108122016001642

SECURITIES AND EXCHANGE COMMISSION

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Company Information

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Industry Classification	
Company Type	Stock Corporation

Document Information

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(Company's Full Name)

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G A S   C E N T E R ,   P A S I G   C I T Y

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

CARLOTA R. VIRAY

(Contact Person)

637-2917

(Company Telephone Number)

2nd Quarter Report

1 2 | 3 1

Month *Day*

(Fiscal Year)

1 7 - Q

0 5 | 1 9

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 11
OF THE SECURITIESS REGULATION CODE (SRC)
AND SRC RULE 17(a)-1(b)(2) THEREUNDER

1. 30 June 2016
For the quarterly period ended

2. SEC Identification Number 40979 3. BIR Tax Identification No. 000-194-465-000

4. Seafront Resources Corporation
Exact name of registrant as specified in its charter

5. Manila, Philippines
Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
Industry Classification Code:

7. 7th Floor, JMT Condominium, ADB Avenue, Ortigas Center, Pasig City 1605
Address of principal office Postal Code

8. (632) 637-29-17
Registrant's telephone number, including area code

9. Not applicable
Former name, former address and former fiscal year, if changed since last report

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

Title of Each Class	Number of Shares of Common Stock Outstanding
Common (par value of P1.00/share)	163,000,000

Amount of Debt Outstanding = ₱133,562

11. Are any or all of the securities listed on the Philippine Stock Exchange?

All issued and outstanding common shares are listed in the Philippine Stock Exchange

12. Indicate by check mark whether the registrant:

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

Yes [✓]

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

Yes [✓]

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SEAFRONT RESOURCES CORPORATION
STATEMENTS OF FINANCIAL POSITION
Amounts in Philippine Peso

	Unaudited	Unaudited	Audited
	30-Jun-16	**30-Jun-15**	31-Dec-15
ASSETS			
Current Assets			
Cash and cash equivalents	**P11,313,194**	P12,459,793	P12,035,696
Short-term investments	-	2,282,597	-
Financial assets at fair value through profit or loss	**50,070,185**	49,907,563	40,650,199
Receivables	**317,817**	506,241	315,262
Other current assets	**842,636**	760,552	769,176
Total Current Assets	**62,543,832**	65,916,746	53,770,333
Noncurrent Assets			
Available-for-sale financial assets	**115,425,945**	113,492,398	112,094,759
	P177,969,777	P179,409,144	P165,865,092
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	**P133,562**	P67,062	P315,494
Equity			
Capital stock - 1 par value			
Authorized - 388,000,000 shares			
Issued and outstanding - 163,000,000 shares	**163,000,000**	163,000,000	163,000,000
Net unrealized gains on available-for-sale financial assets	**7,779,912**	5,386,372	4,440,684
Retained earnings (Deficit)	**7,056,303**	10,955,710	(1,891,086)
Total Equity	**177,836,215**	179,342,082	165,549,598
	P 177,969,777	P 179,409,144	P 165,865,092

SEAFRONT RESOURCES CORPORATION
STATEMENTS OF INCOME
Amounts in Philippine Peso

	Unaudited	Unaudited	**Unaudited**	Unaudited
	For the 2nd Quarter		**For the six months**	
	30-Jun-16	30-Jun-15	**30-Jun-16**	30-Jun-15
REVENUES				
Net gains on fair value changes on financial assets at fair value through profit or loss	**P4,569,137**	P-	**P9,419,986**	P-
Interest income	**32,943**	54,806	**53,356**	157,576
Dividend income	**64,747**	7,868,013	**118,464**	7,942,773
Other income-net	**88,085**	92,128	**176,169**	176,169
TOTAL REVENUES	**4,754,912**	8,014,947	**9,767,975**	8,276,518
COSTS AND EXPENSES				
Net losses on fair value changes on financial assets at fair value through profit or loss	**-**	3,840,646	**-**	3,988,577
General & administrative	**363,974**	504,967	**817,063**	923,137
Net unrealized foreign exchage loss	**-**	523	**-**	523
TOTAL EXPENSES	**363,974**	4,346,136	**817,063**	4,912,237
Income before income tax	**4,390,938**	3,668,811	**8,950,912**	3,364,281
Provision for income tax	**1,761**	1,832	**3,523**	3,523
NET INCOME	**P4,389,177**	P3,666,979	**P8,947,389**	P3,360,758
Earnings Per Share	**0.02693**	0.02250	**0.05489**	0.02062

SEAFRONT RESOURCES CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
Amounts in Philippine Peso

	Unaudited	Unaudited	**Unaudited**	Unaudited
	For the 2nd Quarter		**For the six months ending**	
	30-Jun-16	30-Jun-15	**30-Jun-16**	30-Jun-15
NET INCOME	**P4,389,177**	P3,666,979	**P8,947,389**	P3,360,758
OTHER COMPREHENSIVE INCOME (LOSS)				
Item to be reclassified to profit or loss in subsequent periods				
Net unrealized gain (loss) on available-for-sale financial assets	**138,505**	(4,136,540)	**3,339,228**	(4,755,082)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**P4,527,682**	(P469,561)	**P12,286,617**	(P1,394,324)

SEAFRONT RESOURCES CORPORATION
STATEMENTS OF CHANGES IN EQUITY
Amounts in Philippine Peso

	Capital Stock	Net Net unrealized gains on available for sale Financial assets	Retained Earnings (Deficit)	Total
		30-Jun-16 Unaudited		
Balances at the beginning of year	**P163,000,000**	**P4,440,684**	**(P1,891,086)**	**P165,549,598**
Net income	**-**	**-**	**8,947,389**	8,947,389
Other comprehensive loss	**-**	**3,339,228**	**-**	3,339,228
Total comprehensive income (loss)	**-**	**3,339,228**	**8,947,389**	**12,286,617**
Balances at end of year	**P163,000,000**	**P7,779,912**	**P7,056,303**	**P177,836,215**
		30-Jun-15 Unaudited		
Balances at the beginning of year	P163,000,000	P10,141,454	P7,594,952	P180,736,406
Net income	-	-	3,360,758	3,360,758
Other comprehensive loss	-	(4,755,082)	-	(4,755,082)
Total comprehensive income (loss)	-	(4,755,082)	3,360,758	(1,394,324)
Balances at end of year	P163,000,000	P5,386,372	P10,955,710	P179,342,082
		For the Year Ended December 31, 2015 (Audited)		
Balances at the beginning of year	P163,000,000	P10,141,454	P7,594,952	P180,736,406
Net income	-	-	(9,486,038)	(9,486,038)
Other comprehensive loss	-	(5,700,770)	-	(5,700,770)
Total comprehensive income (loss)	-	(5,700,770)	(9,486,038)	(15,186,808)
Balances at end of year	P163,000,000	P4,440,684	(P1,891,086)	P165,549,598

SEAFRONT RESOURCES CORPORATION
STATEMENTS OF CASHFLOWS
Amounts in Philippine Peso

	Unaudited				
	For the 2nd Quarter Ended		For the six months ending		Audited
	30-Jun-16	30-Jun-15	**30-Jun-16**	30-Jun-15	31-Dec-15
CASH FLOWS FROM OPERATING ACTIVITIES					
Income (loss) before income tax	**P4,390,938**	P3,668,811	**P8,950,912**	P3,364,281	(P9,478,991)
Adjustments for:					
Dividend income	**(64,747)**	(7,868,013)	**(118,464)**	(7,942,773)	(8,250,779)
Interest income	**(32,943)**	(54,806)	**(53,356)**	(157,576)	(234,403)
Net unrealized foreign exchage loss	**-**	523	**-**	523	-
Net unrealized loss (gains) on fair value changes on financial assets at fair value through profit	**(4,569,137)**	3,840,646	**(9,419,986)**	3,988,577	12,253,726
Impairment loss on available-for-sale financial assets		-	-	-	4,621,872
Operating loss before working capital changes	**(275,888)**	(412,839)	**(640,893)**	(746,968)	(1,088,575)
Changes in operating assets and liabilities:					
Decrease (increase) in:			**-**	(50,000)	
Receivables	**132,775**	(346,408)	**63,284**	(71,295)	(67,142)
Other current assets	**(23,311)**	(39,486)	**(73,459)**	16,024,765	(79,919)
Short-term investments	**-**	-	**-**	-	18,307,362
Increase (decrease) in:			**-**		52,519
Accounts payable and accrued expenses	**(1,801)**	(176,787)	**(181,932)**	(192,389)	
Payment of subscriprions payable	**-**	(7,114,750)	**-**	(7,114,750)	(7,114,750)
Net cash used for operations	**(168,225)**	(8,090,270)	**(833,000)**	7,849,363	10,009,495
Interest received	**51,380**	367,680	**51,380**	367,680	452,655
Income taxes paid	**-**	-	**-**	-	-
Net cash provided by (used in) operating activities	**(116,845)**	(7,722,590)	**(781,620)**	8,217,043	10,462,150
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received	**(60,018)**	7,853,202	**59,119**	7,993,382	8,501,361
Proceeds from sale of financial assets at fair value through profit or loss	**-**	-	**-**	-	-
Acquisition of Financial assets - FVPL	**-**	(6,268,436)	**-**	(6,268,436)	(5,276,221)
Acquisition of Financial assets - AFS	**-**	(7,582,492)	**-**	(7,582,492)	(11,752,413)
Net cash provided by investing activities	**(60,018)**	(5,997,726)	**59,119**	(5,857,546)	(8,527,273)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	-	(523)	-	(523)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(176,864)	(13,720,839)	**(722,502)**	2,358,974	1,934,877
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE QUARTER	**11,490,058**	26,180,632	**12,035,696**	10,100,819	10,100,819
CASH AND CASH EQUIVALENTS AT THE END OF THE QUARTER	**P11,313,194**	P12,459,793	**P11,313,194**	P12,459,793	P12,035,696

SEAFRONT RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Seafront Resources Corporation (“the Company” or “SRC”) was registered with the Securities and Exchange Commission (SEC) on April 16, 1970 as an oil exploration and production company. On October 18, 1996, the Company amended its Articles of Incorporation which provides for the revision of its primary purpose from engaging in the business of oil exploration and production into a holding company and to include oil exploration and production business as one of its secondary purposes. The registered office address of the Company is 7th Floor, JMT Building, ADB Avenue, Ortigas Center, Pasig City.

The accounting and administrative functions are undertaken by PetroEnergy Resources Corporation (PERC).

The Company’s shares of stock are listed and are currently traded at the Philippine Stock Exchange.

2. Basis of Preparation

Basis of Preparation
The accompanying financial statements of the Company have been prepared under the historical cost basis, except for the financial assets at fair value through profit or loss (FVPL) and available-for-sale (AFS) financial assets, which have been measured at fair value. The Company’s financial statements are presented in Philippine Peso (₱), which is also the Company’s functional currency.

The transactions and balances of the trust funds are consolidated on a line by line basis to the Company. The trust fund reports are prepared for the same reporting year as the Company, using consistent accounting policies.

Statement of Compliance
The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The accompanying interim financial statements of the Company were approved and authorized for issue by the Board of Directors.

3. Changes in Accounting Policies and Disclosures

The Company adopted the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations that became effective beginning January 1, 2015 in the accompanying financial statements. Except as otherwise indicated, the adoption of the new and amended PFRS, PAS and Philippine Interpretations did not have any effect on the financial statements of the Company.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*

  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendments will have no impact on the Company's financial statements.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Company.

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*

  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same Company
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  This amendment does not apply to the Company as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*

  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Company shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

  The amendments are applied retrospectively and clarify that:

  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

  The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*

  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment will have no impact on the Company's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*

  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments affect disclosures only and will have no impact on the Company's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Company.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*

  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

  The amendment will have no impact on the Company's financial position or performance.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*

  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39. The amendment will have no significant impact on the Company's financial position or performance.

- PAS 40, *Investment Property*

  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment will have no significant impact on the Company's financial position or performance.

Standards Issued but not yet Effective

The Company has not applied the following PFRS and Philippine Interpretations which are not yet effective as of January 1, 2015. This list consists of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The Company does not expect the adoption of these standards to have a significant impact in the financial statements, unless otherwise stated.

Deferred

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services, in which case, revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Company

Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016. The amendment will have no significant impact on the Company's financial position or performance.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)

  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. These amendments are not expected to have any impact to the Company.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)

  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not premeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

- PAS 1, *Presentation of Financial Statements - Disclosure Initiative* (Amendments)
  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions.
  - That specific line items in the statement of income and Other Comprehensive Income (OCI) and the statement of financial position may be disaggregated.
  - That entities have flexibility as to the order in which they present the notes to financial statements.
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. The Company is currently assessing the impact of these amendments on its financial statements.

- PFRS 14, *Regulatory Deferral Accounts*

  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Company is an existing PFRS preparer, this standard would not apply.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)

  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendment will have no significant impact on the Company's financial position or performance.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)

  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendment will have no significant impact on the Company's financial position or performance.

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Company.

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*

  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment will have no significant impact on the Company's financial position or performance.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*

  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments. The amendment will have no significant impact on the Company's financial position or performance.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. The amendment will have no significant impact on the Company's financial position or performance.

- PAS 19, *Employee Benefits* - *regional market issue regarding discount rate*

  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment will have no significant impact on the Company's financial position or performance.

- PAS 34, *Interim Financial Reporting* - *disclosure of information 'elsewhere in the interim financial report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- PFRS 9, *Financial Instruments* (2014 or final version)

  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities. The adoption will also have an effect on the Company's application of hedge accounting. The Company is currently assessing the impact of adopting this standard.

The following new standard issued by the IASB has not yet been adopted by the FRSC

IFRS 15, *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to

a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

- IFRS 16, *Leases*
  On January 13, 2016, the IASB issued its new standard, IFRS 16, *Leases*, which replaces IAS 17, the current leases standard, and the related Interpretations.

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Company is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

4. **Summary of Significant Accounting Policies**

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the income can be reliably measured regardless of whether the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Interest income

Interest income is recognized as the interest accrues taking into account the effective yield on the asset.

Dividend income

Dividend income is recognized when the Company’s right to receive the payment is established.

Service income

Income from services is recognized when the services have been rendered.

Rental income
Rental income under noncancellable leases is recognized in the Company's statement of income on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

<u>Expenses</u>
Expenses are recorded in the statement of income when incurred. General and administrative expenses constitute costs of administering the business.

<u>Cash and Cash Equivalents</u>
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 (3) months or less and that are subject to an insignificant risk of changes in value.

<u>Short-term Investments</u>
Short-term investments are short-term placements with maturities of more than three months but less than one year from the date of acquisition. These earn interest at the respective short-term investment rates.

<u>Financial Assets and Financial Liabilities</u>
Date of recognition
The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments
Financial assets within the scope of PAS 39 are classified as either financial assets at FVPL, loans and receivables, held-to-maturity investments (HTM) and AFS financial assets, as appropriate. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments are required and the Company determines the classification of the financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All financial instruments are recognized initially at fair value plus, in the case of investments not at FVPL, directly attributable to transaction costs.

The Company's financial assets include financial assets at FVPL, loans and receivable and AFS financial assets and the financial liabilities include other financial liabilities. As of June 30, 2016 and December 31, 2015, the Company has no HTM investments and financial liabilities at FVPL.

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 to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the 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
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

"Day 1" Difference
Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the statement of comprehensive income unless it qualifies for recognition as some other type of asset or liability.

In cases where variables used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities 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 financial assets or financial assets at FVPL.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the EIR 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 EIR.

Classified under this category are the Company's cash and cash equivalents, short-term investments and receivables.

Financial assets at FVPL
Financial assets at FVPL include financial assets held for trading purposes, derivative instruments, or those designated by management upon initial recognition as at FVPL, subject to any of the following criteria:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are reflected in the statement of comprehensive income. Interest earned or incurred is recorded in interest income or expense, respectively.

Dividend income is recognized according to the terms of the contract, or when the right of the payment has been established.

Classified as financial assets at FVPL are the Company's investments in listed equity securities held for trading and investments in government securities classified under financial assets at fair value through profit or loss.

AFS financial assets
AFS financial assets are those which are designated as such and are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS financial assets include investments in equity securities classified under the available-for-sale financial assets.

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported in the statement of financial position and statement of changes in equity.

When the security is disposed of, the cumulative gain or loss previously recognized in the statement of changes in equity is recognized in the statement of comprehensive income. Where the Company holds more than one investment in the same security, these are deemed to be disposed of on a first-in first-out basis. Dividends earned in AFS financial assets are recognized in the statement of comprehensive income when right to receive payment has been established. The losses arising from impairment of such investments are recognized in the statement of comprehensive income.

Other financial liabilities
Other financial liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. These liabilities are carried at cost or amortized cost in the statement of financial position. Amortization is determined using the effective interest method.

The Company's other financial liabilities include accounts payable and accrued expenses (excluding statutory liabilities) and subscriptions payable.

<u>Impairment of Financial Assets Carried at Amortized Cost</u>
The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., receivables) 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 discounted at the asset's original effective interest rate. Time value is generally not considered when

the effect of discounting is not material. The carrying amount of the asset shall be reduced directly if the impairment is assessed to be permanent. The Company will reduce the carrying amount of the asset through the use of an allowance account if the impairment is assessed to be temporary. The amount of the loss shall be recognized in the statement of comprehensive income when the book value exceeds the fair value of the financial assets.

The Company 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. 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 asset 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 a collective assessment of impairment.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

<u>Derecognition of Financial Assets and Financial Liabilities</u>

Financial assets

A financial asset or, where applicable, a part of a financial asset or a part of a group of similar financial assets, is derecognized when:

- the contractual rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, or has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Investment Property
Investment property includes parking spaces that are held to be leased out under one or more operating leases. These properties are initially measured at cost, which comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure capitalized as part of the investment properties' cost includes professional fee for legal services, property transfer taxes and other transaction costs.

The initial cost of the investment property comprises of purchase price and any directly attributable costs of bringing the asset to its working condition. Expenditures incurred after the investment property has been put into operation, such as repairs and maintenance, are normally charged to income in the year when costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of investment property beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of investment property. The Company accounts for its investment property at cost.

Investment property is derecognized when either it has been disposed of or when the investment property is 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 recognized in the statements of income in the year of retirement or disposal.

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

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. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specific asset or;
(d) There is a substantial change to the asset.

Operating leases of the Company represent those under which substantially all the risks and benefits of ownership of the assets remain with the lessor. Operating lease collections are recognized as an income in the statement of comprehensive income on a straight-line basis over the lease term of the lessee.

Provisions
Provisions are recognized when (a) the Company 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment 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.

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefit is probable.

Income Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date.

Deferred tax

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax and unused net operating losses carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits from excess MCIT and unexpired NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date 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 asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

Foreign Currency Denominated Transactions

Transactions denominated in foreign currencies are recorded in Philippine Peso using the exchange rate prevailing as of the date of the transactions. Outstanding foreign currency denominated monetary assets and liabilities are restated using the closing rate as of the reporting date. Exchange gains or losses resulting from rate fluctuation upon actual settlement and from restatement at the reporting date are credited against or charged to operations.

Earnings Per Share (EPS)

Basic EPS is computed on the basis of the weighted average number of shares outstanding during the year after giving retroactive effect for any stock dividends declared in the current year. Diluted EPS is computed by dividing net income applicable to common shares by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed exercise of stock options and retroactive effect of stock dividends declared.

<u>Events After the Reporting Date</u>
Post year-end events up to the date of auditors' report that provide additional information about the Company's situation at the reporting date (adjusting events) are reflected in the financial statements, if any. Post year-end events that are not adjusting events are disclosed in the notes when material.

<u>Equity</u>
Capital stock is measured at par value for all 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. When the Company purchases its own capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in equity.

Retained earnings (deficit) represents accumulated income and losses of the Company and with consideration of any changes in accounting policies and errors applied retroactively. The Company has declarable dividends amounted to P9.704 million as of June 30, 2016 and ₱10.177 million as of December 31, 2015. Dividend distribution is approved by the BOD.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the accompanying financial statements requires management to make judgments, estimates and assumptions that affect amounts reported in the financial statements and related notes. The judgments, estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results could differ from such estimates.

Judgments and estimates are contractually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Going concern
The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

Determination of functional currency
The Company determines the functional currency based on economic substance of underlying circumstances relevant to the Company. The Company's functional currency has been determined to be the Philippine Peso (₱). The Philippine Peso is the currency of the primary economic environment in which the Company operates.

Operating lease commitments - Company as lessor
The Company owns a parking lot which is being leased out to a third party. The Company does not transfer substantially all the risks and benefits of ownership of the asset, therefore it is classified as operating lease.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the statements of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Determination of fair value of financial assets and liabilities
The fair value determinations for financial assets and liabilities are based generally on listed market prices or broker or dealer price quotations. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time.
The Company based its fair values for financial assets and liabilities on quoted prices in active market for identical assets or liabilities.

The carrying value of financial assets at FVPL and AFS financial assets amounted to P50.070 million and P115.426 million as of June 30, 2016 and ₱40.650 million and ₱112.095 million, respectively, as of December 31, 2015.

Evaluation of impairment of AFS financial assets
The Company determines that AFS financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in the share price. In addition, particularly for unquoted equity instruments, impairment may be appropriate when there is evidence of deterioration in the financial condition of the investee, industry and sector performance like changes in operational and financial cash flows. Any indication of deterioration in the above factors can have a negative impact on the fair value. Had there been a significant or prolonged decline in fair value over its cost, the Company should recognize net realized loss from AFS financial assets in the statement of income.

The carrying values of AFS financial assets amounted to P115.426 million and ₱112.095 million as of June 30, 2016 and December 31, 2015, respectively. There were no impairment recognized by the Company as of June 30, 2016 and December 31, 2015.

Evaluation of impairment of receivables
The Company reviews its receivables to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in the statements of income, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from its receivables. This evidence normally includes direct information about the financial condition of the borrower.

Allowance for impairment losses is determined based on individual assessment. The Company has not recognized impairment losses as of June 30, 2016 and December 31, 2015.

The carrying values of receivables amounted to P0.318 million and ₱0.315 million as of June 30, 2016 and December 31, 2015, respectively. Receivables are presented net of accumulated impairment losses amounted to nil as of June 30, 2016 and December 31, 2015.

Deferred tax assets
Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Company did not recognize deferred tax assets amounting ₱1.1 million as of December 31, 2015, respectively. Management believes that it may not be probable that sufficient taxable income will be available in the near foreseeable future against which the income tax benefits can be realized.

6. **Cash and Cash Equivalents and Short-term Investments**
This account consists of:

	Unaudited	Audited
	30-Jun-16	**31-Dec-15**
Cash on hand and in banks	**₱5,663,826**	₱6,502,459
Short-term investments	**5,649,368**	5,533,237
	₱11,313,194	₱12,035,696

Cash in banks earn interest at the prevailing bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the prevailing short-term placement rates.

Interest income earned on cash in banks and short-term investments amounted to P0.053 million and P0.234 million as of June 30, 2016 and December 31, 2015, respectively.

7. **Investment in Trust Fund**

The Company established a trust fund (the Trust) which is being administered by a local bank under trust agreement. The details of the trust fund based on the financial statements issued by the trustee bank follow:

	Unaudited 30-Jun-16	Audited 31-Dec-15
Assets		
Cash and cash equivalents	**₱3,371,436**	₱3,295,353
Financial assets at fair value through profit and loss	**14,310,854**	12,648,482
Available for sale financial assets	**6,205,848**	6,048,352.00
Loans and receivables	**22,721**	24,346
	23,910,859	22,016,533
Liabilities		
Accounts payable and accrued expenses	**76,541**	40,634
	23,834,318	21,975,899
Equity		
Principal fund, beginning	**28,056,417**	22,730,508
Additions to principal fund	**-**	5,325,908
Principal fund, end	**28,056,417**	28,056,416
Accumulated trust fund income (loss) at beginning of	**(6,080,517)**	1,573,071
Trust fund income (loss) for the year	**1,858,418**	(7,653,588)
Accumulated trust fund income at end of year	**(4,222,099)**	(6,080,517)
	23,834,318	21,975,899

The assets, liabilities and performance of the fund are consolidated in the applicable accounts of the Company for financial statement presentation purposes.

8. **Financial Assets**

The Company's financial assets are summarized by measurement categories as follows:

	Unaudited 30-Jun-16	Audited 31-Dec-15
Cash and cash equivalents	₱11,313,194	₱12,035,696
Financial assets at FVPL	50,070,185	40,650,199
Receivables	317,817	315,262
AFS financial assets	115,425,945	112,094,759
	₱177,127,141	₱165,095,916

The financial assets, except for cash and cash equivalents, short-term investments and receivables (included in each category above) are detailed as follows:

Financial Assets at FVPL

The Company's financial assets at FVPL are carried at fair value and its related acquisition costs as follows:

	Unaudited	Audited
	30-June-2016	31-Dec-2015
Listed equity securities:		
Fair Value	**₱50,070,185**	₱40,650,199
Acquisition cost	**₱48,096,391**	₱48,096,391

The net gains (loss) on fair value changes on financial assets at fair value through profit or loss amounted to ₱9.42 million, (₱3.99) million and (₱12.25) million as of June 30, 2016, June 30, 2015 and December 31, 2015, respectively.

The movements in financial assets at FVPL are as follows:

	Unaudited	Audited
	30-June-2016	31-Dec-2015
Balance at beginning of year	**₱40,650,199**	₱47,627,704
Addition	**-**	5,276,221
Fair value gains recognized during the year	**9,419,986**	(12,253,726)
Balance at end of year	**₱50,070,185**	₱40,650,199

AFS Financial Assets

AFS financial assets of shares of stock held for long-term investment purposes. Listed equity securities are carried at fair value, while the non-listed equity security is carried at cost. The carrying values of these investments are as follows:

	Unaudited	**Audited**
	30-June-2016	31-Dec-2015
Listed equity securities:		
PetroEnergy Resources Corporation	**₱15,250,611**	₱13,748,657
Benguet Corporation	**6,269,010**	4,597,274
	21,519,621	18,345,931
Investment in Government Securities	**6,205,848**	6,048,352
Non-listed equity security:		
Hermosa Ecozone Development Corporation (HEDC)	**100,054,360**	100,054,360
Subscriptions payable to HEDC	**(12,353,884)**	(12,353,884)
	₱115,425,945	₱112,094,759

The movements in AFS financial assets are as follows:

	Unaudited	Audited
	30-June-2016	31-Dec-2015
Balance at beginning of year	**₱112,094,759**	₱103,550,238
Additions	**-**	11,752,413
Payment of subscription payable to HEDC	**-**	7,114,750
Fair value gains (losses) recognized during the year	**3,339,228**	(10,322,642)
Investment in Government Securities	**(8,042)**	-
Balance at end of year	**₱115,425,945**	₱112,094,759

The movement in subscription payable to HEDC as of June 30, 2016 and December 31, 2015 are as follows:

	Unaudited	Audited
	30-June-2016	31-Dec-2015
Balance at beginning of year	**₱12,353,884**	₱19,468,634
Payment during the year	**-**	(7,114,750)
Balance at end of year	**₱12,353,884**	₱12,353,884

Movements in the net unrealized gains on AFS financial assets are as follows:

	Unaudited	**Audited**
	30-June-2016	31-Dec-2015
Balances at beginning of year	**₱4,440,684**	₱10,141,454
Gain (loss) recognized in other comprehensive income	**3,339,228**	(10,322,642)
Transferred to profit and loss	**-**	4,621,872
Balances at the end of the year	**₱7,779,912**	₱4,440,684

Investment in HEDC
Please refer to Operations update and plan of operations

Investment in PERC
The Company's total investments in PERC are as follows:

	Unaudited	Audited
	30-Jun-16	31-Dec-15
Financial assets at FVPL	**₱14,310,854**	₱12,901,452
AFS financial assets	**15,250,611**	13,748,657
	₱29,561,465	₱26,650,109

PERC provides administrative, accounting and legal services to the Company.

9. **Receivables**

	Unaudited	Audited
	30-Jun-16	31-Dec-15
Receivable from HEDC	**-**	₱75,000
Receivable from Wealth	**₱13,376**	₱17,142
Accrued interest receivable	**31,016**	29,040
Dividends receivable	**253,425**	194,080
Advances	**20,000**	-
	₱317,817	₱315,262

Receivable from HEDC pertains to advances to HEDC to assist them in completing its approved plans and programs as well as to sustain its financial requirements in the coming year. Receivable from Wealth Securities, Inc. pertains to rental income in parking spaces owned by the Company. The carrying amounts disclosed above reasonably approximate fair values at year-end. Advances pertains to advances for mailing of SEC Form 20-IS to provinces.

There are no allowance for impairment loss as of June 30, 2016 and December 31, 2015.

Aging of accounts receivable

	30-Jun-16 (Unaudited)					
	Total	**0-30 days**	**31-60 days**	**61-90 days**	**Past due Accounts**	**Nature/Description**
Interest Receivable	₱31,016	₱31,016	-	-	-	Interest recivable from MMP
Dividends Receivable	253,425	15,072	37,250	10,326	190,777	Dividend from various investments
Receivable from Wealth Securities, Inc.	13,376	13,376	-	-	-	Park spaces owned by the company
Advances	20,000	20,000	-	-	-	Mailing of SEC Form 20-IS
Total	₱317,817	₱79,464	₱37,250	₱10,326	₱190,777	

	12/31/2015 (Audited)					
	Total	**0-30 days**	**31-60 days**	**61-90 days**	**Past due Accounts**	**Nature/Description**
Interest Receivable	₱29,040	₱29,040	-	-	-	Interest recivable from MMP
Dividends Receivable	194,080	3,303	-	-	190,777	Dividend from various investments
Receivable from HEDC	75,000	25,000	25,000	25,000	-	Accounting Services
Receivable from Wealth Securities, Inc.	17,142	3,344	3,344	3,344	7,110	Park spaces owned by the company
Total	₱315,262	₱60,687	₱28,344	₱28,344	₱197,887	

10. **Related Party Transactions**

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 relationship also exists between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors, or its shareholders. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The Company in its regular conduct of business has entered into the following transactions with related parties consisting of reimbursement of expenses and management and accounting services agreements.

The Company's statements of financial position include the following amounts resulting from transactions with related parties:

	30-Jun-2016 (Unaudited)				
	Nature of transaction	**Amount/ Volume**	**Outstanding Balance**	**Terms**	**Conditions**
Affiliate:					
PERC	Reimbursements	**₱6,461**	**₱4,914**	**Noninterest bearing, payable in 30 days**	**Unsecured**
HEDC	Accounting Services	**150,000**	**-**	**-do-**	**- do -**
		₱156,461	**₱4,914**		

	31-Dec-2015 (Audited)				
	Nature of transaction	Amount/ Volume	Outstanding Balance	Terms	Conditions
Affiliate:					
PERC	Reimbursements	₱9,647	₱3,836	Noninterest bearing, payable in 30 days	Unsecured
HEDC	Accounting Services	300,000	75,000	-do-	- do -
		₱309,647	₱78,836		

As of June 30, 2016 and December 31, 2015 the Company has 11.33% investment in HEDC for ₱100.05 million, of which, subscription payable amounted to ₱12.35 million. The Company also holds investment in PERC as of June 30, 2016 and December 31, 2015.

Terms and conditions of transactions with related parties
Outstanding balances at year-end are unsecured, interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. These mainly consist of advances and reimbursement of expenses. The Company has not recognized any impairment on amounts due from affiliated companies as of June 30, 2016 and December 31, 2015. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

11. **Financial Instruments**

The Company's principal financial assets and liabilities include cash and cash equivalents, trading and investment securities (financial assets at FVPL and AFS financial assets), short-term investments, receivables, accounts payable and accrued expenses and subscriptions payable. The main purpose of these financial instruments is to fund the Company's working capital requirements.

Categories and Fair Values of Financial Instruments
The carrying amounts of the Company's financial assets and financial liabilities approximate their fair values as of June 30, 2016 and December 31, 2015.

The methods and assumptions used by the Company in estimating the fair values of the financial instruments are:

Cash and cash equivalents, receivables and short-term investments
Due to the short-term nature of the instruments, carrying amounts approximate fair values as of the reporting date.

Government securities
Fair values are generally based on quoted market prices at reporting date.

Equity securities
For quoted equities, fair values are based on published quoted prices. Unquoted equity securities are carried at cost less impairment.

Accounts payable and accrued expenses
Carrying values approximate fair values due to their short-term nature.

Subscriptions payable
Carrying values approximate fair values because this is due and demandable.

Financial Risk Management Objectives and Policies
The Company's financial instruments comprise cash and cash equivalents, short-term investments, receivables, financial assets at FVPL, AFS financial assets, accounts payable and accrued expenses and subscriptions payable. The main purpose of these financial instruments is to fund its own operations and capital expenditures. Inherent in using these financial instruments are the following risks on liquidity, market and credit. The BOD reviews and approves policies for managing these risks. Also, the Audit Committee of the BOD meets regularly and exercises oversight role in managing these risks.

Financial Risks
The main financial risks arising from the Company's financial instruments are liquidity risk, market risk and credit risk.

Liquidity risk
Liquidity risk is the risk that the Company is unable to meet its financial obligation when due. The Company has substantial investments in shares of stock which are not listed in the Philippine Stock Exchange and may not be readily convertible to liquid assets necessary to meet any potential additional liquidity requirements of the Company. Investments in unquoted equity securities included in AFS investments amounted to ₱87.700 million as of June 30, 2016 and December 31, 2015.

The Company monitors its cash position and overall liquidity position in assessing its exposure to liquidity risk. The Company maintains a level of cash and cash equivalents deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows.

The Company's accounts payable and accrued expenses are all settled on a monthly basis. Subscriptions payable are payable on demand and are non-interest bearing.

The tables below summarize the maturity profile of the Company's financial assets and liabilities as of June 30, 2016 and December 31, 2015 based on contractual undiscounted payments.

	30-Jun-16			
	On demand	Within one year	More than one year	Total
Financial Assets				
Financial Assets at FVPL				
Equity securities	₱50,070,185	-	-	₱50,070,185
Loans and receivables:				-
Cash and cash equivalents	11,313,194	-	-	11,313,194
Short-term investments	-		-	-
Receivable - net				-
Receivable from Wealth	13,376	-	-	13,376
Accrued interest receivable	31,016	-	-	31,016
Dividends receivable	-	253,425	-	253,425
Advances	20,000	-	-	20,000
AFS financial assets:				
Listed equity securities:				
Benguet Corporation	-	-	6,269,010	6,269,010
PERC	-	-	15,250,611	15,250,611
Investment in Government Securities			6,205,848	6,205,848
Nonlisted equity securities:				
HEDC*	-	-	100,054,360	100,054,360
	61,447,771	253,425	127,779,829	**₱ 189,481,025**
Financial Liabilities				
Other financial liabilities				
Accounts payable and accrued expenses	133,562	-	-	133,562
Subscriptions Payable**	12,353,884	-	-	12,353,884
	12,487,446	-	-	12,487,446
Net financial assets	₱48,960,325	₱253,425	₱127,779,829	₱176,993,579

**Gross of subscription payable to HEDC amounting ₱12,353,884.*
*** Presented as a deduction to AFS for financial statement presentation purposes.*

	31-Dec-2015 (Audited)			
	On demand	Within one year	More than one year	Total
Financial assets				
Financial assets at FVPL:				
Equity securities	₱40,650,199	₱–	₱–	₱40,650,199
Loans and receivables:				
Cash and cash equivalents	12,035,696	–	–	12,035,696
Short-term investments	–	–	–	–
Receivables - net:				
Receivable from HEDC	75,000	–	–	75,000
Receivable from Wealth Securities, Inc.	17,142	–	–	17,142
Accrued interest receivable	29,040	–	–	29,040
Dividends receivable	–	194,080	–	194,080
AFS financial assets:				
Listed equity securities:				
PERC	–	–	13,748,657	13,748,657
Benguet Corporation	–	–	4,597,274	4,597,274
Nonlisted equity security:				
HEDC*	–	–	100,054,360	100,054,360
Investment in government securities	–	–	6,048,352	6,048,352
	₱52,807,077	₱194,080	₱124,448,643	₱177,449,800
Financial liabilities				
Accounts payable and accrued expenses	₱315,494	₱–	₱–	₱315,494
Subscriptions payable**	12,353,884	–	–	12,353,884
	₱12,669,378	₱–	₱–	₱12,669,378
Net financial assets	₱40,137,699	₱194,080	₱124,448,643	₱164,780,422

** Gross of subscription payable to HEDC amounting ₱12,353,884.*
*** Presented as a deduction to AFS for financial statement presentation purposes.*

Market risk
Market risk is the risk of loss on future earnings, on fair values or on future cash flows that may result from changes in market prices. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates, commodity prices, equity prices and other market changes. The Company's market risk emanates from its holdings in debt and equity securities.

<u>Equity Price Risk</u>
The Company closely monitors the prices of its debt and equity securities as well as macroeconomic and entity-specific factors which could directly or indirectly affect the prices of these instruments. In case of an expected decline in its portfolio of equity securities, the Company readily disposes or trades the securities for replacement with more viable and less risky investments.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers, or factors affecting all instruments traded in the market.

The analysis below is performed for reasonably possible movements in the Philippine Stock Exchange (PSE) index with all other variables held constant, showing the impact on income before tax (due to changes in fair value of financial assets at FVPL whose fair value changes are recorded in the statements of income).

	30-Jun-2016 (Unaudited)
Increase/decrease in market price	**Impact on income before tax**
+9%	**₱4,513,711**
-9%	**(4,513,711)**

	2015(Audited)
Increase/decrease in market price	Impact on income before tax
+9%	₱3,528,913
-9%	(3,528,913)

The analysis below is performed for reasonably possible movements in the PSE index with all other variables held constant, showing the impact on equity (due to changes in the fair value of AFS financial assets whose fair value changes are recorded in equity).

	30-Jun-2016 (Unaudited)
Increase/decrease in market price	**Impact on Equity**
+6%	**₱1,375,798**
-6%	**(1,375,798)**

	31-Dec-2015 (Audited)
Increase/decrease in market price	Impact on Equity
+6%	₱1,152,117
-6%	(1,152,117)

The impact on the Company's equity already excludes the impact on transactions affecting the net income.

Credit risk

There are no significant concentrations of credit risk within the Company.

The table below shows the comparative summary of maximum credit risk exposures on financial instruments as of June 30, 2016 and December 31, 2015:

	Unaudited	Audited
	30-Jun-16	31-Dec-15
Financial assets at FVPL:		
Equity securities	**₱50,070,185**	₱40,650,199
Investment in government securities	**-**	-
Loans and receivables:		
Cash in bank	**11,313,194**	12,035,696
Short-term investments	**-**	-
Receivables-net		
Receivable from HEDC	**-**	75,000
Receivable from Wealth	**13,376**	17,142
Accrued interest receivable	**31,016**	29,040
Advances	**20,000**	-
AFS financial assets:		
Listed equity securities:		
Benguet Corporation	**6,269,010**	4,597,724
PERC	**15,250,611**	13,748,657
Investment in government securities	**6,205,848**	6,048,352
Non-listed equity securities:		
HEDC	**87,700,476**	87,700,476
	₱176,873,716	₱164,902,286

The following tables show financial instruments recognized atp fair value as of June 30, 2016 and December 31, 2015, analyzed between those whose fair values are based on:

1. Quoted prices in active markets for identical assets or liabilities (Level 1);
2. Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
3. Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Unaudited 30-Jun-16			
	Level 1	**Level 2**	**Level 3**	**Fair Value**
Financial assets:				
Financial assets at FVPL:				
Equity securities	**₱50,070,185**	**–**	**–**	**₱50,070,185**
AFS financial assets:				
PERC	**15,250,611**	**–**	**–**	**15,250,611**
Benguet Corporation	**6,269,010**	**–**	**–**	**6,269,010**
Investment in Government Securities	**6,205,848**	**–**	**–**	**6,205,848**
	₱77,795,654	**–**	**–**	**₱77,795,654**

	Audited 31-Dec-15			
	Level 1	Level 2	Level 3	Fair Value
Financial assets:				
Financial assets at FVPL:				
Equity securities	₱40,650,199	–	–	₱40,650,199
AFS financial assets:				-
PERC	13,748,657	–	–	13,748,657
Benguet Corporation	4,597,274	–	–	4,597,274
Investment in Government Securities	6,048,352	-	-	6,048,352
	₱65,044,482	–	–	₱65,044,482

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements as of June 30, 2016 and December 31, 2015.

The tables below show the credit quality by class of asset based on the Company's internal evaluation as of June 30, 2016 and December 31, 2015.

30-Jun-2016 (Unaudited)

	Neither past due nor impaired		Past due and impaired	Total
	High grade	Standard grade		
Loans and receivables:				
Cash in bank	**₱11,313,914**	**₱-**	**₱-**	**₱11,313,914**
Receivables-net				
Receivable from Wealth	**13,376**	**-**	**-**	**13,376**
Accrued interest receivable	**31,016**	**-**	**-**	**31,016**
Advances	**20,000**	**-**	**-**	**20,000**
AFS financial assets:				
Benguet Corporation	**6,269,010**	**-**	**-**	**6,269,010**
PERC	**15,250,611**	**-**	**-**	**15,250,611**
Non-listed equity securities:				**-**
HEDC*	**-**	**87,700,476**	**-**	**87,700,476**
Investment in Government Securities	**6,205,848**	**-**	**-**	**6,205,848**
	₱32,897,927	**₱87,700,476**	**₱-**	**₱120,598,403**

** Net of subscription payable to HEDC amounting ₱12,353,884.*

31-Dec-2015 (Audited)

	Neither past due nor impaired		Past due and impaired	Total
	High grade	Standard grade		
Loans and receivables:				
Cash in bank	₱ 6,502,459	₱-	₱-	₱ 6,502,459
Short-term investments	5,533,237	-	-	5,533,237
Receivables-net				
Receivable to HEDC	75,000	-	-	75,000
Receivable to Wealth	17,142	-	-	17,142
Accrued interest receivab	29,040	-	-	29,040
Financial assets at FVPL:				
Equity securities	40,650,199	-	-	40,650,199
AFS financial assets:				
PERC	13,748,657	-	-	13,748,657
Benguet	4,597,274	-	-	4,597,274
Non-listed equity securities:				
HEDC*		87,700,476	-	87,700,476
Investment in Government Securities	6,048,352	-	-	6,048,352
	₱ 77,201,360	**₱ 87,700,476**	**-**	**₱ 164,901,836**

** Net of subscription payable to HEDC amounting ₱12,353,884.*

The Company uses the following criteria to rate credit quality:

Class	Description
High Grade	Financial assets that are deposited in/or transacted with reputable banks which have low probability of insolvency.
Standard Grade	Financial assets of companies that have the apparent ability to satisfy its obligations in full.

12. **Capital Management**

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

The Company monitors capital using a debt-to-equity ratio, which is total debt divided by total equity. The Company includes within total debt the following: accounts payable and accrued expenses and subscriptions payable. Total equity includes capital stock, net unrealized gains (losses) on AFS financial assets and retained earnings (deficit).

The Company has no externally imposed capital requirements as of June 30, 2016 and December 31, 2015.

The table below demonstrates the debt-to-equity ratios of the Company as of June 30, 2016 and December 31, 2015, respectively:

	Unaudited	**Audited**
	30-Jun-2016	31-Dec-2015
Total liabilities:		
Accounts payable and accrued expenses	**₱133,562**	₱315,494
	₱133,562	₱315,494
Total equity:		
Capital stock	**₱163,000,000**	₱163,000,000
Net unrealized gains on AFS financial assets	**7,779,912**	4,440,684
Retained earnings	**7,056,303**	(1,891,086)
	₱177,836,215	₱165,549,598
Debt-to-equity ratio	**0.0008:1**	0.0019:1

There were no changes in the objectives, policies or processes for the years ended June 30, 2016 and December 31, 2015.

The Company's track record of capital stock are as follows:

	Number of shares registered	Issue/ offer price	Date of SEC approval	Number of holders as of year-end
Listing date - May 7, 1974	10,000,000,000	0.01/share	November 5, 1973	
Add (deduct):				
50% stock dividend	5,000,000,000	0.01/share	November 27, 1981	
60% stock dividend	9,000,000,000	0.01/share	October 31, 1990	
1:2.400 stock rights offering	10,000,000,000	0.01/share	September 28, 1992	
1:2.125 stock rights offering	16,000,000,000	0.01/share	February 8, 1994	
15% stock dividend	7,500,000,000	0.01/share	January 20, 1997	
Change in par value from ₱0.01/share to ₱1.00/share	(56,925,000,000)		August 14, 1997	
Quasi-reorganization	(412,000,000)	1/share	October 5, 1998	
December 31, 2010	163,000,000			4,941
Add (deduct): Movement	–	–	–	(38)
December 31, 2011	163,000,000			4,903
Add (deduct): Movement	–	–	–	(156)
December 31, 2012	163,000,000			4,747
Add (deduct): Movement	–	–	–	71
December 31, 2013	163,000,000			4,818
Add (deduct): Movement	–	–	–	(32)
December 31, 2014	163,000,000			4,786
Add (deduct): Movement				(28)
December 31, 2015				4,758
Add (deduct): Movement				(13)
June 30, 2016				4,745

13. **Basic and Diluted Earnings Per Share**

The computations of the Company's basic earnings per share are as follows:

	30-Jun-2016	30-Jun-2015	31-Dec-2015
Net income	**₱8,947,389**	3,360,758	(₱9,486,038)
Weighted average number of shares	**163,000,000**	163,000,000	163,000,000
Basic earnings per share	**₱0.05489**	₱0.02062	(0.05820)

The accompanying interim financial statements of the Company were approved and authorized for issue by the Board of Directors.

14. **Others**

a) The Interim Financial Report as of June 30, 2016 is in compliance with generally accepted accounting principles (all effective standards and interpretations under PFRS).

b) The same policies and methods of computation were followed in the preparation of the interim financial report compared to the December 31, 2015 Audited Financial Statements.

c) There are no unusual item or items that affected the assets, liabilities, equity and cash flows of the June 30, 2016 Financial Statements.

d) There are no material events happened subsequent to the end of June 30, 2016 that might affect the result of said financial statements.

e) Earnings per share is presented in the face of the unaudited statements of income for the period ended June 30, 2016 and June 30, 2015.

f) No significant events happened during the quarter that will affect the June 30, 2016 Unaudited Financial Statements.

g) There are no seasonal aspects that had a material effect on the financial condition or results of operation of the Company.

h) There is no foreseeable event that will trigger direct or contingent financial obligation that is material to the Company, including any default of accelerated obligation.

i) There are no material off-balance sheet transactions, arrangements, obligations and other relationship of the Company with other entities or persons that were created during the period.

j) There are no changes in estimates of amounts reported in prior periods of the current financial year or changes in estimates of amounts reported in prior financial years that could have material effect in the current period.

k) There are no issuances, repurchases, repayments, repayments of debt and equity securities.

l) We are not required to disclose segment information in our financial statements because we only have one source of revenue.

m) There are no changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructuring and discounting operations during the period.

II. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

1.Financial Condition (As of June 30, 2016 and June 30, 2015)

	30-Jun-16	30-Jun-15	**% Change**	**% Asset**
ASSETS				
Cash & cash equivalents	**P11,313,194**	P12,459,793	-9.20%	6.36%
Short-term investments	**-**	2,282,597	-100.00%	0.00%
Financial assets at fair value through profit or loss	**50,070,185**	49,907,563	0.33%	28.13%
Receivables	**317,817**	506,241	-37.22%	0.18%
Other current assets	**842,636**	760,552	10.79%	0.47%
Available-for-sale financial assets	**115,425,945**	113,492,398	1.70%	64.86%
TOTAL ASSETS	**177,969,777**	179,409,144	-0.80%	100.00%
LIABILITIES AND EQUITY				
Accounts payable and accrued expenses	**133,562**	67,062	99.16%	0.08%
EQUITY	**177,836,215**	179,342,082	-0.84%	99.92%
TOTAL LIABILITIES AND EQUITY	**P177,969,777**	**P179,409,144**	-0.80%	100.00%

Total assets amounted to P177.970 million as of June 30, 2016 compared to P179.409 million as of June 30, 2015.

The Company’s cash and cash equivalents amounted to P11.313 as of June 30, 2016 compared to P12.460 million as of June 30, 2015. The 9.20% net decrease was due to expenses during the period.

Short-term investments refer to money market placements (MMP) with maturity of more than three months but less than one year. There are no STI’s in June 30, 2016 as compared to P2.284 million as of June 30, 2015.

Financial assets at fair value through profit or loss amounted to P50.070 million and P49.908 million as of June 30, 2016 and as of June 30, 2015, respectively. The 0.33% net increase is due to positive movement in the market values of investments in stocks traded at PSE.

Receivables account as of June 30, 2016 amounted to P0.318 million compared to P0.506 million as of June 30, 2015. The 37.22% net decline accounts for the collection of outstanding receivables.

Other current assets consists of prepayments, prepaid taxes and input tax carry-overs. This amounted to P0.843 million and P0.761 million as of June 30, 2016 and as of June 30, 2015, respectively. The 10.79% net increase in this account mainly represents additional input taxes recorded during the period.

Available-for-sale (AFS) financial assets account as of June 30, 2016 amounted to P115.426 million compared to P113.492 million as of June 30, 2015. The 1.70% net increase is due to positive changes in market values of investments which are listed in the PSE.

Accounts payable and accrued expenses amounted to P0.134 million and P0.067 million as of June 30, 2016 and June 30, 2015, respectively. The 99.16% net increase in this account is due to accrual of professional fees and other expenses during the period.

Total Stockholders' Equity as of June 30, 2016 amounted to P177.836 million or P1.091 book value per share compared to P179.342 million or P1.100 book value per share as of June 30, 2015.

2. Results of Operations (For 2nd Quarter ended June 30, 2016 and June 30, 2015)

	30-Jun-16	30-Jun-15	% Change 2016 vs. 2015	% in Total Revenue
REVENUES				
Net gains on fair value changes on financial assets at fair value through profit or loss	**4,569,137**	-	100.00%	96.09%
Interest income	**32,943**	54,806	-39.89%	0.69%
Dividend income	**64,747**	7,868,013	-99.18%	1.36%
Other income-net	**88,085**	92,128	-4.39%	1.85%
TOTAL REVENUES	**4,754,912**	8,014,947	-40.67%	100.00%
COSTS AND EXPENSES				
Net loss on fair value changes on financial assets at fair value through profit or loss	**-**	3,840,646	-100.00%	0.00%
General & administrative	**363,974**	504,967	-27.92%	7.65%
Net unrealized foreign exchange loss	**-**	523	-100.00%	0.00%
TOTAL EXPENSES	**363,974**	4,346,136	-91.63%	7.65%
Income (Loss) before income tax	**4,390,938**	3,668,811	19.68%	92.35%
Provision for income tax	**1,761**	1,832	-3.88%	0.04%
NET INCOME (LOSS)	**P4,389,177**	**P3,666,979**	19.69%	92.31%
OTHER COMPREHENSIVE INCOME (LOSS)				
Net unrealized gain (loss) on available-for-sale securities	**138,505**	(4,136,540)	-103.35%	2.91%
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**P4,527,682**	(P469,561)	-1064.24%	95.22%

The Company posted a net income of P4.389 million or P0.027 earnings per share for the 2nd quarter ended June 30, 2016, and P3.667 million or P0.022 earnings per share for the 2nd quarter ended June 30, 2015.

The Company's net gain (loss) on fair value changes on financial assets at fair value through profit or (loss) amounted to P4.569 million and (P3.841) million as of June 30, 2016 and 2015, respectively. The turnaround accounts for the increase in market prices of investments in stocks traded in the PSE.

Interest income amounted to P0.033 million and P0.055 million for the 2nd quarter of June 30, 2016 and June 30, 2015, respectively. 39.89% decrease is due to lower recurring interest income from MMPs.

Dividend income decreased from P7.868 million for the 2nd quarter of June 30, 2015 to P0.065 million as of June 30, 2016. Higher dividend income received in 2015 from investment in Hermosa Ecozone Development Corporation. None in 2016.

Other income mainly pertains to recurring service income for accounting services rendered by the Company to HEDC and rental income. This amounted to P0.088 million and P0.092 million for the 2nd quarter 2016 and 2015, respectively. The 4.39% decrease is due to expiration of rental of one parking lot.

General and administrative expenses amounted to P0.364 million and P0.505 million as of June 30, 2016 and June 30, 2015, respectively. The 27.92% decline is due to lower expenses during the quarter.

There was a minimal loss on forex resulting from reinstatement of dollar investment of the Company.

Provision for income tax pertains to the Minimum Corporate Income Tax (MCIT) set-up. The Company set-up MCIT rather than the 30% regular tax because most of its income are from unrealized market changes of investments and passive income subject to final tax. Lower MCIT for the second quarter June 30, 2016 pertains to lower taxable income compared to the same quarter in 2015.

Other comprehensive income (loss) amounted to P0.139 million and (P4.137) million as of June 30, 2016 and June 30, 2015, respectively. The positive turn-around in the market changes is mainly due to increase in market value of investments listed at the PSE.

3. Financial Conditions (As of June 30, 2016 and December 31, 2015)

	30-Jun-16	31-Dec-15	**% Change**	**% Asset**
ASSETS				
Cash & cash equivalents	**P11,313,194**	P12,035,696	-6.00%	6.36%
Financial assets at fair value through profit or loss	**50,070,185**	40,650,199	23.17%	28.13%
Receivables	**317,817**	315,262	0.81%	0.18%
Other current assets	**842,636**	769,176	9.55%	0.47%
Available-for-sale financial assets	**115,425,945**	112,094,759	2.97%	64.86%
TOTAL ASSETS	**P177,969,777**	P165,865,092	7.30%	100.00%
LIABILITIES AND EQUITY				
Accounts payable and accrued expenses	**P133,562**	P315,494	-57.67%	0.08%
EQUITY	**177,836,215**	165,549,598	7.42%	99.92%
TOTAL LIABILITIES AND EQUITY	**P177,969,777**	P165,865,092	7.30%	100.00%

Total assets amounted to P177.970 million as of June 30, 2016 compared to P165.865 million as of December 31, 2015.

The Company's cash and cash equivalents amounted to P11.313 million as of June 30, 2016 compared to P12.036 million as of December 31, 2015. The 6.00% net decrease is due to expenses incurred during the period.

Financial assets at FVPL account as of June 30, 2016 amounted to P50.070 million compared to P40.650 million as of December 31, 2015. The bulk of 23.17% increase is due to positive market values of investments in stocks traded at PSE.

Receivables account as of June 30, 2016 amounted to P0.318 million compared to P0.315 million as of December 31, 2015. The 0.81 % increase is attributed to additional receivables during the period.

Other current assets as of June 30, 2016 amounted to P0.843 million compared to P0.769 million as of December 31, 2014. The increase is due to additional input taxes recorded.

2.97% slight increase in available-for-sale (AFS) financial assets account from P112.095 million as of December 31, 2015 to P115.426 million as of June 30, 2016 is due to increase in market values of investments.

Accounts payable and accrued expenses amounted to P0.134 million and P0.315 million as of June 30, 2016 and December 31, 2015, respectively. 57.67% net decrease accounts for settlement of payables and accruals.

Total Stockholders' Equity as of June 30, 2016 amounted to P177.836 million or P1.091 book value per share compared to P165.550 million or P1.016 book value as of December 31, 2015.

Except for items discussed above, there are no more changes in the financial statements that will reach the materiality threshold of 5%.

4. Results of Operation (For six months ended June 30, 2016 and June 30, 2015)

	30-Jun-16	30-Jun-15	% Change 2016 vs. 2015	% in Total Revenue
REVENUES				
Net gains on fair value changes on financial assets at fair value through profit or loss	**P9,419,986**	P0	100.00%	96.44%
Interest income	**53,356**	157,576	-66.14%	0.55%
Dividend income	**118,464**	7,942,773	-98.51%	1.21%
Other income-net	**176,169**	176,169	0.00%	1.80%
TOTAL REVENUES	**9,767,975**	8,276,518	18.02%	100.00%
COSTS AND EXPENSES				
Net oss on fair value changes on financial assets at fair value through profit or loss	-	3,988,577	-100.00%	0.00%
General & administrative	**817,063**	923,137	-11.49%	8.36%
Net unrealized foreign exchange loss	-	523	-100.00%	0.00%
TOTAL EXPENSES	**817,063**	4,912,237	-83.37%	8.36%
Income (Loss) before income tax	**8,950,912**	3,364,281	166.06%	91.64%
Provision for income tax	**3,523**	3,523	0.00%	0.04%
NET INCOME (LOSS)	**P8,947,389**	P3,360,758	166.23%	91.60%
OTHER COMPREHENSIVE INCOME (LOSS)				
Net unrealized gain (loss) on available-for-sale securities	**3,339,228**	(4,755,082)	-170.22%	34.19%
INCOME (LOSS) FOR THE YEAR	**P12,286,617**	(P1,394,324)	-981.19%	125.78%

The Company posted a net income of P8.947 million or P0.0549 earnings per share as of June 30, 2016, and P3.361 million or P0.0206 earnings per share as of June 30, 2015.

The Company's net gain (loss) on fair value changes on financial assets at fair value through profit or loss amounted to P9.420 million and (P3.989) million as of June 30, 2016 and 2015, respectively. The turnaround accounts for the increase in market prices of investments in stocks traded in the PSE.

Interest income amounted to P0.053 million and P0.158 million as of June 30, 2016 and June 30, 2015, respectively. 66.14% decrease is due to lower recurring interest income from MMPs.

Dividend income decreased from P7.943 million as of June 30, 2015 to P0.118 million as of June 30, 2016. Higher dividend income received in 2015 from investment in Hermosa Ecozone Development Corporation. None in 2016.

Other income for June 2016 mainly pertains to recurring service income for accounting services rendered by the Company to HEDC and rental income.

General and administrative expenses amounted to P0.817 million and P0.923 million as of June 30, 2016 and June 30, 2015, respectively. The 11.49% decrease accounts for lower expenses during the period.

There was a minimal loss on forex resulting from reinstatement of dollar investment of the Company in 2015.

Provision for income tax pertains to the Minimum Corporate Income Tax (MCIT) set-up. The Company set-up MCIT rather than the 30% regular tax because most of its income are from unrealized market changes of investments and passive income subject to final tax.

Other comprehensive income (loss) amounted to P3.339 million and (P4.755) million as of June 30, 2016 and June 30, 2015, respectively. The positive turn-around in the market changes is mainly due to increase in market value of investments.

KEY PERFORMANCE INDICATORS (KPI):

The following liquidity and profitability ratios indicate acceptable levels of financial condition and performance of the company:

	30-Jun-16	**30-Jun-15**	**31-Dec-15**	**Formula**
Current ratio	468.276:1	982.922:1	170.432:1	Total Current Assets/Total Current Liabilities
Debt-equity ratio	0.0008:1	0.0004:1	0.0019:1	Liabilities/Total Stockholders' Equity
Net profit (loss)	91.599%	40.606%	-107.338%	Income/Total Revenue
Asset turnover	0.0549:1	0.0461:1	0.0533:1	Revenue/Total Assets
Earnings (loss) per share	0.055	0.021	(0.058)	Net Income (Loss)/Issued & Outstanding Shares

There was an increase in the Company's current ratio as of June 30, 2016 as compared to December 31, 2015 due to the increase in current assets resulting from change in market values of investments in FVPL and decrease in current liabilities.

The decrease in the Company's debt-equity ratio as of June 30, 2016 compared to December 31, 2015 is due to net income for the period 2016 and decrease in liabilities.

The turn-around in net profit margin and earnings per share as of June 30, 2016 compared to December 31, 2015 and June 30, 2015 is due to net income as of June 30, 2016 resulting from positive movements in fair value of investments.

Please refer to Schedule of Financial Soundness Indicators for other additional KPI's. Except for items discussed above, there are no more changes in the financial statements that will reach the materiality threshold of 5%.

The Company is still on wait-and-see attitude with respect to investing in other businesses. It has no intention of increasing its capital stock. The current market does not warrant an aggressive stance towards investments. The Company is generating its funds from interest earnings on money market placements.

The only material commitment of the Company is the balance on its subscription to Hermosa Ecozone Development Corporation (HEDC) in the amount of P12.354 million. The liquidity of the Company will be affected if HEDC declares a call on said subscription. Possible source of fund is through bank loan. Aside from the subscription payable to HEDC, there are no known trends, demands, commitments, events or uncertainties that will have material impact on the Company's liquidity.

The Philippine economy is still affected by economic crisis, resulting in fluctuating foreign exchange rates and increase stock market uncertainties. Uncertainties remain as to whether the country will continue to be affected by regional trends in the coming months. The financial statements do not include any adjustments that might result from these uncertainties. Related effects will be reported in the financial statements, as they become known and estimable.

Discussion of indicators of the Company's level of performance

Receivable Management

The Company's receivables reported in the Statements of Financial Position include the following:

1. Accrued Interest Receivable from the Company's short term investments as of June 30, 2016 of which the Company will receive upon maturity.

2. Cash Dividends from various stock investments.

Furthermore, the Company manages it's receivables by monitoring on a regular basis to ensure timely execution of necessary interventions efforts.

Liquidity Management

The Company has substantial investments in shares of stock which are not listed in the Philippine Stock Exchange and may not be readily convertible to liquid assets necessary to meet any potential additional liquidity requirements of the Company. Investment in unquoted securities included in AFS investments amounted to P87.7 million as of June 30, 2016 and December 31, 2015.

Management of liquidity requires a flow and stock perspective. Constraint such as political environment, taxation, foreign exchange, interest rates and other environmental factors can impose significant restrictions on firms in management of their financial liquidity.

Seafront has considered the above factors and paid special attention to its cash flow management. The Company identifies all its cash requirements for a certain period and invests unrestricted funds to maximize interest earnings, i.e. money market placements.

Rate of Return of Each Stockholder

The Company has no existing dividend policy. However, the Company intends to declare dividends in the future out of its unrestricted retained earnings in accordance with the Corporation Code of the Philippines.

Cost Reduction Effort

In order to minimize expenses, the Company has engaged the services of PetroEnergy Resources Corporation to handle its legal, administrative, accounting and treasury functions.

The Philippine economy is still affected by economic crisis, resulting in fluctuating foreign exchange rates and increased stock market uncertainties. Uncertainties remain as to whether the country will continue to be affected by regional trends in the coming months. The financial statements do not include any adjustments that might result from these uncertainties. Related effects will be reported in the financial statements, as they become known and estimable.

Financial disclosures in view of the current financial condition

Assess the financial risks exposures of the Company particularly on currency, interest credit, and market and liquidity risks. If any change thereof would materially affect the financial condition and results of operation of the Company, provide a discussion in the report on quantitative impact or such risks and include a description of enhancement in the company's risk management policies to address the same:

The Company's principal financial instruments include cash and cash equivalents, trading and investment securities (financial assets at FVPL) and receivables. The main purpose of these financial instruments is to fund the Company's working capital requirements.

<u>Financial Risk Management Objectives and Policies</u>
Please refer to Note 11

Financial disclosures in view of the current financial condition

Investment in Hermosa Ecozone Development Corporation (HEDC)

On January 31, 1997, the Company entered into a Project Shareholders' Agreement with five other companies led by Investment and Capital Corporation of the Philippines and Penta Capital Investment Corporation to develop 500 to 600 hectares of raw land in Hermosa, Bataan into a new township consisting of industrial estates, residential communities, a golf and country club and a commercial center.

The project site is accessible from Roman Highway through a connecting road which has just been completed. Onsite development has commenced and possible locators have been invited.

The Subic Clark-Tarlac Expressway (SCTEX) was completed and public access started in May 2008. A spur road of the expressway will be one of the ingress-egress to HEDC.

As of December 31, 2013, titles under the name of the original owners (a total of 229 hectares) were already transferred to HEDC.

On May 31, 2015, HEDC declared a cash dividend to its stockholders of record as of December 31, 2014 in the amount of ₱68,874,000. Company's share amounted ₱7,800,000 which was received on June 02, 2015.

On June 06, 2015, the Company paid the amount of ₱7,114,500 for its share in HEDC Cash Call on Subscription in the amount of ₱49,457,311.

As of December 31, 2015 and 2014, the Company has outstanding subscriptions payable to HEDC which amounted to ₱12.4 million and ₱19.5 million, respectively. The subscriptions payable are due on demand. Investment in HEDC is presented in the statement of financial position at cost, net of subscriptions payable.

a) Operations Update

In 2011, Park management started collection of administration dues; with the start of construction activities on IWS building, the water system was put in operation and monthly billing and collection of locator's water consumption started.

The Park's water system continued its operation since 2011 upon the start of construction of SPWS building. Currently it caters to the ongoing construction of SPWS new building located at Block 5 Lot 1 and Bioteque Medical Phil., Inc. factory. NWRB personnel conducted a site visit to monitor compliance with the permit conditions. Quarterly reports of water consumption are submitted to NWRB office which is one of the bases in computation of Annual supervision charges.

On the Water System. Application for the renewal of the Certificate of Public Convenience (CPC) was filed last November 25, 2014 at the National Water Resources Board (NWRB). HEDC is awaiting for the schedule of formal hearings and inspection. As of March 2016, the application for water permit for Deepwell No. 2 was submitted.

As of February 16, 2014, hearing was conducted and no opposition was received from the barangay or any other party.

On September 16, 2014, HEDC got the License to Sell and Certification of Registration for the 52.46 hectares in Phase II from HLURB. Processing of registration and issuance of individual lot titles is on -going at Registry of Deeds, Bataan. Issuance will take 6-8 months due to on-going computerization.

As of September 30, 2015, Phase II: With License to Sell (LTS) .Registration and Titling were already completed. Total Area with LTS is 52.46 has; Total Saleable Area is 37.77 has; Total No. of lots is 43.

Phase IIA: With License to Sell
Total Area with LTS is 66.18 has; Total Saleable Area is 55.02 has; Total No. of Lots is 49.

Environmental Management Services – Park Management is now in the process of securing a Discharge Permit (DP) with the DENR-EMB for the operation on Sewage Treatment Facility.

Notice of Violation on the ECC (Environmental Compliance Certificate) condition regarding MMT (Multi-partite Monitoring Team) formation was favorably addressed and resolved with DENR on February 22, 2016.

Power Substation – Park Management and PENELCO agreed to amend the existing power supply agreement which increases the area of the lot for the power substation to 1,000 sqm.

On August 14, 2015, the Company and YH Energy, Inc. signed a Lease Agreement for 25 years at a lease rate of P10,000,000 per annum subject to escalation of 10% every 5 years for total of 25 hectares. YH energy will use the property for its Solar project.

As of March 30, 2016, the Organization of Members of Fire Brigade/ Rescue and Emergency Medical Operations Training was conducted by Bureau of Fire Protection headed by Senior Fire Officer-2 (SFO2) Dale Byron Santiago – Deputy Fire Marshall participated by the HEIP blue guards and operations staff.

b) ***Updates on Land Development***

Developments on a prospective client's interest to acquire land within HEDC's leisure estate area has compelled HEDC management to expedite the full conversion of the remaining 108 hectares of the corporation from its present use to that of a mixed residential/commercial/leisure land use as originally envisioned in the Approved Master Plan of the property. As of December 31, 2009, the full conversion of the remaining 108 hectares of land was already finished.

Land development works related to the lease contract on the lot of *Bioteque Medical Philippines, Inc. and IWS Realty, Inc.* were completed in December 2013 amounting to P8.2 million and P29.3 million respectively. Development works consisting of the construction of the roads and underground drainage, water, and sewer utilities within the Phase I area were substantially completed by December 2013 and included North Road-2 at a cost of P15.7 million; North Road-3 at P7.05 million; and East Road-5 at P9.3 million.

Land development works for the year 2013 includes the construction of the Bridge across Tama River that would connect the Phase I and Phase II areas started during the year at a cost of P45.7 million with scheduled completion in May 2014. The site grading of 10 hectares in the Phase II area was likewise started during the year at a cost of P43.8 million with scheduled completion in the first quarter of 2014.

Other development works that were also implemented during 2013 are as follows:

- Construction of slope protection works along Tama River, with cost amounting to P20.3 million and was 42% completed as of December 2013;
- Relocation to the NIA irrigation at a cost of P 11.8 million;
- Construction of a retaining wall and CHB fence at a cost of P8.7 million;
- Construction of the Wastewater Lift Station and Sewage Treatment Facility (which shall be part of the future Centralized Wastewater Treatment Plant) at contract costs of P8.4 million and P9.78 million, respectively;
- and installation of electrical poles, power lines, and 21 units of additional streetlights at an aggregate cost of P1.0 million and which complete the road lighting of the Phase I area and construction of 4-units Flag poles amounting to P140 thousand.

Land development projects stated above which started in late 2013 spilled over and were all completed in 2014.

The site grading of 14 has in Phase 2 started in August 2014 and expected to be completed by April 2015. Additional Project Development as of June 2015.

1. Stage 1 of the Construction of Roadways ad Underground Utilities (Drainage, Sewer, and Water Lines) at Phase 2 of HEIP
2. Centralized Wastewater Treatment Plant (CWTP)
   - Purchasing of CWTP equipment from Hydrex is in process.
   - Importation handling and delivery services has been awarded to Asiafreight
   - Detailed Engineering Design is ongoing with DCCD
3. Perimeter Fence and Retaining Wall (Phase II, adjacent to T-lot)
   For EXCOM approval to be awarded to Cybereage Construction amounting to P12.15MM.

As of December 31, 2015, the following projects are still ongoing

- Perimeter Fence and Retaining Wall (Phase II, adjacent to T-lot)
- Centralized Waste Water Treatment Plant (CWTP) – First Batch of equipment consisting of pumps and accessories was delivered at site on January 2016.

As of June 2016, Construction of retaining wall and perimeter fence at phase 2 was recently completed project.

The following projects are now ongoing as of June 2016:

- Stage 1 of the Construction of Roadways ad Underground Utilities (Drainage, Sewer, and Water Lines) at Phase 2 of HEIP
- Stage 3 of site grading works and Stage 2 of roads construction.

c) Marketing/Sales Update

In July 2008, HEDC completed the sale of 11.091 hectares to European Nickel Research and Technology Corporation (Asian Nickel). Asian Nickel is a London listed company and intends to build Nickel Ore Research Center. They have propriety technology of heap leaching process that will enhance recovery of nickel ore. Total sales price amounted to P77.4 million.

In May 2011, HEDC completed the sale of 68,000 square meters to IWS Realty for a consideration of P102 million. Alongside this sale, was a sale of 22,000 square meters to Biglift Properties and Development Corporation at a price of P33 million worth of construction services.

The 22,000 square meter sale to Biglift was consummated on October 2013, upon completion of the construction services.

In July 2013, HEDC leased of 34,288 square meters to Bioteque Medical Phil. Inc. for a consideration of P77 million.

In October 2013 HEDC completed the sale of 73,638 square meters to IWS Realty Inc. at a price of P143 million.

At the end of December 2014, HEDC was able to complete a sale to Orient GoldCrest Realty, Inc a total of 3.3has amounting to Php93.1M.

HEDC signed an Option Agreement for purchase of 1.14 hectares and 1.2 hectares on April 13, 2015 and November 02, 2015, respectively.

As of December 31, 2015, HEDC’s unearned revenue amounting to P20.80 million from Biglift Properties Development and Corporation has already been recognized as revenue.

As of the end of March 2016, a total of 8 prospective locators expressed interest in buying lots from HEDC property, of which 4 are under serious negotiation with the Company.

As of April 2016, the 1.2 hectares were sold to Phil Bright Corporation.

HEDC signed an Option Agreement for purchase of 0.64 hectare and 1.00 hectare on May 04, 2016 and May 09, 2016, respectively.

d) ***<u>Update on Access to Spur Road</u>***

In 2010, HEDC re-submitted its request for Access to the Spur Road with the following justifications:

1. Hermosa Ecozone Industrial Park is a proclaimed Economic Zone by the President.
2. Industrial locators, suppliers, residents of the leisure estate will use the toll facility, thus, will contribute to its revenues.
3. SCTEX was built to develop the Subic-Clark corridor into a manufacturing and logistics hub to minimize Subic Port and Clark International Airport.
4. The National Government is encouraging investments along this growth corridor and HEDC heeded the call way ahead of other investors even before other SCTEX was built.

The Toll Regulatory Board is inclined to approve HEDC's request for reconsideration based on Philippine Bases Conversion and Development Authority (BCDA) technical study. Once approved, the next steps to be made by HEDC is to get an approval from BCDA as owner of the facility and Manila North Tollways Corporation (MNTC) as operator of the toll facility.

In 2013, HEDC undertook several meetings with the Toll Regulatory Board (TRB) and Bases Conversion and Development Authority (BCDA) to discuss the company's design options for the proposed connection to the Dinalupihan Spur Road of the Subic-Clark-Tarlac (STEX) expressway. The TRB required the construction of a "Trumpet" interchange for the connection and agreed that this be constructed by HEDC in stages. HEDC is optimistic to get the approval of both agency to invite investor and eventually bring progress in the area.

In January 2014, The Board of Directors of HEDC approved the engagement of a consultant to design the plans for a road construction form the SCTEX Dinalupihan spur road to the Hermosa Leisure Estate. As of December 2014, the design was already submitted to BCDA who is currently reviewing said design.

e) Community Relation Activities

Medical and Dental mission was conducted on November 13, 2013 at HEIP project office in partnership with BataanMedical Association and Bataan Dental Association. Total number of beneficiaries – 166

On December 11, 2014, Comrel activity was conducted at Bgy Pandatung. Hermosa, Bataan with a theme "Toy for Kids in Need Project". Beneficiaries – 30 students of the Day Care Center. Donations came from HEIP management and staff and Bioteque Medical Philippines.

On September 30,2015, the Company donated 66 reading glasses to 66 Senior Citizens from the 3 Barangays, (Palihan,Pandatung, Bacong). School supplies were also provided for the said barangays.

On November 3, 2015, HEDC distributed school supplies for the daycare centers of the 3 barangays with the participation of two locators.

Outlook/Prospect for the Future

Prospective client's interest to acquire land within HEDC's leisure estate area has compelled the management to expedite the full conversion of the remaining 108 hectares of the corporation from its present use to that of a mixed residential/commercial/leisure land use as originally envisioned in the Approved Master Plan of the property.

The Management of HEDC is taking all efforts to sell portion of its saleable property, proceeds of which will be used to finance the developments of the undeveloped property.

On September 16, 2014, HEDC got its License to Sell and Certification of Registration for the 52.46 hectares in Phase II from HLURB. Processing of registration and issuance of individual lot titles is on - going at Registry of Deeds, Bataan. Issuance will take 6-8 months due to on-going computerization.

In order to enhance the value of HEDC and attract prospective locators, HEDC is currently developing Phase 2 which includes site Grading of Phase2, 4-lanes main road construction, retaining wall and fence along Bock 2 and Barangay Road and construction of and installation of Centralized waste water treatment plant.

Plan of Operations

A. Investment in AFS not traded in the market (Investment in HEDC)

As of June 30, 2016 the Company holds 11.3% interest in its investment in Hermosa Development Corporation (HEDC).

The Management of HEDC is taking all efforts to sell portion of its saleable property, proceeds of which will be used to finance the development of the undeveloped portions of the property.

B. Investment in Financial Assets at FVPL and AFS traded in the market

The Company will continue to closely monitor the prices of its securities as well as those specific factors which could directly or indirectly affect the prices of these instruments. Because such investments are subject to price risk due to changes in market values, an expected decline in the portfolio will prompt the Company to dispose or trade the securities for replacement with more viable and less risky investments in the future.

With the Company's current cash position, it can sustain its needs for its operating expenses. Its only possible material commitment is a cash call from HEDC, of which is not expected to call in the next twelve months. Thus, it does not intend to raise additional funds.

Aside from the Company's investments stated above, there are no other researches or development plans, and purchase or sale of significant equipment that the Company expects perform.

The Company will continue to engage the services of PetroEnergy Resources Corporation for its administrative, accounting and legal services.

PART II - Other Information

The Company has no other information that need to be disclosed other than disclosures made under SEC Form 17-C (if any).

SEAFRONT RESOURCES CORPORATION

SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON SRC RULE 68
June 30, 2016

Below are the additional information and schedules required by SRC rule 68, as Amended (2011) that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets
Below is the detailed schedule of the Company's financial assets as of June 30, 2016:

Name of the Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Income received and accrued
Financial assets at FVPL			
Debt Securities			
Philippine Government			-
Equity Securities:			
2GO Group, Inc.	5,000	23,850	-
ABS-CBN Corporation	13,000	607,100	12,424
Araneta Properties, Inc.	3,756,788	8,152,230	-
Ayala Corporation	1,118	949,182	-
Ayala Land, Inc.	128,193	4,973,888	30,510
Holcim Philippines, Inc.	17,229	260,158	14,989
Bankard, Inc.	49,100	68,740	-
Belle Corporation	150,000	507,000	14,250
Belle Corporation	25,000	84,500	-
Cyber Bay Corporation	80,000	51,200	-
EEI Corporation	372,500	2,864,525	37,250
Empire East Land Holdings, Inc.	28,200	22,842	-
BDO Unibank, Inc.	278	31,136	250
House of Investments, Inc.	2,484,000	16,021,800	-
IRC Properties, Inc.	125,000	157,500	-
Petron Corporation	59,400	661,716	5,940
Philippine Long Distance Teleph	50	107,500	2,850
PLDT 10% Cumulative Convertib	700	7,000	-
Rizal Commercial Banking Corpor	1,980	63,261	-
South China Resources, Inc.	100,000	90,000	-
Arthaland Corporation	152,250	44,153	-
Waterfront Philippines, Inc.	30,000	10,050	-
PetroEnergy Resources Corporat	2,409,235	14,310,854	-
		50,070,185	118,464
		50,070,185	118,464

Name of the Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Income received and accrued
Available -for-sale securities			
Quoted:			
Benguet Corp.	835,868	6,269,010	-
PetroEnergy Resources Corporation	2,567,443	15,250,611	-
		21,519,621	-
Unquoted:			
Hermosa Ecozone Development Corporation	1,255,302	100,054,360	-
Subscription payable to HEDC		12,353,884	
		87,700,476	-
Investment in Government Securities		6,205,848	
		115,425,945	**-**

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price without any deduction for transaction costs. For securities in which current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For unquoted financial securities, the most recent sales transaction was used as the basis for determining the fair value as of June 30, 2016.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
Not applicable.

Schedule C. Amounts Receivable from/Payable to Related Parties which are eliminated during the Consolidation of Financial Statements
Not applicable.

Schedule D. Intangible Asset
The Company has no intangible assets as of June 30, 2016

Schedule E. Long-term Debt
The Company has no outstanding long-term debt as of June 30, 2016

Schedule F. Indebtedness to Related Parties (Long Term Loans from Related Companies)
The Company has no long-term indebtedness to related parties as of June 30, 2016.

Schedule G. Guarantees of Securities of Other Issuers
The Company does not have guarantees of securities of other issuers as of June 30, 2016.

Schedule H. Capital Stock

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 shares held by related parties	Directors, Officers and Employees	Others
Common Shares	338,000,000	163,000,000	-	-	2,085,674	160,914,326

SEAFRONT RESOURCES CORPORATION

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
June 30, 2016

Financial Soundness Indicator

Below are the financial ratios that are relevant to the Company as of June 30, 2016, June 30, 2015 and year ended December 31, 2015

Financial ratios		**30-Jun-16**	**30-Jun-15**	**31-Dec-15**
Current Ratio	Total Current Assets / Total Current Liabilities	468.276:1	982.922:1	170.342:1
Debt to assets	Total debt / Total assets	0.0008:1	0.0004:1	0.0020:1
Asset-Equity Ratio	Total Assets / Total Equity	1.008:1	1.004:1	1.002:1
Earnings per share	Net Income / Weighted average no. of shares	₱0.055	₱0.021	(0.058)
Price Earnings Ratio	Closing price / Earnings per share	38.803	138.095	(41.240)
Net Profit Margin	Net Income / Total Revenue	91.599%	40.606%	-107.338%
Long term debt-to-equity ratio	Long term debt / Equity	N/A	N/A	N/A
EBITDA to total interest paid	EBITDA / Total interest paid	N/A	N/A	N/A

SEAFRONT RESOURCES CORPORATION

RECONCILATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

June 30, 2016

Retained Earnings/ (Deficit) beginning		(₱1,891,086)
Prior Year Adjustments:		
Unrealized fair value adjustments (market-to-market)		12,068,065
Adjusted Retained Earnings	₱	10,176,979
Add: Net income actually earned during the period		
Net income during the period		8,947,389
Less: Non-actual/unrealized income net of tax Fair value adjustments (mark-to-market)		(9,419,986)
Unrealized foreign exchange gain		-
Net income actually earned during the period		9,704,382
Less: Dividend declaration during the period		-
Total retained earnings available for dividends		9,704,382

GROUP STRUCTURE:

Seafront Resources Corporation is not part of any group or conglomerate as of June 30, 2016

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on behalf of the undersigned thereunto duly authorized.

Registrant : **SEAFRONT RESOURCES CORPORATION**

Signature and Title : Milagros V. Reyes - President

Signature and Title : Perry Y. Uy - Treasurer

Date : AUGUST 12, 2016