COVER SHEET

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SEC Registration Number

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

(Company's Full Name)

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

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

ELMER B. SERRANO
Corporate Secretary
(Contract Person)

(02) 528-7171
(Company Telephone Number)

1 2 **3 1**
Month *Day*
(Fiscal Year)

2 0 - I S
(Form Type)

Month *Day*
(Annual Meeting)

Preliminary Information Statement
(Secondary License Type, If Applicable)

Corporation Finance Department
Dept. Requiring this Doc.

Amended Articles Number/Section

5,145
Total No. of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

2GO
GROUP, INC.

NOTICE OF ANNUAL STOCKHOLDERS' MEETING
April 11, 2019 | 2:00 p.m.
Golden Ballroom 1 & 2, Okada Manila
New Seaside Drive, Entertainment City, Parañaque City

To all Stockholders:

The 2019 annual stockholders' meeting of **2GO GROUP, INC.** will be held on **April 11, 2019, 2:00 p.m.**, at the **Golden Ballroom, Okada Manila, New Seaside Drive, Entertainment City, Parañaque City**.

AGENDA

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of Minutes of Annual Meeting of Stockholders held on April 5, 2018
4. Approval of Annual Report for the 2018 (Open Forum)
5. Approval and Ratification of the Acts of the Board of Directors and Management
6. Election of Directors for 2019-2020
7. Appointment of External Auditor
8. Other Matters
9. Adjournment

Each agenda item for approval is explained in the Definitive Information Sheet, with brief details and rationale in the attached **Annex A**.

The Board of Directors has fixed the end of trading hours of the Philippine Stock Exchange on March 15, 2019 as the record date for the determination of stockholders entitled to notice of and to vote at such meeting and any adjournment thereof.

In case you cannot personally attend the meeting, you may accomplish the attached proxy form and submit it to the office of the Corporate Secretary at the 33rd Floor, The Orient Square, F. Ortigas Jr. Road, Ortigas Center, Pasig City 1600 at least five (5) business days before the date of the meeting or until April 3, 2019, in accordance with the By-Laws of the Company. Validation of proxies will be conducted on April 5, 2019 at the office of the Corporate Secretary.

For your convenience in registering your attendance, please bring proof of identification, such as a passport, driver's license, or company I.D.

Pasig City, March 5, 2019.

ELMER B. SERRANO
Corporate Secretary

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

1. Check the appropriate box:

   [**X**] Preliminary Information Statement

   [ ] Definitive Information Statement

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

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

4. SEC Identification Number **4409**

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

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

7. **(02) 528-7171**
   Registrant's telephone numbers, including area code

8. **April 11, 2019, 2:00 p.m., Golden Ballroom 1 & 2, Okada Manila, New Seaside Drive, Entertainment City, Parañaque City, Metro Manila, Philippines**
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders **March 20, 2019**

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

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

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

    YES [X] **NO [ ]**

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

    Philippine Stock Exchange - Common Stock

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For your convenience in registering your attendance, please bring proof of identification, such as a passport, driver's license, or company ID.

Pasig City, March 5, 2019.

ELMER B. SERRANO
Corporate Secretary

Annex A
Rationale for Agenda Items

Agenda Item 3: Approval of Minutes of Annual Stockholders' Meeting held on April 5, 2018

The draft minutes of the annual stockholders' meeting held on April 5, 2018 were posted on the Company's website within twenty-four (24) hours from adjournment of the meeting. These minutes are subject to stockholders' approval during this year's stockholders' meeting. Results of the 2018 annual stockholders' meeting were likewise timely disclosed to the Securities and Exchange Commission (**SEC**) and the Philippine Stock Exchange.

Agenda Item 4: Approval of Annual Report for 2018

The Company's 2018 performance results have been duly summarized in the Annual Report, which includes the Audited Financial Statements (AFS) of the Company for the year ended 31 December 2018. The AFS, as audited by the external auditor Sycip Gorres Velayo & Co. (**SGV**) which expressed an unqualified opinion therefor, have been reviewed and approved by the Audit Committee and the Board of Directors of the Company. Any stockholder who would like to receive a hard or soft copy of the 2018 Annual Report may do so through the Investor Relations Office. The 2018 Annual Report is also posted on the Company's website.

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

Actions and proceedings of the Board of Directors and of Management during their term or from the last Annual Meeting held on April 5, 2018 to the date of this year's meeting will be subject to stockholders' approval and ratification.

Agenda Item 6: Election of Directors for 2019-20120

Nominees for election as members of the Board of Directors for 2019-2020, including the independent directors, have been pre-qualified by the Corporate Governance Committee. The Nominees' proven competence, expertise and qualifications based on current regulatory standards, will help sustain the Company's solid performance for the benefit of all its stockholders. The profiles of the nominees are presented in the Definitive Information Statement for reference. Directors for 2019-2020 will be elected during this year's stockholders' meeting.

Agenda Item 7: Appointment of the External Auditor

Upon recommendation of the Audit Committee, the Board approved and endorses the appointment of SGV as external auditor for 2019. SGV is one of the top auditing firms in the country and is duly accredited with the SEC.

PROXY

The undersigned stockholder of 2GO GROUP, INC. (**2GO**) hereby appoints ____ or in his absence, the Chairman of the meeting, as attorney and proxy, with power of substitution, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of 2GO on April 11, 2019 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of Minutes of Stockholders' Meeting held on April 5, 2018

   ___ Yes ___ No ___ Abstain

2. Approval of 2018 Annual Report

   ___ Yes ___ No ___ Abstain

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

   ___ Yes ___ No ___ Abstain

4. Election of Directors for 2019-2020

   ____ a) Vote for all nominees listed below:

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

   ____ b) Withhold authority for all nominees listed above

   ____ c) Vote for the nominees listed below:

   _______________ _______________
   _______________ _______________
   _______________ _______________
   _______________ _______________
   _______________ _______________

5. Appointment of SyCip Gorres Velayo & Co. as External Auditor for 2019

   ___ Yes ___ No ___ Abstain

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

   ___ Yes ___ No ___ Abstain

____
Printed Name of Stockholder

____
No. of Shares

____
Signature of Stockholder / Authorized Signatory

____
Date

THE PROXY SHOULD BE SUBMITTED TO THE OFFICCE OF THE CORPORATE SECRETARY AT LEAST FIVE (5) BUSINESS DAYS BEFORE THE DATE OF THE MEETING OR UNTIL **APRIL 3, 2019**, IN ACCORDANCE WITH THE BY-LAWS OF THE COMPANY.

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

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

PART I

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

Date of meeting	:	April 11, 2019
Time of meeting	:	2:00 p.m.
Place of meeting	:	Golden Ballroom 1 & 2, Okada Manila, New Seaside Drive, Entertainment City, Parañaque City
Approximate date of mailing of this Statement	:	March 20, 2019
Registrant's Mailing Address	:	8th Floor, Tower 1, Double Dragon Plaza, Macapagal Blvd. corner EDSA Extension, Pasay City

Statement that Company Not Soliciting Proxies

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

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

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

There are no items subject to approval during the annual stockholders' meeting that afford dissenting stockholders the right of appraisal, defined to be the right of any stockholder to dissent and demand payment of the fair value of his shares.

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

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

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

B. CONTROL & COMPENSATION INFORMATION

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

(1) The Registrant has 2,462,146,316 outstanding common shares (net of treasury shares) as of February 28, 2019, 792,091,269 common shares or 32.17% of which have foreign ownership. Each common share shall be entitled to one vote with respect to all matters to be taken up during the annual stockholders' meeting.

(2) The record date for determining stockholders entitled to notice and to vote during the annual stockholders' meeting and also to this information statement is **March 15, 2019**.

(3) At each election for directors, every common stockholder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate his

vote by giving one candidate as many votes as the number of such directors multiplied by the number of shares shall equal, or by distributing such votes on the same principle among any number of candidates.

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

Security ownership of certain record and beneficial owners of five per centum (5%) or more of the outstanding capital stock of the Registrant as of February 28, 2019:

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

Security Ownership of Management – Record and Beneficial Owners as of February 28, 2019:

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

Security Ownership of the Directors and Officers in 2GO: Common is 12,700 shares; Preferred – none.

Voting trust holders of 5% or More

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

Changes in Control

On 02 May 2017, Chelsea Logistics Holdings Corp. (**CLC**), a subsidiary of Udenna Corporation, entered into agreements to acquire the following shares of KGLI-NM.

In view of the merger of Negros Navigation Co., Inc. (**NENACO**) and 2GO effective 01 January 2019, CLC's acquisition of KGLI-NM is subject mandatory tender offer to 2GO stockholders prior to completion.

Item 5. **Directors and Executive Officers**

DIRECTORS

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

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

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

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

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

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

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

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

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

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

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

Prior to holding the post, he was a career banker who spent over 20 years with JP Morgan Chase and its predecessor institutions. During his stint in the banking industry, he was assigned to various executive positions where he gained substantial professional experience in the areas of credit, relationship management and origination, investment banking, capital markets, and general management. He has worked and lived in several major cities including New York, Seoul, Bangkok, Hong Kong and Manila.

He graduated from Ateneo de Manila University with a Bachelor of Science degree in Business Management and finished a Master's degree in Business Administration program at Asian Institute of Management.

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

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

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

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

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

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

She served as the Chief Operating Officer of Alsons Corporation from March 2011 to 2017 and as member of the Board of Alsons Power Holdings Corporation from October 2011 to 2017. She was previously a member of the Board of Directors of Manila North Harbour Port, Inc. (from April 2011-June 2012) and Limay Energen Corporation (from July 2011 to March 2012), Chief Financial Officer of Two San Isidro-SIAI Assets, Inc. (from March 2011 to March 2014), and Vice President for Corporate Planning and Services and consultant for Mergers & Acquisitions projects of Petron Corporation (November 2008 - September 2010).

She is a Certified Public Accountant with a B.S. Commerce degree, Major in Accounting, *magna cum laude*, from Colegio de San Juan de Letran.

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

He graduated with a Bachelor of Arts degree at the University of Santo Tomas and a Bachelor of Laws degree from the Ateneo de Manila Law School. He has been a member of the Philippine Bar since 1965 and of the Philippine Foreign Services since 1968.

Atty. Joseph C. Tan is the lead independent director of 2GO Group, Inc. and the Founding Partner of MOST Law Firm from September 2006 to present. He was Special Counsel for the Agus Cruz & Manzano Law Office from 2004 to August 2006. He was an Associate of Puno & Puno Law Offices from 1991 to 1995.

He is currently an Independent Director of Premium Leisure Corp., Pacific Online Systems Corporation, and LMG Chemicals Corporation. He was also a director of Philippine Bank of Communications from September 2010 to August 2011.

Atty. Tan holds a Bachelor of Arts with a Major in Business Administration degree from University of San Francisco, USA (Class of 1978). He also holds a Bachelor of Laws degree from the Ateneo de Manila College of Law, Makati City, graduating with honors (Class of 1985).

Mr. Laurito E. Serrano is an Independent Director of 2GO Group, Inc. He concurrently serves as a member of the Board of Directors of Pacific Online Systems Corporation, Atlas Mining & Development Corporation, Carmen Copper Corporation, MRT Development Corporation, MJIC Investments Corporation, United Paragon Mining Corporation, Axelum Resources Corp., and APC Group, Inc.

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

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

Mr. Serrano is a Certified Public Accountant and graduated cum laude from the Polytechnic University of the Philippines, where he obtained his Bachelor of Science Degree in Commerce. He obtained his Master’s degree in Business Administration (MBA) from the Harvard Graduate School of Business in Boston, Massachusetts, U.S.A.

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

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

EXECUTIVE OFFICERS

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

Mr. William Charles Howell is the Chief Financial Officer and Treasurer at 2GO Group, Inc. since July 2017. He has served also as the Chief Finance Officer of NENACO since February 2017 and 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.

Atty. Mia M. Ormita is the Assistant Corporate Secretary since February 2017. She is a Partner of the law firm of Martinez Vergara Gonzalez & Serrano. She has been the Corporate Information Officer and Company Secretary of Steniel Manufacturing Corp. since December 6, 2010. Attorney Ormita served as Compliance Officer of Steniel Manufacturing Corp. since October 2012. She served as an Assistant Corporate Secretary and Assistant Corporate Information Officer at Lodestar Investment Holdings Corp. from November 29, 2007 to May 15, 2009. Attorney Ormita served as a Director of Steniel Manufacturing Corp. Attorney Ormita holds a Bachelor of Arts in Political Science from Ateneo de Manila University in 1997 and a Juris Doctor from Ateneo de Manila Law School in 2003.

Mr. Mark Matthew F. Parco is the Chief Operating Officer of 2GO's Shipping Division. He worked for the Neptune Orient Lines/American President Lines (APL) for over 24 years; started in Sales Management and have moved to different leadership roles in different countries and subsidiaries. He has solid experience in the executive role of managing big multinational organizations particularly in startups, front line offices, in the corporate office, and in a business process unit. His performance and experience has led him to head APL Indonesia, the largest Front Line Office in South East Asia. Prior to joining 2GO, he worked at Philippine Transmarine Carriers in Business Development with the task of growing the maritime, training, and shared services sectors.

Mr. Jose S. Ejercito is currently the President of Scanasia Overseas Inc. He was a Consultant for SM Markets from 2012 to 2017. Prior to SM, Pong was the Managing Director of Unilever Korea from 2008 and 2011. He was a Member of the Board of Unilever Philippines and its Customer Development Director. He managed the distribution strategy and operations of Unilever Philippines for many years and held various roles, such as Head of the Multi-Functional Operations Committee, Marketing/Sales Operations Manager, and General Sales (Field) Manager. In the Asia Region, he was assigned as the team leader of the World Class Customer Development (CD) Community tasked to develop world class skills within the CD function. He was posted in Unilever China as National Sales Operations Controller from 2003 to 2006 and set up the first Unilever-operated sales branch in China. Externally, he served as Co-Chair of the industry organization ECR (Efficient Consumer Response) Philippines from 1999 to 2001. He has been a fellow of the Institute of Corporate Directors since 2012. Pong earned his degree of Industrial Engineering from the University of the Philippines. He took up Advanced Executive Program at Northwestern University's Kellogg School of Management in Evanston, Illinois.

Nomination of Members of the Board of Directors

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

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

Chairman:	Joseph C. Tan
Members:	Laurito E. Serrano
	Raul Ch. Rabe

The Corporate Governance Committee passes upon the qualifications of, and pre-screens, all candidates and prepares the list of pre-qualified nominees for directorship of the Company, including independent directors for the 2019-2020.

The nomination period closes at least five (5) working days before the date for the Annual Meeting as provided in Section 3, Article III of the By-laws or on April 3, 2019.

As of date, the following have been nominated for election to the Board of Directors for the ensuing year, 2019-2020:

(1) Francis C. Chua
(2) Dennis A. Uy
(3) Ma. Concepcion F. de Claro
(4) Frederic C. DyBuncio
(5) Raul Ch. Rabe
(6) Elmer B. Serrano

(7) Laurito E. Serrano
(8) Joseph C. Tan
(9) Chryss Alfonsus V. Damuy

The nominees for independent directors for 2019-2020 are Messrs. Francis C. Chua, Raul Ch. Rabe, Laurito E. Serrano, and Joseph C. Tan. They were nominated by Mr. Kerwin Siao, a shareholder of 2GO, and to 2GO's knowledge, there is no relationship between the nominees for independent directors and Mr. Siao.

Period in Which Directors and Executive Officers Should Serve

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

Terms of Office of a Director

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

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

Significant Employees

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

Family Relationships

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

Involvement in Certain Legal Proceedings

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

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

Certain Relationships and Related Transactions

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

The identification of the related parties transacting business with 2GO and how the transaction prices were determined by the parties are discussed in the Notes to the financial statements as of December 31, 2018. 2GO will continue to engage the services of these related parties as long as it is economically beneficial to both parties.

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

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

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

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

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

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

SUMMARY OF COMPENSATION TABLE

President and four (4) most highly compensated executive officers	Year	Salary	Bonuses (13th & 14th Month Pay)
1. Frederic C. DyBuncio. - President and Chief Executive Officer 2. Waldo C. Basilla - Chief Operating Officer of 2GO Group, Inc. 3. Jose S. Ejercito - President of Scanasia Overseas Inc. 4. William Charles Howell - Treasurer and Chief Finance Officer 5. Mark Matthew F. Parco - Chief Operating Officer - Shipping	2019 (Estimate)	47,803,059	4,390,778
1. Frederic C. DyBuncio. - President and Chief Executive Officer 2. Ricardo B. Aguas Jr. - Chief Operating Officer of 2GO Logistics 3. Jose S. Ejercito - President of Scanasia Overseas Inc. 4. William Charles Howell - Treasurer and Chief Finance Officer 5. Mark Matthew F. Parco - Chief Operating Officer - Shipping	2018	44,092,546	3,925,634
New Management 1. Frederic C. DyBuncio. - President and Chief Executive Officer 2. Ricardo B. Aguas Jr. - Chief Operating Officer of 2GO Logistics	2017	35,246,400	5,874,400

3. Jose S. Ejercito - President of Scanasia Overseas Inc. 4. William Charles Howell - Treasurer and Chief Finance Officer 5. Mark Matthew F. Parco - Chief Operating Officer - Shipping **Old Management** 1. Sulficio O. Tagud Jr. - President and Chief Executive Officer 2. Nelson T. Yap – EVP and Group Chief Finance Officer of NENACO 2. Jeremias E. Cruzabra - Treasurer and Chief Finance Officer 4. Jose Manuel L. Mapa – EVP for Enterprise Accounts of 2GO Logistics 5. Fred S. Pajo – EVP and Chief Operating Officer			

All other officers and directors as a group unnamed	2019 (estimate)	67,918,279	15,188,524
	2018	63,475,027	14,194,882
	2017	36,001,985	5,632,393

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

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

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

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

Item 7. **Independent Public Accountants**

SGV & Co. is being recommended for re-appointment as the Company's external auditor for 2019, for approval by the stockholders at the scheduled Annual Stockholders' Meeting. Representatives of SGV & Co. are expected to be present at the stockholders' meeting, where they are given the opportunity to make a statement should they desire to do so, and to respond to questions from stockholders.

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

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

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

The members of the Audit Committee are as follows:

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

The Audit Committee and the Board of Directors endorse for stockholder approval the re-appointment of SGV & Co. appointed as the external auditor for the 2019.

(1) External Audit Fees and Services

	Year ended December 31, 2018	**Year ended December 31, 2017**	**Year ended December 31, 2016**
Audit Fees	**6,500,000**	**P 9,510,000**	**P 2,000,000**
Audit-Related Fees			
All Other Fees		**55,000**	**50,000**
TOTAL	**6,500,000**	**P 9,565,000**	**P 2,050,000**

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, 2018.

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

All Other Fees

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

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

(2) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The consolidated financial statements of 2GO and its Subsidiaries as of December 31, 2016, December 31, 2015 and December 31, 2014 were audited by R.G. Manabat and Co.

In 2017, management, with the support and approval of the then newly-elected members of the audit committee and board of directors, agreed to restate prior period financial statements to reflect fairly the state of the business.

During the course of the SGV & Co. audit, certain adjustments were noted particularly in Accounts Receivable and Fixed Assets resulting from or attributable to the lack of or the apparent breakdown in internal controls and the inconsistent application of accounting policies.

Based on these findings, the new Audit Committee and Board agreed to the further conduct of by SGV & Co. of an audit of the financials for the quarter ended March 31, 2017, and the audit of the adjustments and their application to the relevant accounting periods. In view of the materiality of the restatements and adjustments, the Audit Committee and the Board of Directors approved the filing of the restated financial statements with the SEC with the following details:

The details of the restatements and reclassifications of accounts discussing the impact of the newly-adopted accounting policy, estimate or recognition method to the specific restated or reclassified accounts were disclosed in Note 33 of the Consolidated Financial Statements as of and for the Year Ended December 31, 2017 (with comparative figures as of December 31, 2016 and January 1, 2016 and Years Ended December 31, 2016 and 2015). Below is a summary:

The relevant accounting standards supporting the restatement and reclassification	
Provision for doubtful receivables (Refer to Note 33.a of the consolidated financial statements)	For the periods covered by the restatements, there is no provision for doubtful accounts recognized. Under PAS 39, the Group is required at the end of each reporting period to determine whether there is any objective evidence that receivables are impaired, on a specific and collective basis. There was no specific allowance for doubtful receivables provided for receivables such as those from unpaid invoice balances that were deducted outright by customers upon payment and disengaged customers. For the remaining past due receivables, the Group's collective impairment assessment policy has not been applied. PAS 39 par. 64 requires "*An entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant* (see paragraph 59*). If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment*." Further, PAS 39 par. 58 requires "*An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaire*d." PAS 39 par. 59 provides that "*The objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:* ***(a)*** ***<u>significant financial difficulty of the issuer or obligor;</u>*** ***(b)*** ***<u>a breach of contract, such as a default or delinquency in interest or principal payments</u>*** ***...*** *(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:* ***<u>(i) adverse changes in the payment status of borrowers in the group (e.g., an increased number of delayed payments</u>*** *or an increased number of credit card borrowers who have reached their credit limit and are paying the minimum monthly amount); or…(underscoring ours)*"
Property and equipment-related adjustments (Refer to Note 33.b of the consolidated financial statements)	For the periods covered by the restatements, the Group (a) capitalized the cost of repainting, repairs and maintenance (as part of property and equipment), which should have been expensed, and (b) failed to depreciate fixed assets that are available for use. In addition, in 2016, the Group did not shorten the estimated useful life of its vessels in accordance with the re-fleeting plan. PAS 16 par. 7 requires that "*The cost of an item of property, plant and equipment shall be recognized as an asset if, and only if: (a)* ***<u>it is probable that future economic benefits associated with the item will flow to the entity</u>****; and (b) the cost of the item can be measured reliably.* PAS 16 par 12 further *states "Under the recognition principle in paragraph 7 an entity does not recognise in the carrying amount of an item of property, plant and equipment the costs of the day-to-day servicing of the item. Rather, these costs are recognised in profit or loss as incurred. Costs of day-*

	to-day servicing are primarily the costs of labour and consumables, and may include the cost of small parts. ***<u>The purpose of these expenditures is often described as for the 'repairs and maintenance' of the item of property, plant and equipment.</u>***" PAS 16 par. 51 requires that "*The residual value and the useful life of an asset shall be reviewed at least at each financial year-end and,* ***<u>if expectations differ from previous estimates</u>****, the change(s) shall be accounted for as a change in an accounting estimate in accordance with PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.*" PAS 16 par. 12 provides that "*Depreciation of an asset begins when it is* ***available for use****, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.*" PAS 17 par. 28 requires that "*The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset;* ***<u>otherwise the asset is depreciated over the shorter of the lease term and its useful life</u>*** *(underscoring ours).*"
Reversal of recognized revenue (Refer to Note 33.c of the consolidated financial statements)	For the periods covered by the restatements, there were revenue recognized that did not meet the revenue recognition criteria under PAS 18, *Revenue*, such as those without proof of delivery, unrecorded returns and deliveries in the inappropriate period. PAS 18 par. 14 provides that "*Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:* ***(a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;*** *(b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;* *(c) the amount of revenue can be measured reliably;* ***(d) it is probable that the economic benefits associated with the transaction will flow to the entity;*** *and* *(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably (underscoring ours).* PAS 18 par. 20 provides that "*When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:* *(a) the amount of revenue can be measured reliably;* *(b) it is probable that the economic benefits associated with the transaction will flow to the entity;* *(c) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and* *(d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.*
Impairment of goodwill of SOI (Refer to Note 33.d of the consolidated financial statements)	The Group impaired the goodwill on SOI in 2015 because SOI incurred operating loss during that year, resulting to its capital deficiency position, and its recoverable value based on its value in use is lower than its carrying amount. PAS 36 par. 90 provides that "*A cash-generating unit to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the unit*

	may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. If the recoverable amount of the unit exceeds the carrying amount of the unit, the unit and the goodwill allocated to that unit shall be regarded as not impaired. If the carrying amount of the unit exceeds the recoverable amount of the unit, the entity shall recognise the impairment loss in accordance with paragraph 104, which states that "An impairment loss shall be recognised for a cash-generating unit (the smallest group of cash-generating units to which goodwill or a corporate asset has been allocated) if, and only if, the recoverable amount of the unit (group of units) is less than the carrying amount of the unit (group of units)."
Assets held for sale (Refer to Note 33.e of the consolidated financial statements)	In September 2015, the Group's BOD approved the sale of one of its vessels. Management assessed that the vessel would qualify as asset held for sale on the date of BOD approval for its sale. Accordingly, the Group reclassified its vessel from property and equipment to assets held for sale in the December 31, 2015 consolidated statement of financial position and recognized impairment loss in the 2015 consolidated statement of profit or loss. PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations* par. 6 requires "*An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.*" PFRS 5 par 15 further requires "*An entity shall measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell.*" PFRS 5 par 20 requires "An entity shall recognise an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell, to the extent that it has not been recognised in accordance with paragraph 19."
Inventory-related adjustments (Refer to Note 33.f of the consolidated financial statements)	The prior period adjustments arose from physical count-to-books reconciliation, additional provision for inventory obsolescence on expiring stocks, and write-down of costs to reflect net realizable values. PAS 2, *Inventories* provides that "*The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. The practice of writing inventories down below cost to net realisable value is consistent with the view that assets should not be carried in excess of amounts expected to be realised from their sale or use.*"
Related party transactions and balances (Refer to Note 33.f of the consolidated financial statements)	The Group adjusted certain related party transactions and balances that did not reconcile due to (a) differences among subsidiaries in accruing intercompany revenue and costs and (b) timing differences when recognizing income and expense. PAS 1 par. 27 requires "*An entity shall prepare its financial statements, except for cash flow information, using the **accrual basis of accounting**.*
Provisions for contingencies (Refer to Note 33.f of the consolidated financial statements)	In consultation with its legal counsels, the Group assessed it is probable that certain exposures on litigations and claims would require an outflow of resources to settle based on the status of the cases in 2015. PAS 37 states that "*A provision shall be recognised when: (a) an entity has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation.* "

Recognition of costs and expenses (Refer to Note 33.f of the consolidated financial statements)	The prior period adjustments pertain to unrecorded liabilities/expenses which have already been incurred and the expensing out of certain deferred expenses. PAS 1 par. 27 and 28 provides that "*An entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting. When the accrual basis of accounting is used, an entity recognises items as assets, liabilities, equity, income and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the Framework*"
Derecognition of deferred income tax assets (Refer to Note 33.h of the consolidated financial statements)	The Group assessed that deferred income taxes on certain deductible temporary differences would not qualify for recognition due to insufficient available taxable income in the future to which the deductible temporary differences and excess Minimum Corporate Income Tax (MCIT) can be applied. PAS 12, *Income Taxes* par. 5 defines deductible temporary differences as follows: "*Deductible temporary differences, which are temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.*" PAS 12 par. 24 requires " *A deferred tax asset shall be recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized*"
Reclassification of noncurrent-portion of long-term debt to current liabilities (Refer to Note 33.i of the consolidated financial statements)	The Group breached its financial ratios required under its long-term debt agreements. Accordingly, the Group reclassified the noncurrent portion of its long-term debt that are subject to such covenants or with cross-default provision in the loan agreements to current liabilities. PAS 1 requires "*When an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it classifies the liability as current, even if the lender agreed, after the reporting period and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach. An entity classifies the liability as current because, at the end of the reporting period, it does not have an unconditional right to defer its settlement for at least twelve months after that date.*"
Over-all impact of the restatement and reclassification to the company's Result of Operations and Financial condition	The over-all impact of the restatement and reclassification to the Group's results of operations and financial condition was disclosed in Note 33 of the interim consolidated financial statements.

The identification of each item affected by the restatement are discussed in Note 33 of the consolidated financial statements as of December 31, 2017. Save for the items restated, no changes in and disagreement with the auditor on any matter of accounting principles or practices, disclosures, etc. exists.

Representatives of SGV & Co. will be present during the annual meeting and will be given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions if needed.

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

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

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

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

As of January 1, 2019, NENACO ceased to operate and lost its corporate existence. 2GO, in turn, is now directly owned by entities that formerly held indirect interests in the Company.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

During the Annual Stockholders' Meeting held on April 5, 2018 at the Conrad Manila, Pasay City, a total of 2,400,252,974 shares were present, in person or by proxy, representing approximately 98.12% of the outstanding shares of 2GO.

The Stockholders approved the Minutes of the Previous Annual Stockholders Meeting held last September 20, 2018, ratified the resolutions passed by its Board of Directors and the President covering the period from 20 September 2017 up to 5 April 2018 and noted the Management and Financial Reports for 2017. The Stockholders likewise cast all their votes equally in favor of the 9 individuals nominated as Directors who shall serve for the ensuing year and until their successors are duly elected and qualified.

The minutes of the last annual stockholders' meeting held on April 5, 2018 (attached as **Annex A**) and the Annual Report of Management for the year ended December 31, 2018 will be submitted to the stockholders for their approval.

Item 16. Matters Not Required to be Submitted

All corporate actions to be taken up at the annual stockholders' meeting on April 11, 2019 will be submitted to the stockholders of 2GO for their approval in accordance with the requirements of the Corporation Code.

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

There are no proposed amendments to the Articles of Incorporation and By-laws of the Company.

Item 18. Other Proposed Actions

The ratification of all acts of the Board of Directors and Board Committees for the period starting April 5, 2018 shall be submitted, for ratification, to the stockholders representing at least a majority of the outstanding voting capital stock.

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

Date of Disclosure	Subject
February 27, 2018	Setting of 15 March 2019 as the Record Date
February 11, 2019	Statement of Changes in Beneficial Ownership of Securities – Change in total direct holdings of SM Investments Corporation in 2GO as of January 2019 due to the effect of the merger of 2GO with Negros Navigation Co., Inc.
January 29, 2019	Notice of Annual Meeting of Stockholders
December 12, 2018	Approval by the SEC of the internal restructuring involving the merger of 2GO Group, Inc. and Negros Navigation Co., Inc., with 2GO as the surviving entity

Date of Disclosure	Subject
April 5, 2018	Approval by the stockholders of the internal restructuring of 2GO Group involving the merger of 2GO with its parent, Negros Navigation Co., Inc., with 2GO as the surviving entity
April 5, 2018	Amendment to Articles of Incorporation (Change of Address)

Item 19. **Voting Procedures**

(a) Vote Requirement

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

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

(b) Vote Counting

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

The method and manner of counting the votes of shareholders shall be in accordance with the general provision of the Corporation Code of the Philippines. The counting of votes shall be witnessed by representatives from SGV.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct.

This report is signed in the Pasig City on MAR 06 2019.

Elmer B. Serrano
Corporate Secretary

MANAGEMENT REPORT

I. CONSOLIDATED AUDITED FINANCIAL STATEMENTS

The Consolidated Audited Financial Statements for the year ended and as of December 31, 2018 are attached to this report.

II. DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

There were no disagreements with SGV and Co. in 2018 with regard to any matter relating to accounting principles or practices or financial disclosures or auditing scope or procedure.

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

The Financial information for the three years ended December 31, 2018, 2017 and 2016 are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Key Performance Indicators

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

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

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

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

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

The Group calculates the key financial ratios as follows:

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

Company Outlook

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

For 2018, the Group continues its corporate governance initiatives, and aims to expand and further enhance its service offerings to its customers and stakeholders. The Group plans to achieve this through more streamlined operations and collaboration within its business units, investment in warehousing and logistics information technology solutions for customers, and synergies and best practices from its new shareholders. Management is confident that 2GO will further its growth and become an even stronger logistics solutions provider going forward.

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

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

2GO Group, Inc. and subsidiaries (2GO or the Group) reported ₱21.6 billion of Revenue in 2017, 13% higher than 2016, and Net Loss of ₱310 million versus Net Income of ₱344 million in 2016.

Revenue increased in 2017, driven by the Group's Non-shipping business (Logistics and Distribution) which continued its strong growth. Non-shipping revenue grew 30% in 2017 driven by increased service offerings to existing strategic customers (e.g., end-to-end warehousing, inventory management, cross-docking, delivery, merchandising), the addition of new customers, and an overall focus on customer service. With the strong growth of the Non-shipping business, the revenue mix of the Group further pushes towards Non-shipping which now accounts for 61% of total Revenue.

Shipping revenue decreased by 6% in 2017. While Freight volumes remained relatively consistent in 2017 and 2016, revenue decreased due pricing pressures from the increased competition in the freight market. Revenue from Passage continued to grow in 2017 as total passengers carried increased during the year.

Costs of Services and Goods Sold increased by 22% in 2017, driven primarily by the increase in fuel prices, costs of goods (inventory) sold in the Distribution business, and non-recurring items described below. Fuel prices increased by 34% during 2017, where the Group was impacted by a negative price variance of ₱525 million. General and Administrative Expenses decreased 7% in 2017 primarily due to the Group's focus on controlling costs and higher restatement related adjustments incurred in 2016 than in 2017.

Net Income excluding Nonrecurring Costs totaled ₱314 million in 2017. EBITDA excluding Nonrecurring Costs totaled ₱2.9 billion in 2017.
Details of Nonrecurring Costs for the years ended December 31, 2017 and 2016 are described as follows:

Amounts in millions		Dec 31, 2017		Dec 31, 2016
Bad debts, inventory losses, related party adjustments	₱	410	₱	676
Restructuring costs		67		-
Provisions and Other Nonrecurring Charges		169		20
Total Nonrecurring Costs	**₱**	**647**	**₱**	**696**
Net Income (Loss)	₱	(310)	₱	344
Add Nonrecurring Costs, net of Income Tax		624		690
Net Income Excluding Nonrecurring Costs	**₱**	**314**	**₱**	**1,034**
EBITDA	₱	2,211	₱	2,580
Add Nonrecurring Costs		647		696
EBITDA Excluding Nonrecurring Costs	**₱**	**2,858**	**₱**	**3,276**

Provisions and Other Nonrecurring Charges primarily consists of one-time costs such as vessel layup costs, provisions for unsettled claims and other charges.

Restructuring costs consist of charges incurred as the Group streamlines its operations.

Financial Position as of December 31, 2017 and 2016

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

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

Assets
Current Assets increased 13% to ₱8.6 billion from ₱7.6 billion. Cash and Cash Equivalents increased 48% to ₱2.1 billion from ₱1.4 billion primarily due to improved collections of accounts receivables from customers, more efficient management of Inventories, and an increase in Trade and Other Payables. Trade and Other Receivables, net of Allowance for Doubtful Accounts, increased only 4% to ₱4.4 billion from ₱4.2 billion, while Revenue increased 13% in 2017 from 2016.

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

Liabilities
Current Liabilities increased 10% to ₱12.4 billion from ₱11.2 billion. Short-term Notes Payable increased 14% to ₱ 2.6 billion from ₱2.3 billion, while the current portion of Long-term Debt decreased 8% to ₱3.1 billion from ₱3.4 billion as 2GO took advantage of lower borrowing rates under short-term credit facilities. Trade and Other Payables increased 20% to ₱6.5 billion from ₱5.4 billion primarily due to advances from its parent company (Negros Navigation Co., Inc.) for use in operations, and accruals for recurring and non-recurring costs.

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

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

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

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

Key Performance Indicators

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

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

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

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

Revenue Growth remained robust in 2017 with an increase of 13% from 2016, driven by growth in 2GO's Logistics and Distribution business. Revenue growth of 16% in 2016 benefited from national, regional and local government elections.

Net Income Margin decreased to negative 1% in 2017 from positive 2% in 2016 primarily due to increased fuel costs and non-recurring costs.

EBITDA and EBITDA Margin remained strong at ₱2.2 billion and 10% in 2017, and ₱2.6 billion and 14% in 2016. The decrease is attributable to the Net Loss incurred in 2017 primarily due to increased fuel costs and non-recurring costs.

The Group calculates the key financial ratios as follows:

7.	Current Ratio	Current Assets / Current Liabilities
8.	Debt to Equity Ratio	Total Liabilities / Total Equity
9.	Revenue Growth	(Total Revenue current period / Total Revenue prior period) - 1
10.	Net Income Margin	Net Income / Total Revenue
11.	EBITDA	Net Income + Interest + Inc Tax + Depreciation & Amortization
12.	EBITDA Margin	EBITDA / Total Revenue

Company Outlook

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

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

FOR THE YEARS ENDED DECEMBER 31, 2016 (as restated) VERSUS 2015

KEY PERFORMANCE INDICATORS (KPIs)

The following key performance indicators (KPIs) are used to evaluate the financial performance of 2GO Group, Inc. and its subsidiaries (2GO or the Company).

a. **Revenues** – Consolidated revenues consist of shipping (freight and passage) and nonshipping (logistics, sale of goods, cold chain and isotank services, port services, international freight forwarding and other revenues). Total Revenue for the year ended 2016 is P19.1 billion, an increase of 16% from 2015.

b. **Operating Income** – Computed as revenues less operating costs and expenses. Operating Income for the year ended 2016 is P1.1 billion or 2% less than 2015.

c. **Net Income** – Represents earnings of the Company after provision for income tax. Net Income for the year ended 2016 is P344.0 million or P234.9 million higher than 2015.

d. **Debt-to-Equity Ratio** – Calculated by dividing total liabilities over total equity. The Company's debt-to-equity ratio as of December 31, 2016 is 2.99:1.0, which is consistent with prior year. Total liabilities and equity stood at P11.7 billion and P3.9 billion respectively.

e. **Current Ratio** – Calculated by dividing total current assets by total current liabilities. The Company's current ratio as of December 31, 2016 is 0.89:1.0 vs. 1.03:1.0 as of December 31, 2015. Total current assets are P7.6 billion. Total current liabilities are to P8.5 billion.

The following table presents comparative figures of the KPIs for the years ended 2016 and 2015 based on the consolidated financial statements of the Company (amounts are in thousands of pesos except for the financial ratios):

	Year ended	
2GO Group and Subsidiaries	**2016**	**2015**
Revenues (a)	19,053,875	16,383,336
Operating Income (b)	1,081,860	1,101,244
Net Income (c)	344,036	109,130
	As of	
Financial Ratios	**Dec 31, 2016**	**Dec 31, 2015**
Debt-to-Equity Ratio (d)	2.99:1.00	3.03:1.00
Current Ratio (e)	0.89:1.00	1.03:1.00

Note: The figures above are in P' Thousands except otherwise indicated.

CONSOLIDATED INCOME STATEMENT

In P' Thousands	Year ended 2016	2015	'16 vs '15	% variance
REVENUES				
Shipping				
Freight	5,003,299	4,963,311	39,987	1%
Passage	3,941,443	3,524,230	417,213	12%
Nonshipping				
Logistics	4,592,193	3,120,439	1,471,754	47%
Sale of goods	3,479,845	3,223,700	256,145	8%
Cold chain and isotank services	1,415,570	1,169,782	245,788	21%
Port services	153,532	140,438	13,095	9%
International freight forwarding	46,946	39,323	7,624	19%
Others	421,046	202,112	218,934	108%
	19,053,875	16,383,336	2,670,539	16%
Cost of services and goods sold	16,349,315	13,986,498	2,362,817	17%
GROSS PROFIT	2,704,561	2,396,838	307,723	13%
General and administrative expenses	1,622,701	1,295,594	327,107	25%
OPERATING INCOME	1,081,860	1,101,244	(19,384)	(2%)
OTHER INCOME (CHARGES)				
Equity in net earnings of associates and joint ventures	24,541	58,704	(34,163)	(58%)
Financing charges	(389,527)	(331,459)	(58,069)	18%
Others - net	31,640	(235,737)	267,377	(113%)
	(333,346)	(508,492)	175,145	(34%)
INCOME BEFORE INCOME TAX	748,513	592,752	155,761	26%
PROVISION FOR INCOME TAX				
Current	376,724	163,928	212,795	130%
Deferred	27,754	319,693	(291,940)	(91%)
	404,477	483,622	(79,145)	(16%)
NET INCOME	344,036	109,130	234,906	215%
ATTRIBUTABLE TO:				
Equity holders of the Parent Company	330,301	97,033	233,267	240%
Noncontrolling interests	13,735	12,097	1,639	14%
	344,036	109,130	234,906	215%
Basic/ Diluted Earnings Per Share	0.1350	0.0397	0.0954	240%

Note: The figures above are in P' Thousands except earnings per share amounts.

Results of Operations

2GO Group, Inc.'s Net Income for the year ended 2016 increased significantly to P344.0 million or by 215% compared to 2015.

Total consolidated revenues increased 16% to P19.1 billion in 2016, from P16.4 billion in 2015. The non-shipping group grew by 28%, while the shipping group grew by 5%. The non-shipping group primarily grew due to increased service offerings. The shipping group grew from higher volumes and improved vessel turnaround for both large and medium-sized ropax vessels. Revenue mix continues to tilt towards non-shipping, which now accounts for 53% of the total turnover, while shipping contributed 47%.

The Company continues to focus on tightening its cost and expenses. However, financial performance was affected by the recognition of non-recurring restatement adjustments for provision for bad debts and inventory and related party adjustments totaling P260.7 million. Excluding the non-recurring restatement adjustments, Net Income for the year 2016 would have been P604.8 million compared to the Net Income of P696.5 million for the same period in 2015, as presented in the table below.

In P' Thousands	Period ended Dec 31, 2016	 Dec 31, 2015
Net Income, as restated	**344,036**	**109,130**
Non-recurring adjustments		
Provision for bad debts (Trade and other receivables)	**71,577**	**17,936**
Provision for bad debts (Non trade and other receivables)	**105,278**	**75,151**
Inventory on consignment	**-**	**178**
Related party balances adjustment	**83,892**	**(16,334)**
Impairment of vessel and recognition and valuation of asset held for sale	**-**	**260,404**
Goodwill impairment	**-**	**250,000**
Total non-recurring adjustments	**260,747**	**587,335**
Net Income excluding non-recurring adjustments	**604,783**	**696,465**

Earnings per Share

Earnings per Share is calculated by dividing Net Income Attributable to Equity Holders of the Parent Company over weighted-average number of common shares outstanding for the year. Earnings per Share for the year ended 2016 is P0.1350, compared to P0.0397 per share in 2015.

Other changes (+/-5% or more) in the financial statements not covered in the above discussion

<u>2016 vs. 2015</u>

Revenue

- 12% or P417.2 million increase in Passage
- 47% or P1.5 billion increase in Logistics
- 8% or P256.1 million increase in Sale of goods
- 21% or P245.8 million increase in Cold chain and isotank services
- 9% or P13.1 million increase in Port Services
- 19% or P7.6 million increase in International freight forwarding
- 108% or P218.9 million increase in Other Revenues

Other Income / (Charges)

- 58% or P34.2 million decrease in Equity in net earnings of associates
- 18% or P58.1 million increase in Financing charges
- 113% or P267.4 million increase in Other income

CONSOLIDATED BALANCE SHEETS

In P' Thousands	Audited As of Dec 2016	Dec 2015	Amount '16 vs '15	% variance
ASSETS				
Current Assets				
Cash and cash equivalents	1,412,380	1,357,308	55,071	4%
Trade and other receivables - net	4,240,360	4,044,765	195,595	5%
Inventories - net	674,236	513,511	160,726	31%
Other current assets	1,274,995	1,308,456	(33,461)	(3%)
	7,601,972	7,224,040	377,932	5%
Asset held for sale		158,239	(158,239)	(100%)
Total Current Assets	7,601,972	7,382,279	219,692	3%
Noncurrent Assets				
Property and equipment	7,219,399	6,125,276	1,094,122	18%
Investments in associates and joint ventures	282,647	257,230	25,417	10%
Deferred tax assets - net	76,556	112,360	(35,804)	(32%)
Other noncurrent assets	493,577	396,304	97,274	25%
Total Noncurrent Assets	8,072,179	6,891,170	1,181,009	17%
TOTAL ASSETS	15,674,151	14,273,449	1,400,701	10%
LIABILITIES AND EQUITY				
Current Liabilities				
Notes payable	2,324,556	2,111,017	213,539	10%
Trade and other payables	5,408,255	4,492,462	915,793	20%
Income tax payable	14,441	3,999	10,442	261%
Current portion of:				
Long-term debt	696,343	374,094	322,249	86%
Obligations under finance lease	91,706	65,837	25,869	39%
Total Current Liabilities	8,535,300	7,047,408	1,487,892	21%
Noncurrent Liabilities				
Long-term debt - net of current portion	2,705,008	3,176,330	(471,322)	(15%)
Obligations under finance lease - net of current portion	249,995	208,273	41,722	20%
Accrued retirement benefits	246,269	296,773	(50,504)	(17%)
Other noncurrent liabilities	8,067	2,255	5,812	258%
Total Noncurrent Liabilities	3,209,339	3,683,631	(474,292)	(13%)
Total Liabilities	11,744,639	10,731,039	1,013,600	9%
Equity				
Share capital	2,484,653	2,484,653	-	0%
Additional paid-in capital	910,901	910,901	-	0%
Equity reserve	(3,243)	(3,243)	-	0%
Excess of cost of investments over net assets	(9,835)	(9,835)	-	0%
Other comprehensive losses - net	(103,287)	(146,353)	43,066	(29%)
Retained earnings	643,412	313,112	330,301	105%
Treasury shares	(58,715)	(58,715)	-	0%
Equity Attributable to Owners of the Parent Company	3,863,885	3,490,519	373,366	11%
Noncontrolling Interests	65,627	51,891	13,735	26%
Total Equity	3,929,512	3,542,410	387,102	11%
Total Liabilities & Equity	15,674,151	14,273,449	1,400,701	10%

The Company's total assets as of December 31, 2016 stood at P15.7 billion, 10% higher than P14.3 billion as of December 31, 2015.

Current assets increased by 3% or P219.7 million, to P7.6 billion as of December 31, 2016, from P7.4 billion as of December 31, 2015. Cash and cash equivalents increased by 4% or P55.1 million to P1.4 billion as of the end of 2016, from P1.4 billion by the end of 2015, mainly due to increased financing activities. Trade and other receivables increased by 5% or P195.6 million, to P4.2 billion in 2016 from P4.0 billion in 2015. The Company maintained its trade and other receivables close to the same level as last year despite the growth in revenues primarily due to the Company's improved collection performance. However, the Company increased its allowance for doubtful accounts by P552.3M compared to December 31, 2015. Inventories increased by P160.7 million or 31% mainly due to business expansion of the organic principals of the distribution business. This is aside from the reclassification of spare parts amounting to P344.60 million from inventory to Property and Equipment in accordance with the requirements of accounting standards. Other current assets decreased by P33.5 million or 3%.

Non-current assets increased by P1.2 billion or 17%, to P8.1 billion in 2016 from P6.9 billion as of December 31, 2015. Property and equipment increased by 18% or P1.1 billion mainly due to mainly due to vessel-related capex, purchase of containers and the reclassification of spare parts to PPE as mentioned above.
Other Non-current assets increased by 25% or P97.3 million while Investments in associates and joint ventures increased by 10% or P25.4 million.

Total liabilities increased by 9% or P1.0 billion as of 2016 compared to December 31, 2015 mainly due to the increase in trade and other payables by 20% or P915.8 million. Notes payables increased by 10% or P213.5 million. There was also an increase in income tax payable by 261% or P10.4 million, an increase in current portion of long term debt by 86% or P322.2 million, and an increase of 39% or P25.9 million in current portion of obligations under finance lease.

Noncurrent liabilities decreased by P474.3 million or 13%. Long-term debt (net of current portion) decreased by P471.3 million or 15% to P2.7 billion as the end of 2016 from P3.2 billion as of December 31, 2015. There was also a decrease of P50.5 million or 17% in accrued retirement benefits, an increase of P41.7 million or 20% in obligations under finance lease – net of current portion and an increase of P5.8 million or 258% in other noncurrent liabilities.

Total equity increased by 11% to P3.9 billion as of December 31, 2016 versus P3.5 billion in December 31, 2015 due to the net income the Company for the year 2016.

CONSOLIDATED CASHFLOW STATEMENTS

	Period Ended December			
In P' Thousands	2016	2015	'16 vs '15	% variance
Net cash flows provided by operating activities	2,742,618	1,370,075	1,372,543	100%
Net cash flows used in investing activities	(2,320,652)	(1,347,609)	(973,043)	72%
Net cash flows provided by (used in) financing activities	(372,298)	223,898	(596,195)	(266%)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	5,403	9,442	(4,038)	(43%)
NET INCREASE IN CASH AND CASH EQUIVALENTS	55,071	255,805	(200,733)	(78%)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,357,308	1,101,503	255,805	23%
CASH AND CASH EQUIVALENTS AT END OF QUARTER	1,412,380	1,357,308	55,071	4%

The Company ended the year 2016 with a net increase in cash of P55.1 million. Net cash flows from operating activities increased by P1.4 billion or 100% compared to last year. The Company's cash flow used in investing activities increased by P973.0 million or 72%. Net cash used in financing activities is higher by 266% or P596.2 million compared to last year.

Other Information

i. Other material events and uncertainties known to management that would address the past and would have an impact on 2GO's future operations are discussed below.

ii. Total fuel/lubes expense is a major component of 2GO's total costs and expenses. The company benefitted from the relatively low fuel prices that continued in 2016.

iii. Except as disclosed in the management discussion and notes to the 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 are also no other known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on revenues or income from operations.

iv. All significant elements of income or loss from continuing operations are already discussed in the management discussion and notes to financial statements. Likewise, any significant elements of income or loss that did not arise from 2GO continuing operations are disclosed either in the management discussion or notes to financial statements.

v. There is no material off-balance sheet transaction, arrangement, obligation, and other relationships of 2GO with unconsolidated entities or other persons created during the reporting period.

vi. Seasonal aspects of the business are considered in 2GO's financial forecast.

vii. 2GO does not expect any liquidity or cash problem within the next twelve months. Capital expenditures are funded through cash generated from operations and additional borrowings.

Company Outlook

2GO Group, Inc. and subsidiaries, which is the country's largest end-to-end logistics solutions provider, offers a full range of capabilities and unmatched resources. Services include warehousing, inventory management, domestic and international express mail and courier services, sales distribution and merchandising, domestic freight services for full/ less container load shipments, Isotank, reefer and cold chain services, heavy lift and project logistics, regular liner passenger service, corporate/ leisure travel and package tours, and international freight forwarding and brokerage.

2GO continues to innovate and adapt to the competitive landscape which continues to evolve and modernize. There are three globally-proven drivers of trade modernization that are happening in the Philippines today: (1) Retailer expansion has shifted to small formats as seen in the proliferation of 24/7 convenience stores; (2) Accelerated GDP growth, especially in the upper middle class, has boosted the increase in personal consumption leading to greater gains in the FMCG industry; and (3) Continued urbanization and sectorization, bringing the growth outside Metro Manila to the key cities in Visayas and Mindanao.

It is in this context that 2GO offers its integrated supply chain platform to provide a unique proposition that is to enable growth for its customers. The over-riding approach is based on the principle of creating value for its customers: engage customers at tactical and strategic levels; collaborate, design and implement solutions to complex challenges; and expand into other relevant, fast growing sectors.

With this, the growth of the Philippines provides a stable and solid backdrop for 2GO's potential to become a stronger player in the industry.

NON-FINANCIAL DISCLOSURE REQUIREMENTS

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

2GO was formed and organized in May 26, 1949 under the corporate name William Lines, Inc. 2GO is engaged in the movement of people operating under brand names '2GO Travel' for passage business and '2GO Freight' for cargo business.

1. 2GO TRAVEL

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

2. 2GO FREIGHT

2GO Freight provides cargo handling services for various types of goods and shipments, including full container load (FCL) and LCL, loose cargo, roll-on/roll-off and rolling cargo. What primarily sets the company apart from other shipping lines is its ability to provide exceptional reliability. 2GO Group has the highest frequency of voyages from Manila to major ports across the country and it is the most reliable operator which is increasingly important as companies move toward Just-In-Time processes, which is particularly crucial for perishable and time- sensitive cargo.

Significant Subsidiaries of 2GO

1. 2GO Express, Inc.

2GO Express Incorporated includes:

1) Domestic Services composed of electronic commerce, general cargo and courier services
2) Sea Services, composed of both Less Container and Full Container Loads. 2GO Express used its historical and inherent strength in moving cargo by sea, being one of the biggest users of cargo space on all 2GO ships. Aside from moving balikbayan boxes from international forwarders, 2GO Express started moving automotive and motorcycle parts as the vehicle industry continues to generate consistent double-digit growth, especially seen in the expansion of vehicle dealers in the Visayas and Mindanao cities.
3) International Services

2GO Express' Subsidiaries

2GO Logistics, Inc.

The Philippine economy continued to show strong growth with a thriving consumer market driven by its growing middle class, overseas remittances and the BPO sector. The growth in consumption has continued to bring about changing needs of manufacturers and retailers. The changing consumer and retail landscape has provided both opportunities and challenges, primarily in the field of supply chain services. The growth in modern retail outside of traditional geographical markets, characterized by "smaller and farther" retail formats has put a strain on both the cost to serve stores efficiently and replenish products effectively.

2GO Logistics continues to string together various solution sets designed to address these concerns and enable the opening of stores in new markets while replenishing products at the fastest possible time that ensure availability of the products at store shelves. 2GO Group's collective capability to serve retailers' orders nationwide given its expansive physical infrastructure of warehouses, trucks, and its own vessels that have priority berthing in highly congested ports, highlights the advantages that 2GOLI provides its customers.

One such solution set is 2GOLI's cross-docking and FSL (Forward Stock Locations) service which provides a fast and economically viable means of reaching retail outlets. This service provides retailers with better product availability where it matters.

This capability of 2GOLI to add value through innovative solutions has made it a very attractive proposition for many FMCG and Retail companies and has resulted in an increasing number of engagements from existing clients, as well as an increasing number of new customers served by 2GOLI.

ScanAsia Overseas Inc. (SOI)

Scanasia Overseas Inc. (SOI) is the Distribution business unit of the 2Go Group. It completes the end to end proposition of the 2Go Organization by making products of Principals available all the way to store shelves of various stores nationwide.

Established some 31 years ago, Scanasia traces its roots to specialist distribution services for the Dairy category by representing leading brands in various Modern Trade and Food Service outlets. Some nine years ago, the foot print of Scanasia expanded towards the Pharma-Convenience store Channel with the appointment by Procter and Gamble to be the National Distributor of their products for Mercury Drugstore. Since then, this coverage was further extended to include Southstar Drugstore.

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

A partnership created with the purpose of providing the best integrated logistics, international freight forwarding and supply chain solutions. Kerry Logistics (Phils.), Inc. (KLPI) was established in 2009 by way of a joint venture entered into by 2Go Group Inc., through 2Go Express, and Kerry Logistics Network Limited of Hong

Kong, through the former's holding companies KLN Investment Holdings Philippines, Inc. and KLN Logistics Holdings Philippines, Inc.

KLPI has strengthened its competitive advantage within the freight forwarding industry with the synergy of two solid and dependable brands, Kerry Logistics and 2Go. Kerry Logistics, which holds 51% share of KLPI, is one of the Top 25 Global Freight Forwarders based on gross revenue/turnover and freight forwarding volumes as reported by Armstrong & Associates, Inc. Its core business encompasses integrated logistics, international freight forwarding, express and supply chain solutions. It is currently expanding its global footprint by acquiring/merging with other 3PL companies in Europe, USA and Asia. The expansion is in line with Kerry's strategy to accelerate the business development on a global scale. It is in partnership and the choice of top 100 brands. 2Go Express, on the other hand, holds 49% share of KLPI and is part of the 2Go Group of Companies, the largest and premier logistics provider in the Philippines. With 150 years combined shipping and logistics experience, it provides complete supply chain solutions with seamless links to over 150 countries worldwide.

KLPI has continued to strengthen its market presence through its expertise in integrated freight forwarding, supply chain solutions, integrated logistics, including warehousing. To further intensify its market reach, it has eight branches strategically located in Manila, Luzon, Visayas and Mindanao including five warehouses offering diverse services to include international and domestic air and sea freight forwarding, cargo consolidation, warehousing and domestic distribution, dangerous goods handling, customs brokerage, building logistics and exhibition logistics.

Aside from the support of both 2Go and Kerry Logistics, KLPI is likewise a member of the Global Logistics Network (GLN), an umbrella organization that encompasses leading independently owned and operated companies worldwide that specialize in the logistics industry. It has a global presence that spans 596 Offices in 309 Cities in 119 Countries, handling over 3 million shipments per year.

WRR Trucking Corporation (WTC)

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

WRR Trucking Corporation is a member of the Confederation of the Truckers Association of the Philippines (CTAP).

The Supercat Fast Ferry Corporation (SFFC)

SuperCat Fast Ferry Corporation (SFFC) supports the tourism industry in the islands it serves and continuously improves to provide safe, reliable and convenient marine passage to inter-island travelers - complementing the seamless service of its mother ship, 2GO Travel. All SuperCat vessels adhere to the highest standards of safety, with International Safety Management (ISM) certification, and compliance with maritime and class regulations.

A Customer Interaction Center (CIC) and a SuperCat website linked to 2GO Travel allows travelers and tourists the convenience of booking their trips online, as well as, seamlessly linking with any of 2GO Travel's various destinations. Ticket outlets are found nationwide to cater to the needs of the traveling public. Passengers may choose cabin accommodations from economy open-air class, to tourist and business class. Snacks and refreshments are offered on board, and passengers are attended to by friendly and well-trained cabin crew members.

NN-ATS Logistics Management & Holding Co., Inc. (NALMHCI)

NNATS Logistics Management and Holding Co., Inc., is always in constant pursuit of creative and innovative ways to help improve the client's business and excel in all the services it provides.

United Dock South Dockhandlers, Inc. (USDI) has been assessed by AJA Registrars and registered under ISO 14001:2004 Environmental Management System. EMS is a framework that helps an organization achieve its environmental goals through consistent review, evaluation, and improvement of its environmental performance.

Previously, USDI has been an ISO 9001:2008 Quality Management System (QMS) certified and the only Arrastre & Stevedoring Organization in Cebu to have been certified in ISO 9001:2008 and ISO 14001:2004.

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

In its aim to be the sought-after transport and logistics provider nationwide, Special Container and Value Added Services, Inc. (SCVASI) sustained its expertise as the market leader in the cold chain and liquid transportation sector.

SCVASI as a whole, deals with an innovative strategic approach to a variety of businesses to wit; hauling service for bulk liquids (ISO tank and Flexibags), temperature-controlled vans and trucks (Reefer Containers for FCL and LCL), palletized and containerized goods for food and non-food products where its value-added services always come built-in for our Quikmove business.

The company started its corporate life on March 8, 2012 and began its commercial operations on January 1, 2013. It is 100% owned by 2GO Group Inc.

SCVASI also offers ISO tanks and Flexibags services for domestic and international liquid transport. With the continuing partnership with our foreign principals such as BULKHAUL and SEACUBE for ISO tanks, and Bulk Packing and Qingdao-LET for Flexibag supply, SCVASI was able to serve the requirement of the solvents industry. This also assist to cover our target market in the Food Grade business – palm oil, coconut oil and ethanol and to accommodate our growing market for liquid products including our land move projects in Luzon.

DESCRIPTION OF PROPERTY

Vessel Fleet

As of December 31, 2018, 2GO and its subsidiaries has a total fleet of twenty-seven (27) operating vessels, of which twenty-three (23) are company-owned ships. The fleet consists of eleven (11) fast crafts, eight (8) RoRo/Pax vessels. On the other hand, three (3) freighters are under lease agreement with Chelsea and two (2) more vessels are chartered with 3rd parties. 2GO's operating vessel fleet has a combined Gross Registered Tonnage of approximately 128,985 metric tons, total passenger capacity of approximately 7,450,162 passengers and aggregate cargo capacity of approximately 338,305 twenty-foot equivalent units (TEUs).

In the year 2017, two fast craft vessels were constructed and deployed in the Ormoc-Cebu service. 2GO continues to engage in charter agreements for 5 freighter vessels for additional capacities to serve the freight market.

Currently, 2GO operates five (5) RoRo/Pax vessels calling on Manila as their homeport. These vessels are larger coastwise vessels that sail from Luzon to Visayas and Mindanao. Further, 2GO operates three (3) medium-sized vessels, formerly called the Cebu Ferries, two (2) of which have Batangas as its homeport, plying on the Batangas-Caticlan route, while the other vessel calling on Manila as homeport serves the Palawan route. The nine (9) fast craft passenger vessels, on the other hand, are smaller fast crafts that ply on short distances. 2GO also operates eight (8) purely-cargo vessels to fully complement its freight business.

Land, Buildings and Warehouses

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

Ports of call

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

Market Share

As of December 31, 2018, 2GO continues to dominate the Philippine Sea Travel with 95% passage market share in and out Manila. Freight market share also is at 23%, still leading the market even with competitors adding more ships.

Legal Proceedings

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

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

A. Market Information

The Common Stock of the Corporation is listed at the Philippine Stock Exchange. As of February 28, 2018, the market price of 2GO's common stock is P17.96 per share.

Below is the range of high and low bid information for 2GO's common equity for each quarter within the last two fiscal years and any subsequent interim period:

	HIGH	LOW
2018		
First Quarter	18.10	17.50
Second Quarter	15.00	14.82
Third Quarter	11.48	11.20
Fourth Quarter	14.08	13.00
2017		
First Quarter	9.90	9.00
Second Quarter	29.15	11.50
Third Quarter	25.00	19.20
Fourth Quarter	20.50	16.30
2016		
First Quarter	7.57	5.92
Second Quarter	7.38	7.27
Third Quarter	7.39	7.34
Fourth Quarter	7.65	7.60

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 February 28, 2019 was 5,145. The top 20 common stockholders as of February 28, 2019 are as follows:

	Name	No. of Shares	Percentage
1	KGLI-NM HOLDINGS, INC. (FILIPINO)	867,239,109	35.22%
2	SM INVESTMENTS CORPORATION (FILIPINO)	750,754,812	30.49%
3	CHINA-ASEAN MARINE B.V. (DUTCH)	550,558,388	22.36%
4	PCD NOMINEE CORPORATION (ITALIAN)	240,779,439	9.78%
5	PCD NOMINEE CORPORATION (FILIPINO)	25,934,567	1.05%
6	ABACUS SECURITIES CORPORATION (FILIPINO)	1,530,000	0.06%
7	CONSTANTINE TANCHAN (FILIPINO)	1,262,500	0.05%
8	SANTIAGO TANCHAN III (FILIPINO)	1,262,500	0.05%
9	FIRST METRO INVESTMENT CORPORATION	648,651	0.03%
10	PHILIPS MULTI EMPLOYER RETIREMENT PLAN	631,250	0.03%
11	RAMON RIVERO (FILIPINO)	600,000	0.02%
12	DOLL AGRICULTURAL CORPORATION	519,999	0.02%
13	AMA RURAL BANK OF MANDALUYONG, INC.	441,875	0.02%
14	SUMMIT SECURITIES, INC.	440,963	0.02%
15	ELIZABETH CHUI (FILIPINO)	378,750	0.02%
16	JULIO & FLORENTINA LEDESMA FOUNDATION, INC.	338,500	0.01%
17	RAMON R. RIVERA (FILIPINO)	320,000	0.01%
18	LILIAN S. LIM	315,625	0.01%
19	FAST CARGO LOGISTICS CORPORATION	300,000	0.01%
20	DANIEL LACSON, JR. (FILIPINO)	269,708	0.01%

As of February 28, 2019, the total number of shares owned by the public is equivalent to 293,594,007 shares or equivalent to 11.93%.

C. Dividends Declaration

There were no dividends declared during the years 2012 to 2017.

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

CORPORATE GOVERNANCE

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

BOARD STRUCTURE

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

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

Splitting up the role of the Chairman and the Chief Executive Officer (CEO) was brought into focus when shortcomings in corporate governance were observed in companies where the two roles are combined. Thus, to foster an appropriate balance of power, increased transparency, accountability and control over company operations, the elected Chairman of the Board, a non-executive director, is separate and distinct from the appointed CEO of 2GO.

BOARD COMMITTEES

The Board is further assigned to the following committees—the Executive Committee, Audit Committee, Corporate Governance Committee, Risk Oversight Committee, Compensation and Remuneration Committee, Related Party Transaction Committee, and IT Steering Committee. The Board and its committees oversee and advise management in developing 2GO's financial and business goals, oversee its public disclosures and the processes behind them, and evaluate management's performance in pursuing and achieving those goals.

The Charters for all Board Committees were adopted on April 5, 2018.

COMPENSATION AND REMUNERATION COMMITTEE

The Compensation and Remuneration Committee is mainly responsible for establishing the overall compensation philosophy of 2GO including directors and employee compensation, benefits and incentive plans. The Compensation and Remuneration Committee met two (2) times in 2018a. All meetings were duly attended by the committee members.

The committee members are as follows:

Chairman:	Mr. Dennis A. Uy
Members:	Mr. Frederic C. DyBuncio
	Mr. Elmer B. Serrano

AUDIT COMMITTEE

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

The committee members are as follows:

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

The Audit Committee met eleven (11) times in 2018. All meetings were duly attended by the committee members.

As part of its responsibility to encourage open communication, the committee meets periodically with management, internal audit function, and the external auditor in separate sessions to discuss the results of operations and its evaluation of 2GO's internal control system. It reviews and approves the internal audit plan; reviews internal and external audit performance; monitors results of audit activities and corresponding action plans provided by management; selects and approves external auditor; and presents audited financial statements for Board approval.

The committee reviews and assess the audit master plan on a risk-based approach to identify significant areas of concern that should be prioritized as well as to ensure efficient use of resources during the period.

A detailed Audit and Corporate Governance Committee Report for 2018 is presented in a subsequent section.

Audit Committee Charter

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

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

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee is responsible for assisting the Board of Directors of 2GO in fulfilling its oversight functions related to the company's overall approach to corporate governance, size and composition of board and its committee. The Committee also takes the lead in promulgating and overseeing the principles of corporate governance by reviewing committee charters, directors' independence as well as code of ethics for executives, employees and directors. The Committee met three (3) times in 2018.

The committee members are as follows:

Chairman:	Mr. Joseph C. Tan
Members:	Mr. Laurito E. Serrano
	Mr. Raul C. Rabe

RISK OVERSIGHT COMMITTEE

The ultimate accountability over risk oversight and risk management in the organization rests with the Board. However, the Risk Management Committee, as a Board subcommittee, is responsible in leading the organization's strategic direction in the management of material business risks such that leaders are able to make informed decisions. The committee also provides oversight for the establishment, implementation, and effectiveness review and assessment of the company's risk management framework. The Committee met four (4) times in 2017.

The committee members are as follows:

Chairman:	Mr. Raul C. Rabe
Members:	Mr. Laurito E. Serrano
	Mr. Frederic C. DyBuncio

RELATED PARTY TRANSACTION COMMITTEE

The committee members are as follows:

Chairman:	Mr. Joseph C. Tan
Members:	Mr. Raul C. Rabe
	Ms. Ma. Concepcion F. de Claro

The Committee met two (2) times in 2018.

IT STEERING COMMITTEE

The Committee was created on 18 January 2018 to establish IT policies and processes.

The committee members are as follows:

Chairman:	Mr. Joseph C. Tan
Members:	Mr. Frederic C. DyBuncio
	Mr. Laurito E. Serrano
	Ma. Concepcion F. de Claro
	Mr. Lars Kunkel

EXECUTIVE COMPENSATION POLICY

Meritocracy based. This is the corporate compensation philosophy for executive remuneration in 2GO. Commensurate compensation is given based on the annual performance evaluation of its executives. Any change in compensation is subject to full discussion and concurrence by the Board upon the review and recommendation of its Board Compensation and Remuneration Committee. The Committee met two (2) times in 2018.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The table of the monthly fixed allowance and per diem per meeting attendance of the 2GO Board of Directors in 2018 is shown below.

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

SOCIAL RESPONSIBILITY

In 2GO's continuous pursuit of its mission to become more responsible corporate citizens of the nation, efforts of 2GO on corporate social responsibility programs for 2016 were continuously geared toward three (3) main facets: education, social advocacy and environmental protection and rehabilitation.

CODE OF BUSINESS CONDUCT

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

CORPORATE GOVERNANCE SCORECARD

While companies are not expressly mandated to comply with recommended best practices on corporate governance, the "comply-or-explain" approach employed by the SEC and PSE through its Corporate Governance scorecard and disclosures definitely exerted pressure for companies to comply.

2GO, with its unwavering pursuit of systemic corporate governance reforms within the organization, continues to participate in the assessment of corporate governance standards and practices of publicly listed companies.

As of date, there are no findings that there has been any deviations from 2GO's Manual of Corporate Governance since the implementation of the said Manual. However, continuous and ongoing internal audits are being conducted to determine if such deviation has occurred.

OUTLOOK

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

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

FURTHER INFORMATION

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

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

INFORMATION TECHNOLOGY GOVERNANCE

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

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

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

ENTERPRISE WIDE RISK MANAGEMENT PROGRAM (ERM)

With the continuous evolution of 2GO Group, it was deemed by the Board of Directors that a review of the ERM program was in order in 2012. During the first quarter of 2012, the Risk Management Department (RMD) conducted ERM activities to determine whether the various business units were ready to take the plunge for the re-launch of the ERM program. In the second quarter of 2012, discussions were then conducted with the Audit Committee in order to determine how best to tackle the new ERM Program. With the ideal program being laid from top to bottom, the first action taken was to determine the Board and Risk Management Committee's responsibilities:

The Board sets the overall risk tolerance for 2GO Group, Inc. and delegates the responsibility of managing all the group's risk exposures to the Risk Management Committee; Design and approval of the Risk Management Framework.

Risk Management Committee / Board level

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

For 2017, the Group continuously worked on developing the ERM program, addressing Business Continuity Plans of the various business units. Should a risk exposure be unavoidable, the ability to quickly rebound and recover from a threat or disaster has always been the objective. More attention has been given on the technology side as reliance on systems and business applications for operations has steadily increased. All Crisis Management and Emergency Response Teams (ERT) of the business units are training and drilling on a periodic basis to gradually treat or respond to all types of risks the group is exposed to. The Corporate Claims and Risk Management Department shall provide support and assistance during the entire process.

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

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

II. Policy Creation
   a. Development of ERM Councils and Emergency Response Teams
   b. Business Unit, Corporate Risk Management, I.T. Dept. and Internal Audit's role

III. Program Implementation
   a. ERM Risk Treatment Mechanisms
   b. Business Continuity Plans
   c. Monitoring and Process Audit

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

AUDIT COMMITTEE REPORT

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

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

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

Meetings

As mentioned, the Board Audit Committee held eleven (11) meetings in 2018.

During the meetings held in 2018, regular updates, status and highlights of audit engagements particularly on corporate governance, risk management and control processes were discussed as well as business strategies to address items of concern.

System of Internal Controls

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

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

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

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

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

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

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

Internal Audit

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

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

The IAD strives to improve on a yearly basis by introducing processes that increases coverage of audit engagements. In 2018, there was an increase in audit and consultancy engagements completed that are timely communicated to management and Audit Committee. There were minimal resignations during the year which contributed to continuing effective performance of the group's annual audit plan. IAD plans to increase its efficiency by maintaining its competency through internal and external trainings that are relevant to the group. This is to further demonstrate IAD's continued compliance with existing Internal Audit Standards.

Included in the process of IAD is to continue monitoring the implementation of recommendations and action plans on a regular basis in line with target completion dates set by management. During 2018, IAD conducted regular review of previous engagements and met with various audit clients to ensure completion of action plans committed. Results of these monitoring are communicated accordingly with Senior Management and the Audit Committee. IAD effectively utilizes audit analytics software to efficiently obtain relevant data and continuously review transactions on a daily basis.

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

For 2018, the IAD will be further strengthened to address the internal auditing needs of 2GO.

Risk Management

Last 2014, the business units presented to the President and senior management their Risk Registers and Business Continuity Plans. Each business unit was able to comply with the Enterprise Risk Management (ERM) framework and their respective ERM councils and Emergency Response Teams (ERT) were formed to apply and execute the risk treatment mechanisms. Since then, the ERT and ERM councils have been training and drilling on a periodic basis to gradually combat all types of risks the group is exposed to. The business units also continue to update their Risk Registers as their respective operations grow and expand to make sure that both existing and new risks are identified and addressed.

The Corporate Risk Management Department has been reviewing the insurance coverages of the Group and in the process enhanced some of the insurance policies to make sure that all risks and exposures are covered. It has been the responsibility of the department to secure complete protection for the entire group.

Throughout the year, the Group has been implementing the ERM program, addressing Business Continuity Plans of the various business units. Regular updating of the top risk exposures of the Business Units have been reflected in their respective Risk Registers. Emergency Call Trees were established and have been updated. Continuous testing (Fire, Earthquake drills etc.) and business interruption scenarios are conducted. We are also looking to possibly engage an external consultant to further assist in our Business Continuity Management efforts particularly in the information technology field.

In 2018, Joy Eugenio-Limpasan was appointed by the Board of Directors as Risk Officer of 2GO.

Corporate Governance

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

External Audit

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

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

2017 Financial Results

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

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

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

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

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

V. NAME AND ADDRESS – REQUEST FOR SEC FORM 17-A ANNUAL REPORT

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

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

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

ANNEX "A"

MINUTES OF THE ANNUAL MEETING OF THE
STOCKHOLDERS OF

2GO GROUP, INC.

Held at the Forbes Ballroom, Conrad Manila
Seaside Boulevard corner Coral Way, Pasay City
On 5 April 2018, 3:00 p.m.

DIRECTORS PRESENT:

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

NOT PRESENT:

MONICO V. JACOB	Independent Director Chairman, Related Party Transactions Committee Member, Risk Oversight Committee Member, Corporate Governance Committee

ALSO PRESENT:

WILLIAM CHARLES HOWELL	Chief Financial Officer and Treasurer
Stockholders present in person or represented by proxy	**2,400,252,974** shares (Please see Record of Attendance attached Annex "A")

1. Call to Order

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

2. Certification of Notice and Quorum

The Corporate Secretary certified that written notices of the annual stockholders' meeting together with the agenda and the Definitive Information Statement were sent beginning 13 March 2018 to all stockholders of record as of 12 March 2018 by personal delivery and by mail.

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

The Corporate Secretary certified that based on the proxies recorded and on the registration of those personally present at the meeting, that 2,400,252,974 or 98.12% of the aggregate number of 2,446,136,400 shares issued, outstanding and entitled to vote, were either present in person or represented by proxy at the meeting. He then certified that a quorum was present for the transaction of business by the stockholders.

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

3. Approval of the Minutes of the Annual Meeting of Stockholders held on 20 September 2017

The Chairman proceeded to the next item in the agenda which is the approval of the minutes of the annual meeting of the stockholders held on 20 September 2017.

Upon motion duly made and seconded, the stockholders approved the minutes of the annual meeting of the stockholders held on 20 September 2017 and the following resolution was passed and adopted:

> "**RESOLVED,** that the Minutes of the Annual Stockholders' Meeting of 2GO Group, Inc. held on 20 September 2017 are approved."

Below is the tabulation of votes:

In Favor		Against		Abstain	
No. of Shares	%	No. of Shares	%	No. of Shares	%
2,400,252,974	100%	0	0%	0	0%

4. Approval of the Annual Report and Audited Financial Statements for the Year 2017

The President, Mr. Frederic C. DyBuncio, delivered his report on the Company's results of operations for 2017. The President reported as follows:

“2017 was another year of growth for the Philippine economy as GDP expanded 6.7%, one of the fastest in the region. The country’s favorable macroeconomic conditions allowed business and consumer confidence to remain robust. This growth was enabled by a fast, reliable, safe and efficient movement of goods and people across the country. We recognize this opportunity and today, 2GO is well positioned for long term future growth.

“2017 was a year of change for 2GO, with new management in place, supported by strong shareholders and business partners.

“Changes were made at the Board level, adding two new directors and increasing the number of independent directors. Board Committees were reorganized and a Related Party Transaction Committee was created to ensure that all transactions are done on arm’s-length commercial terms. It is our commitment to continuously elevate the level of corporate governance in 2GO and to guarantee adherence to global best practices.

“On the management level, the new team intends to run 2GO in line with the highest standards to capture the long term opportunities that exist in the strong and growing Philippine market. We reviewed the existing businesses in 2GO, and streamlined the business units into three main areas; Shipping, Logistics and Distribution. We undertook a number of personnel changes in 2017, including bringing in a new Chief Finance Officer and management heads to lead our major business divisions. Together, the new team has conducted a full business review and identified the opportunities and actions necessary to deliver growth.

“In 2017, we also engaged SyCip, Gorres Velayo & Co. to perform an independent audit of the Company’s 2017 financial statements. This led to significant restatements of our 2015 and 2016 financial statements and we have applied accounting policies in accordance with Philippine Financial Reporting Standards.

“Against these changes we delivered a strong underlying performance last year. In 2017, consolidated revenues increased to PHP21.6 billion, 13% higher than the previous year. The company reported a net loss of PHP310 million compared to a net profit of PHP344 million in 2016. Without restructuring costs and other costs relating to the financial restatement however, 2GO’s net profit remained positive at PHP314 million.

“Top line growth was primarily driven by the Logistics and Distribution businesses, which grew by a combined 30% as service offerings were increased to existing customers and new customers were actively targeted.

“In Shipping, freight volumes remained relatively stable compared to the prior year against an intense competitive environment. As a result the business experienced a contraction in revenues by 6%.

“Looking ahead, the economic growth of the Philippines and the potential to expand our services remain bright. With rising income levels across the country and planned government-driven investments in infrastructure, we see opportunities to serve greater numbers of customers across many regional destinations. As the Philippines’ largest end-to-end logistics provider we intend to help drive the development of the sector and to ensure we deliver an excellent overall customer experience as we do so.

“It is our firm commitment to maintain our leadership in Shipping while growing our Logistics and Distribution businesses, reflecting the needs for end-to-end solutions across the country. Your company will continue to optimize and drive synergies between our business units and look for opportunities to work with our partners to drive our expansion.

"On behalf of the Board and management of 2GO, I would like to extend our gratitude to all of our customers, business partners, suppliers and other stakeholders and to you, our shareholders, for your cooperation and unwavering support in 2017 and for the journey ahead."

The Chairman explained that the 2017 Audited Financial Statements of the Company were appended to the Definitive Information Statement sent to all stockholders of record and distributed to those present today.

The Chairman opened the floor to stockholders for questions or comments. There being no comments nor questions from the stockholders, the following resolution was unanimously passed and approved upon motion made and duly seconded:

> **"RESOLVED**, that the 2017 Annual Report and the 2017 Audited Financial Statements of 2GO Group, Inc. are approved."

Below is the tabulation of votes:

In Favor		**Against**		**Abstain**	
No. of Shares	%	No. of Shares	%	No. of Shares	%
2,400,252,974	100%	0	0%	0	0%

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

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

On motion duly made and seconded, the stockholders approved the following resolutions were passed and adopted:

> **"RESOLVED,** that the acts of the Board of Directors, Board Committees, and Management of 2GO Group, Inc. (the **Corporation**) from the date of the last Annual Stockholders' Meeting up to the date of meeting are approved, ratified, and confirmed;
>
> **"RESOLVED, FINALLY,** that all contracts, acts, proceedings, elections and appointments made or taken by the Board of Directors, its committees, and/or the Management of the Corporation, and all acts and proceedings performed or taken pursuant to the foregoing resolution, be in all respects, approved, ratified, and confirmed.

Below is the tabulation of votes:

In Favor		**Against**		**Abstain**	
No. of Shares	%	No. of Shares	%	No. of Shares	%
2,400,252,974	100%	0	0%	0	0%

6. Election of Directors for 2018-2019

The next item in the agenda is the election of directors for the year 2018-2019. The Chairman requested Atty. Joseph C. Tan, Chairman of the Corporate Governance Committee, to present the nominees to the Board. Atty. Tan stated that the Corporate Governance Committee had pre-screened and short-listed all candidates qualified and nominated to the Board of Directors, announced that the following have been nominated and qualified for election of the Board for the year 2018 to 2019:

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

Independent Directors

FRANCIS C. CHUA
RAUL CH. RABE
JOSEPH C. TAN
LAURITO E. SERRANO

Upon motion duly made and seconded, all unqualified votes were cast equally in favor of the nominees who were thus elected to the Board for the period 2018-2019. The following resolution was passed and approved:

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

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

Independent Directors

FRANCIS C. CHUA
RAUL CH. RABE
JOSEPH C. TAN
LAURITO E. SERRANO

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

Nominee	**Number of shares voting in favor**	**%**
Dennis A. Uy	2,400,252,974	100%
Francis C. Chua	2,400,252,974	100%
Frederic C. DyBuncio	2,400,252,974	100%
Elmer B. Serrano	2,400,252,974	100%
Ma. Concepcion F. De Claro	2,400,252,974	100%
Joseph C. Tan	2,400,252,974	100%
Raul Ch. Rabe	2,400,252,974	100%
Laurito E. Serrano	2,400,252,974	100%
Chryss Alfonsus V. Damuy	2,400,252,974	100%

7. Appointment of External Auditor

The next item in the agenda is the appointment of the Company's external auditor for 2018-2019. The Chairman informed the shareholders that the Audit Committee screened the nominees for external auditor and qualified SyCip, Gorres, Velayo & Co. for appointment as external auditor for 2018-2019. The Board of Directors likewise approved and endorses this appointment.

Upon motion made and seconded, SyCip, Gorres, Velayo & Co. was appointed as the external auditor of the Company for 2018-2019 and the following resolution was passed and approved:

"RESOLVED, that SyCip, Gorres, Velayo & Co. is appointed as the external auditor of 2GO Group, Inc. for 2018, under such terms and conditions as may be approved by the Board of Directors."

Below is the tabulation of votes:

In Favor		Against		Abstain	
No. of Shares	%	No. of Shares	%	No. of Shares	%
2,400,252,974	100%	0	0%	0	0%

8. Amendment of the Articles of Incorporation

The next item in the agenda was the amendment of the Company's Articles of Incorporation. The proposed amendment to the Articles of Incorporation is to reflect the change in the principal address of the Company as approved by the Board of Directors. Details of the proposed amendment were set out in the Definitive Information Statement distributed to the stockholders.

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

"WHEREAS, **2GO GROUP, INC.** (the **Corporation**) was authorized and empowered to change its principal address from the 15th Floor, Times Plaza Building, U.N. Avenue corner Taft Avenue, Ermita, Manila to the 8th and 9th Floor, Tower 1, DoubleDragon Plaza, EDSA corner Macapagal Avenue, Pasay City, by the Board of Directors at its meeting held on 18 January 2018;

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

THIRD: That the place where the principal office of the corporation is to be established or located is at **8th and 9th Floor, Tower 1, DoubleDragon Plaza, EDSA corner Macapagal Avenue, Pasay City.**

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

Below is the tabulation of votes:

In Favor		Against		Abstain	
No. of Shares	%	No. of Shares	%	No. of Shares	%
2,400,252,974	100%	0	0%	0	0%

9. Approval of the Merger of the Company with Negros Navigation Co., Inc.

The next item in the agenda is the approval of the merger of the Company with its parent company, Negros Navigation Co., with the Company as the surviving entity. This internal restructuring aims to simplify the Group structure and to develop efficiencies and economies within the Group. Details of the merger are found in the Definitive Information Statement distributed to all stockholders.

"**RESOLVED**, that the merger of **2GO GROUP, INC.** (the **Corporation**) with Negros Navigation Co., Inc., with the Corporation as the surviving entity, is approved, subject to the final decision and approval of the terms of the merger by the Board of Directors."

Below is the tabulation of votes:

In Favor		**Against**		**Abstain**	
No. of Shares	%	No. of Shares	%	No. of Shares	%
2,400,252,974	100%	0	0%	0	0%

10. Other Matters

The Chairman inquired if there were other matters that could properly be taken up at this meeting. The Corporate Secretary confirmed that there were none.

11. Adjournment

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

CERTIFIED CORRECT:

ELMER B. SERRANO
Corporate Secretary, Director

ATTESTED BY:

DENNIS A. UY
Chairman

Annex "A"

2GO Group, Inc.
Annual Stockholders' Meeting
5 April 2018, 3:00 p.m.

Record of Attendance

Total number of shares present by proxy	2,400,142,591
Total number of shares present in person	110,383
Total number of shares represented by proxy and in person	2,400,252,974
Attendance Percentage	**98.12%**
Total number of voting shares outstanding	2,446,136,400

2GO

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **2GO Group Inc. and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the year ended December 31, 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Sycip Gorres Velayo & Co., the independent auditors appointed by the stockholders for the year ended December 31, 2018, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Dennis A. Uy
Chairman of the Board

Frederic C. DyBuncio
President and Chief Executive Officer

William Howell
Chief Financial Officer and Treasurer

Signed this 26th day of February 2019

2GO

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of 2GO Group, Inc. and Subsidiaries (Group) as at December 31, 2018, in accordance with *Philippine Financial Reporting Standards* as required by accounting and auditing standards.

In discharging this responsibility, I hereby declare that I am the *Group Controller* of the Group.

Furthermore, in my compilation services for the preparation of the financial statements and notes to the financial statements, I was not assisted by or did not avail of the services of Sycip Gorres Velayo & Co., which is the external auditor who rendered the audit opinion for the said financial statements and notes to the financial statements.

I hereby declare, under penalties of perjury and violation of Republic Act No. 9298, that my statements are true and correct.

MAY VICTORIO AGUILAR
CPA Certificate No. 093196
Valid Until May 5, 2020

BOA Accreditation No. 5884
Valid Until May 5, 2021

8th Floor , Tower 1, Double Dragon Plaza, DD Meridian Park corner Macapagal Avenue and EDSA Extension, Bay Area, Pasay City, Metro Manila, Philippines 1300
+632 528 7171 www.2GO.com.ph

2GO Group, Inc. and Subsidiaries

Consolidated Financial Statements
As of and for the Years Ended
December 31, 2018 and 2017
(With Comparative Figures
for the Year Ended December 31, 2016)

and

Independent Auditor's Report

SGV
Building a better working world

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of 2GO Group, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017 and, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

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

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

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

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

Audit Response

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

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

Recoverability of trade and other receivables and impact of adoption of PFRS 9, Financial Instruments

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

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

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

Audit Response

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

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

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

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

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

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

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

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

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

Audit response

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Philippine Securities and Exchange Commission (SEC) Form17-A for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 17-A and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2018 are expected to be made available to us after that date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Josephine H. Estomo

Josephine H. Estomo
Partner
CPA Certificate No. 46349
SEC Accreditation No. 0078-AR-4 (Group A),
June 9, 2016, valid until June 9, 2019
Tax Identification No. 102-086-208
BIR Accreditation No. 08-001998-18-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332550, January 3, 2019, Makati City

February 26, 2019

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAR 01 2019
RECEIVED

2GO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 and 2017

(Amounts in Thousands)

		December 31	
	Note	**2018**	2017
ASSETS			
Current Assets			
Cash and cash equivalents	*7*	**₱1,387,128**	₱2,095,850
Trade and other receivables	*8, 17, 20*	**4,097,691**	4,428,276
Inventories	*9*	**628,210**	555,697
Other current assets	*10*	**1,586,808**	1,530,462
Total Current Assets		**7,699,837**	8,610,285
Noncurrent Assets			
Property and equipment	*12, 17, 18*	**6,567,383**	7,096,852
Investments in associates and joint ventures	*13*	**325,642**	275,676
Deferred income tax assets - net	*27*	**69,499**	82,700
Other noncurrent assets	*14*	**400,340**	441,596
Total Noncurrent Assets		**7,362,864**	7,896,824
TOTAL ASSETS		**₱15,062,701**	₱16,507,109

LIABILITIES AND EQUITY			
Current Liabilities			
Short-term notes payable	*15*	**₱2,685,000**	₱2,644,950
Trade and other payables	*16, 20*	**6,497,092**	6,506,865
Income tax payable		**15,351**	17,174
Current portion of:			
Long-term debt	*17*	**442,077**	3,121,315
Obligations under finance lease	*12, 18*	**83,515**	97,311
Total Current Liabilities		**9,723,035**	12,387,615
Noncurrent Liabilities			
Long-term debt - net of current portion	*17*	**2,780,436**	1,481
Obligations under finance lease - net of current portion	*12, 18*	**92,317**	218,430
Accrued retirement benefits	*26*	**211,420**	260,115
Other noncurrent liabilities		**7,283**	6,082
Total Noncurrent Liabilities		**3,091,456**	486,108
Total Liabilities		**12,814,491**	12,873,723

(Forward)

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

2GO GROUP, INC. AND SUBSIDIARIES

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

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

See Notes to the Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

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

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

See Notes to the Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Attributable to Equity Holders of the Parent Company													
					Other Comprehensive Income (Losses)									
	Share Capital (Note 21)	**Additional Paid-in Capital**	**Acquisition of Non-controlling Interests**	**Excess of Cost of Investments Over Net Assets of a Subsidiary** (Note 21)	**Unrealized Gain on Financial Assets at Fair Value through Other Comprehensive Income**	**Share in Cumulative Translation Adjustment of Associates**	**Remeasurement Losses on Accrued Retirement Benefits - Net of tax** (Note 26)	**Share in Remeasurement Gains (Losses) on Accrued Retirement Benefits of Associates and Joint Ventures** (Note 13)	**Subtotal**	**Retained Earnings (Deficit)**	**Treasury Shares** (Note 21)	**Total**	**Non-controlling Interests**	**Total Equity**
BALANCES AT DECEMBER 31, 2015	**₱2,484,653**	**₱910,901**	**(₱3,243)**	**(₱9,835)**	**₱486**	**₱5,294**	**(₱157,459)**	**₱5,326**	**(₱146,353)**	**₱313,112**	**(₱58,715)**	**₱3,490,520**	**₱51,891**	**₱3,542,411**
Net income for the year	–	–	–	–	–	–	–	–	–	330,300	–	330,300	13,735	344,035
Other comprehensive income for the year	–	–	–	–	171	–	42,019	876	43,066	–	–	43,066	–	43,066
Total comprehensive income for the year	–	–	–	–	171	–	42,019	876	43,066	330,300	–	373,366	13,735	387,101
BALANCES AT DECEMBER 31, 2016	**₱2,484,653**	**₱910,901**	**(₱3,243)**	**(₱9,835)**	**₱657**	**₱5,294**	**(₱115,440)**	**₱6,202**	**(₱103,287)**	**₱643,412**	**(₱58,715)**	**₱3,863,886**	**₱65,626**	**₱3,929,512**
Net income (loss) for the year	–	–	–	–	–	–	–	–	–	(315,774)	–	(315,774)	6,200	(309,574)
Other comprehensive income for the year	–	–	–	–	–	–	13,448	–	13,448	–	–	13,448	–	13,448
Total comprehensive income (loss) for the year	–	–	–	–	–	–	13,448	–	13,448	(315,774)	–	(302,326)	6,200	(296,126)
BALANCES AT DECEMBER 31, 2017	**₱2,484,653**	**₱910,901**	**(₱3,243)**	**(₱9,835)**	**₱657**	**₱5,294**	**(₱101,992)**	**₱6,202**	**(₱89,839)**	**₱327,638**	**(₱58,715)**	**₱3,561,560**	**₱71,826**	₱3,633,386
BALANCES AT JANUARY 1, 2018	**₱2,484,653**	**₱910,901**	**(₱3,243)**	**(₱9,835)**	**₱657**	**₱5,294**	**(₱101,992)**	**₱6,202**	**(₱89,839)**	**₱327,638**	**(₱58,715)**	**₱3,561,560**	**₱71,826**	₱3,633,386
Effect of adoption of new accounting standards (Note 3)	–	–	–	–	–	–	–	–	–	(26,407)	–	(26,407)	–	(26,407)
AS ADJUSTED BALANCES AT JANUARY 1, 2018	**2,484,653**	**910,901**	**(3,243)**	**(9,835)**	**657**	**5,294**	**(101,992)**	**6,202**	**(89,839)**	**301,231**	**(58,715)**	**3,535,153**	**71,826**	3,606,979
Net loss for the year	–	–	–	–	–	–	–	–	–	(1,345,956)	–	(1,345,956)	(2,408)	(1,348,364)
Other comprehensive loss for the year	–	–	–	–	(707)	–	(2,152)	–	(2,859)	–	–	(2,859)	–	(2,859)
Total comprehensive loss for the year	–	–	–	–	(707)	–	(2,152)	–	(2,859)	(1,345,956)	–	(1,348,815)	(2,408)	(1,351,223)
Sale of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(7,546)	(7,546)
BALANCES AT DECEMBER 31, 2018	**₱2,484,653**	**₱910,901**	**(₱3,243)**	**(₱9,835)**	**(₱50)**	**₱5,294**	**(₱104,144)**	**₱6,202**	**(₱92,698)**	**(₱1,044,725)**	**(₱58,715)**	**₱2,186,338**	**₱61,872**	**₱2,248,210**

See Notes to the Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

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

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

(Forward)

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

See Notes to the Consolidated Financial Statements.

1. Corporate Information and Approval of the Consolidated Financial Statements

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

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

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

On February 23, 2018, the Board of Directors (BOD) approved the internal restructuring of the Group via merger of 2GO with its parent company, NN, with 2GO as the surviving entity. This will simplify the Group's corporate structure and is in line with the Group's efforts to streamline operations, reduce costs and increase shareholder value. The merger of NN and 2GO became effective January 1, 2019, pursuant to the Articles of Merger approved by the Philippine Security and Exchange Commission.

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

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

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

Statement of Compliance

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

3. Significant Accounting Policies

Accounting policies have been applied consistently to all years presented in the consolidated financial statements, except for the changes in accounting policies explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Group has adopted the following amendments to standards starting January 1, 2018. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Group's consolidated financial statements.

Effective January 1, 2018

- PFRS 15, *Revenue from Contracts with Customers* replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, Philippine Interpretation based on International Financial Reporting Interpretation Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers* and Standards Interpretation Committee (SIC) 31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

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

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

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

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

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

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

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

- PFRS 9, *Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Philippine Interpretation based on IFRIC-22, *Foreign Currency Transactions and Advance Consideration* clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

  The interpretation is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

- *Transfers of Investment Property (*Amendments to PAS 40, *Investment Property)* amends the requirements on when an entity should transfer a property asset to, or from, investment property. A transfer is made when and only when there is an actual change in use - i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.

  The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. An entity may apply the amendments to transfers that occur after the date of initial application and also reassess the classification of property assets held at that date or apply the amendments retrospectively, but only if it does not involve the use of hindsight.

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

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

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

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

Standards Issued But Not Yet Adopted
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2019. The Group has not applied the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

The Group will adopt the following new or revised standards, amendments to standards and interpretations on the respective effective dates, as applicable:

Effective January 1, 2019

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

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

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

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

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

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

  The Group assessed that the adoption of the new standard will result to the following:
  a. Assets and liabilities will increase because of the capitalization of the right of use asset from operating lease agreements; and
  b. Rental expense will decrease while amortization and interest expense will increase.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- *Annual Improvements to PFRSs* 2015-2017 Cycle

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

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

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

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2020

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

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

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

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

Deferred effectivity

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

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

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

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

Basis of Consolidation

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

		Percentage of Ownership	
	Nature of Business	**2018**	2017[7]
The Supercat Fast Ferry Corporation (SFFC)	Transporting passenger	**100.0**	100.0
Special Container and Value Added Services, Inc. (SCVASI)	Transportation/logistics	**100.0**	100.0
2GO Express, Inc. (2GO Express)	Transportation/logistics	**100.0**	100.0
2GO Logistics, Inc. (2GO Logistics)	Transportation/logistics	**100.0**	100.0
Scanasia Overseas, Inc. (SOI)	Sales of goods	**100.0**	100.0
Hapag-Lloyd Philippines, Inc. (HLP)	Transportation/logistics	**100.0**	100.0
WRR Trucking Corporation (WTC)	Transportation	**100.0**	100.0
NN-ATS Logistics Management and Holdings Co., Inc. (NALMHCI)	Holding and logistics management	**100.0**	100.0
J&A Services Corporation (JASC) [6]	Vessel support services	**100.0**	100.0
Red.Dot Corporation (RDC) [5]	Manpower services	–	100.0
Supersail Services, Inc. (SSI) [5]	Vessel support services	–	100.0
Astir Engineering Works, Inc. (AEWI) [6]	Engineering services	**100.0**	100.0
WG&A Supercommerce, Incorporated (WSI) [1]	Vessels' hotel management	**100.0**	100.0
North Harbor Tugs Corporation (NHTC)	Tugboat assistance	**58.9**	58.9
Super Terminals, Inc. (STI) [2] [3]	Passenger terminal operator	**50.0**	51.0
Sungold Forwarding Corporation (SFC) [5]	Transportation/logistics	–	50.0
2GO Rush Delivery, Inc. (RUSH)[4]	Transportation/logistics	**100.0**	100.0

[1]*Ceased commercial operations in February 2006*
[2]*Ceased commercial operations in 2017*
[3]*NALMHCI has control over STI since it has the power to cast the majority of votes at the BOD's meeting and the power to govern the financial and reporting policies of STI. Dormant company.*
[4]*Incorporated in December 2016 but has not yet started business operations*
[5]*Subsidiaries sold in 2018*
[6]*Ceased commercial operations on December 31, 2018*
[7]*Ownership in 2017 is the same with 2016*

The Group is considered to have control over an investee, if and only if, the Group has:

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

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation adjustments recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate.

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

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

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

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

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

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

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

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

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

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

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

[1]*Ceased commercial operations effective December 31, 2017.*
[2]*Investment by 2GO Express in 2018.*
[3]*KLN is 78.4%-owned by 2GO Express.*

All entities are incorporated in the Philippines.

Interest in a Joint Operation

The Group has an interest in a joint operation which is a jointly controlled entity, whereby the joint venture partners have a contractual arrangement that establishes joint control over the economic activities of the entity. The assets, liabilities, revenues and expenses relating to the Group's interest in the joint operation have been recognized in the consolidated financial statements of the Group.

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

Current versus Noncurrent classification

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

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Cash and Cash Equivalents

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

Determination of Fair Value

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

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

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

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

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

<u>Financial Instruments – Effective Prior to January 1, 2018</u>
Date of Recognition
The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets, recognition and de-recognition, as applicable, that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

Initial Recognition of Financial Instruments
Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those classified as fair value through profit or loss (FVPL), includes transaction cost.

Subsequent to initial recognition, the Group classifies its financial instruments in the following categories:
- Loans and receivables
- AFS investments
- Other financial liabilities

The classification depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS investments or financial assets at FVPL.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the consolidated statement of profit or loss when the loans and receivables are derecognized and impaired, as well as through the amortization process. Loans and receivables are included under current assets if realizability or collectibility is within twelve months after the reporting period. Otherwise, these are classified as noncurrent assets.

The Group’s cash and cash equivalents, trade and other receivables and refundable deposits (presented as part of “Other current assets” account and “Other noncurrent assets” account in the consolidated statements of financial position) are classified under this category.

AFS Investments
AFS investments are non-derivative financial assets that are designated under this category or are not classified in any of the other categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Subsequent to initial recognition, AFS investments are carried at fair value in the consolidated statements of financial position. Changes in the fair value of such assets are reported as net unrealized gain or loss on AFS investments in the consolidated statement of comprehensive income under "Unrealized gain or loss on AFS financial assets" account until the investment is derecognized or the investment is determined to be impaired. On de-recognition or impairment, the cumulative gain or loss previously reported in consolidated statement of comprehensive income is transferred to the consolidated statement of profit or loss. Interest earned on holding AFS investments is recognized in the consolidated statement of profit or loss using the effective interest method. Assets under this category are classified as current if expected to be disposed of within 12 months after the reporting period. Otherwise, they are classified as noncurrent.

The Group's investments in quoted and unquoted shares of stocks are classified under this category.

Other Financial Liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon inception of the liability. These include liabilities arising from operations or borrowings.

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses on other financial liabilities are recognized in the consolidated statement of profit or loss when the liabilities are derecognized, as well as through the amortization process.

The Group's notes payable, trade and other payables excluding provision for cargo losses and damages and unearned revenue, long-term debt, obligations under finance lease and other noncurrent liabilities are classified under this category.

Impairment of Financial Assets
The Group assesses at each reporting period whether a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables. The Group first assesses whether objective evidence of impairment exists for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective impairment assessment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the impaired asset shall be reduced through the use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group. If in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. If a future write off is later recovered, the recovery is recognized in the consolidated statement of profit or loss to the extent of the carrying amount that would have been determined had no impairment loss been recognized.

Financial Assets Carried at Cost. If there is objective evidence that an impairment loss has been incurred in an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS Investments. The Group assesses at each reporting period whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS investments, an objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Significant decline in fair value is evaluated against the original cost of the investment, while prolonged decline is assessed against the periods in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of profit or loss, is removed from the consolidated statement of comprehensive income and recognized in the consolidated statement of profit or loss. Impairment losses on equity investments are not reversed through the consolidated statement of profit or loss; increases in fair value after impairment are recognized directly in the consolidated statement of comprehensive income.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount of the asset and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Interest income" account in the consolidated statement of profit or loss. If in subsequent years, the fair value of a debt instrument should increase and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of profit or loss, the impairment loss is reversed through the consolidated statement of profit or loss.

Financial Instruments – effective starting January 1, 2018

Date of Recognition

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

Initial Recognition of Financial Instruments

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

Financial assets

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

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

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

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

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

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

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

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

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

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

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

"Day 1" Difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of profit or loss unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data that is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Subsequent measurement
Financial assets measured at amortized cost
After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by considering any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the consolidated statement of profit or loss when the loans and receivables are derecognized and impaired, as well as through the amortization process. Loans and receivables are included under current assets if realizability or collectibility is within twelve months after the reporting period. Otherwise, these are classified as noncurrent assets.

The Group's cash in banks and cash equivalents, trade and other receivables and refundable deposits (presented as part of "Other current assets" account and "Other noncurrent assets" account in the consolidated statement of financial position) are classified under this category.

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

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

Financial liabilities measured at amortized cost
After initial recognition, these financial liabilities are carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses on other financial liabilities are recognized in the consolidated statement of profit or loss when the liabilities are derecognized, as well as through the amortization process.

The Group's notes payable, trade and other payables excluding provision for cargo losses and damages and unearned revenue, long-term debt, obligations under finance lease and other noncurrent liabilities are classified under this category.

De-recognition of Financial Assets and Liabilities

Financial Assets. A financial asset is derecognized when:
- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or,
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

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

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

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

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is an enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost, which includes all costs directly attributable to acquisition, such as purchase price and transport costs, is primarily determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. An allowance for inventory obsolescence is provided for based on the Group's historical inventory expiration experience and physical inspection.

Assets Held for Sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale must be highly probable. For the sale to be highly probable, (a) an appropriate level of management must be committed to a plan to sell the asset, (b) an active program must have been initiated, (c) the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value, (d) the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and (e) actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell and its depreciation or amortization ceases.

The Group presents assets classified as held for sale and liabilities related to assets held for sale separately from other assets and other liabilities, respectively, in the consolidated statement of financial position. These assets and liabilities shall not be offset and presented as a single amount and the major classes of assets and liabilities classified as held for sale shall be separately disclosed either in the consolidated statement of financial position or in the notes.

Impairment loss is recognized for any subsequent write-down of the asset to fair value less costs to sell. Gain for any subsequent increase in fair value less costs to sell of an asset is also recognized but not in excess of the cumulative impairment loss that has been previously recognized.

If the Group has classified an asset as held for sale but the criteria as set out above are no longer met, the Group ceases to classify the asset as held for sale, the Group measures a noncurrent asset that ceases to be classified as held for sale at the lower of (a) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset not been classified as held for sale, and (b) its recoverable amount at the date of the subsequent decision not to sell.

Property and Equipment

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

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

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

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

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

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

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

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

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

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

**From the time the vessel was built.*

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

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

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

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

Investment Property

The Group's investment property consists of a parcel of land of 2GO Express, is measured at cost, less any impairment loss. The Group used the fair value of the land at the date the Company acquired 2GO Express as the cost in the consolidated financial statements.

Expenditures incurred after the investment property has been put in operation such as repairs and maintenance costs are charged to profit or loss.

Investment property is derecognized when disposed or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are charged to profit or loss.

Transfers are made to (from) investment property when there is a change in use evidenced by ending (commencement) of owner-occupation, or, commencement of an operating lease to another party (commencement of development with a view to sell).

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Software

Software is initially recognized at cost. Following initial recognition, software is carried at cost, less accumulated amortization and any accumulated impairment losses.

The software is amortized on a straight-line basis over its estimated useful life of three to five years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the software is available for use. The amortization period and the amortization method for the software are reviewed at each financial year end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense is recognized in profit or loss in the expense category consistent with the function of the software.

Property Acquisitions and Business Combinations

Property Acquisitions. When property is acquired through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

When such an acquisition is not judged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

Business Combinations. Business combinations are accounted for using the acquisition method except for business combinations under common control in which an accounting similar to pooling of interest method is used. Business combinations under common control are those in which all of the combining entities or businesses are controlled by the same party or parties both before and after the business combination, and that control is not transitory. Under the acquisition method, the cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed in the consolidated statement of profit or loss.

For accounting similar to pooling of interest method, the assets, liabilities and equity of the acquired companies for the reporting period in which the common control business combinations occur, and for any comparative periods presented, are included in the consolidated financial statements of the Group at their carrying amounts as if the combinations had occurred from the date when the acquired companies first became under the control of the Group. The excess of the cost of business combinations over the net carrying amounts of the assets and liabilities of the acquired companies is recognized under "Excess of cost of investments over net assets of a subsidiary" account in the equity section of the consolidated statement of financial position.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PFRS 9, *Financial Instruments: Recognition and Measurement* either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be re-measured and subsequent settlement is accounted for within equity.

Goodwill

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

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

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

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

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

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

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

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

Impairment of Nonfinancial Assets

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

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

Equity

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

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

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

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

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

Revenue – Effective prior to January 1, 2018

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added taxes (VAT) or duties, if any. The Group assesses its revenue arrangement against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue from contracts with customers – effective starting January 1, 2018

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

Shipping Revenues are recognized when the related services are rendered. Shipping revenues include revenue from ancillary services such as wharfage, arrastre, stevedoring and other freight related services. Customer payments for services which have not yet been rendered are classified as contract liabilities under "Trade and other payables" account in the consolidated statement of financial position.

Logistics Revenues are recognized when the related services have been rendered. Service fees are also recognized when cargoes are received by either shipper or consignee for export and import transactions.

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

Contract balances

Contract assets

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

Trade receivables

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

Contract liabilities

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

<u>Other Income</u>

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

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

Management Fee is recognized when the related services are rendered.

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

<u>Costs and Expenses</u>

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

<u>Employee Benefits</u>

Short-term Employee Benefits

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

Retirement Benefits

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

Foreign Currency-denominated Transactions and Translations

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

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

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Group as a Lessee. Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated statement of profit or loss.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of profit or loss on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Group as a Lessor. Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Provisions

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

Borrowing Cost

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

Taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dividends
Dividends on common shares are recognized as a liability and deducted from retained earnings when approved by the respective shareholders of the Company and subsidiaries. Dividends for the year that are approved after the reporting period are dealt with as an event after the reporting period.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Related Parties
A related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel (KMP), directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Events After Reporting Period
Post yearend events that provide additional information about the Group's financial position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post yearend events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group's Chief Decision Maker regularly reviews the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Financial information on business segments is presented in Note 5.

4. Significant Judgments, Accounting Estimates and Assumptions

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

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

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

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

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

Determining whether the Group is acting as principal or an agent
The Group assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:
- whether the Group has primary responsibility for providing the services;
- whether the Group has inventory risk;
- whether the Group has discretion in establishing prices; and
- whether the Group bears the credit risk.

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

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

Classification of Leases - the Group as a Lessee
The Group has entered into commercial property leases on its distribution warehouses, sales outlets, trucking facilities and administrative office locations. Management has determined that all the significant risks and benefits of ownership of these properties remain with the lessor and thus, accounts for these leases as operating leases.

The Group has also entered into finance lease agreements covering certain property and equipment. The Group has determined that it bears substantially all the risks and benefits incidental to ownership of said properties based on the terms of the contracts (such as existence of bargain purchase option and the present value of minimum lease payments amount to at least substantially all of the fair value of the leased asset). Refer to Note 18.

Classification of Leases - the Group as a Lessor
The Group has entered into short-term leases or chartering arrangements, which provide no transfer of ownership to the lessee. The Group has determined that, based on an evaluation of the terms and conditions of the arrangements, it retains all the significant risks and rewards of ownership of these equipment and accounts for these as operating leases.

Evaluation of Events after the Reporting Period
Management exercises judgment in determining whether an event, favorable or unfavorable, occurring between the end of reporting period and the date when the consolidated financial statements are authorized for issue, is an adjusting event or nonadjusting event. Adjusting events provide evidence of conditions that existed at the end of the reporting period whereas nonadjusting events are events that are indicative of conditions that arose after the reporting period. Management evaluated that there are no significant adjusting or nonadjusting events after the reporting period.

Estimates and Assumptions
The following are the key assumptions concerning the future and other key sources of estimation uncertainty, at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Estimation of Allowance for Doubtful Receivables - Effective prior to January 1, 2018
The Group maintains allowances for doubtful accounts on trade and other receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with debtors, their payment behavior and known market factors. The Group reviews the age and status of the receivables, and identifies accounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment losses would increase the Group's recorded expenses and decrease current assets.

The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties. The Group assesses impairment into two areas: individually assessed allowances and collectively assessed allowances.

The Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are the accounts that have been endorsed to the legal department, nonmoving account receivables and accounts of defaulted agents.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence of individual impairment. Impairment losses are estimated by taking into consideration the aging profile of the receivables, historical loss rates and other factors that may affect collectability Refer to Note 8.

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

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

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

Determination of NRV of Inventories
The Group's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the reporting period. A new assessment is made of NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV. In estimating the allowance for inventory obsolescence, the Group also considers the physical condition of inventory stocks and expiration dates of inventories. Management estimates the provisioning rates to be applied to the age brackets of expiring inventories based on the Group's historical expiration experience. Refer to Note 9.

Estimation of Probable Losses on CWTs and Input VAT
The Group makes an estimate of the provision for probable losses on its CWTs and input VAT. Management's assessment is based on historical experience and other developments that indicate that the carrying value may no longer be recoverable. In 2018 and 2017, the Group assessed that the aggregate carrying values of CWTs, input VAT and deferred input VAT are fully recoverable. Refer to Notes 10 and 14.

Estimation of Useful Lives of Property and Equipment
The useful life of each of the Group's items of property and equipment is estimated based on the period over which the asset is expected to be available for use until it is derecognized. Such estimation is based on a collective assessment of similar businesses, internal technical evaluation and experience with similar assets. Specifically, in evaluating the useful lives of the vessels and related assets, management takes into account the intended life of the vessel fleet being operated, the estimate of the economic life from the date purchased or manufactured, development in the domestic shipping regulations, the fleet deployment plans including the timing of fleet replacements, the changes in technology, as well as the repairs and maintenance program, among others.

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded depreciation expenses and decrease the carrying value of property and equipment Refer to Note 12.

Assessment of Impairment and Estimation of Recoverable Amount of Property and equipment and Investments in associates and joint ventures
The Group assesses at the end of each reporting period whether there is any indication that the nonfinancial assets listed below may be impaired. If such indication exists, the entity shall estimate the recoverable amount of the asset, which is the higher of an asset's fair value less costs to sell and its VIU. In determining fair value less costs to sell, an appropriate valuation model is used, which can be based on quoted prices or other available fair value indicators. In estimating the VIU, the Group is

required to make an estimate of the expected future cash flows from the CGU and also to choose an appropriate discount rate in order to calculate the present value of those cash flows.

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

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

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

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

As at December 31, 2018 and 2017, management evaluated the recoverable amount of the property and equipment based on its value in use. No impairment loss was recognized on the Group's property and equipment as the recoverable amount of the assets are higher than their carrying values.

Management determined that there are no impairment indicators on its investments in associates and joint ventures since the associates and joint ventures have profitable operations.

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

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

Recognition of Deferred Income Tax Assets
The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred income tax assets on deductible temporary differences and carryforward benefits of excess MCIT and NOLCO is based on the projected taxable income in future periods. Based on the projection, not all deductible temporary differences and carryforward benefits of excess MCIT and NOLCO will be realized. Consequently, only a portion of the Group's deferred income tax assets was recognized Refer to Note 27.

Estimation of Provisions for Contingencies
The Group is involved in certain legal and administrative proceedings arising from the ordinary course of business. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimates. These estimates are based on consultations with independent outside parties, historical experience and other available data. The Group does not believe that these proceedings will have a material adverse effect on its financial position and performance. It is possible, however, that significant differences in actual experience or assumption may materially affect the recorded provision. The inherent uncertainty over the outcome of these legal proceedings and other claims is brought about by the difference in the interpretation and implementation of the relevant laws and regulations. Refer to Note 19.

5. Revenue from Contracts with Customers

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

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

- Shipping and logistics and other services: performance obligations are generally satisfied over time once the delivery services are completed.

- Sale of goods: performance obligation is generally satisfied upon delivery of the goods to the customers which is the point in time where the control has been transferred to the customer.

6. Operating Segment Information

The Group has identified two reportable operating segments as follows:

- The shipping segment provides ocean-going transportation of passengers, rolling cargo, and freight cargo.
- The nonshipping segment provides logistics, sale of goods, supply chain management and other services.

The BOD monitors the operating results of its two operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with the operating profit or loss in the consolidated financial statements.

Segment revenue includes revenue from services between operating segments. Such revenue and related costs are fully eliminated in the consolidation. Further, there were no revenue transactions with a single customer that accounts for 10.0% or more of total revenues.

Revenues, expenses, results of operations, assets, liabilities and other information about the business segments are as follows:

	December 31, 2018			
	Shipping	**Non Shipping**	**Eliminations/ Adjustments**	**Consolidated Balance**
	(In Thousands)			
External customers	**₱9,220,702**	**₱12,769,442**	**₱–**	**₱21,990,144**
Intersegment revenue	**822,081**	**639,979**	**(1,462,060)**	**–**
Revenues from contracts with customers	**₱10,042,783**	**₱13,409,421**	**(₱1,462,060)**	**₱21,990,144**
Income (loss) before income tax	**(₱1,190,609)**	**₱46,078**	**(₱95,667)**	**(₱1,240,199)**
Provision for income tax	**(3,519)**	**(104,646)**	**–**	**(108,165)**
Segment Loss	**(₱1,194,128)**	**(₱58,568)**	**(₱95,667)**	**(₱1,348,364)**
Segment Assets	**₱11,446,647**	**₱6,514,260**	**(₱2,898,206)**	**₱15,062,701**
Segment Liabilities	**₱8,019,363**	**₱6,823,339**	**(₱2,028,211)**	**₱12,814,491**
Other Information:				
Capital expenditures	**₱1,245,086**	**₱291,090**	**₱–**	**₱1,536,176**
Depreciation and amortization	**1,874,396**	**203,346**	**–**	**2,077,742**
Reversal of credit losses	**(29,924)**	**(33,456)**	**–**	**(63,380)**
Provision for cargo losses and inventory write-down	**7,319**	**164,414**	**–**	**171,733**
Dividend income	**(42,000)**	**(53,667)**	**95,667**	**–**
Equity in net losses (earnings) of associates and joint ventures	**9,269**	**(9,235)**	**–**	**34**

	December 31, 2017			
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
	(In Thousands)			
External customers	₱8,417,376	₱13,134,123	₱–	₱21,551,499
Intersegment revenue	1,189,477	1,402,609	(2,592,086)	–
Revenues	₱9,606,853	14,536,732	(₱2,592,086)	₱21,551,499
Income (loss) before income tax	₱692,199	(₱206,977)	(₱546,710)	(₱61,488)
Provision for income tax	(70,561)	(177,525)	–	(248,086)
Segment Profit (Loss)	₱621,638	(₱384,502)	(₱546,710)	(₱309,574)
Segment Assets	₱13,655,184	₱8,089,480	(₱5,237,555)	₱16,507,109
Segment Liabilities	₱9,170,188	₱8,162,782	(₱4,459,247)	₱12,873,723
Other Information:				
Capital expenditures	₱1,581,420	₱281,955	₱–	₱1,863,375
Depreciation and amortization	1,699,592	183,263	–	1,882,855
Provision for doubtful accounts - net	8,805	285,643	–	294,448
Provision for cargo losses and inventory write-down	12,435	233,005	–	245,440
Dividend income	(515,000)	(31,710)	546,710	–
Equity in net losses of associates and joint ventures	3,530	3,440	–	6,970

	December 31, 2016			
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
	(In Thousands)			
External customers	₱8,952,984	₱10,100,891	₱–	₱19,053,875
Intersegment revenue	1,493,377	948,345	(2,441,722)	–
Revenues	₱10,446,361	₱11,049,236	(₱2,441,722)	₱19,053,875
Income (loss) before income tax	₱812,682	(₱48,318)	(₱15,852)	₱748,512
Provision for income tax	(212,205)	(192,272)	–	(404,477)
Segment Profit (Loss)	₱600,477	(₱240,590)	(₱15,852)	₱344,035

(Forward)

	December 31, 2016			
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
	(In Thousands)			
Segment Assets	₱13,596,095	₱7,640,634	(₱5,562,580)	₱15,674,149
Segment Liabilities	₱9,734,905	₱6,827,148	(₱4,817,416)	₱11,744,637
Other Information:				
Capital expenditures	₱2,343,976	₱304,041	₱–	₱2,648,017
Depreciation and amortization	1,309,617	132,297	–	1,441,914
Provision for doubtful accounts - net	132,760	404,860	–	537,620
Provision for cargo losses and inventory write-down	17,091	68,071	–	85,162
Equity in net losses (earnings) of associates and joint ventures	(31,545)	7,004	–	(24,541)

7. Cash and Cash Equivalents

This account consists of:

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

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are placements for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at prevailing market rates.

Interest income earned by the Group from cash in banks and cash equivalents amounted to ₱17.2 million, ₱6.2 million and ₱5.3 million for the years ended December 31, 2018, 2017 and 2016, respectively (see Note 24).

8. Trade and Other Receivables

This account consists of:

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

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

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

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

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

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

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

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

9. Inventories

This account consists of:

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

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

Cost of inventories were recognized and presented in the following accounts in the consolidated statements of profit or loss (see Notes 22 and 23):

		Years Ended December 31		
	Note	**2018**	2017	2016
		(In Thousands)		
Cost of services	*22*	**₱3,761,078**	₱3,337,688	₱2,660,785
Cost of goods sold	*22*	**5,607,518**	5,191,146	2,946,534
General and administrative expenses	*23*	**14,294**	13,310	21,807
		₱9,382,890	₱8,542,144	₱5,629,126

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

10. Other Current Assets

This account consists of:

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

a. CWTs represent creditable tax certificates which can be applied against any related income tax liability of a company in the Group to which the CWTs relate.

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

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

11. Asset Held for Sale

On September 23, 2015, the BOD approved the sale of one of the Group's passenger/cargo vessel, namely M/V St. Joan of Arc. In June 2016, the Group sold the vessel for a total consideration of ₱158.2 million, which was paid in full and delivered to the buyer in July 2016.

12. **Property and Equipment**

	December 31, 2018										
	Vessels in Operations	**Containers and Reefer Vans**	**Terminal and Handling Equipment**	**Furniture and Other Equipment**	**Land Improvements**	**Buildings and Warehouses**	**Transportation Equipment**	**Spare parts and Service Equipment**	**Leasehold Improvements**	**Construction-In-Progress**	**Total**
						(In Thousands)					
Cost											
January 1, 2018	**₱11,015,320**	**₱2,033,474**	**₱1,303,737**	**₱772,800**	**₱489,864**	**₱138,878**	**₱687,878**	**₱443,034**	**₱663,982**	**₱71,207**	**₱17,620,174**
Additions	**944,285**	**145,527**	**66,058**	**83,086**	**–**	**3,489**	**84,458**	**15,066**	**150,295**	**43,912**	**1,536,176**
Disposals/retirements	**(31,029)**	**(64,154)**	**(1,098,800)**	**(288,665)**	**(6,354)**	**(1,646)**	**(60,445)**	**–**	**(126,146)**	**(1,371)**	**(1,678,610)**
Transferred assets from sale of subsidiaries	**–**	**–**	**(1,339)**	**(8,276)**	**–**	**(2,509)**	**(57,242)**	**–**	**(1,104)**	**–**	**(70,470)**
Reclassifications/adjustments	**(119)**	**(325)**	**(488)**	**559**	**–**	**–**	**–**	**–**	**(157)**	**–**	**(530)**
December 31, 2018	**11,928,457**	**2,114,522**	**269,168**	**559,504**	**483,510**	**138,212**	**654,649**	**458,100**	**686,870**	**113,748**	**17,406,740**
Accumulated Depreciation and Amortization											
January 1, 2018	**5,895,413**	**1,412,472**	**1,034,052**	**685,902**	**152,823**	**95,110**	**569,147**	**112,131**	**566,272**	**–**	**10,523,322**
Depreciation and amortization	**1,685,007**	**102,391**	**54,132**	**57,102**	**7,125**	**4,770**	**46,736**	**27,232**	**50,207**	**–**	**2,034,702**
Disposals/retirements	**(28,959)**	**(64,087)**	**(1,081,078)**	**(286,630)**	**(3,229)**	**(1,646)**	**(61,339)**		**(124,466)**	**–**	**(1,651,434)**
Transferred assets from sale of subsidiaries	**–**	**–**	**(1,339)**	**(6,773)**	**–**	**(2,074)**	**(56,127)**	**–**	**(923)**	**–**	**(67,236)**
Reclassifications/adjustments	**(16)**	**(380)**	**548**	**–**	**–**	**–**	**–**	**–**	**(149)**	**–**	**3**
December 31, 2018	**7,551,445**	**1,450,396**	**6,315**	**449,601**	**156,719**	**96,160**	**498,417**	**139,363**	**490,941**	**–**	**10,839,357**
Net carrying amounts	**₱4,377,012**	**₱664,126**	**₱262,853**	**₱109,903**	**₱326,791**	**₱42,052**	**₱156,232**	**₱318,737**	**₱195,929**	**₱113,748**	**₱6,567,383**

	December 31, 2017										
	Vessels in Operations	Containers and Reefer Vans	Terminal and Handling Equipment	Furniture and Other Equipment	Land Improvements	Buildings and Warehouses	Transportation Equipment	Spare parts and Service Equipment	Leasehold Improvements	Construction-In-Progress	Total
						(In Thousands)					
Cost											
January 1, 2017	₱9,205,969	₱1,941,480	₱1,155,577	₱759,927	₱455,361	₱139,127	₱626,098	₱422,195	₱617,187	₱731,440	₱16,054,361
Additions	1,053,294	163,005	103,038	52,888	34,909	1,987	86,816	48,370	31,657	298,190	1,874,154
Disposals/retirements	(214,633)	(13,481)	(388)	(30,331)	–	(305)	(8,780)	(1,574)	(7,115)	–	(276,607)
Reclassifications/adjustments	970,690	(57,530)	45,510	(9,684)	(406)	(1,931)	(16,256)	(25,957)	22,253	(958,423)	(31,734)
December 31, 2017	11,015,320	2,033,474	1,303,737	772,800	489,864	138,878	687,878	443,034	663,982	71,207	17,620,174
Accumulated Depreciation and Amortization											
January 1, 2017	4,522,633	1,315,946	993,821	660,809	143,394	90,496	532,886	86,931	488,046	–	8,834,962
Depreciation and amortization	1,535,245	69,283	41,121	53,103	9,442	4,834	43,657	32,263	78,620	–	1,867,568
Disposals/retirements	(162,525)	(13,480)	(107)	(28,338)	–	(220)	(7,504)	(394)	(7,115)	–	(219,683)
Reclassifications/adjustments	60	40,723	(783)	328	(13)	–	108	(6,669)	6,721	–	40,475
December 31, 2017	5,895,413	1,412,472	1,034,052	685,902	152,823	95,110	569,147	112,131	566,272	–	10,523,322
Net carrying amounts	₱5,119,907	₱621,002	₱269,685	₱86,898	₱337,041	₱43,768	₱118,731	₱330,903	₱97,710	₱71,207	₱7,096,852

	December 31, 2016										
	Vessels in Operations	Containers and Reefer Vans	Terminal and Handling Equipment	Furniture and Other Equipment	Land Improvements	Buildings and Warehouses	Transportation Equipment	Spare parts and Service Equipment	Leasehold Improvements	Construction-In-Progress	Total
						(In Thousands)					
Cost											
January 1, 2016	₱7,764,858	₱1,828,889	₱1,065,751	₱694,006	₱440,622	₱121,187	₱595,858	₱422,195	₱585,746	₱69,346	₱13,588,458
Additions	1,533,932	166,804	107,284	78,646	14,293	18,182	39,847	–	26,935	662,094	2,648,017
Disposals/retirements	(92,492)	–	(121)	(2,188)	–	(226)	(13,261)	–	–	–	(108,288)
Reclassifications/adjustments	(329)	(54,213)	(17,337)	(10,537)	446	(16)	3,654	–	4,506	–	(73,826)
December 31, 2016	9,205,969	1,941,480	1,155,577	759,927	455,361	139,127	626,098	422,195	617,187	731,440	16,054,361
Accumulated Depreciation and Amortization											
January 1, 2016	3,362,302	1,294,167	966,889	627,236	134,936	87,554	519,619	1,041	469,438	–	7,463,182
Depreciation and amortization	1,157,828	74,299	26,938	37,349	8,458	3,033	24,099	85,890	17,676	–	1,435,570
Disposals/retirements	(92,492)	–	(121)	(2,170)	–	(91)	(11,508)	–	–	–	(106,382)
Reclassifications/adjustments	94,995	(52,520)	115	(1,606)	–	–	676	–	932	–	42,592
December 31, 2016	4,522,633	1,315,946	993,821	660,809	143,394	90,496	532,886	86,931	488,046	–	8,834,962
Net carrying amounts	₱4,683,336	₱625,534	₱161,756	₱99,118	₱311,967	₱48,631	₱93,212	₱335,264	₱129,141	₱731,440	₱7,219,399

Noncash Additions - Property and Equipment under Finance Lease
Containers, reefer vans, isotanks, cargo handling equipment and transportation equipment include units acquired under finance lease arrangements (see Note 18).

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

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

Residual Value of Vessels
The Group reviews the residual value of the vessels periodically to ensure that the amount is consistent with the future economic benefits embodied in these vessels at the point of disposal. The residual value for vessels is based on the lightweight and the market price of scrap metals.

Management determined that the changes in the market scrap rates of metals during the period did not result to changes in the residual value of vessels.

Vessels under Construction
In 2016, the Group contracted Austal Philippines Pty Ltd. for the construction of two (2) passenger ferries, M/V St. Camael and M/V St. Sariel. The Group incurred construction cost of nil and ₱198.0 million for the years ended December 31, 2018 and 2017, respectively. Included in this amount are capitalized borrowing costs related to the loans payable amounting to nil and ₱3.6 million for the years ended December 31, 2018 and 2017, respectively, calculated using the interest rate of 6.5% (see Note 17).

Capitalization of Drydocking Costs
Vessels in operations also include capitalized drydocking costs incurred amounting to ₱697.3 million and ₱298.0 million for the years ended December 31, 2018 and 2017, respectively. The related depreciable life of drydocking costs ranges from two years to two-and-a-half years.

Sale and Disposal of Property and Equipment
The Group disposed certain property and equipment for consideration of ₱39.0 million, ₱6.7 million and ₱1.2 million for the years ended December 31, 2018, 2017 and 2016, respectively.

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

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

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

13. Investments in Associates and Joint Ventures

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

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

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

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

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

14. **Other Noncurrent Assets**

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

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

b. Refundable deposits consist of amounts paid for rental deposits which can be applied as rental payment at the end of the lease term or can be collected in cash upon termination of the lease.

c. The movements in Software are as follows:

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

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

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

d. The Group's investment property pertains to a parcel of land not currently being used in operations. The fair value of the investment property based on the latest appraisal report January 12, 2018 amounted to ₱74.6 million. This was determined based on the valuation performed by qualified, independent and SEC-accredited appraisers using the Market Data Approach.

The Group assessed that the fair value determination for the investment property was Level 3 since significant unobservable inputs were used in the valuation. Significant changes to the estimated price per square meter in isolation would result in a significantly higher or lower fair value. Management assessed that there was no significant change on the fair value of investment property as at December 31, 2018.

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

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

15. Short-term Notes Payable

Notes payable represent unsecured short-term peso-denominated notes payable obtained by the Group from local banks with annual interest rates ranging from 5.0% to 8.5%. Total interest expense incurred by the Group for short-term notes payable was ₱92.6 million, ₱134.4 million and ₱148.8 million for the years ended December 31, 2018, 2017 and 2016, respectively (see Note 24).

16. Trade and Other Payables

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

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

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

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

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

e. Other payables include:

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

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

17. Long-term Debt

Long-term debt consists of:

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

BDO

BDO Omnibus Loan and Security Agreement

On June 11, 2013, the Company (as Borrower and Assignor), BDO (as Lender), NN, SOI, 2GO Express, 2GO Logistics (as Sureties and Assignors), and SFFC (as Assignor), executed an Omnibus Loan and Security Agreement ("OLSA"). Under the OLSA, the Company availed of a ₱3.6 billion term loan (i) to refinance the Company's existing loans and (ii) to fund various capital expenditures such as drydocking and major repairs of vessels, capital expenditures related to the supply chain business, and other general corporate requirements. Interest is fixed for fifty percent (50.0%) of the principal amount, while the remaining fifty percent (50.0%) has a quarterly floating annual interest rate, provided, such floating interest rate shall have a minimum of 5.0% per annum. The principal of the term loan is subject to thirteen (13) quarterly amortizations which commenced in June 2015 through June 2018.

The OLSA is secured by certain vessels, real properties, and trade receivables. As at December 31, 2017, the Company, NN and SFFC collateralized their vessels under Mortgage Trust Indenture (MTI) with carrying values amounting to ₱3,279.9 million and certain outstanding customers receivables amounting to ₱601.5 million (see Notes 8 and 12). The loan was repaid in full in April 2018.

In accordance with the Omnibus Loan, the Group is required to maintain the following financial ratios based on NN consolidated financial statements at each testing date: minimum current ratio of 1.0 times; maximum debt-to-equity ratio of 2.2 times; and, minimum DSCR of 2.0 times. Testing date means: (i) with respect to the December 31 consolidated audited financial statements of NN, April 30 of the succeeding year and (ii) with respect to the June 30 consolidated unaudited financial statements of NN, September 30 of the same year.

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

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

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

<u>UCPB</u>
On March 14, 2017, 2GO availed of a ₱500.0 million term loan from UCPB payable in twenty-eight (28) quarterly amortizations through March 14, 2024. Interest is fixed at 7.03% in the first year. The succeeding interest rates shall be based on the prevailing market rate of 5-year PDST-R2 plus 2.5%, subject to review and repricing at the option of UCPB. The loan is guaranteed by NN through a continuing suretyship agreement with UCPB.

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

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

In accordance with the loan agreement, SFFC is required to maintain debt-to-equity ratio of 2.3:1 and maintain debt service coverage ratio of 2:1 at each testing date. Should SFFC fail to meet the required financial ratios, the parties should use the consolidated financial statements of NN as the basis for determining the said ratios.

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

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

Compliance with debt covenants
As of December 31, 2017, the Group did not meet the minimum current ratio required under the Group's long-term loan agreements. Accordingly, the Group reclassified the noncurrent portion of its long-term debts that are subject to such covenants or has cross-default provision in the loan agreements, from noncurrent liabilities to current liabilities amounting to ₱731.3 million as of December 31, 2017. The Group has not received a notice of default from its creditors and continues to pay long-term loans based on original credit terms.

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

18. Obligations Under Finance Lease

The Group has various finance lease arrangements with third parties for the lease of containers, reefer vans, isotanks, cargo handling equipment and transportation equipment. The lease agreements provide for a purchase option to the Company, 2GO Express and SCVASI at the end of the lease term, which among other considerations met the criteria for a finance lease. Therefore, the leased assets were capitalized. The lease agreements do not include restrictions, contingent rentals and escalation clauses.

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

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

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

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

The interest expense recognized related to these leases amounted to ₱13.0 million, ₱16.9 million and ₱14.1 million for the years ended December 31, 2018, 2017 and 2016, respectively, under "Financing charges" account in the consolidated statements of profit or loss (see Note 24).

19. Provisions and Contingencies

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

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

20. Related Parties

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

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

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

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

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

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

	Financial Statement Account	Terms and Conditions	2018	2017
			December 31	
			(In Thousands)	
Parent Company	Due from related parties	On demand; noninterest-bearing; no impairment	**₱1,858**	₱13,263
	Trade payables	30 to 60 days; noninterest-bearing	**–**	(239,915)
	Accrued expenses	30 to 60 days; noninterest-bearing	**–**	(197,645)
	Due to related parties	30 to 60 days; noninterest-bearing	**(616,362)**	(457,751)
Associates and joint venture	Due from related parties	On demand; noninterest-bearing	**72,580**	179,965
	Trade payables	30 to 60 days; noninterest-bearing	**(4,848)**	(8,314)
	Accrued expenses	30 to 60 days; noninterest-bearing	**–**	(63,974)
	Due to related parties		**(4,214)**	–

(Forward)

	Financial Statement Account	Terms and Conditions	December 31 2018	2017
			(In Thousands)	
Entities under Common Control	Due from related parties	On demand; noninterest-bearing	**₱7,376**	₱23,952
	Trade payables	30 to 60 days; noninterest-bearing	**–**	(140,698)
	Accrued expenses	30 to 60 days; noninterest-bearing	**–**	(199,109)
	Due to related parties	30 to 60 days; noninterest-bearing	**(11,000)**	(70)
Other Affiliated Company	Long-term debt	Note 17	**(2,500,000)**	(2,293,161)
	Cash in bank	On demand	**872,544**	1,247,214
	Trade payables	30 to 60 days; noninterest-bearing	**(118,046)**	(42,192)
	Accrued expenses	30 to 60 days; noninterest-bearing	**(754,803)**	(50,874)
	Due to related parties	30 to 60 days; noninterest-bearing	**(53)**	–

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

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

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

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

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

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

Amounts owed to:	Amounts owed by:	Terms and Conditions	2018	2017
			(In Thousands)	
2GO	2GO Express	30 to 60 days; noninterest-bearing	**₱252,716**	₱76,972
	SFFC	6.5% interest-bearing	**204,521**	187,789
	SOI	30 to 60 days; noninterest-bearing	**461,464**	1,075,796
	2GO Express/2GO Logistics/Others	30 to 60 days; noninterest-bearing	**831,700**	1,162,427
AEWI	2GO	30 to 60 days; noninterest-bearing	**16,759**	17,882
	SFFC	30 to 60 days; noninterest-bearing	**67**	–

(Forward)

Amounts owed to:	**Amounts owed by:**	**Terms and Conditions**	**2018**	2017
			(In Thousands)	
2GO Express	2GO Logistics	30 to 60 days; noninterest-bearing	**₱68,572**	₱–
	WTC	30 to 60 days; noninterest-bearing	**12,460**	–
	2GO	30 to 60 days; noninterest-bearing	**8,101**	24,223
	SCVASI	30 to 60 days; noninterest-bearing	**592**	724
	Others	30 to 60 days; noninterest-bearing	**1,751**	–
2GO Logistics	2GO	30 to 60 days; noninterest-bearing	**4,961**	67,650
	SOI	30 to 60 days; noninterest-bearing	**53,551**	–
	SCVASI	30 to 60 days; noninterest-bearing	**5,055**	–
	Others	30 to 60 days; noninterest-bearing	**1,267**	–
SOI	2GO Logistics	30 to 60 days; noninterest-bearing	**21,933**	–
	2GO	30 to 60 days; noninterest-bearing	**233**	44,000
	Others	30 to 60 days; noninterest-bearing	**240**	–
SFFC	2GO/2GO Express	30 to 60 days; noninterest-bearing	**3,318**	442
NALMHCI	2GO/2GO Express /2GO Logistics	30 to 60 days; noninterest-bearing	**8,889**	2,144
JASC	2GO/NHTC	30 to 60 days; noninterest-bearing	**5,668**	3,280
RDC	2GO Logistics/ SOI/NALMHCI	30 to 60 days; noninterest-bearing	**–**	49,152
SSI	2GO/2GO Express/ 2GO Logistics	30 to 60 days; noninterest-bearing	**–**	97,427
STI	2GO	30 to 60 days; noninterest-bearing	**–**	82
NHTC	2GO/JASC	30 to 60 days; noninterest-bearing	**4,618**	3,777
SCVASI	2GO	30 to 60 days; noninterest-bearing	**43,165**	61,646
	Others	30 to 60 days; noninterest-bearing	**6,907**	–
USDI	2GO	30 to 60 days; noninterest-bearing	**14,715**	–

21. **Equity**

a. Share Capital

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

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

Movements in issued and outstanding capital stocks follow:

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

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

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

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

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

22. Cost of Services and Goods Sold

This account consists of the following:

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

23. General and Administrative Expenses

This account consists of the following:

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

Others consists of various expenses that are individually immaterial. In 2018, this account is net of the recovery from doubtful accounts amounting to ₱63.4 million (see Note 8).

24. Other Income (Charges)

Financing Charges

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

Other financing charges comprise of items that are individually immaterial.

Others - net

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

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

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

25. Personnel Costs

Details of personnel costs are as follows:

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

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

26. Retirement Benefits

The Group has funded defined benefit pension plans covering all regular and permanent employees. The benefits are based on employees’ projected salaries and number of years of service. The Group’s retirement plans meet the minimum requirement specified under Republic Act No. 7641, *Retirement Pay Law.*

The fund is administered by trustee banks under the supervision of the Board of Trustees who is also responsible for the investment strategy of the plan. The investment strategy of the Group’s defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plans. The Group expects to contribute ₱70.8 million to the retirement fund in 2019. The Group’s transaction with the plan pertain to contribution and benefit payments.

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

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

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

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

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

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

The plan assets available for benefits are as follows:

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

Some debt instruments held have quoted prices in an active market. The remaining plan assets do not have quoted market price in an active market. The plan assets have diverse investments and do not have any concentration risk.

As of December 31, 2018 and 2017, the Group has no transactions with its retirement funds such as loans, investments, gratuities, or surety. The fund also does not have investments in debt or equity securities of the companies in the Group.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk. Management reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligations.

The cost of defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining DBO for the Group's plans are shown below.

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

The accrued retirement benefits is subject to several key assumptions. Shown below is the sensitivity analysis of the retirement obligation to reasonably possible changes on each significant assumption as of December 31, 2018.

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

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses.

The average duration of the defined benefit obligation at the end of the reporting period is 25 years.

Maturity analysis of the benefit payments:

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

27. Income Taxes

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

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

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

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

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

NOLCO

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

Excess MCIT over RCIT

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

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

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

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

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

28. Earnings (Loss) Per Share (EPS)

Basic and diluted earnings per share were computed as follows:

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

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

29. Agreements and Commitments

a. The Group has entered into various operating lease agreements for its office spaces. The future minimum rentals payable under the noncancellable operating leases are as follows:

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

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

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

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

30. Financial Risk Management Objectives and Policies

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

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

There has been no change to the Group's exposure to credit, liquidity, foreign exchange, interest rate and equity price risks on the manner in which it manages and measures the risks since prior years.

Credit Risk
To manage credit risk, the Group has policies in place to ensure that all customers that wish to trade on credit terms are subject to credit verification procedures and approval of the Credit Committee. In addition, receivable balances are monitored on an ongoing basis to reduce the Group's exposure to bad debts. The Group has policies that limit the amount of credit exposure to any particular customer.

The Group does not have any significant credit risk exposure to any single counterparty. The Group's exposures to credit risks are primarily attributable to cash and collection of trade and other receivables with a maximum exposure equal to the carrying amount of these financial instruments. As of December 31, 2018, 2017 and 2016, the Group did not hold collateral from any counterparty.

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

December 31, 2018

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

December 31, 2017

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

High quality receivables pertain to receivables from related parties and customers with good favorable credit standing. Medium quality receivables pertain to receivables from customers that slide beyond the credit terms but pay a week after being past due. Low quality receivables are accounts that are deemed uncollectible and provided for with a provision. For new customers, the Group has no basis yet as far as payment habit is concerned.

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

The aging per class of financial assets and contract assets, and the expected credit loss as of December 31, 2018 follows:

		Past Due						
	Current	**Less than 30 Days**	**31 to 60 Days**	**61 to 90 Days**	**91 to 120 Days**	**Over 120 Days**	**Expected Credit Loss**	**Total**
				(In Thousands)				
Financial assets:								
Cash in banks	**₱1,061,925**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,061,925**
Cash equivalents	**282,951**	**–**	**–**	**–**	**–**	**–**	**–**	**282,951**
Trade receivables	**1,356,298**	**830,716**	**296,111**	**138,130**	**413,225**	**488,590**	**(767,332)**	**2,755,737**
Nontrade receivables	**146,801**	**420,538**	**181,899**	**60,870**	**57,791**	**422,774**	**(495,086)**	**795,587**
Due from related parties	**19,763**	**3,252**	**11,097**	**5,917**	**14,012**	**27,773**	**–**	**81,814**
Advances to officers and employees	**4,843**	**6,117**	**3,107**	**418**	**7,112**	**–**	**–**	**21,597**
Contract assets	**260,549**	**86,452**	**25,017**	**13,825**	**14,784**	**42,329**	**(75,113)**	**367,843**
Total	**₱3,133,130**	**₱1,347,075**	**₱517,231**	**₱219,160**	**₱506,924**	**₱981,466**	**(₱1,337,531)**	**₱5,367,454**

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

	Neither Past Due nor Impaired	Past Due but not Impaired					Impaired Financial Assets	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days		
				(In Thousands)				
Financial assets:								
Cash in banks	₱1,835,492	₱–	₱–	₱–	₱–	₱–	₱–	₱1,835,492
Cash equivalents	187,897	–	–	–	–	–	–	187,897
Trade receivables	1,503,429	731,448	260,727	121,624	363,847	430,206	802,103	4,213,384
Nontrade receivables	86,356	235,931	103,331	34,578	32,829	240,164	541,791	1,274,980
Due from related parties	59,473	1,621	29,458	15,707	37,196	73,725	–	217,180
Advances to officers and employees	11,129	14,056	7,140	960	–	16,341	–	49,626
Refundable deposits	184,613	–	–	–	–	–	–	184,613
Restricted time deposit	152,736	–	–	–	–	–	–	152,736
AFS financial assets	3,411	–	–	–	–	–	–	3,411
Total	₱4,024,536	₱983,056	₱400,656	₱172,869	₱433,872	₱760,436	₱1,343,894	₱8,119,319

Liquidity Risk

The Group manages its liquidity profile to be able to finance its capital expenditures and service its maturing debt by maintaining sufficient cash during the peak season of the passage business. The Group regularly evaluates its projected and actual cash flows generated from operations.

The Group's existing credit facilities with various banks are covered by the Continuing Suretyship for the accounts of the Group.

The liability of the Surety is primary and solidary and is not contingent upon the pursuit by the bank of whatever remedies it may have against the debtor or collaterals/liens it may possess. If any of the secured obligations is not paid or performed on due date (at stated maturity or by acceleration), the Surety shall, without need for any notice, demand or any other account or deed, immediately be liable therefore and the Surety shall pay and perform the same.

The following table summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual repayment obligations and the Group's cash to be generated from operations and the Group's financial assets:

	December 31, 2018			
	Less than 1 Year	**1 to 5 Years**	**Over 5 Years**	**Total**
		(In Thousands)		
Financial Liabilities				
Trade and other payables*	**₱5,911,698**	**₱–**	**₱–**	**₱5,911,698**
Short-term notes payable	**2,685,000**	**–**	**–**	**2,685,000**
Long-term debt	**442,077**	**2,796,720**	**–**	**3,238,797**
Obligations under finance lease	**97,370**	**107,561**	**–**	**204,931**
	₱9,136,145	**₱2,904,281**	**₱–**	**₱12,040,426**
Financial Assets				
Cash and cash equivalents	**₱1,387,128**	**₱–**	**₱–**	**₱1,387,128**
Trade and other receivables	**5,360,109**	**–**	**–**	**5,360,109**
	₱6,747,237	**₱–**	**₱–**	**₱6,747,237**

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

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

** Excludes nonfinancial liabilities amounting to ₱72.6 million as of December 31, 2017.*

*** Noncurrent portion of long-term debt has been classified to current amounting to ₱356.3 million (see Note 17).*

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

Foreign Exchange Risk

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

The Group's significant foreign currency-denominated financial assets and financial liabilities as of December 31, 2018 and 2017 are as follows:

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

[1]\$1 = ₱52.58
[2]\$1 = ₱49.93

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

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax for years ended December 31, 2018, 2017 and 2016.

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

There is no other impact on the Group's equity other than those already affecting profit or loss.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings are subject to fixed interest rates ranging from 5% to 8.5% as at December 31, 2018, and 2017.

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

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

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

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

Capital Risk Management Objectives and Procedures

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

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

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

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

As of December 31, 2018 and 2017, the Group met its capital management objectives.

31. Fair Values of Financial Instruments and Nonfinancial Assets

The table below shows the carrying amounts and fair values of financial assets and liabilities. The fair values have been determined based on level 3 fair value hierarchy. The table below does not include the fair value information for financial assets and liabilities not measured at fair value if the carrying amounts are the reasonable approximation of their fair values.

	December 31, 2018		December 31, 2017	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
	(In Thousands)			
Financial Liabilities				
Long-term debts	**₱3,238,797**	**₱3,164,104**	₱3,122,796	₱3,200,649
Obligations under finance lease	**204,931**	**175,832**	315,741	288,009
	₱3,443,728	**₱3,339,936**	₱3,438,537	₱3,488,658

The following methods and assumptions are used to estimate the fair value of each class of financial instruments and nonfinancial asset:

Cash and Cash Equivalents, Trade and Other Receivables, Trade and Other Payables, Refundable Deposits
The carrying amounts of these financial instruments approximate their respective fair values due to their relatively short-term maturities.

Short-term Notes Payable
The carrying value of short-term notes payable that reprice every three (3) months, approximates their fair value because of recent and regular repricing based on current market rate. For fixed rate loans, the carrying value approximates fair value due to its short-term maturities, ranging from three months to twelve months.

FVTOCI
The fair values of FVTOCI financial assets are based on quoted market prices, except for unquoted equity shares which are carried at cost since fair values are not readily determinable.

Long-term Debt
Discount rate of 5.8% was used in calculating the fair value of the long-term debt as of December 31, 2018 and 2017.

Obligations Under Finance Lease
The fair values of obligations under finance lease are based on the discounted net present value of cash flows using the discount rate ranging from 3.5% to 3.7% as of December 31, 2018 and 2017.

Investment Property
The fair value of the investment property is determined using the Market Data Approach, which is a process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.

32. Notes to Consolidated Statements of Cash Flows

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

For the Year Ended December 31, 2018:

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

For the Year Ended December 31, 2017:

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

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

SGV
Building a better
working world

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
2GO Group, Inc.
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 its subsidiaries as at December 31, 2018 and 2017 and for the years then ended, included in this Form 17-A and have issued our report thereon dated February 26, 2019. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, present fairly in all material respects, the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Josephine H. Estomo

Josephine H. Estomo
Partner
CPA Certificate No. 46349
SEC Accreditation No. 0078-AR-4 (Group A),
June 9, 2016, valid until June 9, 2019
Tax Identification No. 102-086-208
BIR Accreditation No. 08-001998-18-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332550, January 3, 2019, Makati City

February 26, 2019

2GO GROUP, INC. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

2GO GROUP, INC.
8/F Tower 1 Double Dragon Plaza, Edsa Ext.
cor. Macapagal Ave., Pasay City
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2018

Unappropriated Retained Earnings, beginning		**₱1,037,912**
Less: Deferred income tax assets, beginning		**(22,972)**
Treasury shares		**(58,715)**
Unappropriated Retained Earnings, *as adjusted to available for dividend distribution,* beginning		**₱956,225**
Add: Net loss actually earned/realized during the period		
Net loss during the period closed to Retained Earnings	(₱1,164,906)	
Less: Non-actual/ unrealized income, net of tax:		
Movement in deferred income tax assets	(5,538)	
Adjustment due to deviation from PFRS/ GAAP – gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Sub-total	(₱1,170,444)	
Add: Non-actual losses, net of tax:		
Adjustment due to deviation from PFRS/ GAAP – loss	–	
Net income actually earned during the period	(₱1,170,444)	(₱1,170,444)
Add (Less):		
Dividend declarations during the period	–	
Distributions paid	–	
Appropriations of retained earnings during the year	–	
Reversal of appropriations	–	
Treasury shares	–	
	–	–
TOTAL RETAINED EARNINGS (DEFICIT), END AVAILABLE FOR DIVIDEND		**(₱214,219)**

2GO GROUP, INC. AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Early Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRS Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3 : Accounting for Contingent Consideration in a Business Combination	✓		
	Amendments to PFRS 3 : Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts		✓	
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts		✓	
	Amendments to PFRS 4: Applying PFRS 9, *Financial Instruments*, with PFRS 4		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Early Adopted	Not Applicable
	Instruments, with PFRS 4			
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Changes in Method of Disposal	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	✓		
	Amendments to PFRS 7: Servicing Contracts			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8 : Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Asset	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Early Adopted	Not Applicable
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception	✓		
	Clarification of the Scope of the Standard	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13 : Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases		✓	
PFRS 17	Insurance			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1, Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Early Adopted	Not Applicable
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 : Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and 38: Proportionate Restatement of Accumulated Amortization	✓		
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18*	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
	Regional Market Issue Regarding Discount Rate	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendment: Equity Method in Separate Financial Statements			✓

**Adopted until December 31, 2017*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Early Adopted	Not Applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception	✓		
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Disclosure of Information 'Elsewhere in the Interim Financial Report'	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39*	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		

**Adopted until December 31, 2017*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Early Adopted	Not Applicable
PAS 39* *(cont'd)*	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Interrelationship between PFRS 3 and PAS 40	✓		
	Amendments to PAS 40: Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers			✓

**Adopted until December 31, 2017*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Early Adopted	Not Applicable
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration	✓		
IFRIC 23	Incentive Tax Position	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services	✓		
SIC-32	Intangible Assets - Web Site Costs	✓		

2GO GROUP, INC. AND SUBSIDIARIES
Schedula A - Financial Assets
December 31, 2018
(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	377	(1,888)
Mober Technology PTE Inc	25,001	39,013	(10,987)
MCC Transport Philippines, Inc.	119,504	196,690	(9,269)

(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, 2018

Name & Designation of Debtor	Balance at December 31, 2017	Additions	Amounts collected	Amounts written off	Current	Noncurrent	Balance at December 31, 2018
Advances to officers and employees	49,626	248,742	(276,771)		21,597		21,597
Due from related parties	217,180		(135,366)		81,814		81,814
	266,806	248,742	(412,137)	-	103,411	-	103,411

2GO GROUP, INC. AND SUBSIDIARIES **SCHEDULE C**

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

December 31, 2018

Name and Designation of Debtor	Balance at Beginning of Year (in thousands)	Additions (in thousands)	Deductions		Current (in thousands)	Noncurrent (in thousands)	Balance at End of Year (in thousands)
			Amounts Collected (in thousands)	Amounts Written-off (in thousands)			
Negros Navigation Co.	-	1,832					1,832
Sea Merchants Inc.	-	3,039					3,039
Blue Marine Inc.	-	13					13
2GO Group, Inc.	188,869		87,679				101,190
2GO Express, Inc.	228,459	26,727	-				255,186
2GO Logistics, Inc.	864,357		368,704				495,653
Astir Engineering Works, Inc.	27,641		17,613				10,028
Super Terminal, Inc.	14		14				0
The Supercat Fast Ferry Corporation	432,510		227,301				205,209
J&A Services Corporation	7,359		7,254				105
WRR Trucking Corporation	-	38,041	-				38,041
North Harbor Tugs Corporation	70		45				25
Special Container and Value Added Services, Inc.	191,114	96,938	-				288,052
Scanasia Overseas, Inc.	1,313,673		795,061				518,612
NN-ATS Logistics Management and Holdings Co., Inc.	195,565		122,972				72,593
Kerry Logistics Philippines, Inc.	100,479		75,620				24,859
Hapag-Lloyd Phils., Inc.	20,870	21,969	-				42,839
Hansa Meyer Projects (Phils.), Inc.	15,269		15,269				0
United South Dockhandlers, Inc.	16,020		15,491				529
	3,602,269	183,675	1,733,023	0	0	0	2,052,921

2GO GROUP, INC. AND SUBSIDIARIES
Schedule D - Intangible Assets - Other Assets
December 31, 2018
(Amounts in thousands)

Description	Balance at December 31, 2017	Additions	Charged to expense
Part A			
A. Software - net	45,134	41,898	(43,040)
	732,030	41,898	(43,040)

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, 2018

SCHEDULE E

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption "Current portion of long-term debt" in Related Balance Sheet (in thousands)	Amount Shown Under Caption "Long-term debt" in Related Balance Sheet (in thousands)
Bank loans (Various Banks)	2,858,717	71,429	2,787,288
Obligation under capital lease	67,107	35,230	31,877
	2,925,824	106,659	2,819,165

2GO GROUP, INC. AND SUBSIDIARIES
Schedule F - Indebtedness to Related Parties
December 31, 2018

SCHEDULE F

Name of Affiliates	Beginning Balance (in thousands)	Ending Balance (in thousands)
Kerry Logistics Philippines, Inc	9,444	6,458
MCC Transport Philippines, Inc.	-	2,929
Hansa Meyer Projects (Phils.), Inc.	-	-
Negros Navigation Co.	916,648	930,574
2GO Group Inc.	125,397	2,887,081
2GO Express Inc.	91,862	91,010
2GO Logistics, Inc.	279,269	328,724
Super Terminal, Inc.	181	-
The Supercat Fast Ferry Corporation	1,838	3,303
Astir Engineering Works, Inc.	18,126	16,826
J&A Services Corporation	14,319	5,668
North Harbor Tugs Corporation	4,287	4,618
Special Container and Value Added Services, Inc.	129,735	49,538
Scanasia Overseas, Inc.	63,850	668,418
NN-ATS Logistics Management and Holdings Co., Inc.	228,943	39,778
United South Dockhandlers, Inc.	26,431	16,294
Brisk Nautilus Dock Integrated Services, Inc.	54,811	-
Sea Merchants Inc.	6,952	6,952

Schedule G

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

Schedule G. Guarantees of Securities of Other Issuers

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

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

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

- not applicable in the previous year -

2GO GROUP, INC. AND SUBSIDIARIES
Schedule H - Capital Stock
December 31, 2018

SCHEDULE H

Title of Issue	Number of Shares authorized	Number of Shares Issued and outstanding as shown under related balance sheet caption	Number of Shares reserved for options, warrants, conversion and other rights	Number of shared held by related parties	Directors, officers and employees	Others
Common	4,070,343,670	2,446,136,400	-	2,160,141,995	14,000	4,606,292,395