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SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	0000040979
Company Name	SEAFRONT RESOURCES CORP.
Industry Classification	
Company Type	Stock Corporation

Document Information

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COVER SHEET

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SEC Registration Number

S E A F R O N T   R E S O U R C E S   C O R P O R A T I O N

(Company's Full Name)

7 T H   F L O O R ,   J M T   B U I L D I N G ,
A D B   A V E N U E ,   O R T I 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)

MS. MILAGROS V. REYES

(Contact Person)

637-2917

(Company Telephone Number)

3rd Quarter Report

1 2 | 3 1

Month *Day*

(Fiscal Year)

1 7 - Q

0 5 | 3 0

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

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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. September 30, 2019
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	₱46,087,215

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

	Unaudited 30-Sep-19	Unaudited 30-Sep-18 (as restated)	Audited 31-Dec-18
ASSETS			
Current Assets			
Cash and cash equivalents	**P22,640,568**	P10,813,188	P10,402,418
Financial assets at fair value through profit and loss (FVTPL)	**50,384,718**	50,094,040	44,850,901
Receivables	**7,066,666**	272,566	12,537,600
Other current assets	**1,068,985**	984,515	981,625
Total Current Assets	**81,160,937**	62,164,309	68,772,544
Noncurrent Asset			
Financial assets at fair value through other comprehensive income (FVOCI)	**432,132,937**	416,927,366	416,353,329
Investment property	**-**	-	-
TOTAL ASSETS	**P513,293,874**	P479,091,675	P485,125,873
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	**185,776**	P180,777	P654,816
Noncurrent Liabilities			
Deferred Tax Liability	**45,901,439**	45,729,651	45,901,439
TOTAL LIABILITIES	**P46,087,215**	P45,910,428	P46,556,255
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 financial assets at fair value through other comprehensive income	**265,796,425**	264,082,695	263,345,540
Retained earnings	**38,410,234**	6,098,552	12,224,078
Total Equity	**467,206,659**	433,181,247	438,569,618
TOTAL LIABILITIES AND EQUITY	**P513,293,874**	P479,091,675	P485,125,873

See accompanying Notes to Financial Statements.

SEAFRONT RESOURCES CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	For the 3rd Quarter		For the nine months	
	Unaudited	Unaudited	**Unaudited**	Unaudited
	30-Sep-19	30-Sep-18	**30-Sep-19**	30-Sep-18
REVENUES				
Dividend income	**P6,877,239**	P386,830	**P21,939,155**	P453,816
Net gains on fair value changes on financial assets at fair value through profit or loss (FVTPL)	**-**	638,574	**5,533,818**	-
Other income	**78,964**	88,083	**243,933**	264,251
Interest income	**85,019**	33,749	**192,620**	80,300
	P7,041,223	P1,147,236	**P27,909,526**	P798,367
EXPENSES AND CHARGES				
General and administrative expenses	**663,619**	130,393	**1,718,491**	1,024,373
Net losses on fair value changes on financial assets at fair value through profit or loss (FVTPL)	**3,300,683**	-	**-**	12,751,251
	3,964,302	130,393	**1,718,491**	13,775,624
INCOME (LOSS) BEFORE INCOME TAX	**P3,076,920**	1,016,843	**26,191,035**	(12,977,257)
PROVISION FOR INCOME TAX	**1,700**	1,761	**4,879**	5,284
NET INCOME (LOSS)	**P3,075,220**	P1,015,082	**P26,186,156**	(P12,982,541)
subsequent periods				
Net unrealized gains (losses) on financial assets at fair value through other comprehensive income (FVOCI)	**(967,928)**	(1,024,856)	**2,450,885**	(8,985,242)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE QUARTER	**P2,107,292**	(P9,774)	**P28,637,041**	(P21,967,783)
Basic and Diluted Earnings (Loss) Per Share	**0.019**	0.006	**0.161**	(0.080)

See accompanying Notes to Financial Statements.

SEAFRONT RESOURCES CORPORATION
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock	Net Unrealized Gains (Loss) on Financial Assets at fair value through other comprehensive income (FVOCI)	Retained Earnings	Total
		September 30, 2019 (Unaudited)		
Balances at beginning of year	**P163,000,000**	**P263,345,540**	**P12,224,078**	**P438,569,618**
Net income	**-**	**-**	**26,186,156**	**26,186,156**
Other comprehensive income	**-**	**2,450,885**	**-**	**2,450,885**
Total comprehensive income	**-**	**2,450,885**	**26,186,156**	**28,637,041**
Total Equity	**P163,000,000**	**P265,796,425**	**P38,410,234**	**P467,206,659**
		September 30, 2018 (Unuadited)		
Balances at beginning of year	P163,000,000	P359,742,437	P19,081,093	P541,823,530
Less: Fair value adjustment	-	(86,674,500)	-	(86,674,500)
Balances at December 31, 2017, as restated	P163,000,000	P273,067,937	P19,081,093	P455,149,030
Net loss	-	-	(12,982,541)	(12,982,541)
Other comprehensive loss	-	(8,985,242)	-	(8,985,242)
Total comprehensive loss	-	(8,985,242)	(12,982,541)	(21,967,783)
Total Equity	P163,000,000	P264,082,695	P6,098,552	P433,181,247
		December 31, 2018 (Audited)		
Balances at beginning of year	P163,000,000	P359,742,437	P19,081,093	P541,823,530
Less: Fair value adjustment	-	(86,674,500)	-	(86,674,500)
Balances at December 31, 2017, as restated	P163,000,000	P273,067,937	P19,081,093	P455,149,030
Net loss	-	-	(6,857,015)	(6,857,015)
Other comprehensive loss	-	(9,722,397)	-	(9,722,397)
Total comprehensive loss	-	(9,722,397)	(6,857,015)	(16,579,412)
Balances at December 31, 2018	P163,000,000	P263,345,540	P12,224,078	P438,569,618

See accompanying Notes to Financial Statements.

SEAFRONT RESOURCES CORPORATION

STATEMENTS OF CASH FLOWS

	For the 3rd Quarter Ended		For the nine months Ending		Audited
	30-Sep-19	30-Sep-18	**30-Sep-19**	30-Sep-18	31-Dec-18
CASH FLOWS FROM OPERATING ACTIVITIES					
Income (loss) before income tax	**P3,076,920**	P1,016,843	**P26,191,035**	(P12,977,257)	(P6,849,968)
Adjustments for:					
Dividend income	**(6,877,239)**	(386,830)	**(21,939,155)**	(453,816)	(12,885,767)
Interest income	**(85,019)**	(33,749)	**(192,620)**	(80,300)	(117,951)
Net unrealized gain (loss) on fair value changes on financial assets at fair value through profit (FVTPL)	**3,300,684**	(638,574)	**(5,533,817)**	12,751,251	17,994,390
Operating loss before working capital changes	**(584,654)**	(42,310)	**(1,474,557)**	(760,122)	(1,859,296)
Changes in operating assets and liabilities:					
Decrease (increase) in:					
Receivables	**5,701**	30,578	**26,088**	63,249	(35,388)
Other current assets	**(6,182)**	561	**(87,360)**	(84,315)	(88,425)
Increase (decrease) in:	**-**				
Accounts payable and accrued expenses	**21,982**	(13,124)	**(473,919)**	(535,261)	(48,938)
Net cash used for operations	**(563,153)**	(24,295)	**(2,009,748)**	(1,316,449)	(2,032,047)
Interest received	**82,808**	-	**200,467**	-	111,163
Net cash provided by (used in) operating activities	**(480,345)**	(24,295)	**(1,809,281)**	(1,316,449)	(1,920,884)
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received	**5,079,239**	386,830	**27,376,154**	460,159	645,154
Acquisition of Financial assets at FVOCI	**8,685**	8,669	**(13,328,723)**	3,017,598	3,026,268
Net cash provided by investing activities	**5,087,924**	395,499	**14,047,431**	3,477,757	3,671,422
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	**4,607,579**	371,204	**12,238,150**	2,161,308	1,750,538
CASH AND CASH EQUIVALENTS, BEGINNING	**18,032,989**	10,441,984	**10,402,418**	8,651,880	8,651,880
CASH AND CASH EQUIVALENTS, END	**P22,640,568**	P10,813,188	**P22,640,568**	P10,813,188	P10,402,418

See accompanying Notes to Financial Statements.

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 Company's shares of stock were listed on May 7, 1974 and are currently traded at the Philippine Stock Exchange.

The registered office address of the Company is 7th Floor, JMT Building, ADB Avenue, Ortigas Center, Pasig City.

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

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 (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI), 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 and presentation currency.

The transactions and balances of the Company's trust funds (see Note 7) are consolidated on a line by line basis with the Company. The trust fund reports are prepared for the same reporting year as the Company, using consistent accounting policies in accordance with Philippine Financial Reporting Standards (PFRSs).

Statement of Compliance
The financial statements of the Company have been prepared in accordance with PFRSs.

3. Changes in Accounting Policies and Disclosures

The Company adopted the following new accounting pronouncements starting January 1, 2019. Except as specifically stated, the adoption of these new accounting pronouncements have no impact on the Company's financial statements.

Effective beginning on or after January 1, 2019

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

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

  These amendments have no impact on the financial statements of the Company.

- PFRS 16, *Leases*

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

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

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

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

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

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

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

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

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

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments have no impact on the financial statements of the Company.

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

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

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

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. These amendments have no impact on the financial statements of the Company.

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

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

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

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

The Company is currently assessing the impact of adopting the interpretation on its financial statements.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

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

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

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

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

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

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

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

  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
    The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

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

    These amendments have no impact on the financial statements of the Company.

4. **Summary of Significant Accounting Policies**

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less and that are subject to an insignificant risk of changes in value.

Financial Instruments
Initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets - Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost; FVOCI; and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flow that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

Financial assets at amortized cost (debt instruments)

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes cash and cash equivalents, receivables and restricted cash.

Financial assets at FVTPL
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated as at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

The Company's financial assets at FVTPL consists of investments in listed equity securities held for trading.

Financial assets designated at FVOCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32 and are not held for trading. The classification is determined on an instrument-by-instrument basis.

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

The Company's financial assets at FVOCI include quoted and unquoted equity securities and quoted government securities.

Impairment of financial assets
The Company recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

The Company may consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities - Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at FVTPL
- Loans and borrowings

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

The Company's loans and borrowings include accounts payable and accrued expenses, excluding statutory liabilities.

Derecognition of Financial Assets and Financial Liabilities

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

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

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset 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, cancelled or has expired.

Where 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 profit or loss.

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

<u>Fair Value Measurement</u>
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.

Operating Lease

Company as a Lessor

Leases where the Company does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Lease payments received are recognized in profit or loss as income on a straight-line basis over the lease term.

Capital Stock

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

Retained earnings represent accumulated earnings of the Company less dividends declared and with consideration of any changes in accounting policies and other adjustments applied retroactively. The retained earnings of the Company are available for dividends only upon approval and declaration of the BOD.

Earnings Per Share (EPS)

Basic earnings per share are 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 earnings per share, if applicable, is computed on the basis of the weighted average number of shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There are no dilutive potential common shares that would require disclosure of diluted earnings per common share in the financial statements.

Revenue Recognition

Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has concluded that it is the principal in its revenue arrangement since it is the primary obligor in all revenue arrangements, has pricing latitude and is also exposed to credit risk.

Dividend income

Dividend income is recognized when the Company's right to receive the payment is established, which is generally when the BOD approves the dividend declaration.

Interest income

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

Service income

The Company recognizes revenue from services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Company.

Rental Income
Rental income under noncancellable leases is recognized in the on a straight-line basis over the lease terms or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

General and Administrative Expenses
Expenses are recorded when incurred. General and administrative expenses constitute costs of administering the business.

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.

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

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. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

Events After the Reporting Date
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.

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.

Judgments
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:

Recognition of deferred tax assets
The Company's deferred tax assets pertain to the carryforward benefits of NOLCO and excess MCIT over RCIT. 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 recognized deferred tax assets amounting to ₱3.96 as of December 31, 2018. Management believes that it may not be probable that sufficient taxable income will be available against which the income tax benefits can be realized prior to their expiration.

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.

Estimation of fair value of unquoted equity securities classified as financial assets at FVOCI
The Company uses its judgment to select the most appropriate valuation methodology to value its unquoted equity investments and make assumptions that are mainly based on market conditions existing at each reporting period. As of September 30, 2019 and December 31, 2018, the Company valued the unquoted equity securities classified as financial assets at FVOCI using the adjusted net asset method which is a combination of the market and income approaches. It involves directly measuring the fair value of the assets and liabilities of the investee company. Assets of the investee company consist mainly of parcels of land for sale which is adjusted to its fair value. The fair value adjustments arising from changes in fair value of unquoted equity securities are fully disclosed in Note 8.

6. Cash and Cash Equivalents

	30-Sep-19 (Unaudited)	31-Dec-18 (Audited)
Cash in bank	**176,656**	6,197,418
Short-term investments	**22,463,911**	4,205,000
	22,640,568	10,402,418

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are short-term investments that 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 cash equivalents amounted to ₱0.19 million and ₱0.12 million as of September 30, 2019 and December 31, 2018, respectively.

7. Investment in Trust Funds

The Company established trust funds (the Trust) which are being administered by a local bank under two trust agreements. The details of the trust funds based on the financial statements issued by the trustee bank follows:

	30-Sep-19 (Unaudited)	31-Dec-18 (Audited)
Assets		
Cash and cash equivalents	**₱3,484,980**	₱4,268,251
Financial assets at FVTPL	**15,467,287**	12,648,482
Financial assets at FVOCI - government securities	**6,602,899**	5,402,780
Loans and receivables	**62,576**	70,560
	25,617,742	22,390,073
Liabilities		
Accounts payable and accrued expenses	**(133,456)**	(90,389)
	₱25,484,286	₱22,299,684
Equity		
Principal fund	**₱28,056,417**	₱28,056,417
Accumulated trust fund income (loss) at beginning of year	**(5,756,733)**	3,446,541
Trust fund income (loss) for the year	**3,184,602**	(9,203,274)
Accumulated trust fund income (loss) at end of year	**(2,572,131)**	(5,756,733)
	₱25,484,286	₱22,299,684

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:

	30-Sep-19 (Unaudited)	31-Dec-18 (Audited)
Cash and cash equivalents	**22,640,568**	10,402,418
Receivables	**7,066,666**	12,537,600
Financial assets at FVOCI	**432,132,937**	416,353,329
Financial assets at FVTPL	**50,384,718**	44,850,901
	512,224,889	484,144,248

Financial Assets at FVTPL
Details of financial assets at FVTPL consisting of listed equity securities follow:

	30-Sep-19 (Unaudited)	31-Dec-18 (Audited)
Listed equity securities:		
Fair value	**50,384,718**	44,850,901
Acquisition cost	**48,100,916**	48,100,916

The net gain (loss) on fair value changes on financial assets at FVTPL amounted to ₱5.53 million and (₱17.99) million as of September 30, 2019 and for the year ended December 31, 2018, respectively.

The movements in financial assets at FVTPL are as follows:

	30-Sep-19 (Unaudited)	31-Dec-18 (Audited)
Balance at beginning of year	**44,850,901**	62,845,291
Additions	**-**	-
Disposals	**-**	-
Fair value gains (loss) recognized during the period	**5,533,817**	(17,994,390)
Balance at end of year	**50,384,718**	44,850,901

Financial Assets at FVOCI

Financial assets at FVOCI consist of quoted and unquoted shares of stock held for long-term investment purposes and are carried at fair value. The carrying values of these investments are as follows:

	30-Sep-19 (Unaudited)	31-Dec-18 (Audited)
Listed equity securities:		
PetroEnergy Resources Corporation	**16,482,983**	13,479,075
Benguet Corporation	**3,009,125**	3,761,406
	19,492,108	17,240,481
Non-listed equity security:		
Hermosa Ecozone Development Corporation (HEDC)	**406,063,952**	406,063,952
Subscription payable to HEDC	**-**	(12,353,884)
	406,063,952	393,710,068
Investment in government securities	**6,576,877**	5,402,780
	432,132,937	416,353,329

The movements in financial assets at FVOCI are as follows:

	30-Sep-19 (Unaudited)	31-Dec-18 (Audited)
Balance at beginning of year	**416,353,329**	428,930,206
Additions*	**13,328,724**	-
Disposals	**-**	(3,026,268)
Fair value gains (loss) recognized during the period	**2,450,885**	(9,550,609)
Balance at end of year	**432,132,937**	416,353,329

** Pertains to payment of P12.35MM subscription payable to HEDC; and additional investment in Government securities*

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

	30-Sep-19 (Unaudited)	31-Dec-18 (Audited)
Balance at beginning of year	**263,345,540**	273,067,937
Unrealized gain (loss) recognized in other comprehensive income	**2,450,885**	(9,722,397)
Balance at end of year	**265,796,425**	263,345,540

Investment in 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 fair value of investment in HEDC is determined using the adjusted net asset method wherein the assets of HEDC consisting mainly of parcels of land are adjusted from cost to its fair value. The valuation of the parcels of land was performed by a Securities and Exchange Commission accredited independent valuer as at December 31, 2018. This measurement falls under Level 3 in the fair value hierarchy.

Fair value measurement disclosures for the determination of fair value of unquoted equity securities are provided in Note 12.

9. Receivables

	30-Sep-19 (Unaudited)	31-Dec-18 (Audited)
Dividends receivable	**6,985,218**	12,422,217
Accrued interest receivable	**62,475**	70,323
Receivable from HEDC	**18,973**	23,408
Receivable from rent	**-**	21,652
Balance at end of period	**7,066,666**	12,537,600

Dividend income earned on its investments amounted to ₱21.939 million and ₱12.886 million in September 30, 2019 and December 31, 2018, respectively.

10. Other Income

	30-Sep-19 (Unaudited)	31-Dec-18 (Audited)
Service income	**200,893**	267,857
Rental income	**43,040**	84,480
	243,933	352,337

Service income pertains to accounting services rendered by the Company to HEDC.

Rental income pertains to rentals earned from the two (2) parking slots owned by the Company which are classified as investment property. As of September 30, 2019 and December 31, 2018, the carrying value of investment property follows:

Cost	₱207,598
Accumulated depreciation	(207,598)
	₱–

The fair value of the investment property amounted to ₱600,000 to ₱800,000 per slot as of September 30, 2019 and December 31, 2018, respectively. This has been determined on the basis of recent sales of similar properties in the same area as the investment property and taking into account the economic conditions prevailing at the time the valuation was made. There are no related costs for the operations of the investment property.

11. 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 financial statements include the following amounts resulting from transactions with related parties:

			30-Sep-19 (Unaudited)		
	Nature of transaction	**Amount/ Volume**	**Receivables/ (Accounts payable)**	**Terms**	**Conditions**
Affiliate:					
PERC	**Reimbursements**	**₱88,389**	**₱-**	**Noninterest bearing, payable when due and demandable**	**Unsecured**
HEDC	**Accounting Services**	**200,893**	**18,973**	**- do -**	**- do -**
		₱289,282	**₱18,973**		

			31-Dec-18 (Audited)		
	Nature of transaction	Amount/ Volume	Receivables/ (Accounts payable)	Terms	Conditions
Affiliate:					
PERC	Reimbursements	₱123,667	(₱123,667)	Noninterest bearing, payable when due and demandable	Unsecured, no impairment
HEDC	Accounting Services	267,857	21,652	- do -	- do -
		₱391,524			

No compensation and short-term benefits for key management personnel were charged in profit or loss as of September 30, 2019 and December 31, 2018 because PERC provides administrative services to the Company.

Terms and conditions of transactions with related parties
Outstanding balances at year-end are to be settled in cash. There have been no guarantees provided or received for any related party receivables or payables.

12. **Financial Instruments**

Categories and Fair Values of Financial Instruments
The methods and assumptions used by the Company in estimating the fair values of the financial instruments are:

Cash and cash equivalents and receivables
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. This is under Level 1 category of the fair value hierarchy.

Equity securities
For quoted equity securities, fair values are based on published quoted prices. This is under Level 1 category of the fair value hierarchy.

For unquoted equity securities, fair values are determined using the adjusted net asset method which involves directly measuring the fair value of the assets and liabilities of the investee company. This measurement falls under Level 3 in the fair value hierarchy.

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.

Description of significant unobservable inputs to valuation:
The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at September 30, 2019 and December 31, 2018 are shown below:

	Valuation technique	Significant unobservable inputs	Range
Unquoted equity shares at FVOCI	Adjusted net asset method	Price per square meter	₱440 - ₱4,000

The appraised value of the land was determined using the market approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets. Net adjustment factors arising from external and internal factors (i.e. location, size/shape/terrain, and development) affecting the subject properties as compared to the market listing of comparable properties ranges from -5% to -10%. Significant favorable (unfavorable) adjustments to the aforementioned factors based on the professional judgment of the independent appraisers would increase (decrease) the fair value of land, in return the fair value of the unquoted financial asset.

Financial Risk Management Objectives and Policies

The Company's financial instruments comprise cash and cash equivalents, receivables, 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. 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 classified as financial assets at FVOCI amounted to ₱406.1 million and ₱393.7 million, net of subscription payable, as of September 30, 2019 and December 31, 2018, respectively.

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 September 30, 2019 and December 31, 2018 based on contractual undiscounted payments.

		30-Sep-19 (Unaudited)		
	On demand	**Within one year**	**More than one year**	**Total**
Financial assets				
Financial assets at FVTPL:				
Equity securities	**₱50,384,718**	**₱–**	**₱–**	**₱50,384,718**
Loans and receivables:				
Cash and cash equivalents	**22,640,568**	**–**	**–**	**22,640,568**
Receivables:				
Receivable from HEDC	**18,973**	**–**	**–**	**18,973**
Rent receivable	**–**	**–**	**–**	**–**
Accrued interest receivable	**62,475**	**–**	**–**	**62,475**
Dividends receivable	**–**	**6,985,218**	**–**	**6,985,218**

30-Sep-19 (Unaudited)				
	On demand	**Within one year**	**More than one year**	**Total**
Financial assets at FVOCI:				
Listed equity securities:				
PERC	**–**	**–**	**16,482,983**	**16,482,983**
Benguet Corporation	**–**	**–**	**3,009,125**	**3,009,125**
Nonlisted equity security:				
HEDC*	**–**	**–**	**406,063,952**	**406,063,952**
Investments in government securities	**–**	**–**	**6,576,877**	**6,576,877**
	73,106,734	**6,985,218**	**432,132,937**	**512,224,889**
Financial liabilities				
Accounts payable and accrued expenses	**185,776**	**–**	**–**	**185,776**
	185,776	**–**	**–**	**185,776**
Net financial assets	**₱72,920,958**	**₱6,985,218**	**₱432,132,937**	**₱512,039,113**

31-Dec-18 (Unaudited)				
	On demand	Within one year	More than one year	Total
Financial assets				
Financial assets at FVTPL:				
Equity securities	₱44,850,901	₱–	₱–	₱44,850,901
Loans and receivables:				
Cash and cash equivalents	10,402,418	–	–	10,402,418
Receivables:				
Receivable from HEDC	21,652	–	–	21,652
Rent receivable	23,408			23,408
Accrued interest receivable	70,323	–	–	70,323
Dividends receivable	–	12,422,217	–	12,422,217
Financial assets at FVOCI:				
Listed equity securities:				
PERC	–	–	13,479,075	13,479,075
Benguet Corporation	–	–	3,761,406	3,761,406
Nonlisted equity security:				
HEDC*	–	–	406,063,952	406,063,952
Investments in government securities	–	–	5,402,780	5,402,780
	55,368,702	12,422,217	428,707,213	496,498,132
Financial liabilities				
Accounts payable and accrued expenses	654,816	–	–	654,816
Subscription payable**	12,353,884	–	–	12,353,884
	13,008,700	–	–	13,008,700
Net financial assets	₱42,360,002	₱12,422,217	₱428,707,213	₱483,489,432

** Gross of subscription payable to HEDC amounting to ₱12,353,884.*
*** Presented as a deduction from 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.

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.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. With respect to credit risk arising from cash and cash equivalents, receivables, financial assets at FVTPL and financial assets at FVOCI, the Company's exposure to credit risk is equal to the carrying amount of these instruments. The Company limits its credit risk on these assets by dealing only with reputable counterparties.

For cash and cash equivalents and quoted government securities, the Company applies the low credit risk simplification where the Company measures the ECLs on a 12-month basis based on the probability of default and loss given default which are publicly available. The Company also evaluates the credit rating of the bank and other financial institutions to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company considers its cash and cash equivalents and quoted government securities as high grade since these are placed in financial institutions of high credit standing. Accordingly, ECLs relating to these debt instruments rounds to nil.

The Company's receivables are aged current as of September 30, 2019 and December 31, 2018. No receivables are considered credit-impaired.

As of September 30, 2019 and December 31, 2018, the carrying values of the Company's financial instruments represent maximum exposure as of reporting date.

The table below shows the comparative summary of maximum credit risk exposures on financial instruments as of September 30, 2019 and December 31, 2018:

	30-Sep-19 (Unaudited)	31-Dec-18 (Audited)
Financial assets at FVTPL:		
Equity securities	**₱50,384,718**	₱44,850,901
Financial assets at amortized cost:		
Cash and cash equivalents	**22,640,568**	10,402,418
Receivable from HEDC	**18,973**	21,652
Rent receivable	–	23,408
Accrued interest receivable	**62,475**	70,323
Dividend receivable	**6,985,218**	12,422,217
Financial assets at FVOCI:		
Listed equity securities:		
PERC	**16,482,983**	13,479,075
Benguet Corporation	**3,009,125**	3,761,406
Nonlisted equity security: HEDC	**406,063,952**	393,710,068*

	30-Sep-19 (Unaudited)	31-Dec-18 (Audited)
Investments in government securities	**6,576,877**	5,402,780
	₱512,224,889	₱484,144,248

**Net of subscription payable to HEDC amounting to ₱12,353,884 in December 31, 2018.*

The following tables show financial instruments recognized at fair value as of September 30, 2019 and December 31, 2018, 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).

		30-Sep-19 (Unaudited)		
	Level 1	**Level 2**	**Level 3**	**Fair Value**
Financial assets:				
Financial assets at FVPL:				
Equity securities	**₱50,384,718**	**₱–**	**₱–**	**₱50,384,718**
AFS financial assets:				
PERC	**16,482,983**	**–**	**–**	**16,482,983**
Benguet Corporation	**3,009,125**	**–**	**–**	**3,009,125**
HEDC*	**–**	**–**	**406,063,952**	**406,063,952**
Investments in government securities	**6,576,877**	**–**	**–**	**6,576,877**
	₱76,453,703	**₱–**	**₱406,063,952**	**₱482,517,655**

		31-Dec-18 (Audited)		
	Level 1	Level 2	Level 3	Fair Value
Financial assets:				
Financial assets at FVPL:				
Equity securities	₱44,850,901	₱–	₱–	₱44,850,901
AFS financial assets:				
PERC	13,479,075	–	–	13,479,075
Benguet Corporation	3,761,406	–	–	3,761,406
HEDC*	–	–	393,710,068	393,710,068
Investments in government securities	5,402,780	–	–	5,402,780
	₱67,494,162	₱–	₱393,710,068	₱461,204,230

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

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 in September 30, 2019 and December 31, 2018.

13. **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 financial assets at FVOCI and retained earnings (deficit).

The Company has no externally imposed capital requirements as of September 30, 2019 and December 31, 2018.

The table below demonstrates the debt-to-equity ratios of the Company as of September 30, 2019 and December 31, 2018:

	30-Sep-19 (Unaudited)	31-Dec-18 (Audited)
Total liabilities:		
Accounts payable and accrued expenses	**₱185,776**	₱654,816
Deferred tax liability	**45,901,439**	45,901,439
	₱46,087,215	₱46,556,255
Total equity:		
Capital stock	**₱163,000,000**	₱163,000,000
Net unrealized gains on financial assets at FVOCI	**265,796,425**	263,345,540
Retained earnings	**38,410,234**	12,224,078
	₱467,206,659	₱438,569,618
Debt-to-equity ratio	**0.0986:1**	0.1062:1

There were no changes in the objectives, policies or processes as of the 3rd quarter September 2019 and year ended December 31, 2018.

The Company has declarable dividends amounting to ₱15.47 and ₱36.13 million as of December 31, 2018 and September 30, 2019, respectively.

The Company's track record of capital stock is 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	

	Number of shares registered	Issue/ offer price	Date of SEC approval	Number of holders as of year-end
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	163,000,000			4,758
Add (deduct): Movement	–	–	–	–
December 31, 2016	163,000,000	–	–	4,758
Add (deduct): Movement	–	–	–	(41)
December 31, 2017	163,000,000	–	–	4,717
Add (deduct): Movement	–	–	–	(11)
December 31, 2018	163,000,000	–	–	4,706
Add (deduct): Movement	–	–	–	(12)
September 30, 2019	163,000,000	–	–	4,694

14. Basic and Diluted Earnings Per Share

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

	30-Sep-19 (Unaudited)	30-Sep-18 (Unaudited)	31-Dec-18 (Audited)
Net income (loss)	**₱26,186,156**	(₱12,982,541)	(₱6,857,015)
Weighted average number of shares	**163,000,000**	163,000,000	163,000,000
Basic/Diluted earnings (loss) per share	**₱0.161**	(₱0.080)	(₱0.042)

The Company has no potentially dilutive common stock as of September 30, 2019, September 30, 2018, and December 31, 2018.

15. Lease Commitments

Company as lessor

The Company has entered into cancellable lease agreements as a lessor with terms of one (1) year. The leases contain renewal options and a clause enabling annual upward revision of the rental charges based on prevailing market conditions. The related rent income derived from this transaction included under "Other income" amounted to ₱43,040 and ₱84,480 as of September 30, 2019 and December 31, 2018.

16. **Others**

a) The Interim Financial Report as of September 30, 2019 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, 2018 Audited Financial Statements.

c) There are no unusual item or items that affected the assets, liabilities, equity and cash flows of the September 30, 2019 Financial Statements.

d) There are no material events happened subsequent to the end of September 30, 2019 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 September 30, 2019 and September 30, 2018.

f) No significant events happened during the quarter that will affect the September 30, 2019 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 September 30, 2019 and September 30, 2018)

	30-Sep-19	30-Sep-18	% Change	% to Asset
ASSETS				
Cash & cash equivalents	**P22,640,568**	P10,813,188	109.38%	4.41%
Financial assets at FVTPL	**50,384,718**	50,094,040	0.58%	9.82%
Receivables	**7,066,666**	272,566	2492.64%	1.38%
Other current assets	**1,068,985**	984,515	8.58%	0.21%
Financial assets at FVOCI	**432,132,937**	416,927,366	3.65%	84.19%
TOTAL ASSETS	**513,293,875**	479,091,675	7.14%	100.00%
LIABILITIES AND EQUITY				
Accounts payable and accrued expenses	**185,776**	180,777	2.77%	0.04%
Deferred Tax Liability	**45,901,439**	45,729,651	100.38%	8.94%
TOTAL LIABILITIES	**46,087,215**	45,910,428	0.39%	8.98%
EQUITY	**467,206,659**	433,181,247	7.85%	91.02%
TOTAL LIABILITIES AND EQUITY	**P513,293,874**	P479,091,675	7.14%	100.00%

Total assets amounted to P513.294 million and P479.092 million as of September 30, 2019 and September 30, 2018, respectively.

The Company's cash and cash equivalents amounted to P22.641 million as of September 30, 2019 and P10.813 million as of September 30, 2018, respectively. The 109.38% net increase was due to cash dividend received from HEDC amounting to P15 million net of payment for administrative expenses during the period.

Financial assets at fair value through profit or loss amounted to P50.385 million and P50.094 million as of September 30, 2019 and as of September 30, 2018, respectively. The 0.58% increase is mainly due to positive movement of market values of investments in stocks traded at PSE.

Receivables account as of September 30, 2019 amounted to P7.067 million compared to P0.273 million September 30, 2018. The significant increase pertains to the dividend receivable from HEDC, which is expected to be received by October 2019.

Other current assets consist of prepayments, prepaid taxes and input tax carry-overs. This amounted to P1.069 million and P0.985 million as of September 30, 2019 and as of September 30, 2018, respectively. The 8.58% net increase mainly represents additional input taxes recorded during the period.

Financial assets at FVOCI account as of September 30, 2019 amounted to P432.133 million and P416.927 million as of September 30, 2018. The bulk of the 3.65% net increase is due to the payment of subscription to HEDC.

Accounts payable and accrued expenses amounted to P0.186 million and P0.181 million as of September 30, 2019 and September 30, 2018, respectively. The 2.77% increase pertains to accrual of professional fees and other general and administrative expenses.

Total Stockholders' Equity as of as of September 30, 2019 amounted to P467.207 million or P2.866 book value per share and P433.181 million or P2.658 book value per share as of September 30, 2018. Bulk of the 7.85% increase pertains to the dividend income earned from HEDC.

2. Results of Operations (For the Quarter ended September 30, 2019 and September 30, 2018)

	30-Sep-19	30-Sep-18	% Change	% in Total Revenue
REVENUES				
Dividend income	**P6,877,239**	₱386,830	1677.85%	97.67%
Net gain on fair value changes on financial assets at fair value through profit or loss	**-**	638,574	-100.00%	0.00%
Interest income	**85,019**	33,749	151.91%	1.21%
Other income-net	**78,964**	88,083	-10.35%	1.12%
TOTAL REVENUES/(LOSS)	**7,041,222**	1,147,236	513.76%	100.00%
EXPENSES				
General & administrative	**663,619**	130,393	408.94%	9.42%
Net loss on fair value changes on financial assets at fair value through profit or loss	**3,300,683**	-	100.00%	2012.83%
TOTAL EXPENSES	**3,964,302**	130,393	2940.27%	56.30%
Income/(Loss) before income tax	**3,076,920**	1,016,843	202.60%	43.70%
Provision for income tax	**1,700**	1,761	-3.46%	0.02%
NET INCOME/(LOSS)	**3,075,220**	1,015,082	202.95%	43.67%

The Company posted a net income of P3.075 million or P0.0189 earnings per share and P1.015 million or P.0062 as of September 30, 2019 and September 30, 2018, respectively.

Dividend income increased from P0.387 million for the 3rd quarter September 30, 2018 to P6.877 million for the 3rd quarter of September 30, 2019 due to dividend income from HEDC.

The downturn in the fair value changes on Financial assets at FVTPL from an unrealized gain of P0.639 million in the 3rd quarter of 2018 to an unrealized loss of (P3.301) million is due to the decrease in market values of the investments in stocks such as:

- House of Investments, Inc. (from an increase of P.35/share in the 3rd quarter of 2018 vs. decrease of P.65/share in the 3rd quarter of 2019)
- PERC (from an increase of P.03/share in the 3rd quarter of 2018 vs. decrease of P.26/share in the 3rd quarter of 2019)
- Araneta Properties, Inc. (from an increase of P0.11/share in the 3rd quarter of 2018 vs. decrease of P0.12/share in the 3rd quarter of 2019).

Interest income amounted to P0.085 million and P0.034 million for the 3rd quarter of September 30, 2019 and September 30, 2018, respectively. There was a 151.91% interests earned in money market placement during the 3rd quarter of 2019.

Other income for the 3rd quarter of September 30, 2019 and 2018 mainly pertains to recurring service income for accounting services rendered by the Company to HEDC and rental income.

General and administrative expenses amounted to P0.664 million and P0.130 million for the 3rd quarter of September 30, 2019 and September 30, 2018, respectively. The 408.94% increase accounts for SRC's share in the plug and abandonment of Tara South-1 Well.

Provision for income tax for the quarter September 30, 2019 and 2018 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.

3. Financial Conditions (As of September 30, 2019 and December 31, 2018)

	30-Sep-19	31-Dec-18	% Change	% Asset
ASSETS				
Cash & cash equivalents	**P22,640,568**	P10,402,418	117.65%	4.41%
Financial assets at FVTPL	**50,384,718**	44,850,901	12.34%	9.82%
Receivables	**7,066,666**	12,537,600	-43.64%	1.38%
Other current assets	**1,068,985**	981,625	8.90%	0.21%
Financial assets at FVOCI	**432,132,937**	416,353,329	3.79%	84.19%
TOTAL ASSETS	**513,293,874**	485,125,873	5.81%	100.00%
LIABILITIES AND EQUITY				
Accounts payable and accrued expenses	**185,776**	654,816	-71.63%	0.04%
Deferred Tax Liability	**45,901,439**	45,901,439	0.00%	8.94%
TOTAL LIABILITIES	**46,087,215**	46,556,255	-1.01%	8.98%
EQUITY	**467,206,659**	438,569,618	6.53%	91.02%
TOTAL LIABILITIES AND EQUITY	**P513,293,874**	P485,125,873	5.81%	100.00%

Total assets amounted to P513.294 million as of September 30, 2019 compared to P485.126 million as of December 31, 2018.

The Company's cash and cash equivalents amounted to P22.641 million as of September 30, 2019 compared to P10.402 million as of December 31, 2018. The 117.65% net increase was due to cash dividend received from HEDC net of payment for administrative expenses during the period.

Financial assets at FVTPL account as of September 30, 2019 amounted to P50.385 million compared to P44.851 million as of December 31, 2018. The 12.34% increase pertains to positive changes in market values of investments in stocks traded at PSE.

Receivables account as of September 30, 2019 amounted to P7.067 million compared to P12.538 million as of December 31, 2018. The 43.64% decrease is due to the receipt of cash dividend from HEDC.

Other current assets as of September 30, 2019 amounted to P1.069 million compared to P0.982 million as of December 31, 2018. The 8.90% increase is due to additional input taxes and other assets recorded during the period.

The 3.79% net increase in financial assets at FVOCI mainly pertains to the settlement of subscription payable, this was presented as contra asset account in the previous years.

Accounts payable and accrued expenses amounted to P0.186 million and P0.655 million as of September 30, 2019 and December 31, 2018, respectively. The 71.63% net decrease accounts for payment of accrued expense such as professional fees and other general and administrative expenses

Total Stockholders' Equity as of September 30, 2019 amounted to P467.207 million or P2.866 book value per share compared to P438.570 million or P2.691 book value per share as of December 31, 2018.

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 Operations (For nine months ended September 30, 2019 and September 30, 2018)

	30-Sep-19	30-Sep-18	% Change	% in Total Revenue
REVENUES				
Dividend income	**P21,939,155**	₱453,816	4734.37%	78.61%
Net gains on fair value changes on financial assets at fair value through profit or loss	**5,533,818**	-	-100.00%	19.83%
Interest income	**192,620**	80,300	139.88%	0.69%
Other income-net	**243,933**	264,251	-7.69%	0.87%
TOTAL REVENUES	**27,909,526**	798,367	3395.83%	100.00%
EXPENSES				
General & administrative	**1,718,491**	1,024,373	67.76%	6.16%
Net loss on fair value changes on financial assets at fair value through profit or loss	**-**	12,751,251	100.00%	0.00%
TOTAL EXPENSES	**1,718,491**	13,775,624	-87.53%	6.16%
Income (Loss) before income tax	**26,191,035**	(12,977,257)	-301.82%	93.84%
Provision for income tax	**4,879**	5,284	-7.66%	0.02%
NET INCOME (LOSS)	**26,186,156**	(12,982,541)	-301.70%	93.83%

The Company posted a net income of P26.186 million or P0.161 earnings per share as of September 30, 2019 and a net loss of P12.983 million or P0.080 loss per share as of September 30, 2018.

Dividend income increased from P0.454 million as of September 30, 2018 to P21.939 million as of September 30, 2019 is mainly due to dividend income from HEDC.

The Company's net gain (loss) on fair value changes on financial assets at fair value through profit or loss amounted to P5.534 million and (P12.751) million as of September 30, 2019 and September 30, 2018, respectively. The increase pertains to positive movements in market value of the investments in stocks traded at the PSE for the period.

Interest income amounted to P0.193 million and P0.080 million as of September 30, 2019 and September 30, 2018, respectively. There was a 139.88% increase due to higher interests earned in the company's investments in trust account during the period.

Other income for September 30, 2019 and 2018 mainly pertains to recurring service income for accounting services rendered by the Company to HEDC and rental income.

General and administrative expenses amounted to P1.718 million and P1.024 million as of September 30, 2019 and September 30, 2018, respectively. The 67.76% increase pertains to the payment of SRC's share in the plug and abandonment of Tara South-1 Well.

Provision for income tax as of September 30, 2019 and September 30, 2018 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.

KEY PERFORMANCE INDICATORS (KPI):

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

	Unaudited 30-Sep-19	Unaudited 30-Sep-18	Audited 31-Dec-18	Formula
Current ratio	**436.876:1**	343.873:1	105.026:1	Total Current Assets/Total Current Liabilities
Debt-equity ratio	**0.0986:1**	0.106:1	0.1062:1	Liabilities/Total Stockholders' Equity
Net profit margin	**82.213%**	88.481%	N/A	Net Income/Total Revenue
Asset turnover	**0.0073:1**	0.0024:1	0.0275:1	Revenue/Total Assets
Earnings/(loss) per share	**0.019**	0.006	(0.042)	Net Income (Loss)/Issued & Outstanding Shares

There is an increase in the Company's current ratio as of September 30, 2019 as compared to December 31, 2018 mainly due to the increase in current assets and decrease in current liabilities.

The decrease in the Company's debt-equity ratio as of September 30, 2019 compared to September 30, 2018 is mainly due to higher net income for the 3rd quarter 2019 added to the equity.

Asset turnover for the 3rd quarter 2019 is higher compared to the 3rd quarter 2018 due to positive market value movements of the investments in stock.

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. Cash Dividends from various stock investments.

2. Accrued Interest Receivable from the Company's short term investments as of September 30, 2019 of which the Company will receive upon maturity.

Furthermore, the Company manages its 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 financial assets at FVOCI amounted to P406 million and P394 million as of September 30, 2019 and December 31, 2018, respectively.

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.

Financial disclosures in view of the current financial condition

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.

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.

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 FVTPL) and receivables. The main purpose of these financial instruments is to fund the Company's working capital requirements.

Financial Risk Management Objectives and Policies
Please refer to Note 12

Plan of Operations

A. Investment in Financial assets at FVOCI not traded in the market (Investment in HEDC)

As of September 30, 2019 the Company holds 11.33% 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. As of September 30, 2019, the company received cash dividend in the amount of P34 million.

B. Investment in Financial Assets at FVTPL and FVOCI 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 operating expenses. The 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.

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 AS AMENDED

SEPTEMBER 30, 2019

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68, as Amended (2011) that are relevant to the Company. 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 September 30, 2019:

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Income Received and Accrued
Financial assets at FVTPL			
Equity Securities:			
2GO Group Inc.	5,000	₱23,850	₱–
ABS-CBN	13,000	238,680	9,163
Araneta Prop.	3,756,788	7,363,304	–
Ayala Corp.-A	1,118	988,871	4,640
Ayala Land, Inc.	128,193	6,339,144	31,653
Holcim Phil. Inc.	17,229	249,821	–
Bankard Inc.	49,100	54,501	–
Belle Corp.	150,000	313,500	18,000
Belle Corp.	25,000	52,250	3,000
Cyber Bay Corp.	80,000	31,600	–
EEI Corporation	372,500	4,090,050	74,500
Empire East Land Holdings, Inc.	28,200	12,690	–
BDO-Unibank Inc.	332	47,476	199
House of Investments, Inc.	2,484,000	14,283,000	–
Interport Res.-IRC Properties Inc.	125,000	172,500	–
Petron Corp.	59,400	297,000	–
PLDT Company	50	56,600	–
PLDT Series X	700	7,000	–
RCBC	1,980	52,470	–
South China Resources Inc.	100,000	86,000	–
Arthaland Corp.	152,250	137,025	–
Waterfront Phil. Inc.	30,000	20,100	–
PetroEnergy Resources Corporation	3,613,852	15,467,286	–
		₱50,384,718	₱141,155

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Income Received and Accrued
Available-for-sale securities			
Debt equities			
Philippine Government	–	₱6,576,877	₱–
Quoted:			
Benguet Corporation	2,507,604	3,009,125	–
PetroEnergy Resources Corporation	3,851,164	16,482,983	–
	–	19,492,108	–
Unquoted:			
Hermosa Ecozone Development Corporation	–	406,063,952	21,798,000
	–	₱432,132,937	₱21,798,000

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 September 30, 2019 and December 31, 2018.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
The Company has no outstanding receivables from its directors, officers, employees, related parties and principal stockholders as of September 30, 2019 and December 31, 2018.

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 September 30, 2019 and December 31, 2018.

Schedule E. Long-term Debt
The Company has no outstanding long-term debt as of September 30, 2019 and December 31, 2018.

Schedule F. Indebtedness to Related Parties (Long Term Loans from Related Companies)
The Company has no long-term indebtedness to related parties as of September 30, 2019 and December 31, 2018.

Schedule G. Guarantees of Securities of Other Issuers
The Company does not have guarantees of securities of other issuers as of September 30, 2019 and December 31, 2018.

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	388,000,000	163,000,000	–	30,469,858	4,926	132,525,216

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Below are the financial ratios that are relevant to the Company as of September 30, 2019, September 30, 2018 and for the year ended December 31, 2018:

)LQDQFLDO UDWLRV		6HS 8QDXGLWHG	30-Sep-18 (Unaudited)	31-Dec-18 (Audited)
Current ratio	Current assets / Current liabilities		343.873:1	105.026:1
Debt to assets	Total debt / Total assets		0.0958:1	0.0960:1
Asset-to-equity ratio	Total assets / Total equity		1.106:1	1.106:1
Earnings per share	Net income / Weighted average no. of shares		N/A	N/A
Price earnings ratio	Closing price / Earnings per share		N/A	N/A
Return on revenue	Net income / Total revenue		N/A	N/A
Long-term debt to equity ratio	Long-term debt / Equity		0.106:1	0.105:1
EBITDA to total interest paid	EBITDA* / Total interest paid	1 $	N/A	N/A

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SEAFRONT RESOURCES CORPORATION

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
SEPTEMBER 30, 2019

Unadjusted retained earnings, beginning	**₱12,224,078**
Prior year adjustments:	
Unrealized fair value adjustments (marked-to-market)	**3,250,015**
Adjusted retained earnings, beginning	**15,474,093**
Net income (loss) during the period closed to retained earnings	**26,186,156**
Add: Non-actual/unrealized income net of tax	–
Less: Non-actual/unrealized income net of tax	–
Fair value adjustments (mark-to-market)	**(5,533,818)**
Impairment loss on available-for-sale financial assets	–
Net income actually incurred during the year	**20,652,338**
Less: Dividend declarations during the year	–
Total retained earnings available for dividends	**₱36,126,431**

SEAFRONT RESOURCES CORPORATION

MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

Group Structure

All existing stockholders as of September 30, 2019 neither constitute control nor significant influence over the company. Also, the Company's investments neither constitute control nor significant influence.

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	:	NOVEMBER 12, 2019