**	(912)	–
Sale of subsidiaries	**–**	(2,075)	–
Transfer and reclassifications	**(30,585)**	–	–
Balances at end of year	**138,791**	161,903	121,850
Carrying Amount	**P116,112**	P43,138	P45,134

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

		Years ended December 31		
	Note	**2019**	2018	2017
		(In Thousands)		
Cost of services and goods sold	*22*	**P–**	P–	P1,030
General and administrative expenses	*23*	**14,700**	43,040	14,257
		P14,700	P43,040	P15,287

d. 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.

e. 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 appraiser 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, 2019.

   For the years ended December 31, 2019, 2018 and 2017, there were no income and expenses arising from the Group's investment property.

f. Other noncurrent assets as of December 31, 2017 include:
   - Advances for future investment amounting to P25.0 million in Mober Technology PTE Inc. (Mober). In 2018, these advances and the additional cash invested in Mober amounting to P25.0 million were reclassified to investment in associate.
   - AFS financial assets consist of unquoted equity investments which was disposed in 2018.

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 4.25% to 6.75% in 2019 and 5.00% to 8.50% in 2018 and 2017. Total interest expense incurred by the Group for short-term notes payable was P148.3 million, P81.7 million and P137.3 million for the years ended December 31, 2019, 2018 and 2017, respectively (see Note 24).

16. Trade and Other Payables

		December 31		
	Note	**2019**	2018	2017
		(In Thousands)		
Trade	*20*	**P2,830,733**	P2,896,997	P2,510,107
Accrued expenses	*20*	**2,144,851**	2,042,463	2,035,833
Nontrade - Third parties		**612,129**	888,252	1,020,720
Contract liabilities		**52,477**	42,326	–
Other payables	*19,20*	**102,363**	110,514	203,532
		P5,742,553	P5,980,552	P5,770,192

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 consist 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 contingencies amounting to P35.0 million, P67.5 million and P58.9 million as at December 31, 2019, 2018 and 2017 (see Note 19).

17. Long-term Debt

Long-term debt consists of:

		December 31		
	Note	**2019**	2018	2017
		(In Thousands)		
Banco de Oro Unibank, Inc. (BDO)	*20*	**P2,500,000**	P2,500,000	P2,293,161
Asia United Bank (AUB) Bank		**1,500**	7,500	13,903
United Coconut Planters Bank (UCPB)		**–**	375,000	446,429
Development Bank of the Philippines (DBP)		**–**	356,297	370,000
Rizal Commercial Banking Corporation (RCBC)		**–**	–	2,472
Caprotec Corporation Inc.		**–**	–	4,878
Unamortized debt arrangement fees		**(12,847)**	(16,284)	(3,169)
		2,488,653	3,222,513	3,127,674
Current portion		**(1,500)**	(106,336)	(3,126,193)
Noncurrent portion		**P2,487,153**	P3,116,177	P1,481

BDO

BDO Facility Agreement

In 2011, NN borrowed P388.5 million in the form of term loan to prepay an existing P31.2 million term loan and partially finance the acquisition of a passenger/cargo vessel. The principal of the lo an is subject to 26 quarterly amortizations which commenced in December 2011 until March 2018. Interest is payable quarterly in arrears, which shall be based on an adjustable interest rate per annum. Interest rate for the year ended December 31, 2017 is at 9.4%. The loan was fully repaid on December 22, 2017.

BDO Omnibus Loan and Security Agreement

On June 13, 2013, 2GO (as Borrower and Assignor), BDO (as Lender), NN, SOI, 2GO Express, 2GO Logistics (as Sureties and Assignors), and SFFC (as Assignor), executed an Omnibus Loan and Security Agreement ("OLSA"). Under the OLSA, the Company availed of a P3.6 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, 2GO, NN and SFFC collateralized their vessels under Mortgage Trust Indenture (MTI) with carrying values amounting to P3,279.9 million and certain outstanding customers receivables amounting to P601.5 million (see Notes 8 and 11). The loan was repaid in full in April 2018.

BDO Term Loan Facility
On April 10, 2018, 2GO entered into a five-year P3.5 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 P2.5 billion from the facility which is payable in April 2023. Interest rate ranges from 6.16% to 6.22%. Interest shall be subject to periodic review and adjustment earlier than five banking days prior to each “Interest Setting Date” as long as the term loan remains unpaid.

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.

<u>UCPB</u>
On March 14, 2017, 2GO availed of a P500.0 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 2GO through a continuing suretyship agreement with UCPB.

In accordance with the UCPB term loan agreement, 2GO is required to maintain a debt service coverage ratio of at least 1.5:1 and debt to equity ratio not exceeding 2.2:1 based on the latest audited annual consolidated financial statements of 2GO.

The loan is secured by certain vessels of 2GO with net book value of P555.4 million as at December 31, 2018. The loan was paid in full in September 2019.

<u>DBP</u>
On May 20, 2016, SFFC obtained a long-term loan facility from DBP of P370.0 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 2GO as the basis for determining the said ratios.

The loan was excluded in the December 31, 2019 consolidated financial statements as a result of the divestment of SFFC (see Note 33).

Loan with Caprotec Corporation, Inc.
In 2011, NN availed of unsecured loans from Caprotec Corporation, Inc. of P200.0 million to partially finance the acquisition cost of a passenger/cargo vessel. The loan carries fixed annual interest of 10.3% and payable in monthly installments starting May 2011. The loan was fully repaid in February 2018.

Borrowing Costs and Debt Transaction Costs
Interests from long-term borrowings of the Group recognized as expense totaled P172.5 million, P172.7 million and P206.4 million for the years ended December 31, 2019, 2018 and 2017, respectively (see Note 24).

In 2018, the Group paid P18.8 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 P3.4 million, P2.6 million and P4.0 million for the years ended December 31, 2019, 2018 and 2017, respectively (see Note 24).

Compliance with debt covenants
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. In 2019, the Group did not receive any notice of default from its creditors and continues to pay long-term loans based on original credit terms. As of December 31, 2019, the Group is compliant with the covenants stated in the loan agreement with BDO.

18. Leases

The Group has various lease arrangements with third parties for the lease of containers, reefer vans, isotanks, cargo handling equipment, transportation equipment, warehouses, container yards and office space.

The future minimum lease payments on the obligations under lease together with the present value of the minimum lease payments are as follows:

	December 31, 2019		December 31, 2018 (2)		December 31, 2017 (2)	
	Future Minimum Lease Payments	**Present Value of Minimum Lease payments(1)**	Future Minimum Lease Payments	Present Value of Minimum Lease payments	Future Minimum Lease Payments	Present Value of Minimum Lease payments
Less than one year	**P531,724**	**P449,427**	P90,867	P83,515	P115,114	P101,130
Between one and five years	**925,142**	**771,231**	95,362	92,317	233,674	218,430
Between six and 10 years	**387,521**	**365,100**	–	–	–	–
	1,844,387	**1,585,758**	186,229	175,832	348,788	319,560
Interest component	**258,629**	**–**	10,397	–	29,228	–
Present value	**P1,585,758**	**P1,585,758**	P175,832	P175,832	P319,560	P319,560

(1)Include obligations under lease with bargain purchase option (previously classified as obligations under finance lease) amounting to 93.0 millionas of December 31, 2019.
(2)Pertains to obligation under finance lease

The interest expense recognized related to these leases amounted to P93.2 million, P13.1 million and P17.6 million for the years ended December 31, 2019, 2018 and 2017, respectively, under "Financing charges" account in the consolidated statements of profit or loss (see Note 24).

Set out below are the amounts recognized in the consolidated statement of profit or loss for the year ended December 31, 2019 in relation to the obligation under lease and the related right-of-use assets and for the years ended December 31, 2018 and 2017 in relation to the obligations under finance lease and operating lease:

	Years Ended December 31		
	2019	2018	2017
	(In Thousands)		
Continuing operations:			
Depreciation expense of right-of-use assets	**P518,619**	P–	P–
Interest expense on obligation under lease	**93,156**	–	–
Interest expense on obligation under finance lease	**–**	13,082	17,599
Rent expense - short-term leases	**300,627**	–	–
Rent expense - low value assets	**4,763**	–	–
Rent expense	**–**	834,506	899,282
Discontinued Operations	**70,550**	15,274	8,174
	P987,715	P862,862	P925,055

The rollforward analysis of obligation under lease for the year ended December 31, 2019 is disclosed in Note 32.

Lease-related expenses are presented under "Cost of Services and Goods Sold", "General and Administrative Expenses" and "Financing Charges" as follows:

		Years Ended December 31		
	Note	**2019**	2018	2017
		(In Thousands)		
Continuing operations:				
Cost of services and goods sold	*22*	**P744,304**	P706,325	P842,101
General and administrative expenses	*23*	**79,705**	128,181	57,181
Financing charges	*24*	**93,156**	13,082	17,599
Discontinued operations	*33b*	**70,550**	15,274	8,174
		P987,715	P862,862	P925,055

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. Disclosure of additional details beyond the present disclosures may seriously prejudice the Group's position. Thus, as allowed by PAS 37, only general descriptions were provided.

The Group recognized provision for probable losses arising from these legal cases amounting to P35.0 million, P67.5 million and P58.9 million as at December 31, 2019 and 2018, respectively (see Note 16).

20. Related Parties

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

Relationship	Name
Stockholders of the Company	Chelsea Logistics and Infrastructure Holdings Corporation (Chelsea Logistics)
	SM Investments Corporation (SMIC)
Subsidiaries	2GO Express, Inc. (2GO Express)
	2GO Logistics, Inc. (2GO Logistics)
	Scanasia Overseas, Inc. (SOI)
	Hapag-Lloyd Philippines, Inc. (HLP) (1)
	WRR Trucking Corporation (WTC)
	Special Container and Value Added Services, Inc. (SCVASI)
	The Supercat Fast Ferry Corporation (SFFC) (2)
	WG & A Supercommerce, Inc. (WSI) (3)
	2GO Rush, Inc. (Rush) (3)
	NN-ATS Logistics Management and Holdings Corporation, Inc. (NALMHCI)
	North Harbor Tugs Corporation (NHTC)
	Astir Engineering Works, Inc. (AEWI)
	United South Dockhandlers, Inc. (USDI)
	Super Terminals, Inc. (STI) (3) (5)
	J&A Services Corporation (JASC) (5)
	Red.Dot Corporation (RDC) (4)
	Supersail Corporation (SSI) (4)
	Brisk Nautilus Dock Integrated Services, Inc. (BNDISI) (3)
	Sea Merchants Inc. (SMI) (3) (5)
	Bluemarine Inc. (BMI) (3) (5)
	Negrense Marine Integrated Services, Inc. (NMISI) (4)
Associates	MCC Transport Philippines, Inc. (MCCP)
	Hansa Meyer Projects (Phils.), Inc. (HMPPI) (3)
	Mober Technology PTE Inc.
Joint Ventures	KLN Logistics Holdings Philippines, Inc. (KLN)
	Kerry Logistics (Phils.), Inc. (KLI)
Other Affiliated Companies	Chelsea Marine Power Resources, Inc.
	Phoenix Petroleum Philippines, Inc.
	Supervalue, Inc.
	BDO Unibank, Inc.

(1) Corporate life ended September 30, 2019.
(2) Sold in 2019. Related party disclosure pertains to the transactions until the date of sale.
(3) Dormant companies.
(4) Sold in 2018. Related party disclosure pertains to the transactions until the date of sale.
(5) Corporate life ending in 2020.

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

		Years Ended December 31		
	Nature	**2019**	2018	2017
		(In Thousands)		
Stockholders of the Company	Co-loading	**(P269,957)**	(P446,050)	(P34,704)
	Outside services	**(69,370)**	(325,562)	(275,080)
	Communication, light and water	**(5,096)**	(5,238)	–
	Gain on sale of a subsidiary	**52,063**	–	–
	Interest income	**6,992**	–	–
Associates and joint venture	Freight revenue	**P15,427**	P2,260	P–
	Shared cost	**–**	(469)	18,682
	Freight expense	**(69,267)**	(71,286)	(33,108)
	Other overhead expense	**–**	(484)	–
Other Affiliated Companies	Freight revenue	**12,253**	13,969	–
	Fuel and lubricant	**(2,568,806)**	(2,605,615)	(1,414,780)
	Food and beverage	**(419,213)**	(278,446)	(90,026)
	Rent	**–**	–	(48,860)
	Interest	**(31,432)**	(151,140)	(215,056)
	Outside services	**(115,920)**	–	(30,338)
	Office supplies	**(304)**	–	(1,257)
Key Management	Short-term employee benefits	**(58,147)**	(77,670)	(106,082)
Personnel	Post-employment benefits	**–**	–	(16,470)

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		
			2019	2018	2017
				(In Thousands)	
Associates and joint venture	Trade and other receivables	30 to 60 days; noninterest-bearing	**P129,233**	P–	P–
	Nontrade	On demand; noninterest-bearing	**5,000**	72,580	179,165
	Trade payables	30 to 60 days; noninterest-bearing	**(7,484)**	(4,848)	(8,314)
	Accrued expenses	30 to 60 days; noninterest-bearing	**(12,565)**	–	(63,974)
	Due to related parties	30 to 60 days; noninterest-bearing	**–**	(4,214)	–
Stockholders of the Parent Company	Long-term receivable	5-year; interest-bearing	**631,858**	–	–

(Forward)

	Financial Statement Account	Terms and Conditions	December 31 2019	2018	2017
			(In Thousands)		
Other Affiliated Company	Short-term loan	See Note 15	**(1,363,500)**	(1,025,000)	–
	Long-term debt	See Note 18	**(2,487,153)**	(2,483,716)	(2,293,161)
	Cash in bank	On demand	**748,567**	899,977	1,326,973
	Trade payables	30 to 60 days; noninterest-bearing	**(38,093)**	(118,046)	(42,192)
	Accrued expenses	30 to 60 days; noninterest-bearing	**(641,111)**	(754,803)	(50,874)
	Due to related parties	30 to 60 days; noninterest-bearing	**–**	(153)	–

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.

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

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. Management services to SFFC and HLP ceased in 2019 and 2018, respectively.
- In October 2019, the Group sold SFFC to Chelsea Logistics for P650.0 million, of which P631.9 million is the unpaid consideration as of December 31, 2019 (see Note 33b).

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

Amounts owed to:	Amounts owed by:	Terms and Conditions	2019	2018	2017
			(In Thousands)		
2GO	SFFC/SCVASI/EXP/ 2GOLI/SOI/HLP/WTC/ NLMHCI	30 to 60 days; noninterest-bearing	**P3,036,798**	P1,750,401	P2,502,984
EXP	2GO/SFFC/SCVASI/ 2GOLI/SOI/WTC/ NLMHCI	30 to 60 days; noninterest-bearing	**129,356**	91,476	24,947
2GOLI	2GO/SCVASI/EXP/SOI/ WTC	30 to 60 days; noninterest-bearing	**68,570**	64,834	67,650
SOI	2GO/SCVASI/EXP/ 2GOLI	30 to 60 days; noninterest-bearing	**31,906**	22,406	44,000

(Forward)

Amounts owed to:	Amounts owed by:	Terms and Conditions	2019	2018	2017
				(In Thousands)	
SCVASI	2GO	30 to 60 days; noninterest-bearing	**52,995**	50,072	61,646
NLMHCI	2GO/EXP/NHTC	30 to 60 days; noninterest-bearing	**48,294**	8,889	2,144
WTC	EXP/2GOLI	30 to 60 days; noninterest-bearing	**15,575**	–	–
USDI	2GO	30 to 60 days; noninterest-bearing	**10,607**	14,715	–
AEWI	2GO/SFFC	30 to 60 days; noninterest-bearing	**7,622**	16,826	17,882
NHTC	2GO/JASC	30 to 60 days; noninterest-bearing	**3,282**	4,618	3,777
STI	2GO	30 to 60 days; noninterest-bearing	**80**	–	82
SFFC	2GO/EXP	30 to 60 days; noninterest-bearing	–	3,318	42
JASC	2GO/NHTC	30 to 60 days; noninterest-bearing	–	5,668	3,280
RDC	2GO/2GOLI /SOI/ NALMHCI	30 to 60 days; noninterest-bearing	–	–	49,152
SSI	2GO/EXP/2GOLI	30 to 60 days; noninterest-bearing	–	–	97,427

21. Equity

a. Share Capital

Details of share capital as at December 31, 2019 and 2018 are as follows:

	Number of Shares	Amount
	(In Thousands)	
Authorized common shares at 1.00 par value each	4,070,343,670	P4,070,344
Authorized preferred shares at 1.00 par value each	4,564,330	P4,564
Issued and outstanding common shares as at December 31, 2018	2,446,136,400	P2,446,136
Issued and outstanding common shares as at December 31, 2019	2,462,146,316	P2,462,146

Movements in issued and outstanding capital stocks follow:

			Number of shares
Date	**Activity**	**Issue price**	**Common shares**
May 26, 1949	Issued capital stocks as of incorporation date	P1,000.00	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	–

(Forward)

Date	Activity	Issue price	Number of shares Common shares
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	–
January 1, 2019	Issuance of common shares	1.00	16,009,916
			2,500,662,816
December 31, 2001	Treasury shares*	1.50	(38,516,500)
			2,462,146,316

** The carrying value of treasury shares is inclusive of P0.9 million transaction cost.*

Issued and outstanding common shares are held by 5,120 and 1,888 equity holders as of December 31, 2019 and 2018, respectively.

b. As discussed in Note 1, 2GO issued a total of 2,176,151,907 shares with par value of One Peso (P1.00) per share to the stockholders of NN in exchange for the net assets of NN. As a result, 2GO recognized the excess of the consolidated net assets of NN over the carrying value of additional shares issued by 2GO to NN stockholders as additional paid-in capital amounting to P1.6 billion and other equity reserves amounting to P712.2 million.
c. Retained earnings includes undistributed earnings amounting to P1,159.6 million and P1,014.1 million as of December 31, 2019 and 2018, 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, 2019 and 2018.
d. Other equity reserves pertain to the Group's excess investment cost over the net assets of acquired entities under common control at the date of acquisition.

22. Cost of Services and Goods Sold

This account consists of the following:

		Years Ended December 31		
	Note	**2019**	2018	2017
			(In Thousands)	
Cost of Services				
Outside services	*20*	**P3,476,436**	P3,322,268	P3,599,944
Fuel, oil and lubricants	*9*	**2,675,712**	2,347,926	2,270,234
Depreciation and amortization	*11, 14*	**1,767,299**	1,855,892	1,706,216
Transportation and delivery	*20*	**1,608,496**	1,574,391	82,970
Personnel costs	*25, 26*	**898,558**	862,106	1,123,498

(Forward)

		Years Ended December 31		
	Note	**2019**	2018	2017
		(In Thousands)		
Repairs and maintenance	*20*	**533,728**	505,261	371,679
Food and beverage	*9*	**345,324**	406,014	457,806
Rent	*18, 29*	**303,869**	706,325	842,101
Insurance		**225,840**	208,254	190,912
Material and supplies used	*9*	**179,619**	201,196	145,286
Arrastre and stevedoring	*20*	**172,539**	184,916	171,143
Food and subsistence		**126,154**	114,378	107,324
Communication, light and water		**118,865**	106,865	124,809
Sales-related expenses		**90,948**	109,170	104,256
Taxes and licenses		**37,912**	38,400	56,369
Others		**202,636**	284,003	357,840
		12,763,935	12,827,365	11,712,387
Cost of Goods Sold	*9*	**6,907,186**	5,607,518	5,191,146
		P19,671,121	P18,434,883	P16,903,533

23. General and Administrative Expenses

This account consists of the following:

		Years Ended December 31		
	Note	**2019**	2018	2017
		(In Thousands)		
Personnel costs	*25, 26*	**P725,424**	P790,959	P833,821
Outside services	*20*	**237,309**	236,954	245,418
Depreciation and amortization	*11, 14*	**115,088**	104,513	78,497
Transportation and travel	*20*	**83,204**	147,799	110,476
Advertising and promotion		**61,692**	124,599	195,279
Communication, light and water		**56,773**	76,621	71,492
Taxes and licenses		**51,051**	83,712	113,695
Computer charges		**44,896**	46,046	37,252
Entertainment, amusement and recreation		**22,645**	34,187	61,549
Repairs and maintenance	*20*	**13,883**	29,172	13,646
Insurance		**9,929**	13,420	20,219
Office supplies	*9*	**7,125**	9,291	13,450
Rent	*18, 29*	**1,521**	128,181	57,181
Special projects		–	19,219	15,897
Provision for ECL/doubtful accounts	*8*	–	–	299,988
Others	*8*	**62,489**	78,637	171,971
		P1,493,029	P1,923,310	P2,339,831

Others consist of various expenses that are individually immaterial. This account is net of the recovery from doubtful accounts amounting to P48.1 million and P63.4 million for the years ended December 31, 2019 and 2018 (see Note 8).

24. Other Income (Charges)

Financing Charges

	Note	2019	2018	2017
		Years Ended December 31		
		(In Thousands)		
Interest expense on:				
Short-term notes payable	*15*	**P148,319**	P81,654	P137,341
Long-term debt	*17*	**172,499**	172,701	206,440
Amortization of:				
Obligations under lease	*18*	**93,156**	–	–
Obligations under finance lease	*18*	**–**	13,082	17,599
Debt transaction costs	*17*	**3,436**	2,593	3,990
Other financing charges		**3,916**	27,219	21,120
		P421,326	P297,249	P386,490

Other financing charges comprise of items that are individually immaterial.

Others - net

	Note	2019	2018	2017
		Years Ended December 31		
		(In Thousands)		
Interest income	*7*	**P16,971**	P17,086	P6,161
Gain on disposal of:				
Property and equipment	*11*	**82,859**	14,789	3,587
Subsidiaries		**–**	1,098	–
Associate		**–**	3,604	–
Foreign exchange gains (losses)		**1,441**	33,603	(33,269)
Impairment of assets		**(2,658)**	–	–
Reimbursable costs		**–**	–	229,493
Others - net		**(4,262)**	(23,359)	(3,634)
		P94,351	P46,821	P202,338

During 2018, the Group sold certain wholly owned and non-wholly owned subsidiary for a total consideration of P58.0 million, of which P15.0 million was received in 2018. Net assets of disposed subsidiaries amounted to P56.9 million. During 2019, the Group sold SFFC (wholly owned subsidiary) and cargo vessels (see Note 33).

Others - net comprise of prompt payment discount and other items that are individually immaterial.

25. Personnel Costs

Details of personnel costs are as follows:

		Years Ended December 31		
	Note	**2019**	2018	2017
		(In Thousands)		
Salaries and wages		**P1,292,065**	P1,246,578	P1,290,492
Retirement benefit cost	*26*	**64,064**	53,621	125,688
Other employee benefits		**267,853**	352,866	541,139
		P1,623,982	P1,653,065	P1,957,319

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 P91.2 million to the retirement fund in 2020. 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		
	Note	**2019**	2018	2017
From continuing operations:		*(In Thousands)*		
Current service cost		**P48,395**	P86,068	P110,507
Net interest cost		**15,669**	10,836	21,402
Curtailment gain		**–**	(43,283)	(6,221)
		64,064	53,621	125,688
From discontinued operations:	*33*			
Current service cost		**13,601**	6,842	3,659
		P77,665	P60,463	P129,347

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

	December 31, 2019		
	Defined Benefit Obligations	**Fair Value of Plan Assets**	**Accrued Retirement Benefits**
		(In Thousands)	
January 1	**P455,352**	**(P243,932)**	**P211,420**
Net retirement benefits cost in profit or loss:			
Current service cost	**61,996**	**–**	**61,996**
Net interest cost	**33,253**	**(17,584)**	**15,669**
	95,249	**(17,584)**	**77,665**
Benefits paid from:			
Plan assets	**(46,634)**	**46,634**	**–**
Book reserve	**(12,959)**	**–**	**(12,959)**
	(59,593)	**46,634**	**(12,959)**
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:			
Financial assumptions	**149,021**	**–**	**149,021**
Experience adjustments	**(21,099)**	**–**	**(21,099)**
Return on plan assets	**–**	**5,060**	**5,060**
	127,922	**5,060**	**132,982**
Actual contributions	**–**	**(59,967)**	**(59,967)**
Additions due to merger	**–**	**(4,408)**	**(4,408)**
Transfer of liability and fund asset of sold subsidiary	**(27,507)**	**21,580**	**(5,927)**
December 31	**P591,423**	**(P252,617)**	**P338,806**

	December 31, 2018		
	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits
		(In Thousands)	
January 1	P672,552	(P284,978)	P387,574
Net retirement benefits cost in profit or loss:			
Current service cost	92,910	–	92,910
Net interest cost	24,154	(13,318)	10,836
Curtailment gain	(43,283)	–	(43,283)
	73,781	(13,318)	60,463
Benefits paid from:			
Plan assets	(117,392)	117,392	–
Book reserve	(24,934)	–	(24,934)
	(142,326)	117,392	(24,934)

(Forward)

	December 31, 2018		
	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits
		(In Thousands)	
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	–	(84,264)	(84,264)
Transfer of liability of sold subsidiaries	(8,172)	–	(8,172)
Reclass to other accounts	(126,224)	2,756	(123,468)
December 31	P455,352	(P243,932)	P211,420

	December 31, 2017		
	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits
		(In Thousands)	
January 1	P690,398	(P233,159)	P457,239
Net retirement benefits cost in profit or loss:			
Current service cost	114,166	–	114,166
Net interest cost	36,729	(15,327)	21,402
Curtailment	(6,221)	–	(6,221)
	144,674	(15,327)	129,347
Benefits paid	(98,245)	70,354	(27,891)
Remeasurement gains in other comprehensive income - actuarial changes arising from changes in:			
Financial assumptions	(37,920)	–	(37,920)
Demographic assumptions	42,529	–	42,529
Experience adjustments	(40,627)	12,449	(28,178)
Return on plan assets	(28,257)	58,335	30,078
	(64,275)	70,784	6,509
Actual contributions	–	(177,630)	(177,630)
December 31	P672,552	(P284,978)	P387,574

The plan assets available for benefits are as follows:

	December 31		
	2019	2018	2017
		(In Thousands)	
Cash and cash equivalents	**P852**	P55,741	P35,971
Receivables	**3,573**	1,289	4,183
Investments in debt securities	**245,476**	186,902	240,427
Others	**2,716**	–	4,397
Fair value of plan assets	**P252,617**	P243,932	P284,978

The Group's plan assets do not have quoted market price in an active market except for some debt instruments held by the Group. The plan assets have diverse investments and do not have any concentration risk. The plan asset is handled by BDO Unibank Inc.

As of December 31, 2019 and 2018, 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 defined benefit obligation for the Group's plans as of January 1 are shown below.

	2019	2018	2017
Discount rate	**7.71% - 7.92%**	5.36% - 5.88%	5.03% - 5.61%
Future salary increase	**6.00%**	5.00% - 6.00%	5.00% - 6.00%
Turnover rate	**0.00% - 7.50%**	0.00% - 17.00%	0.00% - 13.00%

As of December 31, 2019, the discount rate, future salary increase rate and turnover rate are 5.34% to 5.55%, 6.00%, and 0.00% to 7.50%, respectively.

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, 2019 and 2018.

	Increase (Decrease)	Impact on Accrued Retirement Benefits **2019**	2018
		(In Thousands)	
Discount rate	+1%	**(P70,695)**	(P48,577)
	-1%	**85,107**	57,622
Salary increase rate	+1%	**83,707**	58,066
	-1%	**(70,936)**	(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 is 15.5 years and 14.3 years as of December 31, 2019 and 2018, respectively.

Maturity analysis of the benefit payments:

	2019	2018
	(In Thousands)	
Less than 5 years	**P121,153**	P123,921
5 years to 10 years	**371,141**	347,501
More than 10 years	**5,716,025**	4,804,793

27. Income Taxes

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

	Years Ended December 31		
	2019	2018	2017
		(In Thousands)	
Current:			
RCIT	**P94,966**	P100,402	P253,273
MCIT	**10,379**	13,918	28,897
	105,345	114,320	282,170
Deferred	**(5,787)**	(3,092)	(16,924)
	P99,558	P111,228	P265,246

Below is the reconciliation of the provision for income tax from continuing and discontinued operations:

	Years Ended December 31		
	2019	2018	2017
		(In Thousands)	
Continuing operations	**P89,809**	P87,063	P230,304
Discontinued operations	**9,749**	24,165	34,942
	P99,558	P111,228	P265,246

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

	Years ended December 31		
	2019	2018	2017
		(In Thousands)	
Directly recognized in profit or loss:			
Deferred income tax assets on:			
Accrued retirement benefits	**P16,805**	P19,571	P20,554
Unamortized past service cost	**14,310**	12,027	13,731
Allowance for ECL	**3,769**	–	–
Obligations under lease, net of right-of-use assets	**7,650**	–	–
Accruals and others	**3,731**	11,578	5,329
	46,265	43,176	39,614

(Forward)

	Years ended December 31		
	2019	2018	2017
	(In Thousands)		
Deferred income tax liabilities on unamortized debt arrangement fees and other taxable temporary differences	**(7,868)**	(10,564)	(9,034)
	38,397	32,612	30,580
Directly recognized in OCI:			
Deferred income tax asset (liability) on:			
Remeasurement of retirement benefits cost	**75,813**	36,883	52,116
Cash flow hedge reserve	**(873)**	–	–
	P113,337	P69,495	P82,696

Deferred income tax assets on obligations under lease, net of deferred income tax liabilities on right-of-use assets, pertain to lease arrangements that are classified as operating lease for tax purposes.

c. Details of the Group's NOLCO and excess MCIT over RCIT which can be carried forward and claimed as tax credit against regular taxable income and regular income tax due, respectively, are as follows:

NOLCO

						Balances as at December 31, 2019	
Year Incurred	Available Until	Amount	Applied	Expired	Divestment of subsidiary	Amount	Tax Effect
							(In Thousands)
2019	2022	P1,265,212	P–	P–	(P98,742)	P1,166,470	P349,941
2018	2021	1,689,229	–	–	(69,452)	1,619,777	485,933
2017	2020	148,677	(26,349)	–	(34,639)	87,689	26,307
2016	2019	30,106	–	(30,106)	–	–	–
		P3,133,224	(P26,349)	(P30,106)	(P202,833)	P2,873,936	P862,181

Excess MCIT over RCIT

Year Incurred	Available Until	Amount	Applied	Expired	Divestment of subsidiary	**Balances as at December 31, 2019**
					(In Thousands)	
2019	2022	P13,186	P–	P–	P–	P13,186
2018	2021	14,314	–	–	–	14,314
2017	2020	22,973	(8,209)	–	(756)	14,008
2016	2019	25,879	(11,306)	(14,573)	–	–
		P76,352	(P19,515)	(P14,573)	(P756)	P41,508

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

	December 31		
	2019	2018	2017
	(In Thousands)		
NOLCO	**P2,873,936**	P1,871,512	P187,667
Allowance for ECL/doubtful accounts	**1,124,284**	1,349,247	1,436,702
Allowance for inventory obsolescence	**82,839**	103,823	46,004
Obligation under lease, net of related right-of -use assets	**40,156**	–	–
Allowance for probable losses and provisions	**346,177**	149,549	110,678
Unamortized past service cost	**9,042**	–	–
Unrealized foreign exchange loss	**106**	–	–
Excess of MCIT over RCIT	**41,508**	65,347	74,132

e. Reconciliation between the income tax expense computed at statutory income tax rate of 30% in 2019, 2018 and 2017 to the provision for income tax expense as shown in profit or loss is as follows:

	Years Ended December 31		
	2019	2018	2017
	(In Thousands)		
Tax effect of income at statutory rates	**(P237,797)**	(P407,603)	(P12,514)
Income tax effects of:			
Deductible temporary differences for which no deferred tax assets were recognized	**374,721**	570,397	250,189
Nondeductible expense	**5,823**	17,928	16,098
Interest income already subjected to final tax	**(1,175)**	(2,367)	(528)
Equity in net losses of associates	**14,905**	10	2,091
Income tax holiday incentive on registered activities	**(29,238)**	(27,095)	(7,545)
Others	**(27,681)**	(40,042)	17,455
Provision for income tax	**P99,558**	P111,228	P265,246

28. Earnings (Loss) Per Share (EPS)

Basic and diluted earnings per share were computed as follows:

	Years ended December 31		
	2019	2018	2017
	(In Thousands, except weighted average number of common shares and loss per common shares)		
Net loss for the year attributable to equity holders of the Parent Company	**(P890,352)**	(P1,467,495)	(P313,159)
Net loss for the year attributable to equity holders of the Parent Company (from continuing operations)	**(P418,087)**	(P1,027,672)	(P384,304)
Weighted average number of common shares outstanding during the year	**2,462,146,000**	2,446,136,000	2,446,136,000
Loss per common share	**(P0.3616)**	(P0.5999)	(P0.1280)
Loss per common share (from contuinuing operations)	**(P0.1698)**	(P0.4202)	(P0.1571)

There are no potentially dilutive common shares as at December 31, 2019, 2018 and 2017.

29. Agreements and Commitments

The Group has various operating lease agreements as of December 31, 2018 and 2017. The future minimum rentals payable under the noncancellable operating leases as of December 31, 2018 and 2017 are as follows:

	December 31	
	2018	2017
	(In Thousands)	
Within one year	**P297,435**	P603,143
After one year but not later than five years	**895,355**	–
More than five years but not later than ten years	**526,093**	866,341
	P1,718,883	P1,469,484

Effective January 1, 2019, due to adoption of PFRS 16 as discussed in Note 3, these noncancellable operating leases as of December 31, 2018 were recognized in the consolidated statement of financial position as right-of-use assets and obligation under lease, except for the short-term leases and low-value assets (see Note 18).

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, obligations under leas e 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 and interest rate risks on the manner in which it manages and measures the risks since prior years.

The Group uses derivative instruments to manage exposures to fuel price risks arising from the Group's operations and its sources of financing. The details of the Group's derivative transactions, including the risk management objectives and the accounting results, are discussed in this note.

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, 2019, 2018 and 2017, the Group did not hold collateral from any counterparty.

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

December 31, 2019

	High	**Medium**	**Total**
		(In Thousands)	
Financial assets:			
Cash in banks	**P821,951**	**P–**	**P821,951**
Cash equivalents	**25,122**	**–**	**25,122**
Trade receivables	**–**	**1,230,623**	**1,230,623**
Nontrade receivables	**25,673**	**138,353**	**164,026**
Advances to officers and employees	**1,184**	**–**	**1,184**
Refundable deposits	**151,660**	**–**	**151,660**
Contract assets	**–**	**289,281**	**289,281**
Total	**P1,025,590**	**P1,658,257**	**P2,683,847**

December 31, 2018

	High	Medium	Total
		(In Thousands)	
Financial assets:			
Cash in banks	P1,090,183	P–	P1,090,183
Cash equivalents	282,951	–	282,951
Trade receivables	6,017	1,300,413	1,306,430
Nontrade receivables	–	159,305	159,305
Due from related parties	19,763	–	19,763
Advances to officers and employees	4,843	–	4,843
Refundable deposits	175,278	–	175,278
Contract assets	–	260,549	260,549
Total	P1,579,035	P1,720,267	P3,299,302

December 31, 2017

	High	Medium	Total
		(In Thousands)	
Financial assets:			
Cash in banks	P1,919,025	P–	P1,919,025
Cash equivalents	188,521	–	188,521
Trade receivables	6,659	1,544,469	1,551,128
Nontrade receivables	–	118,832	118,832
AFS financial assets	4,255	–	4,255
Advances to officers and employees	11,343	–	11,343
Refundable deposits	185,691	–	185,691
Restricted time deposit	152,736	–	152,736
Total	P2,468,230	P1,663,301	P4,131,531

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. The Group 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, contract assets and expected credit loss are as follows:

		Past Due						
December 31, 2019	**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	**P821,951**	**P–**	**P–**	**P–**	**P–**	**P–**	**P–**	**P821,951**
Cash equivalents	**25,122**	**–**	**–**	**–**	**–**	**–**	**–**	**25,122**
Trade receivables	**1,243,517**	**899,115**	**183,566**	**90,399**	**80,961**	**1,197,720**	**(691,962)**	**3,003,316**
Nontrade receivables	**234,086**	**378,690**	**178,264**	**62,179**	**68,652**	**416,598**	**(362,571)**	**975,898**
Advances to officers and employees	**17,079**	**1,495**	**760**	**102**	**1,739**	**–**	**–**	**21,175**
Refundable deposits	**151,660**	**–**	**–**	**–**	**–**	**–**	**–**	**151,660**
Receivable from a related party	**518,363**	**–**	**–**	**–**	**–**	**–**	**–**	**518,363**
Contract assets	**289,281**	**70,241**	**15,573**	**10,232**	**8,924**	**27,294**	**(82,314)**	**339,231**
Total	**P3,301,059**	**P1,349,541**	**P378,163**	**P162,912**	**P160,276**	**P1,641,612**	**(P1,136,847)**	**P5,856,716**

		Past Due						
December 31, 2018	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	P1,090,183	P–	P–	P–	P–	P–	P–	P1,090,183
Cash equivalents	282,951	–	–	–	–	–	–	282,951
Trade receivables	1,306,430	865,757	174,894	87,896	77,515	1,121,415	(765,544)	2,868,363
Nontrade receivables	159,305	435,231	190,618	63,787	60,560	443,041	(508,590)	843,952
Due from related parties	19,763	539	9,789	5,220	12,360	24,499	–	72,170
Advances to officers and employees	4,843	6,117	3,107	418	7,112	–	–	21,597
Refundable deposits	175,278	–	–	–	–	–	–	175,278
Contract assets	260,549	86,452	25,017	13,825	14,784	42,329	(75,113)	367,843
Total	P3,299,302	P1,394,096	P403,425	P171,146	P172,331	P1,631,284	(P1,349,247)	P5,722,337

The aging per class of financial assets that were past due but not impaired are as follows:

December 31, 2017	Neither Past Due nor Impaired	Past Due but not Impaired: Less than 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Impaired Financial Assets	Total
				(In Thousands)				
Financial assets:								
Cash in banks	P1,919,025	P–	P–	P–	P–	P–	P–	1,919,025
Cash equivalents	188,521	–	–	–	–	–	–	188,521
Trade receivables	1,551,129	738,373	258,647	124,612	350,012	388,768	881,339	4,292,880
Nontrade receivables	135,279	188,231	83,341	54,531	112,922	283,662	555,363	1,413,329
Advances to officers and employees	11,343	14,275	7,145	960	1,295	27,302	–	62,320
Refundable deposits	185,691	–	–	–	–	–	–	185,691
Restricted time deposit	152,736	–	–	–	–	–	–	152,736
AFS financial assets	4,255	–	–	–	–	–	–	4,255
Total	P4,147,979	P940,879	P349,133	P180,103	P464,229	P699,732	P1,436,702	P8,218,757

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, 2019			
	Less than 1 Year	**1 to 5 Years**	**Over 5 Years**	**Total**
		(In Thousands)		
Financial Liabilities				
Trade and other payables*	**P5,165,630**	**P–**	**P–**	**P5,165,630**
Short-term notes payable	**2,678,500**	**–**	**–**	**2,678,500**
Long-term debt	**1,500**	**2,487,153**	**–**	**2,488,653**
Obligations under lease	**531,724**	**925,142**	**387,521**	**1,844,387**
	P8,377,354	**P3,412,295**	**P387,521**	**P12,177,170**

(Forward)

	December 31, 2019			
	Less than 1 Year	**1 to 5 Years**	**Over 5 Years**	**Total**
		(In Thousands)		
Financial and contract assets				
Cash and cash equivalents	**P892,540**	**P–**	**P–**	**P892,540**
Trade and other receivables	**4,339,620**	**–**	**–**	**4,339,620**
Refundable deposits	**66,968**	**84,692**	**–**	**151,660**
Receivable from a related party	**–**	**518,363**	**–**	**518,363**
	P5,299,128	**P603,055**	**P–**	**P5,902,183**

**Excludes nonfinancial liabilities amounting to P576.9 million as of December 31, 2019.*

	December 31, 2018			
	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
		(In Thousands)		
Financial Liabilities				
Trade and other payables*	P5,112,768	P–	P–	P5,112,768
Short-term notes payable	2,685,000	–	–	2,685,000
Long-term debt	442,077	2,780,436	–	3,222,513
Obligations under finance lease	90,867	95,362	–	186,229
	P8,330,712	P2,875,798	P–	P11,206,510
Financial and contract assets				
Cash and cash equivalents	P1,415,411	P–	P–	P1,415,411
Trade and other receivables	4,191,514	–	–	4,191,514
Refundable deposits	62,614	112,664	–	175,278
	P5,669,539	P112,664	P–	P5,782,203

**Excludes nonfinancial liabilities amounting to P761.0 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*	P5,594,537	P–	P–	P5,594,537
Short-term notes payable	2,644,950	–	–	2,644,950
Long-term debt	3,126,193	1,481	–	3,127,674
Obligations under finance lease	101,130	218,430	–	319,560
	P11,466,810	P219,911	P–	P11,686,721
Financial Assets				
Cash and cash equivalents	P2,181,243	P–	P–	P2,181,243
Trade and other receivables	4,331,827	–	–	4,331,827
Refundable deposits	–	185,691	–	185,691
Restricted time deposit	152,736	–	–	152,736
	P6,665,806	P185,691	P–	P6,851,497

**Excludes nonfinancial liabilities amounting to P68.8 million as of December 31, 2017.*
***Noncurrent portion of long-term debt has been classified to current amounting to P3,087.0 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, 2019, 2018 and 2017 are as follows:

	December 31, 2019		December 31, 2018		December 31, 2017	
	USD[1]	**Total Peso Equivalent**	USD[2]	Total Peso Equivalent	USD[3]	Total Peso Equivalent
Financial Assets						
Cash in banks	**$753**	**P38,233**	$330	P17,900	$126	P6,291
Trade receivables	**223**	**11,310**	288	15,979	191	9,537
Advances to supplier	**147**	**7,445**	–	–	–	–
Restricted time deposits	**–**	**–**	–	–	3,059	152,736
	1,123	**56,988**	618	33,879	3,376	168,564
Financial Liabilities						
Trade and other payables	**2,178**	**110,522**	1,256	68,089	13,449	671,509
Obligation under lease	**651**	**33,043**	1,638	90,985	2,441	121,879
	2,829	**143,565**	2,894	159,074	15,890	793,388
Net foreign currency denominated assets (liabilities)	**($1,706)**	**(P86,577)**	($2,276)	(P125,195)	($12,514)	(P624,824)

[1] $1 = P50.64
[2] $1 = P52.58
[3] $1 = P49.93

The Group has recognized foreign exchange gain (loss) amounting to P1.4 million, P33.6 million and (P34.4 million) for the years ended December 31, 2019, 2018 and 2017, 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, 2019, 2018 and 2017.

	Appreciation (Depreciation) of Foreign Currency	**Effect on Income Before Tax**		
		December 31		
		2019	2018	2017
		(In Thousands)		
US Dollar (USD)	1%	**P865**	P1,252	P5,400
	-1%	**(865)**	(1,252)	(5,400)

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 4.25% to 6.75% in 2019 and 5.00% to 8.50% in 2018 and 2017.

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, 2019, 2018 and 2017, with other variables held constant:

	Changes in Interest Rates	Effect on Income Before Tax		
		2019	2018	2017
		(In Thousands)		
	+80 basis points	**P–**	P–	(P24,982)
For more than one year	-80 basis points	**–**	–	24,982

	Increase (Decrease) in Interest Rates	Effect on Equity		
		2019	2018	2017
		(In Thousands)		
	+80 basis points	**P–**	P–	(P17,488)
For more than one year	-80 basis points	**–**	–	17,488

Cashflow hedge
The Group is exposed to the increased volatility of fuel prices (commodity price risk). As a result, the Group entered into a commodity swap agreement with a certain bank, which commenced on August 13, 2019, in order to manage the risk on fuel price volatility. Hedging the price volatility of forecast fuel purchases is in line with the management strategy implemented by the Board of Directors. The Group designated the commodity swap agreement as cashflow hedge. The Group has established a hedge ratio of 1:1 for the hedging relationship as the underlying risk of commodity swap agreement is identical to the hedged risk component.

The Group is holding the commodity swap agreement as follows:

	2019	
Maturity	**Notional amount**	**Asset**
	(In metric tons)	*(In Thousands)*
Less than one month	1,076	$8
One to three months	3,228	22
Three to six months	3,228	28
Total	7,532	$58

The impact of the hedging instrument on the consolidated statement of financial position is as follows:

	2019
Notional amount (in metric tons)	7,532
Carrying amount (in thousands)	P2,564
Change in fair value used for measuring ineffectiveness for the period	–

The effect of the cash flow hedge in the consolidated statement of comprehensive income under “Fuel, oil and lubricants” is as follows:

	2019
	(In Thousands)
Total realized loss recognized in profit or loss	P963
Total unrealized gain recognized in OCI	2,038

<u>Capital Risk Management Objectives and Procedures</u>
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		
	2019	2018	2017
Assets financed by:			
Creditors	**78%**	73%	67%
Stockholders	**22%**	27%	33%

As of December 31, 2019, 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, 2019		December 31, 2018		December 31, 2017	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value	Carrying Amount	Fair Value
			(In Thousands)			
Financial Liabilities						
Long-term debts	**P2,488,653**	**P2,688,999**	P3,222,513	P3,164,104	P3,127,674	P3,206,070
Obligations under lease	**1,585,758**	**1,658,376**	–	–	–	–
Obligations under finance lease	–	–	175,832	175,832	319,560	291,279
	P4,074,411	**P4,347,375**	P3,398,345	P3,339,936	P3,447,234	P3,497,349

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 6.2%, 7.0% and 5.8% was used in calculating the fair value of the long-term debt as of December 31, 2019, 2018 and 2017, respectively.

Obligations Under Lease
The fair values of obligations under lease are based on the discounted net present value of cash flows using the discount rate ranging from 3.5% to 6.0% as of December 31, 2019.

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.

Derivative assets
The fair value of derivatives is determined by the use of either present value methods or standard option valuation models. The valuation inputs on these derivatives are based on assumptions developed from observable information, including, but not limited to, the forward curve derived from published or future prices adjusted for factors such as seasonality considerations and the volatilities that take into account the impact of spot process and the long-term price outlook of the underlying commodity and currency.

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

Changes in liabilities arising from financing activities are as follows:

For the Year Ended December 31, 2019:

		Cash Flows					
	January 1, 2019	**Availments**	**Payments**	**Net**	**New leases**	**Others**	**December 31, 2019**
Short-term notes payable	**P2,685,000**	**P3,921,500**	**(P3,878,000)**	**P43,500**	P–	**(P50,000)**	**P2,678,500**
Current portion of long-term debt	**106,336**	–	**(401,556)**	**(401,556)**	–	**296,720**	**1,500**
Current portion of obligations under finance lease	**83,515**	–	–	–	–	**(83,515)**	**–**
Current portion of obligations under lease		–	**(488,900)**	**(488,900)**	**614,962**	**323,365**	**449,427**
Noncurrent portion of long-term debt	**3,116,177**	–		–	–	**(629,024)**	**2,487,153**
Noncurrent portion of obligations under lease	–	–	–	–	**–**	**1,136,331**	**1,136,331**
Noncurrent portion of obligations under finance lease	**92,317**	–	–	–	–	**(92,317)**	–
Total liabilities from financing activities	**P6,083,345**	**P3,921,500**	**(P4,768,456)**	**(P846,956)**	**P614,962**	**P901,560**	**P6,752,911**

For the Year Ended December 31, 2018:

		Cash Flows					
	January 1, 2018	Availments	Payments	Net	New leases	Others	December 31, 2018
Short-term notes payable	P2,644,950	P5,783,200	(P5,743,150)	P40,050	P–	P–	P2,685,000
Current portion of long-term debt	3,126,193	–	(2,388,820)	(2,388,820)	–	(295,296)	442,077
Current portion of obligations under finance lease	101,130	–	(156,810)	(156,810)	–	139,195	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	P6,092,184	P8,283,200	(P8,288,780)	(P5,580)	P–	(P3,259)	P6,083,345

For the Year Ended December 31, 2017:

	January 1, 2018	Cash Flows			New leases	Others	December 31, 2018
		Availments	Payments	Net			
Short-term notes payable	P2,374,556	P2,598,701	(P2,328,306)	P270,395	P–	P–	P2,644,951
Current portion of long-term debt	3,502,908	–	(1,140,444)	(1,140,444)	–	763,729	3,126,193
Current portion of obligations under finance lease	97,759	–	(85,525)	(85,525)	–	88,896	101,130
Noncurrent portion of long-term debt	8,299	756,911	–	756,911	–	(763,729)	1,481
Noncurrent portion of obligations under finance lease	253,815	–	–	–	37,400	(72,785)	218,430
Total liabilities from financing activities	P6,237,337	P3,355,612	P3,554,275	(P198,663)	P37,400	P16,111	P6,092,185

"Others" includes the effect of the following:

a. reclassification of non-current portion to current due to the passage of time;
b. amortization of debt transaction costs capitalized;
c. reclassification of finance lease obligation to lease obligation and additional lease obligation recognized as at January 1, 2019 as a result of the adoption of PFRS 16 (see Note 3); and
d. reduction in short term and long term debt as a result of the divestment of SFFC (see Note 33).

33. Business Combination under Common Control, Discontinued Operation and Group Restructuring

a. Business combination under common control

The objective of the merger discussed in Note 1 was to simplify the corporate structure of the group in a one holding company that is 2GO. The transaction has been accounted for as merger of entities under common control, using the pooling of interest method. In applying the pooling of interest method, the Group follows the Philippine Interpretations Committee Q&A No. 2012-01, PFRS 3.2 - *Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements*. Because these consolidated financial statements represent a continuation of the financial statements of NN and subsidiaries, the consolidated financial statements reflect:

(a) the consolidated assets and liabilities of NN and subsidiaries;
(b) the consolidated retained earnings and other comprehensive income of NN and subsidiaries;
(c) the legal capital (capital stock and additional paid in capital) of 2GO, adjusted by the effect of the new issuance of shares of 2GO to NN's previous stockholders effective January 1, 2019;
(d) the other equity reserves as of December 31, 2018 and 2017, including the difference between the legal capital of NN and 2GO, prior to the merger; and the consolidated statement of income, comprehensive income and cash flows reflects the consolidated financial results and cash flows of the merged entities, as if the merger happened from the earliest period presented.

The Group re-presented the prior year comparative information in the accompanying financial statements. This will be consistently applied for future business combination under common control.

Below is the impact on the comparative balances as of and for the years ended December 31, 2018 and 2017 as a result of the merger.

Consolidated Statements of Financial Position

	December 31, 2018, as previously presented	Effect of Merger Increase (Decrease)	December 31, 2018, as re-presented
ASSETS			
Current Assets			
Cash and cash equivalents	P1,387,128	P28,283	P1,415,411
Trade and other receivables	4,097,691	93,823	4,191,514
Inventories	628,210	–	628,210
Other current assets	1,586,808	184,324	1,771,132
Total Current Assets	7,699,837	306,430	8,006,267
Noncurrent Assets			
Property and equipment	6,567,383	644,050	7,211,433
Investments in associates and joint ventures	325,642	–	325,642
Deferred tax assets	69,499	(4)	69,495
Goodwill	–	686,896	686,896
Other noncurrent assets	400,340	134,616	534,956
Total Noncurrent Assets	7,362,864	1,465,558	8,828,422
TOTAL ASSETS	P15,062,701	1,771,988	P16,834,689
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term notes payable	P2,685,000	P–	P2,685,000
Trade and other payables	6,497,092	(516,540)	5,980,552
Income tax payable	15,351	23	15,374
Current portion of:			
Long-term debt	442,077	(335,741)	106,336
Obligations under finance lease	83,515	–	83,515
Total Current Liabilities	9,723,035	(852,258)	8,870,777
Noncurrent Liabilities			
Noncurrent portion of:			
Long-term debt	2,780,436	335,741	3,116,177
Obligations under finance lease	92,317	–	92,317
Accrued retirement benefits	211,420	–	211,420
Other noncurrent liabilities	7,283	1	7,284
Total Noncurrent Liabilities	3,091,456	335,742	3,427,198
Total Liabilities	12,814,491	(516,516)	12,297,975

(Forward)

	December 31, 2018, as previously presented	Effect of Merger Increase (Decrease)	December 31, 2018, as re-presented
Equity			
Share capital	2,484,653	–	2,484,653
Additional paid-in capital	910,901	–	910,901
Other equity reserve	(13,078)	2,329,053	2,315,975
Other comprehensive losses - net	(92,698)	(1,069)	(93,767)
Deficit	(1,044,725)	(39,480)	(1,084,205)
Treasury shares	(58,715)	–	(58,715)
Equity Attributable to Equity Holders of the Parent Company	2,186,338	2,288,504	4,474,842
Non-controlling Interests	61,872	–	61,872
Total Equity	2,248,210	2,288,504	4,536,714
TOTAL LIABILITIES AND EQUITY	P15,062,701	P1,771,988	P16,834,689

	December 31, 2017, as previously presented	Effect of Merger Increase (Decrease)	December 31, 2017, as re-presented
ASSETS			
Current Assets			
Cash and cash equivalents	P2,095,850	P85,393	P2,181,243
Trade and other receivables	4,428,276	(96,449)	4,331,827
Inventories	555,697	128	555,825
Other current assets	1,530,462	198,393	1,728,855
Total Current Assets	8,610,285	187,465	8,797,750
Noncurrent Assets			
Property and equipment	7,096,852	802,110	7,898,962
Investments in associates and joint ventures	275,676	16,396	292,072
Deferred tax assets	82,700	(4)	82,696
Goodwill	–	686,896	686,896
Other noncurrent assets	441,596	116,691	558,287
Total Noncurrent Assets	7,896,824	1,622,089	9,518,913
TOTAL ASSETS	P16,507,109	P1,809,554	P18,316,663
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term notes payable	P2,644,950	P–	P2,644,950
Trade and other payables	6,506,865	(736,673)	5,770,192
Income tax payable	17,174	24	17,198
Current portion of:			
Long-term debt	3,121,315	4,878	3,126,193
Obligations under finance lease	97,311	3,819	101,130
Total Current Liabilities	12,387,615	(727,952)	11,659,663

(Forward)

	December 31, 2018, as previously presented	Effect of Merger Increase (Decrease)	December 31, 2018, as re-presented
Noncurrent Liabilities			
Noncurrent portion of:			
Long-term debt	1,481	–	1,481
Obligations under finance lease	218,430	–	218,430
Accrued retirement benefits	260,115	127,459	387,574
Other noncurrent liabilities	6,082	3	6,085
Total Noncurrent Liabilities	486,108	127,462	613,570
Total Liabilities	12,873,723	(600,490)	12,273,233
Equity			
Share capital	2,484,653	–	2,484,653
Additional paid-in capital	910,901	–	910,901
Other equity reserve	(13,078)	2,329,053	2,315,975
Other comprehensive losses - net	(89,839)	(1,069)	(90,908)
Retained earnings	327,638	82,059	409,697
Treasury shares	(58,715)	–	(58,715)
Equity Attributable to Equity Holders of the Parent Company	3,561,560	2,410,043	5,971,603
Non-controlling Interests	71,826	1	71,827
Total Equity	3,633,386	2,410,044	6,043,430
TOTAL LIABILITIES AND EQUITY	P16,507,109	P1,809,554	P18,316,663

Consolidated Statements of Profit or Loss

	Years ended December 31			
	2018, as previously presented	Effect of Merger Increase (Decrease)	Effect of Discontinued Operation	2018, as re-presented
REVENUES FROM CONTRACTS WITH CUSTOMERS				
Shipping	P9,220,702	(P643)	(P1,988,860)	P7,231,199
Nonshipping:				
Logistics and other services	6,495,071	(78,379)	–	6,416,692
Sale of goods	6,274,371	(256,625)	–	6,017,746
	21,990,144	(335,647)	(1,988,860)	19,665,637
COST OF SERVICES AND GOODS SOLD	20,785,631	9,543	(2,360,291)	18,434,883
GROSS PROFIT	1,204,513	(345,190)	371,431	1,230,754
GENERAL AND ADMINISTRATIVE EXPENSES	2,160,112	(217,072)	(19,730)	1,923,310
OPERATING INCOME (LOSS) FROM CONTINUING OPERATIONS	(955,599)	(128,118)	391,161	(692,556)
OTHER INCOME (CHARGES)				
Equity in net losses of associates and joint ventures	(34)	–	–	(34)
Financing charges	(321,757)	(150)	24,658	(297,249)
Others - net	37,191	9,792	(162)	46,821
	(284,600)	9,642	24,496	(250,462)

(Forward)

	Years ended December 31			
	2018, as previously presented	Effect of Merger Increase (Decrease)	Effect of Discontinued Operation	2018, as re-presented
INCOME (LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS	(1,240,199)	(118,476)	415,657	(943,018)
PROVISION FOR INCOME TAX				
Current	111,257	3,063	(24,165)	90,155
Deferred	(3,092)	–	–	(3,092)
	108,165	3,063	(24,165)	87,063
NET LOSS FROM CONTINUING OPERATIONS	(1,348,364)	(121,539)	439,822	(1,030,081)
NET LOSS FROM DISCONTINUED OPERATIONS	–	–	(439,822)	(439,822)
TOTAL NET LOSS	(P1,348,364)	(P121,539)	–	(P1,469,903)

	Years ended December 31			
	2017, as previously presented	Effect of Merger Increase (Decrease)	Effect of Discontinued Operation	2017, as re-presented
REVENUES				
Shipping	P8,417,376	(P9,383)	(P1,808,831)	P6,599,162
Nonshipping:				
Logistics and other services	7,372,295	(446,599)	–	6,925,696
Sale of goods	5,761,828	–	–	5,761,828
	21,551,499	(455,982)	(1,808,831)	19,286,686
COST OF SERVICES AND GOODS SOLD	19,015,540	(452,171)	(1,659,836)	16,903,533
GROSS PROFIT	2,535,959	(3,811)	(148,995)	2,383,153
GENERAL AND ADMINISTRATIVE EXPENSES	P2,174,522	P194,553	(P29,244)	P2,339,831
OPERATING INCOME (LOSS) FROM CONTINUING OPERATIONS	361,437	(198,364)	(119,751)	43,322
OTHER INCOME (CHARGES)				
Equity in net losses of associates and joint ventures	(6,970)	–	–	(6,970)
Financing charges	(390,070)	(10,626)	14,206	(386,490)
Others - net	(25,885)	228,765	(542)	202,338
	(422,925)	218,139	13,664	(191,122)
LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS	(61,488)	19,775	(106,087)	(147,800)
PROVISION FOR INCOME TAX				
Current	265,010	17,160	(34,942)	247,228
Deferred	(16,924)	–	–	(16,924)
	248,086	17,160	(34,942)	230,304
NET LOSS FROM CONTINUING OPERATIONS	(309,574)	2,615	(71,145)	(378,104)
NET INCOME FROM DISCONTINUED OPERATIONS	–	–	71,145	71,145
TOTAL NET LOSS	(P309,574)	P2,615	P–	(P306,959)

Consolidated Statements of Cash Flows

	Years ended December 31		
	2018, as previously presented	Effect of Merger Increase (Decrease)	2018, as re-presented
Net cash flows generated from operating activities	P1,200,245	(P17,985)	P1,182,260
Net cash flows used in investing activities	(1,624,110)	(33,280)	(1,657,390)
Net cash flows used in financing activities	(290,942)	(8,735)	(299,677)

	Years ended December 31		
	2017, as previously presented	Effect of Merger Increase (Decrease)	2017, as re-presented
Net cash flows generated from operating activities	P2,682,456	P191,574	P2,874,030
Net cash flows used in investing activities	(1,580,100)	26,777	(1,553,323)
Net cash flows used in financing activities	(420,797)	(174,334)	(595,131)

b. Discontinued operations

During 2019, 2GO discontinued operations of its short-haul fast ferry passenger vessels and inter-island freighter vessels as part of a plan to focus on improving core services and profitability. On October 9, 2019, 2GO sold 100% of its shares in SFFC to Chelsea Logistics and Infrastructure Holdings Corp. for P650.0 million. 2GO paid capital gains tax of P19.6 million as a result of the transaction. The amount shall be paid in sixty equal monthly installments subject to an interest rate of six and half percent (6.5%) per annum. The outstanding balance as of December 31, 2019 amounted to P631.9 million. Interest income earned from this receivable amounted to P7.0 million.

2GO also disposed two of its inter-island freighter vessels in the second quarter of 2019, and terminated long-term leases for three freighter vessels in the fourth quarter of 2019.

The results of the discontinued operations are as follows:

	December 31		
	2019	2018	2017
		(In Thousands)	
Revenue from contracts with customers	**P1,062,507**	P1,988,860	P1,808,831
Costs and expenses	**1,573,678**	2,380,021	1,689,080
Operating income (loss)	**(511,171)**	(391,161)	119,751
Gain from sale of disposal group	**37,592**	–	–
Finance charges	**(42,175)**	(24,659)	(14,206)
Others - net	**52,253**	163	542
Income (loss) before income tax	**(463,501)**	(415,657)	106,087
Provision for income tax	**9,749**	24,165	34,942
Net income (loss)	**(P473,250)**	(P439,822)	P71,145

**Includes interest income from discontinued operation.*

The details of the carrying value of the discontinued operations at the time of sale are as follows:

	Total
	(In Thousands)
Cash and cash equivalents	P40,417
Trade and other receivables	6,234
Inventories	10,395
Other current assets	36,318
Property and equipment	1,077,794
Other noncurrent assets	51,112
Total assets	1,222,270
Short-term notes payable	(50,000)
Trade and other payables	(152,623)
Long-term debt	(335,741)
Accrued retirement benefits	(5,926)
	P677,980

The net cash flows incurred by the discontinued operations were as follows:

	Years ended December 31		
	2019	2018	2017
Operating activities	**(P439,364)**	(P117,803)	P432,236
Investing activities	**(97,517)**	(223,423)	(365,563)
Financing activities	**29,44**4	(38,017)	225,581

The details of the sale of the disposal group were as follows:

	Total
Net consideration	P715,572
Carrying value of the disposal group	677,980
Gain from sale of the disposal group	P37,592

c. Group restructuring
During 2019, 2GO also completed a series of restructuring activities which primarily included consolidating its operations in certain container yards, warehouses and offices, exiting related leases and costs as a result of such consolidation. Restructuring costs in 2019 amounted to P198.3 million and are presented as “Restructuring costs” in the consolidated statement of profit or loss.

MEMBERSHIP IN ASSOCIATIONS

Cold Chain Association of the Philippines, Inc.
Philippine Chamber of Commerce and Industry
Philippine Inter-Island Shipping Association
Philippine Intermodal Transport & Logistics Association, Inc.
Philippine Liner Shipping Association
Philippine Travel Agencies Association

CORPORATE INFORMATION

Company Headquarters

8th Floor Tower 1 DoubleDragon Plaza
Macapagal Boulevard corner EDSA Extension
Pasay City 1302, Philippines
www.2go.com.ph

Stockholder Inquiries

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

BDO Unibank, Inc.
Stock Transfer Unit

15th Floor South Tower, BDO Corporate Center
7899 Makati Ave., Makati City 0726
Trunk Line: 8840-7000
Direct Lines: 8878-4961, 8878-4963 to 4965
Fax: 8878-4056
E-mail: bdo-stock-transfer@bdo.com.ph

2GO Investor Relations Office: investor_relations@2go.com.ph
2GO Sustainability Office: sustainability@2go.com.ph

2GO GROUP, INC.

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