

**Issuer:** GL Limited

**Security:** GL Limited

**Meeting details:**

Date: 19 October 2017

Time: 11.00 a.m

Venue: Sofitel Singapore City Centre, Wallich II, Level 5, 9 Wallich Street, Singapore 078885

**Company Description**

GL Limited operates as an investment company in Singapore. The firm owns, leases, and manages a chain of hotels under the Guoman and Thistle brand names. It has 37 hotels in the United Kingdom and 2 hotels in Malaysia. It is also involved in casino betting activities through the operation of The Clermont Club in London, the United Kingdom. In addition, the company engages in the development of land and properties on Fijian and Hawaiian islands. Further, it has royalty interest in the oil and gas production from Bass Strait, Australia. GL Limited, formerly known as GuocoLeisure Limited, was founded in 1961 and is based in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=B16](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=B16))

**Q1.** The Consolidated Income Statement for the year ended 30 June 2017 is extracted from the annual report (page 48) and reproduced below.

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## CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2017

	Note	2017 US\$M	2016 US\$M
Revenue	2	350.2	393.9
Cost of sales		(139.7)	(166.4)
<b>Gross profit</b>		<b>210.5</b>	227.5
Other operating income	3	4.6	13.0
Administrative expenses		(129.2)	(157.6)
Other operating expenses		(11.5)	*
<b>Operating profit</b>		<b>74.4</b>	82.9
Finance income		0.8	3.3
Finance costs		(12.0)	(11.4)
Net financing costs	4	(11.2)	(8.1)
<b>Profit before tax</b>	5	<b>63.2</b>	74.8
Income tax expense	6	(14.3)	(7.4)
<b>Profit for the year</b>		<b>48.9</b>	67.4

(Source: Company annual report)

- Can management help shareholders understand the performance of the group better by providing the relevant notes to the financial statements?** For instance, the cost of sales in 2017 is \$139.7 million and there are no notes to the financial statements to show the breakdown of this \$139.7 million in costs. This is both relevant and material to the primary users (shareholders) of the financial statements in the annual report.
- Would the audit committee look into how the financial statements could be improved to provide the material and relevant information for shareholders?** There is a note to “Other operating income” that amounted to US\$4.6 million in 2017 but there is no note to “Other operating expenses” which amounted to US\$(11.5) million in 2017.
- Specifically, what are the “Other operating expenses” amounting to US\$11.4 million that the group incurred under the Hotels segment (page 71 – Reportable segment revenue and profit and loss)?**

**Q2.** In the Independent Auditors’ Report, one of the key audit matters highlighted is the valuation of development properties (pages 44-45). The development properties held by the group comprised land parcels located on Molokai, Hawaii with carrying amounts of US\$182.4 million.

In September 2017, it has been reported by the media that the 55,575 acres land parcel on Molokai island in Hawaii is being put up for sale by the company through Sotheby’s at a price tag of US\$260 million.

- Can management provide shareholders with an update on the sale progress?**

**b) What is the expected timeline of the sale, should a potential buyer emerge?**

**Q3.** The group's gaming segment, which is the exclusive The Clermont Club in Mayfair, London, again reported operating losses in 2017. As shown in Note 1 (page 71 – Segment reporting), gaming revenue in 2017 was US\$4.0 million while administrative expenses were US\$(7.3) million, leading to a loss of US\$(5.0) million in 2017. The revenue in 2016 was US\$8.5 million while administrative expenses were US\$(8.8) million, leading to a loss of US\$(2.5) million in 2016

**a) What are the specific challenges in the gaming operations that led to a significant drop in the revenue from US\$8.5 million in 2016 to US\$4.0 million in 2017?**

The gaming segment recognised a gross profit of US\$3.1 million but reported a loss of US\$(5.0) million in 2017. In 2016, the gross profit of US\$6.8 million turned into a loss of US\$(2.5) after accounting for expenses and costs.

**b) Has management evaluated the cost structure of the gaming operations? What are the challenges in streamlining the cost structure?**

The gaming operations has been loss-making since 2012. In Note 9 (page 79 – Intangible asset), it was also disclosed that the company has received an offer made by an interested buyer whom the group is presently in negotiations with.

**c) Can management confirm that the gaming segment is non-core to the group and that the group would look to sell the gaming operations should the group receive an attractive offer for it?**

A copy of the questions for the Annual Report for the financial year ended 30 June 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=GL%20Ltd>