COVER SHEET

SEC Registration Number

								4	4	0	9

Company Name

2 G O G R O U P , I N C .

Principal Office (No./Street/Barangay/City/Town/Province)

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
1 7 - A		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	(02) 8528-7171	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
		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
Elmer B. Serrano	**elmer.serrano@serranolawph.com**	**+632-8651-7408**	

Contact Person's Address

1105, Tower 2 High Street South Corporate Plaza, 26th Street, Bonifacio Global City, Taguig City

Note: 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.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A
ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2022**

2. SEC Identification Number **4409** 3. BIR Tax Identification No.**000-313-401-000**

4. Exact name of issuer as specified in its charter **2GO Group, Inc.**

5. Philippines
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. **8th Floor, Tower 1, DoubleDragon Plaza, Macapagal Blvd. corner EDSA Extension, Pasay City**
Address of principal office Postal Code **1302**

8. **(02) 8528-7171**
Issuer's telephone number, including area code

9. **N/A**
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

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

11. Are any or all of these securities listed on a Stock Exchange.

Yes [**X**] No [ ] **Philippine Stock Exchange - Common Stock**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [**X**] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [**X**] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates as of December 31, 2022: P2,462,312,313.50 (P6.50/share)

TABLE OF CONTENTS

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

2GO GROUP, INC.

Business Development

2GO Group, Inc. (2GO or the Company) was incorporated in the Philippines on May 26, 1949. 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).

As of December 31, 2022, 2GO is 52.88%-owned by SM Investments Corporation, 31.72%-owned by Trident Investments Holdings Pte. Ltd. and 15.39% owned by public shareholders.

As stated in a disclosure dated June 3 2021, SM Investments Corporation (SMIC) completed its acquisition from KGLI-NM Holdings, Inc. (KGLI-NM) of 550,558,388 common shares representing 22.36% of the 2GO Group, Inc. (2GO) via a special block sale through the facilities of the Philippine Stock Exchange (PSE), resulting in the increase of SMIC's current shareholding from around 30.53% to approximately 52.85% of 2GO. Following this transaction, 2GO is now a subsidiary of SMIC. The transaction was completed on the same date of the disclosure.

On the same date, Trident Investments Holdings Pte. Ltd. (Trident) purchased 230,563,877 common shares in 2GO from KGLI-NM and 550,558,388 common shares from China-ASEAN Marine B.V., or a total of 781,122,265 common shares representing approximately 31.73% of 2GO. The sale transactions were transacted via special block sales through the Philippine Stock Exchange, Inc.

Trident is an entity directly controlled and majority owned by Archipelago Asia Focus Fund II Pte Ltd, a company incorporated under the laws of the Republic of Singapore and is indirectly controlled by Archipelago Capital Partners Pte. Ltd. (Archipelago). Archipelago is a Singapore-based private equity firm that is licensed by the Monetary Authority of Singapore and invests across South East Asia.

Product Lines and Markets

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. 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.

The Group's various businesses are known in the market by its strong flagship brand "2GO". The Group is composed of three core business units:

1. ***Sea Solutions*** — known as 2GO Freight and 2GO Travel, the Sea Solutions business unit owns and operates a fleet of roll-on/roll-off freight and passenger (ROPAX) vessels which offer fast and reliable services and the widest choice of routes linking Luzon, Visayas, and Mindanao, through land and sea multimodal transport linkages.

2. ***Logistics*** — operates under the brands 2GO Express, 2GO Logistics, Special Container and Value-added Services, and Kerry Logistics. This business unit offers transportation, warehousing, cold chain solutions, auto rolling cargo shipping, containerized shipping, break bulk & LCL consolidation, ISO tank shipments, domestic and international ocean and air forwarding services, customs brokerage, project logistics, and express and last mile package and e-commerce delivery.

3. ***Distribution*** — known as Scanasia, this business unit leverages on more than 100 years of expertise in Logistics, Distribution, Warehousing, and Inventory Management.

Sea Solutions

2GO Freight provides door-to-door and pier-to-pier transportation of raw materials and finished goods on full container load (FCL), less container load (LCL) or loose cargo shipments. Sea shipments are fulfilled via its fleet of large and medium ROPAX vessels, which are differentiated from freighter vessels as they offer speed and reliability of schedule.

2GO Travel provides comfortable and secure sea transportation between major ports nationwide. It offers a wide selection of hotel and accommodation services, as well as tours and events, on top of traditional passenger transport 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.

Significant Subsidiaries of 2GO Group, Inc.

1. 2GO Express, Inc.

2GO Express 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 as the local partner of FedEx.

2GO Retail brings 2GO's end-to-end solutions closer to its customers by offering services of domestic parcel delivery, FedEx international services, and sale of 2GO Travel tickets. The Retail group constantly develops services to cater to the rapidly evolving needs of the retail consumer market.

Subsidiaries of 2GO Express, Inc.

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)

SOI is the Distribution business unit of 2GO. It completes the end-to-end proposition of 2GO 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)

KLPI is a joint venture between 2GO 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.

2GO Land Transport, Inc.

2GO Land Transport, Inc. provides 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.

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

SCVASI provides 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.

Competition

The Group considers the following as its major competitors in the domestic shipping industry: Phil Span Asia Container Corp, Oceanic Container Lines and National Marine Corporation, Lorenzo Shipping, Solid Shipping Lines and Moreta Shipping. The Group also considers the airline industry and the Ro-Ro Nautical Highway as its indirect competitors, particularly in the travel business. Travel and freight rates are generally determined by the Philippine Liner Shipping Association (PLSA), the association of shipping operators, where the Registrant is also a member.

Major competitors in the logistics business include domestic courier and freight forwarding companies such as LBC Express, JRS Express, and Air 21. In warehousing and trucking, the group competes with both domestic and multinational logistics companies. In last-mile delivery, there is also added competition from regional startups such as Ninja Van and J&T Express.

Customers

For freight, logistics, and distribution, 2GO caters to a broad customer base with particular strengths in the FMCG, Automotive, Industrial, Pharmaceutical and Lifestyle verticals. 2GO provides a wide range of transportation solutions including air, sea, and land, both ambient and temperature-controlled. 2GO also provides specialized warehousing and management solutions for these segments. For travel, 2GO caters to both commuters and leisure travelers, providing safe, reliable, and affordable passage nationwide.

Purchases of Materials, Parts and Supplies

Fuel and vessel spare parts are the major supplies and materials needed for operations. Materials, parts and supplies are obtained mostly from local suppliers at competitive rates. The Group does not expect any shortage in any of these supplies and does not depend upon one or limited number of suppliers for said supplies.

Patents, Trademarks, Copyrights, Licenses, Franchises

Trademarks

2GO is the registered owner of the following marks for a period of ten (10) years:

a. 2GO
b. Super Ferry
c. Cebu Ferries
d. 2GO Freight
e. 2GO Rush
f. 2GO Travel
g. 2GO Express
h. 2GO Logistics
i. Scanasia Overseas
j. 2GO Express We Deliver What Matters When It Matters.
k. 2GO Gear
l. 2GO Special Containers
m. 2GO The Distance
n. 2GO Group
o. Scanasia Overseas, Inc.
p. 2GO Special Container and Value Added Services, Inc.
q. #ready2GO
r. #2GOTripOfYourLife
s. 2GO Travel Apprenticeship Program
t. Ship
u. MAREX
v. SCVASI
w. SCVASI Special Container and Value Added Services Inc.
x. 2GO Special Container and Value Added Services Inc.
y. 2GO SCVASI
z. 2GO Special Containers

Franchises and Licenses

2GO's vessels are duly registered with the Maritime Industry Authority (MARINA) and subjected to regular survey and ISM audit to ascertain its adherence to vessel and manning safety standards. The Company is a holder of several Certificates of Public Convenience (CPC) and Special Permits (SP) issued by MARINA to service domestic ports of call.

2GO's trucks and other delivery vehicles have the requisite franchises and permits from the Land Transportation & Franchising Regulatory Board (LTFRB) and other relevant regulatory bodies.

Related Party Transactions

Related party transactions with both customers and suppliers are discussed in the Notes to the 2020 Consolidated Financial Statements.

Employees

2GO has a complement of 2,048 employees as of December 31, 2022.

The Company has a Labor Management Council (LMC) that is a member of the Philippine Association of Labor Management Council, wherein the labor and the management cooperate as partners in ensuring a climate of harmony and industrial peace in the workplace and in achieving sustainable economic growth for their mutual welfare and benefit.

The LMC representatives are social partners of 2GO sharing a common interest in the success and growth of the enterprise and the economy. They are active contributors to corporate social responsibility – initiatives, joint-problem solving and consultation in matters involving employee welfare.

2GO's LMC holds a regular yearly convention to bring all chairmen and representatives to a forum with the principals and officers of the Company. The convention seeks to promulgate resolutions most of which are economic demands from the Labor sector and management; address all other concerns and issues; amend the charter; and to hold elections for the officers of the national LMC.

The establishment of the LMC on September 23, 1986, has given rise to more benefits and privileges to the employees. This includes among others, medical allowances, group hospitalization plan, educational assistance for qualified dependents, mortuary assistance and privilege pass for employees and their immediate family members.

In response to the COVID-19 pandemic in 2020 and 2021, the benefits program for employees included enhanced safety awareness and protocols, provision of personal protective equipment, mental wellness programs, COVID-testing and planned vaccination.

Government Regulations

MARINA Memorandum Circular No. 79

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

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

The accreditation serves as a prerequisite to the granting of franchises for individual vessel operations. 2GO vessels have been issued Certificates of Public Convenience to operate in specified routes.

The Domestic Shipping Development Act of 2004 (Republic Act No. 9295)

The Domestic Shipping Development Act allows only domestic ship owners or operators to obtain franchises for carriage of cargo and/or passengers in domestic trade. On the other hand, it disallows foreign vessels to transport passengers or cargo between ports or place within the Philippine territorial waters except upon grant of a special permit by the MARINA upon certain conditions. This is in line with the law's objective to attain the State's policies of promoting Filipino ownership of vessels operated under the Philippine flag, attracting private capital to invest in the shipping industry by creating a healthy and competitive investment and operating environment, and ensuring the continued viability of domestic shipping operations, among others. The law also deregulated the domestic shipping industry by authorizing the domestic ship operators to establish their own domestic shipping rates.

In particular, RA 9295 prohibits and penalizes a domestic ship operator who, among others, shall operate without a valid certificate of public convenience; refuse to accept or carry any passenger or cargo without just cause; fail to maintain its vessels in safe and serviceable condition or violate safety rules and regulations; fail to obtain or maintain adequate insurance coverage; and/or fail to meet or maintain safe manning requirements.

Research and Development Activities

As a service company, 2GO continuously innovates its products and services to meet the changing needs of our customers. This is consistent with the Group's strategy to focus its efforts on developing and maintaining its existing value-added businesses where it believes much of its future will lie.

Major Risks Involved in the Business of 2GO and its Subsidiaries

With safety being the Group's priority, a safety management system was developed to tie in all these requirements and create a comprehensive system that is dynamic and auditable. The system, developed in 1999 with the assistance of the Det Norske Veritas (DNV), was patterned after the IMO's International Safety Management (ISM) Code. The Group's vessels and relevant shore-based offices are subjected to audits by the MARINA and are certified as compliant to the ISM Code.

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

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

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

Item 2. Properties

2GO Group, Inc.

Vessels

As of December 31, 2022, 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 126,695, total annual passenger capacity of approximately two million passengers and aggregate annual cargo capacity of approximately three hundred thousand 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, with Manila as its homeport, to complement its freight business.

Container Yard and Warehousing Facilities

The Company has one of the most extensive networks of container yards and warehousing facilities nationwide.

The Company's warehouse network consists of warehouses in Bacolod, Butuan, Cagayan de Oro, Cebu, Davao, Dumaguete, General Santos, Iligan, Iloilo, Ozamis, Palawan, Zamboanga and the Greater Manila Area. Warehouses are either owned or leased by the Company.

Most of the Company's container yards have been cemented, whether in whole or in part, to achieve greater efficiency in terminal operations, allow for shorter turnaround time in port, greater utilization in stacking of containers and lower repair and maintenance costs for the operating equipment used at the container yards.

Land and Buildings

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

Containers, Cargo Handling Equipment and Transportation Equipment

2GO owns and leases a variety of containers and other equipment of various types and sizes for use in its cargo operations including forklift, top loaders, yard tractors and trailers or chassis, and delivery vehicles of various sizes.

Liens and Encumbrances

Detailed discussion as regards the mortgage, liens and encumbrance over the properties of the Registrant are disclosed under the Notes of the 2022 Consolidated Financial Statements.

Item 3. Legal Proceedings

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

Item 4. Submission of Matters to a Vote of Security Holders

Nothing was submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matter

A. Market Information

The Common Stock of the Corporation is listed at the Philippine Stock Exchange. As of December 31, 2022, the market price of 2GO's common stock is P6.50 per share.

Below is the range of high and low daily closing prices for 2GO's common equity for each quarter for the last two (2) fiscal years:

	HIGH	**LOW**
2022		
First Quarter	7.86	7.17
Second Quarter	7.57	6.81
Third Quarter	7.55	6.20
Fourth Quarter	7.25	6.00
2021		
First Quarter	10.86	8.05
Second Quarter	9.15	8.00
Third Quarter	8.56	8.01
Fourth Quarter	8.19	7.40

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 December 31, 2022 is 5,109. The top 20 common stockholders as of December 31, 2022 are as follows:

	Name	No. of Shares	Percentage
1	PCD NOMINEE CORPORATION (FILIPINO)	943,878,465	37.75
2	SM INVESTMENTS CORPORATION	750,754,812	30.02
3	PCD NOMINEE CORPORATION (FOREIGN)	741,748,054	29.66
4	WILLIAM GOTHONG & ABOITIZ INC	38,516,500	1.54
5	ABACUS SECURITIES CORPORATION	1,530,000	0.06
6	CONSTANTINE TANCHAN	1,262,500	0.05
7	SANTIAGO TANCHAN III	1,262,500	0.05
8	FIRST METRO INVESTMENT CORPORATION	648,651	0.03
9	PHILIPS MULTIEMPLOYER RETIREMENT PLAN	631,250	0.03
10	RAMON RIVERO	600,000	0.02
11	DOLL AGRICULTURAL CORPORATION	519,999	0.02
12	AMA RURAL BANK OF MANDALUYONG, INC.	441,875	0.02
13	SUMMIT SECURITIES, INC.	440,963	0.02
14	ELIZABETH CHIU	378,750	0.02
15	JULIO & FLORENTINA LEDESMA FOUNDATION, INC.	338,500	0.01
16	RAMON R. RIVERO	320,000	0.01
17	LILIAN S. LIM	315,625	0.01
18	DANIEL LACSON, JR.	269,708	0.01
19	BONIFACIO O. DOROY	222,960	0.01
20	CONCHITA LEDESMA	201,840	0.01

As of December 31, 2022, the total number of shares owned by the public is equivalent to 378,817,279 shares or equivalent to 15.39%.

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."

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Financial information for the three years ended December 31, 2022, 2021 and 2020 are as follows:

Results of Operations for the Years Ended December 31, 2022 and 2021

2GO Group, Inc. and subsidiaries ("2GO" or the "Group") delivered a ₱1.46B or 127% turnaround year-over-year ("YoY") with Net Income of ₱312M in 2022 vs. Net Loss of ₱1.14B in 2021. 2GO's performance was driven by focusing on profitable services and customers together with improving market conditions and continued cost controls to drive scale and efficiencies. Total revenue increased 25% YoY, while total operating costs increased only 15% which led to Operating Income of ₱738M in 2022, an improvement of ₱1.49B or 198% vs. 2021. EBITDA improved 188% YoY to ₱2.22B at 11.5% margin in 2022 compared to ₱771M and 5.0% in 2021.

Shipping revenue, which is comprised of sea freight and passenger travel, increased 67% YoY. Sea freight revenue increased 48%. Travel revenue increased 217%. Revenue from Logistics and other services increased 30% YoY from continued growth of 2GO's cold chain reefers and ISOtank containers, forwarding, ecommerce fulfillment, and international courier business. Distribution revenue declined 10% YoY as 2GO focused on more profitable principals. Shipping accounted for 33% and Non-shipping accounted for 67% of total revenue during 2022, compared to 25% and 75% respectively during 2021.

Cost of services and goods sold increased 18% YoY due to higher volumes for shipping and certain logistics services, offset by 14% lower cost of goods sold for the distribution business. Fuel costs increased 46% YoY. General and administrative expenses decreased 23% YoY due to continued focus on cost controls and lower provisions for doubtful accounts.

Financial Position as of December 31, 2021 and December 31, 2020

		As of			
Amounts in millions		Dec 31, 2022		Dec 31, 2021	% Change
Current Assets	₱	6,624	₱	6,598	0%
Noncurrent Assets		7,768		6,321	23%
Total Assets	**₱**	**14,392**	**₱**	**12,919**	**11%**
Current Liabilities	₱	11,210	₱	7,421	51%
Noncurrent Liabilities		2,187		4,859	(55%)
Total Liabilities	**₱**	**13,397**	**₱**	**12,280**	**9%**
Total Equity		995		639	56%
Total Liabilities and Equity	**₱**	**14,392**	**₱**	**12,919**	**11%**

Total Assets increased 11% from ₱12.9B to ₱14.4B, while Total Liabilities increased 9% from ₱12.3B to ₱13.4B.

Assets
Current Assets is flat at ₱6.6B. Trade and Other Receivables, net of Allowance for Doubtful Accounts increased 19% from ₱2.9B to ₱3.4B in line with the 25% YoY revenue growth in 2022. Inventories decreased 4% YoY due to lower ending inventory of the distribution business. Other current assets decreased 23% YoY due to the reclassification of CWT that is not expected to be utilized in 2023 to noncurrent.

Noncurrent Assets increased 23% from ₱6.3B to ₱7.8B as 2GO capitalized two facility lease renewals in accordance with PFRS 16 on Leases and CWT reclassification as discussed above.

Liabilities
Current Liabilities increased 51% to ₱11.2B from ₱7.4B, mainly due to ₱3.5B of long-term debt, reclassified to current as the debt is due in the next 12 months. Obligations under lease increased 145% or ₱205M due to capitalization of right-to-use assets and lease obligations of 2GO's facilities. Conversely, Short-term Notes Payable decreased 26% from ₱3.1B to ₱2.3B as 2GO repaid part of its short-term debt. Trade and Other Payables increased 21% from ₱4.2B to ₱5.1B in line with the increased cost of services.

Noncurrent Liabilities decreased 55% from ₱4.9B to ₱2.2B due to the reclassification of long-term debt discussed in the previous paragraph.

Equity
Total Equity increased 56% from ₱639M to ₱994M due to Net Income of ₱312M in 2022.

Key Variable and Other Qualitative and Quantitative Factors.

(i) Any known trends, events or uncertainties (material impact on liquidity)

Except as disclosed in the management discussion or notes to the consolidated financial statements, there are no known trends, events, or uncertainties that are expected to have a material impact on the Company's liquidity

(ii) Events that will trigger direct or contingent financial obligation that is material to the Corporation, including any default or acceleration of an obligation.

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.

(iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Corporation with unconsolidated entities or other persons during the reporting period.

Except as disclosed in the management discussion or notes to the consolidated financial statements, 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.

(iv) Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures.

Capital expenditures are part of the Company's normal course of business. These are funded through cash generated from operations or additional borrowings.

(v) Any known trends, events or Uncertainties (Material Impact on Sales)

Except as disclosed in the management discussion or notes to the consolidated financial statements, there are no known trends, events, or uncertainties that are expected to affect the Group's sales.

(vi) Any Significant Elements of Income or Loss (from continuing operations)

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.

(vii) Causes for Any Material Changes from Period to Period of FS which shall include vertical and horizontal analyses of any material item (5%)

All causes for Any Material Changes from Period to Period of the FS are discussed Part III – Results of Operations above and in the management discussion and notes to the consolidated financial statements.

(viii) Seasonal Aspects that has Material effect on the FS.

Except as disclosed in the management discussion or notes to the consolidated financial statements, there are no known seasonal aspects that are expected to affect the Group's continuing operations.

Key Performance Indicators

The following are the key financial ratios of the Group for the years ended December 31, 2022 and 2021 and as of December 31, 2022 and December 31, 2021.

	Dec 31, 2022	Dec 31, 2021
Revenue Growth	25.1%	(11.5%)
Net Income Margin	1.6%	(7.4%)
EBITDA (in Millions of Pesos)	₱ 2,222	₱ 771
EBITDA Margin	11.5%	5.0%
	As of	
	Dec 31, 2022	Dec 31, 2021
Current Ratio	0.6	0.9
Interest Bearing Debt to Total Equity	8.0	12.1
Total Liabilities (less effect of PFRS 16) to Total Equity	11.8	18.2
Total Liabilities to Total Equity	13.5	19.2

Net Income margin improved to 1.6% in 2022 vs. -7.4% in 2022. EBITDA improved 188% YoY to ₱2.22B at 11.5% margin in 2022 compared to ₱771M and 5.0% in 2021.

Current Ratio is 0.6 and 0.9 as of December 31, 2022, and 2021, respectively. Interest Bearing Debt to Total Equity improved to 8.0 as of December 31, 2022, from 12.1 as of 2021, while total Liabilities to Total Equity improved to 13.5 from 19.2. Excluding the effect of the adoption of PFRS 16, Total Liabilities to Total Equity improved to 11.8 from 18.2 and Bank Debt to Total Equity improved to 6.3 from 11.1.

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

Item 7. Financial Statements

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this SEC Form 17-A.

The management is not aware of any significant or material events or transactions not included nor disclosed in the consolidated financial statements in compliance with SRC Rule 68.

Item 8. Information on Independent Accountant and Other Related Matters

SGV & Co. is being recommended for re-appointment as the Company's external auditor for 2023, 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. 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 committee members are as follows:

Chairman:	Mr. Laurito E. Serrano (ID)
Members:	Mr. Kiat Chan
	Mr. Paquito N. Ochoa, Jr. (ID)

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 2023.

(1) External Audit Fees and Services

	Year ended December 31, 2022	**Year ended December 31, 2021**	**Year ended December 31, 2020**
Audit Fees	**5,755,000**	**5,500,000**	**5,850,000**

Audit-Related Fees	**-**	**-**	**-**
All Other Fees	**322,500**	**-**	**-**
TOTAL	**6,077,500**	**5,500,000**	**5,850,000**

<u>Audit Fees</u>

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, 2022.

<u>All Other Fees</u>

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.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

The names, ages, citizenship, position and offices held or will hold, and brief description of business experience during the past 5 years (except those years stated otherwise) and other directorships held in reporting companies, including name of each company, of all directors and executive officers (as of April 2023) are as follows:

DIRECTORS

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

Mr. Frederic C. DyBuncio,* 64, Filipino, is the President/Chief Executive Officer and a director of 2GO and SM Investments Corporation. He is the Vice Chairman of the Board of Atlas Consolidated Mining and Development Corporation. 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 the Asian Institute of Management.
**Mr. DyBuncio was appointed as Chairman of the Board effective June 3, 2021*

Dr. Francis C. Chua, 74, Filipino, s the Vice Chairman of the Board of Directors and an Independent Director of 2GO. He is currently the Founding Chairman of the International Chamber of Commerce, Philippines (ICCP). He is also the Chairman Emeritus of the Philippine Chamber of Commerce and Industry Inc. (PCCI), Founding Chairman of the Philippine Silk Road International Chamber of Commerce (PSRICC), and Honorary President of the Federation of Filipino-Chinese Chambers of Commerce and Industry Inc. (FFCCCII). He has served as President of the PCCI (2010-2011), The Chamber of Commerce of the Philippine Islands (2004-2006), and the Federation of Filipino Chinese Chambers of Commerce & Industry, Inc. (FFCCCII) (2005-2007). In 2007, he was appointed as Special Envoy for Trade and Investments by the President of the Philippines. Currently, he is the Honorary Consul General of the Republic of Peru in the Philippines since 2006. Co-founder of Pearl Pay, a fintech company, Chairman of the Bank of Commerce, Chairman of Columbus Capitana, Board Adviser of Basic Energy, Board of Director of DITO CME Holdings Corp. / DITO Telecommunity Corporation, Founding Chairman of BA Securities and the Chairman and President of BA Group of Companies. Dr. Chua is also Chairman Emeritus of Employers' Confederation of the Philippines (ECOP). He also serves as Commissioner of Tzu Chi Foundation. Dr. Chua is an ASEAN Industrial Engineer and is a Graduate of B.S. Industrial Engineering from the University of the Philippines. He was conferred Doctor of Management (Honoris Causa) by the Polytechnic University of the Philippines, Doctor of Humanities (Honoris Causa) by the Central Luzon State University (CLSU) in 2006 and Doctor of Business Technology (Honoris Causa) from EARIST also in 2006. AFFILIATIONS: Chairman & President of Philippine Satellite Corp., Chairman & President of CLMC Group of Companies, Founding Chairman of Philippine Silkroad International Chamber of Commerce, President of Philippine Business Center, Inc., Founding Chairman at BA Securities, Inc. (Philippines), Vice Chairman of 2GO Group, Vice Chairman of Basic Energy Corporation, Chairman of the Foundation for Crime Prevention, Founding Chairman of International Chamber of Commerce

Philippines, Chairman at Green Army Philippines Network Foundation, Inc,. Board of Director at Hua Qiao University, China, Board of Director of Fuchou Normal University, Awardee of the UP Alumni Award for Community Service, Dr. Jose Rizal Award for Business and Entrepreneurship, Board of Regent at the Universidad de Manila, Previous Board of Trustees at Central Luzon State University, Previous Board of Trustees at the Technical Education and Skills Development Authority (TESDA), Previous member of the Board of Regents of the University of the Philippines, Previous Board of Trustees at Adamson University, President Emeritus and Board of Director of the Philippine Institute of Quezon City, Exemplary Alumni of Xavier School, Outstanding Manileños 2018.

Atty. Elmer B. Serrano, 55, Filipino, is a Director and Corporate Secretary of 2GO. Mr. Serrano is a practicing lawyer specializing in corporate law and is the Managing Partner and founder of the law firm SERRANO LAW.

Mr. Serrano has been awarded "Asia Best Lawyer" 3 years in a row by the International Financial Law Review (IFLR) for Banking and Finance, Capital Markets, and Mergers & Acquisitions, one of only two exclusively recognized lawyers in all three practice areas the Philippines. This comes after being consistently recognized as a "Highly Regarded-Leading Lawyer" in the same fields by IFLR.

The Legal 500 Asia Pacific also named Mr. Serrano as a "Leading Individual" in Banking & Finance, after constant citation as a "Recommended Lawyer".

Mr. Serrano is the Chairman of Dominion Holdings, Inc. (formerly BDO Leasing and Finance, Inc.) and is a director of 2GO Group, Inc. He is also an Independent Director of Philippine Telegraph and Telephone Corporation.

Mr. Serrano is the Corporate Secretary of SM Investments Corporation, SM Prime Holdings, Inc., Premium Leisure Corp., Atlas Consolidated Mining and Development Corporation, as well as subsidiaries of BDO Unibank, Inc., and of DFNN Inc. He is also Corporate Secretary of, or counsel to, prominent financial industry organizations, such as the Bankers Association of the Philippines, the Philippine Payments Management, Inc. and the PDS Group of Companies.

Mr. Serrano is a Certified Associate Treasury Professional 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 de Manila University and a BS Legal Management degree from the same university.

Atty. Jesus G. Dureza, 75, is an Independent Director of 2GO. Atty. Dureza 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 back as publisher of the Mindanao Times. Now, he continues in the private sector his strong advocacy for peace and good governance. On May 2022, he officially released and launched the book "Walked With The Presidents" – an autobiography, a magnum opus – his lifetime's work serving the government up close with six Philippine presidents for the last 32 years.

Atty. Paquito N. Ochoa, Jr., 62, Filipino, founded PNO Management and Legal Consulting in September 2016 after completing his term as a government official. He is currently the President of Manuel L. Quezon University (MLQU) from October 2020.

He is a founding member and partner (on leave) of Marcos Ochoa Serapio Tan Law Firm from 2006 to 2010 and a partner in De Mesa & Ochoa Law Offices from 1995 to 2001.

Atty. Ochoa served as Executive Secretary (Office of the President, Republic of the Philippines) from July 2010 to June 2016. During this period, he also chaired various national government committees among which were, the National Organizing Committee of the 2015 Asia-Pacific Economic Cooperation (APEC), and National Organizing Committee on the Visit of His Holiness Pope Francis in January 2015. He is the longest serving Executive Secretary to date and the only individual to serve the full term of a President.

He also served as City Administrator of the Quezon City Local Government from January 2003 to June 2010 during which period, he introduced prudent spending practices which together with improved revenue collection, allowed the City Government to balance its budget and achieve unprecedented increase in income.

During his stint as Executive Secretary, he was conferred by President Benigno S. Aquino III the Order of Sikatuna with the rank of Datu (Grand Cross, Gold Distinction) in December 2015. He was also conferred Doctor of Laws, Honoris Causa by the Palawan State University, Puerto Princesa City, Palawan.

After his career in public administration (from 2016 to present), Atty. Ochoa focused on leading a team that provides advisory services in two major areas: 1) financial advisory services which include conduct of customary financial due diligence; analysis of business operations, financial condition, and prospects; evaluation of debt capacity and capital structure alternatives; financial restructuring; pre acquisition and post-acquisition evaluation; negotiations leading to Transactions (BOT or JV); and 2) legal and regulatory compliance which include legal due diligence; preparation of contracts and other documents covering Transactions, including negotiations; and compliance with government rules and regulations.

Atty. Ochoa holds a Bachelor of Laws degree from the Ateneo De Manila University (class of 1985). He completed his Bachelor of Arts degree in Economics from the University of Santo Tomas in 1981.

Mr. Laurito E. Serrano, 62, Filipino, is an Independent Director of 2GO. He concurrently serves as a member of the Board of Directors of Rizal Commercial Banking Corporation (**RCBC**), Pacific Online Systems Corporation (**POSC**), Anglo Philippine Holdings Inc. (**APO**), Axelum Resources Corp. (**AXLM**), and MRT Development Corporation (**MRTDC**). Mr. Serrano's more than 30 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.)** and started his career in the Audit and Business Advisory Group also of SGV&Co. 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.

Sing Mein Ang, 69, Singaporean, is a member of the Board of 2GO. He is a logistics and freight forwarding veteran with more than 35 years of experience in shipping, ocean freight forwarding, airfreight forwarding and logistics management in leading global logistics players.

From 2015 to 2017, Sam was the Group Chief Executive Officer of Quantium Solutions International as well as Famous Holdings, the freight forwarding business of Singapore Post. He was also in charge of SP Parcel (a Singapore based express company) and Couriers Please (an Australian based express company). These businesses combined generated more than $500 million in revenue with a staff strength of more than 2,000 across 14 countries in Southeast Asia, Oceania and Europe. Concurrently, Sam was also an Executive Vice President of Singapore Post Limited and was part of its key Senior Leadership team in its transformation journey to become a leading E-Commerce Logistics player.

From 2006 to 2015, Sam was the Chief Executive Officer of DHL Global Forwarding for Southeast Asia and was a member of the DHL Global Forwarding Asia Pacific Management Board. He was responsible for its operations across Southeast Asia, with annual revenue exceeding $1 billion and a staff strength of more than 2,500. He was also Head of the Oil and Gas sector of DHL Global Forwarding for Asia Pacific and Africa. Under his leadership, DHL Global Forwarding Singapore was awarded the Best Performance Country in Southeast Asia in 2004 and the Asia Pacific Country of the Year award in 2005.

Sam holds a Business Administration Degree from the National University of Singapore and is a graduate of INSEAD's Senior Management programme in Fontainebleau, France.

Kiat Chan, 51, Singaporean, is a member of the Board of 2GO Group, Inc.. He is also a Partner and Managing Director of Archipelago Capital Partners, a private equity fund manager investing in Southeast Asia. He had previously served as the Executive Vice President for Investments at Singapore Post Limited, where he led multiple transactions across Asia-Pacific that helped transform the company into a major E-Commerce Logistics player. Prior to that, he had been a consultant at McKinsey & Company, where he advised on strategy, M&A and corporate finance, working with clients across Asia-Pacific in diverse sectors including consumer, energy, transport and logistics. He graduated from the National University of Singapore with a Bachelor of Engineering (Mechanical) and holds a Master of Business Administration from INSEAD.

Stephen Ly, 50, Australian, is a member of the Board of 2GO. Stephen is an accomplished business leader with over 25 years working experience in Asia Pacific. He has worked for some of the most iconic global brand managing operations and logistics functions and has spent over a decade working for different business divisions of Deutsche Post DHL. Having experienced life on different side of the logistics relationship, he is in a unique position to have an adept understand of the industry.

During his 16 years tenure with DHL, Stephen held position of Managing Director of DHL Global Forwarding Singapore, Managing Director and Chairman of the board of DHL Global Forwarding Philippines, Head of Customs Brokerage Services for Asia Pacific, and Customs & Regulatory Affairs manager for the Oceania region.

He was the secretary of the leading express industry association, the conference of Asia Pacific Express Carriers Australia between 2003-2006.

Prior to joining DHL, Stephen held various operational and management roles in Australia in both manufacturing sectors and technological firms.

Stephen is serving as the Vice President of South East Asia, C. H. Robinson, leading the company business interests across the region.

Stephen is a graduate of Australian Graduate School of Management with a Masters of Business Administration. Moreover, he holds a Master of Science in Network System, a Bachelor of Business in International Trade majoring in Economics and Marketing and is a Licensed Customs Broker.

Below is the attendance of the Directors for the meetings held as of December 31, 2022:

	No. of Meetings Attended	Total No. of Meetings	Percentage
Frederic C. Dybuncio	7	7	100%
Francis C. Chua	7	7	100%
Elmer B. Serrano	7	7	100%
Jesus G. Dureza	7	7	100%
Paquito N. Ochoa Jr.	7	7	100%
Laurito E. Serrano	7	7	100%
Sing Mein Ang	7	7	100%
Kiat Chan	7	7	100%
Stephen Ly	7	7	100%

In accordance with 2GO's By-Laws, nominations to the Board shall be submitted in writing to the Corporate Governance Committee, Board, or Corporate Secretary at least thirty (30) days before the Annual Stockholders' Meeting. This is to ensure that the Corporate Governance Committee has ample time to review and ensure that the candidates to the Board meet all the qualifications and none of the disqualifications to be a director. The Corporate Governance Committee shortlists the final candidates to the Board from the pool of candidates nominate by the shareholders. Based on the final list of candidates, directors are elected by shareholders individually.

The nomination and election process are disclosed in the Manual on Corporate Governance. Voting procedures and rights, and pertinent data on directors are included in the information statement released to shareholders before the start of the nomination period. The entire process of nomination, shortlisting, and subsequent election of directors, enables 2GO to properly identify the quality of directors that are aligned with the strategic direction of 2GO.

The Board conducts an annual assessment of its performance as a whole, its Board Committees, the individual directors, the Chairman of the Board, and the CEO/President. The evaluation is done through the Corporate Governance Committee. The evaluation criteria are based on the duties and responsibilities of the Board, the Board Committees, individual directors, Chairman and President as provided for by the 2GO's By-Laws, Manual on Corporate Governance and respective Board Committee Charters.

Moreover, per the Corporate Governance Committee Charter, the Board's annual self-assessment should be supported by an external facilitator at least once every three (3) years.

EXECUTIVE OFFICERS

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

Mr. William Charles Howell has been the Chief Financial Officer and Treasurer of 2GO 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.

Other Corporate Officers

Atty. Arthur A. Sy has been the Assistant Corporate Secretary of 2GO 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.

Mr. Gener C. Lim is a Senior Vice President of 2GO and President and founder of Special Container and Value Added Services, Inc. (SCVASI), a subsidiary of 2GO. He has been in the company for 36 years with full integrated logistics experience and pioneered 2GO's predecessor, Aboitiz International Forwarders Inc. After graduating accelerated from Air Transport Engineering and passing the CAB Air Traffic Controller Examination, he went to all the cargo IATA courses offered by Philippine Airlines Academy Learning Center. He was also previously appointed as a committee member to author and develop processes in the Philippine Economic Zone Authority. Mr. Lim was also responsible for various JV partnership and international agency agreement as a chairman of International Agency Network Committee under the Aboitiz group. He also served as a Country Manager for Jardines, Baltrans and JV execution of Kerry Logistics. He was one of the first candidates and graduates of the Aboitiz MBA program. He was also appointed to chair the Intellectual Human Capital Committee of the international group which created logistics academy partnership. Mr. Lim also established Abotrans Corporation, the first brokerage business under ATSC. He was also appointed as Philippine Ambassador of ASEAN Isotank Association. In late 2019, he created Project Logistics for 2GO.

Ms. Anna Estella Gurango Vicencio is the Head of Supply Chain of 2GO. She is also the President of Scanasia Overseas, Inc. and 2GO Logistics, Inc., both subsidiaries of 2GO. She is a business development professional with over 30 years of experience in supply chain, sales and commercial operations from Procter and Gamble and Mondelez International operations, working across multiple countries. She also led project management on organization transformation, acquisition and outsourcing, technology and innovation implementation and organization learning and development focused on upskilling and reskilling of the workforce. Ms. Vicencio holds a B.S. Management and M.A. Psychology (units) from the Ateneo de Manila University.

Ms. Frances Anne Alonzo Babar is the President of 2GO Express, Inc. and 2GO Land Transport, Inc., both subsidiaries of 2GO. She has more than 23 years of experience in leading various sales, marketing and commercial organizations in various industries, with expertise in planning and strategy, account expansion and diversification, solutions set-up, and business and product development. She previously served as the Vice-President for Sales at Airfreight 2100, Inc. and as General Manager of One Stop Logistics, Inc. (Magsaysay Shipping and Logistics) and held leadership roles for sales, marketing and commercial operations at UBIX Corporation, The Manila Hotel and Sofitel Philippine Plaza. Ms. Babar earned her degree in Bachelor of Science in Psychology from St. Paul University in Manila and completed with high honors her Master's Degree in Business Administration – Top Executive Program from the Pamantasan ng Lungsod ng Maynila (University of the City of Manila).

Ms. Sharon May Ngo is Vice-President and Business Unit Head of 2GO's Sea Solutions. She has 23 years of experience in the domestic shipping industry, most recently as Commercial Sales Head, Sea Solutions Business Unit, where she has overseen the growth in containerized volume and RORO segments as well as passenger travel. Her experience includes business development, channel development, account management, A/R and claims management, marketing, and other client-facing roles. Prior to 2GO, she held various category management roles at Coca-Cola Bottlers Philippines, Inc. and freight management roles at Aboitiz System Corp. Ms. Ngo earned her degree in Bachelor of Science in Industrial Engineering from the Mapua Institute of Technology in Manila.

Atty. Phil Ivan A. Chan is the Assistant Corporate Information Officer of 2GO. He is also the Assistant Corporate Secretary of listed company Premium Leisure Corp. He is co-founder of Serrano Law. He was previously a partner at Martinez Vergara Gonzalez & Serrano. Atty. Chan has been recognized by the Legal 500 Asia Pacific as a "Recommended Lawyer" in Corporate and M&A, and Real Estate and Construction. Atty. Chan holds a degree of B.S. Legal Management from Ateneo de Manila University and a Juris Doctor degree from Ateneo Law School.

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.

Item 10. Executive Compensation

The following table summarizes certain information regarding compensation paid or accrued during the last two 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

Name and Position	Year	Salary	Bonus
1. Frederic C. DyBuncio. - President and Chief Executive Officer 2. William Charles Howell - Treasurer and Chief Finance Officer 3. Gener C. Lim - Senior Vice President of SCVASI 4. Anna Estela E. Vicencio - Vice President of Scanasia Overseas Inc. 5. Sharon May M. Ngo - Vice President of Sea Solutions	2023 Estimate	47,733,700	7,544,292
All other officers and directors as a group unnamed		65,174,914	10,862,48
1. Frederic C. DyBuncio. - President and Chief Executive Officer 2. William Charles Howell - Treasurer and Chief Finance Officer 3. Gener C. Lim - Senior Vice President of SCVASI 4. Anna Estela E. Vicencio - Vice President of Scanasia Overseas Inc. 5. Dan Paulo L. Fernan - Chief Operating Officer - Shipping	2022	45,789,000	7,220,175
All other officers and directors as a group unnamed		41,187,180	6,864,530
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	2021	50,076,438	8,436,073
All other officers and directors as a group unnamed		48,032,876	8,005,479

Board Remuneration:

Name and Position	Year	Salary	Bonus
1. Frederic C. DyBuncio. - President and Chief Executive Officer 2. William Charles Howell - Treasurer and Chief Finance Officer 3. Gener C. Lim - Senior Vice President of SCVASI 4. Anna Estela E. Vicencio - Vice President of Scanasia Overseas Inc. 5. Sharon May M. Ngo - Vice President of Sea Solutions	2023 Estimate	47,733,700	7,544,292
All other officers and directors as a group unnamed		65,174,914	10,862,48
1. Frederic C. DyBuncio. - President and Chief Executive Officer 2. William Charles Howell - Treasurer and Chief Finance Officer 3. Gener C. Lim - Senior Vice President of SCVASI 4. Anna Estela E. Vicencio - Vice President of Scanasia Overseas Inc. 5. Dan Paulo L. Fernan - Chief Operating Officer - Shipping	2022	45,789,000	7,220,175
All other officers and directors as a group unnamed		41,187,180	6,864,530
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	2021	50,076,438	8,436,073
All other officers and directors as a group unnamed		48,032,876	8,005,479

The members of the Board of Directors received the following remuneration in 2022:

Name	Total
Frederic C. DyBuncio	1,458,000
Francis C. Chua	972,000
Laurito E. Serrano	972,000
Elmer B. Serrano	972,000
Jesus G. Dureza	945,000
Paquito N. Ochoa Jr.	972,000
Kiat Chan	1,080,000
Sam Ang	1,080,000
Stephen Ly	810,000

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 11. Security Ownership of Certain 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 December 31, 2022:

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	**SM Investments Corporation (SMIC)** **10th Floor, One E-com Center, Harbor Drive, Mall of Asia Complex, CBP-1, Pasay City**	- Same -	Filipino	1,302,170,972	52.88%
Common	**Trident Investments Holdings Pte.** **138 Robinson Road** **#12-01, Oxley Tower** **Singapore 068906**	- Same -	Singaporean	781,122,265	31.72%

The persons authorized to vote the shares of SM Investments Corporation is Mr. Frederic C. DyBuncio, while the President of Trident Investments Pte. is authorized to vote the shares of said corporation.

Security Ownership of Management – Record and Beneficial Owners as of December 31, 2022:

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	**Frederic C. DyBuncio** Chairman / President / Chief Executive Officer	Filipino	**100 (D)**	Voting	0.00%
Common	**Francis C. Chua** Vice-Chairman	Filipino	**1,000 (D)** **9,000 (I)**	Voting	0.00%
Common	**Elmer B. Serrano** Director	Filipino	**100 (D)**	Voting	0.00%
Common	**Kiat Chan** Director	Singaporean	**100 (I)**	Voting	0.00%
Common	**Sing Mein Ang** Director	Singaporean	**100 (I)**	Voting	0.00%
Common	**Stephen Ly** Director	Australian	**100 (I)**	Voting	0.00%
Common	**Laurito E. Serrano** Independent Director	Filipino	**100 (D)**	Voting	0.00%
Common	**Paquito N. Ochoa, Jr.** Independent Director	Filipino	**100 (I)**	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 35,800 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.

SMIC Acquisition of Shares in 2GO and Tender Offer

In a disclosure dated June 3 2021, SM Investments Corporation (SMIC) completed its acquisition from KGLI-NM Holdings, Inc. (KGLI-NM) of 550,558,388 common shares representing 22.36% of the 2GO Group, Inc. (2GO) via a special block sale through the facilities of the Philippine Stock Exchange (PSE), resulting in the increase of SMIC's current shareholding from around 30.53% to approximately 52.85% of 2GO. Following this transaction, 2GO is now a subsidiary of SMIC. The transaction was completed on the same date of the disclosure. The sale transaction was transacted via special block sale through the Philippine Stock Exchange and paid in cash.

On the same date, Trident Investments Holdings Pte. Ltd. (Trident) purchased 230,563,877 common shares in 2GO from KGLI-NM and 550,558,388 common shares from China-ASEAN Marine B.V., or a total of 781,122,265 common shares representing approximately 31.73% of 2GO. The sale transactions were transacted via special block sales through the Philippine Stock Exchange, Inc. The sale transaction was transacted via special block sale through the Philippine Stock Exchange and paid in cash.

Trident is an entity directly controlled and majority owned by Archipelago Asia Focus Fund II Pte Ltd, a company incorporated under the laws of the Republic of Singapore and is indirectly controlled by Archipelago Capital Partners Pte. Ltd. (Archipelago). Archipelago is a Singapore-based private equity firm that is licensed by the Monetary Authority of Singapore and invests across Southeast Asia.

SMIC Tender Offer

On February 28, 2023, the Board of Directors of SMIC approved its conduct of a tender offer for up to 378,817,279 common shares constituting 15.39% of the issued and outstanding common capital stock of 2GO, subject to an independent third party fairness opinion. On the same date, the 2GO Board approved the voluntary delisting of 2GO shares from the Main Board of PSE, subject to the successful completion of the intended tender offer by SMIC, compliance with other requirements of the PSE for voluntary delisting, and applicable regulations of the Securities and Exchange Commission.

Item 12. 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 nature of the relationship are discussed in the Notes to the financial statements as of December 31, 2021 (see "Note 20. Related Parties"). 2GO will continue to engage the services of these related parties as long as it is economically beneficial to both parties. The related party transactions stated therein have no substantial effect on the financial statements and do not involve special risks or contingencies. Transaction prices and terms are determined by the parties on an arms-length basis and approved by the Related Party Transactions Committee while material related party transactions are approved by the Board of Directors in accordance with the Material RPT Policy.

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.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

2GO Group Inc. and subsidiaries (2GO or the Company) is governed by the principles of fairness, accountability, and transparency, which is paramount to sustain its long-term growth and success. 2GO is committed in implementing the best practices in corporate governance that balance the growth and interests of all its stakeholders.

BOARD STRUCTURE

The 2GO Board of Directors is responsible for the long-term sustainability of the Company, and ensures that it balances the corporate objectives with the best interest of the shareholders and other stakeholders. It is composed of nine (9) highly respectable professionals, three (3) of whom are non-executive-independent directors. In line with corporate governance best practice, the Company's independent directors are free from management responsibilities, substantial shareholdings and material relations, all of which are perceived to impede independent judgment. Likewise, the roles of the Chairman of the Board and the Chief Executive Officer are held by separate individuals to promote a balanced Board and increase accountability and controls.

The following individuals constituted the Board of Directors for 2022:

Chairman :	Frederic C. DyBuncio, President & Chief Executive Officer
Members :	Francis C. Chua, Vice Chairman Elmer B. Serrano, Corporate Secretary & Corporate Information Officer Laurito E. Serrano, Independent Director Jesus G. Dureza, Independent Director Paquito N. Ochoa, Jr., Independent Director Sing Mein Ang, Director Kiat Chan, Director Stephen Ly, Director

BOARD COMMITTEES

The Board governs through the following committees: (1) Executive Committee, (2) Corporate Governance Committee, (3) Audit Committee, (4) Risk Oversight Committee and, (5) Related Party Transaction Committee. Each committee has its own charter that can be found in the Company's website.

EXECUTIVE COMMITTEE

The Executive Committee is composed of both executive and non-executive directors and acts on behalf of the Board during the interim periods between Board meetings. The Committee meets on a regular basis in between Board meetings to assist the Board in overseeing the implementation of strategies, set and monitor the Company's performance goals and foster the sharing and dissemination of best practices in all areas of the business group. The Executive Committee also defines the group-wide policies and actions, relating to sustainable development, including environment, health and safety, internal communications, innovation and research and technology and purchasing.

The Executive Committee members are as follows:

Chairman:	Mr. Frederic C. DyBuncio
Members	Mr. Stephen Ly Mr. Elmer B. Serrano

There were no meetings of the executive committee as of December 31, 2022.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee is responsible for assisting the Board in fulfilling its oversight functions related to the Company's overall approach to corporate governance. The Committee also takes the lead in promulgating and overseeing the principles of good corporate governance by reviewing committee charters, the independence of directors as well as the code of ethics for executives, employees, and directors.

The committee members are as follows:

Chairman:	Mr. Paquito N. Ochoa, Jr. (ID)
Members:	Mr. Laurito E. Serrano (ID)
	Mr. Jesus G. Dureza (ID)

Below is the attendance of the Committee members for the meetings held as of December 2022:

	No. of Meetings Attended	Total No. of Meetings	Percentage
Paquito N. Ochoa, Jr.	2	2	100%
Jesus G. Dureza	2	2	100%
Laurito E. Serrano	2	2	100%

RISK OVERSIGHT COMMITTEE

The Risk Oversight Committee is responsible in leading the organization's strategic direction in the management of material business risks to enable the Board to make informed decisions. The committee also provides oversight for establishing, implementing, reviewing and assessing the effectiveness 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

Below is the attendance of the Committee members for the meetings held as of December 2022:

	No. of Meetings Attended	Total No. of Meetings	Percentage
Jesus G. Dureza	1	1	100%
Laurito E. Serrano	1	1	100%
Frederic C. DyBuncio	1	1	100%

Enterprise Wide Risk Management Program (ERM)

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

Risk Oversight Committee / Board level

- 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's Risk Management performance

The Company understands that managing risks is continuous process and that it will evolve as the organization continues to grow. Such is the dynamic nature of risk management, the ability of the Company to learn, adapt and rebound from any risk, threat or disaster. The ERM Program of the Company will serve to contribute in achieving its goals, and in the future be the backbone in the thrust for corporate resiliency.

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 as provided under existing laws, rules and regulation. The committee members are as follows:

Chairman:	Mr. Paquito N. Ochoa, Jr. (ID)
Members:	Mr. Laurito E. Serrano (ID)
	Mr. Sing Mein Ang

Below is the attendance of the Committee members for the meetings held as of December 2022:

	No. of Meetings Attended	Total No. of Meetings	Percentage
Paquito N. Ochoa Jr. Laurito E. Serrano Sing Mein Ang	1 1 1	1 1 1	100% 100% 100%

AUDIT COMMITTEE

The Audit Committee assists and advises the Board in fulfilling its oversight responsibilities to ensure the quality and integrity of the Company's accounting, financial reporting, auditing practices and internal control systems and adherence to over-all corporate governance best practice. The Committee also oversees the Company's process for monitoring compliance with laws, regulations, and performs other duties as the Board may require.

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 director as committee chairman.

The committee members are as follows:

Chairman:	Mr. Laurito E. Serrano (ID)
Members:	Mr. Kiat Chan
	Mr. Paquito N. Ochoa, Jr. (ID)

Below is the attendance of the Committee members for the meetings held as of December 2022:

	No. of Meetings Attended	Total No. of Meetings	Percentage
Laurito E. Serrano Kiat Chan* Paquito N. Ochoa Jr.	8 8 7	8 8 8	100% 100% 88%

System of Internal Controls

The framework of control, risk management and governance processes is instilled within the 2GO group of companies. This aims to encourage incorruptibility and deter fraudulent activities within the ranks of boh the 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 adherence of employees to the Employee Code of Conduct, management policies and directives in order to efficiently and effectively achieve company objectives.

The internal control system is designed to effectively safeguard assets, 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.

Among the 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 or mitigated and company objectives are met. Resolutions of internal audit observations are updated and discussed quarterly with Senior Management and the Audit Committee to ensure that they are timely attended to and resolved within their commitment.

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.

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 Audit Committee and is 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 attending regular audit trainings to keep abreast with the current audit standards, trends and developments. This also helps expand the IAD's audit scope and engagements.

The IAD regularly monitors the implementation of the audit recommendation against the target date set by the business unit heads. Results of these monitoring are communicated accordingly to the Senior Management and the Audit Committee. The IAD also uses a audit analytics tool/software to efficiently carry out its audit work.

The IAD continues to deliver value-added services by providing meaningful recommendations to its audit cliens using a risk-based approach and methodology.

Executive Compensation Policy

The corporate compensation philosophy for executive remuneration in 2GO is meritocracy based. 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

The table of the monthly fixed allowance and per diem per meeting attendance of the 2GO Board of Directors in 2022 is shown below.

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

Corporate Governance Policies

The 2GO Code of Business Conduct serves to guide employees' and Management's actions in line with the Company's corporate values and core principles. The Code consists of policies relating to ethical and legal standards of behavior and its applicability extends to all employees. 2GO believes that employees' adherence to desirable behaviors and conduct is a prerequisite to work excellence and indispensable to success. Reported violations of the Code are promptly investigated and treated with utmost confidentiality. Investigations of alleged Code violations and the imposition of disciplinary actions when so warranted are guided by the principles of neutrality, fairness and commensurability. There was no deviation from the application of the Code since it was adopted.

The Company also maintains a Manual on Corporate Governance which defines 2GO's compliance framework and identifies the roles and responsibilities of the Board in relation to corporate governance. The Manual sets out the duties and responsibilities of various board committees, Chairman of the Board and the Chief Executive Officer as well as the Company's policies on disclosures and transparency, and the rights and protection of shareholders. The Manual is reviewed and updated periodically and may be accessed via the Company's website.

Moreover, the Company had in place a Conflict of Interest Policy which requires all employees to immediately disclose any direct or indirect personal interest, whether pecuniary or non-pecuniary, that actually or may potentially conflict with the interest of the Company. All employees are likewise required to submit an annual disclosure of real or perceived conflict of interest. On the other hand, the Company's Insider Trading Policy prohibits directors, officers and employees from trading the Company's shares five (5) trading days before and two (2) trading days after the disclosure of quarterly and annual financial results or of any material, stock price-sensitive information. Other existing corporate governance-related policies include the Guidelines on Acceptance of Gifts and Entertainment, the Related Party Transaction Policy, and Policy on Accountability, Integrity and Vigilance otherwise known as the Company's Whistleblowing Policy. 2GO's various corporate governance-related policies and programs are regularly disseminated throughout the organization and are made public via the Company's website.

Information Technology Governance

2GO continues to invest in its information technology infrastructure and software applications and to focus on applications that provide real-time visibility and tracking to its customers as it aims to improve delivery performance and overall customer service. This will also help 2GO become more operationally efficient and reduce its costs to serve. These investments will provide resiliency and redundancy and ensure our mission-critical system during and after disaster functions.

2GO's IT governance includes periodic review of existing practices and policies and adaptation of IT to current business models, as well as measuring IT systems performance.

Corporate Governance Outlook

As businesses continue to open up to the global market and liberalization happens, the decision-making process becomes more diffused. This raises the level of accountability of corporate leaders to all 2GO stakeholders, including employees, customers and in particular, the shareholders. Good corporate governance, for this purpose, provides the appropriate reforms to existing practices to better adapt to the collective interests of all stakeholders. Rules must be crafted in accordance with the governance principles for which they are designed to maintain.

2GO, headed by the Board and the Management, aims to further strengthen its commitment to good corporate governance principles of accountability, transparency and integrity consistent with global best practices. 2GO strives to align, to the extent possible, the interests of individual stakeholders of the Company, and of the society in general, in the face of a more complex, open, and highly competitive global market.

FURTHER INFORMATION

The following documents are also available on https://www.2go.com.ph/corporate-governance-policies/

- 2GO Corporate Governance Policies
- 2GO Articles of Incorporation
- 2GO By-Laws
- 2GO Code of Business Conduct
- 2GO Anti-Money Laundering Statement of Policies & Procedure
- 2GO Guidelines on Acceptance of Gifts and Entertainment
- 2GO Alternative Dispute Resolution System
- 2GO Health, Safety & Employee Welfare Policy

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits - See accompanying Index to Exhibits

The exhibits, as indicated in the Index to Exhibits, are either not applicable to the Company or require no answer.

(b) Reports on SEC Form 17-C

The list of the reports submitted to the Commission is as follows:

Date of Disclosure	Subject
April 6, 2022	Approval of 2021 Audited Financial Statements
April 6, 2022	Resignation and Appointment of Officer
April 6, 2022	Notice of Annual Meeting of Stockholders

Date of Disclosure	Subject
April 7, 2022	Results of Meeting of Board of Directors
May 11, 2022	Grant of the Request for Exemptive Relief
May 13, 2022	Press Release – “2GO Q1 2022 financial performance posts significant improvement from strong economic reopening”
May 26, 2022	Results of Annual Stockholders' Meeting
May 26, 2022	Results of the Organizational Meeting of the Board of Directors
August 10, 2022	Press Release – “2GO delivers financial turnaround in Q2 2022”
November 10, 2022	Press Release – “2GO continues profitable course in Q3 2022”
February 22, 2023	Results of Meeting of Board of Directors
February 28, 2023	Approval of Board of Directors of SM Investments Corporation of conduct of tender offer for 2GO shares
February 28, 2023	Results of Meeting of Board of Directors – Approval of Voluntary Delisting
March 6, 2023	Approval of Board of Directors of SM Investments Corporation of tender offer price and tender offer period

2GO GROUP, INC.

CERTIFIED CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY SCHEDULES FOR THE SECURITIES AND EXCHANGE COMMISSION

TABLE OF CONTENTS

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

		Percentage of Ownership	
	Nature of Business	**2022**	2021
Special Container and Value Added Services, Inc. (SCVASI)	Transportation/logistics	**100.0**	100.0
2GO Express, Inc. (2GO Express)	Transportation/logistics	**100.0**	100.0
2GO Logistics, Inc. (2GO Logistics)	Transportation/logistics	**100.0**	100.0
Scanasia Overseas, Inc. (SOI)	Sales of goods	**100.0**	100.0
2GO Land Transport, Inc. (1)	Transportation	**100.0**	100.0
NN-ATS Logistics Management and Holdings Co., Inc. (2)	Holdings and logistics management	**100.0**	100.0
Astir Engineering Works, Inc. (2) (3)	Engineering services	**100.0**	100.0
(Forward)			
WG&A Supercommerce, Incorporated (3)	Vessels' hotel management	**100.0**	100.0
North Harbor Tugs Corporation	Tugboat assistance	**58.9**	58.9
2GO Rush Delivery, Inc. (RUSH) (4)	Transportation/logistics	**100.0**	100.0

[1] *Formerly WRR Trucking Corporation*
[2] *In September 2020, the BOD approved the merger of these companies*
[3] *Ended commercial operations in 2018 or prior*
[4] *Wound down due to non-operation*

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of TAGUIG CITY.

By:

FREDERIC C. DYBUNCIO
Chairman of the Board /
President and Chief Executive Officer

WILLIAM CHARLES HOWELL
Chief Finance Officer / Treasurer

ELMER B. SERRANO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 11 2023 affiants are exhibiting to me their valid and competent proof of identity, as follows:

NAMES	ID NUMBER
Frederic C. Dybuncio	TIN 103-192-854
Elmer B. Serrano	TIN 153-406-995
William Charles Howell	TIN 321-579-394

Doc. No. 146;
Page No. 91;
Book No. II;
Series of 2023.

MELISSA JEAN G. HIPOLITO
Appointment No. 25 (2022-2023)
Notary Public for Taguig City
Until December 31, 2023
Attorney's Roll No. 70077
1105 Tower 2 High Street South Corporate Plaza
26th Street Bonifacio Global City, Taguig City
PTR No. 5675504; 01.04.23; Taguig City
IBP Receipt No. 266967; 01.04.23; Pampanga
MCLE Compliance No. VI-0019878; 4.14.22"
"until April 14, 2023, per Supreme Court En Banc
Resolution dated February 15, 2022

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

4409

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
investor_relations@2go.com.ph	(02) 8554-8777	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
5,109	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	calliope.ngo@serranolawlawph.com	(02) 8651-7408	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.*

Angieline Rejano

From: eafs@bir.gov.ph
Sent: Thursday, February 23, 2023 3:24 PM
To: 2GO Group Tax
Cc: 2GO Group Tax Representative
Subject: Your BIR AFS eSubmission uploads were received

Hi 2GO GROUP, INC.,

Valid files

- EAFS000313401OTHTY122022.pdf
- EAFS000313401ITRTY122022.pdf
- EAFS000313401AFSTY122022.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-9JK5CF8D0A9K89E67M114SM230NXRV44S2**
Submission Date/Time: **Feb 23, 2023 03:23 PM**
Company TIN: **000-313-401**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

viruses. The Bureau of Internal Revenue does not accept liability for any errors or omissions in the contents of this message which arise as a result of e-mail transmission.

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, 2022, 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, 2022, 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.

Frederic C. DyBuncio
Chairman of the Board
President and Chief Executive Officer

William Howell
Chief Financial Officer and Treasurer

Signed this 22nd day of February 2023

SUBSCRIBED AND SWORN to before me this 23 FEB 2023 2023 in MAKATI CITY by affiant exhibiting to me their competent proof of identity as follows: Frederic C. Dybuncio UMID No. CRN-0111-1695672-0, William Charles Howell License No. N26-15-016805.

Doc No. 501
Page No. 99
Book No. II
Series of 2023.

ATTY. KENNETH S. NG, CPA
NOTARY PUBLIC
Commission No.M-118 (2022-2023)
ROLL NO.64451
PTR NO.9563552 01/03/2023
IBP LIFETIME MEMBER
MCLE COMPLIANCE NO VII-0019312

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

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, 2022 and 2021, 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, 2022 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 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 audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Revenue recognition

The Group's revenue from shipping, logistics and other services amounting to ₱14.34 billion and from sale of goods amounting to ₱4.93 billion comprise 74.41% and 25.59%, respectively, of the Group's total consolidated revenues for the year ended December 31, 2022. We considered the recognition of revenue from shipping, logistics, and other services 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 and related information system, including the determination of revenue adjustments, and tested relevant controls. 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.

Estimated useful life and impairment of vessels in operations and related equipment, and impairment of goodwill of the shipping business

As of December 31, 2022, the Group's vessels in operations and related equipment amounting to ₱2.83 billion and goodwill allocated to the shipping business amounting to ₱580.64 million, comprise 19.61% and 4.03%, 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. These estimates are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the COVID-19 pandemic.

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 parameters used in the determination of discount rate against market data. 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 and capital expenditures to historical experience by the Group and market information, taking into consideration the impact associated with COVID-19 pandemic.

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, 2022, 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, 2022 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 Albert R. Bon.

SYCIP GORRES VELAYO & CO.

Albert R. Bon

Albert R. Bon
Partner
CPA Certificate No. 0121479
Tax Identification No. 255-491-830
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 121479-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-135-2023, January 25, 2023, valid until January 24, 2026
PTR No. 9369785, January 3, 2023, Makati City

February 22, 2023

2GO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

(Amounts in Thousands)

		December 31	
	Note	**2022**	2021
ASSETS			
Current Assets			
Cash and cash equivalents	*7*	**₱724,527**	₱670,015
Trade and other receivables	*8,20*	**3,442,385**	2,880,910
Inventories	*9*	**512,773**	532,463
Other current assets	*10*	**1,944,556**	2,514,767
Total Current Assets		**6,624,241**	6,598,155
Noncurrent Assets			
Property and equipment	*11,17,18*	**5,648,558**	4,976,422
Investments in associates and joint ventures	*12*	**334,365**	285,518
Goodwill	*13*	**686,896**	686,896
Deferred income tax assets	*27*	**100,666**	95,430
Other noncurrent assets	*14*	**997,168**	276,300
Total Noncurrent Assets		**7,767,653**	6,320,566
TOTAL ASSETS		**₱14,391,894**	₱12,918,721
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term notes payable	*15*	**₱2,306,000**	₱3,106,000
Trade and other payables	*16,19,20*	**5,059,695**	4,169,985
Obligations under lease - current portion	*11,18*	**347,387**	141,557
Long-term debt - current portion	*11,17*	**3,496,823**	–
Income tax payable	*27*	–	3,506
Total Current Liabilities		**11,209,905**	7,421,048
Noncurrent Liabilities			
Noncurrent portion of:			
Long-term debt	*11,17*	**497,977**	3,987,844
Obligations under lease	*11,18*	**1,344,512**	498,008
Accrued retirement benefits	*26*	**344,900**	372,867
Total Noncurrent Liabilities		**2,187,389**	4,858,719
Total Liabilities		**₱13,397,294**	₱12,279,767

(Forward)

	Note	December 31 2022	2021
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		**(60,381)**	(104,094)
Deficit		**(4,662,088)**	(4,970,921)
Treasury shares		**(58,715)**	(58,715)
Equity Attributable to Equity Holders of the Parent Company		**930,345**	577,799
Non-controlling Interests		**64,255**	61,155
Total Equity		**994,600**	638,954
TOTAL LIABILITIES AND EQUITY		**₱14,391,894**	₱12,918,721

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, 2022, 2021 AND 2020

(Amounts in Thousands, Except Earnings Per Common Share)

		Years Ended December 31		
	Note	**2022**	2021	2020
REVENUES FROM CONTRACTS WITH CUSTOMERS				
Shipping:	*5,20*			
Freight		**₱5,014,531**	₱3,394,891	₱3,025,461
Travel		**1,386,989**	437,692	839,139
Nonshipping:				
Logistics and other services		**7,936,523**	6,085,886	5,825,904
Sale of goods		**4,930,178**	5,489,627	7,718,191
		19,268,221	15,408,096	17,408,695
COST OF SERVICES AND GOODS SOLD	*22*	**17,495,885**	14,814,091	17,442,158
GROSS PROFIT (LOSS)		**1,772,336**	594,005	(33,463)
GENERAL AND ADMINISTRATIVE EXPENSES	*23*	**1,034,627**	1,344,299	897,367
OTHER OPERATIONAL EXPENSES	*32*	**–**	–	230,072
OPERATING INCOME (LOSS)		**737,709**	(750,294)	(1,160,902)
OTHER INCOME (CHARGES)				
Equity in net earnings (losses) of associates and joint ventures	*12*	**58,566**	55,407	(43,534)
Financing charges	*24*			
Bank loans		**(393,051)**	(367,827)	(337,147)
Lease liabilities		**(96,757)**	(49,101)	(68,682)
Others - net	*24*	**63,861**	12,781	(213,276)
		(367,381)	(348,740)	(662,639)
INCOME (LOSS) BEFORE INCOME TAX		**370,328**	(1,099,034)	(1,823,541)
PROVISION FOR INCOME TAX	*27*			
Current		**76,470**	45,666	63,748
Deferred		**(18,075)**	(1,754)	(44,550)
		58,395	43,912	19,198
NET INCOME (LOSS)		**₱311,933**	(₱1,142,946)	(₱1,842,739)
Net Income (Loss) Attributable to:				
Equity holders of the Parent Company		**₱308,833**	(₱1,144,160)	(₱1,842,670)
Non-controlling interests		**3,100**	1,214	(69)
		₱311,933	(₱1,142,946)	(₱1,842,739)
Basic/Diluted Income (Loss) Per Share	*28*	**₱0.1254**	(₱0.4647)	(₱0.7484)

See accompanying Notes to the Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

(Amounts in Thousands)

		Years Ended December 31		
	Note	**2022**	2021	2020
NET INCOME (LOSS)		**₱311,933**	(₱1,142,946)	(₱1,842,739)
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax				
Item that will be reclassified subsequently to profit or loss:				
Net changes on cash flow hedge	*29*	–	–	(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*	**51,357**	176,443	(58,096)
Income tax effect	*27*	**(12,839)**	(60,234)	17,429
		38,518	116,209	(42,705)
Share in remeasurement loss on retirement benefits of associates and joint ventures	*12*	**5,195**	(1,313)	(2,081)
		43,713	114,896	(44,786)
TOTAL COMPREHENSIVE INCOME (LOSS)		**₱355,646**	(₱1,028,050)	(₱1,887,525)
Total Comprehensive Income (Loss) Attributable to:				
Equity holders of the Parent Company		**₱352,546**	(₱1,029,264)	(₱1,887,456)
Non-controlling interests		**3,100**	1,214	(69)
		₱355,646	(₱1,028,050)	(₱1,887,525)

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, 2022, 2021 AND 2020

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company												Non-controlling Interests	Total Equity
				Other Comprehensive Income (Losses)										
	Share Capital (Note 21)	Additional Paid-in Capital (Note 21)	Other Equity Reserve (Note 21)	Share in Cumulative Translation Adjustment of an Associate	Remeasurement Losses on Accrued Retirement Benefits - Net of tax (Note 26)	Cash Flow Hedge Reserve - Net of tax (Note 29)	Share in Remeasurement Gains (Losses) on Accrued Retirement Benefits of Associates and Joint Ventures (Note 12)	Subtotal	Deficit (Note 21)	Treasury Shares (Note 21)	Total			
BALANCES AT JANUARY 1, 2020	**₱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**	
Net loss for the year	–	–	–	–	–	–	–	–	(1,842,670)	–	(1,842,670)	(69)	(1,842,739)	
Other comprehensive loss for the year	–	–	–	–	(40,667)	(2,038)	(2,081)	(44,786)	–	–	(44,786)	–	(44,786)	
Total comprehensive loss for the year	–	–	–	–	(40,667)	(2,038)	(2,081)	(44,786)	(1,842,670)	–	(1,887,456)	(69)	(1,887,525)	
Other comprehensive income (OCI) closed to retained earnings	–	–	–	–	(178)	–	–	(178)	178	–	–	–	–	
BALANCES AT DECEMBER 31, 2020	**2,500,663**	**2,498,621**	**712,245**	**5,294**	**(229,732)**	–	**5,448**	**(218,990)**	**(3,826,761)**	**(58,715)**	**1,607,063**	**59,941**	**1,667,004**	
Net loss for the year	–	–	–	–	–	–	–	–	(1,144,160)	–	(1,144,160)	1,214	(1,142,946)	
Other comprehensive income (loss) for the year	–	–	–	–	116,209	–	(1,313)	114,896	–	–	114,896	–	114,896	
Total comprehensive income (loss) for the year	–	–	–	–	116,209	–	(1,313)	114,896	(1,144,160)	–	(1,029,264)	1,214	(1,028,050)	
BALANCES AT DECEMBER 31, 2021	**2,500,663**	**2,498,621**	**712,245**	**5,294**	**(113,523)**	–	**4,135**	**(104,094)**	**(4,970,921)**	**(58,715)**	**577,799**	**61,155**	**638,954**	
Net income for the year	–	–	–	–	–	–	–	–	**308,833**	–	**308,833**	**3,100**	**311,933**	
Other comprehensive income for the year	–	–	–	–	**38,518**	–	**5,195**	**43,713**	–	–	**43,713**	–	**43,713**	
Total comprehensive income for the year	–	–	–	–	**38,518**	–	**5,195**	**43,713**	**308,833**	–	**352,546**	**3,100**	**355,646**	
BALANCES AT DECEMBER 31, 2022	**₱2,500,663**	**₱2,498,621**	**₱712,245**	**₱5,294**	**(₱75,005)**	**₱–**	**₱9,330**	**(₱60,381)**	**(₱4,662,088)**	**(₱58,715)**	**₱930,345**	**₱64,255**	**₱994,600**	

See accompanying Notes to the Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

(Amounts in Thousands)

	Note	2022	2021	2020
		Years Ended December 31		
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (Loss) before tax		**₱370,328**	(₱1,099,034)	(₱1,823,541)
Adjustments for:				
Depreciation and amortization of property and equipment and software	*11,14, 22,23*	**1,361,737**	1,453,153	1,856,449
Financing charges	*24,32*	**489,808**	416,928	413,095
Interest income	*24,32*	**(1,695)**	(2,708)	(39,731)
Loss (gain) on disposal of:				
Property and equipment	*24*	**(11,290)**	36,614	(23,835)
Investment in an associate	*12,20,24*	**(35,086)**	–	–
Provision for impairment of other assets	*23*	**8,647**		
Write-off of investment property	*23*	–	49,790	–
Gain on cessation of business of subsidiaries	*24*	–	(2,889)	(32,652)
Gain on lease pre-termination	*18*	–	–	(14,581)
Equity in net losses (earnings) of associates and joint ventures	*12*	**(58,566)**	(55,407)	43,534
Retirement benefit cost	*26*	**87,939**	85,368	108,019
Unrealized foreign exchange losses (gains)		**(3,251)**	692	1,381
Operating income before working capital changes		**2,208,571**	882,507	488,138
Decrease (increase) in:				
Trade and other receivables		**(544,610)**	1,040,355	(40,586)
Inventories		**19,690**	141,398	137,944
Other current assets		**(13,145)**	139,619	18,217
Other noncurrent assets		**29,777**	47,956	(14,074)
Increase (decrease) in trade and other payables		**769,504**	(1,362,863)	313,460
Net cash generated from operations		**2,469,787**	888,972	903,099
Contribution for retirement fund and benefits paid from book reserve	*26*	**(63,286)**	(23,205)	(18,098)
Interest received		**1,695**	2,708	39,731
Income taxes paid, including creditable withholding taxes		**(245,384)**	(245,833)	(247,369)
Net cash flows provided by operating activities		**2,162,812**	622,642	677,363
CASH FLOWS USED IN INVESTING ACTIVITIES				
Additions to:				
Property and equipment	*11*	**(503,776)**	(1,918,694)	(456,890)
Software	*14*	**(38,170)**	(15,311)	(70,972)
Proceeds from disposal of:				
Property and equipment	*11*	**52,923**	346,941	57,931
Investment in an associate	*12,20,24*	**10,000**	–	18,000
Collection of proceeds from the sale of a subsidiary and freighters	*24*	–	89,263	100,582
Receipts of (payments for) various deposits	*14*	**914**	8,003	(303)
Net cash flows used in investing activities		**(478,109)**	(1,489,798)	(351,652)

(Forward)

	Note	**2022**	2021	2020
		Years Ended December 31		
CASH FLOWS FROM FINANCING ACTIVITIES	*31*			
Proceeds from availments of:				
Short-term notes payable	*15*	**₱2,380,000**	₱2,811,000	₱1,425,000
Long-term debt	*17*	**–**	500,000	1,000,000
Payments of:				
Short-term notes payable	*15*	**(3,180,000)**	(1,868,500)	(1,940,000)
Long-term debt	*17*	**–**	–	(1,500)
Obligations under lease	*18*	**(348,512)**	(395,527)	(413,477)
Interest and financing charges	*24*	**(482,249)**	(397,903)	(390,619)
Debt transaction costs	*17, 24*	**–**	(3,750)	(7,500)
Net cash flows provided by (used in) financing activities		**(1,630,761)**	645,320	(328,096)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**570**	1,724	(28)
NET INCREAE (DECREASE) IN CASH AND CASH EQUIVALENTS		**54,512**	(220,112)	(2,413)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*7*	**670,015**	890,127	892,540
CASH AND CASH EQUIVALENTS AT END OF YEAR	*7*	**₱724,527**	₱670,015	₱890,127

See accompanying Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. Corporate Information and Approval of the Consolidated Financial Statements

2GO Group, Inc. (2GO or the Company) was incorporated in the Philippines on May 26, 1949. Its corporate life was 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.

2GO is 35.22%-owned by KGLI-NM Holdings, Inc., 30.49% owned by SM Investments Corporation (SMIC), 22.36%-owned by China-ASEAN Marine B.V. (CAMBV) and 11.93% owned by public shareholders as of December 31, 2020.

On June 3, 2021, SMIC acquired 550,558,388 common shares representing 22.36% of 2GO from KGLI-NM. This resulted in an increase of SMIC's ownership in 2GO to 52.85%, thereby making 2GO a subsidiary of SMIC. On the same date, Trident Investments Holdings Pte. Ltd. (Trident) acquired 230,563,877 common shares of 2GO from KGLI-NM and 550,558,388 common shares from CAMBV, or a total of 781,122,265 common shares representing 31.73% of 2GO. Public shareholders own 15.42%.

The accompanying consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 were approved and authorized for issue by the BOD on February 22, 2023.

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 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 (PFRSs).

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 new or revised standards, amendments to standards and interpretations effective for annual periods beginning January 1, 2022. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

Effective beginning on or after January 1, 2022

Amendments to PFRS 3, *Business Combinations, Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3 to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of Philippine Accounting Standards (PAS) 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets, Onerous Contracts - Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

Annual Improvements to PFRSs 2018-2020 Cycle

Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

Standards Issued But Not Yet Adopted

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023

Amendments to PAS 12, *Income Taxes, Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2024

Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

What is meant by a right to defer settlement;
That a right to defer must exist at the end of the reporting period;
That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

Effective beginning on or after January 1, 2025

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. 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.

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures*, *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. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

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

Basis of Consolidation

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

		Percentage of Ownership	
	Nature of Business	**2022**	2021
Special Container and Value Added Services, Inc. (SCVASI)	Transportation/logistics	**100.0**	100.0
2GO Express, Inc. (2GO Express)	Transportation/logistics	**100.0**	100.0
2GO Logistics, Inc. (2GO Logistics)	Transportation/logistics	**100.0**	100.0
Scanasia Overseas, Inc. (SOI)	Sales of goods	**100.0**	100.0
2GO Land Transport, Inc. (1)	Transportation	**100.0**	100.0
NN-ATS Logistics Management and Holdings Co., Inc. (2)	Holdings and logistics management	**100.0**	100.0
Astir Engineering Works, Inc. (2) (3)	Engineering services	**100.0**	100.0

(Forward)

	Nature of Business	Percentage of Ownership	
		2022	2021
WG&A Supercommerce, Incorporated (3)	Vessels' hotel management	**100.0**	100.0
North Harbor Tugs Corporation	Tugboat assistance	**58.9**	58.9
2GO Rush Delivery, Inc. (RUSH) (4)	Transportation/logistics	**100.0**	100.0

[1] Formerly WRR Trucking Corporation
[2] In September 2020, the BOD approved the merger of these companies
[3] Ended commercial operations in 2018 or prior
[4] Wound down due to non-operation

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 2022	2021
Associates:			
MCC Transport Philippines (MCCP)	Container transportation	33.0	33.0
Mober Technology PTE Inc. (Mober) (1)	Logistics services		50.0
Joint Ventures:			
KLN Logistics Holdings Philippines Inc. (KLN)(2)	Holding company	78.4	78.4
Kerry Logistics Philippines, Inc. (KLI)	International freight and cargo forwarding	62.5	62.5

[1]Investment by 2GO Express in 2018. Mober was sold by the Group in August 2022.
[2]KLN is 78.4%-owned by 2GO Express.

All entities are incorporated in the Philippines.

Interest in a Joint Operation
The Group has an interest in a joint operation which is a jointly controlled entity, whereby the joint venture partners have a contractual arrangement that establishes joint control over the economic activities of the entity. 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, 2022 and 2021, the Group 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 12 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 12 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 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 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, *Revenue from Contracts with Customers*.

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 include 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; and
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 12 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 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 profit or loss. 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.

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. NRV of inventories for sale is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale, while NRV of inventories for usage is the estimated replacement cost. 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.

There are no noncurrent assets held for sale and discontinued operations as of December 31, 2022 and 2021.

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 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.

Business Combinations
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 "Other equity reserves" 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 either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be re-measured and subsequent settlement is accounted for within equity.

Goodwill

Initial Measurement of Goodwill or Gain on a Bargain Purchase. Goodwill is initially measured by the Group at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as gain on a bargain purchase.

Subsequent Measurement of Goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment Testing of Goodwill. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and,
- is not larger than an operating segment as defined in PFRS 8, *Operating Segments*, before aggregation.

Frequency of Impairment Testing. Irrespective of whether there is any indication of impairment, the Group tests goodwill acquired in a business combination for impairment at least annually.

Allocation of Impairment Loss. An impairment loss is recognized for a CGU if the recoverable amount of the unit or group of units is less than the carrying amount of the unit or group of units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit or group of units first to reduce the carrying amount of goodwill allocated to the CGU or group of units and then to the other assets of the unit or group of units pro rata on the basis of the carrying amount of each asset in the unit or group of units.

Measurement Period. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. The measurement period ends as soon as the Group receives the information it was seeking as of the acquisition date or learns that more information is not obtainable. The measurement period shall not exceed one year from the acquisition date.

Impairment of Nonfinancial Assets

The carrying values of the Group's nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or CGUs are written-down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less cost to sell or value in use (VIU). The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the consolidated statement of profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. In such a case, the recoverable amount is estimated. Any previously recognized impairment loss is reversed only when there is a change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Accordingly, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized in prior years. Such reversal is recognized in the consolidated statement of profit or loss. After such a reversal, the depreciation or amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity
Share capital is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Additional Paid-in Capital (APIC) is the difference between the proceeds and the par value when the shares are sold at a premium. Contributions received from shareholders are recorded at the fair value of the items received with the credit going to share capital and any excess to APIC.

Treasury Shares are the Group's own equity instruments that are reacquired. Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as APIC. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them.

Other Comprehensive Income (Loss) (OCI) comprises items of income and expenses that are not recognized in profit or loss for the year. OCI of the Group includes net changes in FVTOCI financial assets, share in OCI of associates and remeasurement gains or losses on accrued retirement benefits.

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

Revenue from Contracts with Customers
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.

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

Costs and Expenses

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

Employee Benefits

Short-term Employee Benefits

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

Retirement Benefits

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

Foreign Currency-denominated Transactions and Translations

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

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

Leases

The 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.

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 Board of Directors of the Parent Company and subsidiaries. Dividends for the year that are approved after the reporting period are dealt with as an event after the reporting period.

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.

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. The measurement of progress used the estimated period travelled (measured in days) of the cargoes or goods delivered over the period of the date of cargo acceptance of the Group up to the date of delivery to the customers.

Determining the method to estimate variable consideration and assessing the constraint
The Group includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Group will be subjected to constraint.

Factors such as the following are considered:

a. high susceptibility to factors outside the Group's influence;
b. timing of the resolution of the uncertainty, and
c. having a large number and broad range of possible outcomes.

Some contracts with customers provide promotions, prompt payment discounts, rebates and incentives that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while the most likely amount is used when the outcome is binary. The Group determined that the expected value method is the appropriate method to use in estimating these variable considerations given the large number of contracts with customers that have similar characteristics and the range of possible outcomes.

Some contracts provide customers with a right of return, particularly for damaged or expired goods, which is usually capped at a certain percentage of sales to the entitled customers. Under PFRS 15, rights of return give rise to variable consideration. Accordingly, under PFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products. The Group used the expected value method to estimate the goods that will not be returned based on the historical experience. For goods expected to be returned, the Group estimates a refund liability, net of the amounts that are reimbursable or chargeable to the original supplier or principal of the products. No right of return assets are recognized since the returns from customers pertain only to damaged or expired goods, which have nil recoverable value.

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 fulfilling the promise to providing the services;
whether the Group has inventory risk; and
whether the Group has discretion in establishing prices.

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.

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.

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).

Provision for ECL of trade teceivables 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 2022 and 2021, 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 on the next page may be impaired. If such indication exists, the entity shall estimate the recoverable amount of the asset, which is the higher of an asset's fair value less costs to sell and its VIU. In determining fair value less costs to sell, an appropriate valuation model is used, which can be based on quoted prices or other available fair value indicators. In estimating the VIU, the Group is required to make an estimate of the expected future cash flows from the CGU and also to choose an appropriate discount rate in order to calculate the present value of those cash flows.

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

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

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

		December 31	
	Note	**2022**	2021
Property and equipment	*11*	**₱5,648,558**	₱4,976,422
Investments in associates and joint ventures	*12*	**334,365**	285,518

As at December 31, 2022 and 2021, 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 of goodwill
The Group performs impairment testing on goodwill at least on an annual basis or more frequently, if events or changes in circumstances indicate that these may be impaired.

The recoverable amounts of the cash-generating units have been determined based on a value-in-use calculation using cash flow projections based on financial budgets as approved by management covering seven-year and five-year projections for shipping and nonshipping business, respectively. The value-in-use calculation is based on a discounted cash flows (DCF) model. The cash flows are derived from the budget for the next five to seven years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

The key assumptions used to determine the recoverable amount for the CGUs of the shipping and nonshipping businesses are disclosed in 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, 2022			
	Shipping	**Non Shipping**	**Eliminations/ Adjustments**	**Consolidated Balance**
		(In Thousands)		
External customers	**₱6,401,520**	**₱12,866,701**	**₱–**	**₱19,268,221**
Intersegment revenue	**1,509,894**	**456,403**	**(1,966,297)**	
Revenues from contracts with customers	**₱7,911,414**	**₱13,323,104**	**(₱1,966,297)**	**₱19,268,221**
Income (Loss) before income tax	**₱523,010**	**(₱47,682)**	**(₱105,000)**	**₱370,328**
Provision for income tax	**(7,553)**	**(50,842)**		**(58,395)**
Segment income (loss)	**₱515,457**	**(₱98,524)**	**(₱105,000)**	**₱311,933**
Segment assets	**₱11,474,059**	**₱6,624,674**	**(₱3,706,839)**	**₱14,391,894**
Segment liabilities	**₱9,029,883**	**₱8,050,000**	**(₱3,682,589)**	**₱13,397,294**
Other Information:				
Capital expenditures	**₱342,903**	**₱291,597**	**₱**	**₱634,500**
Depreciation and amortization	**945,015**	**416,722**		**1,361,737**
Provision for ECL - net	**10,913**	**20,830**		**31,743**
Dividend income	**105,000**		**(105,000)**	
Equity in net eanings of associates and joint ventures	**50,175**	**8,391**		**58,566**

	December 31, 2021			
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
		(In Thousands)		
External customers	₱3,832,583	₱11,575,513	₱–	₱15,408,096
Intersegment revenue	1,178,635	585,634	(1,764,269)	-
Revenues from contracts with customers	₱5,011,218	₱12,161,147	(₱1,764,269)	₱15,408,096
Loss before income tax	(₱726,560)	(₱197,474)	(₱175,000)	(₱1,099,034)
Benefit from (Provision for) income tax	1,440	(45,352)	-	(43,912)
Segment loss	(₱725,120)	(₱242,826)	(₱175,000)	(₱1,142,946)
Segment assets	₱10,780,212	₱5,708,431	(₱3,569,922)	₱12,918,721
Segment liabilities	₱8,871,660	₱6,921,930	(₱3,513,823)	₱12,279,767
Other Information:				
Capital expenditures	₱1,819,832	₱144,248	₱	₱1,964,080
Depreciation and amortization	1,090,283	362,870		1,453,153
Provision for ECL - net	39,001	343,113		382,114
Dividend income	175,000		(175,000)	
Equity in net eanings of associates and joint ventures	29,044	26,363		55,407

	December 31, 2020			
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
		(In Thousands)		
External customers	₱3,864,600	₱13,544,095	₱	₱17,408,695
Intersegment revenue	962,181	633,439	(1,595,620)	
Revenues from contracts with customers	₱4,826,781	₱14,177,534	(₱1,595,620)	₱17,408,695
Loss before income tax	(₱1,591,620)	(₱96,319)	(₱135,602)	(₱1,823,541)
Benefit from (Provision for) income tax	19,242	(38,440)		(19,198)
Segment loss	(₱1,572,378)	(₱134,759)	(₱135,602)	(₱1,842,739)
Segment assets	₱11,258,848	₱7,234,620	(₱3,734,012)	₱14,759,456
Segment liabilities	₱8,663,441	₱8,042,683	(₱3,613,672)	₱13,092,452

	December 31, 2020			
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
	(In Thousands)			
Other Information:				
Capital expenditures	₱379,559	₱29,053	₱	₱408,612
Depreciation and amortization	1,511,479	344,970		1,856,449
Provision for ECL - net	–	40,828		40,828
Dividend income	117,000	18,602	(135,602)	
Equity in net losses of associates and joint ventures	(17,248)	(26,286)		(43,534)

7. Cash and Cash Equivalents

This account consists of:

		December 31	
	Note	**2022**	2021
		(In Thousands)	
Cash on hand and in banks	*20*	**₱712,888**	₱653,552
Cash equivalents		**11,639**	16,463
		₱724,527	₱670,015

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 ₱0.4 million, ₱0.5 million and ₱1.2 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 24).

8. Trade and Other Receivables

This account consists of:

		December 31	
	Note	**2022**	2021
		(In Thousands)	
Trade	*20*	**₱2,954,257**	₱2,053,353
Contract assets		**653,245**	822,822
Nontrade		**328,954**	488,036
Advances to officers and employees		**24,177**	26,918
		3,960,633	3,391,129
Allowance for ECL		**(518,248)**	(510,219)
		₱3,442,385	₱2,880,910

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

b. Contract assets relate to revenue earned from unbilled receivables which represent amounts recognized as revenue for which the invoices have not yet been issued to the customers. As such, the balance of this account vary and depend on the timing of issuance of biling invoice to customers.

c. Nontrade receivables include passage bonds, receivable from trustee fund and insurance from other claims which are noninterest-bearing and collectible on demand, and advances to principals. The balance as of December 31, 2022 includes the ₱10.0 million current portion of receivable for the sale of Mober (see Notes 12 and 14).

d. The following tables set out the rollforward of the allowance for ECL as of December 31, 2022 and 2021 and 2020:

		December 31, 2022		
	Note	**Trade and Contract Assets**	**Nontrade**	**Total**
			(In Thousands)	
Beginning		**₱480,602**	**₱29,617**	**₱510,219**
Provision	*23*	**23,058**	**8,685**	**31,743**
Write-off/other adjustments		**(20,202)**	**(3,512)**	**(23,714)**
Ending		**₱483,458**	**₱34,790**	**₱518,248**

		December 31, 2021		
	Note	Trade and Contract Assets	Nontrade	Total
			(In Thousands)	
Beginning		₱582,732	₱155,945	₱738,677
Provision	*23*	318,338	63,776	382,114
Write-off/other adjustments		(345,721)	(262,586)	(608,307)
Deconsolidation of subsidiaries	*20*	(74,747)	72,482	(2,265)
Ending		₱480,602	₱29,617	₱510,219

		December 31, 2020		
	Note	Trade and Contract Assets	Nontrade	Total
			(In Thousands)	
Beginning		₱774,276	₱362,571	₱1,136,847
Provision	*23*	38,056	2,772	40,828
Write-off/other adjustments		(228,548)	(209,398)	(437,946)
Sale of a subsidiary	*32*	(1,052)	–	(1,052)
Ending		₱582,732	₱155,945	₱738,677

9. **Inventories**

This account consists of:

	December 31	
	2022	2021
At lower of cost and net realizable value:	*(In Thousands)*	
Trading goods	**₱377,355**	₱419,370
Materials, parts and supplies	**19,020**	13,822
At cost:		
Fuel, oil and lubricants	**116,398**	99,271
	₱512,773	₱532,463

The cost of trading goods carried at net realizable value amounted to ₱382.2 million and ₱430.6 million as of December 31, 2022 and 2021 while the cost of materials, parts and supplies carried at net realizable value amounted to ₱21.4 million and ₱16.2 million, respectively. The allowance for inventory obsolescence as of December 31, 2022 and 2021 amounted to ₱7.3 million and ₱13.6 million, respectively.

Costs 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	**2022**	2021	2020
		(In Thousands)		
Cost of services	*22*	**₱3,083,314**	₱2,072,656	₱1,719,816
Cost of goods sold	*22*	**4,267,990**	4,945,101	6,999,122
General and administrative expenses	*23*	**4,572**	2,073	7,673
		₱7,355,876	₱7,019,830	₱8,726,611

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	**2022**	2021
		(In Thousands)	
CWTs - current portion	*14*	**₱1,461,904**	₱2,045,260
Input VAT		**91,492**	126,384
Prepaid expenses and others		**132,007**	121,280
Deferred input VAT		**117,060**	99,610
Refundable deposits - current portion	*14*	**100,205**	62,748
Advances to suppliers and contractors		**43,437**	61,034
		1,946,105	2,516,316
Allowance for impairment losses		**(1,549)**	(1,549)
		₱1,944,556	₱2,514,767

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.

11. Property and Equipment

	December 31, 2022											
	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, 2022	**₱10,512,687**	**₱1,625,846**	**₱971,904**	**₱458,968**	**₱471,545**	**₱361,559**	**₱424,648**	**₱2,393**	**₱685,781**	**₱53**	**₱1,841,155**	**₱17,356,539**
Additions	**464,727**	**915**	**50,982**	**38,423**	**23,102**	**4,184**	**5,965**		**41,782**	**4,420**	**1,400,661**	**2,035,161**
Disposals/retirements	**(1,287,520)**	**(1,727)**	**(83)**	**(1,223)**			**(885)**				**(730,402)**	**(2,021,840)**
December 31, 2022	**9,689,894**	**1,625,034**	**1,022,803**	**496,168**	**494,647**	**365,743**	**429,728**	**2,393**	**727,563**	**4,473**	**2,511,414**	**17,369,860**
Accumulated Depreciation and Amortization												
January 1, 2022	**7,427,965**	**1,352,582**	**669,319**	**393,357**	**155,179**	**294,683**	**381,729**	**1,237**	**468,779**		**1,235,287**	**12,380,117**
Depreciation and amortization	**678,621**	**59,037**	**56,191**	**24,001**	**2,401**	**6,419**	**27,866**	**478**	**79,496**		**392,461**	**1,326,971**
Disposals/retirements	**(1,245,888)**	**(1,727)**	**(83)**	**(1,223)**			**(885)**				**(730,401)**	**(1,980,207)**
Reclassification/adjustment									**(5,579)**			**(5,579)**
December 31, 2022	**6,860,698**	**1,409,892**	**725,427**	**416,135**	**157,580**	**301,102**	**408,710**	**1,715**	**542,696**		**897,347**	**11,721,302**
Net carrying amounts	**₱2,829,196**	**₱215,142**	**₱297,376**	**₱80,033**	**₱337,067**	**₱64,641**	**₱21,018**	**₱678**	**₱184,867**	**₱4,473**	**₱1,614,067**	**₱5,648,558**

	December 31, 2021											
	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, 2021	₱11,434,289	₱1,829,394	₱926,818	₱445,977	₱493,288	₱362,793	₱422,423	₱11,815	₱779,153	₱53	₱1,819,330	₱18,525,333
Additions	1,740,418	51,597	115,978	21,608	–	2,908	2,316	5	29,250	–	49,844	2,013,924
Disposals/retirements	(2,661,692)	(238,449)	(68,836)	(7,320)			–	(9,386)	(122,622)	–	(28,019)	(3,136,324)
Reclassification/adjustment	(328)	(16,696)	(2,056)	(1,297)	(21,743)	(4,142)	(91)	(41)				(46,394)
December 31, 2021	10,512,687	1,625,846	971,904	458,968	471,545	361,559	424,648	2,393	685,781	53	1,841,155	17,356,539
Accumulated Depreciation and Amortization												
January 1, 2021	9,039,684	1,478,739	646,171	364,949	152,275	287,133	335,027	4,596	534,788		875,078	13,718,440
Depreciation and amortization	758,647	74,569	47,566	30,283	2,904	7,550	46,702	1,416	56,613	–	388,228	1,414,478
Disposals/retirements	(2,370,366)	(200,726)	(24,418)	(1,875)	–	–	–	(4,775)	(122,622)	–	(28,019)	(2,752,801)
December 31, 2021	7,427,965	1,352,582	669,319	393,357	155,179	294,683	381,729	1,237	468,779	–	1,235,287	12,380,117
Net carrying amounts	₱3,084,722	₱273,264	₱302,585	₱65,611	₱316,366	₱66,876	₱42,919	₱1,156	₱217,002	₱53	₱605,868	₱4,976,422

Property and equipment under lease
Containers, reefer vans, isotanks, cargo handling equipment, and office and operational spaces as of December 31, 2022 and 2021 include units acquired under lease arrangements (see Note 18).

Noncash additions include costs of leased assets for the years ended December 31, 2022, 2021 and 2020 amounting to ₱1,400.7 million, ₱49.8 million and ₱36.9 million, respectively. The related depreciation of the leased assets for the years ended December 31, 2022, 2021 and 2020 amounted to ₱392.5 million, ₱388.2 million and ₱430.3 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 as of December 31, 2022 and 2021.

December 31, 2022

	Container Yard	Office	Warehouse	Outlet	Equipment	Total
			(In Thousands)			
Cost						
January 1, 2022	**₱181,714**	**₱323,423**	**₱1,072,190**	**₱**	**₱263,828**	**₱1,841,155**
Additions	**561,968**	**52,723**	**631,275**		**154,695**	**1,400,661**
Disposal	**(180,695)**	**(23,401)**	**(449,487)**		**(76,819)**	**(730,402)**
December 31, 2022	**562,987**	**352,745**	**1,253,978**		**341,704**	**2,511,414**
Accumulated Depreciation						
January 1, 2022	**176,615**	**120,480**	**726,348**		**211,844**	**1,235,287**
Depreciation	**61,049**	**42,341**	**265,714**		**23,357**	**392,461**
Disposal	**(180,695)**	**(23,401)**	**(449,485)**		**(76,820)**	**(730,401)**
December 31, 2022	**56,969**	**139,420**	**542,577**		**158,381**	**897,347**
Net Carrying Amount	**₱506,018**	**₱213,325**	**₱711,401**	**₱**	**₱183,323**	**₱1,614,067**

December 31, 2021

	Container Yard	Office	Warehouse	Outlet	Equipment	Total
			(In Thousands)			
Cost						
January 1, 2021	₱181,714	₱323,423	₱1,051,512	₱3,016	₱259,665	₱1,819,330
Additions	–	–	45,681	–	4,163	49,844
Disposal	–	–	(25,003)	(3,016)	–	(28,019)
December 31, 2021	181,714	323,423	1,072,190	–	263,828	1,841,155
Accumulated Depreciation						
January 1, 2021	88,898	80,672	523,129	2,784	179,595	875,078
Depreciation	87,717	39,808	228,222	232	32,249	388,228
Disposal	–	–	(25,003)	(3,016)	–	(28,019)
December 31, 2021	176,615	120,480	726,348	–	211,844	1,235,287
Net Carrying Amount	₱5,099	₱202,943	₱345,842	₱–	₱51,984	₱605,868

Unpaid acquisition costs of property and equipment amounted to ₱198.4 million and ₱67.7 million as of December 31, 2022 and 2021, 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.

Capitalization of drydocking costs
Vessels in operations also include capitalized drydocking costs amounting to ₱294.7 million, ₱258.5 million and ₱174.9 million for the years ended December 31, 2022, 2021 and 2020, respectively. The related depreciable life of drydocking costs ranges from two years to two-and-a-half years.

Acquisition of property and equipment
In 2021, the Group acquired two vessels in operations with an acquisition cost totaling to ₱1,518.2 million.

Sale and disposal of property and equipment
The Group disposed certain property and equipment for consideration of ₱52.9 million, ₱346.9 million and ₱57.9 million for the years ended December 31, 2022, 2021 and 2020, respectively.

In 2021, the proceeds from the disposal of property and equipment pertain mainly to the sale of two vessels amounting to ₱320.15 million.

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	**2022**	2021	2020
			(In Thousands)	
Cost of services and goods sold	*22*	**₱1,280,830**	₱1,369,850	₱1,723,466
General and administrative expense	*23*	**46,141**	44,628	51,995
Other operational expenses	*32*	**–**	–	62,322
		₱1,326,971	₱1,414,478	₱1,837,783

Property and equipment held as collateral
Property and equipment held or deemed as collateral for leases as at December 31, 2022 and 2021 amounted to ₱2,316.2 million and ₱1,364.6 million, respectively (see Note 18). One of the vessels in operations of the Group, with a carrying value of ₱702.1 million and ₱728.6 million as at December 31, 2022 and 2021, respectively, is subject to secure the ₱500.0 million term loan facility agreement with BDO (see Note 17).

12. Investments in Associates and Joint Ventures

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

		Years ended December 31		
	Note	**2022**	2021	2020
			(In Thousands)	
Acquisition - cost:				
Balances at beginning of year*		**₱79,634**	₱79,634	₱79,634
Disposal		**(50,000)**	–	–
Balances at end of year		**29,634**	79,634	79,634
Accumulated equity in net earnings:				
Balances at beginning of year		**201,749**	146,342	189,876
Accumulated equity in net loss of a disposed associate		**35,086**	–	–
Equity in net earnings (losses) during the year		**58,566**	55,407	(43,534)
Balances at end of year		**295,401**	201,749	146,342
Share in remeasurement gain on retirement benefits of associates and joint ventures:				
Balances at beginning of year		**4,135**	5,448	7,529
Share in remeasurement gain (loss) during the year		**5,195**	(1,313)	(2,081)
Balances at end of year		**9,330**	4,135	5,448
		₱334,365	₱285,518	₱231,424

**Includes share in cumulative translation adjustment when an associate changed its functional currency amounting to ₱5.3 million.*

In August 2022, the Group sold 100% of its shares in Mober for to ₱50.0 million, which is payable on installment basis. The downpayment of ₱10.0 million was paid in August 2022. The outstanding balance of ₱10.0 million is payable in August 2023; and ₱30.0 million plus 8% interest per annum is payable in August 2024, and are presented as part of "Trade and other receivables" and "Other noncurrent assets" in the consolidated statements of financial position, respectively.

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:

Statements of financial position:

	MCCP		KLPI		Mober	
	2022	2021	**2022**	2021	**2022**	2021
			(In Thousands)			
As at December 31						
Current assets	**₱876,829**	₱379,413	**₱619,437**	₱527,833	**₱**	₱11,716
Noncurrent assets	**473,392**	435,922	**19,283**	31,167		6,712
Current liabilities	**620,440**	404,010	**366,543**	370,429		30,518
Noncurrent liabilities	**6,922**	490,588	**10,381**	9,257		1,418
Equity	**722,859**	324,747	**261,796**	179,315		(13,507)

Statements of comprehensive income:

	MCCP			KLPI			Mober		
	2022	2021	2020	**2022**	2021	2020	**2022**	2021	2020
					(In Thousands)				
For the years ended December 31:									
Revenue from contracts with customers	**₱2,373,105**	₱1,784,761	₱1,292,484	**₱1,119,984**	₱911,813	₱868,085	**₱28,158**	₱15,992	₱59,762
Net income (loss)	**346,619**	105,030	(97,418)	**82,481**	57,367	42,078	**(1,533)**	(2,300)	(3,270)
Total comprehensive income (loss)	**346,619**	106,192	(98,129)	**82,481**	67,186	39,876	**(1,533)**	(2,300)	(3,270)

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		
	2022	2021	2020
		(In Thousands)	
Equity	**₱984,656**	₱499,742	₱346,062
Effective percentage of ownership	**33% to 78%**	33% to 78%	33% to 78%
Share in equity	**₱334,365**	₱285,518	₱231,424

**The Group effectively owns 33% of MCCP, 49% of KLI, and 78% of KLN and 50% of Mober. The Group sold its share in Mober in August 2022.*

13. **Goodwill**

Impairment Testing of Goodwill

As a result of a business combination in 2010, the Group carries goodwill totaling ₱686.9 million allocated to the shipping and non-shipping business amounting to ₱580.6 million and ₱106.3 million, respectively. 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 seven-year period for shipping and a five year period for non shipping.

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 travel and freight 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 2022 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 10.3% in 2022 and 9.7% in 2021.

Budgeted capital expenditure
Budgeted capital expenditure is based on maintenance requirements of the shipping business' fleet and land-based assets.

Terminal growth rate
Cash flows beyond the seven-year period are extrapolated using a growth rate of 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.

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

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

Nonshipping revenue. Management projected nonshipping revenue in line with historical volume and rates.
Rates exclusive of VAT. Management expects an increase in nonshipping revenue rates by 3% in 2022 and in subsequent years based on the history of rate increases.
Cost of services. Management expects that the cost of services 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 13.0% in 2022 and 11.3% in 2021.

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 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	December 31 2022	2021
		(In Thousands)	
CWTs - net of current portion	*8*	**₱748,764**	₱
Software		**118,617**	137,175
Refundable deposits - net of current portion		**76,123**	77,021
Deferred input VAT		**32,306**	62,084
Others	*8, 12*	**30,000**	20
		1,005,810	276,300
Allowance for impairment		**(8,642)**	
		₱997,168	₱276,300

a. The movements in software are as follows:

	Note	December 31 2022	2021	2020
			(In Thousands)	
Cost				
Balances at beginning of year		**₱348,549**	₱345,448	₱297,050
Additions		**38,170**	15,311	70,972
Disposals/Retirement		**(21,962)**		(22,574)
Reclassification/adjustment			(12,210)	
Balances at end of year		**364,757**	348,549	345,448
Accumulated Amortization				
Balances at beginning of year		**211,374**	172,699	176,607
Amortization	*23*	**34,766**	38,675	18,666
Disposals/Retirement		**–**	–	(22,574)
Balances at end of year		**246,140**	211,374	172,699
Carrying Amount		**₱118,617**	₱137,175	₱172,749

Amortization was recognized and presented in the consolidated statements of profit or loss under "General and administrative expenses".

b. Refundable deposits consist of amounts paid for rental deposits which can be applied as rental payment at the end of the lease term or can be collected in cash upon termination of the lease. In 2022, allowance for impairment amounting to ₱8.6 million was recognized and is presented as part of "Others" under "General and Administrative Expenses"

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

d. Others pertain to the noncurrent portion of the long-term receivable arising from the sale of investment in Mober in 2022 (see Notes 8 and 12).

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 3.40% to 4.75% in 2022, 3.75% to 4.75% in 2021 and 3.85% to 4.75% in 2020. Total interest expense incurred by the Group for short-term notes payable was ₱131.1 million, ₱123.8 million and ₱145.2 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 24).

16. Trade and Other Payables

		December 31	
	Note	**2022**	2021
		(In Thousands)	
Trade	*20*	**₱1,245,489**	₱798,269
Accruals:			
Expenses	*20*	**2,206,608**	2,308,592
Salaries and wages		**120,855**	106,714
Interest	*24*	**55,350**	54,748
Capital expenditure		**198,432**	67,708
Others		**142,327**	
Nontrade		**842,036**	654,124
Government payables		**78,286**	51,776
Contract liabilities		**35,827**	59,458
Other payables	*19,20*	**134,485**	68,596
		₱5,059,695	₱4,169,985

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 security deposits, advances from principals and contractors, agencies and others.

d. Contract liabilities include advance payments received for services to be rendered. The outstanding balances of these accounts decreased in 2022 due to increase in service completion of freight cash transactions within the year. Set out below is the amount of revenue recognized from:

	December 31	
	2022	2021
	(In Thousands)	
Amounts included in contract liabilities at the beginning of the year	**₱59,458**	₱67,125

e. Other payables include provision for contingencies amounting to ₱41.7 million and ₱39.9 million as at December 31, 2022 and 2021, respectively (see Note 19).

17. **Long-term Debt**

Long-term debt consists of:

	Note	December 31 2022	2021
		(In Thousands)	
Banco de Oro Unibank, Inc. (BDO)	*20*	**₱4,000,000**	₱4,000,000
Unamortized debt arrangement fees		**(5,200)**	(12,156)
		3,994,800	3,987,844
Current portion		**3,496,823**	
Noncurrent portion		**₱497,977**	₱3,987,844

BDO Term Loan Facility Agreements

a) 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 its previous long-term loan with BDO and to fund various capital expenditures and other general requirements. Principal borrowings are due upon maturity at the end of five years in April 2023, while interest is payable quarterly. In April 2018 and April 2020, 2GO borrowed ₱2.5 billion and ₱1.0 billion, respectively, which is subject to fixed and floating interest rate, respectively.

b) On April 19, 2021, 2GO entered into another five-year ₱500.0 million term loan facility agreement with BDO to partially finance acquisition and landed cost of vessel. Principal borrowings are due upon maturity at the end of five years in April 2026, while interest is payable quarterly and is subject to fixed interest rate. The facility was fully drawn in April 2021.

The term loan facility agreements are secured by a cross suretyship among 2GO, 2GO Express, 2GO Logistics, SOI and SCVASI. In addition, the second term loan facility agreement is secured by the Chattel Mortgage over a passenger-cargo ship named M/V Masagana with a carrying value of ₱702.1 million and ₱728.6 million as of December 31, 2022 and 2021, respectively.

In accordance with the term loan facility agreements, 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.

Interest rate is at ranging from 4.00% to 6.23%. The floating interest rate is 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.

Borrowing Costs and Debt Transaction Costs
Interests from long-term borrowings of the Group recognized as expense totaled ₱232.1 million, ₱224.2 million and ₱183.6 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 24).

The Group paid ₱3.8 million, ₱7.5 million and ₱18.8 million debt transaction cost as a result of the loan availments under BDO facility in April of years 2021, 2020 and 2018, respectively. Amortization of debt transaction costs included under financing charges amounted to ₱7.0 million, ₱6.5 million and ₱5.4 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 24).

Compliance with debt covenants
At December 31, 2022 and 2021, the Group was not compliant with the debt-to-equity ratio under the Group's long-term loan agreement with BDO. However, the Group obtained a waiver letter from BDO which waives the financial covenant at December 31, 2022 and 2021.

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, 2022		December 31, 2021	
	Future Minimum Lease Payments	**Present Value of Minimum Lease payments**	Future Minimum Lease Payments	Present Value of Minimum Lease payments
Less than one year	**₱438,703**	**₱347,387**	₱162,453	₱141,557
Between one and five years	**1,297,383**	**1,139,609**	497,831	389,090
Between six and 10 years	**218,175**	**204,903**	79,257	108,918
	1,954,261	**1,691,899**	739,541	639,565
Interest component	**262,362**		99,976	
Present value	**₱1,691,899**	**₱1,691,899**	₱639,565	₱639,565

The interest expense recognized related to these leases amounted to ₱96.8 million, ₱49.1 million and ₱68.7 million for the years ended December 31, 2022, 2021 and 2020, 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 years ended December 31, 2022, 2021 and 2020 in relation to the obligation under lease and the related right-of-use assets.

		Years Ended December 31		
	Note	**2022**	2021	2020
			(In Thousands)	
Depreciation expense of right-of-use assets	*11*	**₱392,461**	₱388,228	₱430,309
Interest expense on obligation under lease	*24*	**96,757**	49,101	75,948
Rent expense - short-term leases	*22,23*	**425,221**	329,734	276,332
Rent expense - low value assets	*22,23*	**5,456**	4,231	3,546
Gain on lease pre-termination	*24*	**–**	–	(14,581)
		₱919,895	₱771,294	₱771,554

The rollforward analysis of obligation under lease for the years ended December 31, 2022 and 2021 is disclosed in Note 31.

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

		Years Ended December 31		
	Note	**2022**	2021	2020
Cost of services and goods sold	*22*	**₱786,857**	₱683,496	₱654,324
General and administrative expenses	*23*	**36,281**	38,464	40,738
Financing charges	*24*	**96,757**	49,101	68,682
Other operational expenses	*32*	**–**	–	11,895
Others - net		**–**	233	(4,085)
		₱919,895	₱771,294	₱771,554

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's provision for probable losses arising from these legal cases as at December 31, 2022 and 2021 amounted to ₱41.7 million and ₱39.9 million as at December 31, 2022 and 2021, respectively, and are presented as part of "Other payables" under "Trade and other payables" in the consolidated statements of financial position (see Note 16). Provision for probable losses recognized in the consolidated statements of profit or loss amounted to ₱1.8 million and nil in 2022 and 2021, respectively (see Note 23).

20. Related Parties

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

Relationship	**Name**
Stockholders of the Company	SM Investments Corporation (SMIC)[1]
	Trident Investments Holdings Pte. Ltd.
Subsidiaries	2GO Express, Inc. (2GO Express or EXP)
	2GO Logistics, Inc. (2GO Logistics or 2GOLI)
	Scanasia Overseas, Inc. (SOI)
	2GO Land Transport, Inc. (2GO Land) [2]
	Special Container and Value Added Services, Inc. (SCVASI)
	NN-ATS Logistics Management and Holdings Corporation, Inc. (NALMHCI)
	North Harbor Tugs Corporation (NHTC)
	Astir Engineering Works, Inc. (AEWI)
	United South Dockhandlers, Inc. (USDI)
	WG & A Supercommerce, Inc. (WSI) [4]
	2GO Rush, Inc. (Rush) [4]
Associates	MCC Transport Philippines, Inc. (MCCP)
	Mober Technology PTE Inc. [5]
Joint Ventures	KLN Logistics Holdings Philippines, Inc. (KLN)
	Kerry Logistics (Phils.), Inc. (KLPI)

(Forward)

Relationship	Name
Other Affiliated Companies [1]	BDO Unibank, Inc. *
	SM Mart, Inc. *
	Supervalue, Inc. *
	Super Shopping Market, Inc. *
	Goldilocks Bakeshop, Inc. *
	Sanford Marketing Corporation
	China Banking Corporation
	SM Development Corporation
	SM Prime Holdings Inc.
	Alfamart Trading Philippines, Inc.
	Costa Del Hamilo Inc.
	Digital Advantage Corp.
	Fast Retailing Philippines, Inc.
	Homeworld Shopping Corporation
	Mindpro Retail Inc.
	Mini Depato Corp.
	Online Mall Incorporated
	Sports Central (Manila), Inc.
	Star Appliance Center, Inc.
	Warehouse Development Company, Inc.
	Waltermart Supermarket, Inc.
	International Toyworld, Inc.
Other Affiliated Companies [6]	Chelsea Logistics and Infrastructure Holdings Corporation (Chelsea Logistics)[6]
	Phoenix Petroleum Philippines, Inc.
	PNX - Chelsea Shipping Corp.
	Chelsea Marine Power Resources, Inc.

*(1) SMIC became the Group's Parent Company as of June 3, 2021 (see Note 1). Trnsactions disclosed are for period starting Parent Company obtained control over the Group, except for the entities with *.*
(2) Formerly WRR Trucking Corporation.
(3) Corporate life ended in 2021.
(4) Dormant companies.
(5) Sold in August 2022. Related party disclosure relates to the transactions until the date of sale.
(6) Affiliates of KGLI-NM which divested its ownership in 2Go at June 3, 2021 (see Note 1). Transactions disclosed are for the period up to the divestment.

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	**2022**	2021	2020
			(In Thousands)	
Stockholders of the Company	Outside services	**(₱95,808)**	(₱90,342)	(₱50,253)
	Computer charges	**(22,581)**	(29,063)	–
	Personnel cost	**–**	(10,381)	–
	Other services	**–**	8,771	–
	Communication, light and water	**(1,016)**	(1,341)	–
	Freight revenue	**–**	399	–
	Transportation and delivery	**–**	(7)	–
	Co-loading	**–**	–	(114,462)
	Interest income	**–**	–	37,733
	Other expenses		(1,782)	–
Associates and joint venture	Freight revenue	**3,839**	1,322	5,900
	Freight expense	**(57,407)**	(63,615)	(48,912)
	Shared cost	**(4,183)**	(10,544)	
Other Affiliated Companies	Sale of goods		260,044	
	Freight revenue	**163,413**	140,180	7,790

(Forward)

	Nature	Years Ended December 31 2022	2021	2020
			(In Thousands)	
	Other services	**₱100,388**	₱46,895	₱
	Interest	**(189,707)**	(290,149)	(58,130)
	Food and beverage	**(150,798)**	(92,201)	(137,416)
	Rent	**(16,761)**	(17,510)	
	Transportation and delivery		(12,078)	
	Materials, parts and supplies	**(16,747)**	(11,958)	
	Outside services	**(363)**	(7,402)	(203,947)
	Interest income	**40**	2,603	
	Transportation and travel		(33)	
	Co-loading termination cost			(352,062)
	Fuel and lubricant			(302)
	Others - net	**9,161**	(1,016)	
Key Management Personnel	Short-term employee benefits	**(53,009)**	(58,423)	(59,343)
	Long-term employee benefits	**(15,008)**	(14,725)	(14,209)

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 2022	2021
			(In Thousands)	
Stockholders of the Parent Company	Trade receivables	30 to 60 days; noninterest-bearing 5-year; interest-bearing	**₱**	₱53,999
	Trade payable	30 to 60 days; noninterest-bearing	**(33,121)**	–
	Accrued expenses	30 to 60 days; noninterest-bearing	**(19,139)**	–
Associates and joint venture	Trade receivables	30 to 60 days; noninterest-bearing		4,936
	Nontrade receivables	On demand; noninterest-bearing	**69,205**	100,692
	Trade payables	30 to 60 days; noninterest-bearing	**(1,100)**	(2,577)
	Accrued expenses	30 to 60 days; noninterest-bearing	**(10,443)**	(4,500)
	Due to related parties	30 to 60 days; noninterest-bearing	**(9)**	(9)
Other Affiliated Companies	Short-term loan	See Note 15	**(339,000)**	(1,297,000)
	Long-term debt	See Note 17	**(3,994,800)**	(3,987,844)
	Cash in bank	On demand	**172,230**	480,244
	Nontrade receivables	On demand; noninterest-bearing	**71,879**	98,493
	Accrued expenses	30 to 60 days; noninterest-bearing	**(77,287)**	(1,311)
	Trade payables	30 to 60 days; noninterest-bearing	**(44,134)**	(66,242)

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.

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

Transactions with other associates and related companies consist of shipping and co-loading services, shared 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 SCVASI and 2GO Express include shipping and forwarding services, commission and trucking services.

The Company provides shared services to 2GO Express, SCVASI and SOI at fees based on agreed rates.

2GO Land provides trucking and management services to 2GO Express.

In 2021 and 2020, certain subsidiaries of the Group were deconsolidated as their corporate life ended during the year. The Group recognized a gain on cessation of business of subsidiaries amounting to ₱2.9 million in 2021 and ₱32.7 million in 2020 (see Notes 12 and 24).

In 2022, the Group sold its share in Mober and recognized gain amounting to ₱35.1 million (see Note 24).

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	2022	2021
			(In Thousands)	
2GO	SCVASI/EXP/2GOLI/SOI/HLP/ 2GO LAND/NLMHCI	30 to 60 days; noninterest-bearing	**₱3,248,201**	₱3,035,029
EXP	2GO/SCVASI/2GOLI/SOI/ 2GO LAND/NLMHCI	30 to 60 days; noninterest-bearing	**451,398**	371,674
SOI	2GO/SCVASI/EXP/2GOLI	30 to 60 days; noninterest-bearing	**75,596**	67,794
2GOLI	2GO/SCVASI/EXP/SOI/2GO LAND	30 to 60 days; noninterest-bearing	**(290,987)**	(156,828)
SCVASI	2GO	30 to 60 days; noninterest-bearing	**37,272**	53,601
NLMHCI	2GO/EXP/NHTC	30 to 60 days; noninterest-bearing	**45,325**	47,823
USDI	2GO	30 to 60 days; noninterest-bearing	**16,076**	41,199
2GO Land	EXP/2GOLI	30 to 60 days; noninterest-bearing	**64,717**	37,406
AEWI	2GO	30 to 60 days; noninterest-bearing	**7,622**	7,622
NHTC	2GO	30 to 60 days; noninterest-bearing	**5,614**	5,614

21. Equity

a. Share Capital

Details of share capital as at December 31, 2022 and 2021 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	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	Net 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 5,109 and 5,106 equity holders as of December 31, 2022 and 2021, respectively.

b. Effective January 1, 2019, 2GO, as the surving entity of the merger, issued a total of 2,176,151,907 shares with par value of One Peso (₱1.00) per share to the stockholders of Negros Navigation Co., Inc. ("NN"), former parent company and the absorbed company, 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 include undistributed earnings amounting to ₱1,003.8 million and ₱949.7 million as of December 31, 2022 and 2021, 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, deferred income tax assets and unrealized foreign exchange gain recognized as of December 31, 2022 and 2021.

22. Cost of Services and Goods Sold

This account consists of the following:

		Years Ended December 31		
	Note	**2022**	2021	2020
		(In Thousands)		
Cost of Services				
Transportation and delivery	*20*	**₱3,659,994**	₱2,290,768	₱2,812,218
Fuel, oil and lubricants	*9*	**2,787,563**	1,903,014	1,511,331
Outside services	*20*	**2,340,414**	1,851,558	1,898,105
Depreciation and amortization	*11*	**1,280,830**	1,369,850	1,723,466
Personnel costs	*25, 26*	**881,961**	894,833	924,710
Repairs and maintenance	*20*	**487,315**	254,705	215,431
Rent	*18*	**428,200**	329,247	273,537
Arrastre and stevedoring	*20*	**300,301**	192,498	160,816
Insurance		**232,647**	239,134	209,490
Food and beverage	*9*	**161,894**	42,664	94,577
Material and supplies used	*9*	**133,857**	126,978	113,908
Communication, light and water		**114,663**	110,459	120,643
Taxes and licenses		**92,601**	75,277	70,234
Travel expenses		**90,654**	73,728	
Food and subsistence		**61,087**	50,036	53,352
Concession expenses		**60,228**	57,642	55,641
Others		**113,686**	6,599	205,577
		13,227,895	9,868,990	10,443,036
Cost of Goods Sold	*9*	**4,267,990**	4,945,101	6,999,122
		₱17,495,885	₱14,814,091	₱17,442,158

Others include various expenses that are individually immaterial. Fuel, oil and lubricants in 2020 include the effect of cash flow hedge amounting to ₱57.1 million (nil in 2021 and 2022).

23. General and Administrative Expenses

This account consists of the following:

	Note	2022	2021	2020
		Years Ended December 31		
		(In Thousands)		
Personnel costs	*25, 26*	**₱495,127**	₱458,799	₱436,311
Outside services	*20*	**101,037**	135,953	156,334
Depreciation and amortization	*11, 14*	**80,907**	83,303	70,661
Computer charges	*20*	**76,182**	107,444	53,616
Transportation and travel	*20*	**50,066**	36,396	38,350
Provision for ECL	*8*	**31,743**	382,114	40,828
Advertising and promotion		**25,427**	15,627	16,801
Communication, light and water		**25,266**	17,465	32,808
Repairs and maintenance	*20*	**14,463**	11,855	19,095
Termination cost		**12,332**		
Special projects		**11,850**	500	460
Input VAT expense		**10,454**	2,642	
Service fee		**9,136**	1,051	
Provision for impairment of asset		**8,647**		
Office supplies	*9*	**4,572**	2,073	7,673
Taxes and licenses		**2,828**	5,209	2,940
Entertainment, amusement and recreation		**2,712**	1,284	2,605
Rent	*18*	**2,477**	4,718	6,341
Inventory obsolescence	*9*	**2,432**	10,209	9,094
Provision for litigation	*19*	**1,804**		
Insurance		**530**	1,737	50
COVID-19 expenses			12,587	
Others	*8, 14*	**64,635**	53,333	3,400
		₱1,034,627	₱1,344,299	₱897,367

Others include various expenses that are individually immaterial such as food and subsistence and other corporate expenses (see Notes 8 and 14). In 2021, the balance include loss on write-off of investment property amounting to ₱49.8 million as the property is not currently being used in operations and the title to the property is subject to dispute.

24. Other Income (Charges)

Financing Charges

	Note	2022	2021	2020
		Years Ended December 31		
		(In Thousands)		
Interest expense on:				
Short-term notes payable	*15*	**₱131,143**	₱123,756	₱145,163
Long-term debt	*17*	**232,130**	224,202	183,602
Amortization of:				
Obligations under lease	*18*	**96,757**	49,101	68,682
Debt transaction costs	*17*	**6,957**	6,514	5,427
Other financing charges		**22,821**	13,355	2,955
		₱489,808	₱416,928	₱405,829

Other financing charges comprise of items that are individually immaterial. Accrued interest payable as of December 31, 2022 and 2021 amounted to ₱55.3 million and ₱54.7 million, respectively (see Note 16).

Others - net

	Note	2022	2021	2020
		Years Ended December 31		
		(In Thousands)		
Interest income	*7, 8, 20*	**₱1,695**	₱2,708	₱39,731
Gain (loss) on:				
Disposal of property and equipment	*11*	**11,290**	(36,614)	23,835
Cessation of business of subsidiaries	*20*	**–**	2,889	32,652
Disposal of an associate	*20*	**35,086**	–	–
Pre-termination of leases	*18*	**–**	–	4,084
Foreign exchange gains (losses)		**1,022**	(1,086)	(1,472)
Co-loading termination cost		–	–	(352,062)
Others - net		**14,768**	44,884	39,956
		₱63,861	₱12,781	(₱213,276)

During 2019, 2GO sold 100% of its shares in SFFC to Chelsea Logistics for ₱650.0 million, payable in 60 equal monthly installments for 6.5% per annum. This was fully settled in 2021. Interest income earned from this receivable amounted to ₱37.7 million in 2020 (nil in 2022 and 2021).

During 2020, the Group terminated its co-loading agreement with PNX-Chelsea Shipping Corp. to focus on its core shipping roll-on-roll-off-passenger (ROPAX) services and improve profitability.

During 2021, the Group sold two ROPAX vessels (see Note 11).

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	2022	2021	2020
		Years Ended December 31		
		(In Thousands)		
Salaries and wages		**₱1,143,042**	₱1,106,631	₱1,108,506
Retirement benefit cost	*26*	**87,939**	85,368	108,019
Other employee benefits		**146,107**	161,633	144,496
		₱1,377,088	₱1,353,632	₱1,361,021

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 ₱66.8 million to the retirement fund in 2022. The Group's transaction with the plan pertain to contribution and benefit payments.

The following tables summarize the components of retirement benefit cost included in the consolidated statements of profit or loss are as follows:

		Years Ended December 31		
	Note	**2022**	2021	2020
Current service cost		**₱67,191**	₱66,346	₱88,483
Net interest cost		**20,748**	19,022	19,536
		₱87,939	₱85,368	₱108,019

The following tables summarize the funded status and amounts recognized in the consolidated statements of financial position as of December 31:

	2022		
	Defined Benefit Obligations	**Fair Value of Plan Assets**	**Accrued Retirement Benefits**
		(In Thousands)	
January 1	**₱519,631**	**(₱146,764)**	**₱372,867**
Net retirement benefits cost in profit or loss:			
Current service cost	**67,191**	**–**	**67,191**
Net interest cost	**28,192**	**(7,443)**	**20,748**
	95,383	**(7,443)**	**87,939**
Benefits paid from:			
Plan assets	**(85,578)**	**85,578**	**–**
Book reserve	**(670)**	**–**	**(670)**
	(86,248)	**85,578**	**(670)**
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:			
Financial assumptions	**(39,800)**	**–**	**(39,800)**
Experience adjustments	**(21,374)**	**–**	**(21,374)**
Return on plan assets	**–**	**9,817**	**9,817**
	(61,174)	**9,817**	**(51,357)**
Actual contributions	**–**	**(62,616)**	**(62,616)**
Reclassification/adjustment	**(1,263)**	**–**	**(1,263)**
December 31	**₱466,329**	**(₱121,428)**	**₱344,900**

	2021		
	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits
		(In Thousands)	
January 1	₱690,875	(₱203,728)	₱487,147
Net retirement benefits cost in profit or loss:			
Current service cost	66,346	–	66,346
Net interest cost	26,709	(7,687)	19,022
	93,055	(7,687)	85,368
Benefits paid from:			
Plan assets	(76,878)	76,878	–
Book reserve	(863)	–	(863)
	(77,741)	76,878	(863)

(Forward)

	2021		
	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits
		(In Thousands)	
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:			
Financial assumptions	(₱222,294)	₱–	(₱222,294)
Demographic assumptions	(413)	–	(413)
Experience adjustments	36,149	–	36,149
Return on plan assets	–	10,115	10,115
	(186,558)	10,115	(176,443)
Actual contributions	–	(22,342)	(22,342)
December 31	₱519,631	(₱146,764)	₱372,867

The plan assets available for benefits are as follows:

	December 31	
	2022	2021
	(In Thousands)	
Cash and cash equivalents	**₱19**	₱571
Investments in government and other debt securities	**73,209**	88,128
Investments in unit investment trust fund (UITF)	**47,480**	57,517
Others	**720**	548
Fair value of plan assets	**₱121,428**	₱146,764

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, 2022 and 2021, 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 Group updates the actuarial valuation every year by hiring the services of a third-party qualified actuary. The latest actuarial valuation report was as of reporting date. The 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.

	2022	2021
Discount rate	**5.12%-5.22%**	3.96% - 4.17%
Future salary increase	**4.50%**	6.00%
Turnover rate	**0.00% - 7.50%**	0.00% - 7.50%

As of December 31, 2022, the discount rate, future salary increase rate and turnover rate are 7.31% to 7.38%, 6.0%, 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, 2022 and 2021.

	Increase (Decrease)	Impact on Accrued Retirement Benefits 2022	2021
		(In Thousands)	
Discount rate	+1%	**(₱49,221)**	(₱57,867)
	-1%	**58,083**	68,911
Salary increase rate	+1%	**58,275**	68,650
	-1%	**(50,222)**	(58,710)

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 12.5 years and 14.3 years as of December 31, 2022 and 2021, respectively.

Maturity analysis of the benefit payments:

	2022	2021
	(In Thousands)	
Less than 5 years	**₱98,466**	₱100,479
5 years to 10 years	**386,231**	370,400
More than 10 years	**4,511,538**	3,313,954

27. Income Taxes

a. The components of provision for (benefit from) income tax are as follows:

	Years Ended December 31 2022	2021	2020
		(In Thousands)	
Current:			
RCIT	**₱50,614**	₱44,611	₱30,740
MCIT	**25,856**	11,982	33,008
Impact of CREATE in 2020	–	(10,927)	–
	76,470	45,666	63,748
Deferred	**(18,075)**	(10,808)	(44,550)
Impact of CREATE in 2020	–	9,054	–
	(18,075)	(1,754)	(44,550)
	₱58,395	₱43,912	₱19,198

<u>Corporate Recovery and Tax Incentive for Enterprise (CREATE) Act</u>
On March 26, 2021, the President of the Philippines signed the Republic Act No. 11534, Corporate Recovery and Tax Incentives for Enterprises Act (the Law). The Law took effect on April 11, 2021. The Law reformed corporate income taxes and incentives in the country by implementing the changes to the current tax regulations. Effective July 1, 2020, some of these changes are as follows:

- Reduction in the RCIT from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding the value of land on which the particular business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%;
- Reduction in the MCIT from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and
- Imposition of 10% improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred income taxes as of and for the year ended December 31, 2020 is computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT or 2% MCIT) for financial reporting purposes.

Applying the Law, the Parent Company and subsidiaries are subjected to lower RCIT rate of 20% or 25%, or MCIT rate of 1%, whichever is applicable, effective July 1, 2020. The reduced amounts are reflected in the Parent Company and subsidiaries' 2020 income tax return. However, for the financial reporting, the changes are recognized in 2021 as shown in the table on the previous page. The impact of the Law for the remeasurement of deferred income tax assets directly recognized to OCI amounted to ₱28.4 million.

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

	Years ended December 31	
	2022	2021
	(In Thousands)	
Directly recognized in profit or loss:		
Deferred income tax assets on:		
Accrued retirement benefits	**₱50,780**	₱44,541
Unamortized past service cost	**10,971**	9,712
Obligations under lease	**391,939**	145,162
Accruals and others	**8,128**	4,030
	461,818	203,445
Deferred income tax liabilities on:		
Right-of-use assets	**(379,462)**	(138,357)
Unamortized debt arrangement fees and other taxable temporary differences	**(2,235)**	(3,042)
	80,121	62,046
Directly recognized in OCI:		
Deferred income tax asset on remeasurement of retirement benefits cost	**20,545**	33,384
	₱100,666	₱95,430

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

c. On September 30, 2020, the BIR issued Revenue Regulation (RR) No. 25-2020 implementing Section 4(b) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

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

NOLCO

Year Incurred	Available Until	Amount	Applied	Expired	**Balances as at December 31, 2022** Amount	Tax Effect
				(In Thousands)		
2021	2026	₱1,337,057	(₱70,006)	₱–	₱1,267,051	₱316,763
2020	2025	1,328,717	(37,936)	–	1,290,781	322,695
2019	2022	1,254,674	(713,082)	(541,592)	–	–
		₱3,920,448	(₱821,024)	(₱541,592)	₱2,557,832	₱639,458

Excess MCIT over RCIT

Year Incurred	Available Until	Amount	Applied	Expired	**Balances as at December 31, 2022**
			(In Thousands)		
2022	2025	₱25,855	₱	₱	₱25,855
2021	2024	11,326	–	–	11,326
2020	2023	26,411	–	–	26,411
2019	2022	13,379	(41)	(13,338)	–
		₱76,971	(₱41)	(₱13,338)	₱63,592

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 **2022**	2021
	(In Thousands)	
NOLCO	**₱2,557,832**	₱3,818,785
Excess of MCIT over RCIT	**63,592**	51,075
Accruals and provisions	**784,987**	691,116
Allowance for ECL	**518,883**	510,219
Allowance for inventory obsolescence	**7,256**	13,589
Allowance for cargo losses and damages	**233,738**	116,867
Accrued retirement	**56,430**	24,597
Obligation under lease	**80,244**	59,148
Others	**9,193**	989

e. Reconciliation between the income tax expense computed at statutory income tax rate of 25% in 2022 and 2021 and 30% in 2020 to the provision for income tax expense as shown in profit or loss is as follows:

	Years Ended December 31		
	2022	2021	2020
		(In Thousands)	
Tax effect of income (loss) at statutory rates	**₱92,582**	(₱274,759)	(₱547,062)
Income tax effects of:			
Movement in deductible temporary differences for which no deferred tax assets were recognized	**(19,566)**	321,117	563,082
Nondeductible expense	**3,868**	13,673	15,275
Interest income already subjected to final tax	**(90)**	(132)	(393)
Equity in net loss (earnings) of associates and gain on sale of associate	**(18,205)**	(13,852)	13,060
Impact of CREATE in 2020	–	(1,874)	–
Others	**(194)**	(261)	(24,764)
Provision for income tax	**₱58,395**	₱43,912	₱19,198

28. Earnings (Loss) Per Share (EPS)

Basic and diluted earnings per share were computed as follows:

	Years ended December 31		
	2022	2021	2020
	(In Thousands, except weighted average number of common shares and loss per common shares)		
Net income (loss) for the year attributable to equity holders of the Parent Company	**₱308,833**	(₱1,144,160)	(₱1,842,670)
Weighted average number of common shares outstanding during the year	**2,462,146,316**	2,462,146,316	2,462,146,316
Income (Loss) per common share	**₱0.1254**	(₱0.4647)	(₱0.7484)

There are no potentially dilutive common shares as at December 31, 2022, 2021 and 2020.

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, 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'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. The Group has concentration of credit risk given that majority of the Group's cash and cash equivalents are deposited in the local affiliated bank. Management assessed and believes that the Group is not exposed to any significant risk since the local affiliated bank is a related party and is one of the country's reputable banks. The Group does not have any significant credit risk exposure to other single counterparties. As of December 31, 2022 and 2021, the Group did not hold collateral from any counterparty.

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

December 31, 2022

	High	**Medium**	**Total**
		(In Thousands)	
Financial assets:			
Cash in banks	**₱685,860**	**₱–**	**₱ 685,860**
Cash equivalents	**11,639**	**–**	**11,639**
Trade receivables	**–**	**1,656,888**	**1,656,888**
Nontrade receivables	**–**	**70,453**	**70,453**
Advances to officers and employees*	**2,806**	**–**	**2,806**
Refundable deposits	**176,328**	**–**	**176,328**
Contract assets	**–**	**653,245**	**653,245**
Total	**₱876,633**	**₱2,380,586**	**₱3,257,219**

**Excluding advances amounting to ₱21.4 million subject to liquidation*

December 31, 2021

	High	Medium	Total
		(In Thousands)	
Financial assets:			
Cash in banks	₱607,232	₱–	₱607,232
Cash equivalents	16,463	–	16,463
Trade receivables	–	1,054,782	1,054,782
Nontrade receivables	–	87,838	87,838
Advances to officers and employees*	8,001	–	8,001
Refundable deposits	139,769	–	139,769
Contract assets	–	822,822	822,822
Total	₱771,465	₱1,965,442	₱2,736,907

**Excluding advances amounting to ₱18.9 million subject to liquidation.*

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. 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 credit risk for refundable deposits is considered negligible as the Group has ongoing lease agreements with the counterparties and the latter are considered to be with sound financial condition and sufficient liquidity.

The aging per class of financial assets, contract assets and expected credit loss are as follows:

		Past Due					Expected	
December 31, 2022	**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	**₱685,860**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱685,860**
Cash equivalents	**11,639**	**–**	**–**	**–**	**–**	**–**	**–**	**11,639**
Trade receivables	**1,656,888**	**634,893**	**263,734**	**31,023**	**164,918**	**202,801**	**(435,327)**	**2,518,930**
Nontrade receivables[1]	**70,453**	**757**	**1,683**	**1,457**	**13,794**	**153,812**	**(34,790)**	**207,166**
Advances to officers and employees[2]	**2,806**	**–**	**–**	**–**	**–**	**–**	**–**	**2,806**
Refundable deposits	**176,328**	**–**	**–**	**–**	**–**	**–**	**–**	**176,328**
Contract assets	**653,245**	**–**	**–**	**–**	**–**	**–**	**(48,131)**	**605,114**
Total	**₱3,257,219**	**₱635,650**	**₱265,417**	**₱32,480**	**₱178,712**	**₱356,613**	**(₱518,248)**	**₱4,207,843**

(1)Excluding nonfinancial asset amounting to ₱119.8 million; including long-term receivable amounting to ₱30.0 million.
(2)Excluding advances amounting to ₱21.4 million subject to liquidation.

		Past Due						
December 31, 2021	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	₱607,232	₱–	₱–	₱–	₱–	₱–	₱–	₱607,232
Cash equivalents	16,463	–	–	–	–	–	–	16,463
Trade receivables	1,054,782	492,396	151,868	81,487	110,191	162,629	(432,755)	1,620,598
Nontrade receivables[1]	87,838	16,430	4,636	4,205	2,838	267,617	(29,617)	353,947
Advances to officers and employees[2]	8,001	–	–	–	–	–	–	8,001
Refundable deposits	139,769	–	–	–	–	–	–	139,769
Contract assets	822,822	–	–	–	–	–	(47,847)	774,975
Total	₱2,736,907	₱508,826	₱156,504	₱85,692	₱113,029	₱430,246	(₱510,219)	₱3,520,985

(1)Excluding nonfinancial asset amounting to ₱104.5 million.
(2)Excluding advances amounting to ₱18.9 million subject to liquidation.

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, 2022			
	Less than 1 Year	**1 to 5 Years**	**Over 5 Years**	**Total**
		(In Thousands)		
Financial Liabilities				
Trade and other payables[1]	**₱4,122,339**	**₱–**	**₱–**	**₱4,122,339**
Short-term notes payable	**2,306,000**	**–**	**–**	**2,306,000**
Long-term debt[2]	**3,500,000**	**500,000**	**–**	**4,000,000**
Obligations under lease[3]	**438,703**	**1,297,383**	**218,175**	**1,954,261**
	₱10,367,042	**₱1,797,383**	**₱218,175**	**₱12,382,600**
Financial and contract assets				
Cash and cash equivalents	**₱724,527**	**₱–**	**₱–**	**₱724,527**
Trade and other receivables[4]	**3,301,211**	**30,000**	**–**	**3,331,211**
Refundable deposits	**100,205**	**76,123**	**–**	**176,328**
	₱4,125,943	**₱106,123**	**₱–**	**₱4,232,066**

	December 31, 2021			
	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
		(In Thousands)		
Financial Liabilities				
Trade and other payables[1]	₱3,546,783	₱–	₱–	₱3,546,783
Short-term notes payable	3,106,000	–	–	3,106,000
Long-term debt[2]	–	4,000,000	–	4,000,000
Obligations under lease[3]	162,453	497,831	79,257	739,541
	₱6,815,236	₱4,497,831	₱79,257	₱11,392,324
Financial and contract assets				
Cash and cash equivalents	₱670,015	₱–	₱–	₱670,015
Trade and other receivables[4]	2,757,522	–	–	2,757,522
Refundable deposits	62,748	77,021	–	139,769
	₱3,490,285	₱77,021	₱–	₱3,567,306

[1]*Excludes nonfinancial liabilities amounting to ₱972.4 million and ₱623.2 million as of December 31, 2022 and 2021, respectively.*
[2]*Gross of unamortized debt arrangement fees amounting to ₱5.2 million and ₱12.2 million as of December 31, 2022 and 2021, respectively.*
[3]*Gross of interest component amounting to ₱262.4 million and ₱99.9 million as of December 31, 2022 and 2021, respectively.*
[4]*Excludes nonfinancial assets amounting to ₱141.2 million and ₱123.4 million as of December 31, 2022 and 2021, respectively, and includes long-term receivable amounting to ₱30.0 million.*

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 facilities, and additional capital contribution of the shareholders.

The undrawn loan commitments from credit facilities of the Group amounted to ₱1.1 billion and ₱4.6 billion as of December 31, 2022 and 2021, respectively.

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, 2022 and 2021 are as follows:

		December 31, 2022		December 31, 2021	
	Currency	**Amount in Original Currency**	**Total Peso Equivalent**	Amount in Original Currency	Total Peso Equivalent
			(In Thousands)		
Financial Assets					
Cash in banks	USD	**306**	**₱17,173**	565	₱28,685
Trade receivables	USD	**387**	**21,718**	332	16,856
Advances to supplier	USD			139	7,057
			38,891		52,598
Financial Liabilities					
Trade and other payables	USD	**257**	**₱14,423**	623	₱31,630
	JPY	**19,530**	**8,203**		
			22,626		34,322
Net foreign currency denominated assets (liabilities)	USD	**436**	**₱24,468**	413	₱20,968
	JPY	**(19,530)**	**(8,203)**		

USD 1 = ₱56.12 in December 2022 and ₱50.77 in 2021
JPY 1 = ₱0.42 in December 2022

The Group recognized foreign exchange gain (loss) amounting to ₱1.0 million, (₱1.1 million), and (₱1.5 million) for the years ended December 31, 2022, 2021 and 2020, 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, 2022, 2021 and 2020.

	Appreciation (Depreciation) of Foreign Currency	**Decrease (increase) in loss before tax** December 31 **2022**	2021	2020
			(In Thousands)	
US Dollar (USD)	1%	**(₱245)**	(₱210)	(₱11)
	(1%)	**245**	210	11
Japanese Yen (JPY)	1%	(1)		329
	(1%)	1		(329)

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 3.75% to 6.75% and 3.75% to 6.23% in 2022 and 2021, respectively.

The Group's ₱4.0 billion long-term debt under the BDO Term Loan Facility Agreements includes ₱1.5 billion long-term debt which bear floating interest rates and exposes the Group to cash flow interest rate risk.

The table below sets forth the estimated change in the Group's income before tax (through the impact on the floating interest rate borrowings) due to parallel changes in the interest rate curve in terms of the basis points (bp) as of December 31, 2022 and 2021, with all other variables held constant. There is no other impact on the Group's equity other than those already affecting the consolidated statements of profit or loss.

	Decrease (increase) in loss before income tax	
	December 31	
	2022	2021
	(In Thousands)	
100 bp rise	**₱39,948**	₱39,878
100 bp fall	**(39,948)**	(39,878)
50 bp rise	**19,974**	19,939
50 bp fall	**(19,974)**	(19,939)

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 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.

In 2021, the Group discontinued the hedging instrument with a carrying amount of ₱0.2 million. The cumulative loss on the hedging instrument amounting ₱57.1 million that has been reported directly in equity is recognized in profit or loss.

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	
	2022	2021
Assets financed by:		
Creditors	**93%**	95%
Stockholders	**7%**	5%

As of December 31, 2022 and 2021, 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, 2022		December 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In Thousands)			
Financial Liabilities				
Long-term debts	**₱3,994,800**	**₱3,936,702**	₱3,987,844	₱4,155,983
Obligations under lease	**1,691,899**	**1,598,416**	639,565	658,436
	₱5,686,699	**₱5,535,118**	₱4,627,409	₱4,814,419

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 included under "Other current assets"
The carrying amounts of these financial instruments approximate their respective fair values due to their relatively short-term maturities.

Refundable deposits included under "Other noncurrent assets"
The carrying amount of this financial instrument is carried at present value due to the long-term nature of this account. The fair value of refundable deposits was computed by discounting the expected cash flows ranging from 4.31% to 6.42% as the EIR. The computed fair value approximates the carrying amount of this account.

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.

Long-term debt
Discount rate of 6.9% and 5.4% was used in calculating the fair value of the long-term debt as of December 31, 2022 and 2021, 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 6.3% to 8.5% and 4.6% to 7.0% as of December 31, 2022 and 2021, respectively.

31. Notes to Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities are as follows:

For the Year Ended December 31, 2022:

	January 1, 2022	**Cash Flows Availments**	**Cash Flows Payments**	**Net**	**Others**	**December 31, 2022**
Short-term notes payable	**₱3,106,000**	**₱2,380,000**	**(₱3,180,000)**	**(800,000)**	**₱–**	**₱2,306,000**
Current portion of obligations under lease	**141,557**	–	**(348,512)**	**(348,512)**	**554,342**	**347,387**
Current portion of long-term debt	–	–	–	–	**3,496,823**	**3,496,823**
Noncurrent portion of long-term debt	**3,987,844**	–	–	–	**(3,489,867)**	**497,977**
Noncurrent portion of obligations under lease	**498,008**	–	–		**846,504**	**1,344,512**
Total liabilities from financing activities	**₱7,733,409**	**₱2,380,000**	**(₱3,528,512)**	**(₱1,148,512)**	**₱1,407,802**	**₱7,992,699**

For the Year Ended December 31, 2021:

	January 1, 2021	Cash Flows Availments	Cash Flows Payments	Net	Others	December 31, 2021
Short-term notes payable	₱2,163,500	₱2,811,000	(₱1,868,500)	₱942,500	₱–	₱3,106,000
Current portion of obligations under lease	372,669	–	(395,527)	(395,527)	164,415	141,557
Noncurrent portion of long-term debt	3,485,080	500,000	–	500,000	2,764	3,987,844
Noncurrent portion of obligations under lease	612,394		–		(114,386)	498,008
Total liabilities from financing activities	₱6,633,643	₱3,311,000	(₱2,264,027)	₱1,046,973	₱52,793	₱7,733,409

"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 amounting to ₱7.0 million and ₱6.5 million in 2022 and 2021, respectively;
c. payment of debt transaction cost amounting to nil and ₱3.8 million in 2022 and 2021, respectively;
d. availment of obligation under lease amounting to ₱1.4 billion and ₱49.8 million in 2022 and 2021, respectively;
e. amortization of obligation under lease, which was paid during the year and included in the "Interest and financing charges" in the consolidated statements of cash flows, amounting to ₱96.8 million in 2022 and ₱49.1 million in 2021; and
f. pre-termination of some obligation under lease amounting to nil in 2022 and ₱14.5 million in 2021.

32. Group Restructuring and Other Operational Expenses

During 2020, 2GO 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. In addition, the Group incurred various other operating expenditures related to COVID-19 pandemic disclosed in Note 33. Restructuring costs and other operating expenses amounted to ₱230.1 million in 2020 (nil in 2022 and 2021), and are presented as "Other operational expenses" in the consolidated statements of profit or loss.

33. Events Connected to the COVID-19 Pandemic and Events After Reporting Period

Events Connected to the COVID-19 Pandemic
Management continues to monitor, evaluate and respond to any continuing impacts of the COVID-19 situation in future reporting periods. 2GO has an established Business Continuity Implementation Plan to manage the risk of any potential disruption in operations that may eventually affect sales and place pressure on the deployment of certain assets.

Events After Reporting Period
On February 22, 2023, the BOD approved the merger of 2GO and its subsidiary, SCVASI, with 2GO as the surviving entity, for operational efficiencies of the Group.

SGV
Building a better working world

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

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 (the Group) as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, included in this Form 17-A and have issued our report thereon dated February 22, 2023. 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 Consolidated 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.

Albert R. Bon

Albert R. Bon
Partner
CPA Certificate No. 0121479
Tax Identification No. 255-491-830
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 121479-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-135-2023, January 25, 2023, valid until January 24, 2026
PTR No. 9369785, January 3, 2023, Makati City

February 22, 2023

SGV
Building a better working world

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT
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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated February 22, 2023. 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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Albert R. Bon

Albert R. Bon
Partner
CPA Certificate No. 0121479
Tax Identification No. 255-491-830
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 121479-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-135-2023, January 25, 2023, valid until January 24, 2026
PTR No. 9369785, January 3, 2023, Makati City

February 22, 2023

2GO GROUP, INC. AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

2GO GROUP, INC.

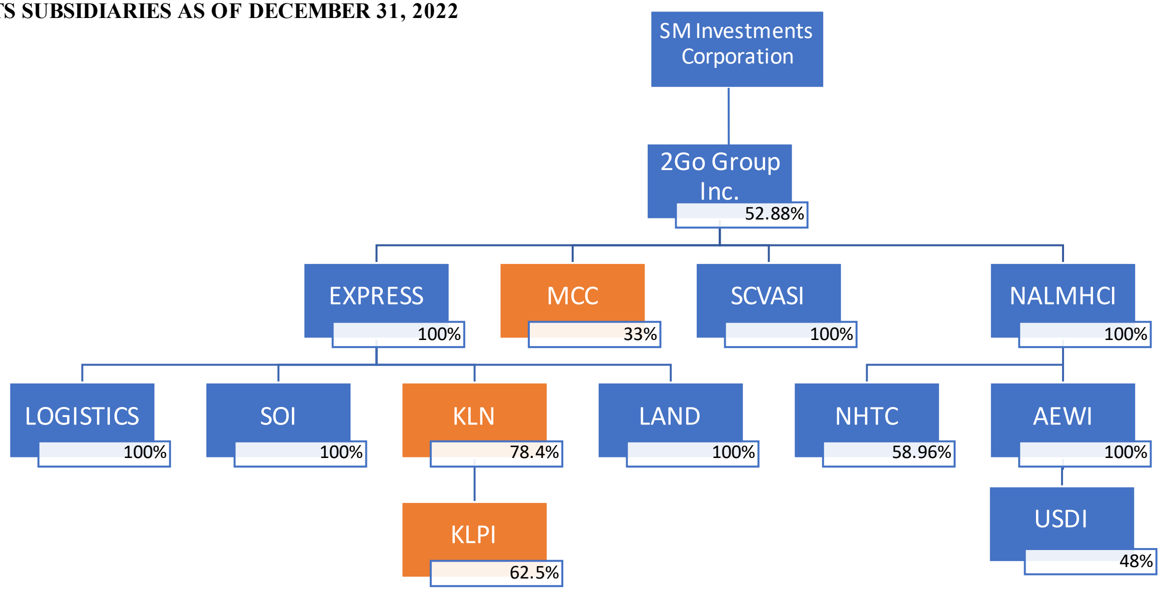
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2022

(Amounts in Thousands)

Deficit, beginning of the year		**(₱3,109,814)**
Less: Deferred income tax assets, beginning		**107,406**
Treasury shares		**58,715**
Unappropriated Deficit, *as adjusted to available for dividend distribution,* beginning		**(3,275,935)**
Add: Net loss actually earned/realized during the period		
Net income during the period closed to Deficit	465,433	
Less: Non-actual/ unrealized income, net of tax:		
Movement in deferred income tax assets	115,532	
Sub-total	349,901	
Add: Non-actual losses, net of tax:		
Adjustment due to deviation from PFRS/ GAAP – loss	–	
Net loss incurred during the period	349,901	**349,901**
Add (Less):		
Dividend declarations during the period	–	
Distributions paid	–	
Appropriations of retained earnings during the year	–	
Reversal of appropriations	–	
Treasury shares	–	
	–	–
TOTAL DEFICIT, END OF THE YEAR AVAILABLE FOR DIVIDEND		**(₱2,926,034)**

2GO GROUP, INC. AND SUBSIDIARIES
ILLUSTRATION OF RELATIONSHIPS
BETWEEN THE PARENT COMPANY AND ITS SUBSIDIARIES AS OF DECEMBER 31, 2022
AS OF DECEMBER 31, 2022



Legend:

EXPRESS	*2GO Express, Inc.*	LAND	*2Go Land Transport (formerly WRR Trucking Corporation)*	AEWI	*Astir Engineering Works, Inc.*
LOGISTICS	*2GO Logistics, Inc.*	MCC	*MCCP Transport Philippines, Inc.*	USDI	*United South Dockhandlers, Inc.*
SOI	Scanasia Overseas, Inc.	SCVASI	*Special Container and Value Added Services, Inc.*		
KLN	*KLN Logistics Holdings Philippines, Inc.*	NALMHCI	*NN-ATS Logistics Management & Holding Co., Inc.*		
KLPI	*Kerry Logistics Philippines, Inc.*	NHTC	*North Harbor Tugs Corporation*		

Subsidiary
Joint Venture and Associate

Mober Technology PTE Inc. (MOBER) was sold in August 2022

2GO GROUP, INC. AND SUBSIDIARIES
Schedule A - Financial Assets
December 31, 2022
(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 the statement of financial position	Income received and accrued
Financial assets at amortized cost:			
Cash in banks and cash equivalents	₱	₱697,499	₱1,695
Trade and other receivables:			
Trade		2,518,930	
Nontrade [(1)]		177,166	
Advances to officers and employees [(2)]		2,806	
Refundable deposits		176,328	
Long-term receivables [(3)]		30,000	
	₱	**₱3,602,729**	**₱1,695**

[(1)] *Excluding nonfinancial asset amounting to ₱119.8 million.*
[(2)] *Excluding advances amounting to ₱21.4 million subject to liquidation.*
[(3)] *Presented as part of "Other noncurrent assets" in the consolidated statements of financial position*
Note: The Group does not have financial assets at fair value through profit or loss and at fair value through comprehensive income as at December 31, 2022.

2GO GROUP, INC. AND SUBSIDIARIES
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2022
(Amounts in thousands)

Name & Designation of Debtor	Balance at December 31, 2021	Additions	Deductions: Amounts collected/liquidated	Deductions: Amounts written off/offset	Current	Noncurrent	Balance at December 31, 2022
Advances to officers and employees	₱26,918	₱177,920	(₱180,661)	₱–	₱24,177	₱–	₱24,177

2GO GROUP, INC. AND SUBSIDIARIES
Schedule C - Amounts Receivable from (Payable to) Related Parties which are eliminated during the consolidation of financial statements
December 31, 2022
(Amounts in thousands)

Name and Designation of Debtor	Balance at December 31, 2021	Additions	Deductions: Amounts collected	Deductions: Amounts written-off	Current	Noncurrent	Balance at December 31, 2022
2GO Group, Inc.	₱107,217	₱–	(₱86,592)	₱–	₱20,625	₱–	₱20,625
2GO Express, Inc.	162,424	53,453	–	–	215,877	–	215,877
2GO Logistics, Inc.	1,703,217	261,024	–	–	1,964,241	–	1,964,241
Astir Engineering Works, Inc.	1,526	–	(1,526)	–	–	–	–
2GO Land Transport, Inc	141,374	–	(141,374)	–	–	–	–
North Harbor Tugs Corporation	418	–	(418)	–	–	–	–
Special Container and Value-Added Services, Inc.	92,787	77,609	–	–	170,396	–	170,396
Scanasia Overseas, Inc.	1,154,567	–	(149,723)	–	1,004,844	–	1,004,844
NN-ATS Logistics Management and Holdings Co., Inc.	146,809	–	(146,809)	–	–	–	–
United South Dockhandlers, Inc.	596	2,853	–	–	3,449	–	3,449
	₱3,510,935	**₱394,939**	**(₱526,442)**	**₱–**	**₱3,379,432**	**₱–**	**₱3,379,432**

2GO GROUP, INC. AND SUBSIDIARIES
Schedule D - Long-term debt
December 31, 2022
(Amounts in thousands)

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption "Current portion of long-term debt" in Related Balance Sheet	Amount Shown Under Caption "Long-term debt" in Related Balance Sheet
BDO - Philippine Peso-denominated term loan	₱3,994,800	₱3,496,823	₱497,977

2GO GROUP, INC. AND SUBSIDIARIES
Schedule E - Indebtedness to Related Parties (Long-term loans from Related Companies)
December 31, 2022
(Amounts in thousands)

Name of related party	Balance at December 31, 2021	Balance at December 31, 2022
BDO Unibank, Inc.	₱3,987,844	₱3,994,800

2GO GROUP, INC. AND SUBSIDIARIES
Schedule F - Guarantees of Securities of Other Issuers
December 31, 2022

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

Not applicable

2GO GROUP, INC. AND SUBSIDIARIES
Schedule G - Capital Stock
December 31, 2022

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 shares	4,070,343,670	2,462,146,316	–	2,083,293,237	35,800	378,817,279
Preferred shares	4,564,330	–	–	–	–	–

2GO GROUP, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE ON FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2022 AND 2021

(Amounts in Thousands, Except for Ratios)

Ratio	Formula			2022	2021
Current ratio	Total Current Assets Divided by Total Current Liabilities			**0.59**	0.89
	Total Current Assets		6,624,241		
	Divided by: Total Current Liabilities		11,209,905		
	Current Ratio		0.59		
Acid test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities			**0.37**	0.48
	Total Current Assets		6,624,241		
	Less: Inventories		(512,773)		
	Other current assets		(1,944,556)		
	Quick assets		4,166,912		
	Divided by: Total Current Liabilities		11,209,905		
	Acid test ratio		0.37		
Solvency ratio	Net income (loss) before Depreciation & Amortization (Net income from operations plus depreciation and amortization) divided by Interest Bearing Debt			**0.26**	0.04
	Net income (loss) from operations		311,933		
	Add: Depreciation & Amortization		1,361,737		
	Net income (loss) before depreciation & Amortization		1,673,670		
	Short Term Notes	2,306,000			
	Long Term Notes	3,994,800			
	Obligations under finance lease	59,734			
	Divided by: Interest Bearing Debt		6,360,534		
	Solvency Ratio		0.26		

Ratio	Formula	2022	2021
Debt-to-equity ratio	Total Liabilities divided by Total Stockholders' Equity Total Liabilities 13,397,294 Divided by: Total Stockholders' Equity 994,600 **Debt-to-equity ratio** 13.47	**13.47**	19.22
Asset-to-equity ratio	Total Assets divided by Total Stockholders' Equity Total Assets 14,391,894 Divided by: Total Stockholders' Equity 994,600 **Asset-to-equity ratio** 14.47	**14.47**	20.22
Interest rate coverage ratio	Earnings (Loss) from before interest & tax divided by interest expense Earnings (Loss) from operations before interest and income tax 858,441 Divided by: Interest expense 489,808 **Interest rate coverage ratio** 1.76	**1.76**	(1.64)
Return on equity	Net income (loss) from operations divided by Average Total Stockholders' Equity Net income (loss) from operations 311,933 Divided by: Average Total Stockholders' Equity 816,777 **Return on equity ratio** 0.38	**0.38**	(0.99)
Return on assets	Net income (loss) from operations divided by Average Total Assets Net income (loss) from operations 311,933 Divided by: Average Total Assets 13,655,308 **Return on assets** 0.02	**0.02**	(0.08)
Net profit margin	Net income (loss) from operations divided by Total Revenue Net income (loss) from operations 311,933 Divided by: Total Revenue 19,268,221 **Net profit margin** 0.02	**0.02**	(0.07)

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

SEC Registration Number

4409

C O M P A N Y N A M E

2GO GROUP, INC.

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
AAFS	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)
5,109	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	calliope.ngo@serranolawlawph.com	(02) 8651-7408	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.*

Angieline Rejano

From: eafs@bir.gov.ph
Sent: Thursday, February 23, 2023 3:24 PM
To: 2GO Group Tax
Cc: 2GO Group Tax Representative
Subject: Your BIR AFS eSubmission uploads were received

Hi 2GO GROUP, INC.,

Valid files

- EAFS000313401OTHTY122022.pdf
- EAFS000313401ITRTY122022.pdf
- EAFS000313401AFSTY122022.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-9JK5CF8D0A9K89E67M114SM230NXRV44S2**
Submission Date/Time: **Feb 23, 2023 03:23 PM**
Company TIN: **000-313-401**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

viruses. The Bureau of Internal Revenue does not accept liability for any errors or omissions in the contents of this message which arise as a result of e-mail transmission.

2GO

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **2Go Group, Inc.** (the Company) is responsible for the preparation and fair presentation of the parent company financial statements including the schedules attached therein, for the year ended December 31, 2022, 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 parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the parent company 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, 2022, has audited the parent company financial statements of the Company 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.

Frederic C. DyBuncio
Chairman of the Board
President and Chief Executive Officer

William Howell
Chief Financial Officer and Treasurer

Signed this 22nd day of February 2023

SUBSCRIBED AND SWORN to before me this 23 FEB 2023 2023 in MAKATI CITY by affiant exhibiting to me their competent proof of identity as follows: Frederic C. Dybuncio UMID No. CRN-0111-1695672-0, William Charles Howell License No. N26-15-016805.

Doc No. 501
Page No. 99
Book No. II
Series of 2023.

ATTY. KENNETH S. NG, CPA
NOTARY PUBLIC
Commission No.M-118 (2022-2023)
ROLL NO.64451
PTR NO.9563552 01/03/2023
IBP LIFETIME MEMBER
MCLE COMPLIANCE NO VII-0019312

SGV
Building a better working world

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

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

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of 2GO Group, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2022 and 2021, and parent company statements of profit or loss, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the parent company financial position of the Company as at December 31, 2022 and 2021, and its parent company financial performance and its parent company cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company 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 parent company 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.

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

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

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

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

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

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

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

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

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

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 31 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of 2GO Group, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Albert R. Bon

Albert R. Bon
Partner
CPA Certificate No. 0121479
Tax Identification No. 255-491-830
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 121479-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-135-2023, January 25, 2023, valid until January 24, 2026
PTR No. 9369785, January 3, 2023, Makati City

February 22, 2023

2GO GROUP, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

		December 31	
	Note	**2022**	2021
ASSETS			
Current Assets			
Cash and cash equivalents	*7, 19*	**₱223,862**	₱168,041
Trade and other receivables	*8, 19*	**4,631,595**	4,133,932
Inventories	*9*	**126,574**	103,245
Other current assets	*10*	**1,361,835**	1,376,237
Total Current Assets		**6,343,866**	5,781,455
Noncurrent Assets			
Property and equipment	*11, 16, 17*	**4,322,154**	4,200,298
Investments in subsidiaries and an associate - at cost	*12*	**319,628**	318,628
Deferred income tax assets	*26*	**69,342**	66,872
Other noncurrent assets	*13*	**265,163**	228,132
Total Noncurrent Assets		**4,976,287**	4,813,930
TOTAL ASSETS		**₱11,320,153**	₱10,595,385
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term notes payable	*14*	**₱1,125,000**	₱1,809,000
Trade and other payables	*15, 18, 19*	**3,027,282**	2,553,449
Current portion of:			
Long-term debt	*16*	**3,496,823**	–
Obligations under lease	*11, 17*	**79,841**	68,184
Total Current Liabilities		**7,728,946**	4,430,633
Noncurrent Liabilities			
Noncurrent portion of:			
Long-term debt	*16*	**497,977**	3,987,844
Obligations under lease	*11, 17*	**642,890**	206,768
Accrued retirement benefits	*25*	**221,354**	226,578
Total Noncurrent Liabilities		**1,362,221**	4,421,190
Total Liabilities		**9,091,167**	8,851,823
Equity	*20*		
Share capital		**2,500,663**	2,500,663
Additional paid-in capital		**2,498,621**	2,498,621
Other equity reserve		**(11,700)**	(11,700)
Remeasurement losses on accrued retirement benefits		**(55,502)**	(75,493)
Deficit		**(2,644,381)**	(3,109,814)
Treasury shares		**(58,715)**	(58,715)
Total Equity		**2,228,986**	1,743,562
TOTAL LIABILITIES AND EQUITY		**₱11,320,153**	₱10,595,385

See accompanying Notes to the Parent Company Financial Statements.

2GO GROUP, INC.
PARENT COMPANY STATEMENTS OF PROFIT OR LOSS
(Amounts in Thousands)

		Years Ended December 31	
	Note	**2022**	2021
REVENUE FROM CONTRACTS WITH CUSTOMERS	*5, 19*		
Freight		**₱5,953,152**	₱4,034,588
Passage		**1,386,989**	437,692
Other services		**2,176,358**	1,655,473
		9,516,499	6,127,753
COST OF SERVICES	*21*	**8,017,129**	6,048,438
GROSS PROFIT		**1,499,370**	79,315
GENERAL AND ADMINISTRATIVE EXPENSES	*22*	**771,583**	636,766
OPERATING INCOME (LOSS)		**727,787**	(557,451)
OTHER INCOME (CHARGES)			
Financing charges	*23*		
Bank loans		**(324,621)**	(302,340)
Lease liabilities		**(44,154)**	(21,018)
Dividend income	*19*	**105,000**	175,000
Others - net	*23*	**8,975**	(49,616)
		(254,800)	(197,974)
INCOME (LOSS) BEFORE INCOME TAX		**472,987**	(755,425)
PROVISION FOR (BENEFITS FROM) INCOME TAX	*26*		
Current		**16,687**	(1,963)
Deferred		**(9,133)**	(3,346)
		7,554	(5,309)
NET INCOME (LOSS)		**₱465,433**	(₱750,116)

See accompanying Notes to the Parent Company Financial Statements.

2GO GROUP, INC.

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

		Years Ended December 31	
	Note	**2022**	2021
NET INCOME (LOSS)		**₱465,433**	(₱750,116)
OTHER COMPREHENSIVE INCOME - Net of tax			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement income on accrued retirement benefits	*25*	**26,654**	74,778
Income tax effect	*26*	**(6,663)**	(27,466)
		19,991	47,312
TOTAL COMPREHENSIVE INCOME (LOSS)		**₱485,424**	(₱702,804)

See accompanying Notes to the Parent Company Financial Statements.

2GO GROUP, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Amounts in Thousands)

	Share Capital (Note 20)	**Additional Paid-in Capital** (Note 20)	**Other Equity Reserves** (Note 20)	**Remeasurement Losses on Accrued Retirement Benefit -** Net of Tax (Note 25)	**Deficit** (Note 20)	**Treasury Shares**	**Total Equity**
BALANCE AT JANUARY 1, 2021	**₱2,500,663**	**₱2,498,621**	**(₱11,700)**	**(₱122,805)**	**(2,359,698)**	**(₱58,715)**	**₱2,446,366**
Net loss for the year	–	–	–	–	(750,116)	–	(750,116)
Other comprehensive income for the year	–	–	–	47,312	–	–	47,312
Total comprehensive income (loss) for the year	–	–	–	47,312	(750,116)	–	(702,804)
BALANCE AT DECEMBER 31, 2021	**2,500,663**	**2,498,621**	**(11,700)**	**(75,493)**	**(3,109,814)**	**(58,715)**	**1,743,562**
Net income for the year	–	–	–	–	465,433	–	465,433
Other comprehensive income for the year	–	–	–	19,991	–	–	19,991
Total comprehensive income for the year	–	–	–	19,991	465,433	–	485,424
BALANCE AT DECEMBER 31, 2022	**₱2,500,663**	**₱2,498,621**	**(₱11,700)**	**(₱55,502)**	**(₱2,644,381)**	**(₱58,715)**	**₱2,228,986**

See accompanying Notes to the Parent Company Financial Statements.

2GO GROUP, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Note	**Years Ended December 31** **2022**	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (Loss) before income tax		**₱472,987**	(₱755,425)
Adjustments for:			
Depreciation and amortization of property and equipment and software cost	*11, 13 21, 22*	**945,015**	1,090,284
Financing charges	*23*	**368,775**	323,358
Loss (gain) on disposal of property and equipment	*23*	**(6,694)**	39,106
Interest income	*7, 19, 23*	**(173)**	(100)
Impairment of investments in subsidiaries	*12, 23*	**–**	24,621
Dividend income	*19*	**(105,000)**	(175,000)
Retirement benefit cost	*25*	**52,559**	42,118
Unrealized foreign exchange loss		**644**	838
Operating income before working capital changes		**1,728,113**	589,800
Decrease (increase) in:			
Trade and other receivables		**(494,123)**	16,857
Inventories		**(23,329)**	(50,886)
Prepaid expenses and other current assets		**1,737**	90,023
Other noncurrent assets		**81,118**	19,475
Increase (decrease) in trade and other payables		**354,109**	(441,306)
Cash generated from operations		**1,647,625**	223,963
Interest received		**173**	100
Contribution to retirement fund	*25*	**(31,129)**	–
Income taxes paid, including creditable withholding taxes		**(139,421)**	(110,697)
Net cash provided by operating activities		**1,477,248**	113,366
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	*11*	**(367,846)**	(1,820,388)
Software costs	*13*	**(10,766)**	(13,245)
Investments in a subsidiary	*12*	**(1,000)**	–
Dividends received	*19*	**105,000**	184,324
Proceeds from sale of:			
Property and equipment	*11*	**13,089**	372,512
Investment in a subsidiary		**–**	89,263
Receipts of (payments for) various deposits		**(343)**	12,154
Net cash used in investing activities		**(261,866)**	(1,175,380)

(Forward)

	Note	Years Ended December 31 2022	 2021
CASH FLOWS FROM FINANCING ACTIVITIES	*29*		
Proceeds from availments of:			
Short-term notes payable	*14*	**₱1,800,000**	₱1,809,000
Long-term debt	*16*	**–**	500,000
Payments of:			
Short-term notes payable	*14*	**(2,484,000)**	(996,500)
Obligations under lease	*17*	**(114,374)**	(156,047)
Interest and financing charges	*23*	**(361,187)**	(320,547)
Debt transaction cost	*23*	**–**	(3,750)
Net cash provided by (used in) financing activities		**(1,159,561)**	832,156
NET INCREASE (DECREASE) IN CASH		**55,821**	(229,858)
CASH AT BEGINNING OF YEAR		**168,041**	397,899
CASH AT END OF YEAR	*7*	**₱223,862**	₱168,041

See accompanying Notes to the Parent Company Financial Statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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

1. Corporate Information and Approval of the Parent Company Financial Statements

2GO Group, Inc. (2GO or the Company) was incorporated in the Philippines on May 26, 1949. Its corporate life was renewed in 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. It is primarily engaged in the business of operating Roll-on Roll-off (ROPAX) and freighter vessels for purposes of transporting cargo and passengers by sea within of the Philippines. 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 is 35.22%-owned by KGLI-NM Holdings, Inc., 30.49% owned by SM Investments Corporation (SMIC), 22.36%-owned by China-ASEAN Marine B.V. (CAMBV) and 11.93% owned by public shareholders as of December 31, 2020.

On June 3, 2021, SMIC acquired 550,558,388 common shares representing 22.36% of 2GO from KGLI-NM. This resulted in an increase of SMIC's ownership in 2GO to 52.85%, thereby making 2GO a subsidiary of SMIC. On the same date, Trident Investments Holdings Pte. Ltd. (Trident) acquired 230,563,877 common shares of 2GO from KGLI-NM and 550,558,388 common shares from CAMBV, or a total of 781,122,265 common shares representing 31.73% of 2GO. Public shareholders own 15.42%.

The accompanying parent company financial statements as at December 31, 2022 and 2021 and for the years then ended were approved and authorized for issue by the BOD on February 22, 2023.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The parent company financial statements have been prepared on a historical cost basis, except for hedging instruments which are measured at fair value through other comprehensive income. The parent company financial statements are presented in Philippine peso (Peso), which is the Company's functional and presentation currency. All values are presented to the nearest thousands, except when otherwise indicated.

The Company also prepared and issued consolidated financial statements for the same period in which it consolidates all its investments in subsidiaries and associates and interests in joint ventures. Such consolidated financial statements provide information about the economic activities.

Statement of Compliance

The parent company financial statements 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 parent company financial statements, except for the changes in accounting policies explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations
The Company adopted the following new or revised standards, amendments to standards and interpretations effective for annual periods beginning January 1, 2022. Unless otherwise stated, none of these are expected to have a significant impact on the parent company financial statements.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Business Combinations, Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3 to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of Philippine Accounting Standards (PAS) 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets, Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- Amendments to PFRS 9, *Financial Instruments ,Fees in the '10 per cent' test for derecognition of financial liabilities*

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

Standards Issued But Not Yet Adopted
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Income Taxes, Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

- Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  - What is meant by a right to defer settlement;
  - That a right to defer must exist at the end of the reporting period;
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

Effective beginning on or after January 1, 2025

- 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. 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

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

The amendments are not expected to have a material impact on the Company.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures*, *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. 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 amendments are not expected to have a material impact on the Company.

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

<u>Investments in Subsidiaries</u>
Investment in subsidiaries are carried at cost less any accumulated impairment in value. Subsidiaries are all entities over which the Company has control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);

- Exposure, or rights, to variable returns from its involvement with the investee, and;
- The ability to use its power over the investee to affect its returns.

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

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

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Investments in Associates
Investments in associate are accounted for under the cost method less any impairment in value. An associate is an entity in which the Company has significant influence but not control, and which is neither a subsidiary nor a joint venture. This is generally accompanied by a shareholding between 20% to 50% of the voting rights of the investment. Under the cost method, the investment is recognized at cost and rights for dividend payments from the investment are recognized as "Dividend income" in the parent company statement of profit or loss.

The Company determines at the end of each reporting period whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the difference in the parent company statement of profit or loss.

Current versus Noncurrent classification
The Company presents assets and liabilities in the 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 12 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 12 months after the financial reporting period.

All other assets are classified as non-current.

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 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current 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 Company. 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 parent company 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 Company recognizes a financial asset or a financial liability in the parent company 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 Company has applied the practical expedient, the Company'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 Company has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

Financial assets
At initial recognition, the Company 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 Company's financial instruments depends on the following:

- The Company'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 Company 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 include 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; and
- 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 Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the parent company 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 parent company statement of profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company 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 parent company 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 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

The Company'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 parent company 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 Company 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 Company 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 parent company statement of profit or loss when the liabilities are derecognized, as well as through the amortization process.

The Company's notes payable, trade and other payables excluding unearned revenue, long-term debt, obligations under 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 Company 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 Company 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 Company 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 Company'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 Company 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 parent company statement of profit or loss.

Impairment of financial assets
The Company 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 Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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 Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company 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 Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information (e.g., financial difficulty or insolvency) indicates that the Company is unlikely to receive the outstanding contractual cash flows in full before taking into account any credit enhancements held by the Company. 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 parent company 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 Company 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 Company 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 parent company statement of profit or loss. 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.

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. NRV of inventories for sale is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale, while NRV of inventories for usage is the estimated replacement cost. An allowance for inventory obsolescence is provided for based on the Company'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 Company 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 parent company 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 parent company 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 Company has classified an asset as held for sale but the criteria as set out above are no longer met, the Company ceases to classify the asset as held for sale, the Company 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 coordinated 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 parent company statement of profit or loss.

There are no noncurrent assets held for sale and discontinued operations as of December 31, 2022 and 2021.

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 Company 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 Company 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 parent company 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.

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

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.

Impairment of Nonfinancial Assets

The carrying values of the Company'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 parent company 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 parent company 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 Company'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 Company'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 Company 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 Company 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 from Contracts with Customers
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 Company 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 parent company statement of financial position.

Contract balances
Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company 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 Company'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 for "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 Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company 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 Company 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 at a point in time 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 Company 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 Company 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 Company 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 Company, nor can they be paid directly to the Company. 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 parent company statement of profit or loss.

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

Leases
The Company 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 Company 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
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 Company and payments of penalties for terminating a lease, if the lease term reflects the Company 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 Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Lease liability is carried at amortized. 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 Company 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.

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 Company. 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 parent company statement of comprehensive income is recognized in the parent company statement of comprehensive income and not in the parent company statement of profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

VAT. Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the parent company statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the parent company statement of financial position to the extent of the recoverable amount.

Creditable Withholding Taxes (CWTs)
CWTs included in “Other current assets” account in the parent company 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.

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.

Provisions
Provisions are recognized when the Company 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 Company 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.

Contingencies
Contingent liabilities are not recognized in the parent company financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but 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 year-end events that provide additional information about the Company's financial position at the end of the reporting period (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the parent company financial statements when material.

Segment Reporting
The Company'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 Company'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 parent company financial statements in compliance with PFRSs requires management to make judgments, accounting estimates and assumptions that affect the amounts reported in the parent company 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 parent company 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 Company'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 parent company financial statements:

Revenue from contracts with customers
The Company 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 Company assessed that performance obligation for shipping 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. The measurement of progress used the estimated period travelled (measured in days) of the cargoes or goods delivered over the period of the date of acceptance up to the delivery date.

- *Determining whether the Company is acting as principal or an agent*
  The Company assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

  - whether the Company has primary responsibility for fulfilling the promise to providing the services;
  - whether the Company has inventory risk; and
  - whether the Company has discretion in establishing prices.

  If the Company has determined it is acting as a principal, the Company recognizes revenue on a gross basis with the amount remitted to the other party being accounted as part of costs and expenses. If the Company has determined it is acting as an agent, only the net amount retained is recognized as revenue.

  The Company 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 parent company 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 Company 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 Company 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 Company '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 Company 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). Refer to Note 17.

Provision for ECL of trade receivables and contract assets
The Company 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 Company's historical observed default rates. The Company 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 Company'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 Company'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 Company 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 Company's historical expiration experience. Refer to Note 9.

Estimation of probable losses on CWTs and input VAT
The Company 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 2022 and 2021, the Company assessed that the aggregate carrying values of CWTs, input VAT and deferred input VAT are fully recoverable. Refer to Notes 10 and 13.

Estimation of useful lives of property and equipment
The useful life of each of the Company'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 subsidiaries and an associate
The Company 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 Company 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 parent company 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 Company.

The preparation of estimated future cash flows involves significant judgment and estimations. While the Company 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	**2022**	2021
		(In Thousands)	
Property and equipment	*11*	**₱4,322,154**	₱4,200,298
Investments in subsidiaries and an associate	*12*	**319,628**	318,628

As at December 31, 2022 and 2021, management evaluated the recoverable amount of the property and equipment based on its value in use. No impairment loss was recognized on the Company'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 subsidiaries and an associate.

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 25 and include, among others, discount rate and future salary increase. While it is believed that the Company's assumptions are reasonable and appropriate, significant differences in

actual experience or significant changes in assumptions may materially affect the Company'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 25.

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 income tax assets to be utilized. The Company'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 Company's deferred income tax assets was recognized. Refer to Note 26.

Estimation of provisions for contingencies
The Company 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 Company 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 18.

5. Revenue from Contracts with Customers

Disaggregated revenue information
The disaggregation of the Company's revenue from contracts with customers is presented in the parent company statement of profit or loss and disclosed in the operating segment information. The Company's disaggregation of revenue from contracts with customers based on categories that depicts the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Performance obligations and timing of revenue recognition
Freight, passage, and others other services: performance obligations are generally satisfied over time once the delivery services are completed.

6. Operating Segment Information

The Company 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 parent company 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, 2022			
	Shipping	**Non Shipping**	**Eliminations/ Adjustments**	**Parent company Balance**
		(In Thousands)		
External customers	**₱6,401,520**	**₱12,866,701**	**(₱11,261,616)**	**₱8,006,605**
Intersegment revenue	**1,509,894**	**456,403**	**(456,403)**	**1,509,894**
Revenues from contracts with customers	**₱7,911,414**	**₱13,323,104**	**(₱11,718,019)**	**₱9,516,499**
Income (Loss) before income tax	**₱523,010**	**(₱47,682)**	**(₱2,341)**	**₱472,987**
Provision for income tax	**(7,553)**	**(50,842)**	**50,841**	**(7,554)**
Segment income (loss)	**₱515,457**	**(₱98,524)**	**(₱48,500)**	**₱465,433**
Segment assets	**₱11,474,059**	**₱6,624,388**	**(₱6,778,294)**	**₱11,320,153**
Segment liabilities	**₱9,029,883**	**₱8,050,000**	**(₱7,988,716)**	**₱9,091,167**
Other Information:				
Capital expenditures	**₱342,903**	**₱291,597**	**(₱117,650)**	**₱516,850**
Depreciation and amortization	**945,015**	**416,722**	**(416,722)**	**945,015**
Provision for expected credit losses	**10,913**	**20,830**	**(20,830)**	**10,913**
Dividend income	**105,000**	**–**	**–**	**105,000**
Equity in net earnings of associates and joint ventures	**50,175**	**8,391**	**(58,566)**	**–**

	December 31, 2021			
	Shipping	Non Shipping	Eliminations/ Adjustments	Parent company Balance
		(In Thousands)		
External customers	₱3,832,583	₱11,575,513	(₱10,458,978)	₱4,949,118
Intersegment revenue	1,178,635	585,634	(585,634)	1,178,635
Revenues from contracts with customers	₱5,011,218	₱12,161,147	(₱11,044,612)	₱6,127,753
Loss before income tax	(₱726,560)	(₱197,474)	₱168,609	(₱755,425)
Provision for (Benefits from) income tax from continuing operations	1,440	(45,352)	49,221	5,309
Segment loss	(₱725,120)	(₱242,826)	₱217,830	(₱750,116)
Segment assets	₱10,780,212	₱5,708,431	(₱5,893,258)	₱10,595,385
Segment liabilities	₱8,871,660	₱6,921,930	(₱6,941,767)	₱8,851,823
Other Information:				
Capital expenditures	₱1,806,437	₱157,643	(₱157,643)	₱1,806,437
Depreciation and amortization	1,090,283	362,870	(362,869)	1,090,284
Provision for expected credit losses	39,001	343,113	(343,114)	39,000
Dividend income	175,000	–	–	175,000
Equity in net losses of associates and joint ventures	29,044	26,363	(55,407)	–

7. Cash and Cash Equivalents

This account consists of:

	Note	December 31 **2022**	2021
		(In Thousands)	
Cash on hand and in banks	*19*	**₱223,583**	₱166,659
Cash equivalents		**279**	1,382
		₱223,862	₱168,041

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 Company and earn interest at prevailing market rates.

Interest income earned by the Company from cash in banks amounted to ₱0.2 million and ₱0.1 million in 2022 and 2021, respectively (see Note 23).

8. Trade and Other Receivables

This account consists of:

	Note	December 31 **2022**	2021
		(In Thousands)	
Trade	*19*	**₱1,412,193**	₱1,078,137
Nontrade	*19*	**3,057,772**	2,922,826
Contract assets		**213,320**	183,808
Advances to officers and employees		**6,934**	5,306
		4,690,219	4,190,077
Allowance for ECL		**58,624**	56,145
		₱4,631,595	₱4,133,932

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

b. 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.

c. Contract assets relate to revenue earned from unbilled receivables which represent amounts recognized as revenue for which the invoices have not yet been issued to the customers. As such, the balance of this account vary and depend on the timing of issuance of billing invoice to customers.

d. The following tables set out the rollforward of the allowance for ECL:

	Note	**December 31, 2022** **Trade and Contract Assets**	**Nontrade**	**Total**
			(In Thousands)	
Beginning		**₱40,049**	**₱16,096**	**₱56,145**
Provision	*22*	**10,913**	**–**	**10,913**
Write-off/adjustment		**(8,159)**	**(275)**	**(8,434)**
Ending		**₱42,803**	**₱15,821**	**₱58,624**

		December 31, 2021		
	Note	Trade and Contract Assets	Nontrade	Total
		(In Thousands)		
Beginning		₱155,849	₱74,449	₱230,298
Provision	*22*	26,622	12,378	39,000
Write-off/adjustment		(142,422)	(70,731)	(213,153)
Ending		₱40,049	₱16,096	₱56,145

9. Inventories

This account consists of:

	December 31	
	2022	2021
	(In Thousands)	
At cost:		
Fuel, oil and lubricants	**₱108,489**	₱94,625
Trading goods	**13,060**	6,035
At net realizable value:		
Materials, parts and supplies	**5,025**	2,585
	₱126,574	₱103,245

The cost of materials, parts and supplies carried at net realizable value amounted to ₱5.8 million and ₱3.4 million as at December 31, 2022 and 2021, respectively. The allowance for inventory obsolescence as at December 31, 2022 and 2021 amounted to ₱0.8 million. In 2021, the Company wrote off materials, parts and supplies amounting to ₱23.4 million (nil in 2022). The Company did not recognize any write-down of inventories to NRV in 2022 and 2021.

Costs of inventories were recognized and presented in the following accounts in the parent company statements of profit or loss:

		December 31	
	Note	**2022**	2021
		(In Thousands)	
Cost of services	*21*	**₱2,868,658**	₱1,891,933
General administrative expenses	*22*	**3,607**	1,359
		₱2,872,265	₱1,893,292

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

10. **Other Current Assets**

This account consists of:

		December 31	
	Note	**2022**	2021
		(In Thousands)	
CWTs - current portion	*13*	**₱1,230,900**	₱1,243,565
Input VAT		**63,516**	55,955
Prepaid expenses and others		**39,577**	44,516
Refundable deposits - current portion	*13*	**16,901**	16,796
Advances to suppliers/contractors		**10,941**	15,405
		₱1,361,835	₱1,376,237

a. CWTs represent creditable tax certificates which can be applied against any related income tax liability of the Company.

b. Prepaid expenses and others include prepaid insurance and taxes.

11. Property and Equipment

	December 31, 2022										
	Vessels in Operations	Containers and Reefer Vans	Terminal and Handling Equipment	Furniture and Other Equipment	Land Improvements	Buildings and Warehouses	Transportatio n Equipment	Spare parts and Service Equipment	Leasehold Improvements	Right-Of-Use Asset	Total
	(In Thousands)										
Cost											
January 1, 2022	₱10,221,803	₱1,371,554	₱805,153	₱165,565	₱471,545	₱355,766	₱159,967	₱2,393	₱319,011	₱795,591	₱14,668,348
Additions	431,240	–	41,914	9,907	23,102	3,679	–	–	7,008	561,968	1,078,818
Disposals/retirements	(1,283,410)	(110)	–	(24)	–	–	(886)	–	–	(274,719)	(1,559,149)
December 31, 2022	9,369,633	1,371,444	847,067	175,448	494,647	359,445	159,081	2,393	326,019	1,082,840	14,188,017
Accumulated Depreciation and Amortization											
January 1, 2022	7,238,230	1,196,381	570,650	153,187	155,179	292,208	150,188	1,238	187,785	523,004	10,468,050
Depreciation and amortization	647,725	43,806	45,113	5,023	2,401	6,124	3,750	478	28,485	133,751	916,656
Disposals/retirements	(1,242,650)	(564)	–	(23)	–	–	(887)	–	–	(274,719)	(1,518,843)
December 31, 2022	6,643,305	1,239,623	615,763	158,187	157,580	298,332	153,051	1,716	216,270	382,036	9,865,863
Net Carrying Amounts	₱2,726,328	₱131,821	₱231,304	₱17,261	₱337,067	₱61,113	₱6,030	₱677	₱109,749	₱700,804	₱4,322,154

	December 31, 2021										
	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	Right-Of-Use Asset	Total
	(In Thousands)										
Cost											
January 1, 2021	₱11,143,405	₱1,626,656	₱788,613	₱163,633	₱493,288	₱359,658	₱159,720	₱11,816	₱396,003	₱795,591	₱15,938,383
Additions	1,740,418	–	61,095	10,430	–	82	338	5	7,464	–	1,819,832
Disposals/retirements	(2,661,692)	(238,449)	(44,419)	(7,320)	–	–	–	(9,387)	(84,456)	–	(3,045,723)
Reclassifications/adjustments	(328)	(16,653)	(136)	(1,178)	(21,743)	(3,974)	(91)	(41)	–	–	(44,144)
December 31, 2021	10,221,803	1,371,554	805,153	165,565	471,545	355,766	159,967	2,393	319,011	795,591	14,668,348
Accumulated Depreciation and Amortization											
January 1, 2021	8,849,949	1,334,621	566,039	147,860	152,275	285,164	141,156	4,596	205,639	361,178	12,048,477
Depreciation and amortization	758,647	62,486	19,080	7,170	2,904	7,044	9,032	1,416	28,436	161,826	1,058,041
Disposals/retirements	(2,370,366)	(200,726)	(14,469)	(1,843)	–	–	–	(4,774)	(46,290)	–	(2,638,468)
December 31, 2021	7,238,230	1,196,381	570,650	153,187	155,179	292,208	150,188	1,238	187,785	523,004	10,468,050
Net Carrying Amounts	₱2,983,573	₱175,173	₱234,503	₱12,378	₱316,366	₱63,558	₱9,779	₱1,155	₱131,226	₱272,587	₱4,200,298

Property and equipment under lease
Containers, reefer vans, isotanks, cargo handling equipment and transportation equipment and office and operational spaces as of December 31, 2022 and 2021 include units acquired under lease arrangements (see Note 17).

Noncash additions include costs of leased assets for the years ended December 31, 2022 and 2021 amounting to ₱562.0 million and nil, respectively. The related depreciation of the leased assets for the years ended December 31, 2022 and 2021 amounted to ₱133.8 million and ₱161.8 million, respectively, were computed on the basis of the Company's depreciation policy for property and equipment. Set out below are the carrying amount of right-of- use assets.

December 31, 2022

	Container Yard	**Office**	**Warehouse**	**Equipment**	**Total**
			(In Thousands)		
Cost					
January 1, 2022	**₱277,990**	**₱300,022**	**₱123,625**	**₱93,954**	**₱795,591**
Additions	**561,968**	**–**	**–**	**–**	**561,968**
Disposal/Retirement	**(180,695)**	**–**	**–**	**(94,024)**	**(274,719)**
Reclassification	**(94,024)**	**–**	**–**	**94,024**	**–**
December 31, 2022	**565,239**	**300,022**	**123,625**	**93,954**	**1,082,840**
Accumulated depreciation					
January 1, 2022	**263,544**	**99,933**	**87,199**	**72,328**	**523,004**
Depreciation	**51,906**	**33,336**	**29,088**	**19,421**	**133,751**
Disposal/Retirement	**(180,695)**	**–**	**–**	**(94,024)**	**(274,719)**
Reclassification	**(80,395)**	**74**	**66**	**80,255**	**–**
December 31, 2022	**54,360**	**133,343**	**116,353**	**77,980**	**382,036**
Net Carrying Amounts	**₱510,879**	**₱166,679**	**₱7,272**	**₱15,974**	**₱700,804**

December 31, 2021

	Container Yard	Office	Warehouse	Equipment	Total
			(In Thousands)		
Cost					
January 1 and December 31, 2021	₱277,990	₱300,022	₱123,625	₱93,954	₱795,591
Accumulated depreciation					
January 1, 2021	175,827	66,672	58,176	60,503	361,178
Depreciation	87,717	33,261	29,023	11,825	161,826
December 31, 2021	263,544	99,933	87,199	72,328	523,004
Net Carrying Amounts	₱14,446	₱200,089	₱36,426	₱21,626	₱272,587

Unpaid acquisition costs of property and equipment amounted to ₱178.1 million and ₱29.1 million as of December 31, 2022 and 2021, respectively.

Residual value of vessels
The Company 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 vessels disposal.

Capitalization of drydocking costs
Vessels in operations also include capitalized drydocking costs incurred amounting to ₱294.7 million and ₱258.5 million for the years ended December 31, 2022 and 2021, respectively. The related depreciable life of drydocking costs ranges from two years to two-and-a-half years.

Acquisition of property and equipment
In 2021, the Company acquired two vessels in operations with an acquisition cost totaling to ₱1,518.2 million.

Sale and disposal of property and equipment
The Company disposed certain property and equipment for net cash proceeds of ₱13.1 million and ₱372.5 million for the years ended December 31, 2022 and 2021, respectively.

In 2021, the proceeds from the disposal of property and equipment pertain mainly to the sale of two vessels amounting to ₱320.15 million.

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

		Years Ended December 31	
	Note	**2022**	2021
		(In Thousands)	
Cost of services and goods sold	*21*	**₱871,346**	₱1,014,409
General and administrative expense	*22*	**45,310**	43,632
		₱916,656	₱1,058,041

Property and equipment held as collateral
As at December 31, 2022 and 2021, the Company's property and equipment held or deemed as collateral include under lease and a certain vessel with total net book value of ₱1,403.0 million and ₱1,020.7 million, respectively (see Note 17). One of the vessels in operations of the Company, with a carrying value of ₱702.1 million and ₱758.7 million, as at December 31, 2022 and 2021, respectively, is subject to secure the ₱500.0 million term loan facility agreement with BDO (see Note 16).

12. Investments in Subsidiaries and an Associate

As at December 31, 2022 and 2021, the subsidiaries and an associate of the Company, all incorporated in the Philippines, are the following:

		Percentage of Ownership	
	Nature of Business	Direct	Indirect
Subsidiaries:			
2GO Express Inc. (2GO Express) and Subsidiaries:	Transportation/logistics	100.0	–
2GO Logistics, Inc. (2GO Logistics)	Logistics/warehousing	–	100.0
Scanasia Overseas, Inc. (SOI)	Distribution	–	100.0
2Go Land Transport, Inc. [1]	Transportation	–	100.0
Special Container and Value Added Services, Inc. (SCVASI)	Transportation/logistics	100.0	–
WG&A Supercommerce, Inc. (WSI) [2][4]	Vessels' hotel management	100.0	–
NN-ATS Logistics Management and Holdings Co., Inc. (NALMHCI) [3] and Subsidiaries:	Holding company	100.0	–

	Nature of Business	Percentage of Ownership Direct	Indirect
North Harbor Tugs Corporation (NHTC)	Tug assistance	–	59.0
Astir Engineering Works, Inc. (AEWI) [(2) (3)]	Engineering works	–	100.0
Associate:			
MCC Transport Philippines (MCCP)	Container transportation business	33.0	–

[1]Formerly WRR Trucking Corporation
[2]Ended commercial operations in 2018 or prior
[3]In September 2020, the BOD approved the merger of these companies
[4]Dormant companies

The details of the Company's investments in subsidiaries and an associate accounted for under the cost method are as follows:

	December 31 **2022**	2021
	(In Thousands)	
Subsidiaries:		
2GO Express	**₱260,628**	₱260,628
NALMHCI	**37,500**	37,500
SCVASI	**5,000**	4,000
WSI	**250**	250
	303,378	302,378
Associate - MCCP	**16,500**	16,500
	319,878	318,878
Allowance for impairment losses	**250**	250
	₱319,628	₱318,628

In 2021, the corporate life of BNDISI has ended which resulted to recognition of loss from write-off of investment amounting to ₱24.6 million.

In April 2022, the Company subscribed to additional 1,000,000 shares of SCVASI for ₱1.0 million.

Summarized financial information of the Company's subsidiaries and associate are set as follows:

	Subsidiaries						Associate	
	Express		SCVASI		Others		MCCP	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
				(In Thousands)				
As at December 31:								
Current assets	**₱1,291,679**	₱778,627	**₱461,428**	₱453,236	**₱170,479**	₱170,241	**₱876,829**	₱413,931
Noncurrent assets	**653,114**	721,515	**347,022**	161,418	**29,362**	29,362	**473,392**	425,190
Current liabilities	**1,429,150**	1,065,934	**461,017**	375,084	**155,027**	154,945	**620,440**	410,000
Noncurrent liabilities	**83,107**	136,437	**183,734**	29,058	–	–	**6,922**	85,679
Equity	**432,536**	297,771	**163,699**	210,512	**44,814**	44,658	**722,859**	343,442
For the years ended December 31:								
Revenue from contracts with customers	**₱3,026,206**	₱2,425,800	**₱2,199,453**	₱5,494,013	**₱-**	₱–	**₱2,373,105**	₱1,845,126
Net income (loss)	**11,903**	(348,461)	**57,119**	(13,864)	**369**	(13,534)	**346,619**	85,551

13. Other Noncurrent Assets

	Note	December 31 2022	2021
		(In Thousands)	
CWTs - net of current portion		**₱135,399**	₱–
Software		**96,199**	113,792
Deferred input VAT		**22,233**	103,351
Refundable deposits - net of current portion		**11,332**	10,966
Others		–	23
		₱265,163	₱228,132

a. The movements in Software are as follows:

	Note	December 31 2022	2021
Cost		*(In Thousands)*	
Balances at beginning of year		**₱184,438**	₱171,193
Additions		**10,766**	13,245
Balances at end of year		**195,204**	184,438
Accumulated Amortization			
Balances at beginning of year		**70,646**	38,403
Amortization	*22*	**28,359**	32,243
Balances at end of year		**99,005**	70,646
Carrying Amount		**₱96,199**	₱113,792

Amortization was recognized and presented in the parent company statements of profit or loss under "General and administrative expenses".

b. Refundable deposits consist of amounts paid for rental deposits which can be collected in cash upon termination of the lease.

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

14. Short-term Notes Payable

Notes payable represents unsecured short-term peso-denominated notes payable obtained by the Company from local banks with annual interest rates ranging from 3.4% to 6.75% in 2022 and 3.4% to 4.75% in 2021. Total interest expense incurred by the Company for short-term notes payable was ₱72.4 million and ₱67.0 million for the years ended December 31, 2022 and 2021, respectively (see Notes 19 and 23).

15. **Trade and Other Payables**

	Note	December 31 **2022**	2021
		(In Thousands)	
Trade	*19*	**₱425,230**	₱567,219
Accrued expenses			
Expenses	*19*	**1,689,755**	1,328,456
Salaries and wages		**66,527**	52,166
Interest		**53,509**	52,878
Capital expenditure		**178,120**	29,116
Others		**100,475**	–
Nontrade	*19*	**422,000**	402,135
Government payables		**28,226**	23,051
Contract liabilities		**24,073**	59,061
Other payables	*18, 19*	**39,367**	39,367
		₱3,027,282	₱2,553,449

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 security deposits, advances from principals and contractors, payables due to government agencies, due to related parties and others.

d. Contract liabilities include advance payments received for services to be rendered. The outstanding balances of these accounts decreased in 2022 due to increase in service completion of freight cash transactions within the year. Set out below is the amount of revenue recognized from:

	December 31 **2022**	2021
	(In Thousands)	
Amounts included in contract liabilities at the beginning of the year	**₱59,061**	₱49,829

e. Other payables pertain to provision for contingencies and general provision amounting to ₱39.4 million as at December 31, 2022 and 2021 (see Note 18).

16. **Long-term Debt**

Long-term debt consists of:

	Note	December 31 **2022**	2021
		(In Thousands)	
Banco de Oro Unibank, Inc. (BDO)	*19*	**₱4,000,000**	₱4,000,000
Unamortized debt arrangement fees		**(5,200)**	(12,156)
Noncurrent portion		**3,994,800**	3,987,844
Current portion		**3,496,823**	–
Noncurrent portion		**₱497,977**	₱3,987,844

BDO Term Loan Facility Agreements

a) 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 its previous long-term loan with BDO and to fund various capital expenditures and other general requirements. Principal borrowings are due upon maturity at the end of five years in April 2023, while interest is payable quarterly. In April 2018 and April 2020, 2GO borrowed ₱2.5 billion and ₱1.0 billion, respectively, which is subject to fixed and floating interest rate, respectively.

b) On April 19, 2021, 2GO entered into another five-year ₱500.0 million term loan facility agreement with BDO to partially finance acquisition and landed cost of vessel. Principal borrowings are due upon maturity at the end of five years in April 2026, while interest is payable quarterly and is subject to fixed interest rate. The facility was fully drawn in April 2021.

The term loan facility agreements are secured by a cross suretyship among 2GO, 2GO Express, 2GO Logistics, SOI and SCVASI. In addition, the second term loan facility agreement is secured by the Chattel Mortgage over a passenger-cargo ship named M/V Masagana with a carrying value of ₱702.1 million and ₱758.7 million as of December 31, 2022 and 2021, respectively.

In accordance with the Facilities, 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.

Interest rate is ranging from 4.00% to 6.23%. The floating interest rate is 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.

Borrowing costs and debt transaction costs
Interests from long-term borrowings of the Company recognized as expense totaled ₱232.1 million and ₱224.2 million for the years ended December 31, 2022 and 2021, respectively (see Note 23).

The Group paid ₱3.8 million, ₱7.5 million and ₱18.8 million debt transaction cost as a result of the loan availments under BDO facility in April of years 2021, 2020 and 2018, respectively. Amortization of debt transaction costs included under financing charges amounted to ₱7.0 million and ₱6.5 million for the years ended December 31, 2022 and 2021, respectively (see Note 23).

Compliance with debt covenants
At December 31, 2022, the Company was not compliant with the debt-to-equity ratio under the Company's long-term loan agreement with BDO. However, the Company obtained a waiver letter from BDO which waives the financial covenant at December 31, 2022 and 2021.

17. **Leases**

The Company has various lease arrangements with third parties for the lease of containers, reefer vans, isotanks, cargo handling equipment transportation equipment, warehouse, container yard 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, 2022		December 31, 2021	
	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	**₱120,755**	**₱79,841**	₱69,647	₱68,184
Between one and five years	**543,008**	**437,986**	211,836	172,296
Beyond five years	**218,175**	**204,904**	35,252	34,472
	881,938	**722,731**	316,735	274,952
Interest component	**159,207**	**–**	41,783	–
Present value	**₱722,731**	**₱722,731**	₱274,952	₱274,952

The net carrying values of the above property and equipment held by the Company under leases disclosed in Note 11 to the parent company financial statements are summarized as follows:

	December 31	
	2022	2021
	(In Thousands)	
Cost	**₱1,082,840**	₱795,591
Less accumulated depreciation	**382,036**	523,004
Net book value	**₱700,804**	₱272,587

Interest expense recognized related to these leases amounted to ₱44.2 million and ₱21.0 million in 2022 and 2021, respectively, under "Financing charges" in the parent company statements of profit or loss (see Note 23).

Set out below are the amounts recognized in the parent company statements of profit or loss in relation to the obligation under lease and right-of-use assets for the years ended December 31, 2022 and 2021:

		Years Ended December 31	
	Note	**2022**	2021
		(In Thousands)	
Depreciation expense of right-of-use assets	*11*	**₱133,751**	₱161,826
Interest expense on obligations under lease	*23*	**44,154**	21,018
Rent expense - short-term leases	*21,22*	**54,496**	31,656
Rent expense - low-value assets	*21,22*	**101,235**	58,806
		₱333,636	₱273,306

The rollforward analysis of obligation under lease for the years ended December 31, 2022 and 2021 is disclosed in Note 29.

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

		Years Ended December 31	
	Note	**2022**	2021
		(In Thousands)	
Cost of services	*21*	**₱253,337**	₱214,305
General and administrative expenses	*22*	**36,145**	37,983
Financing charges	*23*	**44,154**	21,018
		₱333,636	₱273,306

18. Provisions and Contingencies

There are certain legal cases filed against the Company in the normal course of business. Management and its legal counsel believe that the Company 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 parent company financial statements. Disclosure of additional details beyond the present disclosures may seriously prejudice the Company's position. Thus, as allowed by PAS 37, only general descriptions were provided.

The Company's provision for probable losses arising from these legal cases as at December 31, 2022 and 2021 amounted to ₱39.4 million and are presented as part of "Other payables" under "Trade and other payables" in the parent company statements of financial position (see Note 15). No provision for probable losses recognized in the parent company statements of profit or loss in 2022 and 2021 (see Note 22).

19. Related Parties

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

Relationship	Name
Stockholders of the Company	SM Investments Corporation (SMIC)(1)
	Trident Investments Holdings Pte. Ltd.
Subsidiaries	2GO Express, Inc. (2GO Express or EXP)
	2GO Logistics, Inc. (2GO Logistics or 2GOLI)
	Scanasia Overseas, Inc. (SOI)
	2GO Land Transport, Inc. (2GO Land) (2)
	Special Container and Value Added Services, Inc. (SCVASI)
	NN-ATS Logistics Management and Holdings Corporation, Inc. (NALMHCI)
	North Harbor Tugs Corporation (NHTC)
	United South Dockhandlers, Inc. (USDI)
Associate	MCC Transport Philippines, Inc. (MCCP)
Joint Ventures	KLN Logistics Holdings Philippines, Inc. (KLN)
	Kerry Logistics (Phils.), Inc. (KLPI)
Other Affiliated Companies (1)	BDO Unibank, Inc. *
	SM Mart, Inc. *
	Supervalue, Inc. *
	Super Shopping Market, Inc. *
	Goldilocks Bakeshop, Inc. *
	Sanford Marketing Corporation
	China Banking Corporation
	SM Development Corporation
	SM Prime Holdings Inc.
	Alfamart Trading Philippines, Inc.
	Costa Del Hamilo Inc.
	Digital Advantage Corp.
	Fast Retailing Philippines, Inc.
	Homeworld Shopping Corporation
	Mindpro Retail Inc.
	Mini Depato Corp.
	Online Mall Incorporated
	Sports Central (Manila), Inc.
	Star Appliance Center, Inc.
	Warehouse Development Company, Inc.
	Waltermart Supermarket, Inc.
	International Toyworld, Inc.

Relationship	Name
Other Affiliated Companies [3]	Chelsea Logistics and Infrastructure Holdings Corporation (Chelsea Logistics)[1]
	Phoenix Petroleum Philippines, Inc.
	PNX – Chelsea Shipping Corp.
	Chelsea Marine Power Resources, Inc.

*(1) SMIC became the Group's Parent Company as of June 3, 2021 (see Note 1). Transactions disclosed are for period starting Parent Company obtained control over the Group, except for the entities with *.*

(2) Formerly WRR Trucking Corporation

(3) Affiliates of KGLI-NM which divested its ownership in the Company on June 3, 2021 (see Note 1). Transactions disclosed are for the period up to the divestment.

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

	Nature	December 31	
		2022	2021
		(In Thousands)	
Stockholders of the Company	Outside services	**(₱95,808)**	(₱90,342)
	Computer charges	**(22,581)**	(26,297)
	Communication, light and water	**(1,016)**	(1,341)
	Co-loading	–	(114,462)
	Other services	–	8,770
	Others	–	(8,599)
Subsidiaries	Freight revenue	**909,072**	597,786
	Shared cost income	**424,238**	436,976
	Travel, rental, handling and other revenues	**176,585**	142,717
	Dividend income	**105,000**	175,000
	Outside services	**(69,347)**	(65,358)
	Transportation and delivery	**(73,401)**	(30,387)
	Arrastre and stevedoring	**(11,195)**	(8,721)
	Rent	**(8,214)**	(517)
	Sales related expenses	**(2,267)**	(959)
	Other expenses	**(4,897)**	(1,598)
Associate/Joint ventures	Freight expense	**(57,407)**	(38,2249)
	Shared cost	**4,183**	10,250
	Freight revenue	**3,839**	–
	Other services	–	139
Other Affiliated Companies	Freight	**163,413**	58,635
	Other services	**100,388**	36,669
	Food and beverage	**(150,798)**	(92,201)
	Financing charges	**(189,707)**	(239,922)
	Rent	**(16,761)**	–
	Materials, parts and supplies	**(16,747)**	–
	Outside services	**(363)**	(7,028)
	Others, net	**9,201**	(20,676)
Key Management Personnel	Short-term employee benefits	**(20,921)**	(38,675)
	Long-term employee benefits	**(10,761)**	(7,995)

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

	Financial Statement Account	Terms and Conditions	December 31	
			2022	2021
			(In Thousands)	
Stockholders of the Company	Trade and other receivables	30 to 60 days; noninterest-bearing	**₱–**	₱53,999
Subsidiaries	Trade receivables	30 to 60 days; noninterest-bearing	**314,313**	325,519
	Nontrade receivables	On demand; noninterest-bearing	**2,919,988**	2,709,509

(Forward)

	Financial Statement Account	Terms and Conditions	December 31 2022	2021
			(In Thousands)	
	Trade payables and other payables	30 to 60 days; noninterest-bearing	**(₱98,582)**	(₱81,946)
	Due to related parties	30 to 60 days; noninterest-bearing	**(44,973)**	(42,200)
Associate	Trade receivables and other receivables	30 to 60 days; noninterest-bearing	**69,205**	258,120
	Trade payables and other payables	30 to 60 days; noninterest-bearing	**(11,552)**	(108,401)
Other Affiliated Companies	Short-term loan	See Note 14	**(339,000)**	(195,000)
	Long-term loan	See Note 16	**(3,994,800)**	(3,985,477)
	Cash in bank	On demand	**172,230**	90,143
	Trade receivables and other receivables	30 to 60 days; noninterest -bearing	**71,879**	98,493
	Trade payables and other payables	30 to 60 days; noninterest -bearing	**(44,134)**	(67,379)

The outstanding related party balances are unsecured and settlement is expected to be in cash, unless otherwise indicated. The Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken at each reporting period through examining the financial position of the related parties and the market in which these related parties operate.

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

- Transactions with other associates and related companies consist of shipping services, shared services, ship management services, agency fee for manpower services, purchase of steward supplies, availment of stevedoring, arrastre, trucking, repair services and rental.
- The Company's transactions with SCVASI and 2GO Express include shipping and forwarding services, commission and trucking services.
- SCVASI declared dividend income amounting to ₱105.0 million and ₱175.0 million in 2022 and 2021, respectively. The Company's dividends receivable amounted to ₱13.9 million as of December 31, 2022 and 2021.
- The Company provides shared services to 2GO Express, SCVASI and SOI at fees based on agreed rates.

20. Equity

a. Share Capital

Details of share capital as at December 31, 2022 and 2021 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	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	Net 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 5,109 and 5,106 equity holders as of December 31, 2022 and 2021, respectively.

b. Effective January 1, 2019, 2GO, as the surving entity of the merger, issued a total of 2,176,151,907 shares with par value of One Peso (₱1.00) per share to the stockholders of Negros Navigation Co., Inc. ("NN"), former parent company and the absorbed company, in exchange for the net assets of NN. As a result, 2GO recognized the excess of the net assets of NN over the carrying value of additional shares issued by 2GO to NN stockholders as an additional paid-in capital amounting to ₱1.6 billion.

c. Retained earnings is restricted to the extent of the cost of the shares held in treasury deferred income tax assets and unrealized foreign exchange gain recognized as of December 31, 2022 and 2021.

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

21. Cost of Services

This account consists of the following:

	Note	**2022**	2021
		(In Thousands)	
Fuel, oil and lubricants	*9, 19*	**₱2,650,054**	₱1,803,220
Outside services	*19*	**1,545,263**	1,305,897
Transportation and delivery	*19*	**1,125,910**	613,252
Depreciation and amortization	*11*	**871,346**	1,014,409
Repairs and maintenance		**433,173**	187,565

(Forward)

	Note	2022	2021
		(In Thousands)	
Personnel costs	*24, 25*	**₱282,238**	₱383,150
Arrastre and stevedoring	*19*	**274,906**	180,811
Insurance		**202,817**	215,512
Food and beverage	*9*	**161,894**	42,664
Rent	*17*	**153,389**	86,457
Food and subsistence		**57,203**	46,684
Materials and supplies used	*9*	**56,710**	46,049
Communication, light and water		**47,623**	59,368
Concession expense		**36,465**	22,707
Taxes and licenses		**22,554**	20,403
Others		**95,584**	20,290
		₱8,017,129	₱6,048,438

22. General and Administrative Expenses

This account consists of the following:

	Note	2022	2021
		(In Thousands)	
Personnel costs	*24, 25*	**₱401,033**	₱360,225
Computer-related charges		**77,688**	58,399
Depreciation and amortization	*11, 13*	**73,669**	75,875
Outside services	*19*	**65,548**	34,390
Transportation and travel	*19*	**23,388**	16,781
Communication, light and water		**23,085**	11,995
Advertising		**19,483**	10,443
Repairs and maintenance		**13,337**	9,627
Provision for ECL	*8*	**10,913**	39,000
Input VAT expense		**9,293**	–
Materials and supplies used		**3,607**	1,359
Entertainment, amusement and recreation		**4,553**	669
Taxes and licenses		**2,775**	6,734
Rent	*17, 19*	**2,342**	4,005
Insurance		**487**	1,463
Others	*8*	**40,382**	5,801
		₱771,583	₱636,766

Others consist of various expenses that are individually immaterial such as food and subsistence and other corporate expenses. It also includes recovery on ECL amounting to ₱32.3 million in 2021 (nil in 2022) (see Note 8).

23. Other Income (Charges)

Financing Charges

	Note	2022	2021
		(In Thousands)	
Interest expense on:			
Short-term notes payable	*14*	**₱72,449**	₱67,015
Long-term debt	*16*	**232,130**	224,202

(Forward)

	Note	2022	2021
		(In Thousands)	
Amortization of:			
Obligation under lease	17	**₱44,154**	₱21,018
Debt transaction costs	16	**6,957**	6,514
Other financing charges		**13,085**	4,609
		₱368,775	₱323,358

Other financing charges comprise of items that are individually immaterial. Accrued interest payable as of December 31, 2022 and 2021 amounted to ₱53.5 million and ₱52.9 million, respectively (see Note 15).

Others - net

	Note	2022	2021
		(In Thousands)	
Gain (loss) on:			
Disposal of property and equipment	11	**₱6,694**	(₱39,106)
Interest income	7,19	**173**	100
Impairment of investments in subsidiaries	12	**–**	(24,621)
Foreign exchange losses		**(1,123)**	(7,394)
Others - net		**3,231**	21,405
		₱8,975	(₱49,616)

During 2021, the Company sold two ROPAX vessels (see Note 11).

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

24. **Personnel Costs**

Details of personnel costs are as follows:

	Note	2022	2021
		(In Thousands)	
Salaries and wages		**₱570,167**	₱623,434
Retirement benefit costs	25	**52,559**	42,118
Other employee benefits		**60,545**	77,823
		₱683,271	₱743,375

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

25. **Retirement Benefits**

The Company 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 Company'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 Company'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 Company expects to contribute ₱17.6 million to the retirement fund in 2023. The Company's transaction with the plan pertain to contribution and benefit payments.

The following tables summarize the components of retirement benefit cost included in the parent company statements of profit or loss are as follows:

	Years Ended December 31	
	2022	2021
	(In Thousands)	
Current service cost	**₱39,676**	₱31,456
Net interest cost	**12,883**	10,662
	₱52,559	₱42,118

The following tables summarize the fund status and amounts recognized in the parent company statements of financial position:

	December 31, 2022		
	Defined Benefit Obligations	**Fair Value of Plan Assets**	**Accrued Retirement Benefits**
		(In Thousands)	
January 1	**₱264,103**	**(₱37,525)**	**₱226,578**
Net retirement benefits cost in profit or loss:			
Current service cost	**39,676**	**–**	**39,676**
Net interest cost	**14,546**	**(1,663)**	**12,883**
	54,222	**(1,663)**	**52,559**
Benefits paid from plan assets	**(46,410)**	**46,410**	**–**
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:			
Financial assumptions	**(20,436)**	**–**	**(20,436)**
Experience adjustments	**(8,447)**	**–**	**(8,447)**
Return on plan assets	**–**	**2,229**	**2,229**
	(28,883)	**2,229**	**(26,654)**
Actual contributions	**–**	**(31,129)**	**(31,129)**
December 31	**₱243,032**	**(₱21,678)**	**₱221,354**

	December 31, 2021		
	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits
		(In Thousands)	
January 1	₱348,366	(₱89,128)	₱259,238
Net retirement benefits cost in profit or loss:			
Current service cost	31,456	–	31,456
Net interest cost	13,448	(2,786)	10,662
	44,904	(2,786)	42,118
Benefits paid from plan assets	(48,000)	48,000	–

(Forward)

	December 31, 2021		
	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits
		(In Thousands)	
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:			
Financial assumptions	(₱111,606)	₱–	(₱111,606)
Experience adjustments	30,439	–	30,439
Return on plan assets	–	6,389	6,389
	(81,167)	6,389	(74,778)
December 31	₱264,103	(₱37,525)	₱226,578

The plan assets available for benefits are as follows:

	December 31	
	2022	2021
	(In Thousands)	
Cash and cash equivalents	**₱3**	₱558
Investments in government and other debt securities	**1,422**	12,436
Investments in unit investment trust fund (UITF)	**20,240**	24,479
Others	**13**	52
Fair value of plan assets	**₱21,678**	₱37,525

The Company's plan assets do not have quoted market price in active market except for some debt instrument by the Company. The plan assets have diverse investments and do not have any concentration risk. The plan assets are handled by BDO Unibank, Inc.

As of December 31, 2022 and 2021, the Company 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 Company.

These defined benefit plans expose the Company 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 Company's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Company 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 Company updates the actuarial valuation every year by hiring the services of a third-party qualified actuary. The latest actuarial valuation report was as of reporting date. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining DBO for the Company's plans as of January 1 are shown below.

	2022	2021
Discount rate	**5.13%**	3.96%
Future salary increase	**4.50%**	6.00%
Turnover rate	**7.50%**	7.50%

As of December 31, 2022, the discount rate, future salary increases rate and turnover rate used were 7.31%, 6.00%, and 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, 2022 and 2021:

	Increase (Decrease)	Impact on Accrued Retirement Benefits 2022	2021
		(In Thousands)	
Discount rate	+1%	**(₱24,196)**	(₱28,328)
	-1%	**28,265**	33,384
Salary increase rate	+1%	**28,353**	33,257
	-1%	**(24,688)**	(28,739)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses.

The average duration of the defined benefit obligation at the end of the reporting period is 10.8 years and 11.7 years as of December 31, 2022 and 2021, respectively.

Maturity analysis of the benefit payments:

	2022	2021
	(In Thousands)	
Less than 5 years	**₱59,249**	₱73,751
More than 5 year to 10 years	**217,705**	204,386
More than 10 years	**2,105,264**	1,589,053

26. Income Taxes

a. The components of provision (benefit from) for income tax are as follows:

	Years Ended December 31 2022	2021
	(In Thousands)	
Current		
MCIT	**₱16,687**	₱804
Impact of CREATE in 2020	–	(2,767)
	16,687	(1,963)
Deferred	**(9,133)**	(9,740)
Impact of CREATE in 2020	–	6,394
	(9,133)	(3,346)
	₱7,554	(₱5,309)

Corporate Recovery and Tax Incentive for Enterprise Act (CREATE) Act
On March 26, 2021, the President of the Philippines signed the Republic Act No. 11534, CREATE Act (the Law). The Law took effect on April 11, 2021. The Law reformed corporate income taxes and incentives in the country by implementing the changes to the current tax regulations. Effective July 1, 2020, some of these changes are as follows:

- Reduction in the RCIT from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding the value of land on which the particular business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%;
- Reduction in the MCIT from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and
- Imposition of 10% improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred income taxes as of and for the year ended December 31, 2020 is computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT or 2% MCIT) for financial reporting purposes.

Applying the Law, the Company is subjected to lower RCIT rate of 25%, or MCIT rate of 1%, whichever is applicable, effective July 1, 2020. The reduced amounts are reflected in the Company's 2020 income tax return. However, for the financial reporting, the changes are recognized in 2021 as shown in the table above. The impact of the Law for the remeasurement of deferred income tax assets directly recognized to OCI amounted to ₱8.8 million.

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

	Years Ended December 31	
	2022	2021
	(In Thousands)	
Directly recognized in profit or loss		
Deferred income tax assets on:		
Accrued retirement benefits	**₱36,838**	₱31,480
Unamortized past service cost	**5,418**	6,593
Obligations under lease	**180,682**	69,333
	222,938	107,406
Deferred income tax liability on:		
Right-of-use assets	**(170,793)**	(62,656)
Unamortized debt arrangements fees and others	**(1,304)**	(3,042)
	50,841	41,708
Directly recognized in OCI		
Deferred income tax asset on remeasurement of accrued retirement benefit costs	**18,501**	25,164
	₱69,342	₱66,872

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

c. On September 30, 2020, the BIR issued Revenue Regulation (RR) No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Details of the Company's NOLCO and excess MCIT and 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, 2022	
					(In Thousands)	
Year incurred	Available until	Amount	Applied	Expired	Amount	Tax
2021	2026	₱1,045,214	₱–	₱–	₱1,045,214	₱261,304
2020	2025	1,091,483	–	–	1,091,483	272,871
2019	2022	755,943	(702,464)	(53,479)	–	–
Total		₱2,892,640	(₱702,464)	(₱53,479)	₱2,136,697	₱534,175

Excess MCIT over RCIT

					Balances as at December 31, 2022
					(In Thousands)
Year incurred	Available until	Amount	Applied	Expired	Amount
2022	2025	₱16,687	₱–	₱–	₱16,687
2021	2024	804	–	–	804
2020	2023	11,065	–	–	11,065
2019	2022	13,338	–	(13,338)	–
Total		₱41,894	₱–	(₱13,338)	₱28,556

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

	Years Ended December 31	
	2022	2021
	(In Thousands)	
NOLCO	**₱2,136,697**	₱2,892,640
Excess MCIT over RCIT	**28,556**	25,507
Accruals and provisions	**582,802**	690,544
Allowance for ECL	**58,624**	56,145
Allowance for inventory obsolescence	**836**	836
Allowance for cargo losses and damages	**57,876**	21,461
Impairment of investment in subsidiary	**250**	250
Unrealized foreign exchange loss	**479**	838

e. Reconciliation between the income tax expense computed at statutory income tax rate of 25% to the provision for income tax expense as shown in profit or loss is as follows:

	2022	2021
	(In Thousands)	
Tax effect of income (loss) at statutory rates	**₱118,247**	(₱188,856)
Income tax effects of:		
Movement in deductible temporary difference for which no deferred income tax assets were recognized	**(84,412)**	222,960
Nondeductible expenses	**6**	807
Interest income already subjected to final tax	**(24)**	(25)
Impact of CREATE in 2020	**–**	3,627
Other nontaxable income	**(26,250)**	(44,012)
Others	**(13)**	190
Provision for (benefits from) income tax	**₱7,554**	(₱5,309)

27. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and cash equivalents, short-term notes payable, long-term debt and obligations under lease. The main purpose of these financial instruments is to raise financing for the Company's operations. The Company 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 Company'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 Company'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 Company uses derivative investments to manage exposures to fuel price risks arising from the Company's operations and its sources of financing. The details of the Company's derivative transactions, including the risk management objectives and the accounting results are discussed in this note.

Credit risk
To manage credit risk, the Company 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 Company's exposure to bad debts. The Company has policies that limit the amount of credit exposure to any particular customer.

The Company'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. The Company has concentration of credit risk given that majority of the Company's cash and cash equivalents are deposited in the local affiliated bank. Management assessed and believes that the Company is not exposed to any significant risk since the local affiliated bank is a related party and is one of the country's reputable banks. The Company does not have any significant credit risk exposure to other single counterparties. As of December 31, 2022 and 2021, the Company did not hold collateral from any counterparty.

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

December 31, 2022

	High	**Medium**	**Total**
Financial Assets		*(In Thousands)*	
Cash in banks	**₱208,831**	**₱–**	**₱208,831**
Cash equivalents	**279**	**–**	**279**
Trade receivables	**–**	**969,072**	**969,072**
Nontrade receivables	**–**	**405,241**	**405,241**
Refundable deposits	**28,233**	**–**	**28,233**
Advances to officers and employees[1]	**499**	**–**	**499**
Contract assets	**–**	**213,320**	**213,320**
	₱237,842	**₱1,587,633**	**₱1,825,475**

[1]*Excluding advances amounting to ₱6.4 million subject to liquidation*

December 31, 2021

	High	Medium	Total
Financial Assets		*(In Thousands)*	
Cash in banks	₱131,812	₱–	₱131,812
Cash equivalents	1,382	–	1,382
Trade receivables	–	544,709	544,709
Nontrade receivables	–	79,108	79,108
Refundable deposits	27,762	–	27,762
Advances to officers and employees[1]	97	–	97
Contract assets	–	183,808	183,808
	₱161,053	₱807,625	₱968,678

[1]*Excluding advances amounting to ₱5.2 million subject to liquidation*

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. For new customers, the Company has no basis yet as far as payment habit is concerned.

The Company evaluated its cash in banks as high quality financial assets since these are placed in financial institutions of high credit standing. The Company also evaluated its advances to officers and employees as high grade since these are collected through salary deductions. The credit risk for refundable deposits is considered negligible as the Company has ongoing lease agreements with the counterparties and the latter are considered to be with sound financial condition and sufficient liquidity.

The aging per class of financial assets and contract assets and the expected credit loss are as follows:

		Past Due						
December 31, 2022	**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	**₱208,831**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱208,831**
Cash equivalents	**279**	**–**	**–**	**–**	**–**	**–**	**–**	**279**
Trade receivables	**969,072**	**283,393**	**52,256**	**23,934**	**16,007**	**67,531**	**(41,232)**	**1,370,961**
Nontrade receivables	**405,241**	**881**	**12,488**	**24,997**	**27,405**	**2,586,760**	**(15,821)**	**3,041,951**
Refundable deposits	**28,233**	**–**	**–**	**–**	**–**	**–**	**–**	**28,233**
Advances to officers and employees[1]	**499**	**–**	**–**	**–**	**–**	**–**	**–**	**499**
Contract assets	**213,320**	**–**	**–**	**–**	**–**	**–**	**(1,571)**	**211,749**
Total	**₱1,825,475**	**₱284,274**	**₱64,744**	**₱48,931**	**₱43,412**	**₱2,654,291**	**(₱58,624)**	**₱4,862,503**

[1]*Excluding advances amounting to ₱6.4 million subject to liquidation*

December 31, 2021	Current	Past Due Less than 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	ver 120 Days	Expected Credit Loss	Total
				(In Thousands)				
Financial assets								
Cash in banks	₱131,812	₱–	₱–	₱–	₱–	₱–	₱–	₱131,812
Cash equivalents	1,382	–	–	–	–	–	–	1,382
Trade receivables	544,709	178,017	73,133	37,831	22,762	221,685	(38,579)	1,039,558
Nontrade receivables	79,108	32,442	12,848	16,750	3,677	2,778,001	(16,096)	2,906,730
Refundable deposits	27,762	–	–	–	–	–	–	27,762
Advances to officers and employees[1]	97	–	–	–	–	–	–	97
Contract assets	183,808	–	–	–	–	–	(1,470)	182,338
Total	₱968,678	₱210,459	₱85,981	₱54,581	₱26,439	₱2,999,686	(₱56,145)	₱4,289,679

[1]*Excluding advances amounting to ₱5.2 million subject to liquidation*

Liquidity risk
The Company 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 Company regularly evaluates its projected and actual cash flows generated from operations.

The Company's existing credit facilities with various banks are covered by the Continuing Suretyship for the accounts of the Company.

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 Company's financial assets and financial liabilities based on contractual repayment obligations and the Company's cash to be generated from operations and the Company's financial assets:

	December 31, 2022			
	Less than 1 Year	**1 to 5 Years**	**Over 5 Years**	**Total**
		(In Thousands)		
Financial Liabilities				
Trade and other payables[1]	**₱2,528,488**	**₱–**	**₱–**	**₱2,528,488**
Short-term notes payable	**1,125,000**	**–**	**–**	**1,125,000**
Long-term debt[2]	**–**	**4,000,000**	**–**	**4,000,000**
Obligations under lease[3]	**120,755**	**543,008**	**218,175**	**881,938**
	₱3,774,243	**₱4,543,008**	**₱218,175**	**₱8,535,426**
Financial Assets				
Cash and cash equivalents	**₱223,862**	**₱–**	**₱–**	**₱223,862**
Trade and other receivables[4]	**4,614,935**	**–**	**–**	**4,614,935**
Refundable deposits	**16,901**	**11,332**	**–**	**28,233**
	₱4,855,698	**₱11,332**	**–**	**₱4,867,030**

	December 31, 2021			
	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
		(In Thousands)		
Financial Liabilities				
Trade and other payables[1]	₱2,143,718	₱–	₱–	₱2,143,718
Short-term notes payable	1,809,000	–	–	1,809,000
Long-term debt[2]	–	4,000,000	–	4,000,000
Obligations under lease[3]	69,647	211,836	35,252	316,735
	₱4,022,365	₱4,211,836	₱35,252	₱8,269,453
Financial Assets				
Cash and cash equivalents	₱168,041	₱–	₱–	₱168,041
Trade and other receivables[4]	4,028,822	–	–	4,028,822
Refundable deposits	16,797	10,965	–	27,762
	₱4,213,660	₱10,965	–	₱4,224,625

[1] *Excluding nonfinancial liabilities amounting to ₱498.8 million and ₱409.7 million as of December 31, 2022 and 2021, respectively.*
[2] *Gross of unamortized debt arrangement fees amounting to ₱5.2 million and ₱12.1million as of December 31, 2022 and 2021, respectively.*
[3] *Gross of interest component amounting to ₱159.2 million and ₱41.8 million as of December 31, 2022 and 2021, respectively.*
[4] *Excluding nonfinancial assets amounting to ₱16.67 million and ₱2.2 million as of December 31,2022 and 2021*

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.

The undrawn loan commitments from credit facilities of the Company amounted to ₱1.1 billion and ₱2.8 billion as of December 31, 2022 and 2021, respectively.

Foreign exchange risk
Foreign currency risk arises when the Company 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 Company maintains cash in banks in foreign currency to match its financial liabilities.

The Company has no significant foreign currency-denominated financial assets and financial liabilities as of December 31, 2022 and 2021.

The Company has recognized foreign exchange loss amounting to ₱0.5 million and ₱0.8 million for the years ended December 31, 2022 and 2021, respectively.

There is no other impact on the Company'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 Company's financial instruments will fluctuate because of changes in market interest rates.

Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's borrowings are subject to fixed interest rates ranging from 3.75% to 6.75% and 3.75% to 6.23% in 2022 and 2021, respectively.

The Company's ₱4.0 billion long-term debt under the BDO Term Loan Facility Agreements includes ₱1.5 billion long-term debt which bear floating interest rates and exposes the Company to cash flow interest rate risk.

The table below sets forth the estimated change in the Company's income before tax (through the impact on the floating interest rate borrowings) due to parallel changes in the interest rate curve in terms of the basis points (bp) as of December 31, 2022 and 2021, with all other variables held constant. There is no other impact on the Company's equity other than those already affecting the parent company statements of profit or loss.

	Decrease (increase) in loss before income tax	
	December 31	
	2022	2021
	(In Thousands)	
100 bp rise	**₱39,948**	₱39,878
100 bp fall	**(39,948)**	(39,878)
50 bp rise	**19,974**	19,939
50 bp fall	**(19,974)**	(19,939)

Cashflow hedge
The Company was exposed to the increased volatility of fuel prices (commodity price risk). As a result, the Company 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 Company designated the commodity swap agreement as cashflow hedge. The Company 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.

In 2021, the Company discontinued the hedging instrument with a carrying amount of ₱0.2 million. The cumulative loss on the hedging instrument amounting to ₱57.1 million that has been reported directly in equity is recognized in profit or loss.

Capital Risk Management Objectives and Procedures
The Company's capital management objectives are to ensure the Company'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 Company 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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Company's overall strategy in managing its capital remains unchanged since the prior year.

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

	December 31	
	2022	2021
Assets financed by:		
Creditors	**80%**	84%
Stockholders	**20%**	16%

As of December 31, 2022 and 2021, the Company met its capital management objectives.

28. **Fair Values of Financial Instruments and Nonfinancial Assets**

The table below shows the carrying amounts and fair values of financial assets and liabilities, including their level in the 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.

	2022		2021	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
		(In Thousands)		
Financial Liabilities				
Long-term debts	**₱3,994,800**	**₱3,936,702**	₱3,987,844	₱4,155,983
Obligations under lease	**722,731**	**667,560**	274,952	279,637
	₱4,717,531	**₱4,604,262**	₱4,262,796	₱4,435,620

The following methods and assumptions are used to estimate the fair value of each class of financial instruments and non-financial assets:

Cash and cash equivalents, trade and other receivables, trade and other payables, refundable deposits included under "Other current assets"
The carrying amounts of these financial instruments approximate their respective fair values due to their relatively short-term maturities.

Refundable deposits included under "Other noncurrent assets"
The carrying amount of this financial instrument is carried at present value due to the long-term nature of this account. The fair value of refundable deposits was computed by discounting the expected cash flows ranging from 4.52% to 4.99% as the EIR. The computed fair value approximates the carrying amount of this account.

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.

Long-term debt
Discount rate of 6.9% and 5.4% was used in calculating the fair value of the long-term debt as of December 31, 2022 and 2021, 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 6.3% to 8.5% and 4.6% to 7.0% as of December 31, 2022 and 2021, respectively.

29. Notes to Parent Company Statements of Cash Flows

Changes in liabilities arising from financing activities are as follows:

For the Year Ended December 31, 2022	January 1, 2022	Cash Flows Availments	Payments	Net	Others	December 31, 2022
			(In Thousands)			
Short-term notes payable	**₱1,809,000**	**₱1,800,000**	**(₱2,484,000)**	**(₱684,000)**	**₱–**	**₱1,125,000**
Current portion of obligations under lease	**68,184**	**–**	**(114,374)**	**(114,374)**	**126,031**	**79,841**
Current portion of long-term debt	**–**	**–**	**–**	**–**	**3,496,823**	**3,496,823**
Noncurrent portion of:						
Long-term debt	**3,987,844**	**–**	**–**	**–**	**(3,489,867)**	**497,977**
Obligations under lease	**206,768**	**–**	**–**	**–**	**436,122**	**642,890**
Total liabilities from financing activities	**₱6,071,796**	**₱1,800,000**	**(₱2,598,374)**	**(₱798,374)**	**₱569,109**	**₱5,842,531**

For the Year Ended December 31, 2021	January 1, 2021	Cash Flows Availments	Payments	Net	Others	December 31, 2021
			(In Thousands)			
Short-term notes payable	₱996,500	₱1,809,000	(₱996,500)	₱812,500	₱–	₱1,809,000
Current portion of obligations under lease	156,047	–	(156,047)	(156,047)	68,184	68,184
Noncurrent portion of:						
Long-term debt	3,485,080	500,000	–	500,000	2,764	3,987,844
Obligations under lease	274,952	–	–	–	(68,184)	206,768
Total liabilities from financing activities	₱4,912,579	₱2,309,000	(₱1,152,547)	₱1,156,453	₱2,764	₱6,071,796

"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 amounting to ₱7.0 million in 2022 and ₱6.5 million in 2021, respectively;
c. payment of debt transaction cost amounting to ₱3.8 million in 2021 (nil in 2022);
d. availment of obligation under lease amounting to ₱562.0 million in 2022 (nil in 2021); and
e. amortization of obligation under lease, which was paid during the year and included in the "Interest and financing charges" in the statements of cash flows, amounting to ₱44.2 million in 2022 and ₱21.0 million in 2021.

30. Events Connected to the COVID-19 Pandemic and Events After Reporting Period

Events Connected to the COVID-19 Pandemic
Management continues to monitor, evaluate and respond to any continuing impacts of the COVID-19 situation in future reporting periods. 2GO has an established Business Continuity Implementation Plan to manage the risk of any potential disruption in operations that may eventually affect sales and place pressure on the deployment of certain assets.

Events After Reporting Period
On February 22, 2023, the BOD approved the merger of 2GO and its subsidiary, SCVASI, with 2GO as the surviving entity, for operational efficiencies of the Company.

31. Supplementary Information Required Under Revenue Regulation No. 15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the Bureau of Internal Revenue (BIR) to provide in the notes to the parent company financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the parent company financial statements which were prepared in accordance with PFRS.

The following are the tax information required for the taxable year ended December 31, 2022:

a. Value Added Tax (VAT)

	Amount
	(In Thousands)
1. Output VAT	₱1,086,468
Basis of Output VAT:	
Vatable sales	9,053,897
Exempt Sales	97,822
	₱9,151,719
2. Input VAT	
Beginning of the year	₱102,820
Current year's domestic purchases:	
Goods other than for resale or manufacture	399,147
Services lodged under other accounts	437,755
Claims for tax credit/refund and other adjustments	153,894
Utilized for the year	(1,086,468)
Balance at the end of the year	₱7,148

The Company's sales are subject to VAT while its importation and purchases from other VAT-registered individuals or corporations are subject to input VAT. The vat rate is 12%.

Zero-rated sales of services consist of sales which were rendered to BOI and PEZA registered enterprises which were paid for in foreign currency and were accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas [Sections 108 (B)(2) and (3) of the NIRC, as amended].

Exempt sales consist of sales made for the transport of senior citizens on actual transportation fare for domestic sea transport [Section 10, Revenue Regulations No. 7-2010].

Sales of services subject to VAT are based on actual collections received since for VAT purposes, the VAT on the sale of services accrues upon actual or constructive receipt of the consideration, whether or not services has been rendered. Hence, amounts may not be the same as the amounts accrued in the parent company statements of profit or loss.

b. Withholding Taxes

	Amount
	(In Thousands)
Tax on compensation and benefits	₱94,089
Expanded withholding taxes	134,435
	₱228,524

c. All Other Taxes (Local and National)

	Amount
	(In Thousands)
Other taxes paid during the year recognized under "Taxes and licenses" account under "Cost of Services", "General and Administrative Expenses" and "Others-net"	
License and permit fees	₱5,166
Real estate taxes	6,695
Others	13,468
	₱25,329

Information on the excise taxes are not applicable since there are no Company transactions in the current year that are subject to these taxes.

d. Tax Cases

As at December 31, 2022, the Company has no pending tax court cases.

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT
ON THE SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION

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 parent company financial statements of 2GO Group, Inc. as at December 31, 2022 and 2021 and for the years then ended, and have issued our report thereon dated February 22, 2023. Our audits were made for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the management of 2GO Group, Inc. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 and is not part of the basic parent company financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Albert R. Bon

Albert R. Bon
Partner
CPA Certificate No. 0121479
Tax Identification No. 255-491-830
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 121479-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-135-2023, January 25, 2023, valid until January 24, 2026
PTR No. 9369785, January 3, 2023, Makati City

February 22, 2023

2GO GROUP, INC.

SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2022

(Amounts in Thousands)

Deficit, beginning of the year		**(₱3,109,814)**
Less: Deferred income tax assets, beginning		**107,406**
Treasury shares		**58,715**
Unappropriated Deficit, *as adjusted to available for dividend distribution,* beginning		**(3,275,935)**
Add: Net income actually earned/realized during the period		
Net loss during the period closed to Deficit	465,433	
Less: Non-actual/ unrealized income, net of tax:		
Movement in deferred income tax assets	115,532	
Sub-total	349,901	
Add: Non-actual losses, net of tax:		
Adjustment due to deviation from PFRS/ GAAP – loss	–	
Net income incurred during the period	349,901	**349,901**
Add (Less):		
Dividend declarations during the period	–	
Distributions paid	–	
Appropriations of retained earnings during the year	–	
Reversal of appropriations	–	
Treasury shares	–	
	–	–
TOTAL DEFICIT, END OF THE YEAR AVAILABLE FOR DIVIDEND		**(₱2,926,034)**

SUSTAINABILITY REPORT FOR THE YEAR 2022

OF

2GO GROUP, INC.

Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

Contextual Information

Company Details	
Name of Organization	**2GO Group Inc.**
Location of Headquarters	8th Floor, Tower 1, Double Dragon Plaza, Macapagal Boulevard corner EDSA Extension, Pasay City 1302, Philippines
Location of Operations	2GO Group Inc. including its subsidiaries is operating nationwide across the Philippines
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	2GO Group, Inc. and its subsidiaries, namely: 2GO Express, Inc. 2GO Logistics, Inc. Special Container Value-Added Services, Inc. Scanasia Overseas Inc.
Business Model, including Primary Activities, Brands, Products, and Services	**2GO GROUP, INC.** enables the movement of goods and people throughout the Philippines. It is the largest end-to-end transportation, logistics, and distribution provider in the country. At its core are six business units, namely 2GO Sea Solutions, 2GO Special Containers and Value Added Services (SCVASI), 2GO Express, 2GO Forwarding, 2GO Logistics and ScanAsia Overseas. Owned by SM Investments Corporation, one of the country's largest conglomerates, 2GO offers multimodal transportation, warehousing and inventory management, distribution, special containers, and project logistics as well as e-commerce logistics, including last-mile deliveries, and express courier deliveries. 2GO also provides sea travel, and a wide range of peripheral logistics such as freight forwarding, import and export processing, and customs brokerage. 2GO leverages on all its services to create unique supply chain solutions for all its customers. Backed by 148 years of expertise in transportation and logistics, 2GO has made a mark for providing the best travel experiences, efficient movement of products and cargoes, and for catalyzing business growth in domestic and international markets.

SERVICES

2GO SEA SOLUTIONS is the largest, most modern ROPAX operator in the Philippines, with 8 ROPAX vessels, 1 freighter vessel, and 17 ports of call. It offers speed, schedule reliability, and voyage frequency. 2GO optimizes capacity and operational processes to be able to respond to the opportunities presented by the consumer-driven Philippine economy. It also offers an enhanced and unique onboard experience for sea travel.

2GO SPECIAL CONTAINERS AND VALUE-ADDED SERVICES (SCVASI) is the largest operator of cold-chain containers and ISOtanks in the country. It leverages on Sea Solutions' strength of schedule, reliability and speed. SCVASI's project logistics business, 2GO Projects, continues to see opportunities in moving and lifting oversized cargo for clients across varying sectors such as, but not limited to, power, telecommunications, mining, and property.

2GO EXPRESS capitalizes on its broad network and caters to different delivery formats to meet the requirements of our customers in a timely manner, while also enabling the surge of B2C and C2C growth. It serves the pick-up and delivery of documents, parcels and last-mile e-commerce with a courier base fleet of more than 2,000, operating in hubs in 33 key locations and partnering with 63 delivery agents nationwide. 2GO Express is also the largest local partner of FedEx, with pickup of international outbound and delivery for international inbound served. FedEx services are sold in 2GO Express locations nationwide. With investments in technology for further efficiency, 2GO Express is looking forward to expanding its operations to serve the growing B2C and C2C markets.

2GO FORWARDING is a partner in the movement of goods through air, sea and land, including international forwarding. It is specialized in handling for FMCG, automotive, pharmaceuticals, including perishable medicines, industrial and fragile items, and other B2B transfers. It capitalizes on the integrated mode of transfers within the 2GO network and its partners nationwide.

	2GO LOGISTICS supports inbound and outbound logistics. It manages warehouse and transport activities that enable all logistic needs, from production to delivery. 2GO has a nationwide fleet of over 1,400 transportation vehicles under management, and a total of 54 warehouse and hub facilities that are strategically located around the archipelago. 2GO also uses a globally recognized Warehouse Management System (WMS) that fully integrates and streamlines the supply-chain infrastructure. The WMS automated warehouse processes enable complex piece picking operations with a high degree of accuracy. At 2GO, we introduce technology as well as specialized operational skill sets to cater to the verticals and services we want to support. We are confident and optimistic of the growth that our lean and agile operating structure will capture in a sector full of abundant opportunities. **2GO DISTRIBUTION**, also known as ScanAsia Overseas, is the leader in the distribution of pharmaceutical and retail products in the drugstore. We disperse a breadth of categories from infant formula, adult milk, personal care, home care, dairy, pet food, confectionaries to over 3,000 doors nationwide. ScanAsia plans to further improve its operational efficiencies and aims to continuously improve the product availability and visibility of all ScanAsia brands to delight its principals, customers, and consumers.
Reporting Period	January 1, 2022 to December 31, 2022
Highest Ranking Person responsible for this report	Mercy Grace Dionisio

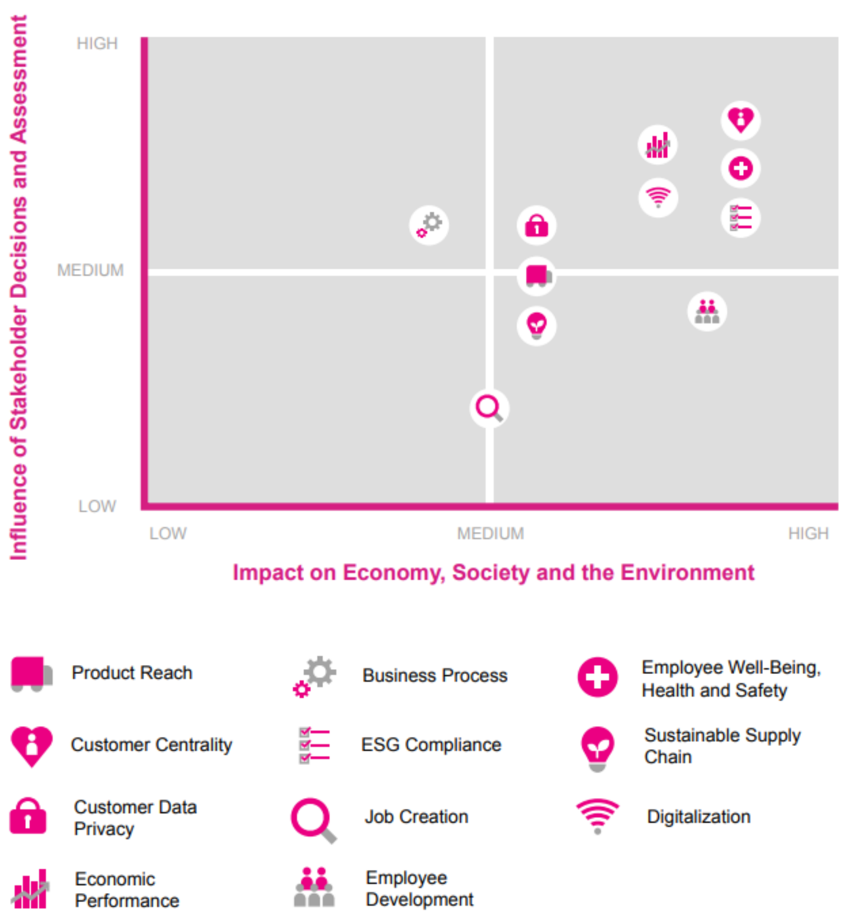
**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

An in-depth materiality assessment was conducted by engaging identified stakeholders of 2GO Group Inc. Last materiality assessment of the organization was conducted in 2020 wherein critical areas that we need to focus on in order to deliver excellent service to our customers as well as material topics that have greatly impacted the stakeholders through the pandemic were identified. These topics are deemed to be still relevant to business up to this date.

2GO Stakeholders	Mode of Engagement	What Matters Most to our Stakeholders	2GO Commitment
Customers & Clients	• Various Customer Touchpoints • Online Surveys	• Product/ Service Reach, Accessibility and Visibility • Customer Welfare • Customer Data Privacy	Continuous system enhancement
People	• In person discussions • Annual Performance Review • Online Surveys • Townhall meetings • Coaching and Training	• Employee Development, Career Growth • Occupational Health and Safety	Internal and external training opportunities Adequate health and work benefits
Investors	• Annual Stockholders Meeting • Investor Meetings	• Economic Performance • Compliance and Governance • Adapting to COVID-19	Transparent and timely disclosures
Suppliers and Service Providers	• Vendor accreditation • Regular correspondence • Online Survey	• Occupational Health and Safety • Customer Welfare • Product Reach, Accessibility & Viability	Safety trainings Vendor selection process
Socio-Civic Partners	• CSR joint projects • Online survey	• Sustainable Operations • Community	Partnership for social development programs

		Involvement	
Media Partners and Analysts	• Media Briefings • Corporate Events	• Economic Performance • Employee Development • Occupational Health and Safety • Compliance and Governance	Transparent and timely disclosures
Regulators	• Conferences and external events • Regular Correspondence	• Compliance and Governance • Sustainable	Transparent and timely disclosures



ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	**Amount** ***in Millions***	**Units**
Direct economic value generated (revenue)	19,333	PhP
Direct economic value distributed:		
a. Payment to suppliers and other operating costs	15,696	PhP
b. Employee wages and benefits	1,377	PhP
c. Payments to providers of capital	482	Php
d. Payments to government	341	PhP
e. Investments to community (e.g. donations, CSR)	2	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?
As the largest integrated transportation and logistics provider in the Philippines, 2GO facilitates economic activity in the country. Our businesses directly support 2,048 jobs. Other employment opportunities are created from our business operations through our service partners and third-party service providers. Aside from these, we also provide jobs to our suppliers and their employees. Our investors are given their due returns on their investments in our company. We also ensure that our business operations comply with the tax payment regulations set by the government, and that our financial gains are distributed to all our other stakeholders. In 2022, Php 17.9 billion, from 2GO's revenue, were distributed back to society or our key stakeholders. Of this, 88% is distributed to suppliers in the form of payments, 8% to Employees through wages and benefits, 3% to Investors for returns on their investments, 0.01% to Communities through donations and other CSR initiatives, and 2% to the Government in the form of taxes. Our nationwide presence all over the country shapes our financial performance and how we contribute to the local areas where we operate through the various opportunities we provide to our stakeholders.

What are the Risk/s and opportunities Identified?
As the economy continue its path to recovery from the aftermath of the Covid pandemic, in 2022 restrictions have been lifted and economic activities had returned back to normal. This resulted to increased demand on transportation and logistics services to move not only goods but also people in various parts of the country. This is deemed to be both a risk and opportunity for the company.

Which stakeholders are affected?
The following are affected by 2GO's economic performance • Investors • Shareholders • Employees • Clients/ • Customers • Suppliers • Communities

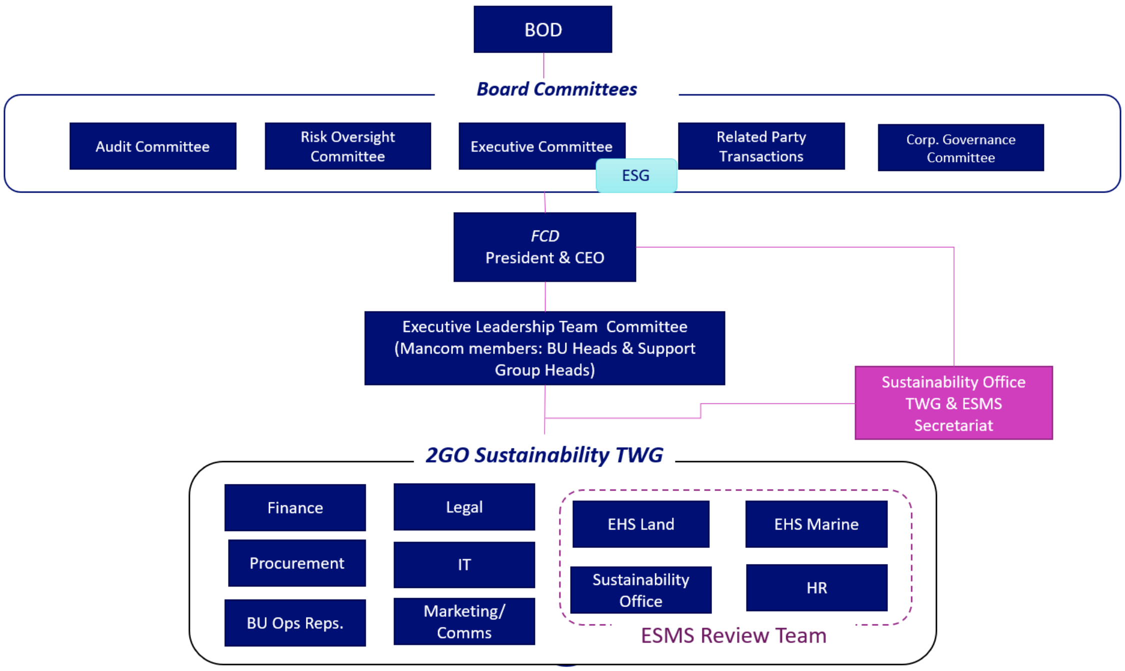
Management Approach on Impact, Risk/s and Opportunities
2GO Group, Inc. delivered a strong performance in 2022 with revenue growth of 25% posting a turnaround profit of Php312 million on the back of Php19.3 billion in revenues. 2GO benefitted from the lifting of movement restrictions and the normalization of economic activity in the country. The country's economic re-opening from the restrictions brought by the Covid pandemic increased the demand for transportation and logistics services to move goods and people across the country. 2GO's strong performance was driven by increased growth across its major business lines. The highest revenue growth came from our passenger Travel business with 217% revenue growth followed by revenues from Shipping which rose by 67% complemented by a 48% increase in Sea freight revenues, as there was an observable increase in the volume of goods shipped to Visayas and Mindanao due to the lifting of movement restrictions. Logistics and other services revenue grew 30%, led by the growth in cold chain services, forwarding, e-commerce fulfillment, and its international courier business. Apart from the increase in service demand, 2GO's profitable growth in 2022 was driven by the structural changes and financial discipline that was put in place. 2GO also continues to make bold investments as it thrives to be the best-in-class logistics and transportation provider in the Philippines. 2GO continues to modernize its operations to improve customer experience and strengthen services. One of 2GO's business units, 2GO Express, invested in an automated sorting machine, transport management systems, and vehicle routing systems, to better handle operations amid rising demand for its services. As

part of its fleet modernization plan, 2GO invested in two (2) modern vessels in 2021, namely MV 2GO Masagana and MV 2GO Maligaya. These two vessels are currently the largest roll-on/roll-off passenger vessels in the country. Both vessels are equipped with top-notch safety and navigation systems as well as passenger amenities. 2GO still plans to acquire more fuel-efficient and more environmentally friendly vessels in the coming years. Also, In preparation for the return of travel and tourism, 2GO ships and port operations have been upgraded to provide passengers with an enhanced onboard and terminal experience.

Our investment in technological initiatives, digitization, and automation not only helped us meet the growing demands of the customers but also increased our operational efficiencies resulting in higher service levels.

Climate-related risks and opportunities[1]

Governance



Sustainability Governance Structure of 2GO

At the board level, the executive committee has the oversight on Environmental Social and Governance (ESG) or Sustainability matters which includes climate-related topic discussions. 2GO also has a Sustainability Technical Working Group (TWG) whose members are support group heads and representatives from business operations that are essential in driving sustainability on their respective functions. The 2GO sustainability office serves as the secretariat for the 2GO Sustainability TWG.

The TWG was formed with an objective of integrating sustainability in 2GO's ways of working, promote synergy and incorporate sustainability in 2GO's culture and values. Moreover, the TWG will help drive 2GO's sustainability agenda and roadmap. The TWG also plays an essential part on the implementation of Environmental and Social Management System that is currently being drafted. Furthermore, the TWG members will also help with other ESG related organizational accountabilities.

Strategy
2GO has implemented different strategies to address its climate-related risks and opportunities. These strategies are aligned with our purpose of providing and end-to end transportation, logistics and distribution solutions to our clients. 2GO has been implementing several initiatives to lower its emissions and impact to the environment. One of which is the implementation transportation management and route optimization systems such as Fareye. Fareye, currently being used by 2GO Express, is a platform that enables 2GO to optimize its logistics operations and make seamless and better deliveries to its customers. On the other hand, for land transport, 2GO have been using Infor Transport Management System (TMS) for planning and route optimization. Through the use of theses technological systems, unwanted miles are reduced thereby increasing operational efficiency, cuts our operating cost from fuel and reduces our carbon emissions. Moreover, all of 2GO owned-trucks are Euro 4 compliant which is said to be ten (10) times cleaner than euro 2 with lower level of air pollutants such as sulfur and benzene. 2GO drivers were also trained with ECO fuel driving techniques thereby lowering vehicle's fuel consumption and carbon emission. As for 2GO's mechanical handling equipment, 50% of the total forklifts used in operations are electric such as counterbalance, power lifter and reach truck. And for the packaging materials for goods, 2GO Express uses biodegradable pouches for delivery of items that weighs 3kg and below. Likewise, 2GO logistics employs recycling of cartons that are used for protection of goods delivered to customers. As part of Good Corporate Citizenship, looking after the environment is integrated in 2GO Brand Core Values. The Group acknowledge the need to be responsible to our resources, may it be environmental, financial and people. We make sure to manage our resources, with sustainability at the forefront. Long-term strategies allow 2GO to look at the potential business impact of the risks and opportunities and create the mitigating actions and act on opportunities if so requires. In 2022, 2GO created a Business Continuity Plan (BCP) that would help prepare a line of defense that would minimize impact and restore normal operations and service delivery as quickly and safely as possible after occurrence of an unplanned event may it be natural or man-made cause. The objective of the BCP is to - Minimize and Ensure the safety of colleagues, workers, contractors and the general public.

[1] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

- Minimize impact upon the IT Infra
- Meet the customers requirements through continuity of service
- Maintain a strong financial position and acceptable levels of cash flow & profit
- Protect and perpetuate a positive corporate image
- Comply with legal and regulatory directives
- Minimize losses and liabilities
- Achieve a full recovery of business operations

Risk Management

Our environmental and climate-related risk management are integrated in 2GO's business decisions through the organization's Enterprise Wide- Risk Management (ERM) program. 2GO Group implements the ERM Program through the identification, analysis, management and monitoring of risks that can hugely impact the Company's ability to achieve its goals and objectives. The implementation of the Enterprise Risk Management process ensures that critical risks are well understood and effectively managed across all our units.

The Board of Directors (BOD) is tasked to oversee the risk management program of the Company through the Risk Oversight Committee. The BOD sets the overall risk tolerance for 2GO Group, Inc. and delegates the responsibility of managing all the Group's risk exposures to the respective business unit heads with the oversight functions from the Risk Oversight Committee. The Committee designs the Risk Management Framework, which was subsequently reviewed and approved by the Board.

The Group understands that creation of ERM framework 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.

Metrics and Targets
To assess and manage relevant climate-related risks and opportunities, 2GO Group regularly monitor, measures and report our energy consumption from fuel and electricity as well as water consumption. Our greenhouse gas emissions are also calculated and reported annually through our sustainability report. 2GO Group started baselining in 2018. This 2023, 2GO together with WWF, will develop a climate scenario analysis to help us determine science-based targets for emission reduction. We expect to disclose these targets in 2023.

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	96	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Supplier Accreditation helps 2GO ensure a continuous supply of quality goods and services from reputable and reliable vendors/suppliers who are compliant with pertinent government rules and regulations such as those related to the environment, labor, health & safety, etc. 2GO promotes inclusive business in its Supply Chain by sourcing local suppliers/vendors thereby promoting revenues and jobs to local communities.	• Suppliers • Contractors • Creditors • Other entities engage in business with the company	With regard to suppliers, we make sure that our contract agreements are followed diligently by all involved parties. Contracts are standardized to ascertain that the content encompasses all types of transactions with a particular supplier and that the suppliers are given ample time to review the document before signing. In cases of revisions, a separate document reviewed by our legal division is attached, detailing all agreed revisions as a complementing agreement to the standard contract.

During the accreditation process of suppliers/vendors, we ensure that they conform with 2GO's Code of Business Ethics, Environmental Policy, and OSH Policy. This is to ensure that 2GO together with its partners aligned with the environmental and social related values.		
What are the Risk/s and Opportunities Identified?		**Management Approach**
Procurement practices impact our business operations as they can affect cost efficiencies, quality of supplies, and supply availability. The identified procurement-related risks include fraud, cost, quality, and delivery risk.		The accreditation process assesses and reduces the risks of poor-quality products and services or late or non-delivery which may result in disruption in business operations. Moreover, supplier accreditation also helps maintain the integrity of the procurement process thus providing transparency.
What are the Opportunities Identified?		**Management Approach**
2GO Group sees an opportunity in tapping local Small and medium-sized enterprise (SME) industries to reduce operational costs across its supply chain, without sacrificing the quality of products and services delivered to our business units. 2GO, in turn, helps promotes a boost in local economic growth.		Local SMEs are currently subjected to the same accreditation policy and procedures and are approved if they meet the set standards. Currently, 2GO does not have a policy to preferentially accommodate local SMEs where it is applicable, however, this is something that can be considered.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units

Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

What is the impact & Risks and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
We avert any form of corruption across our business operations and value chain. Corruption is against our core values, business ethics moral principles. We take any form of corruption seriously as it may significantly affect our ability to generate and equitably distribute economic value to all of our stakeholders. We understand that any issue related to corruption can adversely affect our reputation among our stakeholders including the public and our customers, which may lead to	• Employees • Suppliers • Creditors • Investors • Regulators	2GO is committed to promoting fairness, accountability, and transparency to all of its stakeholders. The Board sets the tone and makes a stand against corrupt practices by adopting anti-corruption policies and programs. Some of the Company's Anti-Corruption programs are embodied in the Code of Business Conduct, Conflict of Interest Policy, and Related Party Transactions Policy, among others. The same is disseminated to all employees across the Company through trainings to embed them in the Company's culture. New employees are oriented regarding policies and procedures

decreased sales and in turn will lead to a decrease in revenue. And for this reason, the company facilitates training on Anti-corruption policies and procedures as we deal with different stakeholders.		related to Business Conduct and Ethics and similar policies. These policies and programs are made available on the Company Website and Employee Portal for easy reference. 2GO has also established a Whistleblowing Policy, also referred to as Policy on Accountability, Integrity, and Vigilance (PAIV). This policy allows employees and other stakeholders to freely communicate their concerns about illegal or unethical practices, which may be raised freely within the organization.
What are the Opportunities Identified?		
Positive financial returns, improve product and service quality and reinforce goodwill among stakeholders give us ample reason to fight corruption.		

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	0	GJ
Energy consumption (gasoline)	52.91	GJ
Energy consumption (bunker fuel IFO 180)	2,041,652.69	GJ
Energy consumption (diesel)	297,016.07	GJ
Energy consumption (electricity)	5,906,499.24	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	(51.88)	GJ
Energy reduction (LPG)	N/A	GJ
Energy reduction (diesel)	27,165.82	GJ
Energy reduction (electricity)*	(2,189,934.76)	kWh
Energy reduction (bunker fuel)	(238,949.55)	GJ

*Restatement: 2021 Energy consumption is 3,716,564.48kWh. Energy reduction from electricity is based on the restated 2021 Energy consumption.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
2GO Group recognize that proper management of energy is vital and essential to business. As a logistics and transport company, both fuel and electricity are used in all business operations of 2GO. As 2GO Group aims to continue to deliver high level of service to our clients at minimal environmental impact, it is	Communities Regulators Investors	In 2022, there is a substantial increase in energy consumption from the use of gasoline, electricity and bunker fuel. This is attributed by the increased activities across the business lines boosted by the transport, shipping and passenger volume as the country's economy opened up from the restriction due to pandemic. However, despite of the increase in the logistics and transport activities, it can be observed that the diesel

deemed that responsible use of energy resources is necessary. Responsible energy management brings a positive impact not just to the environment but to the organization, as it not only leads to reduction in carbon emissions, but it also lowers the operating cost from fuel and electricity use which results to significant savings in operational expenditures.		consumption in 2022 is less compared to 2021. This deemed to be attributed by the beneficial impact of using transport management system and route optimization of 2GO owned trucks all runs through diesel. These technological investments not only reduced the diesel consumption of 2GO fleet but also optimized the logistics and transport operations. In 2022, 2GO also developed a resource conservation procedure, including guidelines on the prudent use of energy resources in the workplace.
What are the Risk/s Identified?		**Management Approach**
2GO, same with other companies is affected by regulatory risk. Some of 2GO's business operations are affected by new law and government regulations related to energy conservation. Another risk identified is the fluctuating price of fuel in the market as well as the energy we purchase. **What are the Opportunity/ies Identified?** The requirements to comply with RA 11285 or the Energy Efficiency and Conservation Act, gives an opportunity for our business units to integrate energy management plan and other energy conservation initiatives to their respective		High consumption of energy affects the environment; therefore, we conduct several measures to reduce our energy consumption within the Group. 2GO Business units also conduct reduction efforts specific to their function. The acquisition of more fuel-efficient ships of 2GO Sea Solution and investment on technologies such as route optimization system for 2GO Express and transport management digitalization for 2GO Land Transport not only helped the company eliminate the inefficient transportation of goods but also helped the company offset the effects of higher fuel cost in 2022. As we seek to lessen our environmental impacts by setting energy reduction initiatives, we will be revising our current resource

business operations. This will not only cut energy inefficiencies but also may incur savings by reducing the overhead cost of the company.		conservation procedure by integrating energy management plans following the provisions indicated on RA 11285 and in compliance with the requirement of the Department of Energy (DOE).

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	105,452.19	Cubic meters
Water consumption	0	Cubic meters
Water recycled and reused	0	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The 2GO Group does not belong to a water-intensive industry. Water is primarily used for cleaning and sanitation purposes for 2GO offices, hubs, and warehouses. However, the Group acknowledges that our water usage may also impact the water supply of communities adjacent to where 2GO facilities operate; thus, the company values water conservation. Conserving water is important not only to reduce operational costs but also to avoid water shortage. We are mindful of the company's impact on communities and the local	Communities Regulators Investors	The company promotes responsible water consumption in all its facilities. Water usage are regularly being monitored and different measures are implemented to conserve water. Water Conservation is included in 2GO's Resource Conservation Procedures that were cascaded to all 2GO sites as part of the organization's Environmental Compliance Action Program (ECAP).

ecosystem that derives its water supply from the same source from where we derive ours.		
What are the Risk/s Identified?		
2GO recognize the risk to water shortage due to increased competing demand from other sectors and domestic use. Extreme heat, El Niño and climate change also plays a role. Some of 2GO facilities are exposed to this risk as we operated nationwide across the country, as few of which are located in water stressed areas.		
What are the Opportunity/ies Identified?		
There is an opportunity to further reduce water consumption by improving water usage monitoring. Other measures may also be applied in some facilities such as rainwater harvesting and use of recycled water subject for feasibility.		

Materials used by the organization

Disclosure	**Quantity**	**Units**
Materials used by weight or volume		
• renewable	N/a	kg/liters
• non-renewable	n/a	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	n/a	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not material as 2GO does not manufacture any products	Not Material	Not material
What are the Risk/s Identified?		
Not Material		
What are the Opportunity/ies Identified?		
Not Material		

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not Material	n/a
Habitats protected or restored	Not Material	ha
IUCN[2] Red List species and national conservation list species with habitats in areas affected by operations	Not Material	n/a

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
This is considered not material for 2GO since we do not have operations within or adjacent to biodiversity-rich areas.	Not material	Not material
What are the Risk/s Identified?		
Not material		

[2] International Union for Conservation of Nature

What are the Opportunity/ies Identified?		
Not Material		

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	209,337.00	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	4,263.00	Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)	10,440.75	Tonnes

Air pollutants

Disclosure	Quantity	Units
NO_x	6,275.53	kg
SO_x	44.30	kg
Persistent organic pollutants (POPs)	Not applicable	kg
Volatile organic compounds (VOCs)	Not applicable	kg
Hazardous air pollutants (HAPs)	Not applicable	kg
Particulate matter (PM)	6,939.08	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The greenhouse gas emissions from all 2GO's business units are sourced from anthropogenic activity. As a logistics and transport company, our emissions are primarily generated from our fleet of vehicles, mechanical handling equipment, and vessels. Some 2GO facilities also have generator sets that are only used during a power outage or	*Communities* *Regulators* *Investors*	The efficient use of electricity and fuel not only reduces operational costs for all business units but also reduces our GHG emissions. 2GO Group has been doing different initiatives to improve its operational efficiencies and reduce our emissions. One of which is the investment in technologies such as transport management and route optimization system that not reduce unwanted

maintenance check. The Group recognizes that our involvement in this topic is through our day-to-day transactions and operations.		miles but also help reduce our emissions. All 2GO owned-trucks are Euro4 compliant while the truck drivers are trained with eco-efficient driving techniques to lower fuel consumption and carbon emissions. At the warehouse level, 50% of the total forklifts used in operations are electric. Also, some of the 2GO warehouses already shifted to LED. 2GO also has a fleet modernization plan which includes the acquisition of fuel-efficient ships such as MV Masagana and MV Maligaya. In the pipeline for the next year, as part of our action plan to reduce our emissions is to convert one of our warehouses, 2GO Elisco, to renewable thru the Green Energy Option Program of Dept. of Energy. Furthermore, while waiting for the government's roadmap on Electic Vehicle Industry in compliance with the EVIDA law, 2GO will conduct a feasibility study on the use of e-vehicle for logistics.
What are the Risk/s Identified?		
Tracking GHG emissions helps the company better understand its contribution to climate change. This affects the company's assessment of its climate-related risks.		
What are the Opportunity/ies Identified?		
There is an opportunity to use alternative and renewable sources of energy as well as to create an energy efficiency program to further lower the electricity consumption of the facilities, thereby lowering their GHG emissions.		

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	1,261,958	kg
Recyclable/Reusable	404,941	kg
Composted	91,076	kg
Incinerated	Not applicable	kg
Residuals/Landfilled	765,941	kg

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	420,100	kg
Total weight of hazardous waste transported	420,100	kg

What is the impact & risk and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Proper waste management is crucial in any organization, as doing otherwise creates adverse effects on the environment and the surrounding community. 2GO Group does it utmost effort to comply with all laws related to waste management. There is a solid waste management program in placed in compliance with Solid Waste Management Act (RA) No. 9003, Hazardous Wastes Management Act (RA) No. 6969 and related LGU ordinances. Our Group's involvement in the impact of solid and hazardous waste disposal is through our day-to-day operations. These impacts are primarily managed through both internal initiatives and compliance with the regulatory requirements aforementioned.	Employees Communities Regulators	To properly manage our wastes generated from day-to-day operations, a waste management procedure was institutionalized and cascaded to all sites of 2GO as part of the company's Environmental Compliance Action Program (ECAP). A Pollution Control Officer (PCO) was designated in all 2GO sites ensuring compliance with the ECAP including waste management procedure. In 2022, some of 2GO sites have already started improving their Material Recovery Facilities (MRF) to enable proper waste segregation and storage on warehouses as well as construction of Hazardous Waste Storage Area (HWS). All wastes generated by the sites are collected, transported and disposed by a 3rd party DENR accredited haulers.

		Management Approach
What are the Opportunity/ies Identified?		Proper waste management and the use of reusable materials has been one of the focus of the 2GO's Business Units for many years, as they to innovate and come up with more sustainable packaging supporting more efficient use of resources and produce less solid waste. A sample of this is the use of collapsible crates and reuse of corrugated carton to protect goods to be delivered. In compliance with the EPR Act, the business units of 2GO that fall within the Obliged Enterprise had already created a program for proper plastic waste diversion. The units have joined other SM Group as part of a collective and partnered with a Producer Responsibility Organization (PRO) to come up with more holistic approach on addressing plastic waste.
Implementation of proper waste managements on sites can be further improved. This will not only ensure that operation is operating cleanly and safely but can also encourage cost efficiency. The Group can also seek collaborative projects on waste management that may include community engagement and partnership with local recyclers in compliance with the newly enacted Extended Producers Responsibility (EPR) Act.		

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	No data	Cubic meters
Percent of wastewater recycled	0	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Wastewater is generated both from our land and marine facilities during	Employees	All 2GO land sites are equipped with septic tank which treats the

day-to-day operations, the majority coming from the restrooms and cleaning purposes. However, as of the moment, there are no means to determine the volume of wastewater currently being discharged from the sites.	Regulators Communities	wastewater coming from the restrooms of our facilities. On the other hand, effluents from vessels such as used oil, sludge, and bilge water are regularly monitored and recorded. These are collected ashore through a third-party treater and hauler accredited by Dept. of Environment and Natural Resources.
What are the Risk/s & Opportunities Identified?		
We recognize that discharging of untreated wastewater has a considerable adverse impact on the environment and communities. Furthermore, regulators can impose a penalty for non-compliance to effluent standards. Hence it is important to regularly monitor wastewater discharges. One way to do so is thru the installation of wastewater metering devices.		

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

What is the impact & risk and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach

We recognize that environmental compliance is crucial to ensure that our environment, surrounding communities, and even our employees are not exposed to unnecessary hazards from our business operations. Compliance with environmental laws and regulations is critical to keep our business operational. Non-compliance with any environmental law or regulation could have financial implications from the imposition of penalties, stoppage of operations, or reputational risks.	Regulators Communities Employees Investors	The Group remains committed in improving our environmental management and compliance. To ensure the environmental compliance of 2GO, Environmental Compliance Action Program (ECAP) was institutionalized. All sites were also required to designate, appoint and accredit a Pollution Control Officers (PCO) across our facilities who will oversee the environmental compliance. Correspondingly, Environmental Managing Heads were also assigned to each 2GO facility in compliance with the requirement of DENR. Both the PCO and Managing Heads had undergone DENR-accredited trainings to provide them with knowledge on environmental compliance and its application and implementation on our sites. At the Corporate level, the PCOs and Managing Heads are guided by the Corporate PCO and Corporate Head of the Environmental, Health, and Safety Department who provide procedures and guidelines that align with pertinent laws.
What are the Opportunity/ies Identified?		
Under the ECAP program, sites are conducting self-assessment in terms of their environmental compliance. In-house audit can be integrated to the program to mitigate the risk of non-compliance. Furthermore, regular session on Environmental Compliance for all employees may also be done not only for awareness purposes but also for all to recognize that protecting the environment and ensuring compliance is everyone's responsibility.		

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[3]	2,048	
a. Number of female employees	823	#
b. Number of male employees	1,225	#
Attrition rate[4]	16%	rate
Ratio of lowest paid employee against minimum wage	1:1	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	45%	22%
PhilHealth	Y	6%	3%
Pag-ibig	Y	36%	37%
Parental leaves	Y	8%	1%
Vacation leaves	Y	81%	84%
Sick leaves	Y	71%	70%
Medical benefits (aside from PhilHealth)	Y	99%	99%
Housing assistance (aside from Pag-ibig)	N	n/a	n/a
Retirement fund (aside from SSS)	Y	n/a	n/a
Further education support	N	n/a	n/a
Company stock options	N	n/a	n/a
Telecommuting	N	n/a	n/a
Flexible-working Hours	N	n/a	n/a
(Others)			

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	40%	%
% of male workers in the workforce	60%	%

[3] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

[4] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Number of employees from indigenous communities and/or vulnerable sector*		#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>We recognize that our employees are the company's backbone supporting our long-term growth and success. To ensure that 2GO's vision, goals, and strategies will be achieved, we give high importance to human capital management.

We are committed to providing equal employment opportunities across diverse sets of people, regardless of gender, ethnicity, age, and vulnerability. We eliminate any form of bias during the hiring process, instead, we focus on determining skills and capabilities to ensure that the right people are hired for the right job.

2GO follows the standards and policies set by the Department of Labor and Employment (DOLE) for hiring, salary, and wages. Moreover, our employees are also given benefits to improve their quality of life. Some company-initiated benefits are provided on top of government-mandated benefits such as SSS, PhilHealth, and Pag-ibig.</td><td rowspan="3">2GO developed a Strategic Workforce Approach to help build a resilient organization, ready to adapt to the future of work. This approach ensures that we have the right number of people with the right skills in the right place at the right time to deliver our short and long-term objectives.

To foster organizational strength, offering opportunities for employees to develop their skills and grow together with the company. As we aim to achieve our goal which is to make 2GO the employer of choice, we seek to become the most inclusive workplace we can be by focusing on employee engagement and attracting top talents nationwide. The company also welcomes applications from all backgrounds and opposes discrimination of all forms.

All 2GO employees received the legally required compensation and benefits. Our company offers a competitive package. On top of the government-mandated benefits we also provide the following benefits to our full-time employees:
• 14th-month pay
• Calamity assistance
• Company bereavement assistance
• Group health plan</td></tr>
<tr><td>What are the Risk/s Identified?</td></tr>
<tr><td>In the past year, 2GO has experienced a challenge in employee retention. The talent market had evolved since the pandemic as more applicants and even some employees opt to choose hybrid working arrangements. This is identified as one of the reasons why some employees choose to leave the company.</td></tr>
</table>

What are the Opportunity/ies Identified?	
We see an opportunity to further enhance our leadership and talent programs as well as the talent review process. For the benefits, it was also deemed that enhancement on employee health plan can be done. Likewise, an improvement in the implementation of benefits such as health and life insurance may be applied from day-1 of employees, however this is subject for further assessment.	• Group life Insurance • Calamity leave, Bereavement leave • Retirement benefits • Discounts on rolling cargo • Christmas giveaways • Relocation Allowance The HR department have also rewards and recognition programs given to exemplary employees. Moreover, the company offers career advancement opportunities to help employees pursue their professional goals.

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	6127	hours
b. Male employees	8790	hours
Average training hours provided to employees		
a. Female employees	7.44	hours/employee
b. Male employees	7.18	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
We offer different training and career development programs to our employees. Continuous learning and development help our employees grow professionally and personally. Improving competencies of employees is important as it enables them to become more productive in the workplace.	We provide necessary technical and non-technical trainings to improve the technical skills, soft skills, and leadership skills of our employees. Providing employees with training, advancement opportunities and aiding them to address various skills gaps not only help our employees but also strengthen 2GO as a company.

What are the Risk/s & Opportunities Identified?	Management Approach
Training increases employee engagement. When employees' training needs are not met, productivity and quality of work may be compromised. It makes employees feel disempowered leading them to seek opportunities elsewhere, resulting in higher attrition. Furthermore, the quality and type of training provided to employees affects the productivity and competitiveness of the company. We also recognize opportunities on innovative learning channels such as setting up of e-learning portals that employees can access anywhere at any time.	We advocate continuous learning to help our employees meet their full potential. Our training initiatives aim to develop employees into specialist in their respective areas of work. From our leaders to our staff, our employees undergo customized development program for skills enhancement and improved well-being.

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	0	%
Number of consultations conducted with employees concerning employee-related policies	1,200	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
We promote cooperative partnership between 2GO Management and employees as we recognize that this is essential to sustain economic growth of the company. 2GO Group does not have a labor union thus the company does not have collective bargaining agreements. However, 2GO has a Labor Management Council (LMC) where employees	2GO will continue to foster productive communication and partnership with our employees. The management believes that a mutually-beneficial atmosphere fosters a proactive partnership and cooperation between Management and employees. This creates a climate of industrial peace. 2GO Management continues to support LMC

and management participate together in solving problems affecting employee welfare.	programs that are geared towards increasing productivity and improving employee welfare.
What are the Risk/s Identified?	
Risk identified is the sustainability or continuity of programs/projects initiated by LMC. As the project becomes at risk when the LMC member who handles the project leaves the company.	
What are the Opportunity/ies Identified?	
The LMC members can be the CSR arm of the company who can implement significant activities and create sustainable impact in the community and the environment.	

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	5,736,717	Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills	15	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
2GO remains committed to providing our employees with a safe and healthy working environment. We give high importance to workplace health and safety as we recognize that it is crucial to prevent work-related accidents, promote employee wellness and maintain compliance with regulatory requirements and industry standards. We aim to protect not only our employees but also our visitors, facilities, and surrounding communities from any risks and hazards that may arise from our operations.	The 2GO Group has institutionalized a safety program called Safety Regulation and Information Guidelines (SRIG) for land-based facilities to ensure safety protocols are in place in all 2GO facilities aligned with the Occupational Health and Safety Standards set by the Department of Labor and Employment (DOLE). On the other hand, all our vessel operations have Safety Management System compliant with the International Safety Management (ISM) Code and MARINA.

What are the Risk/s and Opportunity/ies Identified?	
2GO continues to work towards ensuring that our employees have a healthy, safe, and secured working environment, we understand that if this will not be managed well, there will be considerable risk to life and property. Non-compliance to health and safety standards and regulations could cost the company penalties from regulators, suspension of operations, attrition, and damage to reputation. Recognizing that safety is everyone's responsibility and it is a journey for our organization, we acknowledge that as our business grows there is a need for continual improvement on safety procedures and implementation of safety practices. Information dissemination campaigns on safety can also be further enhanced as well as safety training and drills on site.	Furthermore, all 2GO facilities have designated safety officers, first-aiders, and security officers trained for emergency preparedness and response ensuring that our employees will be well-assisted in case of emergency. Identifying the potential risk to the health and safety of our employees and facilities is essential to our business. We take steps to mitigate, address and effectively manage these risks to continue providing a safe and secure environment to our employees and communities where we operate.

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	2GO adopts and complies with the standards and regulations set by DOLE. Moreover, 2GO Group ensures that the suppliers/vendors we engaged with comply with the same.
Child labor	Y	No Child Labor Policy
Human Rights	Y	• Code of Conduct • Anti-Sexual Harassment Policy • Drug Free Workplace Policy • Policy on Hepatitis B, HIV/AIDS, Tuberculosis • Policy on Workplace Mental Health • Whistleblowing Policy

		• Grievance Machinery • Data Privacy Policy • Environmental Policy • OSH Policy • Bereavement Leave Policy • Calamity Leave Policy

<table>
<tr><th>What is the impact and risks where does it occur? What is the organization's involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>We ensure the provision of a safe environment by upholding labor laws and human rights, as reflected in our Code of Conduct.

Implementation of Labor Laws and Human Rights policies in the workplace ensure that 2GO employees does not experiences any unlawful activities and that employees can exercise their right to decent work.

Any violations related to Labor and Human rights will impact our productivity, employee retention, and employee engagement. Likewise, said violation could result to regulatory implication that could tarnish the reputation and brand of the compay.</td><td rowspan="3">Aligned with the parent company's commitment as a UN Global Compact signatory, 2GO supports Human Rights and Labor Rights. The company implements the aforementioned Human Rights policies to eliminate discrimination in our workplace and ensure that our employees are safe and protected.

2GO Group also developed a whistleblowing policy and grievance machinery wherein concerns and issues, made in good faith, may be raised freely and within the organization. Through these mechanisms any suspected or actual violations of the Code of Business Conduct or any applicable laws or regulation may be reported, including those related to Human Rights and Labor, may be reported. The management investigates the merit of the complaints and subjects them to due process.</td></tr>
<tr><td>What are the Opportunity/ies Identified?</td></tr>
<tr><td>There is an opportunity to improve the process of receiving grievances, to make it more accessible to everyone anonymously without the fear of retaliation.</td></tr>
</table>

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy: Yes. All governance related policies may be viewed on the company's website via https://www.2go.com.ph/corporate-governance-policies/

Do you consider the following sustainability topics when accrediting suppliers?

<table>
<tr><th>Topic</th><th>Y/N</th><th>If Yes, cite reference in the supplier policy</th></tr>
<tr><td>Environmental performance</td><td>Y</td><td rowspan="5">Manual on Corporate Governance
Code of Business Conduct
No Child Labor Policy
Conflict of Interest Policy
Insider Trading Policy
Related Party Transactions Policy
Policy on Accountability, Integrity and Vigilance
Policy for Vendor Selections and Purchase of Goods and Services
Environmental Policy
OSH Policy</td></tr>
<tr><td>Forced labor</td><td>Y</td></tr>
<tr><td>Child labor</td><td>Y</td></tr>
<tr><td>Human rights</td><td>Y</td></tr>
<tr><td>Bribery and corruption</td><td>Y</td></tr>
</table>

<table>
<tr><th>What is the impact and risk where does it occur? What is the organization's involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>More than half of our economic value generated in 2022 flows to our suppliers. Some of our suppliers also undertake our operational services. We recognize that their impacts on the economy, environment, and society are, to some extent, our impact as well. The success of our suppliers and their best practices in delivering their output determine our success. As we journey together with our suppliers, we ensure that we are aligned in terms of values, ethics, and morals. Hence, we hold our supplier assessment in very high regard.</td><td rowspan="3">2GO Group has an accreditation process and procurement policies in place to ensure fairness, accountability, and transparency for the best interest of all stakeholders. This considers both financial and environmental impacts and promotes sustainable shared growth with all our suppliers including both large and small & medium enterprises.

We ensure that our vendors, suppliers, and other third-party contractors adhere to our supplier code of ethics which includes prohibitions against child labor, forced labor, and slavery.</td></tr>
<tr><td>What are the Opportunity/ies Identified?</td></tr>
<tr><td>The Group can further encourage suppliers to abide by environmental and social laws. As a result, suppliers will be able to better manage their environmental and social compliance as well as their impact</td></tr>
</table>

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
We provide jobs to the local areas where we operate	Nationwide	No in particular	No negative impact	Opportunities to have decent work	2GO exercises equal opportunity and foster inclusivity by removing any form of biasness during the hiring process.
	-	-			
	-	-			

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: ____________

Certificates	Quantity	Units
FPIC process is still undergoing		#
CP secured		#

*this is not material given that there are no operations that are within or adjacent to ancestral domains of indigenous people.

What are the Risk/s and Opportunity Identified?	Management Approach
The needed person right for the job may not be inherently from the local area where facility operates.	The company exercises equal opportunity during the hiring process regardless of gender, ethnicity, age, and vulnerability.

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	Customer Satisfaction - 96% NPS – 67% (very good)	N

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The net promoter score (NPS) is the customer satisfaction, customer experience, and loyalty indicator that measures the likelihood of customers recommending the brand, its product, or its services. In 2022, NPS score of 2GO was 67% which falls within the very good category based on NPS global rating scale. Achieving an NPS beyond 60 means that customers are highly likely to recommend our service. As we move forward towards our vision to be the first choice of logistics in the country, we focus on providing quality customer experience across our business.	Customer management is fundamental to corporate success and sustainability. We adhere to our brand core values to put the customer first fostering deep and strong relationships that make a positive difference in our customers and stakeholders. 2GO Group has sets of policies to ensure we adhere to quality commitments to our customers.
What are the Risk/s Identified?	**Management Approach**
Customer dissatisfaction can cause damage to reputation that may in turn result in loss of customers and may result to financial implications.	Different strategies among business units are employed to ensure that customer satisfaction is met and managed.

What are the Opportunity/ies Identified?	All customers are given fair and proper treatment and are provided with complete, correct, and actual information.
Improving customer experience through enhancing the method of getting customer insights and finding ways to understand the changing customer expectations.	

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	50	#
No. of complaints addressed	50	#

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	0	#
No. of complaints addressed	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
We stay true to our mission to deliver goods on time, consistently, and in their best condition, and to transport our passengers reliably, comfortably, and safely. In 2022, we received a total of 50 complaints related to service health and safety. In all these cases, the corrective action system and feedback handling process were prompted immediately, thus 100% of the complaints were addressed. Moreover, in 2022 2GO did not receive any complaints related to Marketing and Labelling.	2GO Group has a Customer Interaction Center (CIC) that handles complaints including those related to customer health and safety and marketing and labeling. CIC works together with the corresponding Business Unit to immediately address the complaints.

What are the Risk/s and Opportunities Identified?	Management Approach
Unresolved customer complaints, especially when these reach digital platforms, may influence wider customer perception of our brand and the quality of service we provide. This could lead to a decline in sales and possible loss of market share.	We strive to strictly comply with all government-mandated health and safety protocols in all our facilities may it be on land or sea to ensure that clients and customers are safe.

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	1	#
No. of complaints addressed	1	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Security Information and Data Privacy are important to us to ensure business continuity. It is the concern of the company to protect sensitive information, may it be related to the organization, employees, customers, and even suppliers.	We are committed to protecting the personal data of our customers. 2GO has institutionalized Data Privacy Policy across the organization. The policy outlines how we process, handle, protect and use collected data in accordance with the law, RA 10173 or

What are the Risk/s & Opportunities Identified?	the Data Privacy Act of 2012. The company has also designated a Data Protection Officer who oversees the policy implementation. To prevent cybersecurity threats, 2GO invested in the latest IT tools and technologies. Data security is implemented through data encryption, data backup, management of user privileges on corporate devices as well as securing on-premise and cloud servers.
The National Privacy Commission regulates data privacy through the Data Privacy Act. Any form of violation has corresponding civil and criminal penalties. Any instance of data breaches can disrupt operations, it could place the Company's sensitive or confidential information at risk of being used against it or used to gain an unfair advantage over it. It could also compromise the privacy of employees and customers and could pose threats to their safety and security.	

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Provision of Employment or Job Creation	**UN SDG 8 – Decent Work & Economic Growth** We help drive economic growth in urban and rural communities by facilitating the movement of people, goods and services. At the same time, we provide economic opportunities in the localities where	We consider our human capital as our core capital hence; employee attrition could pose a negative impact on our company. Without our people, the delivery of services may be hindered.	Several talent retention initiatives have been implemented to ensure that our employees are continually satisfied with the work that they do. The company also provide them trainings for employees to grow

	we are present, generating jobs across our supply chain. • 2,048 jobs created • Php 19.3 Billion Economic Value Generated • Php 15.7 Billion Value Distributed		personally and professionally.
Support to Local Economy	**UN SDG 8 – Decent Work & Economic Growth** 2GO empower local suppliers, vendors or contractors including SMEs by creating opportunities for them to work together with us in achieving our goal to be the first choice for logistics in the country.	Local suppliers not able to meet 2GO standards and requirements	2GO Group has a stringent supplier accreditation process, and works with partners to make sure that they continuously improve and deliver quality products and services that meet our standards
Transport and Distribution partners for different industries	**UN DG 9 – Industry Innovation and Infrastructure** We provide industry innovation and transport infrastructure for key industry verticals such as consumer goods, food, pharmaceuticals, lifestyle products, automotive and consumer electronics. In 2022, 2GO partnered with Meralco foundation in transporting their	Risk in handling goods & other cargos.	We invest more resources in enabling technologies that help us navigate evolving trade and logistics environments. Our multi-year digitalization plan involves the adoption of globally recognized systems in warehouse, freight, and transport management to improve operational efficiency, minimize waste

	manpower and equipment for restoration of electricity supplies in areas that were hit by typhoon Odette		and reduce business costs.
Fleet Modernization	**UN SDG 13: Climate Action** We recognize the impact that climate change has on our business and our stakeholders. We incorporate climate change in assessing our risks and opportunities and formulate policies and implement programs that develop our resilience and adaptation to the effects of climate change.	GHG emissions from 2GO owned vessels and vehicles	Acquisition of fuel-efficient ships and investment in technologies such as transport management and route optimization system.
Operational Eco-efficiency	**UN SDG 12 – Responsible Consumption and Production** We take measures in lessening our environmental impact by reducing our energy and water consumption and waste generation. In our offices, warehouses and hubs, we utilize energy efficient equipment	Some measures to reduce energy requires investment such as conversion to LED. Also, diversion of plastic packaging have corresponding cost.	Our wastes are properly managed and segregated so that they may still be reused or recycled after our operations. Resource conservation procedure was developed that guides facilities on how to conserve energy and water.

	and regularly monitor our consumption. We also use biodegradable plastics which are more environmentally friendly.		

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*