

**SEAFRONT RESOURCES CORPORATION**  
**MINUTES OF THE AUDIT COMMITTEE MEETING**

November 10, 2016; 1:00 PM

Conference Room 1, 47<sup>th</sup> Floor, Yuchengco Tower 1, RCBC Plaza Building  
6819 Cor. Sen. Gil J. Puyat and Ayala Avenues, Makati City

**PRESENT:**

|                          |   |                               |
|--------------------------|---|-------------------------------|
| Mr. Nicasio I. Alcantara | – | Chairman/Independent Director |
| Mr. Medel T. Nera        | – | Member                        |
| Dr. Reynaldo B. Veal     | – | Member                        |

**ALSO PRESENT:**

Seafront Resources Corporation:

|                        |   |                           |
|------------------------|---|---------------------------|
| Atty. Arlan P. Profeta | – | Asst. Corporate Secretary |
| Ms. Carlota R. Viray   | – | Chief Financial Officer   |

House of Investments, Inc.:

Mr. Allan G. Galang  
Ms. Maria Elisa Elviña-De Lara

SGV & Co. – External Auditors:

Mr. John T. Villa  
Mr. Jerome B. Ching

**I. Determination of Quorum/Call to Order**

All the members being present, and there being a legal quorum, the Chairman, Mr. Nicasio I. Alcantara, called the meeting to order and open for deliberation.

**II. Approval of Minutes of the Previous Meeting**

The Chairman requested the Committee to review the Minutes of July 26, 2016 Regular Audit Committee Meeting. Upon motion duly made and seconded, the Committee approved the minutes of the previous meeting.



### **III. Presentation of Audit Plan for the Year Ending December 31, 2016**

The external auditors, Sycip Gorres Velayo & Co. (SGV), led by the Engagement Partner, Mr. John T. Villa, presented the audit plan for the year ending December 31, 2016. Please see presentation materials attached as **Annex "A"**.

### **IV. Presentation of Internal Audit Plan for 2016-2017**

Ms. Maria Elisa Elviña-De Lara (MEEDL), Assistant Vice President for Internal Audit of the House of Investments presented the audit plan for the years 2016-2017 to the Committee for approval (attached as **Annex "B"**).

### **V. Approval of the Third Quarter 2016 Consolidated Financial Statements (SEC Form 17-Q)**

Ms. Carlota R. Viray (CRV) presented the highlights of financial statements for the Third Quarter of 2016 (attached as **Annex "C"**).

After the presentation, the Chairman recommended that the Third Quarter 2016 Financial Statements (SEC Form 17-Q) to be submitted to the Securities and Exchange Commission be endorsed to the Board of Directors for approval.

### **VI. Adjournment**

There being no other matter to discuss, the meeting was adjourned.

  
**ARLAN P. PROFETA**  
Assistant Corporate Secretary

MINUTES READ AND APPROVED:



**NICASIO I. ALCANTARA**  
Chairman (Independent Director)



**MEDEL T. NERA**  
Member



**REYNALDO B. VEA**  
Member

## Seafront Resources Corporation

Audit Planning Meeting with Audit Committee  
December 31, 2016 Audit

Conference Room 2  
47th floor, Yuchengco Tower 1, RCBC Plaza  
Cor. Sen. Gil J. Puyat and Ayala Avenues, Makati City

10 November 2016  
1:00 PM



## Agenda

- CY 2016 Engagement Team Members
- Scope of Work
- Communications with Audit Committee
- Enhancement of Auditor's Report
- Key Audit Matters
- Audit Focus Area
- Audit Timetable
- Questions
- Annex

## CY 2016 Engagement Team Members

### QUALITY ASSURANCE TEAM

Cirilo P. Noe  
*Chairman and  
Managing Partner*

J. Carlitos G. Cruz  
*Country Managing  
Partner - Designate*

Wilson P. Tan  
*Vice Chair for  
Client Service*

Vivian C. Ruiz  
*Assurance Head*

Lucy L. Chan  
*Professional Practice Director  
and Risk Management Head*

Narciso T. Torres  
*M&B Leader*

Bernalette L. Ramos ..... Financial Assurance  
*Engagement Quality Reviewer* ..... Services (FAS)

John T. Villa  
*Lead Engagement Partner*

Jerome B. Ching  
*Associate Director*

Jhan Niño R. Arellano  
*Senior Associate*

Lilli Pearl A. Pagulayan  
*Associate*



## Scope of Work

Statutory audit of Financial Statements as of and for the year ending December 31, 2016 in accordance with Philippine Financial Reporting Standards

Review of Form 17-A for submission to Philippine Stock Exchange

Review of 2016 income tax return for filing with BIR

Issuance of management letter comments on internal controls for possible improvement



## Required Communications with Audit Committee

| Area  | 2015 Results                    |
|---|---------------------------------|
| Auditors' responsibilities under Philippine Standards on Auditing           | Complied                        |
| Independence  | Complied                        |
| Fraud and illegal acts  | None noted during our audit     |
| Management's judgments and estimates  | Reasonable based on our testing |
| Material weaknesses in internal control                                     | None                            |
| Judgment about the quality of the Group's accounting principles             | In conformity with PFRS         |
| Significant Unusual Transactions  | None                            |
| Unadjusted audit differences  | None                            |
| Disagreements with Management on Financial Accounting and Reporting Matters | None                            |
| Difficulties encountered in performing the audit                            | None                            |
| Consultations/discussions with other accountants                            | None                            |

SRC 2016 Audit Committee Planning Meeting



## Enhancement of Auditor's Report

Approved by the International Auditing and Assurance Standards Board (IAASB) last January 15, 2015

Approved by Philippine AASB on May 23, 2016 (PSA 700 Revised); became effective on October 19, 2016

The new and revised auditor reporting standards comprise:

New ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

ISA 570 (Revised), *Going Concern*

ISA 705, *Modifications to the Opinion in the Independent Auditor's Report*

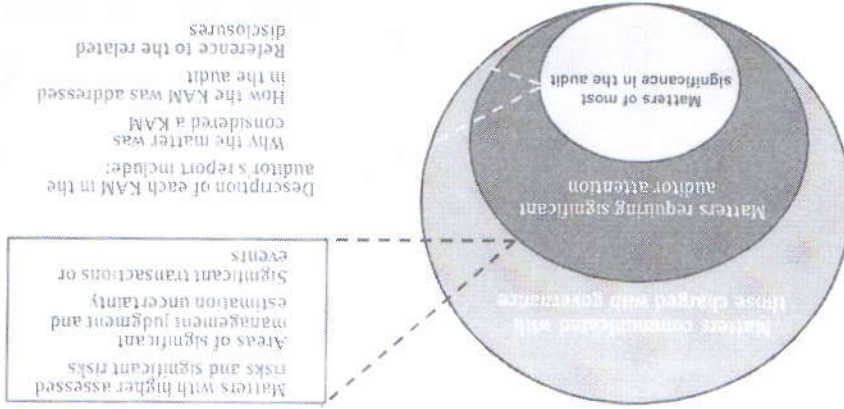
ISA 706, *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*

ISA 260, *Communication with those Charged with Governance*

Consequential and conforming amendments to other ISAs

Standards effective for audits of financial statements for periods ending on or after December 15, 2016





Description of each KAM in the auditor's report include:  
 Why the matter was considered a KAM  
 How the KAM was addressed in the audit  
 Reference to the related disclosures

Matters with higher assessed risks and significant areas of significant management judgment and estimation uncertainty or significant transactions or events

**Key Audit Matters**

**Enhancement of Auditor's Report (cont'd)**

**All Entities**

Opinion first, followed by Basis for Opinion  
 Affirmative statement of independence and fulfillment of relevant ethical responsibilities  
 Going concern  
 Description of management and auditor responsibilities  
 Separate dedicated section to material uncertainty, when exists  
 Identification of those charged with governance within management responsibilities section  
 Expanded description of auditor responsibilities, including key features of an Audit

**For Listed Entities**

New section addressing Key Audit Matters  
 Those matters, in the auditor's judgment, were of most significance in the audit of the current period  
 Disclosure of the name of the engagement partner

## Key Audit Matters

- Impairment of available-for-sale financial assets



## Significant Updates

Status of 500 ha. real estate held for sale and development of Hermoza Ecozone Development Corporation

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

The following projects are on-going as of June 2016:

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



## Financial Highlights

(in thousand pesos except book value and earnings/share)

### QUARTERLY REPORT

(in thousand pesos)



|                                  | Unaudited |           |
|----------------------------------|-----------|-----------|
|                                  | 30-Sep-16 | 30-Sep-15 |
| Assets                           | 180,392   | 171,561   |
| Liabilities                      | 105       | 81        |
| Stockholder's Equity             | 180,286   | 171,479   |
| Net Income (Loss)                | 11,487    | (1,288)   |
| Retained Earnings                | 9,596     | 6,307     |
| Cash and Cash Equivalents*       | 11,575    | 10,815    |
| Outstanding Capital Stock        | 163,000   | 163,000   |
| Book Value per Share             | 1.11      | 1.05      |
| Earnings (loss) per Share        | 0.070     | N/A       |
| *includes short term investments |           |           |