

Issuer: Accordia Golf Trust

Security: Accordia Golf Trust

Meeting details:

Date: 26 July 2017

Time: 10:00AM

Venue: 1 Marina Boulevard, Level 8, Room 801, NTUC Centre, Singapore 018989

Company Description

Accordia Golf Trust is a business trust specializing in investments in golf courses, driving ranges, and golf course related assets in Japan. Accordia Golf Trust is based in Singapore, Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=ADQU)

Q1. As noted in the Consolidated statement of cash flow (page 71 of the annual report), the trust had repaid membership deposits of JPY 1,003 million and JPY 932 million in 2017 and 2016 respectively. This is recognised as a cash outflow under financing activities (page 71).

In Note 15 (page 112 – Membership deposits), the total current portion of membership deposits is JPY 11,215 million. As explained in the note, upon the expiry of the lock-up period, such membership deposits will be re-classified from “non-current liabilities” to “current liabilities”.

- a) **Can the trust confirm that upon the expiry of the lock-up period, such members can request to receive their membership deposits? How quickly will the member be refunded, upon a request?**
- b) **For the current portion of membership deposits amounting to JPY 11,215 million, how many members would that be?**
- c) **If all the members past the lock-up period demand their deposits back, is the trust able to meet the members’ demand?** As at 31 March 2017, the trust has cash and bank balances of JPY 10,252 million and has negative working capital of JPY23,481 million (page 98).
- d) **Can the trust confirm that each dollar of membership deposit refunded will lead to a corresponding decrease in the amount of distributable income?**

Q2. The trust recognised impairment losses of property, plant and equipment of JPY 1,499 million and JPY 184 million in 2017 and in 2016 respectively. This was due to a decrease in the value-in-use of the loss-making golf courses. The impairment of property, plant and equipment is a key audit matter in the Independent Auditor’s Report (page 62).

- a) **Can management help shareholders understand how many golf courses are loss-making and how many golf courses had their recoverable amount (based on value in use) impaired in the past two years?**

Based on the Asset portfolio overview (page 14), the revenue and net operating income for all three largest metropolitan areas and “others” dropped across the board and utilisation rates for all regions with the exception of Greater Nagoya dropped.

- b) **What are management’s plans to improve the operational performance of the golf courses?**
- c) **Can the trust carry out asset enhancement to improve the golf courses and increase the revenue/operating income?**

Q3. As disclosed in Note 17 (page 114 – Derivative financial instruments), the group “utilises currency derivatives to hedge significant future transactions and cash flows.... These arrangements are designed to address significant exchange exposures on the SGD denominated distribution to unitholders”.

In 2016, the group had exposure to foreign exchange forward contract with nominal value of JPY1,000 million. As at 31 March 2017, there are no outstanding foreign exchange forward contracts.

- a) **Can unitholders understand if the trust has taken a considered position not to hedge its currency risks even though the trust is expected to make distributions in the coming financial year?**
- b) **What is the cost to the trust to hedge a nominal value of JPY1,000 million?**
- c) **Could the board explain the rationale to leave unitholders’ distributions (received in Singapore Dollars) unhedged and exposed unitholders to the full foreign exchange risks?**