COVER SHEET

4409

SEC Registration Number

2GO GROUP, INC.

(Company's Full Name)

8TH FLOOR TOWER 1 DOUBLE DRAGON PLAZA MACAPAGAL BLVD. CORNER EDSA EXTENSION PASAY CITY

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

MIA M. ORMITA-MARINAS **Corporate Secretary**	**(02) 8528-7171**
(Contract Person)	(Company Telephone Number)

1 2	3 1	2 0 - I S		
Month	*Day*	(Form Type)	*Month*	*Day*
(Fiscal Year)			(Annual Meeting)	

Definitive Information Statement

(Secondary License Type, If Applicable)

Corporation Finance Department	
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

5,118		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement

   [**X**] Definitive Information Statement

2. **2GO Group, Inc.**
   Name of the Registrant as specified in its charter

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

4. SEC Identification Number **4409**

5. BIR Tax Identification Code **000-313-401-000**

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

7. **(02) 8528-7171**
   Registrant's telephone numbers, including area code

8. **June 18, 2020, 2:00 p.m., (via Remote Communication)**[1]
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders
   May 25, 2020

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Stock	**2,462,146,316**

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

    YES [X] **NO [ ]**

    If yes, disclose the name of such Stock Exchange and the class of securities therein:

    Philippine Stock Exchange - Common Stock

[1] Given the current circumstances, the meeting will be conducted virtually.

2GO
GROUP, INC.

Revised Notice of Annual Stockholders' Meeting

To all Stockholders:

The annual meeting of the stockholders of **2GO GROUP, INC.** (the "Corporation) will be held on **June 18, 2020, Thursday at 2:00 P.M.** Given the current circumstances, the meeting will be conducted virtually and voting conducted *in absentia* through the Corporation's secure online voting facility.

Agenda:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of Minutes of the Annual Meeting of Stockholders held on April 11, 2019
4. Approval of Annual Report for 2019
5. Approval and Ratification of the Acts of the Board of Directors and Management
6. Election of Directors for 2020-2021
7. Appointment of External Auditor
8. Other Matters
9. Adjournment

Please refer to **Annex A** for a brief explanation of each agenda item for approval.

The Board of Directors has fixed the end of trading hours of the Philippine Stock Exchange on **May 19, 2020** as the record date for the determination of stockholders entitled to the notice of, participation via remote communication, and voting *in absentia* at such meeting and any adjournment thereof.

The conduct of the meeting will be streamed live, and stockholders may attend the meeting by registering via asmregister.2go.com.ph and submitting the supporting documents listed there until **June 10, 2020**. All information submitted shall be verified and validated by the Corporate Secretary.

Stockholders who wish to cast votes through a proxy may accomplish the proxy form and submit the same on or before **June 10, 2020**. In view of the community quarantine, scanned forms will be accepted. Paper copies shall be sent to the office of the Corporate Secretary at the 33rd Floor, The Orient Square, F. Ortigas Jr. Road, Ortigas Center, Pasig City once the community quarantine is lifted.

Stockholders who successfully registered can cast their votes *in absentia* through the Corporation's secure online voting facility for this meeting. In order to participate remotely, they will also be provided with access to the meeting that will be held virtually. The ***"Guidelines for Participation via Remote Communication and Voting in Absentia"*** as appended to the Definitive Information Statement labeled as **Schedule A** will be posted in the Corporation's website www.2go.com.ph/asm2020 and PSE EDGE.

Pasay City, May 19, 2020

ARTHUR A. SY
Assistant Corporate Secretary

Annex A
Rationale for Agenda Items

Agenda Item 3: Approval of Minutes of Annual Stockholders' Meeting held on April 11, 2019

The draft minutes of the annual stockholders' meeting held on April 11, 2019 were posted on the Company's website within twenty-four (24) hours from adjournment of the meeting. These minutes are subject to stockholders' approval during this year's stockholders' meeting. Results of the 2019 annual stockholders' meeting were likewise timely disclosed to the Securities and Exchange Commission and the Philippine Stock Exchange.

Agenda Item 4: Approval of Annual Report for 2019

The Company's 2019 performance results have been duly summarized in the Annual Report, which includes the Audited Financial Statements (**AFS**) of the Company for the year ended 31 December 2019. The AFS, as audited by the external auditor Sycip Gorres Velayo & Co. (**SGV**) which expressed an unqualified opinion therefor, have been reviewed and approved by the Audit Committee and the Board of Directors of the Company. Any stockholder who would like to receive a hard or soft copy of the 2019 Annual Report may do so through the Investor Relations Office. The 2019 Annual Report is also posted on the Company's website.

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

Actions and proceedings of the Board of Directors, the Board Committees, and the Management during their term or from the last Annual Meeting held on April 11, 2019 to the date of this year's meeting will be subject to stockholders approval and ratification.

Agenda Item 6: Election of Directors for 2020-2021

Nominees for election as members of the Board of Directors for 2020-2021, including the independent directors, have been pre-qualified by the Corporate Governance Committee. The Nominees' proven competence, expertise and qualifications based on current regulatory standards, will help sustain the Company's solid performance for the benefit of all its stockholders. The profiles of the nominees are presented in the Definitive Information Statement for reference. Directors for 2020-2021 will be elected during this year's stockholders' meeting.

Agenda Item 7: Appointment of the External Auditor

Upon recommendation of the Audit Committee, the Board approved and endorses for stockholders' approval the appointment of SGV as external auditor for 2020. SGV is one of the top auditing firms in the country.

PROXY

The undersigned stockholder of 2GO GROUP, INC. (**2GO**) appoints ____ or in his absence, the Chairman of the meeting, as attorney and proxy, with power of substitution, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of 2GO on April 23, 2020 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of Minutes of Stockholders' Meeting held on April 11, 2019

   ___ Yes ___ No ___ Abstain

2. Approval of 2019 Annual Report

   ___ Yes ___ No ___ Abstain

3. Ratification of Acts and Resolutions of the Board of Directors, Committees and Management during Term

   ___ Yes ___ No ___ Abstain

4. Election of Directors for 2020-2021

   ____ a) Vote for all nominees listed below:

   (Final List to be provided)

   ____ b) Withhold authority for all nominees listed above

   ____ c) Vote for the nominees listed below:

   _______________ _______________
   _______________ _______________
   _______________ _______________
   _______________ _______________
   _______________ _______________

5. Appointment of SyCip Gorres Velayo & Co. as External Auditor for 2020

   ___ Yes ___ No ___ Abstain

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

   ___ Yes ___ No ___ Abstain

____
Printed Name of Stockholder

____
No. of Share

____
Signature of Stockholder /
Authorized Signatory

____
Date

THE PROXY SHOULD BE SUBMITTED TO THE OFFICE OF THE CORPORATE SECRETARY AT LEAST FIVE (5) BUSINESS DAYS BEFORE THE DATE OF THE MEETING OR UNTIL **JUNE 10, 2020**, IN ACCORDANCE WITH THE BY-LAWS OF THE COMPANY.

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

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

PART I

INFORMATION REQUIRED IN INFORMATION STATEMENT

The full effect of the merger, both legal and financial, is already reflected in this Information Statement.

A. GENERAL INFORMATION

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

Date of meeting	:	June 18, 2020
Time of meeting	:	2:00 p.m.
Place of meeting	:	Given the current circumstances, the meeting will be conducted virtually.
Approximate date of mailing of this Statement	:	May 25, 2020
Registrant's Mailing Address	:	8th Floor, Tower 1, Double Dragon Plaza, Macapagal Blvd. corner EDSA Extension, Pasay City

Statement that Company Not Soliciting Proxies

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

Voting Securities

The record date for purposes of determining the stockholders of **2GO Group, Inc.** (**2GO** or the **Group** or the **Company**) entitled to notice of, and to vote, during the Annual Stockholders' Meeting is May 19, 2020 (Record Date). The total number of shares outstanding and entitled to vote in the meeting is 2,462,146,316 shares (net of 38,516,500 treasury shares). Stockholders are entitled to cumulative voting in the election of the board of directors, as provided under Section 23 of the Revised Corporation Code.

In light of the community quarantines imposed over various areas of the country and to ensure the safety and welfare of stockholders and everyone involved, this year's Annual Stockholders' Meeting will be conducted virtually, and will be broadcasted via livestreaming accessible to registered stockholders, the details of which can be found in **www.2go.com.ph/asm2020**. The Company will record the video the proceedings and maintain a copy with the office of the Corporate Secretary.

The Board of Directors, therefore, in its special meeting held on May 5, 2020, adopted a resolution allowing stockholders to participate, and to exercise their right to vote, via remote communication or *in absentia.*

Stockholders as of Record Date must inform the Corporate Secretary of their intention to participate in the meeting via remote communication and to vote *in absentia* by registering at **asmregister.2go.com.ph** on or before **June 10, 2020 (Wednesday)**, subject to the verification and validation by the Corporate Secretary. Stockholders who will participate through remote communication or *in absentia* shall be deemed present for purposes of quorum for the meeting. Voting will be made through a secure online voting facility accessible only to verified stockholders to protect the integrity and secrecy of votes cast.

*The detailed guidelines for participation and voting for this meeting are set forth in the "**Guidelines for Participation via Remote Communication and Voting in Absentia**" appended as **Schedule A** to this Information Statement.*

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

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

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

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

There is no action proposed to be presented to the stockholders that may occasion the exercise of appraisal rights.

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

No director or officer of 2GO at any time since the beginning of the last fiscal year or any nominee for election as a director of 2GO or any associate of any of the foregoing persons has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in the stockholders' meeting other than their re-election to their respective positions.

No director has informed 2GO in writing that he intends to oppose any action to be taken by 2GO at the meeting.

B. CONTROL & COMPENSATION INFORMATION

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

(1) The Registrant has 2,462,146,316 outstanding common shares (net of treasury shares) as of April 30, 2020, 791,736,111 common shares or 32.16% of which have foreign ownership. Each common share shall be entitled to one vote with respect to all matters to be taken up during the annual stockholders' meeting.

(2) The record date for determining stockholders entitled to notice and to vote during the annual stockholders' meeting and also to this information statement is **May 19, 2020**.

(3) At each election for directors, every common stockholder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate his vote by giving one candidate as many votes as the number of such directors multiplied by the number of shares shall equal, or by distributing such votes on the same principle among any number of candidates. The Company also provides an online voting facility where certified stockholders can cast their votes if not attending in person.

For this year's meeting, the Board of Directors has adopted a resolution allowing stockholders entitled to notice of, and to attend, the meeting, to exercise their right to vote *in absentia*. Registration and voting procedures are further detailed in Item 19.

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

Security ownership of certain record and beneficial owners of five per centum (5%) or more of the outstanding capital stock of the Registrant as of April 30, 2020:

Title of Class	Name and Address of Record Owner and Relationship with 2GO	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common	**KGLI-NM Holdings, Inc. (KGLI-NM)** 1103 Pearl of the Orient Condominium, Roxas Boulevard, Ermita, Manila	- Same -	Filipino	867,239,109	35.22%
Common	**SM Investments Corporation (SMIC)** 10th Floor, One E-com Center, Harbor Drive, Mall of Asia Complex, CBP-1, Pasay City	- Same -	Filipino	750,754,812	30.49%
Common	**China-ASEAN Marine B.V. (CAMBV)** 67/F Two International Finance	- Same -	Dutch	550,558,388	22.36%

Security Ownership of Management – Record and Beneficial Owners as of April 30, 2020:

Title of Class	Name of Beneficial Owner and Position	Citizenship	Amount and Nature of Ownership Direct (D) or Indirect (I)	Class of Securities Voting	Percent of Class
Common	**Dennis A. Uy** Chairman	Filipino	**1,100 (D)**	Voting	0.00%
Common	**Francis C. Chua** Vice-Chairman	Filipino	**1,000 (D)** **9,000 (I)**	Voting	0.00%
Common	**Frederic C. DyBuncio** President / Chief Executive Officer	Filipino	**100 (D)**	Voting	0.00%
Common	**Elmer B. Serrano** Director	Filipino	**100 (D)**	Voting	0.00%
Common	**Ma. Concepcion F. de Claro** Director	Filipino	**100 (D)**	Voting	0.00%
Common	**Joseph C. Tan** Independent Director	Filipino	**100 (D)**	Voting	0.00%
Common	**Laurito E. Serrano** Independent Director	Filipino	**100 (D)**	Voting	0.00%
Common	**Chryss Alfonsus V. Damuy** Director	Filipino	**100 (D)**	Voting	0.00%
Common	**Jesus G. Dureza** Independent Director	Filipino	**100 (D)**	Voting	0.00%

Security Ownership of the Directors and Officers in 2GO: Common is 11,800 shares; Preferred – none.

Voting trust holders of 5% or More

No person holds more than five per centum (5%) of a class under a voting trust agreement or similar arrangement.

Changes in Control

On March 31, 2017, SM Investments Corporation (**SMIC**) acquired a 34.5% economic stake in NENACO. For such acquisition, SMIC acquired from China-ASEAN Marine B.V. (**CAM B.V.**) 888,467,234 Series B Preferred Shares of NENACO representing 15.87% of the voting interest for a cash consideration of US$0.14/share or a total amount of US$124.5 Million based on the shares' fair market value.

On 02 May 2017, Chelsea Logistics and Infrastructure Holdings Corp. (**CLIHC**), a subsidiary of Udenna Corporation, entered into agreements to acquire the following shares of KGLI-NM: (i) 43,081 Redeemable Preferred B shares and 200 Common Shares, representing 9.93% of NENACO, voting stock for a total cash consideration of ₱1.19 Billion; and (2) 219,609 Preferred C shares, representing 50.37% of KGLI-NM's voting capital stock for a cash consideration of ₱ 219,609.00.

On 28 June 2018, the PCC cleared the acquisition by CLIHC of KGLI-NM, subject to certain conditions.

Item 5. **Directors and Executive Officers**

DIRECTORS

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

Mr. Dennis A. Uy, 46, Filipino, 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, 71, Filipino, 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, 60, Filipino**,** 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.

Mr. Elmer B. Serrano, 52, 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, 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.

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).

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 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, 46, Filipino, 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, 72, 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. Atty. Dureza was also a senior partner of the Rama Dureza Abarques Law Firm. President Rodrigo Duterte appointed him as Presidential Peace Adviser until he honorably resigned in November 2018. He is now back as Chairman-CEO of the Advocacy Mindanow Foundation and as publisher of the Mindanao Times.

EXECUTIVE OFFICERS

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

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

Mr. Waldo Basilla is the Chief Operating Officer of 2GO Group, Inc. He served as Director of Logistics and Operations of American President Lines for 12 years until he became its Managing Director in Cambodia and Bangladesh. He then became a Senior Director and eventually Head of Retail of Singapore-based APL Logistics, serving the company for a total of 14 years. Mr. Basilla holds a Bachelor of Science degree in Management Engineering from the Ateneo de Manila University and a Masters of Business Administration degree from the University of the Philippines.

Other Corporate Officers

Atty. Mia M. Ormita-Mariñas has been the Corporate Secretary since April 2019. She is a Partner of Martinez Vergara Gonzalez & Serrano. Attorney Ormita-Mariñas holds a Bachelor of Arts in Political Science, Minor in Japanese Studies, from Ateneo de Manila University in 1997 and a Juris Doctor from Ateneo de Manila Law School in 2003. She was admitted to the Philippine Bar in 2004. In 2013, she was admitted to the New York Bar.

Atty. Arthur A. Sy has been the Assistant Corporate Secretary since April 2019. He is the Senior Vice President of Corporate Legal Affairs and Assistant Corporate Secretary at SM Investments Corporation, and is the Corporate Secretary of various major corporations within the SM Group of Companies. He is also the Corporate Secretary of National University. A member of the New York Bar, Mr. Sy holds a Bachelor of Arts degree in Philosophy from the University of Santo Tomas and a Juris Doctor degree from the Ateneo Law School.

Nomination of Members of the Board of Directors

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

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

Chairman:	Joseph C. Tan
Members:	Laurito E. Serrano
	Jesus G. Dureza

The Corporate Governance Committee passes upon the qualifications of, and pre-screens, all candidates and prepares the list of pre-qualified nominees for directorship of the Company, including independent directors for the 2020-2021.

As of date, the following have been nominated for election to the Board of Directors for the ensuing year, 2020-2021:

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

The nominees for independent directors for 2020-2021 are Laurito E. Serrano, Joseph C. Tan, and Jesus G. Dureza.

Period in Which Directors and Executive Officers Should Serve

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

Terms of Office of a Director

The nine (9) directors shall be stockholders and shall be elected annually by the stockholders owning a majority of the outstanding common shares of 2GO for a term of one (1) year and shall serve until the election and qualification of their successors.

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

Significant Employees

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

Family Relationships

There are no other family relationships within the fourth degree of consanguinity known to 2GO.

Involvement in Certain Legal Proceedings

To the knowledge and/or information of 2GO, none of its nominees for election as directors, the present members of its Board of Directors or its executive officers, is presently or during the last five (5) years been involved in any legal proceeding in any court or government agency on the Philippines or elsewhere which would put to question their ability and integrity to serve 2GO and its stockholders.

With respect to its nominees for election as directors, the present members of its Board of Directors and its executive officers, 2GO is not aware that during the past five (5) years up to even date of: (a) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (b) any conviction by final judgment of such person in a criminal proceeding, excluding traffic violations and other minor offenses; (c) such person being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, by any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting such person's involvement in any type of business, securities, commodities or banking activities; and (d) such person being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

Certain Relationships and Related Transactions

In the ordinary course of business, 2GO has transactions with subsidiaries, associates, and other related companies consisting of ship management services, charter hire, management services, courier services, purchases of steward supplies, availment of stevedoring, arrastre, trucking, rental and repair services. 2GO needs these services to complement its services to its freight and passage customers.

The identification of the related parties transacting business with 2GO and how the transaction prices were determined by the parties are discussed in the Notes to the financial statements as of December 31, 2019. 2GO will continue to engage the services of these related parties as long as it is economically beneficial to both parties.

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

Moreover, 2GO and its subsidiaries do not have existing or proposed transactions with parties that are considered outside of the definition of "related parties" but have the influence of negotiating the terms of material transactions that may not be available to other, more clearly independent parties on an arm's length basis.

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

No Director has declined to stand for re-election to the Board of Directors since the date of the last annual meeting because of a disagreement with 2GO on matters relating to the its operations, policies and practices. Resignations by previous members of the Board have been made voluntarily and not due to disagreement on any matter relating to the 2GO's operations, policies or practices.

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

The following table summarizes certain information regarding compensation paid or accrued during the last three fiscal years and to be paid in the ensuing fiscal year to the Chief Executive Officer and each of the four other most highly compensated executive officers. For clarity, the compensation paid is for their duties as part of the management team and not in consideration of their duties as directors of 2GO:

SUMMARY OF COMPENSATION TABLE

President and four (4) most highly compensated executive officers	Year	Salary	Bonuses (13th & 14th Month Pay)
1. Frederic C. DyBuncio. - President and Chief Executive Officer 2. Waldo C. Basilla - Chief Operating Officer of 2GO Group, Inc. 3. Jose S. Ejercito - President of Scanasia Overseas Inc. 4. William Charles Howell - Treasurer and Chief Finance Officer 5. Dan Paulo L. Fernan - Chief Operating Officer - Shipping	2020 (Estimate)	52,436,844	8,739,474
1. Frederic C. DyBuncio. - President and Chief Executive Officer 2. Waldo C. Basilla - Chief Operating Officer of 2GO Group, Inc. 3. Jose S. Ejercito - President of Scanasia Overseas Inc. 4. William Charles Howell - Treasurer and Chief Finance Officer 5. Dan Paulo L. Fernan - Chief Operating Officer - Shipping	2019	49,840,956	8,306,826
1. Frederic C. DyBuncio. - President and Chief Executive Officer 2. Ricardo B. Aguas Jr. - Chief Operating Officer of 2GO Logistics 3. Jose S. Ejercito - President of Scanasia Overseas Inc. 4. William Charles Howell - Treasurer and Chief Finance Officer 5. Mark Matthew F. Parco - Chief Operating Officer – Shipping	2018	44,092,546	5,874,400
New Management 1. Frederic C. DyBuncio. - President and Chief Executive Officer 2. Ricardo B. Aguas Jr. - Chief Operating Officer of 2GO Logistics 3. Jose S. Ejercito - President of Scanasia Overseas Inc. 4. William Charles Howell - Treasurer and Chief Finance Officer 5. Mark Matthew F. Parco - Chief Operating Officer - Shipping **Old Management** 1. Sulficio O. Tagud Jr. - President and Chief Executive Officer 2. Nelson T. Yap – EVP and Group Chief Finance Officer of NENACO 2. Jeremias E. Cruzabra - Treasurer and Chief Finance Officer	2017	35,246,400	5,874,400

4. Jose Manuel L. Mapa – EVP for Enterprise Accounts of 2GO Logistics 5. Fred S. Pajo – EVP and Chief Operating Officer			

The full effect of the merger, both legal and financial, is already reflected in this Information Statement.

2GO has no significant or special arrangements of any kind as regard to the compensation of all officers and directors other than the funded, noncontributory tax-qualified retirement plans covering all regular employees. Once an officer or director has resigned they are no longer entitled to any compensation outside of the qualified retirement plans, if applicable.

Each director receives a monthly allowance of ₱80,000 except for the Chairman of the Board who receives ₱120,000 a month. Further, a per diem of ₱30,000 is given to each Director and ₱45,000 for the Chairman for every Board meeting attended.

Except for the regular company retirement plan, which by its very nature will be received by the officers concerned only upon retirement from 2GO, the above-mentioned directors and officers do not receive any profit sharing nor any other compensation in the form of warrants, options, bonuses etc.

Likewise, there are no standard arrangements that compensate directors directly or indirectly, for any services provided to 2GO either as director or as committee member or both or for any other special assignments.

Item 7. **Independent Public Accountants**

SGV & Co. is being recommended for re-appointment as the Company's external auditor for 2020, for approval by the stockholders at the scheduled Annual Stockholders' Meeting. Representatives of SGV & Co. are expected to be present at the stockholders' meeting, where they are given the opportunity to make a statement should they desire to do so, and to respond to questions from stockholders.

SGV & Co. was appointed as the external auditor of 2GO starting calendar year 2017, with Ms. Josephine H. Estomo as the assigned signing partner. SGV & Co. replaced the previous auditor, R.G. Manabat and Co.

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

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

The members of the Audit Committee are as follows:

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

The Audit Committee and the Board of Directors endorse for stockholder approval the re-appointment of SGV & Co. appointed as the external auditor for the year 2020.

(1) External Audit Fees and Services

	Year ended December 31, 2019	**Year ended December 31, 2018**	**Year ended December 31, 2017**
Audit Fees	**6,300,000**	**6,500,000**	**P 9,510,000**

Audit-Related Fees			
All Other Fees			**55,000**
TOTAL	**6,300,000**	**6,500,000**	**P 9,565,000**

Audit Fees

This represents professional fees paid to SGV & Co. for financial assurance services rendered for 2GO's Annual Financial Statements, review, and opinion for the SEC Annual Report as of December 31, 2019.

In 2017, with the support and approval of the newly-elected members of the audit committee and board of directors, 2GO Management agreed to restate prior period financial statements under SGV & Co. to reflect fairly the state of the business. Audit fees paid to SGV & Co. for the special audit amounted to ₱5,510,000.00.

All Other Fees

This represents fees for services paid to SGV & Co. for other consultancy services rendered.

Audit services provided to 2GO by external auditor SGV & Co. have been pre-approved by the Audit Committee and recommended to the Board of Directors for approval. The Audit Committee has reviewed the magnitude and nature of these services to ensure that they are compatible with maintaining the independence of the external auditor.

Item 8. **Compensation Plans**

No action will be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. **Authorization or Issuance of Securities Other than for Exchange**

No action will be presented for shareholders' approval at this annual meeting which involves authorization or issuance of any securities.

Item 10. **Modification or Exchange of Securities**

No action will be presented for shareholders' approval at this annual meeting which involves the modification of any class of the Company's securities, or the issuance of one class of the Company's securities in exchange for outstanding securities of another class.

Item 11. **Financial and Other Information**

Representatives of the Company's external auditor, SGV & Co., are expected to be present at the annual meeting, and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions from the shareholders.

Item 12. **Mergers, Consolidations, Acquisitions and Similar Matters**

The Board of Directors, at its regular meeting held on 23 February 2018, approved the Group's internal restructuring involving the merger of 2GO with NENACO, with 2GO as the surviving corporation. Considering the fact that NENACO and 2GO own, hold and manage various assets for the same beneficial owner and is part of one Group, with NENACO being parent company of 2GO, their respective Board of Directors deemed it necessary and advisable to merge the two companies, in order to achieve greater efficiency and economy in the management and operations of both companies to the Companies' and their stockholders' advantage.

The merger was deemed an internal restructuring exempt from compulsory notification to the Philippine Competition Commission on 20 June 2018.

The effective date of the merger was on January 1, 2019, pursuant to the Plan of Merger approved by the SEC. Each stockholder of NENACO approving the merger received common shares of stock in 2GO using the exchange or swap ratio of 0.26 share in 2GO for every one (1) NENACO share.

As of January 1, 2019, NENACO was folded into 2GO. 2GO, in turn, is now directly owned by entities that formerly held indirect interests in NENACO.

Item 13. **Acquisition or Disposition of Property**

No action will be presented for shareholders' approval at this annual meeting which involves the acquisition or disposition of any property.

Item 14. **Restatement of Accounts**

No action will be presented for shareholders' approval at this annual meeting which involves the restatement of any of the Company's assets, capital or surplus account.

D. OTHER MATTERS

Item 15. **Action with Respect to Reports**

During the Annual Stockholders' Meeting held on April 11, 2019 at Okada Manila, Parañaque City, a total of 2,408,611,660 shares were present, in person or by proxy, representing approximately 97.82% of the outstanding shares of 2GO.

The Stockholders approved the Minutes of the Previous Annual Stockholders Meeting held last April 5, 2018, ratified the resolutions passed by its Board of Directors and the President covering the period from April 5, 2018 up to April 11, 2019, and noted the Management and Financial Reports for 2018. The Stockholders likewise cast all their votes equally in favor of the 9 individuals nominated as Directors who shall serve for the ensuing year and until their successors are duly elected and qualified.

The minutes of the last annual stockholders' meeting held on April 11, 2019 (attached as **Annex A**) and the Annual Report of Management for the year ended December 31, 2019 will be submitted to the stockholders for their approval.

Item 16. **Matters Not Required to be Submitted**

All corporate actions to be taken up at the annual stockholders' meeting on April 23, 2020 will be submitted to the stockholders of 2GO for their approval in accordance with the requirements of the Corporation Code.

Item 17. **Amendment of Charter, By-laws or Other Documents**

No action will be presented for stockholders' approval at this year's annual meeting with respect to the amendment of the Company's Articles of Incorporation and By-Laws.

Item 18. **Other Proposed Actions**

The ratification of all acts of the Board of Directors and Board Committees for the period starting April 11, 2019 shall be submitted, for ratification, to the stockholders representing at least a majority of the outstanding voting capital stock.

These acts were adopted primarily in the ordinary course of business (including those which have been the subject of previous disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange during said period), such as but not limited to:

Date of Disclosure	Subject
May 5, 2020	Amended Notice of Annual Meeting of Stockholders
February 27, 2020	Notice of Annual Meeting of Stockholders
October 9, 2019	Sale of SuperCat Fast Ferry Corporation
September 23, 2019	SEC Approval of Amendments to Articles of Incorporation (Secondary Purpose and Corporate Term)

The delegation to the Board of Directors of authority to amend the by-laws of the Corporation shall be submitted for approval of the stockholders. The Board of Directors shall be delegated authority to amend the by-laws in order to facilitate from time to time alignment of the provisions of the By-laws with the Revised Corporation Code and other Corporate Governance regulations covering publicly-listed companies. This delegation aims to strengthen the corporate governance of the Corporation

The election of the Board of Directors shall likewise be submitted to the stockholders for their approval.

Item 19. **Voting Procedures**

(a) Vote Requirement

All actions to be taken at the Annual Stockholders' Meeting shall require the vote of the stockholders representing at least a majority of the Company's outstanding capital stock.

There are no items which require the affirmative vote of two-thirds (2/3) of the Company's outstanding capital stock.

(b) Vote Counting

Each stockholder entitled to vote may do so in person or by proxy, for each share of stock held by him. As provided in Section 7, Article II of the By-laws of 2GO, except upon demand by any stockholder, votes shall upon any question be by viva voce or show of hand, except with respect to procedural questions that shall be determined by the Chairman of the meeting.

For this year's Annual Stockholders' Meeting, the Board of Directors approved a resolution allowing stockholders to participate in the meeting via remote communication and to vote *in absentia*.

Stockholders as of Record Date who have successfully registered their intention to participate in the annual meeting via remote communication and to vote in absentia, duly verified and validated by the Company, shall be provided with unique log-in credentials to securely access the voting portal.

Stockholders and proxy holders can then cast their votes on specific matters for approval, including the election of directors. Votes will then be automatically tabulated and counted at the close of voting for each agenda item during the meeting.

The Corporate Secretary is tasked and authorized to validate, count and tabulate votes by stockholders. For this year's annual meeting, Alberto, Pascual and Associates (APA) has been engaged and appointed to independently count and validate tabulation of stockholder votes.

Pursuant to the Company's By-laws, duly accomplished proxy forms must be submitted to the Corporate Secretary five (5) business days prior the meeting. Duly signed proxy forms should therefore be submitted no later than June 10, 2020 at the Office of the Corporate Secretary at the 33rd Floor The Orient Square, F. Ortigas Jr. Road, Ortigas Center, Pasig City for validation. A sample format of the proxy form is here attached and will also be available at the Company website at www.2go.com.ph/asm2020.

The Corporate Secretary will lead the validation of proxies, in coordination with 2GO's stock and transfer agent, and attended by APA as independent validator and tabulator of votes. Any questions and issues relating to the validity and sufficiency of proxies, both as to form and substance, shall be resolved by the Corporate Secretary. The Corporate Secretary's decision shall be final and binding on the stockholders, and those not settled at such forum shall be deemed waived and may no longer be raised during the meeting.

The detailed guidelines for participation and voting for this meeting are set forth in the "Guidelines for Participating via Remote Communication and Voting in Absentia" appended as Schedule "A" to this Information Statement.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasay on May 19, 2020.

Arthur A. Sy
Assistant Corporate Secretary

MANAGEMENT REPORT

I. CONSOLIDATED AUDITED FINANCIAL STATEMENTS

The Consolidated Audited Financial Statements of the Company and its subsidiaries for the year ended and as of December 31, 2019 and the Unaudited Interim Financial Statements of the Company and its subsidiaries as of and for the three months ended March 31, 2020 are attached to this report.

II. DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

There were no disagreements with SGV and Co. in 2019 with regard to any matter relating to accounting principles or practices or financial disclosures or auditing scope or procedure.

III. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The financial information for the three months ended March 31, 2020 are as follows:

Results of Operations for the Three Months Ended March 31, 2020 and 2019

Amounts in millions		Mar 31, 2020		Mar 31, 2019	% Change
Revenue	**₱**	**5,161**	**₱**	**5,486**	**(6%)**
Costs of Services and Goods Sold		4,870		5,145	5%
Gross Profit		**291**		**341**	**(15%)**
General and Administrative Expenses		333		395	16%
Other Operational Expenses		-		-	-
Operating Income		**(42)**		**(54)**	**23%**
Other Charges		55		118	53%
Provision for Income Tax		13		16	18%
Net Income (Loss) from Continuing Operations	**₱**	**(111)**	**₱**	**(188)**	**41%**
Net Income (Loss) from Discontinued Operations	₱	-	₱	(180)	100%
Net Income (Loss)	**₱**	**(111)**	**₱**	**(368)**	**70%**
Add back:					
Financing Charges (Interest)		100		114	12%
Provision for Income Tax		13		16	18%
Depreciation and Amortization		488		659	26%
EBITDA	**₱**	**492**	**₱**	**421**	**17%**

2GO Group, Inc. and subsidiaries (2GO or the Group) incurred a Net Loss of ₱111 million for the 1st quarter of 2020, an improvement compared to Net Loss of ₱368 million during the same period in 2019.

Group revenue declined 6% for the 1st quarter of 2020 compared to the same period in 2019 primarily due to the reduced economic activity brought about by the COVID-19 pandemic. Shipping revenue is at the same level as last year as freight revenue increased, however this was weighed down by reduced travel revenue especially during the last two weeks of March. for the period. Revenue from Non-shipping (Logistics and Distribution) decreased by 9%, due to reduced transport/delivery volumes for several of the Group's Logistics services, which in turn offset growth in the Distribution business. The Group experienced a slowdown in ecommerce inbound transactions from other countries and their related local deliveries as a result of decreased output from China, ASEAN and the rest of the world. For the 1st quarter of 2020, Shipping accounted for 34% and Non-shipping accounted for 66% of total revenue, compared to 32% and 68% respectively, for the same period in 2019.

Total cost and expenses were lower in the 1st quarter of 2020 compared to 2019, despite rising transport costs for the Logistics business and increased sales of inventory from the Distribution business. Fuel prices decreased by 32% where 2GO had a favorable price variance of ₱191 million for the quarter. All other costs and expenses were generally maintained or reduced due to improvements in efficiencies and focus on controlling costs.

Financial Position as of March 31, 2020 and December 31, 2019

Amounts in millions	As of Mar 31, 2020		Dec 31, 2019	% Change
Current Assets	₱	8,939	₱ 7,864	14%
Noncurrent Assets		8,256	8,536	(3%)
Total Assets	**₱**	**17,196**	**₱ 16,400**	**5%**
Current Liabilities	₱	9,917	₱ 8,883	12%
Noncurrent Liabilities		3,884	3,962	(2%)
Total Liabilities	**₱**	**13,801**	**₱ 12,846**	**7%**
Total Equity		3,395	3,555	(4%)
Total Liabilities and Equity	**₱**	**17,196**	**₱ 16,400**	**5%**

Total Assets increased 5% to ₱17.2 billion, while Total Liabilities increased 7% to ₱13.8 billion.

Assets
Current Assets increased 14% to ₱8.9 billion from ₱7.9 billion. Cash and Cash Equivalents increased 82% to ₱1.6 billion from 0.9 billion. Trade and Other Receivables, net of Allowance for Doubtful Accounts, decreased 2% to ₱ 4.2 billion from ₱4.3 billion.

Noncurrent Assets decreased 3% to ₱8.3 billion from ₱8.5 billion.

Liabilities
Current Liabilities increased 12% to ₱9.9 billion from ₱8.9 billion. Short-term Notes Payable increased 29% to ₱3.5 billion from ₱2.7 billion. Trade and Other Payables increased 5% to ₱6.0 billion from ₱5.7 billion.

Noncurrent Liabilities decreased 2% to ₱3.9 billion from ₱4.0 billion.

Equity
Total Equity decreased 4% to ₱3.4 billion from ₱3.6 billion primarily due to the Net Loss generated during the quarter.

Key Performance Indicators

The following are the key financial ratios of the Group for the quarter ended March 31, 2020 and 2019 and as of March 31, 2020 and December 31, 2019.

	Mar 31, 2020	Mar 31, 2019 As re-presented
Revenue Growth	(6%)	11%
Net Income Margin	(2%)	(7%)
EBITDA (in Millions of Pesos)	₱ 492	₱ 421
EBITDA Margin	10%	8%
	As of **Mar 31, 2020**	**Dec 31, 2019**
Current Ratio	0.9	0.9
Interest Bearing Debt to Total Equity	1.8	1.5
Total Liabilities (less effect of PFRS 16) to Total Equity	3.7	3.2
Total Liabilities to Total Equity	4.1	3.6

Revenue decreased 6% in 2020, while Net Income Margin improved to -2% in 2020 vs. -7% in 2019. EBITDA and EBITDA Margin remained positive at ₱492 million and 10% in 2020, and ₱421 million and 8% in 2019.

Current Ratio is at the same level as of March 31, 2020 and December 31, 2019. Interest Bearing Debt to Total Equity increased to 1.8 as of March 31, 2020 from 1.5 as of December 31, 2019, while Total Liabilities to Total Equity increased to 4.1 from 3.6. Excluding the effect of the adoption of PFRS 16, Total Liabilities to Total Equity increased to 3.7 from 3.2.

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

Refer to 2GO's Group, Inc. and Subsidiaries unaudited interim consolidated financial statements as of and for the three months ended March 31, 2020 for details and disclosures.

Company Outlook

2GO Group continues to serve its customers and stakeholders as the Philippines' largest end-to-end logistics solutions provider in the Philippines. The shipping group operates interisland roll-on/roll-off freight and passenger vessels and interisland freighters. 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.

Effect of COVID-19

On March 8, 2020, the Office of the President, under Proclamation 922, declared a state of public health emergency and subsequently on March 16, 2020, under Proclamation 929, placed the entire Philippines under a state of calamity due to the spread of the Novel Corona Virus Disease (COVID-19). As part of these declarations and to manage the spread of the disease, the entire island of Luzon was placed under an Enhanced Community Quarantine (ECQ), effective from March 17, 2020 initially until April 12, 2020. The ECQ was further extended until May 15, 2020 and was transformed into a Modified Enhanced Community Quarantine (or "MECQ") initially until May 31, 2020. These Government-mandated ECQs involved various attendant measures including, but not limited to, travel restrictions, home quarantine, and temporary suspension or regulation of business operations thereby limiting commercial and similar activities related to the provision of essential goods and services.

2Go Group, Inc. and subsidiaries, being engaged in the shipping and logistics businesses across its various business units, has been significantly affected by the aforesaid declaration. This resulted in limited business operations in Luzon and in many other parts of the country. Given the restricted mobility in and out of the country and the curtailed economic activities affecting demand not only in the Philippines but in other countries, the Group expects a decline in sales/revenue volumes during the period and the subsequent months beyond the lifting of the aforesaid MECQ.

During the first quarter of 2020, the reduction in sales has not been very significant thus far, and management continues to evaluate and forecast the potential adverse impact of the Covid19 outbreak in future reporting quarters in 2020 and beyond. In Shipping, it is reasonable to expect a slowing of growth in the passenger travel category as the national government is currently restricting domestic travel throughout the Philippines. 2GO's sea freight cargo services category is expected to operate at below normal levels as local and multinational customers focus on the movement of essential consumer goods throughout the Philippines to supply and restock retail locations.

In Logistics, warehousing, cross-dock, and land transport services are similarly at below normal levels as 2GO delivers essential goods as customers supply and restock retail locations. Express air cargo services have slowed as domestic flights in and out of Metro Manila are currently restricted by the national government, however services continue for essential goods which shifted to utilizing our sea freight cargo services. The Distribution business continues to operate at near normal levels to fulfill customer orders of essential fast-moving consumer goods in both the food and non-food categories. These are delivered end to end by the Shipping and Logistics businesses.

The Group has already activated its Business Continuity Implementation Plan and has taken steps to manage the risk of disruption in the value chain both inbound and outbound, including the potential overall economic impact and the effects of the business disruptions in other business entities, some of which are integral to the value-chain of the Group. The Group, therefore, continuously monitors developments in the domestic and international markets for any further slowdown in economic activities and the drastic shift in customer or market behaviors or preferences that may eventually depress sales, place pressure on the deployment of certain assets, and impair the realizability of trade receivables and other similar working capital items. The Group is in touch with national and local authorities with respect to regulations, advisories and similar directives during this time.

As part of the Group's commitment to customer and employee health and safety and its regulatory compliance, the Group has likewise implemented stringent safety and precautionary measures, including disinfecting and sanitizing facilities, implementation of work-from-home schemes for its employees, and imposing social-distancing in the work places, in order to mitigate the risk and ensure continuity of business operations during this time of pandemic. Also, as part of its corporate social responsibility, 2Go Group waived revenues and incurred direct expenses in favor of certain Philippine Government relief and medical efforts to address the Covid19 outbreak.

The foregoing events as of the date of this report will ultimately be reflected in the financial position and performance of the Group for the rest of the year ending December 31, 2020. Considering the evolving nature of this outbreak, the Group cannot reasonably estimate at this time the length and severity of this pandemic, or the extent to which the disruption may materially impact the Group's consolidated financial position, consolidated results of operations and consolidated cash flows for the year ending December 31, 2020 onwards.

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

The Financial information for the three years ended December 31, 2019, 2018 and 2017 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	₱	**21,410**	₱	**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	₱	**(419)**	₱	**(1,030)**	**59%**
Net Income (Loss) from Discontinued Operations	₱	(473)	₱	(440)	(8%)
Net Income (Loss)	₱	**(892)**	₱	**(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	₱	**1,947**	₱	**1,162**	**68%**

2GO Group, Inc. (**2GO**) and subsidiaries (collectively referred to as the **Group**) generated ₱48 million in Operating Income from Continuing Operations in 2019, an improvement from its Operating Loss from Continuing Operations of ₱693 million in 2018. Net Loss from Continuing Operations was ₱419 million in 2019, an improvement of 59% from losses of ₱1.0 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 ₱473 million 2019 and ₱440 million in 2018. Net Loss in total was ₱ 892 million in 2019, an improvement of 39% from the Net Loss of ₱1.5 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 ₱ 124 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 ₱650 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

Amounts in millions		As of Dec 31, 2019		Dec 31, 2018	% Change
Current Assets	₱	7,864	₱	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	**₱**	**16,400**	**₱**	**16,835**	**(3%)**

Total Assets decreased 3% to ₱16.4 billion from ₱16.8 billion in 2018. Total Liabilities increased by 4% to ₱12.8 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 ₱8.0 billion in 2018. Cash and Cash Equivalents decreased 37% to ₱893 million in 2019 from ₱1.4 billion in 2018. Trade and Other Receivables, net of Allowance for Doubtful Accounts, were consistent at ₱4.3 billion in 2019, from ₱4.2 billion in 2018 even as revenue grew YoY as 2GO continues to focus on collections.

Noncurrent Assets decreased 3% to ₱8.5 billion in 2019 from ₱8.8 billion in 2018.

Liabilities
Current Liabilities remained consistent at ₱8.9 billion for 2019 and 2018. Short-term Notes Payable remained consistent at ₱2.7 billion in 2019 and 2018. Trade and other payables decreased 4% to ₱5.7 billion in 2019 from ₱6.0 billion in 2018.

Noncurrent Liabilities increased 16% to ₱4.0 billion from ₱3.4 billion as of December 31, 2019 and 2018 mainly due to the adoption of PFRS 16 and an increase in accrued retirement benefits to ₱338.8 million in 2019 from ₱211.4 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 As re-presented
Revenue Growth		9%		1%
Net Income Margin		(4%)		(7%)
EBITDA (in Millions of Pesos)	₱	1,947	₱	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 ₱1.9 billion and 9% in 2019, up 68% from ₱1.2 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 + Inc 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.

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

Amounts in millions		Dec 31, 2018		Dec 31, 2017	% Change
Revenue	₱	**19,666**	₱	**19,287**	**2%**
Costs of Services and Goods Sold		18,435		16,904	(9%)
Gross Profit		**1,231**		**2,383**	**(48%)**
General and Administrative Expenses		1,923		2,340	18%
Other Operational Expenses		-		-	-
Operating Income		**(693)**		**43**	**(1,699%)**
Other Charges		250		191	(31%)
Provision for Income Tax		87		230	62%
Net Income (Loss) from Continuing Operations	₱	**(1,030)**	₱	**(378)**	**(172%)**
Net Income (Loss) from Discontinued Operations	₱	(440)	₱	71	(718%)
Net Income (Loss)	₱	**(1,470)**	₱	**(307)**	**(379%)**
Add back:					
Financing Charges (Interest)		322		401	20%
Provision for Income Tax		87		230	62%
Depreciation and Amortization		2,223		2,009	(11%)
EBITDA	₱	**1,162**	₱	**2,333**	**(50%)**

Revenue from continuing operations increased by 2% in 2018 from 2017. Revenues from the Shipping business increased by 10%, mainly due to gross presentation of certain revenue streams as required by the new accounting standard (PFRS 15, Revenue from contracts with customers) beginning January 1, 2018. Shipping revenues were also affected by weather (e.g., typhoons, storms, rough seas), which canceled voyages over the course of the year. The overcapacity and competition in the Freighter market likewise continue to push down freight rates.

Revenue from Non-shipping business (Logistics and Distribution) decreased 2%. Revenue from Logistics and other services decreased by 7% as a result of the rationalization of unprofitable accounts. The distribution business, on the other hand, increased its revenue by 4%. The Non-shipping business accounted for 63% of total revenue during 2018 vs. 66% during 2017.

Total cost and expenses were maintained despite the rising fuel prices during the year and increased sales of inventory from our Distribution business. General and Administrative Expenses decreased YoY by 18% in 2018 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.

2GO Group, Inc. and subsidiaries posted a Net Loss after Tax of ₱1.5 billion for the year ended December 31, 2018, a decrease compared to Net Loss of ₱307 million during the same period in 2017.

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

		As of			
Amounts in millions		Dec 31, 2018		Dec 31, 2017	% Change
Current Assets	₱	8,006	₱	8,798	(9%)
Noncurrent Assets		8,828		9,519	(7%)
Total Assets	₱	**16,835**	₱	**18,317**	**(8%)**
Current Liabilities	₱	8,871	₱	11,660	(24%)
Noncurrent Liabilities		3,427		614	459%
Total Liabilities	₱	**12,298**	₱	**12,273**	**0%**
Total Equity		4,537		6,043	(25%)
Total Liabilities and Equity	₱	**16,835**	₱	**18,317**	**(8%)**

Total Assets decreased 8% to ₱16.8 billion, while Total Liabilities remained flat at ₱12.3 billion from 2017 to 2018.

Assets

Current Assets decreased 9% to ₱8.0 billion from ₱8.8 billion. Cash and Cash Equivalents decreased 35% to ₱1.4 billion from ₱2.2 billion. Trade and Other Receivables, net of Allowance for Doubtful Accounts, decreased 3% to ₱ 4.2 billion from ₱4.3 billion.

Noncurrent Assets decreased 7% to ₱8.8 billion from ₱9.5 billion.

Liabilities

Current Liabilities decreased 24% to ₱8.9 billion from ₱11.7 billion, as the Group refinanced the outstanding balance of its long-term loan. Short-term Notes Payable increased 2% to ₱2.7 billion from ₱2.6 billion, while the current portion of Long-term Debt decreased 97% to ₱0.1 billion from ₱3.1 billion. Trade and Other Payables increased by 4% to ₱6.0 billion in 2019 from ₱5.8 billion.

Noncurrent Liabilities increased to ₱3.4 billion from ₱0.6 billion as of December 31, 2018 and 2017, mainly due to the increase in Long-term Debt (net of the current portion). Prior to the refinancing, the Long-term Debt was classified under Current Liabilities.

Equity

Total Equity decreased 25% to ₱4.5 billion from ₱6.0 billion primarily due to the Net Loss generated in 2018.

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

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

Key Performance Indicators

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

	Dec 31, 2018	Dec 31, 2017 As re-presented
Revenue Growth	2%	1%
Net Income Margin	(7%)	(2%)
EBITDA (in Millions of Pesos)	₱ 1,162	₱ 2,333
EBITDA Margin	6%	12%
	As of Dec 31, 2018	Dec 31, 2017
Current Ratio	0.9	0.8
Interest Bearing Debt to Total Equity	1.3	1.0
Total Liabilities to Total Equity	2.7	2.0

Revenue increased 2% in 2018, Net Income Margin decreased to -7% in 2018 vs. -2% in 2017.

EBITDA and EBITDA Margin remained positive at ₱1.1 billion and 6% in 2018, and ₱2.3 billion and 12% in 2017.

Current Ratio increased to 0.9 from 0.8 as of December 31, 2018 and 2017. Interest Bearing Debt to Total Equity increased to 1.3 from 1.0, and Total Liabilities to Total Equity increased to 2.7 from 2.0.

The Group calculates the key financial ratios as follows:

Revenue Growth	(Total Rev current period / Total Revenue prior period) – 1
Net Income Margin	Net Income / Total Revenue
EBITDA	Net Income + Interest + Inc 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 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 operates ocean-going freighters, roll-on/roll-off freight and passenger vessels, and fast ferry passenger vessels. The logistics group offers transportation, warehousing and distribution, cold chain solutions, domestic and international ocean and air forwarding services, customs brokerage, project logistics, and express and last mile package and e-commerce delivery. The distribution group leverages 2GO's shipping and logistics services to provide value-added distribution services to principals and customers.

For 2019, the Group continues its corporate governance initiatives, and aims to expand and further enhance its service offerings to its customers and stakeholders. The Group plans to achieve this through more streamlined operations and collaboration within its business units, investment in warehousing and logistics information technology solutions for customers, and synergies and best practices from its new shareholders. Management is confident that 2GO will further its growth and become an even stronger logistics solutions provider going forward.

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

Note: Figures presented below are not comparable to the figures in previous sections as figures below do not reflect: (a) the effect of 2GO-NN merger on January 1, 2019; (b) PFRS 15, Revenue from contracts with customers and PFRS 16 Leases; (c) discontinued operations.

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

2GO reported ₱21.6 billion of Revenue in 2017, 13% higher than 2016, and Net Loss of ₱310 million in 2017 versus Net Income of ₱344 million in 2016.

Revenue increased 13% in 2017. Non-shipping revenue increased 30% (Logistics and Distribution), while Shipping revenue decreased by 6%.

Costs of Services and Goods Sold increased by 22% in 2017, driven primarily by the increase in fuel prices, costs of inventory sold in the Distribution business, and non-recurring costs. Non-recurring costs primarily consist of vessel layup costs and provisions for unsettled claims.

General and Administrative Expenses decreased 7% in 2017 primarily due to management's focus on controlling costs.

Financial Position as of December 31, 2017 and 2016

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

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

Assets
Current Assets increased 13% to ₱8.6 billion from ₱7.6 billion. Cash and Cash Equivalents increased 48% to ₱2.1 billion from ₱1.4 billion. Trade and Other Receivables, net of Allowance for Doubtful Accounts, increased 4% to ₱4.4 billion from ₱4.2 billion, while Revenue increased 13% in 2017 from 2016.

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

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

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

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

Key Performance Indicators

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

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

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

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

Revenue Growth remained robust in 2017 with an increase of 13% from 2016. Net Income Margin decreased to negative 1% in 2017 from positive 2% in 2016.

EBITDA and EBITDA Margin were ₱2.2 billion and 10% in 2017, and ₱2.6 billion and 14% in 2016.

The Group calculates the key financial ratios as follows:

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

Company Outlook

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

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

NON-FINANCIAL DISCLOSURE REQUIREMENTS

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

2GO Group, Inc. (2GO) was incorporated in the Philippines on May 26, 1949. Under the Revised Corporation Code of the Philippines, 2GO shall have a perpetual corporate life. 2GO and its subsidiaries provide shipping, logistics and distribution services to individuals, small and medium enterprises, large corporations, and government agencies throughout the Philippines.

2GO owns and operates a fleet of interisland roll-on/roll-off (ROPAX) freight and passenger vessels that are engaged in the movement of people and goods, operating under the brand names '2GO Freight' for its sea cargo business and '2GO Travel' for its passenger business.

1. 2GO FREIGHT

2GO Freight provides door-to-door and pier-to-pier land transportation and shipping of raw materials and finished goods via its shipping containers, whether full container load (FCL), less container load (LCL) or loose cargo.

2. 2GO TRAVEL

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

Significant Subsidiaries of 2GO

1. 2GO Express, Inc.

2GO Express Incorporated provides land, air, and sea transportation including courier services, general cargo, sea cargo services, and last mile delivery for e-commerce. 2GO Express operates a nationwide network of retail outlets and partner agents. In partnership with leading international courier companies, 2GO Express also provides international express document, parcel, and cargo delivery services.

2GO Express' Subsidiaries

2GO Logistics, Inc.

2GO Logistics provides transportation and warehousing solutions to principals throughout the Philippines, including inventory management, trucking, crossdocking, and domestic freight. 2GO Logistics leverages the Group's collective capability to serve customers nationwide given its expansive physical infrastructure of warehouses, trucks, and vessels. Through investment in modern enabling technology and process improvement, 2GO Logistics aims to provide services at the standard of international third-party logistics providers.

ScanAsia Overseas Inc. (SOI)

ScanAsia Overseas Inc. (SOI) is the Distribution business unit of the 2Go Group. It completes the end to end proposition of the 2GO Group by making products of principals available at store shelves of various retail customers nationwide. SOI traces its roots to specialist distribution services for the Dairy category by representing leading brands in various Modern Trade and Food Service outlets. SOI has expanded its distribution footprint to the FMCG category and the Pharma-Convenience store channel.

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

Kerry Logistics (Phils.), Inc. (KLPI) was established in 2009 by way of a joint venture entered into by 2Go Group Inc., through 2Go Express, and Kerry Logistics Network Limited of Hong Kong. KLPI has strategically located branches and warehouses in Manila, Luzon, Visayas and Mindanao offering diverse services, including international and domestic air and sea freight forwarding, cargo consolidation, warehousing and domestic distribution, dangerous goods handling, customs brokerage, building logistics and exhibition logistics.

WRR Trucking Corporation (WTC)

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

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

SCVASI provide innovative and strategic transportation solutions in the cold chain and liquid transportation sector, including temperature-controlled vans and trucks (Reefer Containers for FCL and LCL), hauling service for bulk liquids (domestic and international ISO tank and Flexibags). SCVASI is also engaged in project logistics, serving both private and public sectors in industries including infrastructure, power, telecommunications, mining, and property.

DESCRIPTION OF PROPERTY

Vessel Fleet

As of December 31, 2019, 2GO and its subsidiaries own and operate a fleet of nine (9) operating vessels, consisting of eight (8) RoRo/Pax vessels and one (1) freighter. 2GO's operating vessel fleet has a combined Gross Registered Tonnage of approximately 103,295, total passenger capacity of approximately 3,487,582 passengers and aggregate cargo capacity of approximately 311,854 twenty-foot equivalent units (TEUs).

Currently, 2GO operates five (5) large RoRo/Pax vessels calling on Manila as their homeport. These vessels sail from Luzon to Visayas and Mindanao, including Palawan. Further, 2GO operates three (3) medium-sized vessels with Batangas as their homeport, plying on the Batangas-Caticlan-Odiongan and the Batangas-Romblon-Roxas routes. 2GO also operates one (1) purely-cargo vessel to complement its freight business.

Land, Buildings and Warehouses

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

Ports of call

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

Market Share

As of December 31, 2019, 2GO continues to dominate the Philippine Sea Travel with 95% passage market share in and out Manila. Freight market share is at 23%, still among the market leaders even with competitors adding more ships. **Legal Proceedings**

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

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

A. Market Information

The Common Stock of the Corporation is listed at the Philippine Stock Exchange. As of April 30, 2020, the market price of 2GO's common stock is P10.60 per share.

Below is the range of high and low daily closing prices for 2GO's common equity for each quarter within the last three fiscal years and any subsequent interim period:

	HIGH	LOW
2019		
First Quarter	15.02	11.88
Second Quarter	13.08	9.55
Third Quarter	11.30	9.80
Fourth Quarter	11.18	9.42
2018		
First Quarter	22.85	17.42
Second Quarter	18.82	14.88
Third Quarter	15.16	11.00
Fourth Quarter	16.64	9.60
2017		
First Quarter	9.58	7.40
Second Quarter	29.15	11.50
Third Quarter	25.00	19.10
Fourth Quarter	20.45	16.34

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

B. Stockholders

The number of common shareholders of record as of April 30, 2020 is 5,118. The top 20 common stockholders as of December 31, 2019 are as follows:

	Name	No. of Shares	Percentage
1	KGLI-NM HOLDINGS, INC. (FILIPINO)	867,239,109	35.22%
2	SM INVESTMENTS CORPORATION (FILIPINO)	750,754,812	30.49%
3	CHINA-ASEAN MARINE B.V. (DUTCH)	550,558,388	22.36%
4	PCD NOMINEE CORPORATION (FOREIGN)	240,788,466	9.78%
5	PCD NOMINEE CORPORATION (FILIPINO)	26,749,417	1.09%
6	ABACUS SECURITIES CORPORATION (FILIPINO)	1,530,000	0.06%
7	CONSTANTINE TANCHAN (FILIPINO)	1,262,500	0.05%
8	SANTIAGO TANCHAN III (FILIPINO)	1,262,500	0.05%
9	FIRST METRO INVESTMENT CORPORATION	648,651	0.03%
10	PHILIPS MULTI EMPLOYER RETIREMENT PLAN	631,250	0.03%
11	RAMON RIVERO (FILIPINO)	600,000	0.02%
12	DOLL AGRICULTURAL CORPORATION	519,999	0.02%
13	AMA RURAL BANK OF MANDALUYONG, INC.	441,875	0.02%
14	SUMMIT SECURITIES, INC.	440,963	0.02%
15	ELIZABETH CHIU (FILIPINO)	378,750	0.02%
16	JULIO & FLORENTINA LEDESMA FOUNDATION, INC.	338,500	0.01%
17	RAMON R. RIVERO (FILIPINO)	320,000	0.01%
18	LILIAN S. LIM	315,625	0.01%
19	DANIEL LACSON, JR. (FILIPINO)	269,708	0.01%
20	BONIFACIO O. DOROY	222,960	0.01%

As of April 30, 2020, the total number of shares owned by the public is equivalent to 293,582,207 shares or equivalent to 11.9%.

C. Dividends Declaration

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

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

CORPORATE GOVERNANCE

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

BOARD STRUCTURE

The 2GO Board is composed of nine (9) members — seven (7) non-executive directors and two (2) executive directors. Of the nine (9), there are four (4) independent directors, including the Vice Chairman, who are experts in their respective fields.

Chairman :	Dennis A. Uy
Members :	Francis C. Chua, Independent Director
	Frederic C. DyBuncio
	Ma. Concepcion F. de Claro
	Elmer B. Serrano
	Laurito E. Serrano, Independent Director
	Joseph C. Tan, Independent Director
	Jesus G. Dureza, Independent Director
	Chryss Alfonsus V. Damuy, Director

To encourage balance between the Board and Management, the roles of the Chairman of the Board, a non-executive director, and the Chief Executive Officer (CEO) are held by two (2) separate individuals. This fosters an appropriate balance of power, increased transparency, accountability and control over the Company's operations.

BOARD COMMITTEES

The Board is further assigned to the following committees—the Executive Committee, Audit Committee, Corporate Governance Committee, Risk Oversight Committee, and the Related Party Transaction Committee. The Board and its committees oversee and advise management in developing 2GO's financial and business goals, oversee its public disclosures and the processes behind them, and evaluate management's performance in pursuing and achieving those goals. Each Committee has a Charter that may be found on the 2GO website.

AUDIT COMMITTEE

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

The committee members are as follows:

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

As part of its responsibility to encourage open communication, the committee meets periodically with management, internal audit function, and the external auditor in separate sessions to discuss the results of operations and its evaluation of 2GO's internal control system. It reviews and approves the internal audit plan; reviews internal and external audit performance; monitors results of audit activities and corresponding action plans provided by management; selects and approves external auditor; and presents audited financial statements for Board approval. Furthermore, the Committee reviews and assess the audit master plan on a risk-based approach to identify significant areas of concern that should be prioritized as well as to ensure efficient use of resources during the period.

A detailed Audit Committee Report for 2019 is presented in the Annual Report.

Audit Committee Charter

In compliance with SEC Memorandum Circular No. 4, Series of 2012, the Company has adopted an Audit Committee Charter, which was approved on April 5, 2018 by the Board of Directors, pursuant to the recommendation of the Audit Committee.

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

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee is responsible for assisting the Board of Directors of 2GO in fulfilling its oversight functions related to the Company's overall approach to corporate governance, as well as the matters formerly taken up by the former Nominations Committee and the Compensation and Remuneration Committee. The Committee also takes the lead in promulgating and overseeing the principles of corporate governance by reviewing committee charters, directors' independence as well as code of ethics for executives, employees and directors.

The committee members are as follows:

Chairman:	Mr. Joseph C. Tan (ID)
Members:	Mr. Laurito E. Serrano (ID)
	Mr. Jesus G. Dureza (ID)

RISK OVERSIGHT COMMITTEE

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

The committee members are as follows:

Chairman:	Mr. Jesus G. Dureza (ID)
Members:	Mr. Laurito E. Serrano (ID)
	Mr. Frederic C. DyBuncio

RELATED PARTY TRANSACTION COMMITTEE

The Related Party Transaction Committee is responsible for ensuring that related party transactions are conducted at fair and arm's length. The committee members are as follows:

Chairman:	Mr. Joseph C. Tan (ID)
Members:	Mr. Francis C. Chua (ID)
	Ms. Ma. Concepcion F. de Claro

EXECUTIVE COMPENSATION POLICY

Meritocracy based. This is the corporate compensation philosophy for executive remuneration in 2GO. Commensurate compensation is given based on the annual performance evaluation of its executives. Any change in compensation is subject to full discussion and concurrence by the Board upon the review and recommendation of the Corporate Governance Committee.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The table of the monthly fixed allowance and per diem per meeting attendance of the 2GO Board of Directors in 2019 is shown below.

Compensation	Director	Chairman of the Board
Monthly Fixed Allowance	₱80,000	₱120,000
Board Meeting Per Diem	₱30,000	₱45,000
Committee Meeting Per Diem	₱30,000	₱45,000

CODE OF BUSINESS CONDUCT

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

OUTLOOK

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

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

FURTHER INFORMATION

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

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

INFORMATION TECHNOLOGY GOVERNANCE

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

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

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

ENTERPRISE WIDE RISK MANAGEMENT PROGRAM (ERM)

The Board of Directors sets the overall risk tolerance for 2GO Group, Inc. and delegates the responsibility of managing all the Group's risk exposures to the Risk Oversight Committee. The Committee designed the Risk Management Framework, which was subsequently reviewed and approved by the Board.

Risk Oversight Committee / Board level

- Review and endorsement of the Risk Management Framework;
- Approval of the Enterprise Risk Management Program;
- Oversight of the processes by which risks are managed including:
    - Articulating the overall risk tolerance levels;
    - Monitoring 2GO Group, Inc. Risk Management performance

For 2019, the Group continuously worked on developing the ERM program, addressing Business Continuity Plans of the various business units. Should a risk exposure be unavoidable, the ability to quickly rebound and recover from a threat or disaster has always been the objective. More attention has been given on the technology side as reliance on systems and business applications for operations has steadily increased. All Crisis Management and Emergency Response Teams (ERT) of the business units are training and drilling on a periodic basis to gradually treat or respond to all types of risks the Group is exposed to. The Risk Management Department shall provide support and assistance during the entire process.

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

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

II. Policy Creation
    A. Development of Emergency Response Teams
    B. Business Unit, I.T. Dept. and Internal Audit's role

III. Program Implementation
    A. ERM Risk Treatment Mechanisms
    B. Business Continuity Plans Test
    C. Monitoring and Process Audit

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

AUDIT COMMITTEE REPORT

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

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

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

System of Internal Controls

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

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

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

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

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

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

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

Internal Audit

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

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

The IAD strives to improve on a yearly basis by introducing processes that increases coverage of audit engagements. In 2019, there was an increase in audit and consultancy engagements completed that are timely communicated to management and Audit Committee. There were minimal resignations during the year which contributed to continuing effective performance of the Group's annual audit plan. IAD plans to increase its efficiency by maintaining its competency through internal and external trainings that are relevant to the Group. This is to further demonstrate IAD's continued compliance with existing Internal Audit Standards.

Included in the process of IAD is to continue monitoring the implementation of recommendations and action plans on a regular basis in line with target completion dates set by management. During 2019, IAD conducted regular review of previous engagements and met with various audit clients to ensure completion of action plans committed. Results of these monitoring are communicated accordingly with Senior Management and the Audit Committee. IAD effectively utilizes audit analytics software to efficiently obtain relevant data and continuously review transactions on a daily basis.

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

For 2020, the IAD will be further strengthened to address the internal auditing needs of 2GO.

Corporate Governance

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

External Audit

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

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

2017 Financial Results

On July 7, 2017, the Company filed its restated Audited Financial Statement covering the periods 2015 and 2016, as well as a restatement of its Interim Audited Financial Statement as of March 31, 2017. SGV & Co. was engaged for the special audit to ensure the fair presentation of the financials and establish accountabilities in the Company due to the change in management direction.

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

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

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

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

UNDERTAKING TO PROVIDE WITHOUT CHARGE A COPY OF THE ANNUAL REPORT

Any Stockholder, upon written request, will be provided with a copy of 2GO's Annual Report in SEC Form 17-A without charge. All written requests should be directed at:

INVESTOR RELATIONS OFFICE
2GO GROUP, INC.
8th Floor, Tower 1, Double Dragon Plaza
Macapagal Blvd. Corner EDSA Extension, Pasay City

This Information Statement and the Annual Report in SEC Form 17-A will be posted at 2GO's website: ***http://www.2go.com.ph***

SCHEDULE A

2020 ANNUAL STOCKHOLDERS' MEETING
June 18, 2020 at 2:00 pm

Guidelines for Participating via Remote Communication and Voting *in Absentia*

The 2020 Annual Stockholders' Meeting (**ASM**) of 2GO Group, Inc. (**2GO** or the **Company**) is scheduled on **June 18, 2020 at 2:00pm** and the Board of Directors of the Company has fixed the end of trading hours of the Philippine Stock Exchange on **May 19, 2020** (**Record Date**) as the record date for the determination of stockholders entitled to the notice of, to attend, and to vote at such meeting and any adjournment thereof.

In light of the ongoing community quarantine imposed in several areas of the country and in consideration of health and safety concerns of everyone involved, the Board of Directors of the Company has approved and authorized stockholders to participate in the ASM via remote communication and to exercise their right to vote *in absentia*.

Registration

Stockholder must notify the Corporate Secretary of their intention to participate in the ASM via remote and to exercise their right to vote *in absentia* by no later than **June 10, 2020**, by registering at **asmregister.2go.com.ph** and by submitting there the following supporting documents/information, subject to verification and validation:

- Individual Stockholders
    1. Copy of valid government ID of stockholder/proxy
    2. Stock certificate number/s
    3. If appointing a proxy, copy of proxy form duly signed by stockholder (need *not* be notarized)
    4. Email-address and contact number of stockholder or proxy

- Multiple Stockholders or joint owners
    1. Stock certificate number/s
    2. Proof of authority of stockholder voting the shares signed by the other registered stockholders, for shares registered in the name of multiple stockholders (need *not* be notarized)
    3. Copy of valid government IDs of all registered stockholders
    4. Email-address and contact number of authorized representative

- Corporate Stockholders
    1. Secretary's Certification of Board resolution appointing and authorizing proxy to participate in the ASM
    2. Valid government ID of the authorized representative
    3. Stock certificate number/s
    4. Email-address and contact number of authorized representative

- Stockholders with Shares under broker account
    1. Certification from broker as to the number of shares owned by stockholder
    2. Valid government ID of stockholder
    3. If appointing a proxy, copy of proxy form duly signed by stockholder (need *not* be notarized)
    4. Email-address and contact number of stockholder or proxy

Important Reminder: Please refrain from sending duplicate and inconsistent information/documents as this can result in failed registration. All documents/information shall be subject to verification and validation by the Company.

Online Voting

Stockholders who have successfully registered shall be notified via email of their unique log-in credentials for the voting portal. Stockholders can then cast their votes for specific items in the agenda, as follows:

1. Log-in to the voting portal by clicking the link, and using the log-in credentials, sent by email to the email-address of the stockholder provided to the Company.

2. Upon accessing the portal, the stockholder can vote on each agenda item. A brief description of each item for stockholders' approval are appended as Annex A to the Notice of Meeting.

    2.1 A stockholder has the option to vote "Yes", "No", or "Abstain" on each agenda item for approval.

    2.2 For the election of directors, the stockholder has the option to vote for all nominees, withhold vote for any of the nominees, or vote for certain nominees only.

    Note: *A stockholder may vote such number of his/her shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected (9 directors for 2GO) multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast shall not exceed the number of shares owned by the stockholder.*

3. Once the stockholder has finalized his vote, he can proceed to submit his vote by clicking the "Submit" button.

4. The stockholder can still change and re-submit votes, provided, such new votes are submitted using the same log-in credentials. Previous votes will be automatically overwritten and replaced by the system with the new votes cast.

ASM Livestream

The ASM will be broadcasted live and stockholders who have successfully registered can participate via remote communication. Details of the meeting will be sent to stockholders in the emails provided to the Company. Instructions on how to access the livestream will also be posted at **www.2go.com.ph/asm2020**.

Video recordings of the ASM will be adequately maintained by the Company and will be made available to participating stockholders upon request.

2GO-NENACO Merger

Stockholders who have issues with their stock certificates arising from the merger of 2GO and Negros Navigation Co., Inc. may send an email to corsec@2go.com.ph.

Open Forum

During the virtual meeting, the Company will have an Open Forum, during which, the meeting's moderator will read and where representatives of the Company shall endeavor to answer as many of the questions and comments received from stockholders as time will allow.

Stockholders may send their questions in advance by sending an email bearing the subject "ASM 2020 Open Forum" to asm2020@2go.com.ph on or before 17 June 2020. A section for stockholder comments/questions or a "chatbox" shall also be provided in the livestreaming platform.

Questions/comments received but not entertained during the Open Forum due to time constraints will be addressed separately by the Company's Investor Relations.

***For any queries or concerns regarding this Guidelines, please contact the Company's Investor Relations Division at (632) 8528-7171 or via* email at *asm2020@2go.com.ph*.**

For complete information on the annual meeting, please visit www.2go.com.ph/asm2020.

MINUTES OF THE ANNUAL MEETING OF THE
STOCKHOLDERS OF

2GO GROUP, INC.

Held at the Golden Ballroom, Okada Manila
New Seaside Drive, Entertainment City, Parañaque City
On 11 April 2019, 2:00 p.m.

DIRECTORS PRESENT:

DENNIS A. UY	Chairman Director Member, Executive Committee Member, Compensation and Remuneration Committee
FRANCIS C. CHUA	Vice Chairman Independent Director
FREDERIC C. DYBUNCIO	President and Chief Executive Officer Director Chairman, Executive Committee Member, Compensation and Remuneration Committee Member, Risk Oversight Committee Member, IT Steering Committee
ELMER B. SERRANO	Director Corporate Secretary Corporate Information Officer Member, Executive Committee Member, Compensation and Remuneration Committee
MA. CONCEPCION F. DE CLARO	Director Member, Audit Committee Member, Related Party Transactions Committee Member, IT Steering Committee
JOSEPH C. TAN	Lead Independent Director Chairman, Corporate Governance Committee Chairman, IT Steering Committee Chairman, Related Party Transactions Committee Member, Audit Committee
LAURITO E. SERRANO	Independent Director Chairman, Audit Committee Member, IT Steering Committee Member, Risk Oversight Committee Member, Corporate Governance Committee
CHRYSS ALFONSUS V. DAMUY	Director

NOT PRESENT:

RAUL CH. RABE	Independent Director Chairman, Risk Oversight Committee Member, Corporate Governance Committee Member, Related Party Transactions Committee

ALSO PRESENT:

WILLIAM CHARLES HOWELL	Chief Financial Officer and Treasurer
Stockholders present in person or represented by proxy	**2,408,611,660** shares (Please see Record of Attendance attached Annex "A")

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1. Call to Order

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

2. Certification of Notice and Quorum

The Corporate Secretary certified that written notices of the annual stockholders' meeting, together with the agenda and the Definitive Information Statement, were sent beginning 20 March 2019 to all stockholders of record as of 15 March 2019 by personal delivery and by mail, and that the notice was also published in the BusinessMirror on 6 April 2019.

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

The Corporate Secretary certified that based on the proxies recorded and on the registration of those personally present at the meeting, 2,408,611,660 shares or 97.82% of the aggregate number of 2,462,146,316 shares issued, outstanding and entitled to vote, were either present in person or represented by proxy at the meeting. He then certified that a quorum was present for the transaction of business by the stockholders.

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

3. Approval of the Minutes of the Annual Meeting of Stockholders held on 5 April 2018

The Chairman proceeded to the next item in the agenda which is the approval of the minutes of the annual meeting of the stockholders held on 5 April 2018.

Upon motion duly made and seconded, the stockholders approved the minutes of the annual meeting of the stockholders held on 5 April 2018 and the following resolution was passed and adopted:

> "**RESOLVED,** that the Minutes of the Annual Meeting of the Stockholders of 2GO Group, Inc. held on 5 April 2018 are approved."

Below is the tabulation of votes:

In Favor		**Against**		**Abstain**	
No. of Shares	%	No. of Shares	%	No. of Shares	%
2,408,611,660	100%	0	0%	0	0%

4. Approval of the Annual Report and Audited Financial Statements for the Year 2018

The President, Mr. Frederic C. DyBuncio, delivered his report on the Company's results of operations for 2018.

The President reported that 2GO, as one of the largest end-to-end logistics providers in the country, continued to capture the opportunities in the growing Philippine shipping and logistics sector in 2018.

However, shipping revenues were affected by inclement weather, resulting in unplanned cancelled trips. Because more vessels underwent scheduled dry docking maintenance compared to last year, planned voyages were also reduced. Despite this, 2GO's ships moved 287,450 TEUs of cargo, representing approximately 23% of market share – still the largest in the industry. In Passage, 2GO continues to corner 95% of the market coming in and out of Metro Manila.

In the Non-shipping business, revenues lagged against the previous year largely due to the Logistics group, which continued to disengage from unprofitable arrangements to improve the economics of the business.

With the challenges in the Shipping business and the rationalization program in the Non-shipping business, the Company reported a consolidated net loss at the end of the year. While these resulted to the Company's weak financial performance, these decisions were necessary for the long haul.

Another success in 2018 was the establishment of 2GO Retail, allowing the Company to create more touchpoints with its customers. 2GO Retail consolidates all services offered by the Company from over 3,000 locations nationwide.

The merger between 2GO and its parent company Negros Navigation was also announced in 2018. The merger is now complete and has simplified the corporate structure and provided better transparency.

2GO looks to expand and improve its operations on all fronts. The group is investing in its IT system to integrate all legs of the supply chain to increase operational productivity across all business units.

The President reiterated 2GO's firm commitment to continue to optimize and drive synergies between its business units and to look for opportunities to work with its business partners to drive its expansion.

The President then expressed gratitude, on behalf of the Board of Directors and management of 2GO, to all customers, business partners, suppliers, and other stakeholders for their unwavering support.

After the report, the Chairman explained that the 2018 Audited Financial Statements of the Company were appended to the Definitive Information Statement sent to all stockholders of record and distributed to those present at the meeting.

The floor was opened to stockholders for questions or comments. There being no questions or comments from the stockholders, the following resolution was unanimously passed and approved upon motion made and duly seconded:

> "**RESOLVED**, that the 2018 Annual Report and the 2018 Audited Financial Statements of 2GO Group, Inc. are approved."

Below is the tabulation of votes:

In Favor		Against		Abstain	
No. of Shares	%	No. of Shares	%	No. of Shares	%
2,408,611,660	100%	0	0%	0	0%

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

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

Upon motion duly made and seconded, the stockholders approved and ratified all acts of the Board of Directors, its Committees and Management and the following resolutions were passed and adopted:

> **"RESOLVED,** that the acts, transactions, contracts and all proceedings of the Board of Directors, Board Committees, and Management of 2GO Group, Inc. (the **Corporation**) from the date of the last Annual Stockholders' Meeting up to the date of meeting are approved, ratified, and confirmed."

Below is the tabulation of votes:

In Favor		Against		Abstain	
No. of Shares	%	No. of Shares	%	No. of Shares	%
2,408,611,660	100%	0	0%	0	0%

6. Election of Directors for 2019-2020

The next item in the agenda is the election of directors for the year 2019-2020. Atty. Joseph C. Tan, Chairman of the Corporate Governance Committee, stated that the Corporate Governance Committee had pre-screened and short-listed all candidates qualified and nominated to the Board of Directors. He announced that the following have been nominated and qualified for election to the Board of Directors for the year 2019 to 2020:

DENNIS A. UY
FREDERIC C. DYBUNCIO
ELMER B. SERRANO
MA. CONCEPCION F. DE CLARO
CHRYSS ALFONSUS V. DAMUY

Independent Directors

FRANCIS C. CHUA
JOSEPH C. TAN
LAURITO E. SERRANO
JESUS G. DUREZA

Upon motion duly made and seconded, all unqualified votes were cast equally in favor of the nominees who were thus elected to the Board for the year 2019-2020. The following resolution was passed and approved:

> **"RESOLVED,** that the following persons are elected directors of 2GO Group, Inc. for a period of one (1) year until their successors shall have been duly elected and qualified:

DENNIS A. UY
FREDERIC C. DYBUNCIO
ELMER B. SERRANO
MA. CONCEPCION F. DE CLARO
CHRYSS ALFONSUS V. DAMUY

Independent Directors

FRANCIS C. CHUA
JOSEPH C. TAN
LAURITO E. SERRANO
JESUS G. DUREZA

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

Nominee	Number of shares voting in favor	%
Dennis A. Uy	2,408,611,660	100%
Francis C. Chua	2,408,611,660	100%
Frederic C. DyBuncio	2,408,611,660	100%
Elmer B. Serrano	2,408,611,660	100%
Ma. Concepcion F. De Claro	2,408,611,660	100%
Joseph C. Tan	2,408,611,660	100%
Laurito E. Serrano	2,408,611,660	100%
Chryss Alfonsus V. Damuy	2,408,611,660	100%
Jesus G. Dureza	2,408,611,660	100%

7. Appointment of External Auditor

The next item in the agenda was the appointment of the Company's external auditor for 2019-2020. The Chairman informed the shareholders that the Audit Committee screened the nominees for external auditor and qualified SyCip, Gorres, Velayo & Co. for appointment as external auditor for 2019-2020. The Board of Directors likewise approved and endorsed the appointment.

Upon motion duly made and seconded, SyCip, Gorres, Velayo & Co. was appointed as the external auditor of the Company for 2019-2020 and the following resolution was passed and approved:

> **"RESOLVED,** that SyCip, Gorres, Velayo & Co. is appointed as the external auditor of 2GO Group, Inc. for 2019, under such terms and conditions as may be approved by the Board of Directors."

Below is the tabulation of votes:

In Favor		**Against**		**Abstain**	
No. of Shares	%	No. of Shares	%	No. of Shares	%
2,408,611,660	100%	0	0%	0	0%

8. Amendment of the Second Article of the Articles of Incorporation

The next item in the agenda was the amendment of the Second Article of the Company's Articles of Incorporation, the details of which were set forth in the Definitive Information Statement.

The Corporate Secretary explained that the proposed amendment is to include the ability of the Company to guarantee the obligations of subsidiaries, affiliates, and entities in which the Company has lawful interests.

Upon motion duly made and seconded, the stockholders approved the following resolutions:

> **"WHEREAS**, **2GO GROUP, INC.** (the **Corporation**) was authorized and empowered to guarantee the obligations of its subsidiaries, affiliates, and other entities in which the Corporation has lawful interests by the Board of Directors at its meeting held on 19 March 2019;
>
> **"RESOLVED,** that the Corporation be authorized to amend the Second Article of its Articles of Incorporation to effect this change, as follows:
>
>> **SECOND:** To acquire by purchase, exchange, assignment, gift, or otherwise, and to hold, own, and use for investment or otherwise, and to sell, assign, transfer, exchange, lease, mortgage, pledge, and otherwise operate, enjoy, and dispose of personal properties of every kind and description and wherever situated, *x x x;*
>>
>> **<u>To enter into suretyship agreements and to issue corporate guarantees in order to secure any debt, obligation, or loan of any subsidiary or corporation in which the company has lawful interests, in whatever may be necessary or incidental to the business of the company, and to mortgage, pledge, or encumber the properties and assets of the company for the stated purposes; and</u>**
>>
>> To conduct and transact any and all lawful business, and to do, or cause to be done, any one or more of the acts and things herein set forth as its purposes, *x x x.*
>
> **"RESOLVED FINALLY**, that any one of the President, Corporate Secretary or any Director of the Corporation be authorized and empowered to submit or cause the submission of a copy of the Amended Articles of Incorporation of the Corporation, certified by majority of the directors and the Corporate Secretary, to the Securities Exchange Commission, to sign, execute and deliver any and all documents, and to do any and all acts, necessary and proper, to give the foregoing resolutions force and effect."

Below is the tabulation of votes:

In Favor		**Against**		**Abstain**	
No. of Shares	%	No. of Shares	%	No. of Shares	%
2,408,611,660	100%	0	0%	0	0%

9. Amendment of the Fourth Article of the Articles of Incorporation

The next item in the agenda was the amendment of the Fourth Article of the Company's Articles of Incorporation, the details of which were set forth in the Definitive Information Statement. The Corporate Secretary explained that the proposal to amend the corporate term and reflect the perpetual life of the Company is pursuant to the recently enacted Revised Corporation Code.

Upon motion duly made and seconded, the stockholders approved the following resolutions:

> **"WHEREAS**, **2GO GROUP, INC.** (the **Corporation**) was authorized and empowered to amend its corporate term to reflect the perpetual life of the Corporation by the Board of Directors at its meeting held on 19 March 2019;

"RESOLVED, that the Corporation be authorized to amend the Fourth Article of its Articles of Incorporation to effect this change, as follows:

FOURTH: That the corporation shall have perpetual existence.

"RESOLVED FINALLY, that any one of the President, Corporate Secretary or any Director of the Corporation be authorized and empowered to submit or cause the submission of a copy of the Amended Articles of Incorporation of the Corporation, certified by majority of the directors and the Corporate Secretary, to the Securities Exchange Commission, to sign, execute and deliver any and all documents, and to do any and all acts, necessary and proper, to give the foregoing resolutions force and effect."

Below is the tabulation of votes:

In Favor		**Against**		**Abstain**	
No. of Shares	%	No. of Shares	%	No. of Shares	%
2,408,611,660	100%	0	0%	0	0%

10. Delegation to the Board of Directors of the Authority to Amend By-Laws

The next item in the agenda was the proposed delegation to the Board of Directors of the authority to amend the Company's By-Laws which is pursuant to the Revised Corporation Code. The Corporate Secretary explained that the delegation of the authority to amend the By-Laws to the Board of Directors will facilitate from time to time alignment of By-law provisions with the Revised Corporation Code and other Corporate Governance regulations covering publicly-listed companies.

"**RESOLVED**, that the Board of Directors of **2GO GROUP, INC.** (the **Corporation**) be authorized and empowered to amend the Corporation's by-laws, such authority having been delegated to the Board of Directors by stockholders representing at least two-thirds of the Corporation's outstanding capital stock;

"**RESOLVED**, **FURTHER**, that such authority of the Board of Directors is valid until revoked by the vote of stockholders representing at least two-thirds of the Corporation's outstanding capital stock at a regular or at a special meeting."

Below is the tabulation of votes:

In Favor		**Against**		**Abstain**	
No. of Shares	%	No. of Shares	%	No. of Shares	%
2,408,611,660	100%	0	0%	0	0%

11. Other Matters

The Chairman inquired if there were other matters that could properly be taken up at the meeting.

Mr. Justo Sy, stockholder, remarked on the loss position of the Company and wanted to know how soon to expect a profit. The President explained that the Company has started rationalization efforts of its businesses. He stated that better returns will be expected soon.

12. Adjournment

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

CERTIFIED CORRECT:

ELMER B. SERRANO
Corporate Secretary, Director

ATTESTED BY:

DENNIS A. UY
Chairman

Annex "A"

2GO Group, Inc.
Annual Stockholders' Meeting
11 April 2019, 2:00 p.m.

Record of Attendance

Total number of shares present by proxy	2,408,552,909
Total number of shares present in person	58,751
Total number of shares represented by proxy and in person	2,408,611,660
Attendance Percentage	**97.82%**
Total number of voting shares outstanding	2,462,146,316

2GO Group, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
As of and For the Three Months Ended March 31, 2020
(With Comparative Figures For the Three Months Ended March 31, 2019 and As of December 31, 2019)

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

4	4	0	9							

C O M P A N Y   N A M E

2GO GROUP, INC. AND
SUBSIDIARIES

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

8TH FLOOR, TOWER 1, DOUBLE
DRAGON PLAZA, EDSA EXTENSION
CORNER MACAPAGAL AVENUE, PASAY
CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
investor_relations@2go.com.ph	(02) 8554-8777	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
5,118	**4th Thursday of May**	**December 31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Elmer Serrano	**elmer.serrano@mvgslaw.com**	**(02) 8554-8777**	**N/A**

CONTACT PERSON's ADDRESS

8th Floor, Tower 1, Double Dragon Plaza, EDSA Extension corner Macapagal Avenue, Pasay City

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

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

2GO GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
March 31, 2020
(With Comparative Figures as of December 31, 2019)
(Amounts in Thousands)

	Note	**March 31, 2020 (Unaudited)**	December 31, 2019 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	*7*	**₱ 1,621,004**	₱892,540
Trade and other receivables	*8, 17, 20*	**4,248,031**	4,339,620
Inventories	*9*	**979,412**	811,805
Other current assets	*10*	**2,090,736**	1,820,144
Total Current Assets		**8,939,183**	7,864,109
Noncurrent Assets			
Property and equipment	*11, 17, 18*	**6,162,061**	6,447,128
Investments in associates and joint ventures	*12*	**269,110**	277,039
Deferred income tax assets – net	*27*	**137,411**	113,337
Goodwill	*13*	**686,896**	686,896
Other noncurrent assets	*14*	**1,000,990**	1,011,718
Total Noncurrent Assets		**8,256,468**	8,536,118
TOTAL ASSETS		**₱17,195,651**	₱16,400,227

LIABILITIES AND EQUITY			
Current Liabilities			
Short-term notes payable	*15*	**₱3,463,500**	₱2,678,500
Trade and other payables	*16, 19, 20*	**6,040,481**	5,742,553
Income tax payable		**11,428**	11,428
Current portion of:			
Long-term debt	*17*	–	1,500
Obligations under lease	*11, 18*	**401,629**	449,427
Total Current Liabilities		**₱9,917,038**	₱8,883,408
Noncurrent Liabilities			
Noncurrent portion of:			
Long-term debt	*17*	**2,488,090**	2,487,153
Obligations under lease	*18*	**1,044,916**	1,136,331
Accrued retirement benefits	*26*	**350,728**	338,806
Total Noncurrent Liabilities		**3,883,734**	3,962,290
Total Liabilities		**₱13,800,772**	₱12,845,698

(Forward)

	Note	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Equity	*21*		
Share capital		**₱2,500,663**	₱2,500,663
Additional paid-in capital		**2,498,621**	2,498,621
Other equity reserve		**712,245**	712,245
Other comprehensive losses - net		**(223,165)**	(174,026)
Retained earnings (Deficit)		**(2,093,109)**	(1,984,269)
Treasury shares		**(58,715)**	(58,715)
Equity Attributable to Equity Holders of the Parent Company		**3,336,540**	3,494,519
Non-controlling Interests		**58,339**	60,010
Total Equity		**3,394,879**	3,554,529
TOTAL LIABILITIES AND EQUITY		**₱17,195,651**	₱16,400,227

See accompanying Notes to the Interim Condensed Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THREE MONTHS ENDED MARCH 31, 2020

(With Comparative Figures for the Three Months Ended March 31, 2019)

(Amounts in Thousands, Except for Earnings Per Common Share)

		Three Months Ended March 31	
	Note	**2020**	2019 (As re-presented, Note 32)
CONTINUING OPERATIONS			
REVENUES FROM CONTRACTS WITH CUSTOMERS			
Shipping	*5,20*	**₱1,750,386**	₱1,745,252
Nonshipping:			
Logistics and other services		**1,250,816**	1,855,341
Sale of goods		**2,160,001**	1,885,559
		5,161,203	5,486,152
COST OF SERVICES AND GOODS SOLD	*22*	**4,870,204**	5,135,424
GROSS PROFIT		**290,999**	350,728
GENERAL AND ADMINISTRATIVE EXPENSES	*23*	**332,897**	395,164
OPERATING LOSS FROM CONTINUING OPERATIONS		**(41,898)**	(44,436)
OTHER INCOME (CHARGES)			
Equity in net losses of associates and joint ventures	*12*	**(7,929)**	(14,724)
Financing charges	*24*	**(100,477)**	(114,264)
Others – net	*24*	**53,124**	11,302
		(55,282)	(117,686)
LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS		**(97,180)**	(162,122)
PROVISION FOR INCOME TAX	*27*		
Current		**16,369**	16,624
Deferred		**(2,954)**	(321)
		13,415	16,303
NET LOSS FROM CONTINUING OPERATIONS		**(110,595)**	(178,425)
NET LOSS FROM DISCONTINUED OPERATIONS	*33*	–	(189,674)
NET LOSS		**(₱110,595)**	(₱368,099)
Net Loss attributable to:			
Equity holders of the Parent Company		**(₱108,924)**	(₱369,034)
Non-controlling interests		**(1,671)**	935
		(₱110,595)	(368,099)
Basic/Diluted Loss Per Share	*28*	**(₱0.0449)**	(₱0.1499)

See accompanying Notes to the Interim Condensed Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2020
(With Comparative Figures for the Three Months Ended March 31, 2019)

		Three Months Ended March 31	
	Note	**2020**	2019 (As re-presented, Note 32)
NET LOSS		**(₱110,595)**	(₱368,099)
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax			
Item that will be reclassified subsequently to profit or loss:			
Net changes on cash flow hedge		**(99,724)**	–
Income tax effect		**29,917**	–
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement gains (losses) on net defined benefit liability	*26*	**(272)**	–
Income tax effect		**21,024**	–
		(49,055)	–
TOTAL COMPREHENSIVE LOSS		**(₱159,650)**	(₱368,099)
Attributable to:			
Equity holders of the Parent Company		**(₱157,979)**	(₱369,034)
Non-controlling interests		**(1,671)**	935
		(₱159,650)	(₱368,099)

See accompanying Notes to the Interim Condensed Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

UNADITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(With Comparative Figures for the Three Months Ended March 31, 2019)
(Amounts in Thousands)

	Attributable to Equity Holders of Parent Company													
				Other Comprehensive Income (Losses)										
	Share Capital (Note 21)	Additional Paid-in Capital	Other Equity Reserve	Unrealized Gain on Available-for-sale Financial Assets	Share in Cumulative Translation Adjustment of Associates	Remeasurement Losses on Accrued Retirement Benefits - Net of tax (Note 26)	Cash Flow Hedge Reserve	Share in Remeasurement Gains (Losses) on Accrued Retirement Benefits of Associates and Joint Ventures (Note 12)	Subtotal	Deficit	Treasury Shares (Note 21)	Total	Non-controlling Interests	Total Equity
BALANCES AT DECEMBER 31, 2019	**₱2,500,663**	**₱2,498,621**	**₱712,245**	**₱–**	**₱5,294**	**(₱188,887)**	**₱2,038**	**₱7,529**	**(₱174,026)**	**(₱1,984,269)**	**(₱58,715)**	**₱3,494,519**	**₱60,010**	**₱3,554,529**
Other comprehensive loss closed to retained earnings	–	–	–	–	–	**(84)**	–	–	**(84)**	**84**	–	–	–	–
Net loss for the period	–	–	–	–	–	–		–		**(108,924)**	–	**(108,924)**	**(1,671)**	**(110,595)**
Other comprehensive loss for the period	–	–	–	–	–	**(191)**	**(48,864)**	–	**(49,055)**	–	–	**(49,055)**	–	**(49,055)**
Total comprehensive loss for the period	–	–	–	–	–	**(191)**	**(48,864)**	–	**(49,055)**	**(108,924)**	–	**(157,979)**	**(1,671)**	**(159,650)**
BALANCES AT MARCH 31, 2020 (Unaudited)	**₱2,500,663**	**₱2,498,621**	**₱712,245**	**₱–**	**₱5,294**	**(₱189,162)**	**(₱46,826)**	**₱7,529**	**(₱223,165)**	**(₱2,093,109)**	**(₱58,715)**	**₱3,336,540**	**₱58,339**	**₱3,394,879**
BALANCES AT DECEMBER 31, 2018 (As re-presented)	**₱2,484,653**	**₱3,241,554**	**(₱14,678)**	**(₱50)**	**₱5,294**	**(₱105,461)**	**₱–**	**₱6,450**	**(₱93,767)**	**(₱1,084,205)**	**(₱58,715)**	**₱4,474,842**	**₱61,872**	**₱4,536,714**
Prior period adjustment	–	–	–	–	–	**(202)**	–	–	**(202)**	**630**	–	**428**	–	**428**
Net loss for the period	–	–	–	–	–	–	–	–	–	**(369,034)**	–	**(369,034)**	**935**	**(368,099)**
Other comprehensive income for the period	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income (loss) for the period	–	–	–	–	–	–	–	–	–	**(369,034)**	–	**(369,034)**	**935**	**(369,034)**
Effect of Merger	**16,010**	**1,587,720**	**(1,603,730)**	–	–	–	–	–	–	–	–	–	–	–
BALANCES AT MARCH 31, 2019 (Unaudited)	**₱2,500,663**	**₱2,498,621**	**₱712,245**	**(₱50)**	**₱5,294**	**(₱105,663)**	**₱–**	**₱6,450**	**(₱93,969)**	**(₱1,452,609)**	**(₱58,715)**	**₱4,106,236**	**₱62,807**	**₱4,169,043**

See Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(With Comparative Figures for the Three Months Ended March 31, 2019)
(Amounts in Thousands)

		Three Months Ended March 31	
	Note	**2020 (Unaudited)**	2019 (As re-presented, Note 32)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax from continuing operations		**(₱97,180)**	(₱162,121)
Loss before tax from discontinued operations		–	(185,539)
Adjustments for:			
Depreciation and amortization of property and equipment and software	*11, 14, 22,23*	**488,428**	658,906
Financing charges	*24*	**100,477**	120,345
Interest income	*24*	**(10,822)**	(2,580)
Gain on disposal of property and equipment	*24*	**(17,197)**	(8,464)
Equity in net losses of associates and joint ventures	*12*	**7,929**	14,724
Retirement benefit cost	*26*	**17,558**	20,398
Unrealized foreign exchange gains		**(326)**	(18)
Operating income before working capital changes		**488,867**	455,651
Decrease (increase) in:			
Trade and other receivables		**121,250**	189,194
Inventories		**(167,607)**	(102,484)
Other current assets		**(250,179)**	(190,043)
Increase (decrease) in trade and other payables		**76,291**	(141,840)
Cash generated from operations		**268,622**	210,478
Contribution for retirement fund and benefits paid from book reserve	*26*	**(5,827)**	(8,458)
Interest received		**10,822**	2,580
Income taxes paid, including creditable withholding taxes		**(36,783)**	(73,599)
Net cash flows provided by operating activities		**236,834**	131,001
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	*11*	**(83,537)**	(166,591)
Software		**(15,988)**	–
Proceeds from disposal of:			
Property and equipment	*11*	**17,197**	8,802
Reductions in (additions to) other noncurrent assets		**(6,900)**	1,126
Net cash flows used in investing activities		**(₱89,228)**	(₱156,663)

(Forward)

	Note	2020	2019 (As re-presented, Noted 32)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of:			
Short-term notes payable	*15*	**₱3,853,500**	₱2,060,000
Payments of:			
Short-term notes payable	*15*	**(3,068,500)**	(1,830,000)
Long-term debt	*17*	**(1,500)**	(26,210)
Obligations under lease	*18*	**(105,615)**	(110,782)
Interest and financing charges	*24*	**(97,353)**	(79,150)
Net cash flows provided by (used in) financing activities		**580,532**	13,858
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**326**	18
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**728,464**	(11,786)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	*7*	**892,540**	1,415,411
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	*7*	**₱1,621,004**	₱1,403,625

See Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONDENSED 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 Unaudited Interim Condensed 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 (₱1.00) 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 32a.

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 32b).

The accompanying unaudited interim condensed consolidated financial statements as at and for the three months ended March 31, 2020, with comparative figures for the three months ended March 31, 2019 and as at December 31, 2019, were approved and authorized for issue by the BOD on May 25, 2020.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The unaudited interim condensed 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.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures that are normally required in presenting the annual audited financial statements and as such should be read in conjunction with the Group's available audited annual consolidated financial statements as at and for the year ended December 31, 2019.

Statement of Compliance
The unaudited interim condensed consolidated financial statements of the Group are prepared in accordance with PAS 34, *Interim Financial Reporting*.

3. Significant Accounting Policies

Accounting policies have been applied consistently to all periods presented in the unaudited interim condensed 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, 2020. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Group's unaudited interim condensed consolidated financial statements.

Effective 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 PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

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

Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2021. The Group has not applied the following new or amended standards in preparing these unaudited interim condensed consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's unaudited interim condensed 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:

Deferred effectivity

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

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

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

- PFRS 17, *Insurance Contracts*

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

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

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

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

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:

		Percentage of Ownership	
	Nature of Business	**March 31 2020**	March 31 2019
Special Container and Value Added Services, Inc. (SCVASI)	Transportation/logistics	**100.0**	100.0
2GO Express, Inc. (2GO Express)	Transportation/logistics	**100.0**	100.0
2GO Logistics, Inc. (2GO Logistics or DTN)	Transportation/logistics	**100.0**	100.0
Scanasia Overseas, Inc. (SOI)	Sales of goods	**100.0**	100.0
Hapag-Lloyd Philippines, Inc. (HLP) (8)	Transportation/logistics	**100.0**	100.0
WRR Trucking Corporation (WTC)	Transportation	**100.0**	100.0
NN-ATS Logistics Management and Holdings Co., Inc. (NALMHCI)	Holdings and logistics management	**100.0**	100.0
J&A Services Corporation (JASC) (6) (9)	Vessel support services	**100.0**	100.0
Astir Engineering Works, Inc. (AEWI) (6)	Engineering services	**100.0**	100.0
WG&A Supercommerce, Incorporated (WSI) (1)	Vessels' hotel management	**100.0**	100.0
North Harbor Tugs Corporation (NHTC)	Tugboat assistance	**58.9**	58.9
Super Terminals, Inc. (STI) (2) (3) (9)	Passenger terminal operator	**50.0**	50.0
2GO Rush Delivery, Inc. (RUSH)(4)	Transportation/logistics	**100.0**	100.0
Brisk Nautilus Dock Integrated Services, Inc. (BNDISI) (9)	Freight and related services	**100.0**	100.0
Sea Merchants, Inc. (SMI) (9)	Hotel and allied services	**100.0**	100.0
Bluemarine, Inc. (BMI) (9)	Housekeeping and allied services	**100.0**	100.0
The Supercat Fast Ferry Corporation (SFFC)(7)	Transporting passenger	–	100.0

1Ceased commercial operations in February 2006
2Ceased commercial operations in 2017
3NALMHCI 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.
4Incorporated in December 2016 but has not yet started business operations
6Ceased commercial operations on December 31, 2018
7Sold in October 2019
8Ended corporate life on December 31, 2019
9Ending corporate life in 2020

The unaudited interim condensed consolidated financial statements are prepared using the uniform accounting policies for like transactions and other events in similar circumstances. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets, liabilities and equities are eliminated in full on consolidation.

4. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the unaudited interim condensed consolidated financial statements in compliance with PFRSs requires management to make judgments, accounting estimates and assumptions that affect the amounts reported in the unaudited interim condensed consolidated financial statements and accompanying notes. These judgments, estimates and assumptions are based on management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

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

Determining the timing of satisfaction of performance obligation
Shipping and logistics and other services
The Group assessed that performance obligation for shipping and logistics and other services are rendered to the customers over time. As a result, the 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.

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.

<u>Estimates and Assumptions</u>
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).

Provision for ECL of Trade Receivables and Contract Assets
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 PFRSs.

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

	Note	**March 31, 2020 (Unaudited)**	December 31, 2019 (Audited)
		(In Thousands)	
Property and equipment	*11*	**₱6,162,061**	₱6,447,128
Investments in associates and joir ventures	*12*	**269,110**	277,039

As at March 31, 2020 and December 31, 2019, 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 there are no impairment indicators on its investments in associates and joint ventures since the associates and joint ventures have profitable operations.

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

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 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:

	Shipping	**Non Shipping**	**Eliminations/ Adjustments**	**Consolidated Balance**
		(In Thousands)		
	For the Three Months Ended March 31, 2020 (Unaudited)			
External customer	**₱ 1,750,386**	**₱ 3,410,817**	**₱ –**	**₱ 5,161,203**
Intersegment revenue	**155,144**	**152,824**	**(307,968)**	**-**
Revenues	**₱1,905,530**	**₱3,563,641**	**₱(307,968)**	**₱5,161,203**
Loss before income tax from continuing operations	**(₱68,326)**	**(₱28,096)**	**(₱758)**	**(₱ 97,180)**
Provision for income tax	**(2,792)**	**(10,623)**	**–**	**(13,415)**
Segment Loss from continuing operations	**(₱71,118)**	**(₱38,719)**	**(₱758)**	**(₱110,595)**
Other Information:				
Capital expenditures	**₱ 226,680**	**₱8,851**	**₱–**	**₱ 235,531**
Depreciation and amortization	**383,237**	**105,191**	**–**	**488,428**
Provision for ECL	**-**	**4,075**	**–**	**4,075**
Cargo losses and inventory damages	**1,469**	**2,275**	**–**	**3,744**
Equity in net (losses) of associates and joint ventures	**(7,216)**	**(713)**	**–**	**(7,929)**
	As of March 31, 2020 (Unaudited)			
Segment assets	**₱ 12,505,384**	**₱ 8,290,416**	**(₱3,600,149)**	**₱ 17,195,651**
Segment Liabilities	**₱ 8,558,303**	**₱ 9,629,184**	**(₱4,386,715)**	**₱ 13,800,772**

	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
		(In Thousands)		
	For the Three Months Ended March 31, 2019 (Unaudited)			
External customer	₱1,745,252	₱3,740,900	₱–	₱5,486,152
Intersegment revenue	240,178	23,114	(263,292)	–
Revenues	₱1,985,430	₱3,764,014	(₱263,292)	₱5,486,152
Loss before income tax from continuing operations	(₱97,454)	(₱74,433)	₱–	(₱171,887)
Provision for income tax	1,534	(17,837)	–	(16,303)
Segment Loss from continuing operations	(₱95,920)	(₱92,270)	₱–	(₱188,190)
Other Information:				
Capital expenditures	₱245,827	₱22,539	₱–	₱268,366
Depreciation and amortization	419,032	99,635	–	518,667
Cargo losses and inventory damages	530	14,306	–	14,836
Equity in net (losses) of associates and joint ventures	(13,844)	(880)	–	(14,724)

	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
		(In Thousands)		
		As of December 31, 2019 (Audited)		
Segment assets	₱13,141,049	₱7,349,968	(₱4,090,790)	₱16,400,227
Segment liabilities	₱8,133,568	₱8,164,960	(₱3,452,830)	₱12,845,698

7. Cash and Cash Equivalents

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	(In Thousands)	
Cash on hand and in banks	**₱1,471,053**	₱867,419
Cash equivalents	**149,951**	25,121
	₱1,621,004	₱892,540

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 ₱10.8 million and ₱2.6 million for the three months ended March 31, 2020 and 2019, respectively (see Note 24).

8. Trade and Other Receivables

This account consists of:

	Note	**March 31, 2020 (Unaudited)**	December 31, 2019 (Audited)
		(In Thousands)	
Trade		**₱3,583,996**	₱3,695,278
Nontrade	*20*	**1,536,613**	1,338,469
Contract assets		**239,034**	421,545
Advances to officers and employees		**29,310**	21,175
		5,388,953	5,476,467
Less allowance for ECL		**(1,140,922)**	(1,136,847)
		₱4,248,031	₱4,339,620

a. Trade receivables are noninterest-bearing and are generally on 30 to 60 days terms.

b. Nontrade receivables include due to related parties, 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 Holdings Corp. amounting to

₱106.6 million and ₱113.5 million, as of March 31, 2020 and December 31, 2019, respectively (see Notes 14, 24 and 32).

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

d. The following tables set out the rollforward of the allowance for ECL as of March 31, 2020 and of December 31, 2019:

		March 31, 2020 (Unaudited)		
	Note	**Trade and Contract Assets**	**Nontrade**	**Total**
			(In Thousands)	
Beginning		**₱774,276**	**₱362,571**	**₱1,136,847**
Provision	*23*	**3,283**	**792**	**4,075**
Ending		**₱777,559**	**₱363,363**	**₱1,140,922**

		December 31, 2019 (Audited)		
	Note	Trade and Contract Assets	Nontrade	Total
			(In Thousands)	
Beginning		₱840,657	₱508,590	₱1,349,247
Provision (recovery)	*23*	10,806	(58,890)	(48,084)
Write-off/other adjustments		(77,187)	(85,227)	(162,414)
Sale of a subsidiary		–	(1,902)	(1,902)
Ending		₱774,276	₱362,571	₱1,136,847

9. Inventories

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	(In Thousands)	
At lower of cost and net realizable value:		
Trading goods	**₱900,538**	₱721,863
Materials, parts and supplies	**15,085**	19,209
At cost:		
Fuel, oil and lubricants	**63,789**	70,733
	₱979,412	₱811,805

The cost of trading goods carried at net realizable value amounted to ₱956.6 million and ₱779.7 million as of March 31, 2020 and December 31, 2019, while the cost of materials, parts and supplies carried at net realizable value amounted to ₱40.1 million and ₱44.2 million, respectively. The allowance for inventory obsolescence amounted to ₱81.1 million and ₱82.8 million as at March 31, 2020 and December 31, 2019, 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):

		Three Months Ended March 31	
		2020 (Unaudited)	2019 (As re-presented)
		(In Thousands)	
Continuing operations:			
Cost of goods sold	*22*	**₱2,001,591**	₱1,728,444
Cost of services	*22*	**465,058**	828,580
General and administrative expenses	*23*	**2,925**	1,997
Discontinued operations:	*33*		
Cost of services		**–**	79,941
		₱2,469,574	₱2,638,962

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:

	Note	**March 31, 2020 (Unaudited)**	December 31, 2019 (Audited)
		(In Thousands)	
CWTs		**₱1,632,208**	₱1,595,425
Input VAT		**204,919**	74,048
Refundable deposits - current portion	*14*	**68,777**	66,968
Prepaid expenses and others		**198,683**	97,554
		2,104,587	1,833,995
Less: allowance for impairment losses		**(13,851)**	(13,851)
		₱2,090,736	₱1,820,144

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 30).

11. Property and Equipment

	March 31, 2020 (Unaudited)											
	Vessels in Operations	**Containers and Reefer Vans**	**Terminal and Handling Equipment**	**Furniture and Other Equipment**	**Land 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, 2020	**₱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**
Additions	**200,819**	**473**	**17,817**	**4,020**	**-**	**3,332**	**-**	**-**	**6,397**	**146**	**2,527**	**235,531**
Disposals/retirements	**-**	**(20,499)**	**-**	**-**	**-**	**-**	**(5,783)**	**-**	**-**	**-**	**(79,476)**	**(105,758)**
Reclassifications/adjustments	**-**	**22,054**	**(1,368)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(20,686)**	**-**
	₱11,483,818	**₱1,742,199**	**₱891,449**	**₱690,685**	**₱492,402**	**₱363,277**	**₱335,799**	**₱11,773**	**₱770,857**	**₱4,601**	**₱2,315,898**	**₱19,102,758**
Accumulated Depreciation and Amortization												
January 1, 2020	**₱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**
Depreciation and amortization	**296,539**	**24,909**	**16,299**	**10,527**	**803**	**1,927**	**12,152**	**5,656**	**10,613**	**-**	**105,048**	**484,473**
Disposals/retirements	**-**	**(20,499)**	**-**	**-**	**-**	**-**	**(5,783)**	**-**	**-**	**-**	**(43,351)**	**(69,633)**
Reclassifications/adjustments	**-**	**12,031**	**(2,252)**	**-**	**-**	**-**	**(132)**	**-**	**-**	**-**	**(9,647)**	**-**
	8,373,968	**1,368,090**	**591,153**	**587,677**	**149,381**	**282,441**	**223,006**	**7,898**	**510,977**	**-**	**846,106**	**12,940,697**
Net carrying amounts	**₱3,109,850**	**₱374,109**	**₱300,296**	**₱103,008**	**₱343,021**	**₱80,836**	**₱112,793**	**₱3,875**	**₱259,880**	**₱4,601**	**₱1,469,792**	**₱6,162,061**

	December 31, 2019 (Audited)											
	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	₱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
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	₱3,205,570	₱388,522	₱297,894	₱109,515	₱343,824	₱79,431	₱124,813	₱9,531	₱264,096	₱4,455	₱1,619,477	₱6,447,128

Property and Equipment under Lease
Containers, reefer vans, isotanks, cargo handling equipment and transportation equipment and office and operational spaces as of March 31, 2020 and December 31, 2019 include units acquired under lease arrangements (see Note 18).

Noncash additions include costs of leased assets for the three months ended March 31, 2020 and 2019 amounting to ₱2.5 million and nil, respectively. The related depreciation of the leased assets for the three months ended March 31, 2020 and 2019 amounted to ₱105.0 million and ₱106.4 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.

	March 31, 2020 (Unaudited)					
	Container yard	**Office**	**Warehouse**	**Outlet**	**Equipment**	**Total**
	(In Thousands)					
January 1, 2020	**₱357,467**	**₱495,974**	**₱994,782**	**₱3,016**	**₱562,294**	**₱2,413,533**
Additions					**2,527**	**2,527**
Disposal	**(79,476)**	**–**	**–**	**–**	**–**	**(79,476)**
Reclassification	**–**	**–**	**–**	**–**	**(20,686)**	**(20,686)**
March 31, 2020	**₱277,991**	**₱495,974**	**₱994,782**	**₱3,016**	**₱544,135**	**₱2,315,898**
Accumulated depreciation and amortization						
January 1, 2020	**131,263**	**63,828**	**231,744**	**1,392**	**365,829**	**794,056**
Depreciation and amortization	**21,978**	**15,957**	**59,595**	**348**	**7,170**	**105,048**
Disposal	**(43,351)**	**–**	**–**	**–**	**–**	**(43,351)**
Reclassification	**–**	**–**	**–**	**–**	**(9,647)**	**(9,647)**
March 31, 2020	**109,890**	**79,785**	**291,339**	**1,740**	**363,352**	**846,106**
Net Carrying Amount	**₱168,101**	**₱416,189**	**₱703,443**	**₱1,276**	**₱180,783**	**₱1,469,792**

	December 31, 2019 (Audited)					
	Container yard	Office	Warehouse	Outlet	Equipment	Total
	(In Thousands)					
January 1, 2019	₱214,349	₱495,974	₱560,516	₱3,016	₱562,294	₱1,836,149
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 and amortization						
January 1, 2019	–	–	–	–	287,507	287,507
Depreciation and amortization	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	₱226,204	₱432,146	₱763,038	₱1,624	₱196,465	₱1,619,477

Unpaid acquisition costs of property and equipment amounted to ₱248.4 million and ₱98.9 million as of March 31, 2020 and December 31, 2019, 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 the management based on the lightweight and the market price of scrap metals and history of vessel disposal.

Capitalization of Drydocking Costs
Vessels in operations also include capitalized drydocking costs incurred amounting to ₱157.5 million and ₱146.7 million for the three months ended March 31, 2020 and 2019, 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 ₱17.2 million and ₱8.8 million for the three months ended March 31, 2020 and 2019, respectively.

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

	Note	Three Months Ended March 31 2020 (Unaudited)	2019 (As re-presented)
		(In Thousands)	
Continuing Operations:			
Cost of services and goods sold	*22*	**₱457,087**	₱484,418
General and administrative expense	*23*	**27,386**	30,816
Discontinued Operations:			
Cost of services and goods sold		–	140,154
		₱484,473	₱655,388

Property and Equipment Held as Collateral
Containers and other equipment held as collateral for obligations under lease as at March 31, 2020 and December 31, 2019 amounted to ₱1,460.1 million and ₱1,619.5 million, respectively (see Note 18).

12. Investments in Associates and Joint Ventures

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

	Note	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
		(In Thousands)	
Acquisition – cost			
Balances at beginning of period/year		**₱ 177,443**	₱177,443
Acquisition (Disposal) during the period/year		–	–
Balances at the end of the period/year		**177,443**	177,443
Accumulated equity in net earnings:			
Balances at beginning of period/year		**93,241**	142,923
Equity in net losses during the period/year		**(7,929)**	(49,682)
Balances at end of period/year		**85,312**	93,241
Share in re-measurement gain on retirement benefits of associates and joint ventures		**7,002**	7,002
Share in cumulative translation adjustment of associates		**(647)**	(647)
		₱269,110	₱277,039

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 ₱848.5 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 March 31, 2020 and December 31, 2019, the carrying value of the goodwill amounted to ₱686.9 million, net of impairment loss recognized in prior years for certain CGUs.

The Group reviews goodwill for impairment annually at December 31 or when indicators of impairment arise. The group determined there was no goodwill impairment at March 31, 2020 and December 31, 2019.

14. Other Noncurrent Assets

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	(In Thousands)	
Receivable from a related party – net of current portion	**₱488,702**	₱518,363
Deferred input VAT	**245,533**	239,934
Software	**128,145**	116,112
Refundable deposits - net of current portion	**84,975**	84,692
Investment property	**49,790**	49,790
Others	**3,845**	2,827
	₱1,000,990	₱1,011,718

a. Receivable from related party is from Chelsea Logistics Holdings Corporation pertains to long-term receivable arising from the sale of SFFC (Note 32).

b. Deferred input VAT relates primarily to the major capital expenditures and drydocking of vessels.

c. Net additions to software amounted to ₱12.0 million and ₱10.0 million for the three months ended March 31, 2020 and 2019, respectively. The Group recognized amortization of software amounting to ₱4.0 million and ₱3.5 million for the three months ended March 31, 2020 and 2019, respectively.

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 on January 12, 2018 amounted to ₱74.6 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 March 31, 2020 and December 31, 2019.

For the three months ended March 31, 2020 and 2019, there were no income and expenses arising from the Group's investment property.

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 4.70% to 6.25% in first quarter 2020 and 4.25% to 6.75% in 2019.

Total interest expense incurred by the Group for the short-term notes payable amounted to ₱28.0 million and ₱34.3 million for the three months ended March 31, 2020 and 2019, respectively (see Note 24).

16. Trade and Other Payables

	Note	**March 31, 2020 (Unaudited)**	December 31, 2019 (Audited)
		(In Thousands)	
Trade		**₱2,821,493**	₱2,830,733
Accrued expenses		**2,131,454**	2,144,851
Nontrade - Third parties		**842,599**	612,129
Contract liabilities		**44,467**	52,477
Other payables	*19*	**200,468**	102,363
		₱6,040,481	₱5,742,553

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 loss and damages amounting to ₱104.0 million and ₱67.0 million, as at March 31, 2020 and December 31, 2019, respectively (see Note 19). It also includes provision for contingencies amounting to ₱35.0 million.

17. Long-term Debt

Long-term debt consists of:

	Note	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
		(In Thousands)	
Banco de Oro Unibank, Inc. (BDO)	*20*	**₱2,500,000**	₱2,500,000
Asia United Bank (AUB)		**–**	1,500
Unamortized debt arrangement fees		**(11,910)**	(12,847)
		2,488,090	2,488,653
Current portion		**–**	(1,500)
Noncurrent portion		**₱2,488,090**	₱2,487,153

BDO Term Loan Facility
On April 10, 2018, 2GO entered into a five-year ₱3.5 billion term loan facility agreement with BDO to refinance the outstanding balance from the Omnibus Loan and Security Agreement executed by the Group in June 2013, and to fund various capital expenditures and other general requirements. The loan allows multiple drawdowns within one year from the date the agreement was signed. The principal is due upon maturity at the end of five years, while interest is payable quarterly based on the prevailing interest rates. In April 2018, 2GO borrowed ₱2.5 billion from the facility which is payable in April 2023. Interest rate is at 6.2%.

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

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.

Borrowing Costs and Debt Transaction Costs
Interests from long-term borrowings of the Group recognized as expense totaled ₱39.6 million and ₱50.4 million for the three months ended March 31, 2020 and 2019, respectively (see Note 24).

In 2018, the Group paid ₱18.8 million debt transaction cost as a result of the loan availment under the BDO facility. Amortization of debt transaction costs included under financing charges amounted to ₱0.9 million for the three months ended March 31, 2020 and 2019 (see Note 24).

Compliance with debt covenants
As of March 31, 2020 and 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:

	March 31, 2020 (Unaudited)		December 31, 2019 (Audited)	
	Future Minimum Lease Payments	**Present Value of Minimum Lease payments**	Future Minimum Lease Payments	Present Value of Minimum Lease payments
		(In thousands)		
Less than one year	**₱487,828**	**₱401,629**	₱531,724	₱449,427
Between one and five years	**842,430**	**703,989**	925,142	771,231
Between six and ten years	**352,025**	**340,927**	387,521	365,100
	1,682,283	**1,446,545**	1,844,387	1,585,758
Interest component	**235,738**	**–**	258,629	–
Present value	**₱1,446,545**	**₱1,446,545**	₱1,585,758	₱1,585,758

The interest expense recognized related to these leases amounted to ₱20.8 million and ₱26.9 million for the three months ended March 31, 2020 and 2019, respectively, under "Financing charges" account in the unaudited interim condensed 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 three months ended March 31, 2020 and 2019 in relation to the obligation under lease and the related right-of-use assets.

	Three Months Ended March 31	
	2020 (Unaudited)	2019 (As re-presented)
	(In Thousands)	
Continuing operations:		
Depreciation expense of right-of-use assets	**₱105,048**	₱106,451
Interest expense on obligation under lease	**20,804**	26,861
Rent expense - short-term leases	**44,537**	93,140
Rent expense - low value assets	**14,685**	17,417
Discontinued Operations	**–**	4,571
	₱185,074	₱248,440

The rollforward analysis of obligation under lease for the three months ended March 31, 2020 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:

	Three Months Ended March 31	
	2020 (Unaudited)	2019 (As re-presented)
Continuing operations:		
Cost of services and goods sold	**₱142,593**	₱195,251
General and administrative expenses	**21,677**	22,302
Financing charges	**20,804**	26,861
Discontinued Operations	–	4,571
	₱185,074	₱248,440

19. Provisions and Contingencies

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

The Group recognized provision for probable losses arising from these legal cases amounting to ₱35.0 million as of March 31, 2020 and December 31, 2019 (see Note 16).

20. Related Parties

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

Relationship	Name
Subsidiaries	SCVASI
	2GO Express
	2GO Logistics
	SOI
	WTC
	SFFC[1]
	NALMHCI
	NHTC
	AEWI
	USDI
Associates	MCC Transport Philippines, Inc. (MCCP)
Joint Ventures	KLN Logistics Holdings Philippines, Inc. (KLN)
	Kerry Logistics (Phils.), Inc. (KLI)
Stockholders of the Parent Company	Chelsea Logistics and Infrastructure Holdings Corporation
Other Affiliated Companies	Chelsea Marine Power Resources, Inc.
	Phoenix Petroleum Philippines, Inc.
	Supervalue, Inc.
	BDO Unibank, Inc.

(1) Sold in October 2019

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

		Three Months Ended March 31	
		2020	2019
	Nature	**(Unaudited)**	(As re-presented)
		(In Thousands)	
Associates and joint venture	Freight expense	**₱ (11,225)**	₱ (11,490)
	Shared cost	–	(20)
	Other overhead expense	**(329)**	(404)
Key Management Personnel	Employee benefits	**(14,578)**	(13,622)
Stockholders of the Parent Company	Co-loading	**(26,414)**	(63,513)
Other Affiliated Companies	Fuel and lubricant	**(65,726)**	(901,480)
	Food and beverage	**(88,183)**	(70,989)

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

	Financial Statement Account	Terms and Conditions	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
			(In Thousands)	
Joint Venture and Associates	Trade and other receivables	30 to 60 days; noninterest-bearing	**₱132,705**	₱129,233
	Nontrade	On demand; noninterest-bearing	**5,000**	5,000
	Trade payables	30 to 60 days; noninterest-bearing	**(8,142)**	(7,484)
	Accrued expenses	30 to 60 days; noninterest-bearing	**(12,687)**	(12,565)
Stockholders of the Parent Company	Nontrade receivable	See Note 32	**604,238**	631,858
Other Affiliated Company	Short-term loan	Note 15	**(1,323,500)**	(1,363,500)
	Long-term debt	Note 18	**(2,488,090)**	(2,487,153)
	Cash in bank	On demand	**1,248,899**	748,567
	Trade payables	30 to 60 days; noninterest-bearing	**(51,621)**	(38,093)
	Accrued expenses	30 to 60 days; noninterest-bearing	**(909,049)**	(641,111)

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 and SOI at fees based on agreed rates. Management services to SFFC ceased in 2019.

- In October 2019, the Group sold SFFC to Chelsea Logistics for ₱650.0 million, of which ₱604.2 million and ₱631.9 million is the unpaid consideration as of March 31, 2020 and December 31, 2019, respectively (see Note 32b).

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	March 31, 2020 (unaudited)	December 31, 2019 (Audited)
			(In Thousands)	
2GO	SFFC/SCVASI/Express/ DTN/SOI/HLP/WTC/NLMHCI	30 to 60 days; noninterest-bearing	**₱3,251,572**	**₱3,036,798**
Express	2GO/SFFC/SCVASI/DTN/SOI/WTC/ NLMHCI	30 to 60 days; noninterest-bearing	**137,496**	**129,356**
DTN	2GO/SCVASI/Express/SOI/WTC	30 to 60 days; noninterest-bearing	**79,031**	**68,570**
SCVASI	2GO	30 to 60 days; noninterest-bearing	**49,242**	**52,995**
SOI	2GO/SCVASI/Express/DTN	30 to 60 days; noninterest-bearing	**32,193**	**31,906**
WTC	Express/DTN	30 to 60 days; noninterest-bearing	**9,532**	**15,575**
NLMHCI	2GO/Express/NHTC	30 to 60 days; noninterest-bearing	**48,294**	**48,294**
AEWI	2GO/SFFC	30 to 60 days; noninterest-bearing	**7,622**	**7,622**
JASC	2GO/NHTC	30 to 60 days; noninterest-bearing	**1,814**	–
STI	2GO	30 to 60 days; noninterest-bearing	**80**	**80**
NHTC	2GO/JASC	30 to 60 days; noninterest-bearing	**2,919**	**3,282**
USDI	2GO	30 to 60 days; noninterest-bearing	**8,802**	**10,607**

21. **Equity**

a. Share Capital

Details of share capital as at March 31, 2020 and December 31, 2019 are as follows:

	Number of Shares	Amount
		(In Thousands)
Authorized common shares at ₱1.00 par value each	4,070,343,670	₱4,070,344
Authorized preferred shares at ₱1.00 par value each	4,564,330	₱4,564
Issued and outstanding common shares as at March 31, 2020	2,446,136,400	₱2,446,136
Issued and outstanding common shares as at December 31, 2019	2,462,146,316	₱2,462,146

Movements in issued and outstanding capital stocks follow:

Date	Activity	Issue price	Number of shares Common shares
May 26, 1949	Issued capital stocks as of incorporation date	₱1,000.00	1,002
December 10, 1971 to October 26, 1998	Increase in issued capital stock	1,000.00	1,496,597,636
December 6, 2002	Reclassification of common shares to preferred shares	1.00	40,000,000
February 10, 2003	Issuance of preferred shares before redemption	1.00	–
November 18, 2003	Redemption of preferred shares	6.67	–
September 6, 2004	Issuance of common shares by way of stock dividends	1.00	393,246,555
November 22, 2004	Redemption of preferred shares	6.67	–
December 31, 2004	Issuance of common shares prior to reorganization	1.00	(756)
October 24, 2005	Issuance of common shares through share swap transactions	1.76	414,121,123
August 22 to October 13, 2006	Conversion of redeemable preferred shares to common shares	3.20	140,687,340
December 6 -31, 2012	Redemption of redeemable preference share	6.00	–
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 ₱0.9 million transaction cost.*

Issued and outstanding common shares are held by 5,118 and 5,120 equity holders as of March 31, 2020 and December 31, 2019, respectively.

b. As discussed in Note 1, 2GO issued a total of 2,176,151,907 shares with par value of One Peso (₱1.00) 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 ₱1.6 billion and other equity reserves amounting to ₱712.2 million.

c. Retained earnings includes undistributed earnings amounting to ₱1,089.1 million and ₱1,159.6 million as of March 31, 2020 and December 31, 2019, 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 March 31, 2020 and December 31, 2019.

d. Other equity reserves pertain to the Group's excess investment cost over the net assets of acquired entities under common control during the time of the acquisition.

22. Cost of Services and Goods Sold

This account consists of the following:

		Three Months Ended March 31	
		2020	2019
	Note	**(Unaudited)**	(As re-presented)
		(In Thousands)	
Cost of Services			
Outside services		**₱937,282**	₱1,000,994
Fuel, oil and lubricants	*20*	**465,058**	740,616
Depreciation and amortization	*11, 14*	**457,087**	485,320
Transportation and delivery		**382,020**	341,849
Personnel costs	*25, 26*	**195,647**	263,379
Food and beverage	*20*	**63,061**	70,989
Repairs and maintenance		**62,315**	100,862
Rent	*18*	**56,377**	107,801
Insurance		**50,769**	61,656
Arrastre and stevedoring		**38,715**	34,327
Material and supplies used		**33,203**	48,216
Communication, light and water		**26,812**	24,417
Sales-related expenses		**18,782**	26,021
Food and subsistence		**17,124**	27,218
Taxes and licenses		**10,940**	6,696
Cargo losses and damages	*16*	**3,744**	14,835
Others		**49,677**	51,784
		2,868,613	3,406,980
Cost of Goods Sold		**2,001,591**	1,728,444
		₱4,870,204	₱5,135,424

23. General and Administrative Expenses

This account consists of the following:

		Three Months Ended March 31	
	Note	**2020 (Unaudited)**	2019 (As re-presented)
		(In Thousands)	
Personnel costs	*25, 26*	**₱ 150,567**	₱179,219
Outside services		**54,044**	59,531
Depreciation and amortization	*11, 14*	**31,341**	33,347
Transportation and travel		**16,615**	22,495
Taxes and licenses		**16,304**	16,388
Communication, light and water		**12,753**	20,297
Computer charges		**10,680**	17,291
Advertising and promotion		**8,629**	12,209
Repairs and maintenance		**5,790**	6,551
Entertainment, amusement and recreation		**4,779**	7,153
Provision for ECL	*8*	**4,075**	–
Insurance		**3,482**	2,101
Office supplies		**2,925**	1,923
Rent	*18*	**2,845**	2,756
Special projects		**1,500**	1,501
Others		**6,568**	12,402
		₱332,897	₱395,164

Others consists of various expenses that are individually immaterial.

24. Other Income (Charges)

Financing Charges

		Three Months Ended March 31	
		2020 (Unaudited)	2019 (As re-presented)
			(In Thousands)
Interest expense on:			
Long-term debt	*17*	**₱39,593**	₱44,629
Short-term notes payable	*15*	**27,992**	34,324
Amortization of:			
Obligations under finance lease	*18*	**20,804**	26,861
Debt transaction costs	*17*	**938**	937
Other financing charges		**11,150**	7,513
		₱100,477	₱114,264

Other financing charges comprise of items that are individually immaterial.

Others – net

	Note	Three Months Ended March 31 2020 (Unaudited)	2019 (As re-presented)
		(In Thousands)	
Interest income	*7*	**₱10,822**	₱2,501
Gain on disposal of property and equipment	*12*	**17,197**	8,464
Foreign exchange gains (losses)		**(728)**	95
Others - net		**25,833**	242
		₱53,124	₱11,302

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

25. Personnel Costs

Details of personnel costs are as follows:

	Note	Three Months Ended March 31 2020 (Unaudited)	2019 (As re-presented)
		(In Thousands)	
Salaries and wages		**₱289,835**	₱320,903
Retirement benefit cost	*26*	**17,558**	19,291
Other employee benefits		**38,821**	102,404
		₱346,214	₱442,598

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 ₱91.2 million to the retirement fund in 2020. The Group's transaction with the plan pertain to contribution and benefit payments.

Total retirement benefit cost included in the interim unaudited consolidated statements of profit or loss amounted to ₱17.6 million and ₱19.3 million for the three months ended March 31, 2020 and 2019, respectively.

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

	March 31, 2 020 (Unaudited)	December 31, 2019 (Audited)
	(In Thousands)	
Defined benefit obligation	**₱609,172**	₱591,423
Fair value of plan assets	**(258,444)**	(252,617)
	₱350,728	₱338,806

27. **Income Taxes**

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

	Three Months Ended March 31	
	2020 (Unaudited)	2019 (As re-presented)
	(In Thousands)	
Current:		
RCIT	**₱11,016**	₱14,024
MCIT	**5,353**	2,600
	16,369	16,624
Deferred	**(2,954)**	(321)
	₱13,415	₱16,303

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

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
		(In Thousands)
Directly recognized in profit or loss		
Deferred income tax assets on:		
Accrued retirement benefits	**₱17,790**	₱16,805
Unamortized past service cost	**13,963**	14,310
Allowance for ECL	**3,769**	3,769
Obligations under lease, net of right-of-use assets	**9,465**	7,650
Accruals and others	**3,294**	3,731
	48,281	46,265
Deferred income tax liabilities on other taxable temporary differences	**(7,367)**	(7,868)
	40,914	38,397
Directly recognized in OCI		
Deferred income tax asset on remeasurement of retirement costs	**76,428**	75,813
Cashflow hedge	**20,069**	(873)
	₱137,411	₱113,337

28. Earnings (Loss) Per Share (EPS)

Basic and diluted earnings per share were computed as follows:

	Three Months Ended March 31	
	2020 (Unaudited)	2019 (As re-presented)
	(In Thousands)	
Net loss for the year attributable to equity holders of the Parent Company	**(₱108,924)**	(₱179,360)
Weighted average number of common shares outstanding for the year	**2,462,146**	2,462,146
Loss per common share (from continuing operations)	**(₱0.04)**	(₱0.07)

There are no potentially dilutive common shares as at March 31, 2020 and 2019.

29. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, short-term notes payable, long-term debt and obligations under finance lease. The main purpose of these financial instruments is to raise financing for the Group's operations. The Group has other various financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from operations.

The main risks arising from the Group's financial instruments are credit risk involving possible exposure to counter-party default, primarily, on its trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments and maturing obligations; foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements and borrowings; and interest rate risk resulting from movements in interest rates that may have an impact on interest bearing financial instruments.

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 derivatives transaction, including the risk management objectives and the accounting results, are discussed in this note.

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.

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 March 31, 2020 and December 31, 2019, the Group did not hold collateral from any counterparty.

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 as of March 31, 2020 and December 31, 2019 are as follows:

		Past Due						
March 31, 2020 (Unaudited)	**Current**	**Less than 30 Days**	**31 to 60 Days**	**61 to 90 Days**	**91 to 120 Days**	**Over 120 Days**	**Expected Credit Loss**	**Total**
				(In Thousands)				
Financial assets:								
Cash in banks	**₱1,423,963**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,423,963**
Cash equivalents	**149,951**	**–**	**–**	**–**	**–**	**–**	**–**	**149,951**
Trade receivables	**1,434,019**	**1,036,856**	**211,688**	**104,248**	**93,364**	**1,381,206**	**(695,245)**	**3,566,136**
Nontrade receivables	**182,445**	**295,149**	**138,938**	**48,462**	**53,507**	**324,694**	**(363,363)**	**679,832**
Advances to officers and employees	**23,640**	**2,069**	**1,052**	**141**	**2,407**	**–**	**–**	**29,309**
Refundable deposit	**153,752**	**–**	**–**	**–**	**–**	**–**	**–**	**153,752**
Receivable from a related party	**488,702**	**–**	**–**	**–**	**–**	**–**	**–**	**488,702**
Contract assets	**220,522**	**53,545**	**11,871**	**7,800**	**6,803**	**20,806**	**(82,314)**	**239,033**
Total	**₱4,076,994**	**₱1,387,619**	**₱363,549**	**₱160,651**	**₱156,081**	**₱1,726,706**	**(₱1,140,922)**	**₱6,730,678**

		Past Due						
December 31, 2019 (Audited)	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	₱821,951	₱–	₱–	₱–	₱–	₱–	₱–	₱821,951
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	₱3,301,059	₱1,349,541	₱378,163	₱162,912	₱160,276	₱1,641,612	(₱1,136,847)	₱5,856,716

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.

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.

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% for the three months ended March 31, 2020 and 2019.

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 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:

	March 31, 2020 (Unaudited)	
Maturity	**Notional amount** (*In metric tons)*	**Liability**
	(In Thousands	*)*
Less than one month	2	($288)
One to three months	6	(818)
Three to six months	3	(326)
Six to nine months	1	(136)
Total	12	($1,568)

	December 31, 2019 (Audited)	
Maturity	**Notional amount** (*In metric tons)*	**Liability**
	(In Thousands	*)*
Less than one month	1	$8
One to three months	3	22
Three to six months	3	28
Total	7	$58

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

	Three Months Ended March 31	
	2020	2019
	(Unaudited)	(As re-presented)
	(In Thousands)	
Notional amount (metric tons)	**12**	–
Carrying amount	**(₱66,926)**	₱–

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

	Three Months Ended March 31	
	2020	2019
	(Unaudited)	(As re-presented)
	(In Thousands)	
Total hedging loss	**₱5,074**	₱–

Capital Risk Management Objectives and Procedures

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and produce adequate and continuous opportunities to its employees; and to provide an adequate return to shareholders by pricing products/services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. It manages the capital structure and makes adjustments in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Group's overall strategy in managing its capital remains unchanged since the prior year.

The Group considers its total equity as its capital. The Group monitors capital on the basis of the carrying amount of equity as presented on the consolidated statement of financial position. The capital ratios are as follows:

	March 31, 2020	December 31, 2019
	(Unaudited)	(Audited)
Assets financed by:		
Creditors	**80%**	78%
Stockholders	**20%**	22%

As of March 31, 2020 and December 31, 2019, the Group met its capital management objectives.

30. **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.

	March 31, 2020 (Unaudited)		December 31, 2019 (Audited)	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
	(In Thousands)			
Financial Liabilities				
Long-term debts	**₱2,488,090**	**₱2,623,663**	₱2,488,653	₱2,688,999
Obligations under lease	**1,446,545**	**1,501,926**	1,585,758	1,658,376
	₱3,934,635	**₱4,125,589**	₱4,074,411	₱4,347,375

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 4.6% and 6.2% was used in calculating the fair value of the long-term debt as of March 31, 2020 and December 31, 2019, respectively.

Obligations Under 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 4.5% to 6.0% as of March 31, 2020 and 3.5% to 6.0% as of December 31, 2019.

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.

31. Notes to Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities are as follows:

For the three months ended March 31, 2020 (Unaudited):

	January 1, 2020	Cash Flows Availments	Payments	Net	New leases	Others	March 31, 2020
			(In Thousands)				
Short-term notes payable	**₱2,678,500**	**₱3,853,500**	**(₱3,068,500)**	**₱785,000**	**₱–**	**(₱)**	**₱3,463,500**
Current portion of long-term debt	**1,500**	**–**	**(1,500)**	**(1,500)**	**–**	**–**	**–**
Current portion of obligations under lease	**449,427**	**–**	**(105,615)**	**(105,615)**	**–**	**57,817**	**401,629**
Noncurrent portion of long-term debt	**2,487,153**	**–**	**–**	**–**	**–**	**937**	**2,488,090**
Noncurrent portion of obligations under lease	**1,136,331**	**–**	**–**	**–**	**2,527**	**(93,942)**	**1,044,916**
Total liabilities from financing activities	**₱6,752,911**	**₱3,853,500**	**(₱3,175,615)**	**₱677,885**	**₱2,527**	**(₱35,188)**	**₱7,398,135**

"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;

For the three months ended March 31, 2019 (Unaudited):

	January 1, 2019	Cash Flows Availments	Payments	Net	New leases	Others	March 31, 2019
			(In Thousands)				
Short-term notes payable	₱2,685,000	₱2,060,000	(1,830,000)	₱230,000	₱–	₱–	₱2,915,000
Current portion of long-term debt	106,336	–	(26,210)	(26,210)	–	35,715	115,841
Current portion of obligations under lease	–	–	(110,782)	(110,782)	–	494,976	384,194
Current portion of obligations under finance lease	83,515	–	–	–	–	(83,515)	–
Noncurrent portion of long-term debt	3,116,177	–	–	–	–	(34,778)	3,081,399
Noncurrent portion of obligations under lease	–	–	–	–	–	1,412,905	1,412,905
Noncurrent portion of obligations under finance lease	92,317	–	–	–	–	(92,317)	–
Total liabilities from financing activities	₱6,083,345	₱2,060,000	(₱1,966,992)	₱93,008	₱–	₱1,732,986	₱7,909,339

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

32. **Business Combination under Common Control, Discontinued Operation**

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.

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 ₱650.0 million. 2GO paid capital gains tax of ₱19.6 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 ₱631.9 million. Interest income earned from this receivable amounted to ₱7.0 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 for the three months ended March 31, 2019 are as follows:

	In Thousands)
Revenue from contracts with customers	₱399,530
Costs and expenses	(579,303)
Operating loss	(179,773)
Finance charges	(6,081)
Other - net	314
Loss before income tax	(185,540)
Provision for income tax	(4,134)
Net loss	(₱189,674)

**Includes interest income from discontinued operation.*

Consolidated Statements of Profit or Loss

	Three Months Ended March 31			
	2019, as previously presented	Effect of Adopting PFRS 16	Effect of Discontinued Operations	2019, as re-presented
REVENUES FROM CONTRACTS WITH CUSTOMERS				
Shipping	₱2,144,565	₱–	(₱399,313)	₱1,745,252
Nonshipping:				
Logistics and other services	1,855,557	–	(216)	1,855,341
Sale of goods	1,885,559	–	–	1,885,559
	5,885,681	–	(399,529)	5,486,152
COST OF SERVICES AND GOODS SOLD	5,652,065	(5,412)	(511,229)	5,135,424
GROSS PROFIT	233,616	5,412	111,700	350,728
GENERAL AND ADMINISTRATIVE EXPENSES	405,324	(3,752)	(6,408)	395,164
OPERATING LOSS FROM CONTINUING OPERATIONS	(171,708)	9,164	118,108	(44,436)
OTHER INCOME (CHARGES)				
Equity in net losses of associates and joint ventures	(14,724)	–	–	(14,724)
Financing charges	(95,484)	(24,861)	6,081	(114,264)
Others – net	11,616	–	(314)	11,302
	(98,592)	(24,861)	5,767	(117,686)
LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS	(270,300)	(15,697)	114,110	(162,122)
PROVISION FOR INCOME TAX				
Current	20,758	–	(4,134)	16,624
Deferred	(321)	–	–	(321)
	20,437	–	(4,134)	16,303
NET LOSS FROM CONTINUING OPERATIONS	(290,737)	(15,697)	118,244	(178,425)
NET LOSS FROM DISCONTINUED OPERATIONS	–	–	(189,674)	(189,674)
NET LOSS	(₱290,737)	(₱15,697)	(₱61,665)	(₱368,099)

Consolidated Statement of Cash Flows

	For the Three Months Ended March 31		
	2019, as previously presented	Effect of Adopting PFRS 16	2019, as re-presented
Net cash flows generated from operating activities	15,385	115,616	131,001
Net cash flows used in investing activities	(156,663)	–	(156,663)
Net cash flows generated from operating activities	129,474	(115,616)	13,858

33. **Events Connected to the COVID 19 Pandemic**

On March 8, 2020, the Office of the President, under Proclamation 922, declared a state of public health emergency and subsequently on March 16, 2020, under Proclamation 929, placed the entire Philippines under a state of calamity due to the spread of the Novel Corona Virus Disease (COVID-19). As part of these declarations and to manage the spread of the disease, the entire island of Luzon was placed under an Enhanced Community Quarantine (ECQ), effective from March 17, 2020 initially until April 12, 2020. The ECQ was further extended until May 15, 2020 and was transformed into a Modified Enhanced Community Quarantine (or "MECQ") initially until May 31, 2020. These Government-mandated ECQs involved various attendant measures including, but not limited to, travel restrictions, home quarantine and temporary suspension or regulation of business operations thereby limiting commercial and similar activities related to the provision of essential goods and services.

2Go Group, Inc. and subsidiaries, being engaged in the logistics business across its various business units, has been significantly affected by the aforesaid declaration. This resulted in limited business operations in Luzon and in many other parts of the country. Given the restricted mobility in and out of the country and the curtailed economic activities affecting demand not only in the Philippines but in other countries, the Group expects a decline in sales/revenue volumes during the period and the subsequent months beyond the lifting of the aforesaid MECQ.

During the first quarter of 2020, the reduction in sales has not been very significant thus far and management continues to evaluate and forecast the potential adverse impact of the Covid19 outbreak in future reporting quarters in 2020 and beyond. The Group has already activated its Business Continuity Implementation Plan and has taken steps to manage the risk of disruption in the value chain both inbound and outbound, including the potential overall economic impact and the effects of the business disruptions in other business entities, some of which are integral to the value-chain of the Group. The Group, therefore, continuously monitors developments in the domestic and international markets for any further slowdown in economic activities and the drastic shift in customer or market behaviors or preferences that may eventually depress sales, place pressure on the deployment of certain assets, and impair the realizability of trade receivables and other similar working capital items.

As part of the Group's commitment to customer and employee health and safety and its regulatory compliance, the Group has likewise implemented stringent safety and precautionary measures, including disinfecting and sanitizing facilities, implementation of work-from-home schemes for its employees, and imposing social-distancing in the work places, in order to mitigate the risk and ensure continuity of business operations during this time of pandemic. Also, as part of its corporate social responsibility, 2Go Group waived revenues and incurred direct expenses in favor of certain Philippine Government relief and medical efforts to address the Covid19 outbreak.

The foregoing events as of the date of this report will ultimately be reflected in the financial position and performance of the Group for the rest of the year ending December 31, 2020. Considering the evolving nature of this outbreak, the Group cannot reasonably estimate at this time the length and severity of this pandemic, or the extent to which the disruption may materially impact the Group's consolidated financial position, consolidated results of operations and consolidated cash flows for the year ending December 31, 2020 onwards.

*****

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

4	4	0	9							

COMPANY NAME

2GO GROUP, INC. AND
SUBSIDIARIES

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

8TH FLOOR, TOWER 1, DOUBLE
DRAGON PLAZA, EDSA EXTENSION
CORNER MACAPAGAL AVENUE, PASAY
CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
will_howell@2go.com.ph	(02) 554-8777	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
5,120	**4th Thursday of May**	**December 31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Mia Ormita	**mia.ormita@mvgslaw.com**	**(02) 554-8777**	**N/A**

CONTACT PERSON's ADDRESS

8th Floor, Tower 1, Double Dragon Plaza, EDSA Extension corner Macapagal Avenue, Pasay City

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

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

2GO

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 and Chief Executive Officer

William Howell
Chief Financial Officer and Treasurer

Signed this 27th day of February 2020.

SUBSCRIBED AND SWORN TO before me on this MAR 03 2020

DOC NO.: 27
PAGE NO.: 6
BOOK NO.: XVII
SERIES OF 2020

ATTY. JOHN EDWARD TRINIDAD ANG
Notary Public for City Manila- Valid 12/31/2021
Notarial Commission No 2020 - 033
2/F Midland Plaza Hotel, Adreatico st., Ermita, Mla.
IBP NO. 101538 / Jan. 6, 2020 - Pasig City
PTR. NO. 9115583 / Dec. 27, 2019 - Manila
Roll No. 68731/MCLE COMPLIANCE NO. VI-0017186 12-24-2019

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

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

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
2GO Group, Inc.
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 ₱13.81 billion and from sale of goods amounting to ₱7.60 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 ₱4.34 billion, net of allowance for expected credit losses (ECL) of ₱1.14 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 ₱3.22 billion and goodwill allocated to the shipping business amounting to ₱580.65 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 ₱1.55 billion and obligations under lease by ₱1.49 billion as of January 1, 2019 and the recognition of amortization expense and interest expense of ₱518.62 million and ₱93.16 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.*

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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*	**₱892,540**	₱1,415,411	₱2,181,243
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		**₱16,400,227**	₱16,834,689	₱18,316,663
LIABILITIES AND EQUITY				
Current Liabilities				
Short-term notes payable	*15*	**₱2,678,500**	₱2,685,000	₱2,644,950
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)

	Note	December 31 2019	2018 (As re-presented, Note 33)	2017 (As re-presented, Note 33)
Equity	*21*			
Share capital		**₱2,500,663**	₱2,484,653	₱2,484,653
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		**₱16,400,227**	₱16,834,689	₱18,316,663

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*	**₱7,101,950**	₱7,231,199	₱–
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		**(₱892,214)**	(₱1,469,903)	(₱306,959)
Net Income (Loss) Attributable to:				
Equity holders of the Parent Company		**(₱890,352)**	(₱1,467,495)	(₱313,159)
Non-controlling interests		**(1,862)**	(2,408)	6,200
		(₱892,214)	(₱1,469,903)	(₱306,959)
Basic/Diluted Loss Per Share	*28*	**(₱0.3616)**	(₱0.5999)	(₱0.1280)

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		**(₱892,214)**	(₱1,469,903)	(₱306,959)
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		**(₱982,185)**	(₱1,472,762)	(₱300,450)
Total Comprehensive Income (Loss) Attributable to:				
Equity holders of the Parent Company		**(₱980,323)**	(₱1,470,354)	(₱306,650)
Non-controlling interests		**(1,862)**	(2,408)	6,200
		(₱982,185)	(₱1,472,762)	(₱300,450)

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	₱2,484,653	₱910,901	(₱13,078)	₱657	₱5,294	(₱115,440)	₱–	₱6,202	(₱103,287)	₱643,412	(₱58,715)	₱3,863,886	₱65,627	₱3,929,513
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	₱2,484,653	₱910,901	₱2,315,975	₱657	₱5,294	(₱103,309)	₱–	₱6,450	(₱90,908)	₱409,697	(₱58,715)	₱5,971,603	₱71,827	₱6,043,430
BALANCES AT DECEMBER 31, 2017, as previously reported	₱2,484,653	₱910,901	(₱13,078)	₱657	₱5,294	(₱101,992)	₱–	₱6,202	(₱89,839)	₱327,638	(₱58,715)	₱3,561,560	₱71,826	₱3,633,386
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	₱2,484,653	₱910,901	₱2,315,975	₱657	₱5,294	(₱103,309)	₱–	₱6,450	(₱90,908)	₱409,697	(₱58,715)	₱5,971,603	₱71,827	₱6,043,430
BALANCES AT JANUARY 1, 2018	₱2,484,653	₱910,901	(₱13,078)	₱657	₱5,294	(₱101,992)	₱–	₱6,202	(₱89,839)	₱327,638	(₱58,715)	₱3,561,560	₱71,826	₱3,633,386
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
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	₱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
BALANCES AT DECEMBER 31, 2018, as previously reported	₱2,484,653	₱910,901	(₱13,078)	(₱50)	₱5,294	(₱104,144)	₱–	₱6,202	(₱92,698)	(₱1,044,725)	(₱58,715)	₱2,186,338	₱61,872	₱2,248,210
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	₱2,500,663	₱2,498,621	₱712,245	₱–	₱5,294	(₱188,887)	₱2,038	₱7,529	(₱174,026)	(₱1,984,269)	(₱58,715)	₱3,494,519	₱60,010	₱3,554,529

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		**(₱329,155)**	(₱943,018)	(₱147,800)
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
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)

(Forward)

	Note	2019	2018 (As re-presented, Note 33)	2017 (As re-presented, Note 33)
		Years Ended December 31		
CASH FLOWS FROM FINANCING ACTIVITIES	*32*			
Proceeds from availments of:				
Short-term notes payable	*15*	**₱3,921,500**	₱5,783,200	₱2,598,701
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*	**₱892,540**	₱1,415,411	₱2,181,243

See accompanying Notes to the Consolidated Financial Statements.

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 (₱1.00) 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	₱1,548,641
Property and equipment	(261,288)
Other current assets	(6,667)
Total assets	₱1,280,686
Liabilities	
Obligations under lease	₱1,486,051
Obligations under finance lease	(175,833)
Trade and other payables	(29,532)
Total liabilities	₱1,280,686

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

- Property and equipment were recognized amounting to ₱1,548.6 million representing the amount of right-of-use assets set up on transition date.
- Additional lease liabilities of ₱1,310.2 million were recognized.
- Prepayments of ₱6.7 million and trade and other payables of ₱29.5 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	₱1,718,883
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	₱1,486,051

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

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

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

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

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

Since the Group's current practice is in line with these amendments, 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.

<u>Basis of Consolidation</u>

The consolidated financial statements include the accounts of 2GO and the subsidiaries listed below:

		Percentage of Ownership		
	Nature of Business	**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

(Forward)

	Nature of Business	Percentage of Ownership 2019	2018	2017
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.

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

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

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

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

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

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

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

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

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

	Nature of Business	Effective Percentage of Ownership
Associates:		
Hansa Meyer Projects (Phils.), Inc. (HMPPI) [(1)]	Project logistics and consultancy	50.0
Mober Technology PTE Inc. (Mober)[(2)]	Logistics services	50.0
MCC Transport Philippines (MCCP)	Container transportation	33.0
Joint Ventures:		
KLN Logistics Holdings Philippines Inc. (KLN)[(3)]	Holding company	78.4
Kerry Logistics Philippines, Inc. (KLI)	International freight and cargo forwarding	62.5

[1]*Ceased commercial operations effective December 31, 2017. 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.

<u>Goodwill</u>
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.

Other Income

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

Interest Income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Management Fee is recognized when the related services are rendered.

Dividend Income is recognized when the shareholders' right to receive the payment is established.

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

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits
Majority of the subsidiaries of the Group have separate funded, noncontributory retirement plans, administered by the respective trustees, covering their respective permanent employees.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting the net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and,
- Re-measurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized on the earlier of the date of the plan amendment or curtailment, and the date the Group recognizes restructuring related costs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Re-measurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Foreign Currency-denominated Transactions and Translations
Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of the reporting period. All differences are taken to the consolidated statement of profit or loss.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions and are not retranslated. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Leases - 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*	**₱6,447,128**	₱7,211,433	₱7,898,962
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	**₱7,101,950**	**₱14,307,964**	**₱–**	**₱21,409,914**
Intersegment revenue	673,925	735,040	(1,408,965)	–
Revenues from contracts with customers	**₱7,775,875**	**₱15,043,004**	**(₱1,408,965)**	**₱21,409,914**
Loss before income tax from continuing operations	**(₱272,625)**	**(₱21,530)**	**(₱35,000)**	**(₱329,155)**
Provision for income tax	(1,413)	(88,396)	–	(89,809)
Segment loss from continuing operations	**(₱274,038)**	**(₱109,926)**	**(₱35,000)**	**(₱418,964)**
Segment assets	**₱13,141,049**	**₱7,349,968**	**(₱4,090,790)**	**₱16,400,227**
Segment liabilities	**₱8,133,568**	**₱8,164,960**	**(₱3,452,830)**	**₱12,845,698**

	December 31, 2019			
	Shipping	**Non Shipping**	**Eliminations/ Adjustments**	**Consolidated Balance**
	(In Thousands)			
Other Information:				
Capital expenditures	**₱679,082**	**₱99,920**	**₱–**	**₱779,002**
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	₱7,231,199	₱12,434,438	₱–	₱19,665,637
Intersegment revenue	1,368,031	639,979	(2,008,010)	–
Revenues from contracts with customers	₱8,599,230	₱13,074,417	(₱2,008,010)	₱19,665,637
Loss before income tax from continuing operations	(₱798,524)	(₱48,827)	(₱95,667)	(₱943,018)
Provision for income tax	13,577	(100,640)	–	(87,063)
Segment loss from continuing operations	(₱784,947)	(₱149,467)	(₱95,667)	(₱1,030,081)
Segment assets	₱18,104,029	₱6,514,260	(₱7,783,600)	₱16,834,689
Segment liabilities	₱8,850,654	₱6,823,339	(₱3,376,018)	₱12,297,975
Other Information:				
Capital expenditures	₱1,247,760	₱287,966	₱–	₱1,535,726
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	₱6,599,162	₱12,687,524	₱–	₱19,286,686
Intersegment revenue	3,041,443	537,809	(3,579,252)	–
Revenues	₱9,640,605	₱13,225,333	(₱3,579,252)	₱19,286,686
Income (loss) before income tax from continuing operations	₱616,888	(₱206,978)	(₱557,710)	(₱147,800)
Provision for income tax	(52,779)	(177,525)	–	(230,304)
Segment profit (loss) from continuing operations	₱564,109	(₱384,503)	(₱557,710)	(₱378,104)
Segment assets	₱20,305,595	₱8,089,480	(₱10,078,412)	₱18,316,663
Segment liabilities	₱9,920,150	₱8,162,784	(₱5,809,701)	₱12,273,233
Other Information:				
Capital expenditures	₱1,603,342	₱274,593	₱–	₱1,877,935
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:

	Note	2019	2018	2017
		Years Ended December 31		
			(In Thousands)	
Segment loss		**(₱418,964)**	(₱1,030,081)	(₱378,104)
Net income (loss) from discontinued operations	*33b*	**(473,250)**	(439,822)	71,145
Net loss		**(₱892,214)**	(₱1,469,903)	(₱306,959)

7. Cash and Cash Equivalents

This account consists of:

	Note	2019	2018	2017
		December 31		
			(In Thousands)	
Cash on hand and in banks	*20*	**₱867,419**	₱1,132,460	₱1,992,722
Cash equivalents		**25,121**	282,951	188,521
		₱892,540	₱1,415,411	₱2,181,243

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 ₱17.0 million, ₱17.1 million and ₱6.2 million for the years ended December 31, 2019, 2018 and 2017, respectively (see Note 24).

8. Trade and Other Receivables

This account consists of:

	Note	2019	2018	2017
		December 31		
			(In Thousands)	
Trade		**₱3,695,278**	₱3,633,907	₱4,292,880
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)
		₱4,339,620	₱4,191,514	₱4,331,827

a. Trade receivables are noninterest-bearing and are generally on 30 to 60 days terms. Freight receivables of the Group amounting to ₱601.5 million 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 ₱443.0 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 ₱113.5 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		**₱840,657**	**₱508,590**	**₱1,349,247**
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		**₱774,276**	**₱362,571**	**₱1,136,847**

		December 31, 2018		
	Note	Trade and Contract Assets	Nontrade	Total
			(In Thousands)	
Beginning		₱881,339	₱555,363	₱1,436,702
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		₱840,657	₱508,590	₱1,349,247

		December 31, 2017		
	Note	Trade	Nontrade	Total
			(In Thousands)	
Beginning		₱835,383	₱446,554	₱1,281,937
Provision	23	182,266	122,493	304,759
Reversal	23	(11,263)	6,492	(4,771)
Write-off/other adjustments		(125,047)	(20,176)	(145,223)
Ending		₱881,339	₱555,363	₱1,436,702

9. Inventories

This account consists of:

	December 31		
	2019	2018	2017
		(In Thousands)	
At lower of cost and net realizable value:			
Trading goods	**₱721,863**	₱441,776	₱428,010
Materials, parts and supplies	**19,209**	27,274	32,220
At cost:			
Fuel, oil and lubricants	**70,733**	159,160	95,595
	₱811,805	₱628,210	₱555,825

The cost of trading goods carried at net realizable value amounted to ₱779.7 million, ₱519.4 million and ₱448.5 million as of December 31, 2019, 2018 and 2017, while the cost of materials, parts and supplies carried at net realizable value amounted to ₱44.2 million, ₱53.5 million and ₱57.7 million, respectively. The allowance for inventory obsolescence as of December 31, 2019, 2018 and 2017 amounted to ₱82.8 million, ₱103.8 million and ₱46.0 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*	**₱3,200,655**	₱2,955,136	₱2,873,326
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
		₱10,570,303	₱9,384,317	₱8,518,565

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		**₱1,595,425**	₱1,458,121	₱1,247,219
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)
		₱1,820,144	₱1,771,132	₱1,728,855

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	₱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
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	₱3,205,570	₱388,522	₱297,894	₱109,515	₱343,824	₱79,431	₱124,813	₱9,531	₱264,096	₱4,455	₱1,619,477	₱6,447,128

	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	₱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
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	₱4,904,303	₱671,849	₱286,361	₱115,530	₱326,791	₱128,434	₱110,635	₱320,911	₱231,500	₱115,119	₱7,211,433

	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	₱10,646,634	₱2,435,108	₱1,480,072	₱1,027,255	₱455,361	₱518,491	₱676,111	₱422,195	₱624,251	₱733,740	₱19,019,218
Additions	1,053,294	163,005	103,173	53,748	34,909	1,987	89,445	48,370	31,814	298,190	1,877,935
Disposals/retirements	(218,019)	(38,826)	(24,388)	(53,542)	–	(305)	(14,262)	(1,602)	(7,115)	–	(358,059)
Reclassifications/adjustments	970,690	(57,530)	45,373	(9,735)	(406)	370	(50,166)	(23,753)	54,123	(960,723)	(31,757)
December 31, 2017	12,452,599	2,501,757	1,604,230	1,017,726	489,864	520,543	701,128	445,210	703,073	71,207	20,507,337
Accumulated Depreciation and Amortization											
January 1, 2017	5,279,191	1,763,470	1,266,685	922,580	143,394	356,157	562,542	86,931	493,210	–	10,874,160
Depreciation and amortization	1,605,241	90,039	57,850	56,537	9,442	13,614	50,048	32,263	78,831	–	1,993,865
Disposals/retirements	(165,726)	(38,739)	(24,107)	(51,103)	–	(220)	(12,703)	(421)	(7,115)	–	(300,134)
Reclassifications/adjustments	(10)	41,077	(786)	(5,415)	(13)	(1)	12,526	(6,640)	(254)	–	40,484
December 31, 2017	6,718,696	1,855,847	1,299,642	922,599	152,823	369,550	612,413	112,133	564,672	–	12,608,375
Net carrying amounts	₱5,733,903	₱645,910	₱304,588	₱95,127	₱337,041	₱150,993	₱88,715	₱333,077	₱138,401	₱71,207	₱7,898,962

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 ₱614.9 million, nil and ₱37.4 million, respectively. The related depreciation of the leased assets for the years ended December 31, 2019, 2018 and 2017 amounted to ₱518.6 million, ₱74.6 million, ₱62.9 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	₱214,349	₱495,974	₱560,516	₱3,016	₱562,294	₱1,836,149
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	226,204	₱432,146	₱763,038	₱1,624	₱196,465	₱1,619,477

Unpaid acquisition costs of property and equipment amounted to ₱98.9 million, ₱86.0 million and ₱74.8 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 ₱198.0 million for the year ended December 31, 2017. Included in this amount are capitalized borrowing costs related to the loans payable amounting ₱3.6 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 ₱224.1 million, ₱697.3 million and ₱298.0 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 ₱191.6 million, ₱41.9 million and ₱8.2 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 ₱83.7 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
			(In Thousands)	
Continuing operations:				
Cost of services and goods sold	*22*	**₱1,767,299**	₱1,855,892	₱1,706,216
General and administrative expense	*23*	**117,959**	61,473	64,240
Discontinued operations	*33*	**400,115**	262,861	223,409
		₱2,285,373	₱2,180,226	₱1,993,865

Property and Equipment Held as Collateral
The Group's vessels in operations with total carrying value of ₱555.4 million and ₱3,279.9 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 ₱1,619.5 million, ₱261.2 million and ₱390.8 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		**₱177,443**	₱133,827	₱133,827
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)
		₱277,039	₱325,642	₱292,072

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	**₱775,553**	₱817,591	788,928
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	**₱2,118,672**	₱2,468,013	₱–
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	**₱522,374**	₱556,975	₱592,295
Effective percentage of ownership	**33% to 78%**	33% to 78%	33% to 78%
Share in equity	**₱277,039**	₱325,642	₱292,072

**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 ₱848.5 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 ₱686.9 million, net of impairment loss recognized in prior years for certain CGUs. Goodwill allocated to the shipping and non-shipping business amounted to ₱580.7 million and ₱106.3 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

	Note	2019	2018	2017
		December 31		
			(In Thousands)	
Receivable from a related party - net of current portion	*8,20,33b*	**₱518,363**	₱–	₱–
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
		₱1,011,718	₱534,956	₱558,287

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:

	2019	2018	2017
	December 31		
		(In Thousands)	
Cost			
Balances at beginning of year	**₱205,041**	₱166,984	₱159,372
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	**₱116,112**	₱43,138	₱45,134

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

	Note	2019	2018	2017
		Years ended December 31		
			(In Thousands)	
Cost of services and goods sold	*22*	**₱–**	₱–	₱1,030
General and administrative expenses	*23*	**14,700**	43,040	14,257
		₱14,700	₱43,040	₱15,287

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 ₱74.6 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 ₱25.0 million in Mober Technology PTE Inc. (Mober). In 2018, these advances and the additional cash invested in Mober amounting to ₱25.0 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 ₱148.3 million, ₱81.7 million and ₱137.3 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*	**₱2,830,733**	₱2,896,997	₱2,510,107
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
		₱5,742,553	₱5,980,552	₱5,770,192

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 ₱35.0 million, ₱67.5 million and ₱58.9 million as at December 31, 2019, 2018 and 2017 (see Note 19).

17. Long-term Debt

Long-term debt consists of:

	Note	December 31 2019	2018	2017
			(In Thousands)	
Banco de Oro Unibank, Inc. (BDO)	20	**₱2,500,000**	₱2,500,000	₱2,293,161
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		**₱2,487,153**	₱3,116,177	₱1,481

BDO

BDO Facility Agreement

In 2011, NN borrowed ₱388.5 million in the form of term loan to prepay an existing ₱31.2 million term loan and partially finance the acquisition of a passenger/cargo vessel. The principal of the loan is subject to 26 quarterly amortizations which commenced in December 2011 until March 2018. Interest is payable quarterly in arrears, which shall be based on an adjustable interest rate per annum. Interest rate for the 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 ₱3.6 billion term loan (i) to refinance the Company's existing loans and (ii) to fund various capital expenditures such as drydocking and major repairs of vessels, capital expenditures related to the supply chain business, and other general corporate requirements. Interest is fixed for fifty percent (50.0%) of the principal amount, while the remaining fifty percent (50.0%) has a quarterly floating annual interest rate, provided, such floating interest rate shall have a minimum of 5.0% per annum. The principal of the term loan is subject to thirteen (13) quarterly amortizations which commenced in June 2015 through June 2018.

The OLSA is secured by certain vessels, real properties, and trade receivables. As at December 31, 2017, 2GO, NN and SFFC collateralized their vessels under Mortgage Trust Indenture (MTI) with carrying values amounting to ₱3,279.9 million and certain outstanding customers receivables amounting to ₱601.5 million (see Notes 8 and 11). The loan was repaid in full in April 2018.

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

UCPB
On March 14, 2017, 2GO availed of a ₱500.0 million term loan from UCPB payable in twenty-eight (28) quarterly amortizations through March 14, 2024. Interest is fixed at 7.03% in the first year. The succeeding interest rates shall be based on the prevailing market rate of 5-year PDST-R2 plus 2.5%, subject to review and repricing at the option of UCPB. The loan is guaranteed by 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 ₱555.4 million as at December 31, 2018. The loan was paid in full in September 2019.

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

In accordance with the loan agreement, SFFC is required to maintain debt-to-equity ratio of 2.3:1 and maintain debt service coverage ratio of 2:1 at each testing date. Should SFFC fail to meet the required financial ratios, the parties should use the consolidated financial statements of 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 ₱200.0 million to partially finance the acquisition cost of a passenger/cargo vessel. The loan carries fixed annual interest of 10.3% and payable in monthly installments starting May 2011. The loan was fully repaid in February 2018.

Borrowing Costs and Debt Transaction Costs
Interests from long-term borrowings of the Group recognized as expense totaled ₱172.5 million, ₱172.7 million and ₱206.4 million for the years ended December 31, 2019, 2018 and 2017, respectively (see Note 24).

In 2018, the Group paid ₱18.8 million debt transaction cost as a result of the loan availment under the BDO facility. Amortization of debt transaction costs included under financing charges amounted to ₱3.4 million, ₱2.6 million and ₱4.0 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	**₱531,724**	**₱449,427**	₱90,867	₱83,515	₱115,114	₱101,130
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	**₱1,585,758**	**₱1,585,758**	₱175,832	₱175,832	₱319,560	₱319,560

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

The interest expense recognized related to these leases amounted to ₱93.2 million, ₱13.1 million and ₱17.6 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	**₱518,619**	₱–	₱–
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
	₱987,715	₱862,862	₱925,055

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	**₱744,304**	₱706,325	₱842,101
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
		₱987,715	₱862,862	₱925,055

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 ₱35.0 million, ₱67.5 million and ₱58.9 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)

(Forward)

Relationship	Name
	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	**(₱269,957)**	(₱446,050)	(₱34,704)
	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	**15,427**	₱2,260	₱–
	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 Personnel	Short-term employee benefits	**(58,147)**	(77,670)	(106,082)
	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	**₱129,233**	₱–	₱–
	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)	–

(Forward)

	Financial Statement Account	Terms and Conditions	December 31 2019	2018	2017
Stockholders of the Parent Company	Long-term receivable	5-year; interest-bearing	**₱631,858**	₱–	₱–
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 ₱650.0 million, of which ₱631.9 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	**₱3,036,798**	₱1,750,401	₱2,502,984
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
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	₱4,070,344
Authorized preferred shares at ₱1.00 par value each	4,564,330	₱4,564
Issued and outstanding common shares as at December 31, 2018	2,446,136,400	₱2,446,136
Issued and outstanding common shares as at December 31, 2019	2,462,146,316	₱2,462,146

Movements in issued and outstanding capital stocks follow:

Date	Activity	Issue price	Number of shares Common shares
May 26, 1949	Issued capital stocks as of incorporation date	₱1,000.00	1,002
December 10, 1971 to October 26, 1998	Increase in issued capital stock	1,000.00	1,496,597,636
December 6, 2002	Reclassification of common shares to preferred shares	1.00	40,000,000
February 10, 2003	Issuance of preferred shares before redemption	1.00	–
November 18, 2003	Redemption of preferred shares	6.67	–
September 6, 2004	Issuance of common shares by way of stock dividends	1.00	393,246,555
November 22, 2004	Redemption of preferred shares	6.67	–
December 31, 2004	Issuance of common shares prior to reorganization	1.00	(756)
October 24, 2005	Issuance of common shares through share swap transactions	1.76	414,121,123
August 22 to October 13, 2006	Conversion of redeemable preferred shares to common shares	3.20	140,687,340
December 6 -31, 2012	Redemption of redeemable preference share	6.00	–
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 ₱0.9 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 (₱1.00) 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 ₱1.6 billion and other equity reserves amounting to ₱712.2 million.

c. Retained earnings includes undistributed earnings amounting to ₱1,159.6 million and ₱1,014.1 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:

	Note	Years Ended December 31 2019	2018	2017
			(In Thousands)	
Cost of Services				
Outside services	20	**₱3,476,436**	₱3,322,268	₱3,599,944
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
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
		₱19,671,121	₱18,434,883	₱16,903,533

23. General and Administrative Expenses

This account consists of the following:

	Note	Years Ended December 31 2019	2018	2017
			(In Thousands)	
Personnel costs	25, 26	**₱725,424**	₱790,959	₱833,821
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
		₱1,493,029	₱1,923,310	₱2,339,831

Others consist of various expenses that are individually immaterial. This account is net of the recovery from doubtful accounts amounting to ₱48.1 million and ₱63.4 million for the years ended December 31, 2019 and 2018 (see Note 8).

24. Other Income (Charges)

Financing Charges

	Note	Years Ended December 31 2019	2018	2017
		(In Thousands)		
Interest expense on:				
Short-term notes payable	*15*	**₱148,319**	₱81,654	₱137,341
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
		₱421,326	₱297,249	₱386,490

Other financing charges comprise of items that are individually immaterial.

Others - net

	Note	Years Ended December 31 2019	2018	2017
		(In Thousands)		
Interest income	*7*	**₱16,971**	₱17,086	₱6,161
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)
		₱94,351	₱46,821	₱202,338

During 2018, the Group sold certain wholly owned and non-wholly owned subsidiary for a total consideration of ₱58.0 million, of which ₱15.0 million was received in 2018. Net assets of disposed subsidiaries amounted to ₱56.9 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:

	Note	Years Ended December 31 2019	2018	2017
		(In Thousands)		
Salaries and wages		**₱1,292,065**	₱1,246,578	₱1,290,492
Retirement benefit cost	*26*	**64,064**	53,621	125,688
Other employee benefits		**267,853**	352,866	541,139
		₱1,623,982	₱1,653,065	₱1,957,319

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 ₱91.2 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:

	Note	Years Ended December 31		
		2019	2018	2017
		(In Thousands)		
From continuing operations:				
Current service cost		**₱48,395**	₱86,068	₱110,507
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
		₱77,665	₱60,463	₱129,347

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	**₱455,352**	**(₱243,932)**	**₱211,420**
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	**₱591,423**	**(₱252,617)**	**₱338,806**

	December 31, 2018		
	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits
		(In Thousands)	
January 1	₱672,552	(₱284,978)	₱387,574
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)
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	₱455,352	(₱243,932)	₱211,420

	December 31, 2017		
	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits
		(In Thousands)	
January 1	₱690,398	(₱233,159)	₱457,239
Net retirement benefits cost in profit or loss:			
Current service cost	114,166	–	114,166
Net interest cost	36,729	(15,327)	21,402
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	₱672,552	(₱284,978)	₱387,574

The plan assets available for benefits are as follows:

	December 31		
	2019	2018	2017
		(In Thousands)	
Cash and cash equivalents	**₱852**	₱55,741	₱35,971
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	**₱252,617**	₱243,932	₱284,978

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%	**(₱70,695)**	(₱48,577)
	-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	**₱121,153**	₱123,921
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	**₱94,966**	₱100,402	₱253,273
MCIT	**10,379**	13,918	28,897
	105,345	114,320	282,170
Deferred	**(5,787)**	(3,092)	(16,924)
	₱99,558	₱111,228	₱265,246

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	**₱89,809**	₱87,063	₱230,304
Discontinued operations	**9,749**	24,165	34,942
	₱99,558	₱111,228	₱265,246

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	**₱16,805**	₱19,571	₱20,554
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
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)**	–	–
	₱113,337	₱69,495	₱82,696

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	₱1,265,212	₱–	₱–	(₱98,742)	₱1,166,470	₱349,941
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)	–	–	–
		₱3,133,224	(₱26,349)	(₱30,106)	(₱202,833)	₱2,873,936	₱862,181

Excess MCIT over RCIT

Year Incurred	Available Until	Amount	Applied	Expired	Divestment of subsidiary	Balances as at December 31, 2019
					(In Thousands)	
2019	2022	₱13,186	₱–	₱–	₱–	₱13,186
2018	2021	14,314	–	–	–	14,314
2017	2020	22,973	(8,209)	–	(756)	14,008
2016	2019	25,879	(11,306)	(14,573)	–	–
		₱76,352	(₱19,515)	(₱14,573)	(₱756)	₱41,508

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	**₱2,873,936**	₱1,871,512	₱187,667
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	**(₱237,797)**	(₱407,603)	(₱12,514)
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	**₱99,558**	₱111,228	₱265,246

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	**(₱890,352)**	(₱1,467,495)	(₱313,159)
Net loss for the year attributable to equity holders of the Parent Company (from continuing operations)	**(₱418,087)**	(₱1,027,672)	(₱384,304)
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	**(₱0.3616)**	(₱0.5999)	(₱0.1280)
Loss per common share (from contuinuing operations)	**(₱0.1698)**	(₱0.4202)	(₱0.1571)

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	**₱297,435**	₱603,143
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
	₱1,718,883	₱1,469,484

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 lease 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	**₱821,951**	**₱–**	**₱821,951**
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	**₱1,025,590**	**₱1,658,257**	**₱2,683,847**

December 31, 2018

	High	Medium	Total
		(In Thousands)	
Financial assets:			
Cash in banks	₱1,090,183	₱–	₱1,090,183
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	₱1,579,035	₱1,720,267	₱3,299,302

December 31, 2017

	High	Medium	Total
		(In Thousands)	
Financial assets:			
Cash in banks	₱1,919,025	₱–	₱1,919,025
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	₱2,468,230	₱1,663,301	₱4,131,531

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	**₱821,951**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱821,951**
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	**₱3,301,059**	**₱1,349,541**	**₱378,163**	**₱162,912**	**₱160,276**	**₱1,641,612**	**(₱1,136,847)**	**₱5,856,716**

		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	₱1,090,183	₱–	₱–	₱–	₱–	₱–	₱–	₱1,090,183
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	₱3,299,302	₱1,394,096	₱403,425	₱171,146	₱172,331	₱1,631,284	(₱1,349,247)	₱5,722,337

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

		Past Due but not Impaired						
December 31, 2017	Neither Past Due nor 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	₱1,919,025	₱–	₱–	₱–	₱–	₱–	₱–	₱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	₱4,147,979	₱940,879	₱349,133	₱180,103	₱464,229	₱699,732	₱1,436,702	₱8,218,757

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*	**₱5,165,630**	**₱–**	**₱–**	**₱5,165,630**
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**
	₱8,377,354	**₱3,412,295**	**₱387,521**	**₱12,177,170**
Financial and contract assets				
Cash and cash equivalents	**₱892,540**	**₱–**	**₱–**	**₱892,540**
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**
	₱5,299,128	**₱603,055**	**₱–**	**₱5,902,183**

**Excludes nonfinancial liabilities amounting to ₱576.9 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*	₱5,112,768	₱–	₱–	₱5,112,768
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
	₱8,330,712	₱2,875,798	₱–	₱11,206,510
Financial and contract assets				
Cash and cash equivalents	₱1,415,411	₱–	₱–	₱1,415,411
Trade and other receivables	4,191,514	–	–	4,191,514
Refundable deposits	62,614	112,664	–	175,278
	₱5,669,539	₱112,664	₱–	₱5,782,203

**Excludes nonfinancial liabilities amounting to ₱761.0 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*	₱5,594,537	₱–	₱–	₱5,594,537
Short-term notes payable	2,644,950	–	–	2,644,950
Long-term debt	3,126,193	1,481	–	3,127,674
Obligations under finance lease	101,130	218,430	–	319,560
	₱11,466,810	₱219,911	₱–	₱11,686,721
Financial Assets				
Cash and cash equivalents	₱2,181,243	₱–	₱–	2,181,243
Trade and other receivables	4,331,827	–	–	4,331,827
Refundable deposits	–	185,691	–	185,691
Restricted time deposit	152,736	–	–	152,736
	₱6,665,806	₱185,691	₱–	₱6,851,497

**Excludes nonfinancial liabilities amounting to ₱68.8 million as of December 31, 2017.*
***Noncurrent portion of long-term debt has been classified to current amounting to ₱3,087.0 million (see Note 17)*

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**	**₱38,233**	\$330	₱17,900	\$126	₱6,291
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)**	**(₱86,577)**	(\$2,276)	(₱125,195)	(\$12,514)	(₱624,824)

[1]\$1 = ₱50.64
[2]\$1 = ₱52.58
[3]\$1 = ₱49.93

The Group has recognized foreign exchange gain (loss) amounting to ₱1.4 million, ₱33.6 million and (₱34.4 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%	**₱865**	₱1,252	₱5,400
	-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)	
For more than one year	+80 basis points	**₱–**	₱–	(₱24,982)
	-80 basis points	–	–	24,982

	Increase (Decrease) in Interest Rates	**Effect on Equity** **2019**	2018	2017
			(In Thousands)	
For more than one year	+80 basis points	₱–	₱–	(₱17,488)
	-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)	₱2,564
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	₱963
Total unrealized gain recognized in OCI	2,038

Capital Risk Management Objectives and Procedures

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and produce adequate and continuous opportunities to its employees; and to provide an adequate return to shareholders by pricing products/services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. It manages the capital structure and makes adjustments in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Group's overall strategy in managing its capital remains unchanged since the prior year.

The Group considers its total equity as its capital. The Group monitors capital on the basis of the carrying amount of equity as presented on the consolidated statement of financial position. The capital ratios are as follows:

	December 31		
	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.

30. 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	**₱2,488,653**	**₱2,688,999**	₱3,222,513	₱3,164,104	₱3,127,674	₱3,206,070
Obligations under lease	**1,585,758**	**1,658,376**	–	–	–	–
Obligations under finance lease	–	–	175,832	175,832	319,560	291,279
	₱4,074,411	**₱4,347,375**	₱3,398,345	₱3,339,936	₱3,447,234	₱3,497,349

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	**₱2,685,000**	**₱3,921,500**	**(₱3,878,000)**	**₱43,500**	**₱–**	**(₱50,000)**	**₱2,678,500**
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	**₱6,083,345**	**₱3,921,500**	**(₱4,768,456)**	**(₱846,956)**	**₱614,962**	**₱901,560**	**₱6,752,911**

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	₱2,644,950	₱5,783,200	(₱5,743,150)	₱40,050	₱–	₱–	₱2,685,000
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	₱6,092,184	₱8,283,200	(₱8,288,780)	(₱5,580)	₱–	(₱3,259)	₱6,083,345

For the Year Ended December 31, 2017:

	January 1, 2018	Cash Flows Availments	Payments	Net	New leases	Others	December 31, 2018
Short-term notes payable	₱2,374,556	₱2,598,701	(₱2,328,306)	₱270,395	₱–	₱–	₱2,644,951
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	₱6,237,337	₱3,355,612	₱3,554,275	(₱198,663)	₱37,400	₱16,111	₱6,092,185

"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	₱1,387,128	₱28,283	₱1,415,411
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	₱15,062,701	₱1,771,988	₱16,834,689
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term notes payable	₱2,685,000	₱–	₱2,685,000
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
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	₱15,062,701	₱1,771,988	₱16,834,689

	December 31, 2017, as previously presented	Effect of Merger Increase (Decrease)	December 31, 2017, as re-presented
ASSETS			
Current Assets			
Cash and cash equivalents	₱2,095,850	₱85,393	₱2,181,243
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	₱16,507,109	₱1,809,554	₱18,316,663
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term notes payable	₱2,644,950	₱–	₱2,644,950
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
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	₱16,507,109	₱1,809,554	₱18,316,663

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	₱9,220,702	(₱643)	(₱1,988,860)	₱7,231,199
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)
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	(₱1,348,364)	(₱121,539)	₱–	(₱1,469,903)

	Years ended December 31			
	2017, as previously presented	Effect of Merger Increase (Decrease)	Effect of Discontinued Operation	2017, as re-presented
REVENUES				
Shipping	₱8,417,376	(₱9,383)	(₱1,808,831)	₱6,599,162
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

(Forward)

	Years ended December 31			
	2017, as previously presented	Effect of Merger Increase (Decrease)	Effect of Discontinued Operation	2017, as re-presented
GENERAL AND ADMINISTRATIVE EXPENSES	₱2,174,522	₱194,553	(₱29,244)	₱2,339,831
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	(₱309,574)	₱2,615	₱–	(₱306,959)

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	₱1,200,245	(₱17,985)	₱1,182,260
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	₱2,682,456	₱191,574	₱2,874,030
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 ₱650.0 million. 2GO paid capital gains tax of ₱19.6 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 ₱631.9 million. Interest income earned from this receivable amounted to ₱7.0 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	**₱1,062,507**	₱1,988,860	₱1,808,831
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)	**(₱473,250)**	(₱439,822)	₱71,145

**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	₱40,417
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)
	₱677,980

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

	Years ended December 31		
	2019	2018	2017
Operating activities	**(₱439,364)**	(₱117,803)	₱432,236
Investing activities	**(97,517)**	(223,423)	(365,563)
Financing activities	**29,444**	(38,017)	225,581

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

	Total
Net consideration	₱715,572
Carrying value of the disposal group	677,980
Gain from sale of the disposal group	₱37,592

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 ₱198.3 million and are presented as "Restructuring costs" in the consolidated statement of profit or loss.

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

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of 2GO Group, Inc. and Subsidiaries as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, included in this Form 17-A and have issued our report thereon dated February 27, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

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

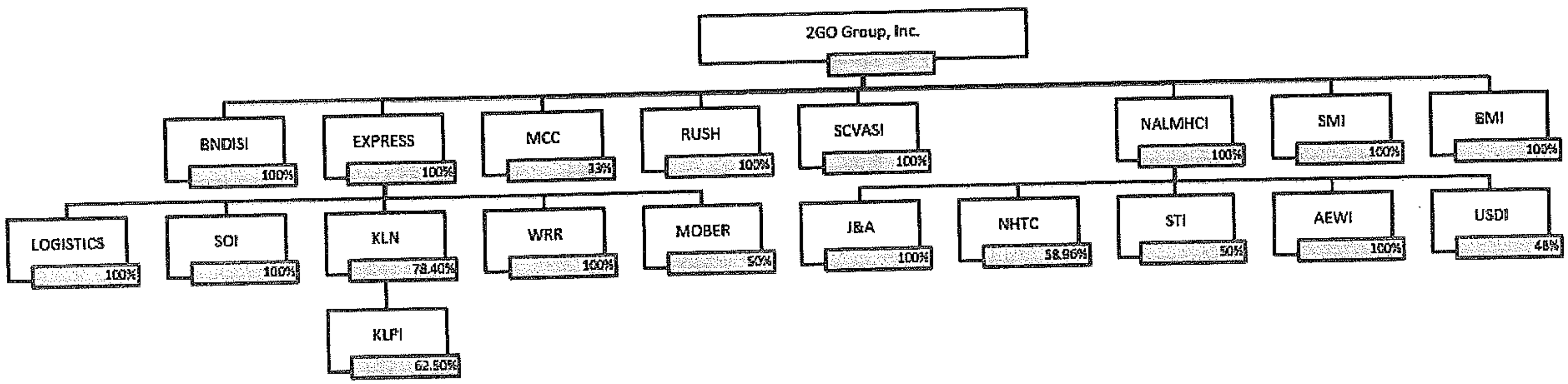
February 27, 2020

2GO GROUP, INC.
8/F Tower 1 Double Dragon Plaza, Edsa Ext.
cor. Macapagal Ave., Pasay City
INDEX TO THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
As of December 31, 2019

2GO GROUP, INC.
8/F Tower 1 Double Dragon Plaza, Edsa Ext.
cor. Macapagal Ave., Pasay City
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2019

Deficit, beginning (as re-presented)		**(₱126,994)**
Less: Deferred income tax assets, beginning		**28,510**
Treasury shares		**58,715**
Deficit, *as adjusted to available for dividend distribution,* beginning		**(214,219)**
Add: Net loss actually earned/realized during the period		
Net loss during the period closed to Deficit	(₱664,428)	
Less: Non-actual/ unrealized income, net of tax:		
Movement in deferred income tax assets	(9)	
Adjustment due to deviation from PFRS/ GAAP - gain	–	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	1,580	
Sub-total	(665,999)	
Add: Non-actual losses, net of tax:		
Adjustment due to deviation from PFRS/ GAAP - loss	–	
Net income actually earned during the period	(665,999)	(665,999)
Add (Less):		
Dividend declarations during the period	–	
Distributions paid	–	
Appropriations of retained earnings during the year	–	
Reversal of appropriations	–	
Treasury shares	–	
	–	–
TOTAL DEFICIT, END AVAILABLE FOR DIVIDEND		**(₱880,218)**

Corporate Structure



Legend:					
KGLI BV	KGL Investment BV	MCC	MCCP Transport Philippines, Inc.	J&A	J&A Services Corporation
KGLI -NM	KGLI-NM Holdings, Inc.	NALMHCI	NN-ATS Logistics Management & Holdings Co., Inc.	STI	Super Terminals, Inc.
BNDISI	Brisk Nautilus Dock Integrated Services, Inc.	SCVASI	Special Container and Value Added Services, Inc.	RUSH	2GO Rush Delivery Inc.
2GO	2GO Group, Inc.	LOGISTICS	2GO Logistics, Inc.		
SMI	Sea Merchants, Inc.	SOI	Scanasia Overseas, Inc.		
BMI	Bluemarine (BMI) Inc.	KLN	KLN Logistics Holdings Philippines, Inc.		
EXPRESS	2GO Express, Inc.	NHTC	North Harbor Tugs Corporation		
WRR	WRR Trucking Corporation	AEWI	Astir Engineering Works, Inc.		
KALI	Kerry Logistics Philippines, Inc.	USDI	United South Dockhandlers, Inc.		

2GO GROUP, INC. AND SUBSIDIARIES
Schedule A - Financial Assets
December 31, 2019
(Amounts in thousands)

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in balance	Income received and accrued
At equity:			
Hansa-Meyer ATS Projects, Inc.	32,076	0	(11,989)
Mober Technology PTE Inc	25,001	34,858	(4,156)
MCC Transport Philippines, Inc.	119,504	172,022	(25,875)

(i) Each issue shall be stated separately, except that reasonable grouping, without enumeration may be made of (a) securities issued or guaranteed by the Philippine Government or its agencies and (b) securities issued by others for which the amounts in the aggregate are not more than two percent of total assets.
(ii) State the basis of determining the amounts shown in the column. This column shall be totaled to correspond to the respective balance sheet caption or captions.

(iii) This column may be omitted if all amounts that would be shown are the same as those in the immediately preceding column.

2GO GROUP, INC. AND SUBSIDIARIES

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

December 31, 2019

Name & Designation of Debtor	Balance at December 31, 2018	Additions	Amounts collected/liquidated	Amounts written off	Current	Noncurrent	Balance at December 31, 2019
Advances to officers and employees	21,953	372,402	373,180		21,175		21,175
Chelsea Logistics and Infrastructure Holdings Corp.	0	650,000	18,142		113,495	518,363	631,858
	21,953	1,022,402	391,322	0	134,670	518,363	653,033

2GO GROUP, INC. AND SUBSIDIARIES

Schedule C - Amounts Receivable from (Payable to) Related Parties which are eliminated during the consolidation of financial statement

December 31, 2019

Name and Designation of Debtor	Balance at Beginning of Year (in thousands)	Additions (in thousands)	Deductions		Current (in thousands)	Noncurrent (in thousands)	Balance at End of Year (in thousands)
			Amounts Collected (in thousands)	Amounts Written-off (in thousands)			
Sea Merchants Inc.	3,039						3,039
Blue Marine Inc.	13	36					49
2GO Group, Inc.	919,035		749,698				169,337
2GO Express, Inc.	255,705	15,421					271,126
2GO Logistics, Inc.	521,969	708,306					1,230,275
Astir Engineering Works, Inc.	15,028		13,316				1,712
Super Terminal, Inc.	-	14					14
The Supercat Fast Ferry Corporation	245,079		245,079				0
J&A Services Corporation	105		104				1
WRR Trucking Corporation	38,041	100,084					138,125
North Harbor Tugs Corporation	25	65					90
Special Container and Value Added Services, Inc.	288,052		96,898				191,154
Scanasia Overseas, Inc.	518,612	755,983					1,274,595
NN-ATS Logistics Management and Holdings Co., Inc.	136,030		36,450				99,580
Kerry Logistics Philippines, Inc.	24,859		24,859				
Brisk Nautilus Dock Integrated Services, Inc.	-	32,738					32,738
Hapag-Lloyd Phils., Inc.	42,839		4,550				38,289
United South Dockhandlers, Inc.	529		493				36
	3,008,959	1,612,611	1,171,447	0	0	0	3,447,072

2GO GROUP, INC. AND SUBSIDIARIES
Schedule D - Intangible Assets - Other Assets
December 31, 2019
(Amounts in thousands)

Description	Balance at December 31, 2018	Additions	Adjustment	Charged to expense	Balance at December 31, 2019
Part A					
A. Goodwill	686,896				686,896
B. Software - net	43,138	57,089	30,585	14,700	116,112
	730,034	57,089	30,585	14,700	803,008

Part B	
Other assets	Not applicable – Other assets accounts do not exceed 5% of Total Assets

SCHEDULE E

2GO GROUP, INC. AND SUBSIDIARIES
Schedule E - Long-term debt
December 31, 2019

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption "Current portion of long-term debt" in Related Balance Sheet (in thousands)	Amount Shown Under Caption "Long-term debt" in Related Balance Sheet (in thousands)
Obligation under lease	1,585,758	449,427	1,136,331
Long-term debt	2,488,653	1,500	2,487,153
	4,074,411	450,927	3,623,484

2GO GROUP, INC. AND SUBSIDIARIES
Schedule F - Indebtedness to Related Parties
December 31, 2019

Name of Affiliates	Beginning Balance (in thousands)	Ending Balance (in thousands)
Kerry Logistics Philippines, Inc	6,458	-
MCC Transport Philippines, Inc.	2,929	-
Hansa Meyer Projects (Phils.), Inc.	-	-
Negros Navigation Co.	930,574	-
2GO Group Inc.	2,887,081	3,036,798
2GO Express Inc.	91,010	129,356
2GO Logistics, Inc.	328,724	68,570
Super Terminal, Inc.	-	80
The Supercat Fast Ferry Corporation	3,303	-
Astir Engineering Works, Inc.	16,826	7,622
J&A Services Corporation	5,668	-
North Harbor Tugs Corporation	4,618	3,282
Special Container and Value Added Services, Inc.	49,538	52,995
Scanasia Overseas, Inc.	668,418	31,906
NN-ATS Logistics Management and Holdings Co., Inc.	39,778	48,294
United South Dockhandlers, Inc.	16,294	10,607
WRR Trucking Corporation	-	15,575
Brisk Nautilus Dock Integrated Services, Inc.	-	-
Sea Merchants Inc.	6,952	-

Schedule G

Schedule G. Guarantees of Securities of Other Issuers. - This schedule shall be filed with respect to any guarantees of securities of other issuing entities by the issuer for which the statement is filed.

Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the Company for which statement is filed	Title of Issue of each class of securities guaranteed	Total amount of guaranteed outstanding	Amount owned by person or which statement is filed	Nature of Guarantee
NIL	NIL	NIL	NIL	NIL

(i) Indicate in a note any significant changes since the date of the last balance sheet filed. If this schedule is filed in support of consolidated financial statements, there shall be set forth guarantees by any person included in the consolidation except such guarantees of securities which are included in the consolidated balance sheet.

(ii) There must be a brief statement of the nature of the guarantee, such as Guarantee of principal and interest, "Guarantee of Interest", or Guarantee of dividends. If the guarantee is of interest, dividends, or both, state the annual aggregate amount of interest or dividends so guaranteed.

- not applicable in the previous year -

SCHEDULE H

2GO GROUP, INC. AND SUBSIDIARIES
Schedule H - Capital Stock
December 31, 2019

Title of Issue	Number of Shares authorized	Number of Shares Issued and outstanding as shown under related balance sheet caption	Number of Shares reserved for options, warrants, conversion and other rights	Number of shared held by related parties	Directors, officers and employees	Others
Common	4,070,343,670	2,462,146,316	-	2,168,552,309	11,800	293,582,207

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

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of 2GO Group, Inc. and Subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated February 27, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

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
8/F Tower 1 Double Dragon Plaza, Edsa Ext. cor. Macapagal Ave., Pasay City
Schedule of Financial Soundness Indicators
As of and for the years ended December 31, 2019 and 2018
(Amounts in Thousands)

Ratio	Formula			2019	2018
Current ratio	Total Current Assets Divided by Total Current Liabilities			**0.89**	0.90
	Total Current Assets		7,864,109		
	Divided by: Total Current Liabilities		8,883,408		
	Current Ratio		0.89		
Acid test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities			**0.59**	0.63
	Total Current Assets		7,864,109		
	Less: Inventories		(811,805)		
	Other current assets		(1,820,144)		
	Quick assets		5,232,160		
	Divided by: Total Current Liabilities		8,883,408		
	Acid test ratio		0.59		
Solvency ratio	Net loss before Depreciation & Amortization (Net loss from continuing operations plus depreciation and amortization) divided by Interest Bearing Debt			**0.28**	0.15
	Net loss from continuing operations		(418,964)		
	Add: Depreciation & Amortization		1,882,387		
	Net income before depreciation and amortization		1,463,423		
	Short-term notes	2,678,500			
	Long-term notes	2,488,653			
	Obligations under lease with bargain purchase options	93,038			
	Divided by: Interest-bearing debt		5,260,191		
	Solvency Ratio		0.28		

Ratio	Formula		December 31, 2019	December 31, 2018
Debt-to-equity ratio	Total Liabilities divided by Total Stockholders' Equity		**3.61**	2.71
	Total Liabilities	12,845,698		
	Divided by: Total Stockholders' Equity	3,554,529		
	Debt-to-equity ratio	3.61		
Asset-to-equity ratio	Total Assets divided by Total Stockholders' Equity		**4.61**	3.71
	Total Assets	16,400,227		
	Divided by: Total Stockholders' Equity	3,554,529		
	Asset-to-equity ratio	4.61		
Interest rate coverage ratio	Earnings from continuing operations before interest & tax divided by interest expense		**0.18**	(2.23)
	Loss from continuing operations	(329,155)		
	Add: Financing charges	421,326		
	Less: Interest income	(16,971)		
	Earnings before interest and taxes	75,200		
	Divided by: Interest expense	421,326		
	Interest rate coverage ratio	0.18		
Return on equity	Net loss from continuing operations divided by Average Total Stockholders' Equity		**(0.10)**	(0.19)
	Net loss from continuing operations	(418,964)		
	Divided by: Average Total Stockholders' Equity	4,045,622		
	Return on equity ratio	(0.10)		
Return on assets	Net loss from continuing operations divided by Average Total Assets		**(0.03)**	(0.06)
	Net loss from continuing operations	(418,964)		
	Divided by: Average Total Assets	16,617,458		
	Return on assets	(0.03)		
Net profit margin	Net Loss from continuing operations divided by Total Revenue		**(0.02)**	(0.05)
	Net loss from continuing operations	(418,964)		
	Divided by: Total Revenue	21,409,914		
	Net profit margin	(0.02)		

2GO GROUP, INC. AND SUBSIDIARIES
8/F Tower 1 Double Dragon Plaza, Edsa Ext.
cor. Macapagal Ave., Pasay City
KEY PERFORMANCE INDICATORS
AS OF DECEMBER 31, 2019 AND 2018
(Amounts in Thousands)

	December 31, 2019	December 31, 2018
Total Liabilities	**₱12,845,698**	₱12,297,975
Total Stockholders' Equity	**3,554,529**	4,536,714
Debt-to-Equity	**3.61**	2.71
Total Current Assets	**₱7,864,109**	₱8,006,267
Total Current Liabilities	**8,883,408**	8,870,777
Current Ratio	**0.89**	0.90
Total Quick Assets	**₱5,232,160**	₱5,606,925
Total Current Liabilities	**8,883,408**	8,870,777
Quick Ratio	**0.59**	0.63
Net Loss After Tax	**(₱418,964)**	(₱1,030,081)
Depreciation & Amortization	**1,882,387**	1,960,405
Net Income before Depreciation & Amortization	**1,463,423**	930,324
Interest-bearing debt	**5,260,191**	6,083,345
Solvency Ratio	**0.28**	0.15
Total Liabilities	**₱12,845,698**	₱12,297,975
Total Assets	**16,400,227**	16,834,689
Debt-to-Asset Ratio	**0.78**	0.73
Total Assets	**₱16,400,227**	₱16,834,689
Total Stockholders' Equity	**3,554,529**	4,536,714
Equity-to-Asset Ratio	**0.22**	0.27
Net Loss	**(₱418,964)**	(₱1,030,081)
Average Total Assets	**16,617,458**	17,575,676
Return on Assets	**(0.03)**	(0.06)
Net Loss	**(₱418,964)**	(₱1,030,081)
Average Total Stockholders' Equity	**4,045,622**	5,290,072
Return on Equity	**(0.10)**	(0.19)

	December 31, 2019	December 31, 2018
Sales	**₱21,409,914**	₱19,665,637
Cost of Services and Goods Sold	**19,671,121**	18,434,883
Gross Profit	**1,738,793**	1,230,754
Gross Profit Margin	**0.08**	0.06
Net Loss	**(₱418,964)**	(₱1,030,081)
Sales	**21,409,914**	19,665,637
Net Loss Margin	**(0.02)**	(0.05)
Price Per Share	**₱10.50**	₱13.78
Loss per Common Share	**(0.36)**	(0.60)
Price per Loss Ratio	**(₱28.98)**	(₱23.08)
EBIT	**₱75,200**	(₱662,855)
Interest Expense	**421,326**	297,249
Interest Coverage Ratio	**0.18**	(2.23)

Note: The group has discontinued operations during 2019. All profit/loss accounts pertain to results from continuing operations