

Senate Finance and Public Administration Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Budget Estimates Hearing 25-29 May 2015

Prime Minister and Cabinet Portfolio

Department/Agency: Indigenous Land Corporation
Outcome/Program: Outcome 2: Indigenous
Topic: Financing

Senator: Senator Rachel Siewert
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Question:

Senator SIEWERT: Is it possible to write that down, or have you actually sent it before and I have just not got my head around it?

Mr Dillon: I will provide a dot point of the transaction and what the price was and how it was comprised.

Senator SIEWERT: That would be appreciated, because I confess I am not keeping up with the two different figures and what you just described.

CHAIR: Could you take that on notice. Are there any further questions for the ILC?

Answer:

Purchase of Ayers Rock Resort

The ILC Board decided to purchase the Ayers Rock Resort (ARR) from GPT in October 2010 and it was executed in May 2011 and immediately on sold it to its wholly owned subsidiary Voyages Indigenous Tourism Australia Pty. Ltd.

The purchase price for ARR was \$300m, however the ILC entered into an agreement to pay GPT (the vendor) the purchase price in three instalments:

- \$81m on settlement
- \$81m on the one year anniversary of settlement
- \$138m on the fifth year anniversary of settlement (*refer vendor finance*).

Interest on the outstanding instalments is at 6.5% payable quarterly in arrears. (Commercial lending at the time was 8-8.5%).

In recognition of the payment of the purchase price in instalments and the fixed interest rate provided to the ILC, it was agreed that GPT would have a share in any increase of the value of ARR over the 5 year period. (*refer minimum uplift*)

Further, in recognition that GPT had not invested in the capital infrastructure over the sale period, GPT agreed to contribute \$25m over 5 years to the capital expenditure on ARR by the ILC/ Voyages. (*refer GPT contribution to Capital Expenditure*).

Accordingly the purchase price can be summarised as follows:

| | |
|----------------------------------|-----------------|
| Purchase price | \$300m |
| Min Uplift | \$ 17m |
| Capital Expenditure contribution | <u>\$(25m)</u> |
| | <u>\$292m</u> |

Financial Modelling

Financial modelling prepared by Grant Samuel prior to acquisition indicated that cash flows from the operations of Ayers Rock Resort would:

- Cover capital expenditure requirements
- Cover interest payments (both GPT and ANZ)
- Contribute to the reduction of debt

The financial modelling also demonstrated that the ILC's total contribution to the transaction would be \$124m and that a \$60m bank loan would need to be secured by Voyages to contribute to the first year payment and capital expenditure.

GPT Finance

The purchase price is to be paid in three instalments:

- \$81m on settlement – paid by the ILC on settlement in May 2011
- \$81m on first anniversary of settlement – paid May 2012 as follows \$26.3m ILC, \$54.7m Voyages (from ANZ Loan)
- \$138m on fifth anniversary of settlement – payable May 2016

Interest on the outstanding instalments is at 6.5% and is payable quarterly in arrears

In accordance with the contract of sale the ILC is responsible for the payment of instalments and interest. The finance is secured by the assets of Voyages and Ayers Rock Resort and Voyages is guarantor.

As the vendor finance is secured by the assets of Ayers Rock Resort and Voyages is guarantor, non payment of any instalment and interest owing would put the assets and operations of Ayers Rock Resort at risk.

Minimum Uplift

The ILC will pay GPT an additional amount on the fifth anniversary of completion calculated at 46% of the amount by which the value of ARR exceeds \$300m at that time (min \$17m). This payment is in recognition of GPT transferring 100% of the ownership of ARR on completion and accepting deferred payments for the purchase price.

GPT Contribution to Capital Expenditure

In recognition of the fact the GPT had not spent any significant funds on maintaining the report during the sales process, GPT agreed to contribute \$25m over 5 years to Capital Expenditure. Rather than receiving payment over 5 years it was agreed the ILC would receive \$22.2m in a lump sum in March 2012.