COVER SHEET

SEC Registration Number

								4	4	0	9

Company Name

2GO GROUP, INC.

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-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

10th Floor Six/NEO, 5th Ave. cor. 26th St., 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, 2021**

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, 2021: P2,882,989,743.19 (P7.61/share)

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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, 2021, 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.

WRR Trucking Corporation (Land Transport)

Land Transport 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 Permit (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 2,105 employees as of December 31, 2021.

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 rant 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, 2021, 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 2021 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, 2021, the market price of 2GO's common stock is P7.61 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
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
2020		
First Quarter	15.02	11.88
Second Quarter	13.08	9.55
Third Quarter	11.30	9.80
Fourth Quarter	11.18	9.42

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, 2021 is 5,106. The top 20 common stockholders as of December 31, 2021 are as follows:

	Name	No. of Shares	Percentage
1	PCD NOMINEE CORPORATION (FILIPINO)	943,700,601	37.74%
2	SM INVESTMENTS CORPORATION	750,754,812	30.02%
3	PCD NOMINEE CORPORATION (FOREIGN)	741,905,354	29.67%
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	0.02%
9	PHILIPS MULTIEMPLOYER RETIREMENT PLAN	631,250	0.02%
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, 2021, the total number of shares owned by the public is equivalent to 378,842,279 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, 2021, 2020 and 2019 are as follows:

Results of Operations for the Years Ended December 31, 2021 and 2020

Amounts in millions		Dec 31, 2021		Dec 31, 2020	% Change
Revenue	₱	**15,408**	₱	**17,409**	**(11%)**
Costs of Services and Goods Sold		14,814		17,442	15%
Gross Profit		**594**		**(33)**	**(1,875%)**
General and Administrative Expenses		1,344		897	(50%)
Other Operational Expenses		-		230	100%
Operating Income		**(750)**		**(1,161)**	**35%**
Other Charges		349		663	47%
Provision for Income Tax		44		19	(129%)
Net Income (Loss)	₱	**(1,143)**	₱	**(1,843)**	**38%**
Add back:					
Financing Charges (Interest)		417		406	(3%)
Provision for Income Tax		44		19	(129%)
Depreciation and Amortization		1,453		1,856	22%
EBITDA	₱	**771**	₱	**439**	**76%**

2GO Group, Inc. and subsidiaries ("2GO" or the "Group") incurred a Net Loss of ₱1.14 billion in 2021 which is a 38% improvement from the 2020 Net Loss of ₱1.84 billion. 2GO intends to address the 2021 loss by the fleet modernization and investments in IT systems. 2GO trimmed its losses in 2021 from the year prior by focusing on profitable customers and services and through stringent cost controls. Total revenue declined 11% year-over-year ("YoY"). Total costs also declined 13% YoY. EBITDA improved 76% YoY to ₱771 million at 5% margin in 2021 compared to ₱439 million and 3 % in 2020.

Shipping revenue, which is comprised of sea freight and passenger travel revenue, decreased 1% YoY. Sea freight revenue increased 12% YoY. However, this growth was offset by a 48% decline in passenger travel revenue resulting as a result of quarantine-related travel restrictions in 2021 compared to 2020 which had unrestricted pre-pandemic travel in January and February. In 2021, 2GO acquired two large ROPAX vessels, M.V. 2GO Maligaya and M.V. 2GO Masagana, as part of the Group's fleet modernization plan. These replaced two retiring ROPAX vessels.

Revenue from Logistics and other services increased 4% YoY from growth of 2GO's cold chain reefers and ISOtank containers, ecommerce fulfillment, and international courier businesses. Distribution revenue declined 29% YoY due to weaker consumer spending and changes to product mix. For the year 2021, Shipping accounted for 25% and Non-shipping accounted for 75% of total revenue, compared to 22% and 78% respectively, in 2020.

Cost of services and goods sold decreased 15% YoY due to lower volumes from the distribution business and 2GO's efforts to improve efficiencies and control costs, mainly transport and delivery expenses. General and administrative expenses increased mainly due to provisions for doubtful accounts and computer charges for new IT systems. Other components of G&A expenses were flat or lower YoY.

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

			As of		
Amounts in millions		Dec 31, 2021		Dec 31, 2020	% Change
Current Assets	₱	6,598	₱	8,078	(18%)
Noncurrent Assets		6,321		6,681	(5%)
Total Assets	₱	**12,919**	₱	**14,759**	**(12%)**
Current Liabilities	₱	7,421	₱	8,508	(13%)
Noncurrent Liabilities		4,859		4,585	6%
Total Liabilities	₱	**12,280**	₱	**13,092**	**(6%)**
Total Equity		639		1,667	(62%)
Total Liabilities and Equity	₱	**12,919**	₱	**14,759**	**(12%)**

Total Assets decreased 12% to ₱12.9 billion, while Total Liabilities decreased 6% to ₱12.3 billion.

Assets
Current Assets decreased 18% to ₱6.6 billion from ₱8.1 billion. Cash and Cash Equivalents decreased 25% to ₱ 670 million from ₱890 million. Trade and Other Receivables, net of Allowance for Doubtful Accounts, decreased 29% to ₱2.9 billion from ₱4.1 billion. The decrease in Trade and Other Receivables in 2021 was due to improved collections by the various business units and a decrease in nontrade receivables, which included the current portion of a receivable with a related party settled in 2021.

Noncurrent Assets decreased 5% to ₱6.3 billion from ₱6.7 billion. Property and equipment increased 4% from ₱ 4.8 billion to ₱5.0 billion due to ROPAX vessel re-fleeting in 2021. Other noncurrent assets decreased by 66% from ₱802 million to ₱276 million mainly due to the settlement of a long-term receivable from a related party in 2021.

Liabilities
Current Liabilities decreased 13% to ₱7.4 billion from ₱8.5 billion. Trade and Other Payables decreased 30% to ₱4.2 billion from ₱6.0 billion due to reductions in trade payables, accrued expenses, and nontrade payables, as the Group worked with its various vendors and suppliers to settle long-outstanding payables Short-term Notes Payable increased ₱943 million or 44% to ₱3.1 billion from ₱2.2 billion due to additional short-term borrowings by the Group.

Noncurrent Liabilities increased 6% to ₱4.9 billion from ₱4.6 billion as 2GO partially financed its vessel acquisitions.

Equity
Total Equity decreased 62% to ₱639 million from ₱1.7 billion due to the Net Loss incurred in 2021.

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 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 discussions above 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, 2021 and 2020 and as of December 31, 2021 and December 31, 2020.

	Dec 31, 2021	Dec 31, 2020
Revenue Growth	(11%)	(19%)
Net Income Margin	(7%)	(11%)
EBITDA (in Millions of Pesos)	₱ 771	₱ 439
EBITDA Margin	5%	3%
	As of	
	Dec 31, 2021	**Dec 31, 2020**
Current Ratio	0.9	0.9
Interest Bearing Debt to Total Equity	12.1	4.0
Total Liabilities (less effect of PFRS 16) to Total Equity	18.2	7.3
Total Liabilities to Total Equity	19.2	7.9

EBITDA improved 76% YoY to ₱771 million at 5% margin in 2021 compared to ₱439 million and 3 % in 2020.

Current Ratio is as of 0.9 December 31, 2021 and 2020. Interest Bearing Debt to Total Equity increased to 12.1 as of December 31, 2021 from 4.0 as of 2020, while Total Liabilities to Total Equity increased to 19.2 from 7.9. Excluding the effect of the adoption of PFRS 16, Total Liabilities to Total Equity increased to 18.2 from 7.3.

The Group calculates the key financial ratios as follows:

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

Company Outlook

2GO continues to serve its customers and stakeholders as the Philippines' largest end-to-end logistics solutions provider. The Group provides shipping, logistics and distribution services to small and medium enterprises, large corporations, and government agencies throughout the Philippines. The shipping group primarily operates 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.

For 2022, 2GO continues its corporate governance initiatives, and aims to expand and further enhance its service offerings to its customers and stakeholders. 2GO plans to achieve this through more streamlined operations and collaboration within its business units, investment in warehousing and logistics information technology solutions for customers, and synergies and best practices from its new shareholders. Management is confident that 2GO will further its growth and become an even stronger logistics solutions provider going forward.

Effect of COVID-19

On March 8, 2020, the Office of the President, under Proclamation 922, declared a state of public health emergency and subsequently on March 16, 2020, under Proclamation 929, placed the entire Philippines under a state of calamity due to the spread of the Novel Corona Virus Disease (COVID-19 pandemic). As part of these declarations and to manage the spread of the disease, certain areas in the Philippines were placed under various categories of community quarantine since March 17, 2020 and such community quarantines are still in effect at the date of filing of 2GO's audited financial statements as of and for the year ended December 31, 2021 with the SEC.

The Government-mandated quarantine measures continue to evolve and involve various attendant measures including, but not limited to, travel restrictions, home quarantine and temporary suspension or regulation of business operations thereby limiting commercial and similar activities related to the provision of essential goods and services.

2GO across its various business units, has been significantly affected by the aforesaid quarantine measures. This resulted in limited business operations in Luzon and in many other parts of the country for most of 2020. Given the restricted mobility in and out of the country and the curtailed economic activities affecting demand not only in the Philippines but in other countries, 2GO experienced a decline and gradual recovery in sales/revenue volumes as aforementioned quarantine measures were slowly relaxed.

Management continues to evaluate and respond to other potential adverse impacts of the COVID-19 outbreak in future reporting periods. 2GO has activated its Business Continuity Implementation Plan and has taken steps to manage the risk of disruption in operations. 2GO likewise continuously monitors developments in the domestic and international markets for any further slowdown in economic activities and the drastic shift in customer or market preferences that may eventually depress sales, place pressure on the deployment of certain assets, and impair the realizability of trade receivables and other similar working capital items.

As part of the 2GO's commitment to customer and employee health and safety and its regulatory compliance, 2GO has likewise implemented stringent safety and precautionary measures, including disinfecting and sanitizing facilities, implementation of work-from-home schemes for its employees, and imposing social-distancing in the work places, in order to mitigate the risk and ensure continuity of business operations during this time of pandemic.

The foregoing events are reflected in the financial position and performance of 2GO for the year ended December 31, 2021. Considering the evolving nature of the pandemic, 2GO cannot reasonably estimate at this time the length and severity of the pandemic, or the extent to which the disruption may materially impact 2GO's consolidated financial position, consolidated results of operations and consolidated cash flows in future reporting periods.

Results of Operations for the Years Ended December 31, 2020 and 2019

Amounts in millions		Dec 31, 2020		Dec 31, 2019	% Change
Revenue	₱	**17,409**	₱	**21,410**	**(19%)**
Costs of Services and Goods Sold		16,857		19,655	14%
Gross Profit		**552**		**1,755**	**(69%)**
General and Administrative Expenses		1,483		1,509	2%
Other Operational Expenses		230		198	(16%)
Operating Income		**(1,161)**		**48**	**(2,544%)**
Other Charges		663		377	(76%)
Provision for Income Tax		19		90	79%
Net Income (Loss) from Continuing Operations	₱	**(1,843)**	₱	**(419)**	**(340%)**
Net Income (Loss) from Discontinued Operations	₱	-	₱	(473)	100%
Net Income (Loss)	₱	**(1,843)**	₱	**(892)**	**(107%)**
Add back:					
Financing Charges (Interest)		406		421	4%
Provision for Income Tax		19		90	79%
Depreciation and Amortization		1,856		2,300	19%
EBITDA	₱	**439**	₱	**1,919**	**(77%)**

2GO Group, Inc. and subsidiaries incurred a Net Loss of ₱1.8 billion during 2020 primarily due to the reduced economic activity brought about by the COVID-19 pandemic. 2GO incurred a Net Loss of ₱892 million during 2019.

The Group's revenue decreased 19% year-over-year (YoY). Travel revenue declined by 78% YoY or ₱2.9 billion due to ongoing quarantine-related travel restrictions which began in mid-March and persisted throughout the rest of the year. Freight revenue from Shipping declined 10% while revenue from Logistics and other services declined 13% YoY, with the steepest declines occurring from March to May when most of the country was placed under enhanced community quarantine (ECQ). Distribution revenue was also affected by the pandemic, however increased 2% YoY due to the full-year effect of two principals added in the latter half of 2019. During 2020, 2GO continued to improve and adapt its suite of services to cater to its customers given the evolving operating conditions caused by the pandemic. The Non-shipping business accounted for 78% of total revenue during 2020 vs. 67% during 2019.

Cost of services and goods sold were 14% lower YoY due to the lower volumes for the shipping and logistics businesses during the pandemic and the Group's efforts to improve efficiencies and control costs. General and administrative expenses were also 2% lower YoY. The Group incurred approximately ₱113 million of COVID-19 related expenses for the year which are included in Other Operational Expenses. These are mainly employee-related expenses for personal protective equipment, employee shuttle services, and allowances. Other Operational Expenses and Other Charges are generally non-recurring in nature and are primarily related to the Group's efforts to rationalize the business. Other Charges includes Php358M costs incurred to terminate a freighter co-loading agreement as the Group looks to focus on its core ROPAX services in 2021 and after.

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

		As of			
Amounts in millions		Dec 31, 2020		Dec 31, 2019	% Change
Current Assets	₱	7,932	₱	7,864	1%
Noncurrent Assets		6,827		8,536	(20%)
Total Assets	₱	**14,759**	₱	**16,400**	**(10%)**
Current Liabilities	₱	8,508	₱	8,883	(4%)
Noncurrent Liabilities		4,585		3,962	16%
Total Liabilities	₱	**13,092**	₱	**12,846**	**2%**
Total Equity		1,667		3,555	(53%)
Total Liabilities and Equity	₱	**14,759**	₱	**16,400**	**(10%)**

Total Assets decreased 10% to ₱14.8 billion, while Total Liabilities increased 2% to ₱13.1 billion.

Assets
Current Assets increased 1% to ₱7.93 billion from ₱7.86 billion. Cash and Cash Equivalents is almost unchanged YoY at ₱890 million. Trade and Other Receivables, net of Allowance for Doubtful Accounts, increased 1% to ₱ 4.12 billion from ₱4.10 billion.

Noncurrent Assets decreased 20% to ₱6.8 billion from ₱8.5 billion due to depreciation of fixed assets and disposal/retirement of certain operating equipment and furniture.

Liabilities
Current Liabilities decreased 4% to ₱8.5 billion from ₱8.9 billion. Short-term Notes Payable decreased 19% to ₱ 2.1 billion from ₱2.7 billion, while the current portion of obligation under lease decreased 17% to ₱373 million from ₱449 million. Trade and Other Payables increased 4% to ₱6.0 billion from ₱5.7 billion.

Noncurrent Liabilities increased 16% to ₱4.6 billion from ₱4.0 billion as of December 31, 2020 and 2019 as the Group converted ₱1.0 billion of short-term debt to long-term debt.

Equity
Total Equity decreased 53% to ₱1.7 billion from ₱3.6 billion primarily due to the Net Loss incurred in 2020.

Key Performance Indicators

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

	Dec 31, 2020	Dec 31, 2019
Revenue Growth	(19%)	9%
Net Income Margin	(11%)	(4%)
EBITDA (in Millions of Pesos)	₱ 439	₱ 1,919
EBITDA Margin	3%	9%
	As of	
	Dec 31, 2020	Dec 31, 2019
Current Ratio	0.9	0.9
Interest Bearing Debt to Total Equity	3.4	1.5
Total Liabilities (less effect of PFRS 16) to Total Equity	7.3	3.2
Total Liabilities to Total Equity	7.9	3.6

Revenue decreased 19% in 2020, while Net Income Margin declined to -11% in 2020 vs. -4% in 2019.

EBITDA and EBITDA Margin remained positive at ₱439 million and 3% in 2020 and ₱1.9 billion and 9% in 2019.

Current Ratio was 0.9 as of December 31, 2020, in line with 2019. Interest Bearing Debt to Total Equity is 3.4 in 2020, compared to 1.5 in 2020. The Total Liabilities to Total Equity ratio is 7.9 in 2020, up from 3.6 in 2019. Excluding the effect of PFRS 16 adoption, the Total Liabilities to Total Equity ratio is 7.3 in 2020 and 3.2 in 2019.

The Group calculates the key financial ratios as follows:

Revenue Growth	(Total Revenue current period / Total Revenue prior period) - 1
Net Income Margin	Net Income / Total Revenue
EBITDA	Net Income + Interest + Income Tax + Depreciation & Amortization
EBITDA Margin	EBITDA / Total Revenue

Current Ratio	Current Assets / Current Liabilities
Interest-Bearing Debt to Total Equity	Total Interest-Bearing Debt / Total Equity
Total Liabilities (less effect of PFRS 16) to Total Equity	(Total Liabilities – Capitalized Operating Leases) / Total Equity
Total Liabilities to Total Equity	Total Liabilities / Total Equity

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

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

2GO Group, Inc. (**2GO**) and subsidiaries (collectively referred to as the **Group**) generated ₱48 million in Operating Income from Continuing Operations in 2019, an improvement from its Operating Loss from Continuing Operations of ₱693 million in 2018. Net Loss from Continuing Operations was ₱419 million in 2019, an improvement of 59% from losses of ₱1.0 billion in 2018. During 2019, 2GO completed a series of restructuring activities as part of Management's plan to focus on improving core services and profitability. 2GO incurred Net Loss from these Discontinued Operations of ₱473 million 2019 and ₱440 million in 2018. Net Loss in total was ₱892 million in 2019, an improvement of 39% from the Net Loss of ₱1.5 billion in 2018.

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

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

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

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

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

Other Charges include financing charges, equity in net earnings/losses from associates and joint ventures, and other non-operating gains/losses. Other charges increased YoY by 50% in 2019. Financing charges increased by ₱124 million or 42% in 2019, due to additional amortization of leases from adoption of PFRS 16 and increased interest expense on short-term notes payable.

Discontinued operations

During 2019, the Shipping business discontinued operations of its interisland freighter vessels and short-haul fast ferry passenger vessels as a part of Management's plan to focus on improving core ROPAX services and profitability. In October 2019, 2GO sold 100% of its shares in The SuperCat Fast Ferry Corporation to Chelsea Logistics and Infrastructure Holdings Corp. for ₱650 million. 2GO also disposed two of its interisland freighter vessels in second quarter of 2019, and terminated long-term charter leases for three freighter vessels in the fourth quarter of 2019.

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

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

Total Assets decreased 3% to ₱16.4 billion from ₱16.8 billion in 2018. Total Liabilities increased by 4% to ₱12.8 billion from 2018 to 2019. The adoption of a new accounting standard (PFRS 16, Leases) at January 1, 2019 led to an increase in both Assets and Liabilities by ₱1.3, which are included above.

Assets
Current Assets decreased 2% to ₱7.9 billion in 2019 from ₱8.0 billion in 2018. Cash and Cash Equivalents decreased 37% to ₱893 million in 2019 from ₱1.4 billion in 2018. Trade and Other Receivables, net of Allowance for Doubtful Accounts, were consistent at ₱4.3 billion in 2019, from ₱4.2 billion in 2018 even as revenue grew YoY as 2GO continues to focus on collections.

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

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

Noncurrent Liabilities increased 16% to ₱4.0 billion from ₱3.4 billion as of December 31, 2019 and 2018 mainly due to the adoption of PFRS 16 and an increase in accrued retirement benefits to ₱338.8 million in 2019 from ₱ 211.4 million in 2018.

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

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

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

Key Performance Indicators

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

		Dec 31, 2019		Dec 31, 2018 As re-presented
Revenue Growth		9%		2%
Net Income Margin		(4%)		(7%)
EBITDA (in Millions of Pesos)	₱	1,947	₱	1,162
EBITDA Margin		9%		6%
		As of Dec 31, 2019		Dec 31, 2018
Current Ratio		0.9		0.9
Interest Bearing Debt to Total Equity		1.5		1.3
Total Liabilities (less PFRS leases) to Total Equity		3.2		2.7
Total Liabilities to Total Equity		3.6		2.7

Revenue increased by 9% in 2019 and 2% in 2018. Net Income Margin was -4% in 2019 vs. -7% in 2018.

EBITDA and EBITDA margin were ₱1.9 billion and 9% in 2019, up 68% from ₱1.2 billion and 6% in 2018.

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

The Group calculates the key financial ratios as follows:

Revenue Growth	(Total Revenue current period / Total Revenue prior period) – 1
Net Income Margin	Net Income / Total Revenue
EBITDA	Net Income + Interest + 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 2022, 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 2021.

(1) External Audit Fees and Services

	Year ended December 31, 2021	**Year ended December 31, 2020**	**Year ended December 31, 2019**
Audit Fees	**5,500,000**	**5,850,000**	**6,300,000**
Audit-Related Fees			
All Other Fees			
TOTAL	**5,500,000**	**5,850,000**	**6,300,000**

Audit Fees

This represents professional fees paid to SGV & Co. for financial assurance services rendered for 2GO's Annual Financial Statements, review, and opinion for the SEC Annual Report as of December 31, 2021.

All Other Fees

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

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

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 March 2021) 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,* 62 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, 73, Filipino, is 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, 54, Filipino, is a Director and Corporate Secretary of 2GO. He is a practicing lawyer specializing in corporate law and is the Managing Partner of the law firm SERRANO LAW.

Atty. Serrano has been awarded "Asia Best Lawyer" by the International Financial Law Review (IFLR) for Banking and Finance, Capital Markets, and Mergers & Acquisitions, one of only two exclusively recognized lawyers in 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 Atty. Serrano as a "Leading Individual" in Banking & Finance, after constant citation as a "Recommended Lawyer".

Atty. Serrano is the Corporate Secretary of some of the largest and most respected publicly listed companies in the Philippines, including SM Prime Holdings, Inc., SM Investments Corporation, Atlas Consolidated Mining and Development Corporation and Premium Leisure Corp. as well as subsidiaries of BDO Unibank, Inc. He is also Corporate Secretary of, or counsel to, prominent financial industry organizations, such as the Bankers Association of the Philippines and the Philippine Payments Management, Inc. and the PDS Group of Companies.

Atty. Serrano is a Certified Associate Treasury Professional and was among the top graduates of the Trust Institute of the Philippines in 2001. He 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, 74, 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 now back as Chairman-CEO of the Advocacy Mindanow Foundation and as publisher of the Mindanao Times.

Atty. Paquito N. Ochoa, Jr., 61, 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, 61, 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,** 68, 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,** 50, 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 from 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,** 49, 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 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.

*** Non-independent members of the Board of Directors to serve the remaining unexpired terms of the outgoing Directors effective June 3, 2021.*

Below is the attendance of the Directors for the meetings held as of December 31, 2021:

	No. of Meetings Attended	Total No. of Meetings	Percentage
Frederic C. Dybuncio*	8	8	100%
Francis C. Chua	8	8	100%
Elmer B. Serrano	8	8	100%
Jesus G. Dureza	8	8	100%
Paquito N. Ochoa Jr.	8	8	100%
Laurito E. Serrano	8	8	100%
Sing Mein Ang**	5	5	100%
Kiat Chan**	4	5	80%
Stephen Ly	5	5	100%
Dennis A. Uy***	3	3	100%
Ma. Concepcion F. De Claro***	3	3	100%
Chryss Alfonsus V. Damuy***	3	3	100%

**Mr. DyBuncio was appointed as Chairman of the Board effective June 3, 2021*
*** Non-independent members of the Board of Directors to serve the remaining unexpired terms of the outgoing Directors effective June 3, 2021.*
****Resigned effective June 3, 2021.*

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

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

For the 2021 board evaluation, the Company engaged the Institute of Corporate Directors to facilitate the said assessment. The third-party evaluation was conducted through questionnaires answered by each of the directors and the scope of which includes board structure and composition, responsibilities and duties, board processes, dynamics and relationships, and corporate governance practices related to the strategy, policy, oversight and accountability functions giving insights on the effectiveness of the Board, the Committee, the Chairperson, and the Directors. Scores were based on the weights, the number of questions, and individual ratings per question.

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.

Mr. Dan Paulo L. Fernan is the Vice President and Chief Operating Officer of Sea Solutions for 2GO. He leads the 9-vessel strong shipping arm of the company, which is a leader in domestic freight transport in the Philippines. He is a 20-year liner shipping veteran with a global background in Trade, Pricing, Sales, and Operations in both head office and field roles in an industry leading multinational in Singapore. He holds a B.S. Business Administration from the University of San Carlos, Philippines.

Ms. Anna Estela Gurango Vicencio is the Vice-President of Scan Asia Overseas Inc, which provides Philippine-wide Distribution and Value-Added Services and the Head of Planning and Execution of the 2Go Group. She is a business development professional with over 30 years of experience in Supply Chain, Sales, and Commercial Operations from Procter & Gamble and Mondelez International Operations working across multiple countries. She also led Project Management on organization transformation, acquisitions & outsourcing, technology & innovation implementation and led Organization Learning & Development focused on upskilling and reskilling of the workforce. Ms. Vicencio holds a B.S. Business Management and an M.A. Psychology (Units) from Ateneo de Manila University.

Mr. Waldo Basilla was the Chief Operating Officer of 2GO until November 20, 2021. He served as Director of Logistics and Operations of American President Lines for 12 years until he became its Managing Director in Cambodia and Bangladesh. He then became a Senior Director and eventually Head of Retail of Singapore-based APL Logistics, serving the company for a total of 14 years. Mr. Basilla holds a Bachelor of Science degree in Management Engineering from the Ateneo de Manila University and a Masters of Business Administration degree from the University of the Philippines.

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. Gener C. Lim - Senior Vice President of SCVASI 3. Anna Estela E. Vicencio - Vice President of Scanasia Overseas Inc. 4. William Charles Howell - Treasurer and Chief Finance Officer 5. Dan Paulo L. Fernan - Chief Operating Officer - Shipping	2022 Estimate	45,571,400	7,595,233
All other officers and directors as a group unnamed		41,407,962	6,901,327
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
1. Frederic C. DyBuncio. - President and Chief Executive Officer 2. Waldo C. Basilla - Chief Operating Officer of 2GO Group, Inc. 3. Jose S. Ejercito - President of Scanasia Overseas Inc. 4. William Charles Howell - Treasurer and Chief Finance Officer 5. Dan Paulo L. Fernan - Chief Operating Officer - Shipping	2020	50,865,000	8,477,500
All other officers and directors as a group unnamed		44,006,504	7,334,417

Board Remuneration:

The members of the Board of Directors received the following remuneration in 2021:

Name	Total
Frederic C. DyBuncio	1,390,000
Francis C. Chua	1,200,000
Laurito E. Serrano	1,200,000
Elmer B. Serrano	1,200,000
Jesus G. Dureza	1,200,000
Paquito N. Ochoa Jr.	790,000
Kiat Chan	590,000
Sing Mein Ang	620,000
Stephen Ly	620,000

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, 2021:

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, 2021:

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 (D)**	Voting	0.00%
Common	**Sing Mein Ang** Director	Singaporean	**100 (D)**	Voting	0.00%
Common	**Stephen Ly** Director	Australian	**100 (D)**	Voting	0.00%
Common	**Laurito E. Serrano** Independent Director	Filipino	**100 (D)**	Voting	0.00%

Common	**Paquito N. Ochoa, Jr.** Independent Director	Filipino	**100 (D)**	Voting	0.00%
Common	**Jesus G. Dureza** Independent Director	Filipino	**100 (D)**	Voting	0.00%

Security Ownership of the Directors and Officers in 2GO: Common is 10,800 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.

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.

The following individuals constituted the Board of Directors for 2021:

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, 2021.

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 a periodic review committee charters, the independence of directors, the Code of Business Conduct, as well as the development of the various governance-related policies and programs. The Corporate Governance Committee is composed entirely of independent non-executive directors.

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

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

For the 2021 board evaluation, the Company engaged the Institute of Corporate Directors to facilitate the said assessment. The third-party evaluation was conducted through questionnaires answered by each of the directors and the scope of which includes board structure and composition, responsibilities and duties, board processes, dynamics and relationships, and corporate governance practices related to the strategy, policy, oversight and accountability functions giving insights on the effectiveness of the Board, the Committee, the Chairperson, and the Directors. Scores were based on the weights, the number of questions, and individual ratings per question.

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 2021:

	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 enterprise-wide 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 2021:

	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 2021:

	No. of Meetings Attended	Total No. of Meetings	Percentage
Paquito N. Ochoa Jr.	1	1	100%
Laurito E. Serrano	1	1	100%
Sing Mein Ang*	0	0	n/a
Ma. Concepcion F. De Claro**	1	1	100%

** Elected on June 3, 2021 to serve the remaining unexpired terms of the outgoing member.*
***Resigned effective June 3, 2021.*

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 2021:

	No. of Meetings Attended	Total No. of Meetings	Percentage
Laurito E. Serrano	4	4	100%
Kiat Chan*	3	3	100%
Paquito N. Ochoa Jr.	4	4	100%
Ma. Concepcion F. De Claro**	1	1	100%

** Elected on June 3, 2021 to serve the remaining unexpired terms of the outgoing member.*
***Resigned effective June 3, 2021.*

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

2GO implements a meritocracy-based corporate compensation philosophy for executive remuneration. 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 2021 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
March 10, 2021	Notice of Annual Meeting of Stockholders
March 18, 2021	Material Information/Transactions - Acquisition of Shares of 2GO Group, Inc. by SM Investment Corporation
April 15, 2021	Death of Joseph C. Tan, Lead Independent Director
April 23, 2021	Results of Annual Stockholders' Meeting
April 23, 2021	Results of the Organizational Meeting of the Board of Directors
June 3, 2021	Completion of Acquisition of 2GO Shares
June 3, 2021	Change in Directors (Resignation, Election and Appointment)
November 10, 2021	Resignation of Officer

2GO GROUP, INC.

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

TABLE OF CONTENTS

EXHIBIT I – CONSOLIDATED FINANCIAL STATEMENTS OF 2GO GROUP, INC. AND SUBSIDIARIES

EXHIBIT II – AUDITED FINANCIAL STATEMENTS OF 2GO GROUP, INC.

EXHIBIT III – SUBSIDIARIES OF THE REGISTRANT

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

		Percentage of Ownership	
	Nature of Business	**2021**	2020
Special Container and Value Added Services, Inc. (SCVASI)	Transportation/logistics	**100.0**	100.0
2GO Express, Inc. (2GO Express)	Transportation/logistics	**100.0**	100.0
2GO Logistics, Inc. (2GO Logistics or DTN)	Transportation/logistics	**100.0**	100.0
Scanasia Overseas, Inc. (SOI)	Sales of goods	**100.0**	100.0
WRR Trucking Corporation (WTC)	Transportation	**100.0**	100.0
NN-ATS Logistics Management and Holdings Co., Inc. (NALMHCI)	Holdings and logistics management	**100.0**	100.0
J&A Services Corporation (JASC) (1) (2)	Vessel support services	**100.0**	100.0
Astir Engineering Works, Inc. (AEWI) (1)	Engineering services	**100.0**	100.0
WG&A Supercommerce, Incorporated (WSI) (4)	Vessels' hotel management	**100.0**	100.0
North Harbor Tugs Corporation (NHTC)	Tugboat assistance	**58.9**	58.9
Super Terminals, Inc. (STI) (2) (5)	Passenger terminal operator	**50.0**	50.0
2GO Rush Delivery, Inc. (RUSH) (6)	Transportation/logistics	**100.0**	100.0
Brisk Nautilus Dock Integrated Services, Inc. (BNDISI) (1)(3)	Freight and related services	**100.0**	100.0
Sea Merchants, Inc. (SMI) (2)	Hotel and allied services	**100.0**	100.0
Bluemarine, Inc. (BMI) (2)	Housekeeping and allied services	**100.0**	100.0

[1]*Ceased commercial operations on December 31, 2018*
[2]*Corporate life ended in 2020*
[3]*Corporate life ended in 2021*
[4]*Ceased commercial operations in February 2006*
[5]*Ceased commercial operations in 2017*
[6]*Incorporated in December 2016 but has not yet started business operations*

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 PASIG 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 18 2022 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. 89
Page No. 18
Book No. XVII
Series of 2022.

MAGHER S. BAUL
Notary Public for and in the Cities of Pasig,
San Juan and in
the Municipalities of Pateros
Appointment No. 118 (2020-2021)
Commission expires on 31 December 2021*
Suite 1105, 11th Floor, Prestige Tower Condominium
Ortigas Center, F. Ortigas Jr., Pasig City Metro Manila
Roll of Attorney No. 63521
IBP No. 012691-Lifetime/04-02-2014/Manila City
PTR No. 8131511/01-12-2022/Pasig City
MCLE Compliance No. VI-0017845; February 14,2019
*until June 30, 2022, per B.M. No. 3795

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

SEC Registration Number

4	4	0	9							

C O M P A N Y   N A M E

2 G O   G R O U P ,   I N C .   A N D
S U B S I D I A R I E S

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 ,   E D S A   E X T E N S I O N
C O R N E R   M A C A P A G A L   A V E N U E ,   P A S A Y
C I T Y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A C F S	C R M D	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)
5,106	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.*

2GO

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of 2Go Group, Inc. and Subsidiaries (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year ended December 31, 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

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

The Board of Directors reviews and approves the financial statements including the schedules attached therein and submits the same to the stockholders.

SyCip Gorres Velayo and Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

FREDERIC C. DYBUNCIO
Chairman of the Board

FREDERIC C. DYBUNCIO
President and Chief Executive Officer

WILLIAM CHARLES HOWELL
Chief Finance Officer

Signed this 06 day of April, 2022

SUBSCRIBED AND SWORN to before me this _____ day of APR 0 7 2022 2022 in MAKATI CITY Philippines, 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 Expiration date 13-May-2023.

Doc. No. 183;
Page No. 37;
Book No. 83;
Series of 2022

ATTY. REINIER S. QUIAMBAO
NOTARY PUBLIC
UNTIL JUNE 30, 2022
PTR NO. 8852958 / 01.06.22 / MAKATI CITY
IBP NO 195607 / 01.04.22 / TARLAC CITY
TIN 238-251-699 ROLL NO 62283
MCLE NO. VI - 0025079 / 03.29.19

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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, 2021 and 2020, 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, 2021 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 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 ₱9.92 billion and from sale of goods amounting to ₱5.49 billion comprise 64.37% and 35.63%, respectively, of the Group's total consolidated revenues for the year ended December 31, 2021. 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, 2021, the Group's vessels in operations and related equipment amounting to ₱3.09 billion and goodwill allocated to the shipping business amounting to ₱580.64 million, comprise 23.88% and 4.50%, 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.

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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, 2021, 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, 2021 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. 08-001998-135-2020, January 31, 2020, valid until January 30, 2023
PTR No. 8853475, January 3, 2022, Makati City

April 6, 2022

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date
RECEIVED
MARK ANTHONY M. PANDIÑO

2GO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

(Amounts in Thousands)

		December 31	
	Note	**2021**	2020
ASSETS			
Current Assets			
Cash and cash equivalents	*7*	**₱670,015**	₱890,127
Trade and other receivables	*8,20*	**2,880,910**	4,054,009
Inventories	*9*	**532,463**	673,861
Other current assets	*10*	**2,514,767**	2,460,441
Total Current Assets		**6,598,155**	8,078,438
Noncurrent Assets			
Property and equipment	*11,17,18*	**4,976,422**	4,806,893
Investments in associates and joint ventures	*12*	**285,518**	231,424
Goodwill	*13*	**686,896**	686,896
Deferred income tax assets	*27*	**95,430**	153,910
Other noncurrent assets	*14*	**276,300**	801,895
Total Noncurrent Assets		**6,320,566**	6,681,018
TOTAL ASSETS		**₱12,918,721**	₱14,759,456
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term notes payable	*15*	**₱3,106,000**	₱2,163,500
Trade and other payables	*16,19,20*	**4,169,985**	5,961,934
Obligations under lease - current portion	*11,18*	**141,557**	372,669
Income tax payable		**3,506**	9,728
Total Current Liabilities		**7,421,048**	8,507,831
Noncurrent Liabilities			
Noncurrent portion of:			
Long-term debt	*17*	**3,987,844**	3,485,080
Obligations under lease	*11,18*	**498,008**	612,394
Accrued retirement benefits	*26*	**372,867**	487,147
Total Noncurrent Liabilities		**4,858,719**	4,584,621
Total Liabilities		**₱12,279,767**	13,092,452

(Forward)

	Note	December 31 2021	2020
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		**(104,094)**	(218,990)
Deficit		**(4,970,921)**	(3,826,761)
Treasury shares		**(58,715)**	(58,715)
Equity Attributable to Equity Holders of the Parent Company		**577,799**	1,607,063
Non-controlling Interests		**61,155**	59,941
Total Equity		**638,954**	1,667,004
TOTAL LIABILITIES AND EQUITY		**₱12,918,721**	₱14,759,456

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, 2021, 2020 AND 2019

(Amounts in Thousands, Except Earnings Per Common Share)

		Years Ended December 31		
	Note	**2021**	2020	2019
CONTINUING OPERATIONS REVENUES FROM CONTRACTS WITH CUSTOMERS				
Shipping:	*5,20*			
Freight		**₱3,394,891**	₱3,025,461	₱3,360,584
Travel		**437,692**	839,139	3,741,366
Nonshipping:				
Logistics and other services		**6,085,886**	5,825,904	6,707,486
Sale of goods		**5,489,627**	7,718,191	7,600,478
		15,408,096	17,408,695	21,409,914
COST OF SERVICES AND GOODS SOLD	*22*	**14,814,091**	17,442,158	20,099,425
GROSS PROFIT (LOSS)		**594,005**	(33,463)	1,310,489
GENERAL AND ADMINISTRATIVE EXPENSES	*23*	**1,344,299**	897,367	1,064,725
OTHER OPERATIONAL EXPENSES	*32c*	**–**	230,072	198,262
OPERATING INCOME (LOSS) FROM CONTINUING OPERATIONS		**(750,294)**	(1,160,902)	47,502
OTHER INCOME (CHARGES)				
Equity in net earnings (losses) of associates and joint ventures	*12*	**55,407**	(43,534)	(49,682)
Financing charges	*24*	**(416,928)**	(405,829)	(421,326)
Others - net	*24*	**12,781**	(213,276)	94,351
		(348,740)	(662,639)	(376,657)
LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS		**(1,099,034)**	(1,823,541)	(329,155)
PROVISION FOR INCOME TAX	*27*			
Current		**45,666**	63,748	95,596
Deferred		**(1,754)**	(44,550)	(5,787)
		43,912	19,198	89,809
NET LOSS FROM CONTINUING OPERATIONS		**(1,142,946)**	(1,842,739)	(418,964)
NET LOSS FROM DISCONTINUED OPERATIONS	*32b*	**–**	–	(473,250)
NET LOSS		**(₱1,142,946)**	(₱1,842,739)	(₱892,214)
Net Loss Attributable to:				
Equity holders of the Parent Company		**(₱1,144,160)**	(₱1,842,670)	(₱890,352)
Non-controlling interests		**1,214**	(69)	(1,862)
		(₱1,142,946)	(₱1,842,739)	(₱892,214)
Basic/Diluted Loss Per Share	*28*	**(₱0.4647)**	(₱0.7484)	(₱0.3616)

See accompanying Notes to the Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

(Amounts in Thousands)

		Years Ended December 31		
	Note	**2021**	2020	2019
NET LOSS		**(₱1,142,946)**	(₱1,842,739)	(₱892,214)
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)	2,911
Income tax effect	*27*	–	873	(873)
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement gains (losses) on net defined benefit liability	*26*	**176,443**	(58,096)	(132,982)
Income tax effect	*27*	**(60,234)**	17,429	39,894
		116,209	(42,705)	(91,050)
Share in remeasurement loss on retirement benefits of associates and joint ventures	*12*	**(1,313)**	(2,081)	1,079
		114,896	(44,786)	(89,971)
TOTAL COMPREHENSIVE LOSS		**(₱1,028,050)**	(₱1,887,525)	(₱982,185)
Total Comprehensive Loss Attributable to:				
Equity holders of the Parent Company		**(₱1,029,264)**	(₱1,887,456)	(₱980,323)
Non-controlling interests		**1,214**	(69)	(1,862)
		(₱1,028,050)	(₱1,887,525)	(₱982,185)

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, 2021, 2020 AND 2019
(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company													
				Other Comprehensive Income (Losses)										
	Share Capital (Note 21)	Additional Paid-in Capital (Note 21)	Other Equity Reserve (Note 21)	Unrealized Gain on Financial Assets at Fair Value through Other Comprehensive Income	Share in Cumulative Translation Adjustment of Associates	Remeasurement Losses on Accrued Retirement Benefits - Net of tax (Note 26)	Cash Flow Hedge Reserve - Net of tax (Note 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	Non-controlling Interests	Total Equity
BALANCES AT JANUARY 1, 2019	**₱2,484,653**	**₱910,901**	**₱2,315,975**	**(₱50)**	**₱5,294**	**(₱105,461)**	**₱–**	**₱6,450**	**(₱93,767)**	**(₱1,084,205)**	**(₱58,715)**	**₱4,474,842**	**₱61,872**	**₱4,536,714**
Net loss for the year	–	–	–	–	–	–	–	–	–	(890,352)	–	(890,352)	(1,862)	(892,214)
Other comprehensive income (loss) for the year	–	–	–	–	–	(93,088)	2,038	1,079	(89,971)	–	–	(89,971)	–	(89,971)
Total comprehensive income (loss) for the year	–	–	–	–	–	(93,088)	2,038	1,079	(89,971)	(890,352)	–	(980,323)	(1,862)	(982,185)
Effect of merger	16,010	1,587,720	(1,603,730)	–	–	–	–	–	–	–	–	–	–	–
Other comprehensive income (OCI) closed to retained earnings	–	–	–	50	–	9,662	–	–	9,712	(9,712)	–	–	–	–
BALANCES AT DECEMBER 31, 2019	**2,500,663**	**2,498,621**	**712,245**	**–**	**5,294**	**(188,887)**	**2,038**	**7,529**	**(174,026)**	**(1,984,269)**	**(58,715)**	**3,494,519**	**60,010**	**3,554,529**
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 income (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**

See accompanying Notes to the Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Thousands)

		Years Ended December 31		
	Note	**2021**	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax from continuing operations		**(₱1,099,034)**	(₱1,823,541)	(₱329,155)
Loss before tax from discontinued operations	*32b*	**–**	–	(463,501)
Adjustments for:				
Depreciation and amortization of property and equipment and software	*11,14, 22,23*	**1,453,153**	1,856,449	2,300,073
Financing charges	*24,32b,32c*	**416,928**	413,095	449,463
Interest income	*24,32b*	**(2,708)**	(39,731)	(17,371)
Loss (gain) on disposal of:				
Property and equipment	*24*	**36,614**	(23,835)	(81,523)
Cash generating unit	*32b*	**–**	–	(37,592)
Write-off of investment property	*14*	**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*	**(55,407)**	43,534	49,682
Retirement benefit cost	*26*	**85,368**	108,019	77,665
Unrealized foreign exchange losses (gains)		**692**	1,381	(1,523)
Operating income before working capital changes		**882,507**	488,138	1,946,218
Decrease (increase) in:				
Trade and other receivables		**1,040,355**	(40,586)	(39,584)
Inventories		**141,398**	137,944	(193,990)
Other current assets		**139,619**	18,217	45,492
Other noncurrent assets		**47,956**	(14,074)	35,998
Increase (decrease) in trade and other payables		**(1,362,863)**	313,460	(69,129)
Net cash generated from operations		**888,972**	903,099	1,725,005
Contribution for retirement fund and benefits paid from book reserve	*26*	**(23,205)**	(18,098)	(72,926)
Interest received		**2,708**	39,731	17,371
Income taxes paid, including creditable withholding taxes		**(245,833)**	(247,369)	(247,059)
Net cash flows provided by operating activities		**622,642**	677,363	1,422,391
CASH FLOWS USED IN INVESTING ACTIVITIES				
Additions to:				
Property and equipment	*11*	**(1,918,694)**	(456,890)	(766,054)
Software	*14*	**(15,311)**	(70,938)	(57,089)
Proceeds from disposal of:				
Property and equipment	*11*	**346,941**	57,931	107,865
Investment in subsidiary		**–**	18,000	–
Collection of proceeds from the sale of a subsidiary and freighters	*32b*	**89,263**	100,582	101,856
Payment of capital gains tax from the sale of a subsidiary	*32b*	**–**	–	(19,602)
Cash of the disposed subsidiary	*32b*	**–**	–	(40,417)
Cash of deconsolidated subsidiaries	*24*	**–**	(5)	–
Receipts of (payments for) various deposits		**8,003**	(332)	27,466
Net cash flows used in investing activities		**(1,489,798)**	(351,652)	(645,975)

(Forward)

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date
RECEIVED
MARK ANTHONY M. PANDIÑO

		Years Ended December 31		
	Note	**2021**	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES	*31*			
Proceeds from availments of:				
Short-term notes payable	*15*	**₱2,811,000**	₱1,425,000	₱3,921,500
Long-term debt	*17*	**500,000**	1,000,000	–
Payments of:				
Short-term notes payable	*15*	**(1,868,500)**	(1,940,000)	(3,878,000)
Long-term debt	*17*	–	(1,500)	(401,556)
Obligations under lease	*18*	**(395,527)**	(413,477)	(488,900)
Interest and financing charges	*24*	**(397,903)**	(390,619)	(452,343)
Debt transaction costs	*24*	**(3,750)**	(7,500)	–
Net cash flows provided by (used in) financing activities		**645,320**	(328,096)	(1,299,299)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**1,724**	(28)	12
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(220,112)**	(2,413)	(522,871)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*7*	**890,127**	892,540	1,415,411
CASH AND CASH EQUIVALENTS AT END OF YEAR	*7*	**₱670,015**	₱890,127	₱892,540

See accompanying Notes to the Consolidated Financial Statements.

1. Corporate Information and Approval of the Consolidated Financial Statements

2GO Group, Inc. (2GO or the Company) was incorporated in the Philippines on May 26, 1949. Its corporate life was renewed on May 12, 1995 and will expire on May 25, 2049. However, under the Revised Corporation Code of the Philippines, 2GO shall have a perpetual corporate life. The Company's registered office address is 8th Floor Tower 1, Double Dragon Plaza, EDSA Extension corner Macapagal Avenue, Pasay City, Metro Manila. 2GO's shares of stock are publicly traded on the Philippine Stock Exchange (PSE).

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

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

Effective January 1, 2019, NN was merged into 2GO, with 2GO as the surviving entity, pursuant to the Articles of Merger as approved by the Securities and Exchange Commission (SEC). Hence, the separate corporate existence of NN ceased by operation of law as provided under Section 80(2) of the Corporation Code. To execute the merger, 2GO issued a total of 2,176,151,907 shares with a par value of One Peso (₱1.00) per share to the stockholders of NN in exchange for the net assets of NN, which shares were composed of the 2,160,141,991 shares reacquired by 2GO as a result of the merger, and 16,009,916 shares from the unissued authorized capital stock of 2GO. As a result, 2GO is 35.22%-owned by KGLI-NM Holdings, Inc., 30.49% owned by SMIC, 22.36%-owned by CAMBV and 11.93% owned by public shareholders as of December 31, 2020 and 2019. The effect of the merger is presented in Notes 21 and 32a.

During 2019, 2GO completed a series of restructuring activities as part of a plan to focus on improving core services and profitability. 2GO discontinued the operations of its short-haul fast ferry passenger vessels, inter-island freighters, and consolidated its operations in certain container yards, warehouses and offices (see Note 32b).

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, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 were approved and authorized for issue by the BOD on April 6, 2022.

2. Basis of Preparation and Statement of Compliance

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

Statement of Compliance
The consolidated financial statements of the Group are prepared in accordance with Philippine Financial Reporting Standards (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, 2021. 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, 2021

- Amendment to PFRS 16, *Leases*, *COVID-19-related Rent Concessions beyond 30 June 2021*

  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

The Group adopted the amendments beginning April 1, 2021. The amendments did not have a material impact on the Group.

- Amendments to PFRS 9, *Financial Instruments*, PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts* and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform;
  - Relief from discontinuing hedging relationships; and
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

  The Group shall also disclose information about:

  - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

<u>Standards Issued But Not Yet Adopted</u>
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, 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.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to Philippine Accounting Standards (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.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- 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.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *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.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

  - Amendments to PFRS 9, *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. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- 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.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

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.

<u>Basis of Consolidation</u>
The consolidated financial statements include the accounts of 2GO and the subsidiaries listed below:

		Percentage of Ownership	
	Nature of Business	**2021**	2020
Special Container and Value Added Services, Inc. (SCVASI)	Transportation/logistics	**100.0**	100.0
2GO Express, Inc. (2GO Express)	Transportation/logistics	**100.0**	100.0
2GO Logistics, Inc. (2GO Logistics or DTN)	Transportation/logistics	**100.0**	100.0
Scanasia Overseas, Inc. (SOI)	Sales of goods	**100.0**	100.0
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 2021	2020
WG&A Supercommerce, Incorporated (3)	Vessels' hotel management	**100.0**	100.0
North Harbor Tugs Corporation	Tugboat assistance	**58.9**	58.9
J&A Services Corporation (JASC) (3) (4)	Vessel support services	–	–
Super Terminals, Inc. (4)	Passenger terminal operator	–	50.0
2GO Rush Delivery, Inc. (RUSH) (5)	Transportation/logistics	**100.0**	100.0
Brisk Nautilus Dock Integrated Services, Inc. (BNDISI) (6)	Freight and related services	**100.0**	100.0
Sea Merchants, Inc. (SMI) (4)	Hotel and allied services	–	–
Bluemarine, Inc. (BMI) (4)	Housekeeping and allied services	–	–

[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] *Corporate life ended in 2020*
[5] *Wound down due to non-operation*
[6] *Corporate life ended May 2021*

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

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

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

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

The Parent Company or its subsidiaries reassess whether or not they control an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company or its subsidiaries obtain control over the subsidiary and ceases when they lose control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Parent Company or its subsidiaries gain control until the date they cease to control the subsidiary.

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

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation adjustments recorded in equity;

- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate.

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

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

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

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

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

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

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

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

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

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

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

[1]*Investment by 2GO Express in 2018.*
[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, 2021 and 2020, 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 twelve months after the financial reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the financial reporting period.

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

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

Determination of Fair Value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that the market participants act in their best economic interest.

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

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

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

Initial Recognition of Financial Instruments
Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). With the exception of trade receivables or for which the Group has applied the practical expedient, the Group's initial measurement of financial instruments, except for those classified as fair value through profit or loss (FVTPL), includes transaction cost. Trade receivables or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15, *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.

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

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost, which includes all costs directly attributable to acquisition, such as purchase price and transport costs, is primarily determined using the weighted average method. 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.

Additional disclosures are provided in Note 32b. All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

Property and Equipment

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

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

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

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

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

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

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

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

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

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

**From the time the vessel was built.*

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

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

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

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

<u>Investment Property</u>
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.

<u>Provisions</u>
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

Borrowing Cost

Borrowing cost is capitalized as part of the cost of the asset if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing cost commences when the activities to prepare the asset are in progress and expenditures and borrowing cost are incurred. Borrowing cost is capitalized until the assets are substantially ready for their intended use. Borrowing cost is capitalized when it is probable that they will result in future economic benefits to the Group. All other borrowing costs are expensed as incurred. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowings is used.

Taxes

Current Tax. Current tax assets and liabilities for the current periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the end of each reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax. Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefits of excess MCIT over RCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and,
- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at reporting date.

Income tax relating to items recognized directly in the consolidated statement of comprehensive income is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of profit or loss.

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

Value-added taxes (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

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

Creditable withholding taxes (CWTs)
CWTs, included in "Other current assets" account in the consolidated statement of financial position, are amounts withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rule on Philippine income taxation. CWTs which are expected to be utilized as payment for income taxes within twelve (12) months are classified as current assets.

Basic/Diluted Earnings (Loss) Per Common Share (EPS)
Basic EPS is computed by dividing the net income (loss) for the period attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding, after retroactive adjustment for any stock dividends and stock splits declared during the year.

For the purpose of computing diluted EPS, the net income (loss) for the period attributable to equity holders of the Parent Company and the weighted-average number of issued and outstanding common shares are adjusted for the effects of all dilutive potential ordinary shares.

Dividends
Dividends on common shares are recognized as a liability and deducted from retained earnings when approved by the respective 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.

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 providing the services;
  - whether the Group has inventory risk;
  - whether the Group has discretion in establishing prices; and
  - whether the Group bears the credit risk.

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

  The Group assessed its revenue arrangements and concluded that it is acting as principal in all arrangements.

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 2021 and 2020, 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	**2021**	2020
Property and equipment	*11*	**₱4,976,422**	₱4,806,893
Investments in associates and joint ventures	*12*	**285,518**	231,424

As at December 31, 2021 and 2020, 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, 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 from continuing operations	**(₱726,560)**	**(₱197,474)**	**(₱175,000)**	**(₱1,099,034)**
Benefit from (Provision for) income tax	**1,440**	**(45,352)**	**-**	**(43,912)**
Segment loss from continuing operations	**(₱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 from continuing operations	(₱1,591,620)	(₱96,319)	(₱135,602)	(₱1,823,541)
Benefit from (Provision for) income tax	19,242	(38,440)	–	(19,198)
Segment loss from continuing operations	(₱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
Other Information:				
Capital expenditures	₱379,559	₱29,053	₱–	₱408,612
Depreciation and amortization	1,511,479	344,970	–	1,856,449
Provision for (Recovery of) 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)

	December 31, 2019			
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
		(In Thousands)		
External customers	₱7,101,950	₱14,307,964	₱–	₱21,409,914
Intersegment revenue	673,925	735,040	(1,408,965)	–
Revenues from contracts with customers	₱7,775,875	₱15,043,004	(₱1,408,965)	₱21,409,914
Loss before income tax from continuing operations	(₱272,625)	(₱21,530)	(₱35,000)	(₱329,155)
Provision for income tax	(1,413)	(88,396)	–	(89,809)
Segment loss from continuing operations	(₱274,038)	(₱109,926)	(₱35,000)	(₱418,964)

(Forward)

	December 31, 2019			
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
Other Information:				
Capital expenditures	₱679,082	₱99,920	₱–	₱779,002
Depreciation and amortization	1,936,065	364,008	–	2,300,073
Reversal of ECL - net	546	(48,630)	–	(48,084)
Dividend income	35,000	–	(35,000)	–
Equity in net losses of associates and joint ventures	(25,875)	(23,807)	–	(49,682)

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

		Years Ended December 31		
	Note	**2021**	2020	2019
			(In Thousands)	
Segment loss		**(₱1,142,946)**	(₱1,842,739)	(₱418,964)
Net loss from discontinued operations	*32b*	**–**	–	(473,250)
Net loss		**(₱1,142,946)**	(₱1,842,739)	(₱892,214)

7. Cash and Cash Equivalents

This account consists of:

		December 31	
	Note	**2021**	2020
		(In Thousands)	
Cash on hand and in banks	*20*	**₱653,552**	₱788,806
Cash equivalents		**16,463**	101,321
		₱670,015	₱890,127

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 ₱0.5 million, ₱1.2 million and ₱2.6 million for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 24).

8. Trade and Other Receivables

This account consists of:

		December 31	
	Note	**2021**	2020
		(In Thousands)	
Trade	*20*	**₱2,053,353**	₱2,924,382
Contract assets		**822,822**	841,625
Nontrade		**488,036**	988,869
Advances to officers and employees		**26,918**	37,810
		3,391,129	4,792,686
Less allowance for ECL		**(510,219)**	(738,677)
		₱2,880,910	₱4,054,009

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

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

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

   The balance as of December 31, 2020 also includes the current portion of the receivable from Chelsea Logistics and Infrastructure Corp. amounting to ₱131.6 million (see Notes 14, 20 and 32b). This was fully settled on March 31, 2021. The Group recognized the related interest income for this receivable amounting to nil in 2021 and ₱37.7 million in 2020 (see Notes 20, 24 and 32b).

d. The following tables set out the rollforward of the allowance for ECL as of December 31, 2021 and 2020 and 2019:

		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	*32b*	(1,052)	–	(1,052)
Ending		₱582,732	₱155,945	₱738,677

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

9. Inventories

This account consists of:

	December 31	
	2021	2020
At lower of cost and net realizable value:	*(In Thousands)*	
Trading goods	**₱419,370**	₱605,020
Materials, parts and supplies	**13,822**	25,167
At cost:		
Fuel, oil and lubricants	**99,271**	43,674
	₱532,463	₱673,861

The cost of trading goods carried at net realizable value amounted to ₱430.6 million and ₱651.2 million as of December 31, 2021 and 2020 while the cost of materials, parts and supplies carried at net realizable value amounted to ₱16.2 million and ₱40.8 million, respectively. The allowance for inventory obsolescence as of December 31, 2021 and 2020 amounted to ₱13.6 million and ₱61.8 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	**2021**	2020	2019
		(In Thousands)		
Continuing operations:				
Cost of services	*22*	**₱2,072,656**	₱1,719,816	₱3,203,591
Cost of goods sold	*22*	**4,945,101**	6,999,122	6,907,186
General and administrative expenses	*23*	**2,073**	7,673	5,439
Discontinued operations:	*32b*			
Cost of services		**–**	–	455,150
General and administrative expenses		**–**	–	187
		₱7,019,830	₱8,726,611	₱10,571,553

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	**2021**	2020
		(In Thousands)	
CWTs		**₱2,045,260**	₱1,851,315
Input VAT		**126,384**	109,579
Prepaid expenses and others		**121,280**	74,956
Deferred input VAT		**99,610**	146,032
Refundable deposits - current portion	*14*	**62,748**	73,155
Advances to suppliers and contractors		**61,034**	211,338
		2,516,316	2,466,375
Less allowance for impairment losses		**(1,549)**	(5,934)
		₱2,514,767	₱2,460,441

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, 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	**₱11,604,086**	**₱1,829,918**	**₱860,144**	**₱490,325**	**₱493,288**	**₱362,794**	**₱427,002**	**₱17,400**	**₱776,407**	**₱53**	**₱1,819,330**	**₱18,680,747**
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	**10,682,484**	**1,626,370**	**905,230**	**503,316**	**471,545**	**361,560**	**429,227**	**7,978**	**683,035**	**53**	**1,841,155**	**17,511,953**
Accumulated Depreciation and Amortization												
January 1, 2021	**9,207,375**	**1,479,454**	**586,321**	**404,437**	**152,274**	**286,081**	**343,042**	**10,276**	**529,516**	**–**	**875,078**	**13,873,854**
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	**7,595,656**	**1,353,297**	**609,469**	**432,845**	**155,178**	**293,631**	**389,744**	**6,917**	**463,507**	**–**	**1,235,287**	**12,535,531**
Net carrying amounts	**₱3,086,828**	**₱273,073**	**₱295,761**	**₱70,471**	**₱316,367**	**₱67,929**	**₱39,483**	**₱1,061**	**₱219,528**	**₱53**	**₱605,868**	**₱4,976,422**

	December 31, 2020											
	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, 2020	₱11,282,999	₱1,691,723	₱812,067	₱681,865	₱493,288	₱359,384	₱448,577	₱11,773	₱767,248	₱53	₱2,413,533	₱18,962,510
Additions	321,087	335	19,251	6,778	–	4,848	583	5,627	50,103	–	36,854	445,466
Disposals/retirements	–	(130,209)	(57)	(198,318)	–	(1,438)	(30,390)	–	(40,944)	–	(325,873)	(727,229)
Reclassifications/adjustments	–	268,069	28,883	–	–	–	8,232	–	–	–	(305,184)	–
December 31, 2020	11,604,086	1,829,918	860,144	490,325	493,288	362,794	427,002	17,400	776,407	53	1,819,330	18,680,747
Accumulated Depreciation and Amortization												
January 1, 2020	8,077,429	1,333,645	516,492	566,857	149,115	279,748	305,955	2,242	494,174	–	794,056	12,519,713
Depreciation and amortization	1,129,946	70,619	50,224	35,647	3,159	7,764	52,622	8,034	49,459	–	430,309	1,837,783
Disposals/retirements	–	(129,952)	(57)	(198,134)	–	(1,431)	(23,569)	–	(14,117)	–	(116,382)	(483,642)
Reclassifications/adjustments	–	205,142	19,662	67	–	–	8,034	–	–	–	(232,905)	–
December 31, 2020	9,207,375	1,479,454	586,321	404,437	152,274	286,081	343,042	10,276	529,516	–	875,078	13,873,854
Net carrying amounts	**₱2,396,711**	**₱350,464**	**₱273,823**	**₱85,888**	**₱341,014**	**₱76,713**	**₱83,960**	**₱7,124**	**₱246,891**	**₱53**	**₱944,252**	**₱4,806,893**

Property and equipment under lease
Containers, reefer vans, isotanks, cargo handling equipment and transportation equipment and office and operational spaces as of December 31, 2021 and 2020 include units acquired under lease arrangements (see Note 18).

Noncash additions include costs of leased assets for the years ended December 31, 2021, 2020 and 2019 amounting to ₱49.8 million, ₱36.9 million and ₱614.9 million, respectively. The related depreciation of the leased assets for the years ended December 31, 2021, 2020 and 2019 amounted to ₱388.2 million, ₱430.3 million and ₱518.6 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, 2021 and 2020.

December 31, 2021

	Container yard	**Office**	**Warehouse**	**Outlet**	**Equipment**	**Total**
			(In Thousands)			
Cost						
January 1, 2021	**₱277,991**	**₱323,423**	**₱955,235**	**₱3,016**	**₱259,665**	**₱1,819,330**
Additions	**–**	**–**	**45,681**	**–**	**4,163**	**49,844**
Disposal	**–**	**–**	**(25,003)**	**(3,016)**	**–**	**(28,019)**
December 31, 2021	**277,991**	**323,423**	**975,913**	**–**	**263,828**	**1,841,155**
Accumulated Depreciation						
January 1, 2021	**175,826**	**80,370**	**435,790**	**2,784**	**180,308**	**875,078**
Depreciation	**87,717**	**39,808**	**228,222**	**232**	**32,249**	**388,228**
Disposal	**–**	**–**	**(25,003)**	**(3,016)**	**–**	**(28,019)**
December 31, 2021	**263,543**	**120,178**	**639,009**	**–**	**212,557**	**1,235,287**
Net Carrying Amount	**₱14,448**	**₱203,245**	**₱336,904**	**₱–**	**₱51,271**	**₱605,868**

December 31, 2020

	Container yard	Office	Warehouse	Outlet	Equipment	Total
			(In Thousands)			
Cost						
January 1, 2020	₱357,467	₱495,974	₱994,782	₱3,016	₱562,294	₱2,413,533
Additions	–	1,102	33,197	–	2,555	36,854
Disposal	(79,476)	(173,653)	(72,744)	–	–	(325,873)
Reclassification	–	–	–	–	(305,184)	(305,184)
December 31, 2020	277,991	323,423	955,235	3,016	259,665	1,819,330
Accumulated Depreciation						
January 1, 2020	131,263	63,828	231,744	1,392	365,829	794,056
Depreciation	87,913	60,112	233,508	1,392	47,384	430,309
Disposal	(43,350)	(43,570)	(29,462)	–	–	(116,382)
Reclassification	–	–	–	–	(232,905)	(232,905)
December 31, 2020	175,826	80,370	435,790	2,784	180,308	875,078
Net Carrying Amount	₱102,165	₱243,053	₱519,445	₱232	₱79,357	₱944,252

Unpaid acquisition costs of property and equipment amounted to ₱96.0 million and ₱50.6 million as of December 31, 2021 and 2020, 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 ₱258.5 million, ₱174.9 million and ₱224.1 million for the years ended December 31, 2021, 2020 and 2019, 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 ₱346.9 million, ₱57.9 million and ₱191.6 million for the years ended December 31, 2021, 2020 and 2019, 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. In 2019, the proceeds include the consideration from the sale of fully depreciated container vans, and two cargo vessels, which are part of the disposal group, amounting to ₱83.7 million (see Note 32b).

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	**2021**	2020	2019
			(In Thousands)	
Continuing operations:				
Cost of services and goods sold	*22*	**₱1,369,850**	₱1,723,466	₱1,804,626
General and administrative expense	*23*	**44,628**	51,995	63,061
Other operational expenses	*32c*	**–**	62,322	17,365
Discontinued operations	*32b*	**–**	–	400,321
		₱1,414,478	₱1,837,783	₱2,285,373

Property and equipment held as collateral
Property and equipment held or deemed as collateral for leases as at December 31, 2021 and 2020 amounted to ₱1,364.6 million and ₱994.3 million, respectively (see Note 18). In 2021, one of the vessels in operations of the Group, with a carrying value of ₱758.7 million, 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	**2021**	2020	2019
			(In Thousands)	
Acquisition - cost:				
Balances at beginning and end of year		**₱74,340**	₱74,340	₱74,340
Accumulated equity in net earnings:				
Balances at beginning of year		**146,342**	189,876	239,558
Equity in net earnings (losses) during the year		**55,407**	(43,534)	(49,682)
Balances at end of year		**201,749**	146,342	189,876
Share in remeasurement gain on retirement benefits of associates and joint ventures		**4,135**	5,448	7,529
Share in cumulative translation adjustment of associates		**5,294**	5,294	5,294
		₱285,518	₱231,424	₱277,039

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

	December 31	
Statements of financial position	**2021**	2020
	(In Thousands)	
Current assets	**₱1,025,687**	₱861,437
Noncurrent assets	**467,228**	568,083
Current liabilities	**884,602**	997,216
Noncurrent liabilities	**108,571**	86,242
Equity	**499,742**	346,062

	Years ended December 31		
Statements of comprehensive income	**2021**	2020	2019
		(In Thousands)	
Revenue from contracts with customers	**₱2,762,839**	₱2,176,710	₱2,118,672
Net income (loss)	**140,930**	(69,498)	(27,217)
Total comprehensive income (loss)	**138,017**	(72,475)	(23,820)

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		
	2021	2020	2019
		(In Thousands)	
Equity	**₱499,742**	₱346,062	₱522,374
Effective percentage of ownership	**33% to 78%**	33% to 78%	33% to 78%
Share in equity	**₱285,518**	₱231,424	₱277,039

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

13. Goodwill

Impairment Testing of Goodwill

As a result of the merger discussed in Note 1, the goodwill recognized in NN consolidated financial statements was recognized in 2GO consolidated financial statements, which arose from the acquisition of 2GO by NN in December 2010. The resulting goodwill from the business combination in 2010 amounted to ₱848.5 million which has been attributed to each of 2GO's CGUs. The recoverable amounts of the CGUs were determined based on VIU calculation using cash flow projections based on financial budgets approved by senior management covering a seven-year period for shipping and a five-year period for nonshipping. As of December 31, 2021 and 2020, the carrying value of the goodwill amounted to ₱686.9 million, net of impairment loss recognized in prior years for certain CGUs. Goodwill allocated to the shipping and non-shipping business amounted to ₱580.6 million and ₱106.3 million, respectively.

Key Assumptions Used in VIU Calculations for the Shipping Business

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

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

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

- *Passage and cargo revenue.* Management projected passage and cargo revenue in line with historical volumes and rates, adjusted for the number of round trips per year.
- *Rates, exclusive of VAT.* Management expects an increase in passage and freight rates by 2% in 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 9.7% in 2021 and 9.8% in 2020.

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 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.

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 and goods sold.* Management expects that the cost of services and goods sold will increase in line with revenue growth, and that general and administrative expenses and other operating expenses will increase due to inflation and the increasing scale of the nonshipping business.

Discount rate
The discount rate applied to cash flow projections was 11.3% in 2021 and 9.1% in 2020.

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 **2021**	2020
		(In Thousands)	
Software		**₱137,175**	₱172,749
Refundable deposits - net of current portion		**77,021**	85,024
Deferred input VAT		**62,084**	97,705
Receivable from a related party - net of current portion	*8,20, 32b*	**–**	396,481
Investment property		**–**	49,790
Others		**20**	146
		₱276,300	₱801,895

a. The movements in software are as follows:

	Note	**2021**	2020	2019
			(In Thousands)	
Cost				
Balances at beginning of year		**₱345,448**	₱297,050	₱247,188
Additions		**15,311**	70,972	57,089
Disposals/Retirement		**–**	(22,574)	(7,227)
Reclassification/adjustment		**(12,210)**	–	–
Balances at end of year		**348,549**	345,448	297,050
Accumulated Amortization				
Balances at beginning of year		**172,699**	176,607	169,134
Amortization	*23*	**38,675**	18,666	14,700
Disposals/Retirement		**–**	(22,574)	(7,227)
Balances at end of year		**211,374**	172,699	176,607
Carrying Amount		**₱137,175**	₱172,749	₱120,443

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.

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

d. Receivable from a related party as of December 31, 2020 relates to long-term receivable from Chelsea Logistics and Infrastructure Holdings Corporation arising from the sale of SFFC in October 2019. As of December 31, 2021, this was fully settled (See Note 8).

e. The Group's investment property pertains to a parcel of land not currently being used in operations. As title to the property is subject to dispute, the Group has written off this investment property in 2021. The loss on derecognition of investment property amounted to ₱49.8 million and is presented as part of "Others" under "General and Administrative Expenses".

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 3.75% to 4.75% in 2021, 3.85% to 4.75% in 2020 and 4.25% to 6.75% in 2019. Total interest expense incurred by the Group for short-term notes payable was ₱123.8 million, ₱145.2 million and ₱148.3 million for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 24).

16. Trade and Other Payables

	Note	December 31 **2021**	 2020
		(In Thousands)	
Trade	*20*	**₱769,969**	₱995,188
Accruals:			
Expenses	*20*	**2,308,594**	3,269,716
Co-loading termination cost	*20,24*	**–**	352,062
Salaries and wages		**106,714**	111,296
Interest	*24*	**54,748**	59,292
Withholding and other taxes		**51,776**	135,122
Capital expenditure		**96,008**	50,622
Nontrade		**654,124**	792,226
Contract liabilities		**59,458**	67,125
Other payables	*19,20*	**68,594**	129,285
		₱4,169,985	₱5,961,934

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

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

c. Nontrade payables consist of customers' deposits, advances from principals and contractors, agencies and others.

d. Contract liabilities include advance payments received for services to be rendered. Set out below is the amount of revenue recognized from:

	December 31 **2021**	 2020
	(In Thousands)	
Amounts included in contract liabilities at the beginning of the year	**₱67,125**	₱52,477

e. Other payables include provision for contingencies amounting to ₱39.9 million and ₱57.2 million as at December 31, 2021 and 2020 (see Note 19).

17. **Long-term Debt**

Long-term debt consists of:

	Note	December 31 **2021**	 2020
		(In Thousands)	
Banco de Oro Unibank, Inc. (BDO)	*20*	**₱4,000,000**	₱3,500,000
Unamortized debt arrangement fees		**(12,156)**	(14,920)
		3,987,844	3,485,080
Current portion		–	–
Noncurrent portion		**₱3,987,844**	₱3,485,080

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 Maligaya with a carrying value of ₱758.7 million as of December 31, 2021.

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 ₱224.2 million, ₱183.6 million and ₱172.5 million for the years ended December 31, 2021, 2020 and 2019, 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 ₱6.5 million, ₱5.4 million and ₱3.4 million for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 24).

Compliance with debt covenants
At December 31, 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, 2021 and 2020.

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, 2021		December 31, 2020	
	Future Minimum Lease Payments	**Present Value of Minimum Lease payments**	Future Minimum Lease Payments	Present Value of Minimum Lease payments
Less than one year	**₱162,453**	**₱141,557**	₱419,725	₱372,669
Between one and five years	**497,831**	**389,090**	518,629	429,093
Between six and ten years	**79,257**	**108,918**	193,140	183,301
	739,541	**639,565**	1,131,494	985,063
Interest component	**99,976**	–	146,431	–
Present value	**₱639,565**	**₱639,565**	₱985,063	₱985,063

The interest expense recognized related to these leases amounted to ₱49.1 million, ₱68.7 million and ₱93.2 million for the years ended December 31, 2021, 2020 and 2019, 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, 2021, 2020 and 2019 in relation to the obligation under lease and the related right-of-use assets.

		Years Ended December 31		
	Note	**2021**	2020	2019
			(In Thousands)	
Continuing operations:				
Depreciation expense of right-of-use assets	*11*	**₱388,228**	₱430,309	₱518,619
Interest expense on obligation under lease	*24*	**49,101**	75,948	102,029
Rent expense - short-term leases	*22,23*	**329,734**	276,332	338,188
Rent expense - low value assets	*22,23*	**4,231**	3,546	4,340
Gain on lease pre-termination	*24*	–	(14,581)	–
Discontinued operations	*32b*	–	–	70,550
		₱771,294	₱771,554	₱1,033,726

The rollforward analysis of obligation under lease for the years ended December 31, 2021 and 2020 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:

	Note	Years Ended December 31		
		2021	2020	2019
Continuing operations:			*(In Thousands)*	
Cost of services and goods sold	*22*	**₱683,496**	₱654,324	₱791,663
General and administrative expenses	*23*	**38,464**	40,738	52,119
Financing charges	*24*	**49,101**	68,682	93,156
Other operational expenses	*32c*	–	11,895	26,238
Others - net		**233**	(4,085)	–
Discontinued operations	*32b*	**–**	–	70,550
		₱771,294	₱771,554	₱1,033,726

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, 2021 and 2020 amounted to ₱39.9 million and ₱57.2 million as at December 31, 2021 and 2020, 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 nil and ₱22.1 million in 2021 and 2020, 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)
	Hapag-Lloyd Philippines, Inc. (HLP) (3)
	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)
	The Supercat Fast Ferry Corporation (SFFC) (4)

(Forward)

Relationship	**Name**
	Super Terminals, Inc. (STI) [5]
	J&A Services Corporation (JASC) [5]
	Sea Merchants Inc. (SMI) [5]
	Bluemarine Inc. (BMI) [5]
	Brisk Nautilus Dock Integrated Services, Inc. (BNDISI) [6]
	WG & A Supercommerce, Inc. (WSI) [7]
	2GO Rush, Inc. (Rush) [7]
Associates	MCC Transport Philippines, Inc. (MCCP)
	Mober Technology PTE Inc.
	Hansa Meyer Projects (Phils.), Inc. (HMPPI) [3]
Joint Ventures	KLN Logistics Holdings Philippines, Inc. (KLN)
	Kerry Logistics (Phils.), Inc. (KLPI)
Other Affiliated Companies [8]	Chelsea Logistics and Infrastructure Holdings Corporation (Chelsea Logistics)[8]
	Phoenix Petroleum Philippines, Inc.
	PNX - Chelsea Shipping Corp.
	Chelsea Marine Power Resources, Inc.
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.

*(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) Corporate life ended in 2019.
(4) Sold in 2019. Related party disclosure pertains to the transactions until the date of sale.
(5) Corporate life ended in 2020.
(6) Corporate life ended in 2021.
(7) Dormant companies.
(8) 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:

	Nature	Years Ended December 31 2021	2020	2019
			(In Thousands)	
Stockholders of the Company	Outside services	**(₱90,342)**	(₱50,253)	(₱69,370)
	Computer charges	**(29,063)**	–	–
	Personnel cost	**(10,381)**	–	–
	Other services	**8,771**	–	–
	Communication, light and water	**(1,341)**	–	(5,096)
	Freight revenue	**399**	–	–
	Transportation and delivery	**(7)**	–	–
	Co-loading	**–**	(114,462)	(269,957)
	Gain on sale of a subsidiary	**–**	–	52,063
	Interest income	**–**	37,733	6,992
	Other expenses	**1,782**	–	–
Associates and joint venture	Freight revenue	**1,322**	5,900	15,427
	Freight expense	**(63,615)**	(48,912)	(69,267)
	Shared cost	**(10,544)**	–	–
Other Affiliated Companies	Sale of goods	**260,044**	–	–
	Freight revenue	**140,180**	7,790	12,253
	Other services	**46,895**	–	–
	Interest	**(290,149)**	(58,130)	(31,432)
	Food and beverage	**(92,201)**	(137,416)	(419,213)
	Rent	**(17,510)**	–	–
	Transportation and delivery	**(12,078)**	–	–
	Materials, parts and supplies	**(11,958)**	–	–
	Outside services	**(7,402)**	(203,947)	(115,920)
	Interest income	**2,603**	–	–
	Transportation and travel	**(33)**	–	–
	Co-loading termination cost	**–**	(352,062)	–
	Fuel and lubricant	**–**	(302)	(2,568,806)
	Office supplies	**–**	–	(304)
	Others - net	**(1,016)**	–	–
Key Management Personnel	Short-term employee benefits	**(58,423)**	(59,343)	(58,147)
	Long-term employee benefits	**(14,725)**	(14,209)	(9,926)

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 2021	2020
			(In Thousands)	
Stockholders of the Parent Company	Trade receivables	30 to 60 days; noninterest-bearing 5-year; interest-bearing	**₱53,999**	₱–
	Long-term receivable[1]	5-year; interest-bearing	**–**	528,132
Associates and joint venture	Trade receivables	30 to 60 days; noninterest-bearing	**4,936**	22,921
	Nontrade receivables	On demand; noninterest-bearing	**100,692**	82,814
	Trade payables	30 to 60 days; noninterest-bearing	**(2,577)**	(9,630)
	Accrued expenses	30 to 60 days; noninterest-bearing	**(4,500)**	(746)
	Due to related parties	30 to 60 days; noninterest-bearing	**(9)**	(405)
Other Affiliated Companies	Short-term loan	See Note 15	**(1,297,000)**	(1,067,000)
	Long-term debt	See Note 17	**(3,987,844)**	(3,485,080)
	Cash in bank	On demand	**480,244**	504,352
	Nontrade receivables	On demand; noninterest-bearing	**98,493**	44,372
	Accrued expenses	30 to 60 days; noninterest-bearing	**(1,311)**	(548,759)
	Trade payables	30 to 60 days; noninterest-bearing	**(66,242)**	(42,067)

(1) Pertains to balances with affiliates of KGLI-NM which divested its ownership in 2Go at June 3, 2021.

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 SFFC, 2GO Express, 2GO Logistics, and SOI at fees based on agreed rates. Shared services to SFFC ceased in 2019.
- 2GO Land provides trucking and management services to 2GO Express.
- In October 2019, the Group sold SFFC to Chelsea Logistics for ₱650.0 million, of which ₱528.1 million is the unpaid consideration as of December 31, 2020. This was fully settled as of December 31, 2021 (see Note 32b).
- 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 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	2021	2020
			(In Thousands)	
2GO	SCVASI/EXP/2GOLI/SOI/HLP/ 2GO LAND/NLMHCI	30 to 60 days; noninterest-bearing	**₱3,035,029**	₱3,157,655
EXP	2GO/SCVASI/2GOLI/SOI/ 2GO LAND/NLMHCI	30 to 60 days; noninterest-bearing	**371,674**	133,287
SOI	2GO/SCVASI/EXP/2GOLI	30 to 60 days; noninterest-bearing	**67,794**	59,744
2GOLI	2GO/SCVASI/EXP/SOI/2GO LAND	30 to 60 days; noninterest-bearing	**55,334**	115,627
SCVASI	2GO	30 to 60 days; noninterest-bearing	**53,601**	50,089
NLMHCI	2GO/EXP/NHTC	30 to 60 days; noninterest-bearing	**47,823**	48,294
USDI	2GO	30 to 60 days; noninterest-bearing	**41,199**	7,428
2GO Land	EXP/2GOLI	30 to 60 days; noninterest-bearing	**37,406**	9,040
AEWI	2GO	30 to 60 days; noninterest-bearing	**7,622**	7,622
NHTC	2GO/JASC	30 to 60 days; noninterest-bearing	**5,614**	6,272
BRISK	2GO	30 to 60 days; noninterest-bearing	–	38,613

21. **Equity**

a. Share Capital

Details of share capital as at December 31, 2021 and 2020 are as follows:

	Number of Shares	Amount
		(In Thousands)
Authorized common shares at ₱1.00 par value each	4,070,343,670	₱4,070,344
Authorized preferred shares at ₱1.00 par value each	4,564,330	₱4,564
Issued and outstanding common shares as at December 31, 2021 and 2020	2,462,146,316	₱2,462,146

Movements in issued and outstanding capital stocks follow:

Date	Activity	Issue price	Number of shares Common shares
May 26, 1949	Issued capital stocks as of incorporation date	₱1,000.00	1,002
December 10, 1971 to October 26, 1998	Increase in issued capital stock	1,000.00	1,496,597,636
December 6, 2002	Reclassification of common shares to preferred shares	1.00	40,000,000
February 10, 2003	Issuance of preferred shares before redemption	1.00	–
November 18, 2003	Redemption of preferred shares	6.67	–
September 6, 2004	Issuance of common shares by way of stock dividends	1.00	393,246,555
November 22, 2004	Redemption of preferred shares	6.67	–
December 31, 2004	Issuance of common shares prior to reorganization	1.00	(756)
October 24, 2005	Issuance of common shares through share swap transactions	1.76	414,121,123
August 22 to October 13, 2006	Conversion of redeemable preferred shares to common shares	3.20	140,687,340
December 6 -31, 2012	Redemption of redeemable preference share	6.00	–
January 1, 2019	Issuance of common shares	1.00	16,009,916
			2,500,662,816
December 31, 2001	Treasury shares*	1.50	(38,516,500)
			2,462,146,316

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

Issued and outstanding common shares are held by 5,106 and 5,118 equity holders as of December 31, 2021 and 2020, respectively.

b. As discussed in Note 1, 2GO issued a total of 2,176,151,907 shares with par value of One Peso (₱1.00) per share to the stockholders of NN in exchange for the net assets of NN. As a result, 2GO recognized the excess of the consolidated net assets of NN over the carrying value of additional shares issued by 2GO to NN stockholders as additional paid-in capital amounting to ₱1.6 billion and other equity reserves amounting to ₱712.2 million.

c. Retained earnings include undistributed earnings amounting to ₱949.7 million and ₱1,057.2 million as of December 31, 2021 and 2020, representing accumulated equity in net earnings of subsidiaries and associates, which are not available for dividend declaration until received in the form of dividends from such subsidiaries and associates. Retained earnings is further restricted to the extent of the cost of the shares held in treasury and deferred income tax assets recognized as of December 31, 2021 and 2020.

22. Cost of Services and Goods Sold

This account consists of the following:

		Years Ended December 31		
	Note	**2021**	2020	2019
			(In Thousands)	
Cost of Services				
Transportation and delivery	*20*	**₱2,290,768**	₱2,812,218	₱3,247,658
Fuel, oil and lubricants	*9*	**1,903,014**	1,511,331	2,675,924
Outside services	*20*	**1,851,558**	1,898,105	2,213,475
Depreciation and amortization	*11*	**1,369,850**	1,723,466	1,804,626
Personnel costs	*25, 26*	**894,833**	924,710	885,037
Rent	*18*	**329,247**	273,537	333,951
Repairs and maintenance	*20*	**254,705**	215,431	536,602
Insurance		**239,134**	209,490	235,193
Arrastre and stevedoring	*20*	**192,498**	160,816	172,539

(Forward)

	Note	Years Ended December 31 2021	2020	2019
			(In Thousands)	
Material and supplies used	*9*	**₱126,978**	₱113,908	₱182,343
Communication, light and water		**110,459**	120,643	138,756
Taxes and licenses		**75,277**	70,234	85,613
Concession expenses		**57,642**	55,641	90,948
Food and subsistence		**50,036**	53,352	126,533
Food and beverage	*9*	**42,664**	94,577	345,324
Others		**80,327**	205,577	117,717
		9,868,990	10,443,036	13,192,239
Cost of Goods Sold	*9*	**4,945,101**	6,999,122	6,907,186
		₱14,814,091	₱17,442,158	₱20,099,425

Fuel, oil and lubricants in 2020 and 2019 include the effect of cash flow hedge amounting to ₱57.1 million and ₱0.9 million, respectively (nil in 2021).

23. General and Administrative Expenses

This account consists of the following:

	Note	Years Ended December 31 2021	2020	2019
			(In Thousands)	
Personnel costs	*25, 26*	**₱458,799**	₱436,311	₱567,202
Provision for ECL	*8*	**382,114**	40,828	–
Outside services	*20*	**135,953**	156,334	175,338
Computer charges	*20*	**107,444**	53,616	44,896
Depreciation and amortization	*11, 14*	**83,303**	70,661	77,761
Transportation and travel	*20*	**36,396**	38,350	54,921
Communication, light and water		**17,465**	32,808	36,882
Advertising and promotion		**15,627**	16,801	61,692
Repairs and maintenance	*20*	**11,855**	19,095	11,009
Inventory obsolescence	*9*	**10,209**	9,094	–
Taxes and licenses		**5,209**	2,940	3,981
Rent	*18*	**4,718**	6,341	8,577
Office supplies	*9*	**2,073**	7,673	5,439
Insurance		**1,737**	50	576
Entertainment, amusement and recreation		**1,284**	2,605	12,801
Special projects		**500**	460	–
Others	*8, 14*	**69,613**	3,400	20,804
		₱1,344,299	₱897,367	₱1,064,725

Others include loss on write-off of investment property amounting to ₱49.8 million in 2021, recovery from doubtful accounts amounting to ₱48.1 million in 2019, and various expenses that are individually immaterial such as input vat expense and other corporate expenses (see Notes 8 and 14).

24. **Other Income (Charges)**

Financing Charges

	Note	Years Ended December 31		
		2021	2020	2019
		(In Thousands)		
Interest expense on:				
Short-term notes payable	*15*	**₱123,756**	₱145,163	₱148,319
Long-term debt	*17*	**224,202**	183,602	172,499
Amortization of:				
Obligations under lease	*18*	**49,101**	68,682	93,156
Debt transaction costs	*17*	**6,514**	5,427	3,436
Other financing charges		**13,355**	2,955	3,916
		₱416,928	₱405,829	₱421,326

Other financing charges comprise of items that are individually immaterial. Accrued interest payable as of December 31, 2021 and 2020 amounted to ₱54.7 million and ₱59.3 million, respectively (see Note 16).

Others - net

	Note	Years Ended December 31		
		2021	2020	2019
		(In Thousands)		
Interest income	*7, 8, 20*	**₱2,708**	₱39,731	₱16,971
Gain (loss) on:				
Disposal of property and equipment	*11*	**(36,614)**	23,835	82,859
Cessation of business of subsidiaries	*20*	**2,889**	32,652	–
Pre-termination of leases	*18*	**–**	4,084	–
Foreign exchange gains (losses)		**(1,086)**	(1,472)	1,441
Impairment of assets		–	–	(2,658)
Co-loading termination cost		–	(352,062)	–
Others - net		**44,884**	39,956	(4,262)
		₱12,781	(₱213,276)	₱94,351

During 2019, the Group sold SFFC (wholly owned subsidiary) and cargo vessels (see Note 32b).

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	Years Ended December 31		
		2021	2020	2019
		(In Thousands)		
Salaries and wages		**₱1,106,631**	₱1,108,506	₱1,292,065
Retirement benefit cost	*26*	**85,368**	108,019	64,064
Other employee benefits		**161,633**	144,496	96,110
		₱1,353,632	₱1,361,021	₱1,452,239

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	**2021**	2020	2019
From continuing operations:		*(In Thousands)*		
Current service cost		**₱66,346**	₱88,483	₱48,395
Net interest cost		**19,022**	19,536	15,669
		85,368	108,019	64,064
From discontinued operations:	*32b*			
Current service cost		**–**	–	13,601
		₱85,368	₱108,019	₱77,665

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

	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**

	2020		
	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits
		(In Thousands)	
January 1	₱591,423	(₱252,617)	₱338,806
Net retirement benefits cost in profit or loss:			
Current service cost	88,483	–	88,483
Net interest cost	31,833	(12,297)	19,536
	120,316	(12,297)	108,019
Benefits paid from:			
Plan assets	(62,925)	62,925	–
Book reserve	(2,841)	–	(2,841)
	(65,766)	62,925	(2,841)
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:			
Financial assumptions	119,271	–	119,271
Experience adjustments	(73,784)	–	(73,784)
Return on plan assets	–	12,609	12,609
	45,487	12,609	58,096
Actual contributions	–	(15,257)	(15,257)
Reclassification/adjustment	(585)	909	324
December 31	₱690,875	(₱203,728)	₱487,147

The plan assets available for benefits are as follows:

	December 31	
	2021	2020
	(In Thousands)	
Cash and cash equivalents	**₱571**	₱19
Receivables	**691**	–
Investments in debt securities	**88,128**	209,141
Others	**57,374**	(5,432)
Fair value of plan assets	**₱146,764**	₱203,728

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, 2021 and 2020, 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.

	2021	2020
Discount rate	**3.96% - 4.17%**	3.34% - 5.55%
Future salary increase	**6.00%**	6.00%
Turnover rate	**0.00% - 7.50%**	0.00% - 7.50%

As of December 31, 2021, the discount rate, future salary increase rate and turnover rate are 5.12% to 5.22%, 4.50%, 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, 2021 and 2020.

	Increase (Decrease)	Impact on Accrued Retirement Benefits **2021**	2020
		(In Thousands)	
Discount rate	+1%	**(₱57,867)**	(₱89,308)
	-1%	**68,911**	108,340
Salary increase rate	+1%	**68,650**	105,017
	-1%	**(58,710)**	(88,544)

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 14.27 years and 16.40 years as of December 31, 2021 and 2020, respectively.

Maturity analysis of the benefit payments:

	2021	2020
	(In Thousands)	
Less than 5 years	**₱100,479**	₱110,495
5 years to 10 years	**370,400**	314,745
More than 10 years	**3,313,954**	5,076,976

27. **Income Taxes**

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

	Years Ended December 31		
	2021	2020	2019
		(In Thousands)	
Current:			
RCIT	**₱44,611**	₱30,740	₱94,966
MCIT	**11,982**	33,008	10,379
Impact of CREATE in 2020	**(10,927)**	–	–
	45,666	63,748	105,345
Deferred	**(10,808)**	(44,550)	(5,787)
Impact of CREATE in 2020	**9,054**	–	–
	(1,754)	(44,550)	(5,787)
	₱43,912	₱19,198	₱99,558

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

	Years Ended December 31		
	2021	2020	2019
		(In Thousands)	
Continuing operations	**₱43,912**	₱19,198	₱89,809
Discontinued operations	–	–	9,749
	₱43,912	₱19,198	₱99,558

Corporate Recovery and Tax Incentive for Enterprise (CREATE) Act
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 Group 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	
	2021	2020
	(In Thousands)	
Directly recognized in profit or loss:		
Deferred income tax assets on:		
Accrued retirement benefits	**₱44,541**	₱35,569
Unamortized past service cost	**9,712**	11,701
Obligations under lease, net of right-of-use assets	**6,805**	10,913
Accruals and others	**4,030**	6,589
	65,088	64,772
Deferred income tax liabilities on unamortized debt arrangement fees and other taxable temporary differences	**(3,042)**	(4,480)
	62,046	60,292
Directly recognized in OCI:		
Deferred income tax asset on remeasurement of retirement benefits cost	**33,384**	93,618
	₱95,430	₱153,910

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

c. 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 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	Divestment of subsidiary	Balances as at December 31, 2021 Amount	Balances as at December 31, 2021 Tax Effect
			(In Thousands)				
2021	2026	₱1,337,057	₱–	₱–	₱–	₱1,337,057	₱334,264
2020	2025	1,328,796	–	–	–	1,328,796	332,199
2019	2022	1,327,799	(76,125)	–	(98,742)	1,152,932	288,233
2018	2021	1,689,229	–	(1,521,837)	(167,392)	–	–
		₱5,682,881	(₱76,125)	(₱1,521,837)	(₱266,134)	₱3,818,785	₱954,696

Excess MCIT over RCIT

Year Incurred	Available Until	Amount	Applied	Expired	Divestment of subsidiary	**Balances as at December 31, 2021**
				(In Thousands)		
2021	2024	₱11,326	₱–	₱–	₱–	₱11,326
2020	2023	32,579	(6,168)	–	–	26,411
2019	2022	13,379	(41)	–	–	13,338
2018	2021	14,314	–	(11,738)	(2,576)	–
		₱71,598	(₱6,209)	(₱11,738)	(₱2,576)	₱51,075

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 **2021**	2020
	(In Thousands)	
NOLCO	**₱3,818,785**	₱4,036,890
Allowance for ECL	**510,219**	738,677
Accruals and provisions	**691,116**	408,740
Allowance for cargo losses and damages	**116,867**	107,861
Obligation under lease, net of related right-of -use assets	**59,148**	45,949
Allowance for inventory obsolescence	**13,589**	61,786
Allowance for impairment of input VAT	**56**	–
Unamortized past service cost	**33**	7,419
Accrued retirement	**24,597**	45,536
Unrealized foreign exchange loss	**900**	1,727
Excess of MCIT over RCIT	**51,075**	57,655

e. Reconciliation between the income tax expense computed at statutory income tax rate of 25% in 2021 and 30% in 2020 and 2019 to the provision for income tax expense as shown in profit or loss is as follows:

	Years Ended December 31		
	2021	2020	2019
		(In Thousands)	
Tax effect of income at statutory rates	**(₱274,759)**	(₱547,062)	(₱237,797)
Income tax effects of:			
Deductible temporary differences for which no deferred tax assets were recognized	**321,117**	563,082	374,721
Nondeductible expense	**13,673**	15,275	5,823
Interest income already subjected to final tax	**(132)**	(393)	(1,175)
Equity in net losses of associates	**(13,852)**	13,060	14,905
Income tax holiday incentive on registered activities	–	–	(29,238)
Impact of CREATE in 2020	**(1,874)**	–	–
Others	**(261)**	(24,764)	(27,681)
Provision for income tax	**₱43,912**	₱19,198	₱99,558

28. Earnings (Loss) Per Share (EPS)

Basic and diluted earnings per share were computed as follows:

	Years ended December 31		
	2021	2020	2019
	(In Thousands, except weighted average number of common shares and loss per common shares)		
Net loss for the year attributable to equity holders of the Parent Company	**(₱1,144,160)**	(₱1,842,670)	(₱890,352)
Net loss for the year attributable to equity holders of the Parent Company (from continuing operations)	**(₱1,144,160)**	(₱1,842,670)	(₱418,087)
Weighted average number of common shares outstanding during the year	**2,462,146,316**	2,462,146,316	2,462,146,316
Loss per common share	**(₱0.4647)**	(₱0.7484)	(₱0.3616)
Loss per common share (from contuinuing operations)	**(₱0.4647)**	(₱0.7484)	(₱0.1698)

There are no potentially dilutive common shares as at December 31, 2021, 2020 and 2019.

29. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, short-term notes payable, long-term debt, 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, 2021 and 2020, the Group did not hold collateral from any counterparty.

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

December 31, 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.*

December 31, 2020

	High	Medium	Total
		(In Thousands)	
Financial assets:			
Cash in banks	₱740,993	₱–	₱740,993
Cash equivalents	101,321	–	101,321
Trade receivables*	–	1,556,999	1,556,999
Nontrade receivables	531,281	386,578	917,859
Advances to officers and employees**	4,026	–	4,026
Refundable deposits	158,179	–	158,179
Contract assets	–	841,625	841,625
Total	₱1,535,800	₱2,785,202	₱4,321,002

**Excluding nonfinancial asset amounting to ₱74.0 million.*
***Excluding advances amounting to ₱33.8 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. Low quality receivables are accounts that are deemed uncollectible and provided for with a provision. For new customers, the Group has no basis yet as far as payment habit is concerned.

The Group evaluated its cash in banks as high quality financial assets since these are placed in financial institutions of high credit standing. The Group also evaluated its advances to officers and employees as high grade since these are collected through salary deductions. The 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, 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.

		Past Due					Expected	
December 31, 2020	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	₱740,993	₱–	₱–	₱–	₱–	₱–	₱–	₱740,993
Cash equivalents	101,321	–	–	–	–	–	–	101,321
Trade receivables[1]	1,556,999	439,447	210,870	129,490	246,091	341,485	(534,885)	2,389,497
Nontrade receivables[2]	917,859	26,644	37,809	20,983	13,311	368,744	(155,945)	1,229,405
Advances to officers and employees[3]	4,026	–	–	–	–	–	–	4,026
Refundable deposits	158,179	–	–	–	–	–	–	158,179
Contract assets	841,625	–	–	–	–	–	(47,847)	793,778
Total	₱4,321,002	₱466,091	₱248,679	₱150,473	₱259,402	₱710,229	(₱738,677)	₱5,417,199

[(1)]Excluding nonfinancial asset amounting to ₱74.0 million.
[(2)]Including long-term receivables amounting to ₱396.5 million (see Note 14).
[(3)]Excluding advances amounting to ₱33.8 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, 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**

	December 31, 2020			
	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
		(In Thousands)		
Financial Liabilities				
Trade and other payables[1]	₱5,134,825	₱–	₱–	₱5,134,825
Short-term notes payable	2,163,500	–	–	2,163,500
Long-term debt[2]	–	3,500,000	–	3,500,000
Obligations under lease[3]	419,725	518,629	193,140	1,131,494
	₱7,718,050	₱4,018,629	₱193,140	₱11,929,819
Financial and contract assets				
Cash and cash equivalents	₱890,127	₱–	₱–	₱890,127
Trade and other receivables[4]	3,888,573	–	–	3,888,573
Refundable deposits	73,155	85,024	–	158,179
Receivable from a related party[5]	167,919	439,172	–	607,091
	₱5,019,774	₱524,196	₱–	₱5,543,970

[1]*Excludes nonfinancial liabilities amounting to ₱623.2 million and ₱827.1 million as of December 31, 2021 and 2020, respectively.*
[2]*Gross of unamortized debt arrangement fees amounting to ₱12.2 million and ₱14.9 million as of December 31, 2021 and 2020, respectively.*
[3]*Gross of interest component amounting to ₱99.9 million and ₱146.4 million as of December 31, 2021 and 2020, respectively.*
[4]*Excludes nonfinancial assets amounting to nil million and ₱107.8 million as of December 31, 2021 and 2020, respectively, and current portion of receivable from a related party in 2021 and 2020.*
[5]*Gross of interest component amounting to nil and ₱79.0 million as of December 31, 2021 and 2020, respectively.*

Trade and other payables and maturing other liabilities are expected to be settled using cash to be generated from operations, drawing from existing and new credit lines, and additional capital contribution of the shareholders.

Foreign exchange risk
Foreign currency risk arises when the Group enters into transactions denominated in currencies other than their functional currency. Management closely monitors the fluctuations in exchange rates so as to anticipate the impact of foreign currency risks associated with the financial instruments. To mitigate the risk of incurring foreign exchange losses, the Group maintains cash in banks in foreign currency to match its financial liabilities.

The Group's significant foreign currency-denominated financial assets and financial liabilities as of December 31, 2021 and 2020 are as follows:

		December 31, 2021		December 31, 2020	
	Currency	**Amount in Original Currency**	**Total Peso Equivalent**	Amount in Original Currency	Total Peso Equivalent
Financial Assets					
Cash in banks	USD	**565**	**₱28,685**	623	₱29,916
Trade receivables	USD	**332**	**16,856**	254	12,197
Advances to supplier	USD	**139**	**7,057**	–	–
			52,598		42,113

		December 31, 2021		December 31, 2020	
	Currency	**Amount in Original Currency**	**Total Peso Equivalent**	Amount in Original Currency	Total Peso Equivalent
Financial Liabilities					
Trade and other payables	USD	**623**	**₱31,630**	679	₱32,606
	AUD	**70**	**2,577**	–	–
	EUR	**2**	**115**	–	–
	JPY	–	–	73,399	32,919
Obligation under lease	USD	–	–	175	8,404
			34,322		73,929
Net foreign currency denominated assets (liabilities)	USD	**413**	**₱20,968**	23	₱1,103
	AUD	**(70)**	**(2,577)**	–	–
	EUR	**(2)**	**(115)**	–	–
	JPY	–	–	(73,399)	(₱32,919)

USD 1 = ₱50.99 in 2021 and ₱48.02 in 2020
AUD 1 = ₱36.81 in 2021
EUR 1 = ₱57.51 in 2021
JPY 1 = ₱0.45 in 2020

The Group recognized foreign exchange gain (loss) amounting to (₱1.1 million), (₱1.5 million), and ₱1.4 million for the years ended December 31, 2021, 2020 and 2019, 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, 2021, 2020 and 2019.

	Appreciation (Depreciation) of Foreign Currency	Decrease (increase) in loss before tax		
		December 31		
		2021	2020	2019
		(In Thousands)		
US Dollar (USD)	1%	**(₱210)**	(₱11)	(₱865)
	(1%)	**210**	11	865
Australian Dollar (AUD)	1%	**26**	–	–
	(1%)	**(26)**	–	–
European Dollar (EUR)	1%	**1**	–	–
	(1%)	**(1)**	–	–
Japanese Yen (JPY)	1%	–	329	–
	(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 6.23% and 3.85% to 6.23% in 2021 and 2020, 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, 2021 and 2020, 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	
	2021	2020
	(In Thousands)	
100 bp rise	**₱39,878**	₱34,851
100 bp fall	**(39,878)**	(34,851)
50 bp rise	**19,939**	17,425
50 bp fall	**(19,939)**	(17,425)

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	
	2021	2020
Assets financed by:		
Creditors	**95%**	89%
Stockholders	**5%**	11%

As of December 31, 2021 and 2020, 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, 2021		**December 31, 2020**	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		(In Thousands)		
Financial Liabilities				
Long-term debts	**₱3,987,844**	**₱4,155,983**	₱3,485,080	₱3,609,100
Obligations under lease	**639,565**	**658,436**	985,063	1,012,458
	₱4,627,409	**₱4,814,419**	₱4,470,143	₱4,621,558
Nonfinancial Asset				
Investment property	**₱–**	**₱–**	₱49,790	₱74,600

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 4.52% 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 5.4% and 4.6% was used in calculating the fair value of the long-term debt as of December 31, 2021 and 2020, 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 4.6% to 7.0% and 4.5% to 5.4% as of December 31, 2021 and 2020, respectively.

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

Investment property
The fair value of the investment property is determined using the Market Data Approach, which is a process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale. Significant changes to the estimated price per square meter in isolation would result in a significantly higher or lower fair value.

31. Notes to Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities are as follows:

For the Year Ended December 31, 2021:

	January 1,	Cash Flows				December 31,
	2021	Availments	Payments	Net	Others	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**

For the Year Ended December 31, 2020:

	January 1, 2020	Cash Flows Availments	Payments	Net	Others	December 31, 2020
Short-term notes payable	₱2,678,500	₱1,425,000	(₱1,940,000)	(₱515,000)	₱–	₱2,163,500
Current portion of long-term debt	1,500	–	(1,500)	(1,500)	–	–
Current portion of obligations under lease	449,427	–	(413,477)	(413,477)	336,719	372,669
Noncurrent portion of long-term debt	2,487,153	1,000,000	–	1,000,000	(2,073)	3,485,080
Noncurrent portion of obligations under lease	1,136,331	–	–	–	(523,937)	612,394
Total liabilities from financing activities	₱6,752,911	₱2,425,000	(₱2,354,977)	₱70,023	(₱189,291)	₱6,633,643

"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 ₱6.5 million and ₱5.4 million in 2021 and 2020, respectively;
c. payment of debt transaction cost amounting to ₱3.8 million and ₱7.5 million in 2021 and 2020, respectively;
d. availment of obligation under lease amounting to ₱49.8 million and ₱36.9 million in 2021 and 2020, respectively;
e. amortization of obligation under lease amounting to ₱49.1 million in 2021 and ₱75.9 million in 2020; and
f. pre-termination of some obligation under lease amounting to nil and ₱14.5 million in 2021 and 2020, respectively.

32. Business Combination under Common Control, Discontinued Operation, Group Restructuring and Other Operational Expenses

a. Business combination under common control

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

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

b. Discontinued operations

During 2019, 2GO discontinued operations of its short-haul fast ferry passenger vessels and inter-island freighter vessels as part of a plan to focus on improving core services and profitability. On October 9, 2019, 2GO sold 100% of its shares in SFFC to Chelsea Logistics and Infrastructure Holdings Corp. for ₱650.0 million. 2GO paid capital gains tax of ₱19.6 million as a result of the transaction. The amount shall be paid in sixty equal monthly installments subject to an interest rate of 6.5% per annum. The outstanding balance as of December 31, 2020 amounted to ₱528.2 million. This was fully settled as of December 31, 2021. Interest income earned from this receivable amounted to nil and ₱37.7 million in 2021 and 2020, respectively.

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

The results of the discontinued operations in 2019 are as follows:

	2019
	(In thousands)
Revenue from contracts with customers	₱1,062,507
Costs and expenses	1,573,678
Operating loss	(511,171)
Gain from sale of disposal group	37,592
Finance charges	(42,175)
Others - net	52,253
Loss before income tax	(463,501)
Provision for income tax	9,749
Net loss	(₱473,250)

**Includes interest income from discontinued operation.*

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

	Total
	(In Thousands)
Cash and cash equivalents	₱40,417
Trade and other receivables	6,234
Inventories	10,395
Other current assets	36,318
Property and equipment	1,077,794
Other noncurrent assets	51,112
Total assets	1,222,270
Short-term notes payable	(50,000)
Trade and other payables	(152,623)
Long-term debt	(335,741)
Accrued retirement benefits	(5,926)
	₱677,980

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

	Year ended December 31, 2019
	(In Thousands)
Operating activities	(₱439,364)
Investing activities	(97,517)
Financing activities	29,444

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

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

c. Group restructuring and other operational expenses

During 2020, 2GO also completed a series of restructuring activities which primarily included consolidating its operations in certain container yards, warehouses and offices, exiting related leases and costs as a result of such consolidation. 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 and ₱198.3 million in 2019 (nil in 2021), and are presented as "Other operational expenses" in the consolidated statements of profit or loss.

33. Events Connected to the COVID-19 Pandemic

On March 8, 2020, the Office of the President, under Proclamation 922, declared a state of public health emergency and subsequently on March 16, 2020, under Proclamation 929, placed the entire Philippines under a state of calamity due to the spread of the Novel Corona Virus Disease (COVID-19 pandemic). As part of these declarations and to manage the spread of the disease, certain areas in the Philippines were placed under various categories of community quarantine since March 17, 2020 and such community quarantines are still in effect at the date of filing of 2GO's audited financial statements as of and for the year ended December 31, 2021 with the SEC.

The Government-mandated quarantine measures continue to evolve and involve various attendant measures including, but not limited to, travel restrictions, home quarantine and temporary suspension or regulation of business operations thereby limiting commercial and similar activities related to the provision of essential goods and services.

2GO across its various business units, has been significantly affected by the aforesaid quarantine measures. This resulted in limited business operations in Luzon and in many other parts of the country for most of 2020. Given the restricted mobility in and out of the country and the curtailed economic activities affecting demand not only in the Philippines but in other countries, 2GO experienced a decline and gradual recovery in sales/revenue volumes as aforementioned quarantine measures were slowly relaxed.

Management continues to evaluate and respond to other potential adverse impacts of the COVID-19 outbreak in future reporting periods. 2GO has activated its Business Continuity Implementation Plan and has taken steps to manage the risk of disruption in operations. 2GO likewise continuously monitors developments in the domestic and international markets for any further slowdown in economic activities and the drastic shift in customer or market preferences that may eventually depress sales, place pressure on the deployment of certain assets, and impair the realizability of trade receivables and other similar working capital items.

As part of the 2GO's commitment to customer and employee health and safety and its regulatory compliance, 2GO has likewise implemented stringent safety and precautionary measures, including disinfecting and sanitizing facilities, implementation of work-from-home schemes for its employees, and imposing social-distancing in the work places, in order to mitigate the risk and ensure continuity of business operations during this time of pandemic.

The foregoing events are reflected in the financial position and performance of 2GO for the year ended December 31, 2021. Considering the evolving nature of the pandemic, 2GO cannot reasonably estimate at this time the length and severity of the pandemic, or the extent to which the disruption may materially impact 2GO's consolidated financial position, consolidated results of operations and consolidated cash flows in future reporting periods.

SGV
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**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, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, included in this Form 17-A and have issued our report thereon dated April 6, 2022. 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.

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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. 08-001998-135-2020, January 31, 2020, valid until January 30, 2023
PTR No. 8853475, January 3, 2022, Makati City

April 6, 2022

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
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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, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated April 6, 2022. 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, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 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
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April 6, 2022

2GO GROUP, INC. AND SUBSIDIARIES
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Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders

Schedule C. Amounts Receivable from Related Parties which are Eliminated during the consolidation of financial statements

Schedule D. Intangible Assets - Other Assets

Schedule E. Long-term Debt

Schedule F. Indebtedness to Related Parties

Schedule G. Guarantees of Securities of Other Issuers

Schedule H. Capital Stock

2GO GROUP, INC.

SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2021

(Amounts in Thousands)

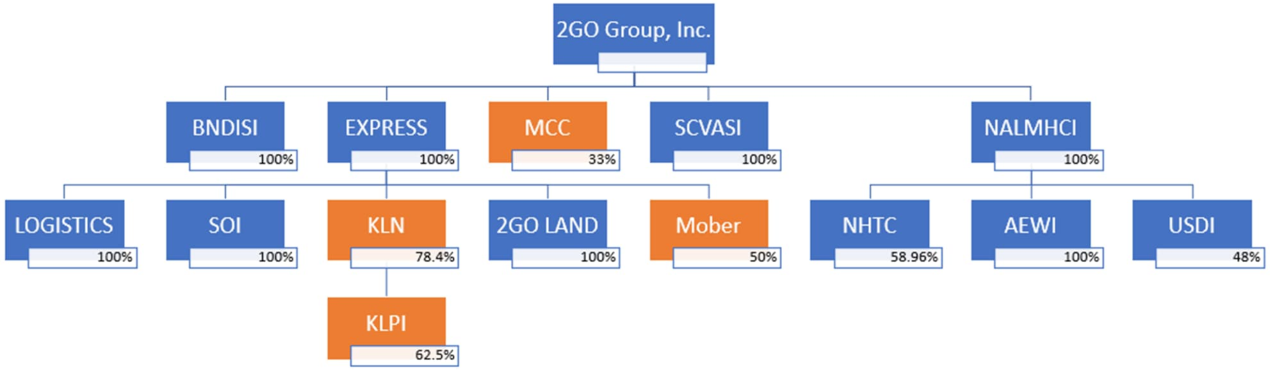
Deficit, beginning of the year		**(₱2,359,698)**
Less: Deferred income tax assets, beginning		**42,842**
Treasury shares		**58,715**
Unappropriated Deficit, *as adjusted to available for dividend distribution,* beginning		**(2,461,255)**
Add: Net loss actually earned/realized during the period		
Net loss during the period closed to Deficit	(750,116)	
Less: Non-actual/ unrealized income, net of tax:		
Movement in deferred income tax assets	1,908	
Sub-total	(752,024)	
Add: Non-actual losses, net of tax:		
Adjustment due to deviation from PFRS/ GAAP – loss	–	
Net loss incurred during the period	(752,024)	**(752,024)**
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		**(₱3,213,279)**

2GO GROUP, INC. AND SUBSIDIARIES

ILLUSTRATION OF RELATIONSHIPS BETWEEN THE PARENT COMPANY AND ITS SUBSIDIARIES

AS OF DECEMBER 31, 2021

Corporate Structure



Legend:

EXPRESS	*2GO Express, Inc.*	MCC	*MCCP Transport Philippines, Inc.*	AEWI	*Astir Engineering Works, Inc.*
2GO LAND*	*2GO Land Transport, Inc.*	BNDSI**	*Brisk Nautilus Dock Integrated Services, Inc.*	NALMHCI	*NN-ATS Logistics Management & Holding Co., Inc.*
LOGISTICS	*2GO Logistics, Inc.*	KLN	*KLN Logistics Holdings Philippines, Inc.*	USDI	*United South Dockhandlers, Inc.*
SOI	*Scanasia Overseas, Inc.*	KLPI	*Kerry Logistics Philippines, Inc.*	NHTC	*North Harbor Tugs Corporation*
SCVASI	*Special Container and Value Added Services, Inc.*	MOBER	*Mober Technology PTE Inc.*		

Formerly known as WRR Trucking Corporation

*****Ended corporate life in May 2021***

Subsidiary

Joint Venture and Associate

2GO GROUP, INC. AND SUBSIDIARIES
Schedule A - Financial Assets
December 31, 2021
(Amounts in thousands)

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in balance	Income received and accrued
At equity:			
Hansa-Meyer ATS Projects, Inc.	32,076	–	–
Mober Technology PTE Inc	25,001	19,707	(6,028)
MCC Transport Philippines, Inc.	119,504	181,434	29,043
Kerry Logistics Philippines Inc.	7,839,998	84,377	32,390

(i) Each issue shall be stated separately, except that reasonable grouping, without enumeration may be made of (a) securities issued or guaranteed by the Philippine Government or its agencies and (b) securities issued by others for which the amounts in the aggregate are not more than two percent of total assets.

(ii) State the basis of determining the amounts shown in the column. This column shall be totaled to correspond to the respective balance sheet caption or captions.

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

2GO GROUP, INC. AND SUBSIDIARIES
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2021
(Amounts in thousands)

Name & Designation of Debtor	Balance at December 31, 2020	Additions	Amounts collected/liquidated	Amounts written off/offset	Current	Noncurrent	Balance at December 31, 2021
Advances to officers and employees	₱37,810	₱188,098	(₱198,990)	₱–	₱26,918	₱–	₱26,918
Chelsea Logistics and Infrastructure Holdings Corp.	528,132	–	(89,263)	(438,869)	–	–	–
	₱565,942	**₱188,098**	**(₱288,253)**	**(₱438,869)**	**₱26,918**	**₱–**	**₱26,918**

2GO GROUP, INC. AND SUBSIDIARIES
Schedule C - Amounts Receivable from (Payable to) Related Parties which are eliminated during the consolidation of financial statement
December 31, 2021
(Amounts in thousands)

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Deductions		Current	Noncurrent	Balance at End of Year
			Amounts Collected	Amounts Written-off			
2GO Group, Inc.	₱108,604	₱–	(₱1,387)	₱–	₱107,217	₱–	₱107,217
2GO Express, Inc.	319,382	–	(156,958)	–	162,424	–	162,424
2GO Logistics, Inc.	1,466,311	236,906	–	–	1,703,217	–	1,703,217
Astir Engineering Works, Inc.	1,526	–	–	–	1,526	–	1,526
2GO Land Transport, Inc (*Formerly WRR Trucking Corporation*)	138,387	2,987	–	–	141,374	–	141,374
North Harbor Tugs Corporation	595	–	(177)	–	418	–	418
Special Container and Value-Added Services, Inc.	186,542	–	(93,755)	–	92,787	–	92,787
Scanasia Overseas, Inc.	1,273,969	–	(119,402)	–	1,154,567	–	1,154,567
NN-ATS Logistics Management and Holdings Co., Inc.	111,430	35,379	–	–	146,809	–	146,809
Brisk Nautilus Dock Integrated Services, Inc.	25,457	–	–	(25,457)	–	–	–
United South Dockhandlers, Inc.	1,469	–	(873)	–	596	–	596
	₱3,633,672	**₱275,272**	**(₱372,552)**	**(₱25,457)**	**₱3,510,935**	**₱–**	**₱3,510,935**

2GO GROUP, INC. AND SUBSIDIARIES
Schedule D - Intangible Assets - Other Assets
December 31, 2021
(Amounts in thousands)

Description	Balance at December 31, 2020	Additions	Disposal	Charged to expense	Balance at December 31, 2021
Part A					
A. Goodwill	₱686,896	₱–	₱–	₱–	₱686,896
B. Software - net	172,749	15,311	(12,210)	(38,675)	137,175
	₱859,645	**₱15,311**	**(₱12,210)**	**(₱38,675)**	**₱824,071**

Part B

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

2GO GROUP, INC. AND SUBSIDIARIES
Schedule E - Long-term debt
December 31, 2021
(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	₱3,987,844	–	₱3,987,844

2GO GROUP, INC. AND SUBSIDIARIES
Schedule F - Indebtedness to Related Parties
December 31, 2021

Name of Affiliates	Beginning Balance (in thousands)	Ending Balance (in thousands)
2GO Group Inc.	₱3,157,655	₱3,035,029
2GO Express Inc.	133,287	371,674
2GO Logistics, Inc.	115,627	55,334
Astir Engineering Works, Inc.	7,622	7,622
North Harbor Tugs Corporation	6,272	5,614
Special Container and Value Added Services, Inc.	50,089	53,601
Scanasia Overseas, Inc.	59,744	67,794
NN-ATS Logistics Management and Holdings Co., Inc.	48,294	47,823
United South Dockhandlers, Inc.	7,428	41,199
2GO Land Transport Inc. (*Formerly WRR Trucking Corporation*)	9,040	37,406

2GO GROUP, INC. AND SUBSIDIARIES
Schedule G – Guarantees of Securities of Other Issuers
December 31, 2021

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

2GO GROUP, INC. AND SUBSIDIARIES
Schedule H - Capital Stock
December 31, 2021

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	–	2,168,552,309	1,400	293,592,607
Preferred shares	4,564,330	–	–	–	–	–

2GO GROUP, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE ON FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2021 AND 2020

(Amounts in Thousands, Except for Ratios)

Ratio	Formula			2021	2020
Current ratio	Total Current Assets Divided by Total Current Liabilities			**0.89**	0.95
	Total Current Assets		6,598,155		
	Divided by: Total Current Liabilities		7,421,048		
	Current Ratio		0.89		
Acid test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities			**0.48**	0.58
	Total Current Assets		6,598,155		
	Less: Inventories		(532,463)		
	Other current assets		(2,514,767)		
	Quick assets		3,550,925		
	Divided by: Total Current Liabilities		7,421,048		
	Acid test ratio		0.48		
Solvency ratio	Net loss before Depreciation & Amortization (Net loss from operations plus depreciation and amortization) divided by Interest Bearing Debt			**0.04**	0.002
	Net loss from operations		(1,142,946)		
	Add: Depreciation & Amortization		1,453,153		
	Net income before depreciation & Amortization		310,207		
	Short Term Notes	3,106,000			
	Long Term Notes	3,987,844			
	Obligations under finance lease	6,507			
	Divided by: Interest Bearing Debt		7,100,351		
	Solvency Ratio		0.04		

Ratio	Formula		2021	2020
Debt-to-equity ratio	Total Liabilities divided by Total Stockholders' Equity		**19.22**	7.85
	Total Liabilities	12,279,767		
	Divided by: Total Stockholders' Equity	638,954		
	Debt-to-equity ratio	19.22		
Asset-to-equity ratio	Total Assets divided by Total Stockholders' Equity		**20.22**	8.85
	Total Assets	12,918,721		
	Divided by: Total Stockholders' Equity	638,954		
	Asset-to-equity ratio	20.22		
Interest rate coverage ratio	Earnings from before interest & tax divided by interest expense		**(1.64)**	(3.59)
	Earnings from operations before income tax	(684,814)		
	Divided by: Interest expense	416,928		
	Interest rate coverage ratio	(1.64)		
Return on equity	Net loss from operations divided by Average Total Stockholders' Equity		**(0.99)**	(0.71)
	Net loss from operations	(1,142,946)		
	Divided by: Average Total Stockholders' Equity	1,152,979		
	Return on equity ratio	(0.99)		
Return on assets	Net loss from operations divided by Average Total Assets		**(0.08)**	(0.12)
	Net loss from operations	(1,142,946)		
	Divided by: Average Total Assets	13,839,089		
	Return on assets	(0.08)		
Net profit margin	Net Loss from operations divided by Total Revenue		**(0.07)**	(0.11)
	Net loss from operations	(1,142,946)		
	Divided by: Total Revenue	15,408,096		
	Net profit margin	(0.07)		

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

4	4	0	9

COMPANY NAME

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

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)
5,106	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.*

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 financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

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

The Board of Directors reviews and approves the financial statements including the schedules attached therein and submits the same to the stockholders.

SyCip Gorres Velayo and Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Frederic C. DyBuncio
Chairman of the Board

Frederic C. DyBuncio
President and Chief Executive Officer

William C. Howell
Chief Financial Officer and Treasurer

Signed this 6th day of April, 2022.

SGV
Building a better
working world

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

Tel: (632) 8891 0307
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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, 2021 and 2020, 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, 2021 and 2020, 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.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 11 2022
RECEIVED
ANTHONY M. P

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 32 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
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Tax Identification No. 255-491-830
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PTR No. 8853475, January 3, 2022, Makati City

April 6, 2022

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 11 2022
RECEIVED
MARK ANTHONY M. PANDIÑO

2GO GROUP, INC.

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

		December 31	
	Note	**2021**	2020
ASSETS			
Current Assets			
Cash and cash equivalents	*7, 19*	**₱168,041**	₱397,899
Trade and other receivables	*8, 19*	**4,133,932**	4,294,535
Inventories	*9*	**103,245**	52,359
Other current assets	*10*	**1,376,237**	1,353,600
Total Current Assets		**5,781,455**	6,098,393
Noncurrent Assets			
Property and equipment	*11, 16, 17*	**4,200,298**	3,889,906
Investments in subsidiaries and an associate - at cost	*12*	**318,628**	355,278
Deferred income tax assets	*26*	**66,872**	90,992
Other noncurrent assets	*13*	**228,132**	675,239
Total Noncurrent Assets		**4,813,930**	5,011,415
TOTAL ASSETS		**₱10,595,385**	₱11,109,808
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term notes payable	*14*	**₱1,809,000**	₱996,500
Trade and other payables	*15, 18, 19*	**2,553,449**	3,491,625
Current portion of obligations under lease	*11, 17*	**68,184**	156,047
Total Current Liabilities		**4,430,633**	4,644,172
Noncurrent Liabilities			
Noncurrent portion of:			
Long-term debt	*16*	**3,987,844**	3,485,080
Obligations under lease	*11, 17*	**206,768**	274,952
Accrued retirement benefits	*25*	**226,578**	259,238
Total Noncurrent Liabilities		**4,421,190**	4,019,270
Total Liabilities		**8,851,823**	8,663,442
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)
Other comprehensive loss		**(75,493)**	(122,805)
Deficit		**(3,109,814)**	(2,359,698)
Treasury shares		**(58,715)**	(58,715)
Total Equity		**1,743,562**	2,446,366
TOTAL LIABILITIES AND EQUITY		**₱10,595,385**	₱11,109,808

See accompanying Notes to the Parent Company Financial Statements.

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

	Note	**Years Ended December 31** **2021**	2020
REVENUE FROM CONTRACTS WITH CUSTOMERS	*5, 19*		
Freight		**₱4,034,588**	₱3,569,098
Passage		**437,692**	839,139
Other services		**1,655,473**	1,689,086
		6,127,753	6,097,323
COST OF SERVICES	*21*	**6,048,438**	5,961,993
GROSS PROFIT		**79,315**	135,330
GENERAL AND ADMINISTRATIVE EXPENSES	*22*	**636,766**	1,014,901
OTHER OPERATIONAL EXPENSES	*30b*	**–**	205,570
OPERATING LOSS		**(557,451)**	(1,085,141)
OTHER INCOME (CHARGES)			
Financing charges	*23*	**(323,358)**	(301,416)
Dividend income	*19*	**175,000**	117,000
Others - net	*23*	**(49,616)**	(301,850)
		(197,974)	(486,266)
LOSS BEFORE INCOME TAX		**(755,425)**	(1,571,407)
PROVISION FOR (BENEFITS FROM) INCOME TAX	*26*		
Current		**(1,963)**	11,065
Deferred		**(3,346)**	(14,196)
		(5,309)	(3,131)
NET LOSS		**(₱750,116)**	(₱1,568,276)

See accompanying Notes to the Parent Company Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 11 2022
RECEIVED
MARK ANTHONY M. PANDIÑO

2GO GROUP, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

		Years Ended December 31	
	Note	**2021**	2020
NET LOSS		**(₱750,116)**	(₱1,568,276)
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax			
Item that will be reclassified subsequently to profit or loss:			
Net changes on cash flow hedge	*27*	–	(2,911)
Income tax effect		–	873
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement losses on accrued retirement benefits	*25*	**74,778**	(37,184)
Income tax effect	*26*	**(27,466)**	11,155
		47,312	(28,067)
TOTAL COMPREHENSIVE LOSS		**(₱702,804)**	(₱1,596,343)

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, 2021 AND 2020

(Amounts in Thousands)

				Other Comprehensive Loss					
	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)	**Cash Flow Hedge Reserve** - Net of Tax (Note 27)	**Subtotal**	**Deficit** (Note 20)	**Treasury Shares**	**Total Equity**
BALANCE AT JANUARY 1, 2020	**₱2,500,663**	**₱2,498,621**	**(₱11,700)**	**(₱96,776)**	**₱2,038**	**(₱94,738)**	**(₱791,422)**	**(₱58,715)**	**₱4,042,709**
Net loss for the year	–	–	–	–	–	–	(1,568,276)	–	(1,568,276)
Other comprehensive loss for the year	–	–	–	(26,029)	(2,038)	(28,067)	–	–	(28,067)
Total comprehensive loss for the year	–	–	–	(26,029)	(2,038)	(28,067)	(1,568,276)	–	(1,596,343)
BALANCE AT DECEMBER 31, 2020	**2,500,663**	**2,498,621**	**(11,700)**	**(122,805)**	**–**	**(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	–	–	47,312
Total comprehensive income (loss) for the year	–	–	–	47,312	–	47,312	(750,116)	–	(702,804)
BALANCE AT DECEMBER 31, 2021	**₱2,500,663**	**₱2,498,621**	**(₱11,700)**	**(₱75,493)**	**₱–**	**(₱75,493)**	**(₱3,109,814)**	**(₱58,715)**	**₱1,743,562**

See accompanying Notes to the Parent Company Financial Statements.

2GO GROUP, INC.

PARENT COMPANY STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

		Years Ended December 31	
	Note	**2021**	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		**(₱755,425)**	(₱1,571,407)
Adjustments for:			
Depreciation and amortization of property and equipment and software cost	*11, 13 21, 22*	**1,090,284**	1,464,283
Financing charges	*23*	**323,358**	308,682
Loss (gain) on disposal of property and equipment	*23*	**39,106**	(29,211)
Interest income	*7, 19, 23*	**(100)**	(38,202)
Gain on lease pre-termination	*17*	**–**	(12,428)
Impairment of investments in subsidiaries	*12, 23*	**24,621**	18,524
Dividend income	*19*	**(175,000)**	(117,000)
Retirement benefit cost	*25*	**42,118**	53,717
Unrealized foreign exchange loss		**838**	1,241
Operating income before working capital changes		**589,800**	78,199
Decrease (increase) in:			
Trade and other receivables		**16,857**	(236,743)
Inventories		**(50,886)**	30,579
Prepaid expenses and other current assets		**90,023**	(24,421)
Increase (decrease) in trade and other payables		**(441,306)**	358,779
Cash generated from operations		**204,488**	206,393
Interest received		**100**	38,202
Contribution to retirement fund and payment from Company reserves	*25*	**–**	(5,509)
Income taxes paid, including creditable withholding taxes		**(110,697)**	(70,435)
Net cash provided by operating activities		**93,891**	168,651
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	*11*	**(1,820,388)**	(435,392)
Software costs	*13*	**(13,245)**	(58,398)
Dividends received	*19*	**184,324**	104,100
Proceeds from sale of property and equipment	*11*	**372,512**	56,347
Collection of proceeds from sale of a subsidiary	*8, 13*	**89,263**	100,582
Receipts of various deposits		**31,629**	25,769
Net cash used in investing activities		**(1,155,905)**	(206,991)

(Forward)

	Note	Years Ended December 31 2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES	*29*		
Proceeds from availments of:			
Short-term notes payable	*14*	**₱1,809,000**	₱925,000
Long-term debt	*16*	**500,000**	1,000,000
Payments of:			
Short-term notes payable	*14*	**(996,500)**	(1,215,000)
Obligations under lease	*17*	**(156,047)**	(179,344)
Interest and financing charges	*23*	**(320,547)**	(288,917)
Debt transaction cost	*23*	**(3,750)**	(7,500)
Net cash from financing activities		**832,156**	234,239
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH		–	(28)
NET INCREASE (DECREASE) IN CASH		**(229,858)**	195,871
CASH AT BEGINNING OF YEAR		**397,899**	202,028
CASH AT END OF YEAR	*7*	**₱168,041**	₱397,899

See accompanying Notes to the Parent Company Financial Statements.

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 vessels, motorboats, and offer kinds of watercrafts for purposes of the transportation of cargoes and passengers by sea within the waters and territorial jurisdiction 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).

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

Effective January 1, 2019, NN was merged into 2GO, with 2GO as the surviving entity, pursuant to the Articles of Merger as approved by the Securities and Exchange Commission (SEC). Hence, the separate corporate existence of NN ceased by operation of law as provided under Section 80(2) of the Corporation Code. To execute the merger, 2GO issued a total of 2,176,151,907 shares with a par value of One Peso (₱1.00) per share to the stockholders of NN in exchange for the net assets of NN, which shares were composed of the 2,160,141,991 shares reacquired by 2GO as a result of the merger, and 16,009,916 shares from the unissued authorized capital stock of 2GO. As a result, 2GO is 35.22%-owned by KGLI-NM, 30.49% owned by SMIC, 22.36%-owned by CAMBV and 11.93% owned by public shareholders as of December 31, 2020 and 2019. The effect of the merger is disclosed in Notes 20 and 30a.

During 2019, the Company completed series of restructuring activities as part of a plan to focus on improving core services and profitability. The Company discontinued the operations of its two inter-island freighters, and consolidated its operations in certain container yards, warehouses and offices.

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, 2021 and 2020 and for the years then ended were approved and authorized for issue by the BOD on April 6, 2022.

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 quoted financial asset investments and 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, 2021. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

Effective beginning on or after January 1, 2021

- Amendment to PFRS 16, *Leases*, *COVID-19-related Rent Concessions beyond 30 June 2021*

  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

The Company adopted the amendments beginning April 1, 2021. The amendments did not have a material impact on the Company.

- Amendments to PFRS 9, *Financial Instruments*, PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts* and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform;
  - Relief from discontinuing hedging relationships; and
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

  The Company shall also disclose information about:

  - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

<u>Standards Issued But Not Yet Adopted</u>
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 consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

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.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to Philippine Accounting Standards (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.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- 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.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *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.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

  - Amendments to PFRS 9, *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. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- 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.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

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.

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 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 twelve months after the financial reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the financial reporting period.

All other assets are classified as 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 twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The 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 twelve 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.

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

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost, which includes all costs directly attributable to acquisition, such as purchase price and transport costs, is primarily determined using the weighted average method. 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.

Additional disclosures are provided in Note 30. All other notes to the parent company financial statements include amounts for continuing operations, unless indicated otherwise.

Property and Equipment

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

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

When significant parts of property and equipment are required to be replaced in intervals, the 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.

<u>Software</u>
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.

<u>Property Acquisitions</u>
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.

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.

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.

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 providing the services;
  - whether the Company has inventory risk;
  - whether the Company has discretion in establishing prices; and
  - whether the Company bears the credit risk.

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).

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 2021 and 2020, 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	**2021**	2020
		(In Thousands)	
Property and equipment	*11*	**₱4,200,298**	₱3,889,906
Investments in subsidiaries and an associate	*12*	**318,628**	355,278

As at December 31, 2021 and 2020, 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, 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**	**(₱6,941,768)**	**₱8,851,822**

	December 31, 2021			
	Shipping	**Non Shipping**	**Eliminations/ Adjustments**	**Parent company Balance**
		(In Thousands)		
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 earnings of associates and joint ventures	**29,044**	**26,363**	**(55,407)**	**–**

	December 31, 2020			
	Shipping	Non Shipping	Eliminations/ Adjustments	Parent company Balance
		(In Thousands)		
External customers	₱3,864,600	₱13,544,095	(₱12,273,553)	₱5,135,142
Intersegment revenue	962,181	633,439	(633,439)	962,181
Revenues from contracts with customers	₱4,826,781	₱14,177,534	(₱12,906,992)	₱6,097,323
Loss before income tax	(₱1,591,620)	(₱96,319)	₱116,532	(₱1,571,407)
Provision for (Benefits from) income tax from continuing operations	(19,242)	38,440	(22,329)	(3,131)
Segment loss	(₱1,572,378)	(₱134,759)	₱138,861	(₱1,568,276)
Segment assets	₱11,258,848	₱7,234,620	(₱7,383,660)	₱11,109,808
Segment liabilities	₱8,663,441	₱8,042,683	(₱8,042,682)	₱8,663,442
Other Information:				
Capital expenditures	₱379,559	₱27,850	(₱27,850)	₱379,559
Depreciation and amortization	1,511,479	344,970	(392,166)	1,464,283
Provision for expected credit losses	–	40,828	(40,828)	–
Dividend income	117,000	18,602	(18,602)	117,000
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	**2021**	2020
		(In Thousands)	
Cash on hand and in banks	*19*	**₱166,659**	₱396,517
Cash equivalents		**1,382**	1,382
		₱168,041	₱397,899

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 ₱0.1 million in 2021 and ₱0.4 million in 2020 (see Note 23).

8. Trade and Other Receivables

This account consists of:

	Note	December 31 2021	2020
		(In Thousands)	
Trade	*19*	**₱1,078,137**	₱725,001
Nontrade	*19*	**2,922,826**	3,532,573
Contract assets		**183,808**	251,508
Advances to officers and employees		**5,306**	15,751
		4,190,077	4,524,833
Less allowance for ECL		**56,145**	230,298
		₱4,133,932	₱4,294,535

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.

   The balance as of December 31, 2020 also includes the current portion of receivable from Chelsea Logistics and Infrastructure Holdings, Corp. amounting to ₱131.6 million (see Notes 13 and 19). This was fully settled on March 31, 2021. The Company recorded the related interest income for this receivable amounting to nil in 2021 and ₱37.7 million in 2020 (see Notes 13 and 23).

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

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

		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**

		December 31, 2020		
	Note	Trade and Contract Assets	Nontrade	Total
			(In Thousands)	
Beginning		₱206,205	₱267,692	₱473,897
Write-off/adjustment	*22*	(50,356)	(193,243)	(243,599)
Ending		₱155,849	₱74,449	₱230,298

9. Inventories

This account consists of:

	December 31 2021	2020
	(In Thousands)	
At cost:		
Fuel, oil and lubricants	**₱94,625**	₱39,730
Trading goods	**6,035**	9,171
At net realizable value:		
Materials, parts and supplies	**2,585**	3,458
	₱103,245	₱52,359

The cost of materials, parts and supplies carried at net realizable value amounted to ₱3.4 million and ₱4.0 million as at December 31, 2021 and 2020, respectively. The allowance for inventory obsolescence as at December 31, 2021 and 2020 amounted to ₱0.8 million and ₱24.3 million, respectively. In 2021, the Company wrote off materials, parts and supplies amounting to ₱23.4 million (nil in 2020). The Company did not recognize any write-down of inventories to NRV in 2021 and 2020.

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

	Note	December 31 2021	2020
		(In Thousands)	
Cost of services	*21*	**₱1,891,933**	₱1,558,135
General administrative expenses	*22*	**1,359**	6,205
		₱1,893,292	₱1,564,340

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:

	Note	December 31 2021	2020
		(In Thousands)	
CWTs		**₱1,243,565**	₱1,130,905
Input VAT		**55,955**	–
Prepaid expenses and others		**44,516**	42,113
Refundable deposits - current portion	*13*	**16,796**	16,724
Advances to suppliers/contractors		**15,405**	163,858
		₱1,376,237	₱1,353,600

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, 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	**₱11,342,785**	**₱1,627,181**	**₱788,613**	**₱163,633**	**₱493,288**	**₱359,658**	**₱159,720**	**₱11,813**	**₱434,169**	**₱795,591**	**₱16,176,451**
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	**10,421,183**	**1,372,079**	**805,153**	**165,565**	**471,545**	**355,766**	**159,967**	**2,390**	**357,177**	**795,591**	**14,906,416**
Accumulated Depreciation and Amortization											
January 1, 2021	**9,051,390**	**1,334,621**	**527,214**	**147,418**	**152,275**	**284,724**	**141,156**	**4,597**	**281,971**	**361,178**	**12,286,545**
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	**7,439,671**	**1,196,381**	**531,825**	**152,745**	**155,178**	**291,768**	**150,188**	**1,239**	**264,117**	**523,004**	**10,706,118**
Net Carrying Amounts	**₱2,981,512**	**₱175,697**	**₱273,328**	**₱12,820**	**₱316,366**	**₱63,998**	**₱9,779**	**₱1,151**	**₱93,060**	**₱272,587**	**₱4,200,298**

	December 31, 2020										
	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, 2020	₱11,034,242	₱1,602,528	₱740,785	₱312,767	₱493,288	₱356,248	₱163,214	₱11,773	₱426,384	₱1,230,901	₱16,372,130
Additions	308,543	331	19,002	2,512	–	4,848	200	40	44,083	1,126	380,685
Disposals/retirements	–	(130,102)	(57)	(151,646)	–	(1,438)	(3,694)	–	(36,298)	(253,129)	(576,364)
Reclassifications/adjustments	–	154,424	28,883	–	–	–	–	–	–	(183,307)	–
December 31, 2020	11,342,785	1,627,181	788,613	163,633	493,288	359,658	159,720	11,813	434,169	795,591	16,176,451
Accumulated Depreciation and Amortization											
January 1, 2020	7,939,751	1,312,167	460,455	290,094	149,116	278,675	134,047	2,242	271,139	379,069	11,216,755
Depreciation and amortization	1,111,639	51,359	47,155	8,946	3,159	7,480	10,782	2,355	20,304	189,630	1,452,809
Disposals/retirements	–	(129,844)	(57)	(151,622)	–	(1,431)	(3,673)	–	(9,472)	(86,920)	(383,019)
Reclassifications/adjustments	–	100,940	19,661	–	–	–	–	–	–	(120,601)	–
December 31, 2020	9,051,390	1,334,622	527,214	147,418	152,275	284,724	141,156	4,597	281,971	361,178	12,286,545
Net Carrying Amounts	₱2,291,395	₱292,559	₱261,399	₱16,215	₱341,013	₱74,934	₱18,564	₱7,216	₱152,198	₱434,413	₱3,889,906

Property and equipment under lease
Containers, reefer vans, isotanks, cargo handling equipment and transportation equipment and office and operational spaces as of December 31, 2021 and 2020 include units acquired under lease arrangements (see Note 17).

Noncash additions include costs of leased assets for the years ended December 31, 2021 and 2020 amounting to nil and ₱1.1 million, respectively. The related depreciation of the leased assets for the years ended December 31, 2021 and 2020 amounted to ₱161.8 million and ₱189.6 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, 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**
Disposal	**–**	**–**	**–**	**–**	**–**
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**

December 31, 2020

	Container Yard	Office	Warehouse	Equipment	Total
			(In Thousands)		
Cost					
January 1, 2020	₱357,466	₱472,573	₱123,625	₱277,237	₱1,230,901
Additions	–	1,102	–	24	1,126
Disposal	(79,476)	(173,653)	–	–	(253,129)
Reclassification	–	–	–	(183,307)	(183,307)
December 31, 2020	277,990	300,022	123,625	93,954	795,591
Accumulated depreciation					
January 1, 2020	131,264	56,979	29,088	161,738	379,069
Depreciation	87,913	53,263	29,088	19,366	189,630
Disposal	(43,350)	(43,570)	–	–	(86,920)
Reclassification	–	–	–	(120,601)	(120,601)
December 31, 2020	175,827	66,672	58,176	60,503	361,178
Net Carrying Amounts	₱102,163	₱233,350	₱65,449	₱33,451	₱434,413

Unpaid acquisition costs of property and equipment amounted to ₱29.1 million and ₱43.1 million as of December 31, 2021 and 2020, 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 ₱258.5 million and ₱174.9 million for the years ended December 31, 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 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 ₱372.5 million and ₱56.3 million for the years ended December 31, 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 parent company statements of profit or loss:

		Years Ended December 31	
	Note	**2021**	2020
		(In Thousands)	
Cost of services and goods sold	*21*	**₱1,014,409**	₱1,309,447
General and administrative expense	*22*	**43,632**	81,040
Other operational expenses	*30b*	–	62,322
		₱1,058,041	₱1,452,809

Property and equipment held as collateral
As at December 31, 2021 and 2020, the Company's property and equipment held or deemed as collateral include under lease and a certain vessel with total net book value of ₱1,020.7 million and ₱434.4 million, respectively (see Note 17). In 2021, one of the vessels in operations of the Company, with a carrying value of ₱758.7 million, 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, 2021 and 2020, 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)(5)	Vessels' hotel management	100.0	–

(Forward)

	Nature of Business	Percentage of Ownership Direct	Indirect
2GO Rush Delivery, Inc. (RUSH) [3]	Transportation/logistics	–	–
NN-ATS Logistics Management and Holdings Co., Inc. (NALMHCI) [4] and Subsidiaries:	Holding company	100.0	–
North Harbor Tugs Corporation (NHTC)	Tug assistance	–	59.0
Astir Engineering Works, Inc. (AEWI) [2] [4]	Engineering works	–	100.0
J&A Services Corporation (J&A) [6]	Vessel support services	–	–
Brisk Nautilus Dock Integrated Services, Inc. (BNDISI) [7]	Freight and related services	–	–
Sea Merchants, Inc. (SMI) [6]	Hotel and allied services	–	–
Bluemarine, Inc. (BMI) [6]	Housekeeping and allied services	–	–
Associate:			
MCC Transport Philippines (MCCP)	Container transportation business	33.0	–

[1]*Formerly WRR Trucking Corporation*
[2]*Ended commercial operations in 2018 or prior*
[3]*Wound down due to non-operation*
[4]*In September 2020, the BOD approved the merger of these companies*
[5]*Dormant companies*
[6]*Ended corporate life in 2020*
[7]*Ended corporate life in May 2021*

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

	December 31 **2021**	2020
	(In Thousands)	
Subsidiaries:		
2GO Express	**₱260,628**	₱260,628
NALMHCI	**37,500**	37,500
SCVASI	**4,000**	4,000
BNDSI	**–**	36,650
WSI	**250**	250
	302,378	339,028
Associate - MCCP	**16,500**	16,500
	318,878	355,528
Less allowance for impairment losses	**250**	250
	₱318,628	₱355,278

In 2020, the corporate life of BMI and SMI has ended which resulted to recognition of impairment loss amounting to ₱18.5 million while RUSH was wound down due to non-operation (see Note 23). 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.

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

	Subsidiaries Express **2021**	2020	SCVASI **2021**	2020	Others **2021**	2020	Associate MCCP **2021**	2020
	(In Thousands)							
As at December 31:								
Current assets	**₱778,627**	₱1,184,188	**₱453,236**	₱650,454	**₱170,241**	₱209,518	**₱413,931**	₱363,896
Noncurrent assets	**721,515**	786,011	**161,418**	168,125	**29,362**	29,384	**425,190**	486,918
Current liabilities	**1,065,934**	1,172,942	**375,084**	517,289	**154,945**	183,599	**410,000**	547,713
Noncurrent liabilities	**136,437**	174,783	**29,058**	36,981	**–**	–	**85,679**	60,159
Equity	**297,771**	622,474	**210,512**	264,309	**44,658**	55,303	**343,442**	242,942
For the years ended December 31:								
Revenue from contracts with customers	**₱2,425,800**	₱2,231,333	**₱5,494,013**	₱1,622,999	**₱–**	₱–	**₱1,845,126**	₱1,260,810
Net income (loss)	**(348,461)**	43,052	**(13,864)**	101,325	**(13,534)**	2,783	**85,551**	(99,881)

13. **Other Noncurrent Assets**

	Note	December 31 2021	2020
		(In Thousands)	
Software		**₱113,792**	₱132,790
Deferred input VAT		**103,351**	122,826
Refundable deposits - net of current portion		**10,966**	23,142
Receivable from a related party - net of current portion	*8, 12 19, 23*	**–**	396,481
Others		**23**	–
		₱228,132	₱675,239

a. The movements in Software are as follows:

	Note	December 31 2021	2020
Cost		*(In Thousands)*	
Balances at beginning of year		**₱171,193**	₱113,972
Additions		**13,245**	58,398
Disposal		**–**	(1,177)
Balances at end of year		**184,438**	171,193
Accumulated Amortization			
Balances at beginning of year		**38,403**	28,106
Amortization	*23*	**32,243**	11,474
Disposal		**–**	(1,177)
Balances at end of year		**70,646**	38,403
Carrying Amount		**₱113,792**	₱132,790

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.

d. Receivable from a related party as of December 31, 2020 pertains to long-term receivable arising from the sale of SFFC (see Note 8). This was fully settled on March 31, 2021.

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 3.75% to 4.50% in 2021 and 3.85% to 4.75% in 2020. Total interest expense incurred by the Company for short-term notes payable was ₱ 67.0 million and ₱83.1 million for the years ended December 31, 2021 and 2020, respectively (see Notes 19 and 23).

15. Trade and Other Payables

	Note	December 31 2021	2020
		(In Thousands)	
Trade	*19*	**₱567,219**	₱453,578
Accrued expenses			
Expenses	*19*	**1,328,456**	1,871,205
Co-loading termination cost	*19, 23*	–	352,062
Salaries and wages		**52,166**	52,684
Interest		**52,878**	56,581
Withholding and other taxes		**23,051**	56,338
Capital expenditure		**29,116**	43,067
Nontrade	*19*	**402,135**	499,604
Contract liabilities		**59,061**	49,829
Other payables	*18, 19*	**39,367**	56,677
		₱2,553,449	₱3,491,625

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

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

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

d. Contract liabilities include advance payments received for services to be rendered. Set out below is the amount of revenue recognized from:

	December 31 2021	2020
	(In Thousands)	
Amounts included in contract liabilities at the beginning of the year	**₱49,829**	₱35,169

e. Other payables pertain to provision for contingencies amounting to ₱39.4 million and ₱56.7 million as at December 31, 2021 and 2020 (see Note 18).

16. Long-term Debt

Long-term debt consists of:

	Note	December 31 2021	2020
		(In Thousands)	
Banco de Oro Unibank, Inc. (BDO)	*19*	**₱4,000,000**	₱3,500,000
Unamortized debt arrangement fees		**(12,156)**	(14,920)
Noncurrent portion		**3,987,844**	3,485,080
Current portion		**–**	–
Noncurrent portion		**₱3,987,844**	₱3,485,080

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 Maligaya with a carrying value of ₱758.7 million as of December 31, 2021.

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 ₱224.2 million and ₱183.6 million for the years ended December 31, 2021 and 2020, respectively (see Note 23).

The Company paid ₱3.8 million and ₱7.5 million debt transaction cost as a result of the loan availments under BDO facility in 2021 and 2020, respectively. Amortization of debt transaction costs included under financing charges amounted to ₱6.5 million and ₱5.4 million for the years ended December 31, 2021 and 2020, respectively (see Note 23).

Compliance with debt covenants
At December 31, 2021, 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, 2021 and 2020.

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, 2021		December 31, 2020	
	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	**₱69,647**	**₱68,184**	₱176,961	₱156,047
Between one and five years	**211,836**	**172,296**	228,122	188,568
Beyond five years	**35,252**	**34,472**	91,247	86,384
	316,735	**274,952**	496,330	430,999
Interest component	**41,783**	**–**	65,331	–
Present value	**₱274,952**	**₱274,952**	₱430,999	₱430,999

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	
	2021	2020
	(In Thousands)	
Cost	**₱795,591**	₱795,591
Less accumulated depreciation	**523,004**	361,178
Net book value	**₱272,587**	₱434,413

Interest expense recognized related to these leases amounted to ₱21.0 million and ₱36.1 million in 2021 and 2020, respectively, under "Financing charges" and "Other operational expenses" 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, 2021 and 2020:

		Years Ended December 31	
	Note	**2021**	2020
		(In Thousands)	
Depreciation expense of right-of-use assets	*11*	**₱161,826**	₱189,630
Interest expense on obligations under lease	*23, 30b*	**21,018**	36,050
Rent expense - short-term leases	*21,22*	**31,656**	22,959
Rent expense - low-value assets	*21,22*	**58,806**	42,650
Gain on lease pre-termination	*23, 30b*	**–**	(12,428)
		₱273,306	₱278,861

The rollforward analysis of obligation under lease for the years ended December 31, 2021 and 2020 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	**2021**	2020
		(In Thousands)	
Cost of services	*21*	**₱214,305**	₱168,713
General and administrative expenses	*22*	**37,983**	71,400
Financing charges	*23*	**21,018**	28,784
Others - net		**–**	(1,931)
Other operational expenses	*30b*	**–**	11,895
		₱273,306	₱278,861

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, 2021 and 2020 amounted to ₱39.4 million and ₱56.7 million as at December 31, 2021 and 2020, respectively, and are presented as part of "Other payables" under "Trade and other payables" in the parent company statements of financial position (see Note 15). Provision for probable losses recognized in the parent company statements of profit or loss amounted to nil and ₱21.6 million in 2021 and 2020, respectively (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)[(2)]
	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) [(3)]
	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)
Associates	MCC Transport Philippines, Inc. (MCCP)
	Mober Technology PTE Inc.
Joint Ventures	KLN Logistics Holdings Philippines, Inc. (KLN)
	Kerry Logistics (Phils.), Inc. (KLPI)
Other Affiliated Companies [(1)]	Chelsea Logistics and Infrastructure Holdings Corporation (Chelsea Logistics)[(1)]
	Phoenix Petroleum Philippines, Inc.
	PNX – Chelsea Shipping Corp.
	Chelsea Marine Power Resources, Inc.

(Forward)

Relationship	Name
Other Affiliated Companies [(2)]	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.

(1) *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.*
(2) *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 *.*
(3) *Formerly WRR Trucking Corporation*

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

		December 31	
	Nature	**2021**	2020
		(In Thousands)	
Stockholders of the Company	Co-loading	**₱–**	(₱114,462)
	Other services	**8,770**	–
	Outside services	**(90,342)**	–
	Computer charges	**(26,297)**	–
	Communication, light and water	**(1,341)**	–
	Gain on sale of a subsidiary	**–**	37,733
	Others	**(8,599)**	–
Subsidiaries	Freight revenue	**597,786**	607,638
	Shared cost income	**436,976**	346,927
	Dividend income	**175,000**	117,000
	Outside services	**(65,358)**	(62,697)
	Transportation and delivery	**(30,387)**	(28,809)
	Arrastre and stevedoring	**(8,721)**	(3,462)
	Sales related expenses	**(959)**	(543)
	Others	**142,717**	7,603
Associate/Joint ventures	Freight expense	**(38,2249)**	(34,104)
	Shared cost	**10,250**	–
	Freight revenue	**–**	4,600
	Other services	**139**	–
Other Affiliated Companies	Freight	**58,635**	7,790
	Other services	**36,669**	–
	Co-loading termination cost	**–**	(352,062)
	Outside services	**(7,028)**	(203,947)
	Food and beverage	**(92,201)**	(137,416)
	Financing charges	**(239,922)**	(11,836)

(Forward)

	Nature	December 31 2021	2020
		(In Thousands)	
	Fuel and lubricant	–	(302)
	Other expenses	**(20,676)**	–
Key Management Personnel	Short-term employee benefits	**(38,675)**	(39,995)
	Long-term employee benefits	**(7,995)**	(7,605)

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 2021**	2020
			(In Thousands)	
Stockholders of the Company	Trade and other receivables	30 to 60 days; noninterest-bearing	**₱53,999**	₱–
	Nontrade receivable[1]	60 equal monthly installments; interest - bearing	–	528,132
Subsidiaries	Trade receivables	30 to 60 days; noninterest-bearing	**325,519**	214,879
	Nontrade receivables	On demand; noninterest-bearing	**2,709,509**	2,942,777
	Trade payables and other payables	30 to 60 days; noninterest-bearing	**(81,946)**	(86,200)
	Due to related parties	30 to 60 days; noninterest-bearing	**(42,200)**	(71,048)
Associate	Due from related parties	On demand; noninterest-bearing	–	–
	Trade receivables and other receivables	30 to 60 days; noninterest-bearing	**258,120**	76,039
	Trade payables and other payables	30 to 60 days; noninterest-bearing	**(108,401)**	(6,836)
Other Affiliated Companies	Short-term loan	See Note 14	**(195,000)**	–
	Long-term loan	See Note 16	**(3,985,477)**	(3,485,080)
	Cash in bank	On demand	**90,143**	251,920
	Nontrade receivable	30 to 60 days; noninterest -bearing	**98,493**	44,166
	Trade payables and other payables	30 to 60 days; noninterest -bearing	**(67,379)**	(590,797)

(1) Pertains to balances with affiliates of KGLI-NM which divested its ownership in 2Go at June 3, 2021.

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

- The following subsidiaries declared dividends to the Company:

	December 31	
	2021	2020
	(In Thousands)	
SCVASI	**₱175,000**	₱70,000
NALHMCI	**–**	47,000
	₱175,000	₱117,000

- In October 2019, the Company sold SFFC to Chelsea Logistics for ₱650.0 million, of which ₱528.1 million is the unpaid consideration as of December 31, 2020. This has been fully settled on March 31, 2021 (see Notes 12 and 13).

Compensation of Key Management Personnel
The Company considers managerial positions up to the president as key management personnel. Compensation of key management personnel are as follows:

	December 31	
	2021	2020
	(In Thousands)	
Short-term benefits	**₱38,675**	₱39,995
Retirement and other benefits	**7,996**	7,605
	₱46,671	₱47,600

20. **Equity**

a. Share Capital

Details of share capital as at December 31, 2021 and 2020 are as follows:

	Number of Shares	Amount
		(In Thousands)
Authorized common shares at ₱1.00 par value each	4,070,343,670	₱4,070,344
Authorized preferred shares at ₱1.00 par value each	4,564,330	₱4,564
Issued and outstanding common shares as at December 31, 2021 and 2020	2,462,146,316	₱2,462,146

Movements in issued and outstanding capital stocks follow:

Date	Activity	Issue price	Number of shares Common shares
May 26, 1949	Issued capital stocks as of incorporation date	₱1,000.00	1,002
December 10, 1971 to October 26, 1998	Increase in issued capital stock	1,000.00	1,496,597,636
December 6, 2002	Reclassification of common shares to preferred shares	1.00	40,000,000
February 10, 2003	Issuance of preferred shares before redemption	1.00	–
November 18, 2003	Redemption of preferred shares	6.67	–
September 6, 2004	Issuance of common shares by way of stock dividends	1.00	393,246,555
November 22, 2004	Redemption of preferred shares	6.67	–
December 31, 2004	Issuance of common shares prior to reorganization	1.00	(756)
October 24, 2005	Issuance of common shares through share swap transactions	1.76	414,121,123
August 22 to October 13, 2006	Conversion of redeemable preferred shares to common shares	3.20	140,687,340
December 6 -31, 2012	Redemption of redeemable preference share	6.00	–
January 1, 2019	Issuance of common shares	1.00	16,009,916
			2,500,662,816
December 31, 2001	Treasury shares*	1.50	(38,516,500)
			2,462,146,316

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

Issued and outstanding common shares are held by 5,106 and 5,118 equity holders as of December 31, 2021 and 2020, respectively.

b. As discussed in Note 1, 2GO issued a total of 2,176,151,907 shares with par value of One Peso (₱1.00) per share to the stockholders of NN in exchange for the net assets of NN. As a result of the merger, 2GO recognized the excess of the 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.

c. Retained earnings is restricted to the extent of the cost of the shares held in treasury and deferred income tax assets recognized as of December 31, 2021 and 2020.

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	**2021**	2020
		(In Thousands)	
Fuel, oil and lubricants	*9, 19*	**₱1,803,220**	₱1,422,729
Outside services	*19*	**1,305,897**	1,152,311
Depreciation and amortization	*11*	**1,014,409**	1,309,447
Transportation and delivery	*19*	**613,252**	1,041,007
Personnel costs	*24, 25*	**383,150**	216,715
Insurance		**215,512**	180,989
Repairs and maintenance	*19*	**187,565**	173,488
Arrastre and stevedoring	*19*	**180,811**	144,909
Rent	*17*	**86,457**	53,108
Communication, light and water		**59,368**	53,349
Food and subsistence		**46,684**	49,110
Materials and supplies used	*9*	**46,049**	40,828
Food and beverage	*9*	**42,664**	94,578
Concession expense		**22,707**	18,235
Taxes and licenses		**20,403**	3,069
Others		**20,290**	8,121
		₱6,048,438	₱5,961,993

Fuel, oil and lubricants include the effect of cash flow hedge amounting ₱57.1 million in 2020 (nil in 2021).

22. General and Administrative Expenses

This account consists of the following:

	Note	2021	2020
		(In Thousands)	
Personnel costs	*24, 25*	**₱360,225**	₱462,281
Depreciation and amortization	*11, 13*	**75,875**	92,514
Computer-related charges		**58,399**	49,420
Provision for ECL	*8*	**39,000**	–
Outside services	*19*	**34,390**	171,422
Transportation and travel	*19*	**16,781**	25,544
Communication, light and water		**11,995**	37,707
Advertising		**10,443**	12,735
Repairs and maintenance		**9,627**	17,548
Taxes and licenses		**6,734**	21,047
Rent	*17, 19*	**4,005**	12,501
Insurance		**1,463**	10,280
Entertainment, amusement and recreation		**669**	3,760
Provisions for contingencies	*18*	**–**	21,538
Others	*8*	**7,160**	76,604
		₱636,766	₱1,014,901

Others consist of various expenses that are individually immaterial such as input VAT expense and other corporate expenses. It also includes recovery on ECL amounting to ₱32.3 million in 2021 (nil in 2020) (see Note 8).

23. Other Income (Charges)

<u>Financing Charges</u>

	Note	2021	2020
		(In Thousands)	
Interest expense on:			
Short-term notes payable	*14*	**₱67,015**	₱83,083
Long-term debt	*16*	**224,202**	183,602
Amortization of:			
Obligation under lease	*17*	**21,018**	28,784
Debt transaction costs	*16*	**6,514**	5,427
Other financing charges		**4,609**	520
		₱323,358	₱301,416

Other financing charges comprise of items that are individually immaterial. Accrued interest payable as of December 31, 2021 and 2020 amounted to ₱52.9 million and ₱56.6 million, respectively (see Note 15).

Others - net

	Note	2021	2020
		(In Thousands)	
Gain (loss) on:			
Disposal of property and equipment	11	**(₱39,106)**	₱29,211
Pre-termination of leases	17	**–**	1,931
Interest income	7,19	**100**	38,202
Co-loading termination cost	15	**–**	(352,062)
Impairment of investments in subsidiaries	12	**(24,621)**	(18,524)
Foreign exchange losses		**(7,394)**	(641)
Others - net		**21,405**	33
		(₱49,616)	(₱301,850)

During 2020, the Company 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 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	2021	2020
		(In Thousands)	
Salaries and wages		**₱623,434**	₱557,080
Retirement benefit costs	25	**42,118**	53,717
Other employee benefits		**77,823**	68,199
		₱743,375	₱678,996

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 ₱36.6 million to the retirement fund in 2022. 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	
	2021	2020
	(In Thousands)	
Current service cost	**₱31,456**	₱43,782
Net interest cost	**10,662**	9,935
	₱42,118	₱53,717

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

	December 31, 2021		
	Defined Benefit Obligations	**Fair Value of Plan Assets**	**Accrued Retirement Benefits**
		(In Thousands)	
January 1	**₱348,365**	**(₱89,127)**	**₱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**	**–**
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**	**(₱37,524)**	**₱226,578**

	December 31, 2020		
	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits
		(In Thousands)	
January 1	₱284,822	(₱110,976)	₱173,846
Net retirement benefits cost in profit or loss:			
Current service cost	43,782	–	43,782
Net interest cost	15,210	(5,275)	9,935
	58,992	(5,275)	53,717
Benefits paid from plan assets	(29,889)	29,889	–
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:			
Financial assumptions	57,762	–	57,762
Experience adjustments	(23,322)	–	(23,322)
Return on plan assets	–	2,744	2,744
	34,440	2,744	37,184
Actual contributions	–	(5,509)	(5,509)
December 31	₱348,365	(₱89,127)	₱259,238

The plan assets available for benefits are as follows:

	December 31	
	2021	2020
	(In Thousands)	
Cash and cash equivalents	**₱558**	₱–
Government securities and other debt services	**12,436**	69,724
Shares of stock	**24,479**	20,624
Others	**51**	(1,221)
Fair value of plan assets	**₱37,524**	₱89,127

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, 2021 and 2020, 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.

	2021	2020
Discount rate	**3.96%**	5.34%
Future salary increase	**6.00%**	6.00%
Turnover rate	**7.50%**	7.50%

As of December 31, 2021, the discount rate, future salary increase rate and turnover rate used were 5.13%, 4.50%, 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, 2021 and 2020:

	Increase (Decrease)	Impact on Accrued Retirement Benefits	
		2021	2020
		(In Thousands)	
Discount rate	+1%	**(₱28,328)**	(₱43,230)
	-1%	**33,384**	51,815
Salary increase rate	+1%	**33,257**	50,207
	-1%	**(28,739)**	(42,838)

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 11.7 years and 13.6 years as of December 31, 2021 and 2020, respectively.

Maturity analysis of the benefit payments:

	2021	2020
	(In Thousands)	
Less than 5 years	**₱73,751**	₱55,789
More than 5 year to 10 years	**204,386**	197,119
More than 10 years	**1,589,053**	2,079,980

26. **Income Taxes**

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

	Years Ended December 31	
	2021	2020
	(In Thousands)	
Current		
MCIT	**₱804**	₱11,065
Impact of CREATE in 2020	**(2,767)**	–
	(1,963)	11,065
Deferred	**(9,740)**	(14,196)
Impact of CREATE in 2020	**6,394**	–
	(3,346)	(14,196)
	(₱5,309)	(₱3,131)

The current provision for income tax represents 1% MCIT in 2021 and 2% in 2020.

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 on the previous page. 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	
	2021	2020
	(In Thousands)	
Directly recognized in profit or loss		
Deferred income tax assets on:		
Accrued retirement benefits	**₱31,480**	₱25,141
Unamortized past service cost	**6,593**	9,080
Obligations under lease, net of right-of-use assets	**–**	8,621
Accruals and others	**6,677**	–
	44,750	42,842
Deferred income tax liability on unamortized debt arrangements fees and others	**(3,042)**	(4,480)
	41,708	38,362
Directly recognized in OCI		
Deferred income tax asset on remeasurement of accrued retirement benefit costs	**25,164**	52,630
	₱66,872	₱90,992

Deferred income tax assets on obligations under leases, net of 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 claimed forward and claimed as tax audit against regular taxable income and regular income tax due, respective are as follows:

NOLCO

					Balances as at December 31, 2021	
					(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	–	–	755,943	188,986
2018	2021	1,254,143	–	(1,254,143)	–	–
Total		₱4,146,783	₱–	(₱1,254,143)	₱2,892,640	₱723,161

Excess MCIT over RCIT

					Balances as at December 31, 2021
					(In Thousands)
Year incurred	Available until	Amount	Applied	Expired	Amount
2021	2024	₱804	₱–	₱–	₱804
2020	2023	11,065	–	–	11,065
2019	2022	13,338	–	–	13,338
2018	2021	10,419	–	(10,419)	–
Total		₱35,626	₱–	(₱10,419)	₱25,207

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	
	2021	2020
	(In Thousands)	
NOLCO	**₱2,892,640**	₱3,101,569
Allowance for ECL	**56,145**	230,298
Allowance for inventory obsolescence	**836**	24,281
Allowance for cargo losses and damages	**21,461**	44,141
Accruals and provisions	**690,544**	772,016
Unrealized foreign exchange loss	**838**	1,241
Excess MCIT over RCIT	**25,507**	34,822
Impairment of investment in subsidiary	**250**	250

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

	2021	2020
	(In Thousands)	
Tax effect of loss at statutory rates	**(₱188,856)**	(₱471,422)
Income tax effects of:		
Deductible temporary difference for which no deferred income tax assets were recognized	**222,960**	503,110
Nondeductible expenses	**807**	1,258
Interest income already subjected to final tax	**(25)**	(139)
Impact of CREATE in 2020	**3,627**	–
Other nontaxable income	**(44,012)**	(35,399)
Others	**190**	(539)
Provision for income tax	**(₱5,309)**	(₱3,131)

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, 2021 and 2020, 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, 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

December 31, 2020

	High	Medium	Total
Financial Assets		*(In Thousands)*	
Cash in banks	₱374,315	₱–	₱374,315
Cash equivalents	1,382	–	1,382
Trade receivables[1]	–	316,641	316,641
Nontrade receivables	531,281	181,369	712,650
Refundable deposits	39,866	–	39,866
Advances to officers and employees[2]	2,511	–	2,511
Contract assets	–	251,508	251,508
	₱949,355	₱749,518	₱1,698,873

[1]Excluding nonfinancial asset amounting to ₱25.2 million
[2]Excluding advances amounting to ₱13.2 million.

High quality receivables pertain to receivables from related parties and customers with good favorable credit standing. Medium quality receivables pertain to receivables from customers that slide beyond the credit terms but pay a week after being past due. Low quality receivables are accounts that are deemed uncollectible and provided for with a provision. For new customers, the 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:

December 31, 2021	**Current**	**Past Due** 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	**₱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*

December 31, 2020	Current	Past Due 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	₱374,315	₱–	₱–	₱–	₱–	₱–	₱–	₱374,315
Cash equivalents	1,382	–	–	–	–	–	–	1,382
Trade receivables[1]	316,641	202,067	65,144	23,597	14,791	77,531	(150,149)	549,622
Nontrade receivables[2]	712,650	14,599	135,048	86,640	487,024	2,493,092	(74,449)	3,854,604
Refundable deposits	39,866	–	–	–	–	–	–	39,866
Advances to officers and employees[3]	2,511	–	–	–	–	–	–	2,511
Contract assets	251,508	–	–	–	–	–	(5,700)	245,808
Total	₱1,698,873	₱216,666	₱200,192	₱110,237	₱501,815	₱2,570,623	(₱230,298)	₱5,068,108

[1]*Excluding nonfinancial asset amounting to ₱25.2 million*
[2]*Including long term receivables amounting to ₱396.5 million*
[3]*Excluding advances amounting to ₱13.2 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, 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**

	December 31, 2020			
	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
		(In Thousands)		
Financial Liabilities				
Trade and other payables[1]	₱3,025,609	₱–	₱–	₱3,025,609
Short-term notes payable	996,500	–	–	996,500
Long-term debt[2]	–	3,500,000	–	3,500,000
Obligations under lease[3]	176,961	228,122	91,247	496,330
	₱4,199,070	₱3,728,122	₱91,247	₱8,018,439
Financial Assets				
Cash and cash equivalents	₱397,899	₱–	₱–	₱397,899
Trade and other receivables[4]	4,652,547	–	–	4,652,547
Refundable deposits	16,724	23,142	–	39,866
Receivable from a related party[5]	167,919	439,172	–	607,091
	₱5,235,089	₱462,314	₱–	₱5,697,403

[1] *Excluding nonfinancial liabilities amounting to ₱409.7 million and ₱446.0 million as of December 31, 2021 and 2020, respectively.*
[2] *Gross of unamortized debt arrangement fees amounting to ₱12.1 million and ₱14.9 million as of December 31, 2021 and 2020, respectively.*
[3] *Gross of interest component amounting to ₱41.8 million and ₱65.3 million as of December 31, 2021 and 2020, respectively.*
[4] *Excluding nonfinancial assets amounting to ₱2.2 million and ₱38.5 million as of December 31,2021 and 2020, respectively, and current portion of receivable from a related party in 2021 and 2020.*
[5] *Gross of interest component amounting to nil and ₱79.0 million as of December 31, 2021 and 2020, respectively.*

Trade and other payables and maturing other liabilities are expected to be settled using cash to be generated from operations, drawing from existing and new credit lines, and additional capital contribution of the shareholders.

Foreign exchange risk
Foreign currency risk arises when the 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's significant foreign currency-denominated financial assets and financial liabilities as of December 31, 2021 and 2020 are as follows:

		December 31, 2021		December 31, 2020	
	Currency	**Amount in Original Currency**	**Total Peso Equivalent**	Amount in Original Currency	Total Peso Equivalent
Financial Assets					
Cash in banks	**USD**	**43**	**2,183**	4	192
Financial Liabilities					
Trade and other payables	**USD**	**374**	**18,988**	679	32,606
	JPY	–	–	73,399	32,919
			18,988		65,525
Net foreign currency denominated assets (liabilities)	**USD**	**(331)**	**(16,805)**	(675)	(32,414)
	JPY	–	–	(73,399)	(32,919)

USD 1 = ₱50.77 in 2021 and ₱48.02 in 2020
JPY 1 = ₱0.45 in 2020

The Company has recognized foreign exchange loss amounting to ₱0.8 million and ₱1.2 million for the years ended December 31, 2021 and 2020, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rates, with all other variables held constant, of the Company's profit before tax for years ended December 31, 2021 and 2020.

	Appreciation (Depreciation) of Foreign Currency	**Decrease (Increase) in loss before tax** December 31 **2021**	2020
		(In Thousands)	
US Dollar (USD)	1%	**(₱168)**	(₱324)
	(1%)	**168**	324
Japanese Yen (JPY)	1%	–	(329)
	(1%)	–	329

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 6.23% and 3.85% to 6.22% in 2021 and 2020, 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, 2021 and 2020, 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	
	2021	2020
	(In Thousands)	
100 bp rise	**₱39,878**	₱34,851
100 bp fall	**(39,878)**	(34,851)
50 bp rise	**19,939**	17,425
50 bp fall	**(19,939)**	(17,425)

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	
	2021	2020
Assets financed by:		
Creditors	**84%**	78%
Stockholders	**16%**	22%

As of December 31, 2021 and 2020, 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.

	2021		2020	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
		(In Thousands)		
Financial Liabilities				
Long-term debts	**₱3,987,844**	**₱4,155,983**	₱3,485,080	₱3,609,100
Obligations under lease	**274,952**	**279,637**	430,999	449,662
	₱4,262,796	**₱4,435,620**	₱3,916,079	₱4,058,762

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 5.4% and 4.6% was used in calculating the fair value of the long-term debt as of December 31, 2021 and 2020, respectively.

Obligations under lease
The fair values of obligations under finance lease are based on the discounted net present value of cash flows using the discount rate ranging from 4.6% to 7.0% and 4.5% to 5.4% as of December 31, 2021 and 2020, respectively.

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

29. **Notes to Parent Company Statements of Cash Flows**

Changes in liabilities arising from financing activities are as follows:

		Cash Flows				
	January 1, 2021	**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**

For the Year Ended December 31, 2020

		Cash Flows				
	January 1, 2020	Availments	Payments	Net	Others	December 31, 2020
			(In Thousands)			
Short-term notes payable	₱1,286,500	₱925,000	(₱1,215,000)	(₱290,000)	₱–	₱996,500
Current portion of obligations under lease	218,811	–	(179,344)	(179,344)	116,580	156,047
Noncurrent portion of:						
Long-term debt	2,487,153	1,000,000	–	1,000,000	(2,073)	3,485,080
Obligations under lease	569,043	–	–	–	(294,091)	274,952
Total liabilities from financing activities	₱4,561,507	₱1,925,000	(₱1,394,344)	₱530,656	(₱179,584)	₱4,912,579

"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 ₱6.5 million in 2021 and ₱5.4 million in 2020, respectively;
c. payment of debt transaction cost amounting to ₱3.8 million and ₱7.5 million in 2021 and 2020, respectively;
d. availment of obligation under lease amounting to ₱1.0 million in 2020 (nil in 2021);
e. amortization of obligation under lease amounting to ₱21.0 million in 2021 and ₱36.1 million in 2020; and
f. Pre-termination gain from leases amounting to ₱12.4 million in 2020.

30. **Merger and Other Operational Expenses**

a. Merger

The objective of the merger discussed in Note 1 was to simplify the corporate accounting of the group in a one holding company, that is 2GO. The transaction has been accounted for as a merger of entities under common control, using the pooling of interest method. The Company elected to measure the acquired assets and liabilities based on their carrying amounts on NN stand-alone financial statements as of December 31, 2018. 2GO recognized the excess of the 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.

b. Other operational expenses

During 2020, 2GO also completed a series of restructuring activities which primarily included consolidating its operations in certain container yards, warehouses and offices, exiting related leases and costs as a result of such consolidation. In addition, the Company incurred various other operating expenditures related to COVID-19 pandemic disclosed in Note 31.

Restructuring costs and other operating expenses amounted to ₱205.6 million in 2020 (nil in 2021) are presented as "Other operational expenses" in the parent company statements of profit or loss.

31. Events Connected to the COVID-19 Pandemic

On March 8, 2020, the Office of the President, under Proclamation 922, declared a state of public health emergency and subsequently on March 16, 2020, under Proclamation 929, placed the entire Philippines under a state of calamity due to the spread of the Novel Corona Virus Disease (COVID-19 pandemic). As part of these declarations and to manage the spread of the disease, certain areas in the Philippines were placed under various categories of community quarantine since March 17, 2020 and such community quarantines are still in effect at the date of filing of 2GO's audited financial statements as of and for the year ended December 31, 2021 with the SEC.

The Government-mandated quarantine measures continue to evolve and involve various attendant measures including, but not limited to, travel restrictions, home quarantine and temporary suspension or regulation of business operations thereby limiting commercial and similar activities related to the provision of essential goods and services.

2GO across its various business units, has been significantly affected by the aforesaid quarantine measures. This resulted in limited business operations in Luzon and in many other parts of the country for most of 2020. Given the restricted mobility in and out of the country and the curtailed economic activities affecting demand not only in the Philippines but in other countries, 2GO experienced a decline and gradual recovery in sales/revenue volumes as aforementioned quarantine measures were slowly relaxed.

Management continues to evaluate and respond to other potential adverse impacts of the COVID-19 outbreak in future reporting periods. 2GO has activated its Business Continuity Implementation Plan and has taken steps to manage the risk of disruption in operations. 2GO likewise continuously monitors developments in the domestic and international markets for any further slowdown in economic activities and the drastic shift in customer or market preferences that may eventually depress sales, place pressure on the deployment of certain assets, and impair the realizability of trade receivables and other similar working capital items.

As part of the 2GO's commitment to customer and employee health and safety and its regulatory compliance, 2GO has likewise implemented stringent safety and precautionary measures, including disinfecting and sanitizing facilities, implementation of work-from-home schemes for its employees, and imposing social-distancing in the work places, in order to mitigate the risk and ensure continuity of business operations during this time of pandemic.

The foregoing events are reflected in the financial position and performance of 2GO for the year ended December 31, 2021. Considering the evolving nature of the pandemic, 2GO cannot reasonably estimate at this time the length and severity of the pandemic, or the extent to which the disruption may materially impact 2GO's financial position, results of operations and cash flows in future reporting periods.

32. 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, 2021:

a. Value Added Tax (VAT)

	Amount
	(In Thousands)
1. Output VAT	₱734,047
Basis of Output VAT:	
Vatable sales	6,117,058
Exempt Sales	21,246
	₱6,138,304
2. Input VAT	
Beginning of the year	₱86,525
Current year’s domestic purchases:	
Goods other than for resale or manufacture	263,678
Capital goods subject to amortization	4,303
Services lodged under other accounts	426,585
Claims for tax credit/refund and other adjustments	8,911
Utilized for the year	(734,047)
Balance at the end of the year	₱55,955

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	₱98,954
Expanded withholding taxes	116,207
	₱215,161

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	₱6,596
Documentary stamp taxes	–
Real estate taxes	6,696
Others	13,845
	₱27,137

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, 2021, the Company has no pending tax court cases.

SUSTAINABILITY REPORT FOR THE YEAR 2021

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 DoubleDragon Plaza Macapagal Boulevard corner EDSA Extension Pasay City 1302, Philippines
Location of Operations	2GO's scope of logistics and transport operations is nationwide in the Philippines.
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	**Ownership and Legal Form:** 2GO Group, Inc. 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. (2GO) operates the country's largest integrated supply chain enterprise, providing logistics and transport services nationwide. With over 150 years of shipping and logistics experience, we create synergies through our three primary segments: sea solutions, logistics and distribution. 2GO Sea Solutions is the freight segment providing reliable, point-to-point containerized and rolling cargo solutions for business clients and travel-hotel accommodation for passengers through our ROPAX vessels. Special Containers and Value Added Services (SCVASI) handles containerized cargo and projects that require specialized solutions such as cold chain, isotainer, flexibags, break bulk and oversized equipment. 2GO Logistics provides storage and order fulfillment solutions to various verticals through our warehousing, inventory management, crossdock and transport capabilities. 2GO Express delivers first and last mile multimodal forwarding solutions to corporate and retail clients nationwide. Our network of outlets and hubs facilitate the flow of goods handled by our e-commerce, courier, and general cargo services. ScanAsia provides go-to-market solutions that enable our international and domestic clients to monitor, manage and replenish inventory from distribution centers to retailer shelves, ensuring stock availability in almost 2,000 doors nationwide.
Reporting Period	January 1, 2021 to December 31, 2021
Highest Ranking Person responsible for this report	Rachelle A. Batan

**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

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]

We seek consistency in our approach to materiality. In our maiden report, we conducted an in-depth materiality assessment among our key officers to understand critical areas that we need to focus on in order to deliver excellent service to our customers. In addition, we also looked into which areas are most critical for us to build our capacity on in order to better protect the environment and provide opportunities for our communities. In 2019, we expanded our process with online surveys to complement our formal and informal dialogues with our stakeholders. In 2020, we engaged our stakeholders through informal dialogues to understand which of the material topics have greatly impacted them through the pandemic.

Our Reporting Process

	1	**2**	**3**	**4**
Steps Taken	Build Capacity	Undergo Materiality Assessment	Identify and Gather Critical Data	Review and Validate Material Data

[1] See *GRI 102-46* (2016) for more guidance.

Description	Training on Sustainability	Review of processes, KPIs and risk assessment	Based on Material Issues, created templates for data gathering	Affirmation of reported disclosures
GRI Reporting Principle Applied	Stakeholder Inclusiveness and Sustainability Context	Materiality, Sustainability Context, Stakeholder Inclusiveness and Completeness	Stakeholder Inclusiveness and Completeness	Stakeholder Inclusiveness and Completeness

Our Material Topics

Material Topics	Definition and Relevance	Boundaries
Product		
Product/ Service Reach, Accessibility and Visibility	How we make our products and services accessible and affordable to our customers and enable them to reach their markets.	Within 2GO and its customers
Customer Welfare	How we protect the safety and well-being of our customers	Within 2GO and its customers
Customer Data Privacy	How we protect the data privacy of our customers and take steps to comply with their standards	Within 2GO and its customers
Performance		
Economic Performance	How we deliver value to our shareholders, facilitate the movement of goods and people, and contribute to the economic growth of the country as the backbone of Philippine commerce	Within 2GO
Business Process and Digitalization	How we use technology to provide a seamless and efficient service and how we pursue continuous improvement strategies	Within 2GO
Partnership		
ESG Compliance	How we take continuous steps to comply to all applicable government regulations and meet moral and ethical expectations in partnership with our regulators, suppliers and host communities	Within 2GO, regulators and host communities
People and Planet		
Economic Opportunities	How we create jobs wherever we operate	Within 2GO and with host communities
Employee Development, Welfare and Succession Planning	How we recruit, develop and retain talent, recognize the contribution of our employees, and provide long-term professional development	Within 2GO
Employee Well-being, Health and Safety	How we provide a safe working environment for our employees and promote their well-being	Within 2GO
Sustainable Supply Chain	How we efficiently utilize our resources to minimize our impact on the environment and maintain an inclusive supply chain with our partner suppliers	Within 2GO

Stakeholder Engagement

Our Stakeholders	Communication Channels	Relevant Matters	Our Progress
Customers and Clients	Various customer touchpoints Online Surveys	Product / Service Reach, Accessibility, Visibility	148 food service businesses served 1,521 pharmacies served 3.4 Million e-commerce transactions
Employees	In person discussions Annual Performance Review Online Surveys Townhall meetings Coaching and Training	Employee Development, Career Growth Occupational Health and Safety	9,047 Training Hours 2,028 Employees Appraised 36 Employees Promoted 5,219,348 Safe Man Hours without lost time injury
Investors	Annual Stockholders Meeting Investor Meetings	Financial performance Transparency on ESG risk and opportunities Corporate governance	Annual Report Sustainability Report Annual Stockholders Meeting

Suppliers and Service Providers	Vendor accreditation Regular correspondence Online survey	Employee Health and Safety Customer Welfare Product Reach, Accessibility and Visibility	PHP 15.31 bn Economic Value Distributed
Socio-civic partners	Program partnerships Online Survey	Sustainable Operations Community Involvement	Enabling mobilization of relief / aid programs
Regulators	Public-private sector dialogues Regular correspondence	Compliance and Governance Sustainable Operations	Timely and accurate reporting aligned to accredited frameworks Compliance with relevant laws and regulations

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount *in Millions*	Units
Direct economic value generated (revenue)	15,861	PhP
Direct economic value distributed:	15,305	PhP
a. Operating costs	13,271	PhP
b. Employee wages and benefits	1,354	PhP
c. Payments to Providers of Capital	402	PhP
d. Payments to Governments	277	PhP
e. Community Investments	2	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
As we move good and services, we help facilitate economic activity in the Philippines. We create direct impact by distributing value through payments to our suppliers, wages to our employees, contribution of taxes and fees to our regulators, and investments to communities	• Customers • Employees • Investors • Suppliers • Regulators • Communities	We exercise prudent and strategic allocation of our financial capital to constantly deliver growth and distribute value to our various stakeholders and returns to our capital providers Our board of directors work together with the management and business units to regularly update risk registers and business continuity plans. Our business models and processes are continuously enhanced through system improvements to cater to the needs of our stakeholders.
What are the Risks and Opportunities Identified?		
Risk of reduced economic value generated and distributed due to the negative business impacts of the COVID-19 pandemic and climate change Understanding where our risks lie can help us uncover hidden risks and address them head on to protect our business operations. We can also take advantage of process improvements and system efficiencies to help us better deal with uncertainties and improve our resiliency in the supply chain.		

Climate-related risks and opportunities[2]

Governance	Strategy	Risk Management	Metrics and Targets

[2] 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.

Our Board of Directors lead our direction and strategy in managing climate-related risks	We ensure the environmental sustainability of our business within the physical environments where we operate by assessing and addressing negative environmental impacts associated with the delivery of our products and services to avoid, or when unavoidable, mitigate them.	We integrate environmental and climate-related risk management within our business decisions through our enterprise risk management program.	Annually, we monitor, measure and report our water, power and fuel consumption and calculate our greenhouse gas emissions through our annual and sustainability reports

Recommended Disclosures			
Oversight	**Risks and opportunities**	**Processes**	**Metrics and Targets**
The Board oversees our position in climate change, strategic planning and risk management including those for climate-related risks and opportunities particularly: • Position statements • Sustainable supply chain processes • Enterprise risk management system • Corporate strategy on climate-related risk • GHG emissions monitoring and progress The board delegates certain elements of risk oversight functions to the Risk Oversight Committee **Management's Role** Our management maintains an active role in assessing and managing climate-related risks and opportunities The management and business units oversee regularly updating risk registers and business continuity plans	**Climate-related risks:** ● Regulatory and reputational risks ● Disaster risks ● Transition risk **Climate-related opportunities:** ● Incorporation of sustainability into operational and functional areas to improve the business ● Enhance speed and responsiveness of delivery ● Manage uncertainties of climate-related disruptors ● Business resilience Enhance resource efficiency and reduce overall costs	Climate-related issues are integrated into multi-disciplinary company-wide risk identification, assessment, and management. Our enterprise risk management program defines our impact on climate-related risks and is prioritized based on their likely financial impact in the short and long run. We employ a consultative approach and solicit input from senior leadership, environmental consultants and stakeholders. Monitoring and measuring our metrics help us manage environmental impact. Annually, we collect data and report it through our sustainability report.	● Good corporate governance for accountability on climate-related risks ● Reduction of GHG emissions intensity through systems efficiency ● Lower our exposure to regulatory risks through compliance ● Managing resources efficiently within our operations ● Engage externally to support sustainable supply chain solutions

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	96.3%	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
We generate and distribute economic value as we deliver supply chain solutions nationwide. Our impact in procurement occurs with our dealings with partner suppliers, service vendors, and contractors.	Suppliers Contractors Creditors Other entities that engage in business with the company	We observe propriety and act with fairness and transparency in dealing with business partners. We adhere to healthy competition, equal opportunity, and fair treatment of business partners. Our procurement team adheres to a bidding process that screens and

What are the Risks Identified?		reviews major contracts with contractors and suppliers to ensure that negotiations are conducted fairly and on an arm's length basis and that management teams are given the best choice possible for a given requirement.
Procurement risks include fraud, cost, quality, and delivery risks. We take these risks seriously as they can result in business losses and disruptions in our operations. Quality in purchasing is very crucial in maintaining the consistent flow of goods and services. The COVID-19 pandemic disrupted and challenged supply chain operations everywhere which have caused delays in travel and delivery of goods and services		

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**	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
We take corruption seriously as it can harm our company and our relationships with our stakeholders. We facilitate mandatory training on Anti-Corruption Policies and Procedures as we deal with various suppliers, vendors, contractors, local government transactions	● Employees ● Suppliers ● Creditors ● Investors ● Regulators	Our anti-corruption efforts include third-party due diligence, anti-bribery training and code of conduct training. We also promote a culture of compliance with ethical business practices
What are the Risks and Opportunities Identified?		
Our Code of Conduct and our anti-corruption policies guide our employees in identifying scenarios that risk the integrity of our company.		

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 and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
We prohibit corruption in all our business dealings as we work with many suppliers, local government units and communities. We do not allow corruption to influence business decisions or gain undue business advantage.	● Employees ● Suppliers ● Creditors ● Investors ● Regulators	Our policies on anti-corruption apply to every director, manager, employee, partner suppliers, creditors, investors, regulators, and other stakeholders. Within our network of operations, we recognize corruption risks and opportunities and address these by maintaining the following corporate governance policies: 1. Manual on Corporate Governance 2. Code of Business Conduct 3. Conflict of Interest Policy 4. Insider Trading Policy 5. Related Party Transactions Policy
What are the Risks and Opportunities Identified?		
Risks: Supply chains are inherently vulnerable to corruption risks due to the size and complexity of their operating environment. Exposure to corruption may bring serious legal sanctions and reputation risk.		

Opportunities: Positive financial returns, improve product and service quality, solve business inefficiencies, and reinforce goodwill among stakeholders give us ample reason to fight corruption.		6. Policy on Accountability, Integrity and Vigilance (Whistleblowing Policy) 7. Supplier/ Vendor Selection

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure[1]	Quantity	Units
Energy consumption (renewable sources)	##	GJ
Energy consumption (gasoline)	1.03	GJ
Energy consumption (bunker fuel IFO 180)	1,802,703.14	GJ
Energy consumption (diesel)	324,236.61	GJ
Energy consumption (electricity)[2]	1,111,444.00	kWh

Notes:

[1] 1 Liter = 0.0342 GJ

[2] For 2021, Data is limited to 26 locations vs. the 43 reported last year

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	2.05	GJ
Energy reduction (LPG)	Not available.	GJ
Energy reduction (diesel)	164,721.25	GJ
Energy reduction (electricity)	2,741,816.58	kWh
Energy reduction (gasoline)	Not available.	GJ

Note: For 2021, Data is limited to 26 locations vs. the 43 reported last year

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
As a logistics company, our role is to expand our ability to connect more goods and services efficiently as we minimize our impact on the environment. We use fuel and power to conduct our business operations nationwide.	Communities Regulators Investors	Through footprint reduction and transport management digitalization we are working towards the elimination of inefficient transportation of goods. We consider this as a cost-saving strategy and as a step to mitigate our environmental impacts
What are the Risk/s and Opportunity/ies Identified?		
Potential risk includes an increase in the price of the fuel and other energy we purchase, an increase in capital requirements associated with updating our ships and land vehicles, regulatory risk and reputational risk from shifting public opinions. Opportunities for energy efficiency, use of non-renewable energy are recognized		

Water consumption within the organization

Disclosure	Quantity	Units
Water consumption	Not available	Cubic meters
Water withdrawal	96,914	Cubic meters
Water recycled and reused	Not available	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
Water is used primarily for sanitation at our warehouse facilities, hubs and offices. Our supply is obtained from third-party utility providers and discharged into public sewage systems.	Communities Regulators Investors	We monitor water usage in our sites and implement measures to conserve water in our operations. We also adhere to local and international regulations on keeping our ocean free from pollution.
What are the Risk/s and Opportunity/ies Identified?		
Potential risks include water shortages, flooding in our facilities and water pollution.		

Proper discharge of water is also important to avoid penalties in our operations.		

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume	Not material to the company	
• Renewable		kg/liters
• non-renewable		kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	Not material to the company	%

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	Not material	Not material
What are the Risks and Opportunities 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	0	
Habitats protected or restored	0	ha
IUCN[3] Red List species and national conservation list species with habitats in areas affected by operations	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
Not material. We do not operate in or adjacent to protected areas and areas of high biodiversity value	Not material	Not material
What are the Risks and Opportunities Identified?		
Not material		

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	190,783.22	MT CO_2e
Energy indirect (Scope 2) GHG Emissions	809.46	Mt CO_2e
Emissions of ozone-depleting substances (ODS)	Not Available	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Delivery of goods and services contributes to greenhouse gas emissions. As we operate in the nationwide in the Philippines, we recognize the vulnerability of our country to climate change.	Communities Regulators Investors	We strive for environmental friendliness in our operations. Through regular assessment and internal audits, we assess and address environmental management gaps and opportunities associated with the delivery of our products and services. We seek to improve corporate environmental performance through supply chain technologies, improving business processes and other related programs that encourage an environmentally friendly value-chain.
What are the Risk/s and Opportunity/ies Identified?		
Absence of environmental impact management can pose transition risk, regulatory risk, reputational risk and disaster risk.		

[3] International Union for Conservation of Nature

We recognize that environmental impact management can bring us opportunities such as: • Incorporation of sustainability into operational and functional areas to improve the business • Enhance speed and responsiveness of delivery • Manage uncertainties of climate-related disruptors • Business resilience • Enhance resource efficiency and reduce overall costs		

Air pollutants

Disclosure	Quantity	Units
NO_x	Not available	kg
SO_x	Not available	kg
Persistent organic pollutants (POPs)	The company does not produce POPs	kg
Volatile organic compounds (VOCs)	Not available	kg
Hazardous air pollutants (HAPs)	Not available	kg
Particulate matter (PM)	Not available	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
Air emissions are produced by vehicles throughout our land-based operations. These include reefer vans, trucks and motorcycles owned by the company and our respective contractors.	Communities Regulators Investors	We are working towards the reduction of transport intensity by leveraging synergies within our business. Through adoption of system improvements and technologies, we seek to optimize our routes and consequently improve our environmental performance.
What are the Risk/s and Opportunity/ies Identified?		
Urban air pollution subject our stakeholders to long-term exposure to polluted air which can leave permanent health damage. Climate-related risks due to transport pollution include reputational risk, regulatory risk, and transition risk.		

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	228,299	kg
Reusable	Not available	kg
Recyclable	140,836	kg
Composted	76,848	kg
Incinerated	Not available	kg
Residuals/Landfilled	10,615	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
Given our size and reach, we generate waste in our business operations nationwide. Containers and packaging are used in the shipping, storage, and protection of products.	Employees Communities Regulators	We abide by the Ecological Solid Waste Management Act by ensuring proper segregation, collection, transport, storage treatment and disposal of solid waste in our ships and facilities. Each of our vessels is equipped with a food grinder which we use to dispose of our food waste within 12 nautical miles underway,
What are the Risk/s and Opportunity/ies Identified?		

Poor solid waste management can pose risk to the health and safety of our workers and our host communities. Opportunities of recycling can reduce disposal costs and improve efficiency where we can make use of excess material. Proper waste disposal also improves cleanliness of the workplace environment and ensures workers are safe and healthy.		adhering to the regulations of the Internal Maritime Organization.

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated		
Bilge, Sludge, Used Oil	481,128	liters
Others (Pathological & Oily Waste)	1,276	kg
Total weight of hazardous waste transported	Not available	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
Whether in sea or land, preventing pollution is material to us. We maintain procedures to properly store, handle and dispose of our waste	Regulators Communities	We abide to the Toxic Substances and Hazardous and Nuclear Wastes Control Act by following the guidelines on handling, storage, and transportation of hazardous waste to prevent contamination and accidents within our operations. Our wastes are managed by the Facilities Management Department and collected by DENR-accredited haulers & treaters.
What are the Risk/s and Opportunity/ies Identified?		
Operational risks such as spills, fires, explosions, reactions, and exposure to toxic chemicals can be caused by mishandling of hazardous waste. Through careful hazardous waste management, we reduce the risk of serious damage to the health and safety of our stakeholders and the business.		

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	Not available	Cubic meters
Percent of wastewater recycled	Not available	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
How we handle and discharge wastewater can impact the quality of the water next to our facilities for our land operations and the sea for our marine operations.	Regulators Communities	All sites discharge wastewater into public sewage treatment plants. For marine operations, all vessels operate Safety Management Systems (SMS) and have certificated Sewage/Garbage Plans, Oil Water Separator systems and Logbooks. Effluents such as Used Oil, Sludge and Bilge Water are recorded and collected by third-party haulers and treaters of the Department of Environment and Natural Resources.
What are the Risk/s and Opportunity/ies Identified?		
Effluent must be monitored closely as it can cause damage and pollution to discharge locations. Improper discharge may cause water contamination and kill ecosystems.		

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 and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach

Compliance to environmental laws and international regulations are important to keep our business operational. **What are the Risk/s and Opportunity/ies Identified?** Non-compliance to environmental laws can result to financial penalties and fines, loss of productivity and revenue due to operation suspensions or incidents, risk of injury and potential lawsuits due to unsafe working environment, and reputational risk from negative public perception	Regulators Communities Employees Investors	As part of our commitment to the UN SDGs, we are taking concrete steps in refining our environmental management framework. We have begun by taking inventory of our commitments, what we need to do to uphold them, and what controls we have in place to ensure that we proactively manage our environmental impacts and risks.

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[4]	2,122	
a. Number of female employees	831	#
b. Number of male employees	1,291	#
Attrition rate[5]	20%	rate
Ratio of lowest paid employee against minimum wage	Not available	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 (Sickness/loans)	Y	25%	17%
PhilHealth(sickness)	Y	3%	4%
Pag-ibig (loans)	Y	21%	18%
Parental leaves	Y	26.4%	7.1%
Vacation leaves	Y	*99%	*99%
Sick leaves	Y	*99%	*99%
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	Y	n/a	n/a
Flexible-working Hours	N	n/a	n/a
(Others)		99%	99%

Notes: Percentages pertain to availment/transactions
*excluding probationary employees

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
We employ an experienced workforce nationwide. Compensation includes the wages, salaries, bonuses, and commission structures we give our employees. **What are the Risk/s and Opportunity/ies Identified?** Without competitive packages, we face the risk of employee loss, talent retention, reduced job satisfaction, and reduced productivity. Creating and offering the right compensation plan addresses these risks and ensures that the backbone of our company and operations are happy and productive.	Our people are the backbone of our business. It is important for us that our employees are inspired, skilled, and equipped to provide outstanding service. We developed a Strategic WorkForce Approach to help build a resilient organization and 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.

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		

[4] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

[5] 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)

a. Female employees	3,346	hours
b. Male employees	5,701	hours
Average training hours provided to employees		
a. Female employees	4.03	hours/employee
b. Male employees	4.42	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
How we recruit, develop through coaching and training, and retain talent; recognize the contribution of our employees; promote their well-being and provide long-term professional development	We advocate continuous learning to help our employees meet their full potential. Our training initiatives aim to develop employees into specialists in their respective areas of work. From our leaders to our staff, our employees undergo customized development programs for skills enhancement and improved wellbeing.
What are the Risk/s and Opportunity/ies Identified?	
Learning strategies are important for us for competitive advantage. Employee development is important to reduce chances of turnover, improve customer service, avoid damages to brand reputation and improve productivity. Constant change necessitates continuous learning. We recognize e-learning opportunities for their accessibility and flexibility.	

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/year	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
A cooperative partnership between 2GO Management and workers sustains the economic growth of the company. 2GO supports such cooperative partnership through its Labor Management Council (LMC) where workers and Management both participate in joint problem-solving in matters affecting employee welfare.	2GO Management believes that a mutually-beneficial atmosphere fosters a proactive partnership and cooperation between Management and workers and therefore creates a climate of industrial peace as a key to growth. Management continues to support LMC programs that are geared towards increasing productivity and improving employee welfare.
What are the Risk/s and Opportunity/ies Identified?	
Opportunity: The continued development of processes that focuses on joint participation of Management and workers in improving the quality of working life. Risk: Continuity of programs / projects initiated by LMC is at risk when workers are separated from the company.	

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	39	%
% of male workers in the workforce	61	%
Number of employees from indigenous communities and/or vulnerable sector*	Not available	#

**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).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
We are an equal opportunity provider for employees and suppliers.	At the board level, the Company adheres to a board diversity policy that ensures that there is always a diverse composition of directors to assist in advancing 2GO's strategic objectives. To achieve board diversity objectives, a Board Matrix is used to determine the mix of attributes, skills, competencies, experience, and affiliations that the board currently has and what it needs to complement the existing composition. We also foster diversity among our choice of people by practicing non-discrimination in the hiring, promotion, and leadership development of our employees. We maintain a balance between male and female employees throughout different levels of the management. Decisions as to hiring, promotions, and other aspects of employment relationship are based solely on job-related qualifications.
What are the Risk/s and Opportunity/ies Identified?	
Diversity in our workforce gives us opportunities to foster mutual mentoring among our talents, enhance trust-based cooperation, and improve teamwork and collaboration for productivity, creativity, and efficiency.	

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	5,219,348	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	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
We provide a safe working environment for our employees and third-party service providers More so during the COVID-19 pandemic, we created a 2GO New Normal Well-Being Committee focused on ensuring the safety of our people, establishing accessible communication channels, and developing new work protocols to carry on our service to our customers.	We aim to be a preferred employer that considers the health, safety, and welfare of our employees as the top priority. Our safety protocols and policies are designed to ensure the protection of our people whether they are at sea or on land. We measure and manage operational safety by putting a high value on training and development. On-board safety gears and equipment are checked frequently. We monitor mileage of our shipping vessels and trucks and make sure they undergo regular maintenance.
What are the Risk/s and Opportunity/ies Identified?	
Work-related health and safety risks in the transport sector include road accidents, accidents in sea, fatigue, occupational diseases, and exposure to dangerous substances. To ensure Occupational Health and Safety, we can provide trainings on tailored safety education, emergency response, and healthy lifestyle.	

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	-
Child labor	Y	No Child Labor Policy
Human Rights	Y	In reference to due process in the Code of Conduct

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
It is our responsibility to protect the dignity of every person, uphold human rights, eliminate forced and compulsory labor, and abolish child labor. We consider these key principles in hiring decisions within our business and the suppliers we work with	We are aligned to our parent company's commitment as signatory of the UN Global Compact following group-wide commitment and support to human rights and labor rights. We integrate human rights risk into risk management across our businesses. We also ensure that our vendors, suppliers, and other third-party
What are the Risk/s and Opportunity/ies Identified?	

Perpetrators of human rights violations face legal sanctions and consequences and reputational risk. We recognize that every business, partnership, and sourcing decision present potential human rights concerns. There is an opportunity to explore ways to identify, manage and report better by mapping our value chain and assessing the potential for each human rights risk scenario.	contractors adhere to a supplier code of ethics which include prohibitions against child labor, forced labor, and slavery.

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:
All governance related policies may be viewed via the Company's website at https://www.2go.com.ph/policies/
Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Y	Manual on Corporate Governance
Forced labor	N	Code of Business Conduct
Child labor	Y	No Child Labor Policy
Human rights	Y	Conflict of Interest Policy
Bribery and corruption	Y	Insider Trading Policy Related Party Transactions Policy Policy on Accountability, Integrity and Vigilance Accreditation Policy and Procedure Environmentally Friendly Value Chain

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
We directly contribute to the movement of goods and services nationwide for our customers, the communities where we operate, and investors. We integrate logistics activities such as procurement, distribution, warehousing, maintenance and inventory management plus marketing, finance and customer service to our clients.	We manage our risks by deploying appropriate physical and cyber security measures and by working with our regulators, suppliers and customers to protect the integrity of our supply chain.
What are the Risk/s and Opportunity/ies Identified?	
Risks in the supply chain are any interruption to the flow of goods and services. External risks can include shifts/ shocks in demand and supply, environmental risk from climate-related factors, threat of terrorism, cargo theft, accidents, disasters, economic uncertainties, and structural changes place our suppliers under threat. Experience and knowledge in supply chain risk management can reduce our exposure to risks and allow us to proactively plan for disruptions.	

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)
Not available	-	-	-	-	-
Not available	-	-	-	-	-
Not available	-	-	-	-	-

**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		#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not available	Not available
What are the Risk/s and Opportunity/ies Identified?	
Not available	

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	Passenger Satisfaction Rating – 91% Net Promoter Score – 67% or very good	N

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
We provide the delivery of goods and services to a wide range of customers. We recognize the need to widen and improve our communication channels and feedback mechanisms with customers to enhance satisfaction.	We have policies to ensure that we adhere to our quality commitments to our customers. All customers are given fair and proper treatment and are provided with complete, correct and actual information.
What are the Risk/s and Opportunity/ies Identified?	
Customer dissatisfaction can cause reputation damage, decrease in conversions, productivity loss, loss of current and future customers.	

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	We are working on a system to consolidate these indicators	#
No. of complaints addressed		#

**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
2GO Travel is one of the largest premier sea travel providers in the Philippines present in almost 3,000 outlets nationwide and operating in 14 ports of call to bring accessible and affordable travel for its passengers.	We constantly strive to push boundaries in providing travelers a wide selection of reasonably priced hotel accommodations, tours, and event packages to make for unforgettable trips. We strictly comply with all government mandated protocols on health and safety in our vessels, ports of call, and retail stores. 2GO conducts round-the-clock general cleaning, disinfection, and sanitation of hand contact surfaces, common areas, and ventilation and air conditioning systems. Preventive hygiene measures are enforced at all sites.
What are the Risk/s and Opportunity/ies Identified?	
Due to the COVID-19 pandemic, non-essential travel decreased significantly.	

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	In 2021, we received a total of 952 complaints via our voice, email and fb channels versus total volume of 318,381 customer transactions (0.30% of total transactions were escalated).	#
No. of complaints addressed	All complaints were addressed.	#

**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
Not Material	Not material
What are the Risk/s and Opportunity/ies Identified?	
Not material	

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	None	#
No. of complaints addressed	2	#

No. of customers, users, and account holders whose information is used for secondary purposes	None	#

**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 collect and manage data of our clients and customers. It is our primary concern to protect fundamentally sensitive information such as identities, finances, and health records and prevent them from falling into the wrong hands for improper use.	We are committed to protecting the personal data of our customers. Our Privacy Policy outlines how we collect, handle, protect and use data responsibly in accordance with the Republic Act No. 10173, or the Data Privacy Act of 2012, and its Implementing Rules and Regulations. Read our Privacy Policy here: https://www.2go.com.ph/privacy-policy/
What are the Risk/s and Opportunity/ies Identified?	
Customer privacy is heavily regulated by the National Privacy Commission and through the Data Privacy Act. Risks on data privacy violations include civil and criminal penalties and reputational risk.	

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	None for personally identifiable information (PII)	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Protecting data from malicious threats is important to us to ensure business continuity and data privacy	To combat cybersecurity threats, we invest in the latest IT tools and technologies We adopt the latest IT tools, and practice data security through data encryption, data backup, management of user privileges on corporate devices, securing our on-premise and cloud servers.
What are the Risk/s and Opportunity/ies Identified?	
Risk of data breaches can disrupt our operations and compromise the data privacy of our employees and customers	

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

SDGs	Key Products and Services	Societal Value / Contribution to UN SDGs	Management Approach to Potential Negative Impact
SDG 8 Decent Work and 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 are present, generating jobs across our supply chain.	• 15.9 Billion Php Economic Value Generated • 15.3 Billion Php Economic Value Distributed • 2,122 Jobs Created • 871 Shipping roundtrips • 19,047 SKUs handled • 1,521 Pharmacies served • 148 Food services served • 3.4 Million E-commerce transactions • 229,904 cbm of Goods transported from warehouse to end-users • 7.9 Million Express delivery transactions	To address our potential negative impacts, we make targeted investments on Technology, Process and People to maximize the value generated by our investments, improve our operational efficiencies, and increase the productivity of our workforce. This enables us to seize market opportunities and optimize the value we create for our stakeholders while mitigating our environmental impacts. Our Potential Negative Impacts include but are not limited to: • Degradation of air quality • Degradation of water resources • Greenhouse gas emissions • Solid Waste
SDG 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.	• Sustainable Supply Chain • Php 50.8 Million earmarked investment to Digitalization and Industry Technology	
SDG 12 Responsible	We are environmentally responsible as we pursue efficiency in our day-to-day operations,	• Monitoring of Power, Fuel, Water and Waste consumption	

Consumption and Production	enabling us to minimize our material footprint while we maintain the highest standards in serving our customers.	● 180,285 MT CO2e Scope 1 GHG ● 809 MT CO2e Scope 2 GHG ● Governance Policy on Environmentally-Friendly Value Chain	
SDG 13 Climate Change	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.	● Monitoring of Power, Fuel, Water and Waste consumption ● Governance Policy on Environmentally-Friendly Value Chain	