YEAR	Yr1	Yr2	Yr3	Yr4	Yr5	Yr6	Yr7	Yr8	Yr9	Yr10
Summary - External senior debt $120m (raised by OpCo)										
Opening Cash										
OpCo	-	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
ILC	-	10,500	21,785	33,899	46,890	60,806	75,698	91,625	108,638	126,801
Cashflows										
EBITDA	20,293	22,025	30,820	34,163	37,643	38,526	39,439	40,614	41,331	42,319
Change in working capita	1,016	(278)	(1,347)	(557)	(469)	(207)	(213)	(254)	(192)	(233)
Net interest (including financing cost	(7,872)	(8,810)	(8,835)	(8,293)	(8,563)	(7,089)	(6,118)	(5,076)	(3,948)	(3,475)
Tax paid	(275)	(118)	(1,699)	(2,877)	(3,541)	(3,944)	(4,152)	(4,377)	(4,523)	(4,533)
Capital expenditure	(33,571)	(19,624)	(6,445)	(5,875)	(5,571)	(7,139)	(7,339)	(7,565)	(7,757)	(7,975)
After tax cash flow	(20,409)	(7,006)	12,494	16,582	19,499	20,148	21,617	23,342	24,911	26,102
Financing Cash Flow										
Additional debt raised	31,909	18,291	-	-	-	-	-	-	-	-
Debt repaid	-	-	-	-	-	(5,255)	(5,692)	(6,328)	(6,749)	(6,728)
Total Cash flow	11,500	11,285	12,494	16,582	19,499	14,893	15,925	17,014	18,163	19,374
Closing Cash										
OpCo	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
ILC	10,500	21,785	33,899	46,890	60,806	75,699	91,625	108,638	126,801	146,176

232

Appendix 4:

Other Information

This appendix reproduces information provided in the December 2008 report to the Board specifically regarding matters relating to the potential purchase of Ayers Rock Resort only (updated as appropriate).

1. Updated Project Scope and Timeframe

If the Board approves the acquisitions, the project will involve the following three phases:

PHASE 1: **[CURRENT PHASE]** ACQUISITIONS & BUSINESS MANAGEMENT PLANNING (updated to represent the exclusive negotiation process)

1. Secure funding – refer section 2 of this paper.
2. Complete stage 2 due diligence - -refer section 3 of this paper
3. Negotiation terms of sale agreement – refer section 3.9 of this paper
4. If the negotiation is successful, lawyers, Baker & McKenzie have indicated that it will take at least three months from completion of the contract to settlement.
5. During this 3 month period, the following planning will be completed by the ILC and a comprehensive Project Plan will be presented to the Board that includes the following detailed reports:
    a) Project Governance report describing roles and responsibilities of the ILC and key operators;
    b) Human resource plan including recruitment and retention of key staff;
    c) Communication, marketing and change management strategy;
    d) Revised project risk treatment plan including how the businesses will be managed in accordance with ILC policies and legislation; and
    e) Plan for development of divestment strategies for the properties.

PHASE 2: MANAGEMENT OF THE BUSINESSES

1. Development of Indigenous employment and training plan describing how the employment model will be implemented in the businesses.
2. Properties and businesses managed in accordance with Project Plan.
3. Monitoring and evaluation of the progress and success of the project through regular reports to the Board and the Audit and Risk Committee.

PHASE 3: GRANT OF THE PROPERTIES & ONGOING OPERATION

1. Grant of the properties to Indigenous organisations, with land leased back, for up to 99 years, to the ILC where required.

Detailed information regarding project governance, planning, stakeholder and communication strategy and risk management plan development for each phase of the project was provided in the December 2008 Board paper.[14]

[14] Refer section 7 of the Strategic Land Acquisition Proposal presented to the Board at meeting No 123 December 2008.

2. Update of Information Provided in December 2008 Board Report Specific to Ayers Rock Resort

This section re-presents information provided in the December 2008 report to the Board (updated where appropriate) specifically regarding matters relating to the potential purchase of Ayers Rock Resort only.

2.1. Native Title & Traditional Owners

Ayers Rock Resort, comprising 104,000 hectares, and Uluru-Kata Tjuta National Park are located in the traditional lands of the Pitjantjatjara and Yankunytjatjara Aboriginal people (locally known as Anangu). They are surrounded by the Katiti and Petterman Aboriginal Land Trusts and the Mutitjulu Community sits within the Uluru -Kata Tjuta National Park. The majority of the people at Mutitjulu are Pitjantjatjara but there are also associated Yankunytjatjara and Ngaanyatjarra with the languages spoken being Pitjantjatjara, Luritja and Yangkunytjatjara. The Arrernte people also have a traditional relationship with Uluru.

Given that the majority of the Ayres Rock Resort land (except for the airport) is freehold, this will limit the likely impact of native title claims since the grant of freehold land generally extinguishes native title.

The case in Jango v Northern Territory of Australia [2006] FCA 318 involved a claim for compensation over Yulara under s 61(1) of the Native Title Act 1993 (Cth) (NTA). To be successful in the claim for compensation the claimant group were required to establish that they had native title rights and interests over the area at the time the 'compensation acts occurred'. It was ultimately found that the applicants failed to establish critical elements of the threshold issue – namely, that the applicants observed and acknowledged the traditional laws and customs of the Western Desert bloc as pleaded[15].

Traditional Owners were handed the title deeds of Uluru-Kata Tjuta National Park in 1985 by the Australian Government. The land was leased back to the Government for 99 years. Traditional Owners now make up the majority of directors on the Board of Management for Uluru-Kata Tjuta National Park, which is operated by Parks Australia. The Traditional Owners for the Ayers Rock Resort property are likely to be the same as those granted titled to Uluru.

2.2. Regional Context

Mutitjulu, a community of 217 Indigenous people[16], is situated less than 30 km from Ayers Rock Resort. The Mutitjulu community has been identified as a community in extreme need by a variety of Indigenous organisations and government departments. There are significant issues with education, health, housing, and alcohol and drug abuse including petrol sniffing.

Mutitjulu came into the public spotlight in 2006 through reports of sexual abuse including in exchange for petrol for petrol-sniffers. The ABC's *Lateline* report described the story as one of "despair and addiction to alcohol, marijuana and petrol sniffing. It's a story of Government failure".

[15] AIATSIS (2007). Jango: Native Title Compensation Determination. http://ntru.aiatsis.gov.au/research/jango/jango.html

[16] Australian Bureau of Statistics, 2006 Census.

People of Mutitjulu are joint managers of the Uluru-Kata Tjuta National Park, which is 1,325km², with Parks Australia, and receive royalties from Uluru and Yulara. Andrews (2006[17]) describes dependency on passively derived income sources (welfare, royalty payments and unconditional free service provision) as a significant contributing factor to the social dysfunction currently facing Mutitjulu. Around 70% of adults in Mutitjulu receive welfare payments and two-thirds of residents' income is passively derived. Most working-age residents rely on passive welfare as their primary source of income and participate in the market economy only to 'top up' their welfare payments.

"The primary sources of actively derived income earnings are employment activities at MCI and Uluru-Kata Tjuta National Park. Other significant employers include Anangu Tours and Mutitjulu Health Clinic. ***No Anangu residents of Mutitjulu work at the Yulara resort.***"[2] (emphasis added)

Other communities Hermannsburg (Ntaria), Imanpa, Kaltukatjara (Docker River) and in Alice Springs itself, face similar issues and disadvantage statistics (refer to Table 1).

Unemployment in these areas is described as long-term, chronic and often intergenerational, and as "the fundamental cause of many of the problems commonly associated with Aboriginal people in the Northern Territory (eg., health problems, substance abuse, violence, poor school retention rates, high crime and incarceration rates and anti-social behaviour problems)"[18].

Table 1: 2006 Census data - Indigenous statistics on population, labour force and individual income for locations in the vicinity of the Resorts

	Indigenous population	No employed	No unemployed	No over 15 years not in labour force	Ave Individual weekly income
Mutitjulu	217	27	5	117	$209
Imanpa	131	*Data not available*			
Kaltukatjara (Docker River)	341	34	3	179	$186
Hermannsburg (Ntaria)	506	80	11	208	$210
Alice Springs	4,494	1109	126	1371	$248

2.3. *Indigenous Benefits to be Delivered*

The acquisition of the properties and operation of the businesses will deliver the following categories of benefits:

- Employment creation
- Training participation
- Generation of new or increased income
- Creation of up to five Indigenous-controlled tourism enterprises
- Expansion of the Indigenous estate
- Maintenance of land of cultural significance

2.3.1 Employment benefits to be delivered

Ayers Rock Resort employs approximately 600 people. Currently, the ILC is aware of only 7 Indigenous staff employed at Ayers Rock Resort. The Indigenous staff are employed in the following roles:

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[17] G. Andrews (2006). Mutitjulu Tjungu Waakaripayi Project 'Working Together' Discussion Paper
[18] G. Phelps and T. Linn (2002). Indigenous Employment and Training at the Alice Springs Desert Park

- 1 Tour Guide
- 1 Housekeeping
- 1 Residents Club Assistant Manager
- 1 Landscaping Gardener
- 1 Kitchen Steward
- 1 Chef Apprentice
- 1 Kitchen Steward Shift Leader.

Source: Horwath
Note 1 Theoretical FTE based on a conversion of 2 part-time = 1 FTE and 4 casual = 1 FTE

Table 2: Employment opportunities for Ayers Rock Resort (updated to reflect percentage of actual employee numbers)

Number of existing jobs	Full time	Part time	Casual	Trainee/ apprentice /cadet	Total
Target for Indigenous jobs in 2009/10	20	8	4	40	70
Target for Indigenous jobs in 2010/11	80	16	4	40	140
Target for Indigenous jobs in 2011/12	160	20	6	40	206

NB These are point in time figures. Factoring in turnover, the number of people placed in employment will need to be considerably more.

2.3.2 Training Participation

There is an opportunity to dramatically increase the share of jobs held by Indigenous people (The Beachfame Due Diligence Report[19] indicates that annual staff turnover is over 100%). Job offers could be lodged with the Australian Employment Covenant which would support the effort by locating jobseekers, provide pre-employment training where necessary and support for on-site mentoring.

The vision is to also develop Yulara to be a national Indigenous tourism and hospitality training academy that will produce accredited Indigenous graduates (including trainees, apprentices and management cadets) and transition them to employment in the Resorts and mainstream tourism and hospitality industries. The scale of training would enable a Registered Training Organisation (possibly Indigenous-operated) to establish a permanent presence at Yulara. Home Valley, Mossman Gorge, and the National Indigenous Development Centre could become Annexes of the Academy.

It is also proposed to establish a sponsorship/job guarantee program at the local Nyangatjatjara secondary college and Tirara College in Alice Springs.

Detailed information regarding developing the implementing the ILC's Training to Employment model was provided in the December 2008 Board paper.[20]

2.3.3 Generation of New or Increased Income

Regional tourism is well known as generating economic (income and employment), socio-cultural and environmental benefits for local communities[21]

[19] Beachfame Red Rock – Due Diligence Report dated 29 November 2008.
[20] Refer section 7 of the Strategic Land Acquisition Proposal presented to the Board at meeting No 123 December 2008.
[21] Hossain, A., Heaney, L., and Carter, P. (2005). *Cultural tourism in regions of Australia*, Tourism Research Australia, Canberra.

2.3.4 Expansion of the Indigenous Estate

Acquisition of Ayers Rock Resort would see 104,000 hectares secured in the Indigenous estate.

It is proposed that granting of the acquired land to appropriate Indigenous title holding bodies would take place on condition of negotiated lease-back agreements of up to 99 years and could occur within three to five years.

2.3.5 Maintenance of Land of Significant Cultural Values and Environmental Heritage

There are significant cultural values at Ayers Rock Resort. Indigenous-control of this property will help ensure that the values are maintained and protected.

Uluru-Kata Tjuta National Park is one of the few properties inscribed on the World Heritage List for both its natural and cultural values. The huge rock formations of Uluru and Kata Tjuta are remarkable geological and landform features set in a contrasting, relatively flat, sand-plain environment.
They are a part of an important cultural landscape and have special significance to Anangu. Rock art in the caves around the base of Uluru are evidence of the enduring cultural traditions of Anangu. The Kata Tjuta area is sacred under Anangu men's law and, as such, detailed knowledge of it is restricted.

The Ayers Rock Resort land has had multiple surveys of its ecological values. It is known to have a variety of species of flora and fauna, including over 566 plant species, 24 species of native mammals, 161 species of birds, and 72 reptiles. Threatened species exist, such as the Mulgara (a small marsupial) and the Great Desert Skink. These species are reported to be faring well under the mosaic-burning regime that is being used. Since the development of Ayers Rock Resort, consideration has been given to preserving the environment and emphasis has been placed on the cultural importance of the surroundings. The position of the Resort adjacent to the joint managed National Park facilitates sound environmental management of the biodiversity values on the Resort land.

The resort was also designed to integrate with the landscape, to minimise use of energy and allow the resort to handle the temperature extremes of the region. Buildings have been positioned to shade each other, double roofs, bull-nosed verandas and fabric roofs and sails are used to shade guests and external walls.

2.3.6 Artists in Residence Program

Ayers Rock Resort has been responsible for the management and coordination of a successful 'Artist in Residence' program in Mulgara Gallery at Sails in the Desert Hotel, as well as the sale of authentic Aboriginal artwork through Mulgara Gallery and Craftworks retail outlets throughout Ayers Rock Resort.

Every month, Mulgara Gallery has an 'Artist & Craftsperson in Residence' program, with high-profile indigenous artists exhibiting and selling their work. Authentic Aboriginal art is purchased from a variety of suppliers including Mbantua, Alice Springs, Better World Arts, South Australia, and Waringari Arts, in Western Australia, and sold to guests ensuring strong and consistent economic benefits to Aboriginal communities in Central Australia and the Top End.

2.3.7 Other Indigenous Initiatives

Other Indigenous initiatives supported through Ayers Rock Resort:

- Anangu Tours is a successful Aboriginal owned and operated touring company, which received financial support for establishing the company and benefits from ongoing marketing and promotion by Ayers Rock Resort. Anangu Tours provides a range of touring activities that portray some of the most important aspects of Uluru, its history and religious meaning; and

- Provision of land and some initial funding to the Nyangatjatjara College. This college provides secondary schooling for Aboriginal children in surrounding communities. Groups of children spend four weeks schooling at the college and four weeks schooling at their community and receive a secondary education and still learn their unique culture from their own people.

2.4 Alignment with the ILC's Strategic Direction and Need for ILC Involvement

Acquisition of Ayers Rock Resort and businesses to create employment and training outcomes aligns with the ILC's key priorities described in the National Indigenous Land Strategy (NILS). It is also consistent with the Government's priorities. The employment outcomes, and the flow-on benefits that the project will produce, will contribute significantly to the Government's Closing the Gap, Overcoming Indigenous Disadvantage and the Aboriginal Employment Covenant targets.

The ILC's priority of working collaboratively with other agencies, organisations and industries will include the following:

- DEEWR contributions to resourcing of traineeships (through existing MoU as per the ILC Pastoral Businesses)
- State/Territory training authorities for funds for vocational training
- IBA for the establishment of contracting enterprises
- Group Training Australia and Registered Training Organisations
- Nyangatjatjara College (independent Indigenous school at Yulara) and Yirara College in Alice Springs
- Tourism Training Australia and NT Tourism to assist with marketing and industry training requirements
- Major hotel chains for job opportunities

The acquisition of Ayers Rock Resort falls within the functions of the ILC[22] and is extremely unlikely to be achieved through another Government initiative. This project is an extension of the ILC's current work with its pastoral and tourism businesses, and development of its Training to Employment model, which can be applied to secure Indigenous employment outcomes.

[22] Corrs Chambers Westgarth advice

3 Property Details

3.1 Description

ARR is uniquely located adjacent to the Uluru-Kata Tjuta National Park. It is the only resort within several hundred kilometres of this landmark and is the principal economic driver in the South West region of the Northern Territory. The resort as it is currently managed, operates not just the eight accommodation choices, but also the township of Yulara which includes a visitor's centre, a shopping square, petrol station, and a conference centre. It also has the leasehold interest in Ayers Rock Airport, and manages out-of-room experiences such as tours.

3.2 Market Position

ARR is the key asset and the largest asset of the Central Australian Assets. It represents 80% of total revenue for the Central Australian Assets in 2008.

ARR is one of Australia's leading experiential destinations. It captures the essence of the Australian outback and provides visitors with access to the unique cultural and natural experience of the Uluru-Kata Tjuta National Park.

Within the National Park, the key attraction for visitors is underpinned by the region's Indigenous culture and natural landscapes. The visitor experience is supported by a wide range of touring options which feature strong educational themes.

The resort essentially enjoys a monopolistic situation in its location to the unique attractions and further commercial development is extremely unlikely. The nearest alternative accommodation is located in Alice Springs approximately 461km away.

Ayer Rock Resort's wide accommodation offering (from the five-star Sails in the Desert or the Desert Gardens Hotel, to the self contained Emu Walk Apartments, the Lost Camel Hotel, the Outback Pioneer Hotel and Lodge and the Ayers Rock Campground offering powered campsites and air conditioned cabins), caters to a wide range of market segments, including tour groups, free independent travellers, families and backpackers.

3.3 Key infrastructure

Ayers Rock (Connellan) Airport is the gateway to the Uluru-Kata Tjuta National Park and is situated approximately 7 km from ARR. The Ayers Rock Airport is owned by the Northern Territory Government and leased on a long term basis by the Resort.

Significantly upgraded in 1996, the Airport encompasses a terminal building and runway that is capable of servicing fully loaded Boeing 737s and Airbus A320s. The terminal also includes a general aviation area, car rental and associated tour company support services.

The Resort has considerable infrastructure and maintenance facilities which support the overall property. Management and staff are accommodated in over 700 units and dwellings which range in size from shared accommodation through to free standing homes. A number of dwellings are also leased to third parties such as concessionaires, tenants and other service providers for commercial rentals. Staff facilities include swimming pools, a recreation centre, bar and restaurant and sporting facilities and extensive maintenance facilities.

Table 3: Summary of Ayers Rock Resort

Location	Adjacent to the world heritage listed Uluru-Kata Tjuta National Park, 30 km north-west of the based of Uluru (Ayers Rock) and 60 km from Kata Tjuta (the Olgas).
Title/Tenure	Freehold site Ayers Rock Airport owned by NT Government and leased on a long term basis by the Resort
Area	104,000 ha
Land use	8 resorts and facilities
Year opened	Developed in 1984 to cater for growing international and domestic travel to Uluru and Kata Tjuta.
Access	Air access to the Resort's Airport from Alice Springs, Perth, Cairns and Sydney. Coach and car access also available from Alice Springs (465 kilometres to the north east) via the Lasseter Highway, off the Stuart Highway.
Guest rooms ***refer to Table 4 for details**	Longitude 131° - 15 luxury tents Sails in the Desert – 232 luxury rooms Desert Gardens Hotel – 218 deluxe rooms Outback Pioneer Hotel – 137 mid market rooms Emu Walk Apartments - 60 serviced apartments The Lost Camel – 99 mid market rooms Outback Pioneer Lodge – 332 backpacker beds Ayers Rock Campground – 421 campground and caravan sites
Other Amenities and Facilities	The Resort encompasses the town of Yulara and manages all aspects of Yulara other than statutory services (e.g. police and fire station, government funded school, power, water, ambulance and royal flying doctor medical service etc). These include retail shopping centre, petrol station, visitor information centre, various food and retail outlets, spa, conference centre and recreational facilities
Infrastructure	The Ayers Rock Resort also leases and operates the nearby Ayers Rock (Connellan) Airport
Closest Indigenous populations	Mutitjulu, Imanpa, Kaltukatjara (Docker River)
Native Title	Unsuccessful native title claim for compensation; limited issues due to freehold nature of title
Cultural values	High cultural value of surrounding lands
Environmental values	High biodiversity values on some areas of the land

Table 4: Summary of Hotels of Ayers Rock Resort

Hotel	Style & Rating	Facilities	Average Room Rate (2007)
Longitude 131°	Luxury ☆☆☆☆☆	• 15 luxury tents with views of Uluru • Dune House restaurant • Swimming pool • Library	$712 - Includes all meals, beverages and touring
Sails in the Desert Hotel	Luxury ☆☆☆☆☆	• 232 guest rooms & suites • 3 restaurants and Bar • Swimming pool • Spa • Art gallery and retail outlet • Tennis courts	$286 - Room only
Desert Gardens Hotel	Deluxe ☆☆☆☆ 1/2	• 218 guest rooms • 2 restaurants and Bar • Swimming pool • Retail outlet • Guest laundry	$239 - Room only
Emu Walk Apartments	Serviced Apartments ☆☆☆☆	• 60 one and two bedroom apartments • Access to recreational facilities and food and beverage outlets at Desert Gardens	$223 - Room only
The Lost Camel	Mid market ☆☆☆ 1/2	• 99 studio rooms • Lobby bar • Swimming pool • Access to Town Square cafés and bars and Desert Gardens facilities	$197 - Room only
Outback Pioneer Hotel & Lodge	☆☆☆ 1/2 Backpacker	• 125 standard hotel rooms • 42 budget rooms • 168-bed dormitory-style lodge • Restaurant and Bar • Self-cook kitchens • Retail outlet	$189 - Room only
Ayers Rock Campground	Camping/budget N/A	• 14 A/C cabins • 14 village tents • 201 powered caravan sites • 220 standard tent sites • Communal cooking facilities • Guest laundry • Convenience store • BBQ areas • Pool	Various

Australian Government

Indigenous Land Corporation

BOARD BRIEFING PAPER
BOARD MEETING No 132—18 February 2010

AYERS ROCK RESORT

Purpose

The purpose of this paper is to provide the Board with an update on the proposed Ayers Rock Resort land acquisition project and the 2009 financial results of GPT for the Resort.

Background

Board Consideration to Date

Appendix A lists the Board's decisions on the project to date.

At its December 2008 meeting the Board considered a land acquisition proposal for the acquisition of Ayers Rock Resort.

The Board agreed to enter into negotiations with GPT and complete due diligence on the purchase of Ayers Rock Resort. Due diligence on the property was completed in April 2009 and presented to the April 2009 Board meeting.

At its **Meeting No 127 of 23 April 2009** the Board agreed to attempt to acquire the Ayers Rock Resort on terms and conditions acceptable to the ILC. The Board agreed to offer the following to GPT for the acquisition of Ayers Rock Resort:

- one-off payment of $200 million now, or
- one-off payment of $100 million now and a further payment of $120 million in 12 to 18 months

subject to bank financing or a bond issue.

This offer has not yet been made as the ILC has not secured bank financing for the project.

Funding/Financing of the Proposed Acquisition

Funding for the proposed acquisition has not yet been secured. The Minister has indicated that she will not support funding being sourced from the Land Account.[1]

Grant Samuel has conducted preliminary discussions with four major banks. Two banks, the Commonwealth Bank and ANZ, declined to consider the project. However, both Westpac and the National Australia Bank (NAB) entered into negotiations/discussions for the provision of external funding for the acquisition of Ayers Rock Resort.

A summary of current positions of the two banks are as follows:

<u>NAB</u>

The NAB has formalised its support as follows:[2]

- Maximum loan of $100 million for the acquisition
- Loan term of three years
- Capital expenditure funding of $25 million on an amortising basis (ie, periodic release of funds)
- Any additional debt used to fund the purchase would need to be structured like equity and be fully subordinate to NAB in respect of principal and interest payments

<u>Westpac</u>

Westpac has proposed a $250 million debt facility being:

- Loan/advance of $210 million for the acquisition
- Capital expenditure funding of $30 million on the terms and conditions below
- The remainder—$10 million—for interest rate hedging, credit card facilities and other bank guarantees

Terms and conditions:

- Term of seven years
- Passing of the legislation to secure $45 million per year (minimum) from the Land Account (as a condition precedent) or a fixed charge over the cash balance of the ILC
- Sale of the airport and $70 million lump sum payment at year five or a penalty interest rate on the remainder of the loan
- Principal repayments from year one
- 50% of any extra funding received from the Land Account in excess of $45 million per year applied to debt reduction (over and above agreed principal repayments)

A formal proposal has not yet been agreed or received from Westpac.

[1] Correspondence from Dr Jeff Harmer dated 30 March 2009 (file reference g/005097)
[2] Correspondence from Paul Stone, National Australia Bank 30 July 2009 (file reference G/003182, item 77)

More recently, Westpac (Brian Acworth) has proposed alternative structures involving the Land Account providing funding to the ILC until such time as the legislation is passed. At this time Westpac would advance the funds to the ILC and the loan to the Land Account would be repaid. Alternatively, FaHCSIA may act as guarantor for a Westpac loan until such time as the legislation is passed. The terms and conditions of the Westpac advance/loan are still unknown at this stage, but are expected to include the terms and conditions mentioned above.

Westpac has been discussing this matter with FaHCSIA, but no update has been received since September 2009.

2009 Financial Results of Ayers Rock Resort

The ILC has recently received the 2009 financial results for Ayers Rock Resort through Grant Samuel. The full details are provided at Attachment 2 and a summary against budget is provided below:

	2009 GPT Actual	2009 GPT Re-Forecast[3]	2009 GPT Original Budget[4]	Variance Actual to ILC Budget	2010 GPT Reforecast
Visitor Numbers	320,118	314,132			323,794
Occupancy %	51.2%	51.6%	54.5%	-3.3%	52.9%
Room Yield	$131.46	$129.18	$131.49	-.03	$138.58
Total Revenue	$103.6m	$102.6m	$104.7m	-$1.1m	$107.8m
Direct Expenses	*$47.2m*	*$47.7m*	*$55.9m*		*$49.4m*
In direct Expenses	*$19.4m*	*$19.6m*	*$23.6m*		*$20.5m*
Back office costs	*$8.9m*	*$9.8m*			*$11.2m*
Total Expenses	$75.6m	$77.1m	$79.5m	+$3.9m	
EBITDA	**$28.0m**	**$25.5m**	**$25.2m**	**+$2.8m**	**$26.6m**
	27.0%	**24.9%**	**24.1%**	**+2.9%**	**24.7%**

Note: The financial information presented does not indicate how much Voyages/GPT spend on capital development/refurbishment during the year.

In summary the financial results for the Ayers Rock Resort, based on the information available, are better than budget. While the occupancy rate was below budget, the room yield remained in line with budget. Accordingly, total revenue was below budget. However, expenses being less than budget meant that the net profit of the Resort was ahead of budget.

[3] GPT reforecast in June 2009 after 5 months trading
[4] Taken from Horwath HTL second round due diligence report Feb 09(file reference G/003182, item 45)

Recommendation

That the Board notes the contents of this paper.

Prepared by:

Jodie Lindsay
Chief Operating Officer

February 2010

Appendix A

BOARD DECISIONS ON PROJECT TO DATE

At its **Meeting No 121 of 27 August 2008** the Board indicated its support for the ILC to pursue the acquisition of the Central Australian Assets.

At its **Meeting No 122 of 22 October 2008** the Board noted that the ILC had progressed to the second round of the purchase process regarding the Central Australian Assets being offered for sale by GPT and authorised the General Manager to engage Grant Samuel and specialists/consultants for the due diligence as required.

At its **Meeting No 123 of 16-17 December 2008** the Board considered a comprehensive paper on the proposal and received presentations from Grant Samuel and other consultants undertaking the due diligence on behalf of the ILC. It was agreed that the ILC would not submit an offer for the entire portfolio of properties. Instead the Board agreed that it would be prepared to negotiate with GPT for the purchase of Ayers Rock Resort and El Questro. The Board further expressed its agreement that funding for the acquisition would be via access of funds through the Land Account and not borrowings.

At its **Meeting No 124 of 19 January 2009** the Board noted that GPT had provided a bottom offer for Ayers Rock Resort of $270 million and had agreed to an exclusive 30-day negotiating period to allow the ILC to secure funding. The Board further noted that this 30-day period would be utilised to finalise due diligence on the assets. The Board again expressed its agreement that if the ILC is not able access funds from the Land Account for this purchase the ILC will not go ahead with the purchase. The Board noted that GPT is to sell El Questro to another party.

At its **Meeting No 125 of 18 February 2009** the General Manager provided a verbal update on due diligence work being undertaken and advised the Board that a paper canvassing funding from the Land Account had been forwarded to the Prime Minister's Office. The Board noted that the Minister for Finance and Deregulation would need to pass a Regulation to allow such funding.

At its **Meeting No 126 of 15 April 2009** the Board was presented a substantial paper on the current status of negotiations and due diligence regarding the potential purchase of Ayers Rock Resort. The Board was also provided with correspondence from the Secretary of FaHCSIA advising that the Minister would not support the ILC's request for funding from the Land Account to purchase Ayers Rock Resort.[5] The Board resolved to defer discussion until all Board Directors were available for a face-to-face meeting.

[5] Page 225 of Board Papers for Meeting No 126 of 15 April 2009 (correspondence from Dr Jeff Harmer dated 30 March 2009).

At its **Meeting No 127 of 23 April 2009** the Board noted that since the February 2009 meeting the due diligence team had progressed matters, with a contract of sale being agreed except for issues relating to environmental management risks. The Board also noted that Grant Samuel had conducted preliminary discussions with four major banks. The Board agreed to attempt to acquire the Ayers Rock Resort on terms and conditions acceptable to the ILC. The Board agreed to offer the following to GPT for the acquisition of Ayers Rock Resort:

- One-off payment of $200 million now, or
- One-off payment of $100 million now and a further payment of $120 million in 12-18 months

subject to bank financing or a bond issue.

At its **Meeting No 128 of 17 June 2009** the General Manager provided a verbal update to the Board that little progress had been made since the April meeting, as the banks approached were still settling their terms and conditions. Director Baffsky advised that an updated valuation had been received and that the first five months trading for 2009 indicated that trading for 2009 was ahead of forecast.

At its **Meeting No 129 of 16 August 2009** the General Manager provided a verbal update to the Board. It was agreed to defer discussion of this item until such time as all Directors were available to participate.

At its **Meeting No 130 of 28 October 2009** it was agreed to defer discussion of this item until such time as all Directors were available to participate.

At its **Meeting No 131 of 16 December 2009** the General Manager advised that Grant Samuel had not been able to ascertain the updated financial figures from GPT. Consequently, discussion was postponed until the Board's February 2010 meeting when the financial results for 2009 will be forthcoming.

Voyages Hotels & Resorts
Ayers Rock Resort
P & L Summary - 2009 Actual

	Jan Actual	Feb Actual	Mar Actual	Apr Actual	May Actual	Jun Actual	Jul Actual	Aug Actual	Sep Actual	Oct Actual	Nov Actual	Dec Actual	2009 Full Year	% Revenue	2009 Last ILC Fcst (Note 1)	Var
Visitor Numbers	21,374	20,823	24,983	27,869	23,263	26,222	35,845	32,050	31,037	31,447	25,131	20,074	320,118		314,132	5,986
Rooms Available	24,490	22,120	24,490	23,700	24,490	23,700	24,490	24,490	23,700	24,490	23,700	24,490	288,350		288,350	-
Rooms Sold	11,251	11,803	12,975	12,345	10,835	10,685	13,082	13,664	12,998	15,215	12,535	10,288	147,666		148,718	(1,052)
Occupancy %	45.9%	53.4%	53.0%	52.1%	44.2%	45.1%	53.4%	55.8%	54.8%	62.1%	52.9%	42.0%	51.2%		51.6%	-0.4%
Average Daily Rate	$232.40	$227.03	$219.86	$241.58	$236.53	$234.20	$286.69	$287.40	$281.81	$284.67	$282.06	$243.68	$256.71		$250.47	$6.23
Room Yield	$106.77	$121.14	$116.48	$125.84	$104.55	$105.59	$153.15	$160.35	$154.55	$176.86	$149.19	$102.37	$131.46		$129.18	$2.28
																0
REVENUE																0
Rooms	2,614,773	2,679,649	2,852,621	2,982,355	2,560,420	2,502,461	3,750,532	3,927,085	3,662,953	4,331,216	3,535,649	2,506,981	37,906,705	36.6%	37,249,796	656,909
Food & Beverage	1,979,628	1,926,726	2,135,297	2,232,836	2,205,652	1,944,474	2,372,992	2,446,118	2,308,812	2,534,457	2,049,726	1,944,579	26,141,296	25.2%	26,371,092	(229,795)
Hotel Sundry	45,884	69,410	58,520	125,965	125,437	114,043	120,339	134,294	142,343	167,616	145,664	110,325	1,367,840	1.3%	1,433,042	(65,203)
Campground & Lodge	213,046	184,431	267,266	403,605	342,838	445,684	587,597	464,858	490,260	391,307	292,501	239,921	4,323,307	4.2%	4,065,462	257,845
Retail	1,269,592	1,123,172	1,337,253	1,440,714	1,266,461	1,352,780	1,706,751	1,647,462	1,669,676	1,539,643	1,293,067	1,235,312	16,940,884	16.4%	16,353,899	586,985
Airport	678,126	493,074	905,028	725,864	508,327	460,621	801,843	557,447	781,283	1,049,218	936,201	696,840	8,593,973	8.3%	8,726,723	(132,750)
Property	441,599	433,527	471,010	484,227	534,549	473,091	541,684	542,017	576,016	473,055	554,284	436,403	5,961,454	5.8%	5,908,334	53,120
Touring & Activities	141,015	114,211	118,270	136,597	115,996	116,550	148,488	138,474	181,248	149,846	117,996	130,903	1,562,593	1.5%	1,669,333	(106,740)
Spa	23,737	21,677	27,661	35,559	30,738	21,514	27,553	18,174	18,671	24,751	19,907	23,984	293,878	0.3%	330,613	(36,735)
Air	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	38,808	24,624	35,132	45,564	32,348	46,695	76,404	36,668	35,952	35,209	35,368	31,382	474,154	0.5%	499,447	(25,293)
TOTAL REVENUE	7,446,207	7,069,500	8,209,050	8,613,385	7,781,675	7,477,913	10,203,206	9,912,592	9,817,215	10,696,346	8,974,264	7,365,729	103,566,084	100.0%	102,607,742	958,342
DEPARTMENTAL OPERATING EXPENSE																
Rooms	733,721	673,250	784,333	777,277	720,595	718,055	809,305	810,297	800,192	873,564	831,609	872,748	9,354,946	24.7%	9,586,241	(230,295)
Food & Beverage	1,504,973	1,419,779	1,580,612	1,553,719	1,718,888	1,511,064	1,642,509	1,684,690	1,638,155	1,740,073	1,575,496	1,714,760	19,285,639	73.8%	19,893,253	(607,614)
Hotel Sundry	28,514	32,078	22,196	37,960	37,190	40,671	44,093	37,259	33,553	36,855	32,957	34,597	418,631	30.6%	315,425	103,206
Campground & Lodge	77,746	76,438	88,178	98,303	97,450	109,189	122,960	128,891	121,019	110,486	100,505	113,211	1,244,376	28.8%	1,162,379	81,997
Retail	975,186	859,206	1,025,800	1,094,193	1,017,505	1,042,555	1,264,403	1,215,545	1,304,277	1,168,217	1,050,749	1,004,976	13,042,616	77.0%	12,533,637	508,978
Airport	106,492	64,397	114,509	94,144	110,040	128,843	93,440	129,012	106,022	64,895	136,129	128,786	1,276,709	14.9%	1,335,841	(59,132)
Property	136,821	116,454	127,764	125,632	118,704	109,391	112,104	116,080	113,464	147,404	118,874	132,949	1,475,640	24.8%	1,695,717	(220,077)
Touring & Activities	93,418	75,366	86,456	79,113	77,597	74,429	89,164	87,159	79,462	87,631	85,484	68,860	984,369	63.0%	1,163,450	(179,082)
Spa	19,570	20,302	26,092	28,403	20,278	21,685	22,794	19,759	14,888	15,751	14,149	17,320	246,987	84.0%	294,595	(47,608)
Air	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	(6,568)	(16,437)	(44,436)	(9,921)	(5,077)	35,949	(39,879)	(11,626)	(16,113)	(5,963)	(4,962)	(7,239)	(132,273)	-27.9%	(265,316)	133,044
TOTAL OPERATING EXPENSE	3,669,872	3,321,135	3,811,534	3,878,831	3,919,170	3,791,851	4,160,894	4,217,065	4,194,914	4,210,014	3,940,991	4,081,368	47,197,640	45.6%	47,714,223	(516,583)
GROSS OPERATING INCOME	3,776,335	3,748,365	4,396,516	4,734,554	3,862,505	3,686,062	6,042,312	5,695,527	5,622,301	6,486,333	5,033,273	3,284,361	56,368,444	54.4%	54,893,519	1,474,925
UNDISTRIBUTED OPERATING EXPENSES																
Admin & General	461,194	474,258	446,679	444,793	446,295	479,854	435,086	490,006	474,531	703,160	401,619	351,957	5,619,432	5.4%	5,763,647	(144,215)
Sales & Marketing	40,908	40,423	38,250	19,797	29,953	29,028	27,156	28,191	28,944	28,591	26,837	29,365	367,442	0.4%	455,597	(88,155)
Energy	518,387	414,108	472,220	446,847	384,331	454,702	441,008	500,593	463,324	486,015	445,608	445,393	5,472,595	5.3%	5,580,821	(108,225)
Property Ops & Maintenance	405,040	381,255	599,493	494,367	419,790	385,050	419,949	485,948	565,082	514,143	550,755	608,346	5,829,219	5.6%	5,612,460	216,759
TOTAL UNDISTRIBUTED	1,425,529	1,310,043	1,556,642	1,405,803	1,280,370	1,348,693	1,323,200	1,504,738	1,531,881	1,731,909	1,424,820	1,445,061	17,288,688	16.7%	17,412,524	(123,836)
GROSS OPERATING PROFIT	2,350,806	2,438,322	2,839,875	3,328,751	2,582,135	2,337,369	4,719,112	4,190,789	4,090,420	4,754,423	3,608,453	1,839,300	39,079,756	37.7%	37,480,994	1,598,761
FIXED CHARGES																
Property Insurance	108,287	108,287	108,287	109,200	109,200	109,200	108,877	108,877	81,364	99,339	137,902	107,052	1,295,871	1.3%	1,419,733	(123,862)
Lease/Rent	79,549	51,719	72,441	68,861	53,135	65,151	75,985	57,531	68,511	101,000	90,011	71,992	855,936	0.8%	797,466	58,470
TOTAL FIXED CHARGES	187,836	160,006	180,729	178,061	162,384	174,351	184,862	166,407	149,876	200,340	227,913	179,044	2,151,808	2.1%	2,217,199	(65,391)
EBITDA (excluding recharges)	2,162,970	2,278,316	2,659,146	3,150,690	2,419,751	2,163,018	4,534,251	4,024,382	3,940,544	4,554,084	3,380,540	1,660,256	36,927,948	35.7%	35,263,796	1,664,153
Head Office Recharges																
Admin Recharge	10,556	15,060	13,781	1,289	20,835	14,697	20,267	20,066	19,146	20,225	20,009	18,853	210,786		215,906	(5,120)
Central Reservations Recharge	153,124	172,340	168,222	161,358	182,916	100,722	152,689	156,827	148,136	157,992	154,851	145,053	1,867,168		1,916,794	(49,626)
Finance Recharge	151,058	134,770	152,033	161,118	131,537	(136,225)	114,309	114,264	113,774	115,450	120,016	119,453	1,391,697		1,540,857	(152,664)
HR Recharge	34,765	19,061	17,842	31,002	5,538	15,058	32,576	32,080	32,464	33,350	39,007	47,107	335,201		353,825	(18,624)
IT Recharge	84,020	94,237	116,091	103,564	103,749	25,571	102,922	100,337	93,108	101,325	104,812	93,600	1,275,671		1,281,521	(4,852)
Tech Services Recharge	20,295	17,464	25,070	17,033	64,025	37,634	32,941	22,140	20,907	21,877	22,418	20,308	323,700		323,750	(55)
Sales & Marketing Recharge	471,106	455,948	375,713	370,412	288,987	(122,592)	298,251	300,568	303,187	304,298	327,025	320,565	3,626,697		4,167,497	(540,800)
Total Recharges	924,918	910,884	876,647	915,616	808,568	(62,043)	754,405	748,865	733,673	754,350	788,137	787,354	8,920,995		9,882,941	(961,946)
EBITDA (including recharges)	1,238,152	1,367,732	1,782,499	2,235,074	1,611,183	2,225,061	3,779,846	3,275,498	3,206,872	3,799,733	2,592,403	882,902	28,006,953		25,400,855	2,546,099

1) Last full year forecast submitted to Horwath HTL in June 2009 based on 5 mths actual + 7 forecast.

127

Voyages Hotels & Resorts
Ayers Rock Resort
P & L Summary - 2010 Budget

	Jan Budget	Feb Budget	Mar Budget	Apr Budget	May Budget	Jun Budget	Jul Budget	Aug Budget	Sep Budget	Oct Budget	Nov Budget	Dec Budget	2010 Budget	% Revenue	Variance to 2009	Variance to 2008	2009 Actuals	2008 Actuals
Visitor Numbers	20,990	20,304	25,738	28,667	22,576	26,852	36,636	30,732	31,653	31,069	25,132	22,145	323,794		3,676	(10,650)	320,118	334,444
Rooms Available	24,420	22,120	24,490	23,700	24,490	23,700	24,490	24,490	23,700	24,490	23,700	24,490	288,350		-	(1,156)	288,350	289,506
Rooms Sold	10,935	11,395	13,651	13,033	10,751	11,102	13,733	14,007	13,560	15,517	12,140	11,845	152,079		5,013	(16,678)	147,066	168,757
Occupancy %	44.7%	51.5%	55.7%	55.0%	43.9%	46.8%	56.1%	57.2%	57.2%	63.4%	55.4%	48.4%	52.0%		1.7%	-5.3%	51.2%	58.3%
Average Daily Rate	$243.51	$237.02	$226.87	$242.15	$239.61	$237.20	$291.00	$205.52	$285.98	$288.50	$250.19	$239.86	$261.72		$5.02	$11.28	$256.71	$250.44
Room Yield	$108.89	$122.58	$126.45	$133.18	$105.19	$111.13	$163.18	$167.89	$163.69	$182.80	$160.89	$110.01	$136.58		$7.12	$-7.41	$131.46	$145.98
REVENUE																		
Rooms	2,666,775	2,711,392	3,096,986	3,156,338	2,575,958	2,639,703	3,996,239	4,117,362	3,879,554	4,476,694	3,813,142	2,841,151	39,959,367	37.1%	2,052,662	(2,304,118)	37,906,705	42,263,485
Food & Beverage	1,956,822	1,934,989	2,228,573	2,359,124	2,150,452	2,060,322	2,537,262	2,492,151	2,420,490	2,637,460	2,276,496	2,067,897	27,182,038	25.2%	1,040,741	(2,114,550)	26,141,296	29,296,593
Hotel Sundry	126,316	118,922	127,246	124,505	126,278	123,860	127,258	127,302	124,684	127,854	124,567	126,672	1,505,463	1.4%	137,624	796,402	1,367,840	709,062
Campground & Lodge	216,481	190,431	273,543	408,649	340,915	465,909	600,513	487,249	498,243	396,626	297,857	238,525	4,424,038	4.1%	100,731	602,466	4,323,307	3,821,572
Retail	1,161,539	1,161,219	1,416,198	1,543,646	1,239,131	1,422,978	1,932,425	1,662,100	1,708,005	1,651,196	1,430,039	1,285,259	17,613,534	16.3%	672,650	533,887	16,940,884	17,079,648
Airport	609,434	632,979	739,239	709,160	545,181	580,505	766,749	770,763	773,082	902,478	748,687	679,275	8,452,551	7.8%	(141,422)	712,720	8,593,973	7,739,831
Property	518,263	458,108	518,263	501,545	518,263	501,545	518,263	518,263	501,545	518,263	501,545	518,263	6,102,127	5.7%	140,673	206,465	5,961,454	5,895,663
Touring & Activities	122,002	110,599	119,165	138,779	142,197	135,562	159,215	158,355	135,600	156,419	126,145	116,042	1,620,280	1.5%	57,687	5,219	1,562,593	1,615,061
Spa	32,039	34,821	34,230	33,377	24,785	24,958	37,050	29,267	34,220	35,724	32,200	31,007	377,652	0.4%	83,774	179,038	293,878	798,013
Air	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	44,355	40,090	44,385	42,953	44,385	42,953	44,385	44,385	42,953	44,385	42,953	44,385	522,600	0.5%	48,446	(77,420)	474,154	600,020
TOTAL REVENUE	7,472,858	7,403,849	8,591,829	9,018,080	7,710,465	7,993,258	10,713,358	10,399,197	10,118,373	11,038,297	9,293,630	7,899,406	107,759,651	100.0%	4,193,566	(1,458,898)	103,566,084	109,218,548
DEPARTMENTAL OPERATING EXPENSE																		
Rooms	784,941	694,654	795,259	855,635	762,056	760,390	836,365	829,431	825,971	858,557	803,711	790,900	9,607,773	24.0%	252,827	(137,585)	9,354,946	9,745,358
Food & Beverage	1,599,166	1,490,415	1,671,786	1,793,013	1,656,884	1,575,722	1,815,249	1,804,067	1,723,491	1,889,753	1,671,225	1,608,039	20,298,810	74.7%	1,013,171	(1,095,805)	19,285,639	21,394,815
Hotel Sundry	35,936	34,046	38,136	37,702	36,003	35,571	38,572	39,144	37,457	39,492	37,151	37,222	444,064	29.5%	26,234	176,164	416,631	268,701
Campground & Lodge	95,519	79,438	89,892	121,614	117,919	119,926	129,379	125,203	121,107	107,059	95,267	90,723	1,290,035	29.2%	45,659	150,092	1,244,376	1,139,943
Retail	960,426	908,630	1,096,012	1,191,442	1,004,717	1,110,940	1,428,694	1,254,367	1,268,178	1,260,945	1,102,825	994,075	13,590,248	77.2%	547,633	143,327	13,042,616	13,446,921
Airport	115,173	104,081	112,440	113,134	117,740	113,732	116,032	115,964	114,696	117,103	112,623	112,818	1,365,226	16.2%	88,517	307,824	1,276,709	1,057,402
Property	132,592	118,390	124,179	133,720	131,151	130,169	130,494	131,233	131,150	135,485	127,400	134,463	1,560,415	25.6%	84,775	(531,685)	1,475,640	2,092,100
Touring & Activities	91,943	86,003	89,472	93,600	96,048	92,419	98,833	100,548	90,045	98,494	86,508	90,131	1,112,638	68.7%	128,269	(16,433)	984,369	1,129,071
Spa	31,673	28,820	29,401	32,248	27,700	27,484	31,101	30,603	28,461	31,560	30,094	31,705	360,909	95.6%	112,922	152,574	248,987	208,335
Air	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	(15,260)	(12,716)	(13,557)	(10,862)	(14,934)	(15,718)	(12,133)	(13,545)	(22,431)	(22,879)	(23,595)	(20,504)	(198,256)	-37.9%	(65,983)	35,856	(132,273)	(234,112)
TOTAL OPERATING EXPENSE	3,832,007	3,519,660	4,032,908	4,360,326	3,945,279	3,949,638	4,611,086	4,414,119	4,318,144	4,534,660	4,045,202	3,869,633	49,432,663	45.9%	2,235,023	(815,671)	47,197,640	50,248,333
GROSS OPERATING INCOME	3,641,851	3,884,189	4,558,921	4,657,763	3,771,186	4,043,657	6,102,273	5,985,078	5,800,231	6,503,637	5,248,428	4,029,774	58,326,988	54.1%	1,958,544	(643,227)	56,368,444	58,970,215
UNDISTRIBUTED OPERATING EXPENSES																		
Admin & General	502,941	454,895	499,559	483,972	504,721	482,328	517,424	497,322	473,959	502,728	476,982	528,743	5,930,590	5.5%	311,158	76,886	5,619,432	5,853,704
Sales & Marketing	37,162	33,715	37,162	35,279	35,189	36,113	37,219	38,969	38,021	37,163	36,021	35,714	433,747	0.4%	66,305	(51,695)	367,442	485,442
Energy	549,527	439,765	498,039	470,624	429,275	461,735	466,794	550,744	458,944	489,717	491,814	510,240	5,831,418	5.4%	358,823	(232,965)	5,472,595	6,064,383
Property Ops & Maintenance	535,945	491,429	530,044	530,056	530,811	524,602	545,226	528,282	513,494	531,796	514,327	527,765	6,303,808	5.8%	474,599	896,392	5,829,210	5,407,415
TOTAL UNDISTRIBUTED	1,625,575	1,419,804	1,564,804	1,519,031	1,494,095	1,524,868	1,566,663	1,613,304	1,487,427	1,561,385	1,519,144	1,602,563	18,499,562	17.2%	1,210,874	583,618	17,288,688	17,810,944
GROSS OPERATING PROFIT	2,016,275	2,464,385	2,994,117	3,137,932	2,277,091	2,518,789	4,535,610	4,371,774	4,312,804	4,942,252	3,829,284	2,427,211	39,827,426	37.0%	747,670	(1,331,845)	39,079,756	41,159,271
FIXED CHARGES																		
Property Insurance	99,339	99,339	99,339	99,339	99,339	99,339	99,339	99,339	99,339	99,339	99,339	99,339	1,192,073	1.1%	(103,799)	(64,999)	1,295,871	1,257,071
Lease/Rent	67,760	67,760	67,760	67,760	67,760	67,760	67,760	70,470	70,470	70,470	70,470	70,470	826,670	0.8%	(29,266)	84,420	855,936	742,250
TOTAL FIXED CHARGES	167,099	167,099	167,099	167,099	167,099	167,099	167,099	169,809	169,809	169,809	169,809	169,809	2,018,743	1.9%	(133,065)	19,422	2,151,808	1,999,321
EBITDA (excluding recharges)	1,849,176	2,297,286	2,827,018	2,970,733	2,109,991	2,351,690	4,368,510	4,201,964	4,142,995	4,772,443	3,659,475	2,257,401	37,808,683	35.1%	880,735	(1,351,267)	36,927,948	39,159,950
Head Office Recharges (note 1)																		
Admin Recharge	22,465	20,273	22,465	21,734	22,465	21,734	22,465	22,465	21,734	22,465	21,734	22,465	264,467		32,600	28,764	210,706	235,705
Central Reservations Recharge	171,127	167,070	178,572	169,276	171,127	168,921	166,399	166,386	161,815	167,057	161,310	170,341	1,997,557		130,550	29,437	1,867,166	1,968,000
Finance Recharge	197,731	149,352	182,344	159,622	162,041	158,632	162,841	162,041	159,630	165,041	159,522	162,341	1,965,580		684,500	533,660	1,281,057	1,431,900
HR Recharge	18,106	18,194	66,791	28,507	16,799	16,974	16,799	16,799	18,459	16,799	16,590	25,349	272,828		(62,073)	(348,035)	335,001	621,544
IT Recharge	108,714	105,350	104,714	107,462	108,714	107,602	108,714	108,714	107,602	108,714	107,602	108,714	1,297,205		20,634	40,318	1,276,571	1,256,847
Tech Services Recharge	19,270	19,270	19,270	19,270	19,270	19,270	19,270	19,270	19,270	19,270	19,270	19,270	231,240		(92,463)	(6,246)	323,703	237,485
Sales & Marketing Recharge	394,554	456,718	416,702	476,422	515,785	405,425	417,564	446,554	409,962	437,554	459,640	458,554	5,178,630		1,552,000	1,047,800	3,626,607	4,131,770
Total Recharges	912,660	944,912	969,953	970,605	1,016,503	896,234	913,532	952,533	925,575	924,201	995,578	921,233	11,208,540		2,337,551	1,034,253	8,870,965	9,884,290
EBITDA (including recharges)	933,516	1,352,376	1,860,065	2,000,125	1,093,488	1,455,457	3,454,979	3,249,432	3,217,416	3,848,242	2,763,898	1,336,167	26,600,137		(1,456,817)	(2,675,520)	28,056,983	29,275,660

Note 1: Recharges in 2008 reflect apportionment of total Corp Office costs across the portfolio on the basis previously disclosed and discussed. In 2009 this apportionment was the same, based on an assumption that all properties in the portfolio remained for the full year. In 2010 budget the recharges are higher due to ARR bearing all recharged costs of the Corp Office. The increase is driven by such things as: full cost of Syd office (approx $500k impact), full cost of remaining infrastructure and full cost of remaining management structure. Whilst these costs will continue to scale, any purchaser should make their own assessment of the ongoing costs of running just the ARR business.

128

Australian Government

Indigenous Land Corporation

BOARD BRIEFING PAPER (re-submitted)
BOARD MEETING No 133—15 April 2010

AYERS ROCK RESORT

Purpose

The purpose of this paper is to provide the Board with an update on the proposed Ayers Rock Resort land acquisition project and the 2009 financial results of GPT for the Resort.

Background

Board Consideration to Date

Appendix A lists the Board's decisions on the project to date.

At its December 2008 meeting the Board considered a land acquisition proposal for the acquisition of Ayers Rock Resort.

The Board agreed to enter into negotiations with GPT and complete due diligence on the purchase of Ayers Rock Resort. Due diligence on the property was completed in April 2009 and presented to the April 2009 Board meeting.

At its **Meeting No 127 of 23 April 2009** the Board agreed to attempt to acquire the Ayers Rock Resort on terms and conditions acceptable to the ILC. The Board agreed to offer the following to GPT for the acquisition of Ayers Rock Resort:

- one-off payment of $200 million now, or
- one-off payment of $100 million now and a further payment of $120 million in 12 to 18 months

subject to bank financing or a bond issue.

This offer has not yet been made as the ILC has not secured bank financing for the project.

Funding/Financing of the Proposed Acquisition

Funding for the proposed acquisition has not yet been secured. The Minister has indicated that she will not support funding being sourced from the Land Account.[1]

Grant Samuel has conducted preliminary discussions with four major banks. Two banks, the Commonwealth Bank and ANZ, declined to consider the project. However, both Westpac and the National Australia Bank (NAB) entered into negotiations/discussions for the provision of external funding for the acquisition of Ayers Rock Resort.

A summary of current positions of the two banks are as follows:

<u>NAB</u>

The NAB has formalised its support as follows:[2]

- Maximum loan of $100 million for the acquisition
- Loan term of three years
- Capital expenditure funding of $25 million on an amortising basis (ie, periodic release of funds)
- Any additional debt used to fund the purchase would need to be structured like equity and be fully subordinate to NAB in respect of principal and interest payments

<u>Westpac</u>

Westpac has proposed a $250 million debt facility being:

- Loan/advance of $210 million for the acquisition
- Capital expenditure funding of $30 million on the terms and conditions below
- The remainder—$10 million—for interest rate hedging, credit card facilities and other bank guarantees

Terms and conditions:

- Term of seven years
- Passing of the legislation to secure $45 million per year (minimum) from the Land Account (as a condition precedent) or a fixed charge over the cash balance of the ILC
- Sale of the airport and $70 million lump sum payment at year five or a penalty interest rate on the remainder of the loan
- Principal repayments from year one
- 50% of any extra funding received from the Land Account in excess of $45 million per year applied to debt reduction (over and above agreed principal repayments)

A formal proposal has not yet been agreed or received from Westpac.

[1] Correspondence from Dr Jeff Harmer dated 30 March 2009 (file reference g/005097)
[2] Correspondence from Paul Stone, National Australia Bank 30 July 2009 (file reference G/003182, item 77)

More recently, Westpac (Brian Acworth) has proposed alternative structures involving the Land Account providing funding to the ILC until such time as the legislation is passed. At this time Westpac would advance the funds to the ILC and the loan to the Land Account would be repaid. Alternatively, FaHCSIA may act as guarantor for a Westpac loan until such time as the legislation is passed. The terms and conditions of the Westpac advance/loan are still unknown at this stage, but are expected to include the terms and conditions mentioned above.

Westpac has been discussing this matter with FaHCSIA, but no update has been received since September 2009.

2009 Financial Results of Ayers Rock Resort

The ILC has recently received the 2009 financial results for Ayers Rock Resort through Grant Samuel. The full details are provided at Attachment 2 and a summary against budget is provided below:

	2009 GPT Actual	2009 GPT Re-Forecast[3]	2009 GPT Original Budget[4]	Variance Actual to ILC Budget	2010 GPT Reforecast
Visitor Numbers	320,118	314,132			323,794
Occupancy %	51.2%	51.6%	54.5%	-3.3%	52.9%
Room Yield	$131.46	$129.18	$131.49	-.03	$138.58
Total Revenue	$103.6m	$102.6m	$104.7m	-$1.1m	$107.8m
Direct Expenses	*$47.2m*	*$47.7m*	*$55.9m*		*$49.4m*
In direct Expenses	*$19.4m*	*$19.6m*	*$23.6m*		*$20.5m*
Back office costs	*$8.9m*	*$9.8m*			*$11.2m*
Total Expenses	$75.6m	$77.1m	$79.5m	+$3.9m	
EBITDA	**$28.0m**	**$25.5m**	**$25.2m**	**+$2.8m**	**$26.6m**
	27.0%	**24.9%**	**24.1%**	**+2.9%**	**24.7%**

Note: The financial information presented does not indicate how much Voyages/GPT spend on capital development/refurbishment during the year.

In summary the financial results for the Ayers Rock Resort, based on the information available, are better than budget. While the occupancy rate was below budget, the room yield remained in line with budget. Accordingly, total revenue was below budget. However, expenses being less than budget meant that the net profit of the Resort was ahead of budget.

[3] GPT reforecast in June 2009 after 5 months trading

[4] Taken from Horwath HTL second round due diligence report Feb 09(file reference G/003182, item 45)

Recommendation

That the Board notes the contents of this paper.

Prepared by:

Jodie Lindsay
Chief Operating Officer

February 2010

Appendix A

BOARD DECISIONS ON PROJECT TO DATE

At its **Meeting No 121 of 27 August 2008** the Board indicated its support for the ILC to pursue the acquisition of the Central Australian Assets.

At its **Meeting No 122 of 22 October 2008** the Board noted that the ILC had progressed to the second round of the purchase process regarding the Central Australian Assets being offered for sale by GPT and authorised the General Manager to engage Grant Samuel and specialists/consultants for the due diligence as required.

At its **Meeting No 123 of 16-17 December 2008** the Board considered a comprehensive paper on the proposal and received presentations from Grant Samuel and other consultants undertaking the due diligence on behalf of the ILC. It was agreed that the ILC would not submit an offer for the entire portfolio of properties. Instead the Board agreed that it would be prepared to negotiate with GPT for the purchase of Ayers Rock Resort and El Questro. The Board further expressed its agreement that funding for the acquisition would be via access of funds through the Land Account and not borrowings.

At its **Meeting No 124 of 19 January 2009** the Board noted that GPT had provided a bottom offer for Ayers Rock Resort of $270 million and had agreed to an exclusive 30-day negotiating period to allow the ILC to secure funding. The Board further noted that this 30-day period would be utilised to finalise due diligence on the assets. The Board again expressed its agreement that if the ILC is not able access funds from the Land Account for this purchase the ILC will not go ahead with the purchase. The Board noted that GPT is to sell El Questro to another party.

At its **Meeting No 125 of 18 February 2009** the General Manager provided a verbal update on due diligence work being undertaken and advised the Board that a paper canvassing funding from the Land Account had been forwarded to the Prime Minister's Office. The Board noted that the Minister for Finance and Deregulation would need to pass a Regulation to allow such funding.

At its **Meeting No 126 of 15 April 2009** the Board was presented a substantial paper on the current status of negotiations and due diligence regarding the potential purchase of Ayers Rock Resort. The Board was also provided with correspondence from the Secretary of FaHCSIA advising that the Minister would not support the ILC's request for funding from the Land Account to purchase Ayers Rock Resort.[5] The Board resolved to defer discussion until all Board Directors were available for a face-to-face meeting.

[5] Page 225 of Board Papers for Meeting No 126 of 15 April 2009 (correspondence from Dr Jeff Harmer dated 30 March 2009).

At its **Meeting No 127 of 23 April 2009** the Board noted that since the February 2009 meeting the due diligence team had progressed matters, with a contract of sale being agreed except for issues relating to environmental management risks. The Board also noted that Grant Samuel had conducted preliminary discussions with four major banks. The Board agreed to attempt to acquire the Ayers Rock Resort on terms and conditions acceptable to the ILC. The Board agreed to offer the following to GPT for the acquisition of Ayers Rock Resort:

- One-off payment of $200 million now, or
- One-off payment of $100 million now and a further payment of $120 million in 12-18 months

subject to bank financing or a bond issue.

At its **Meeting No 128 of 17 June 2009** the General Manager provided a verbal update to the Board that little progress had been made since the April meeting, as the banks approached were still settling their terms and conditions. Director Baffsky advised that an updated valuation had been received and that the first five months trading for 2009 indicated that trading for 2009 was ahead of forecast.

At its **Meeting No 129 of 16 August 2009** the General Manager provided a verbal update to the Board. It was agreed to defer discussion of this item until such time as all Directors were available to participate.

At its **Meeting No 130 of 28 October 2009** it was agreed to defer discussion of this item until such time as all Directors were available to participate.

At its **Meeting No 131 of 16 December 2009** the General Manager advised that Grant Samuel had not been able to ascertain the updated financial figures from GPT. Consequently, discussion was postponed until the Board's February 2010 meeting when the financial results for 2009 will be forthcoming.

Voyages Hotels & Resorts
Ayers Rock Resort
P & L Summary - 2009 Actual

	Jan Actual	Feb Actual	Mar Actual	Apr Actual	May Actual	Jun Actual	Jul Actual	Aug Actual	Sep Actual	Oct Actual	Nov Actual	Dec Actual	2009 Full Year	% Revenue	2009 Last ILC Fcst (Note 1)	Var
Visitor Numbers	21,374	20,823	24,953	27,869	23,263	26,222	35,845	32,050	31,037	31,447	25,131	20,074	320,118		314,132	5,986
Rooms Available	24,490	22,120	24,490	23,700	24,490	23,700	24,490	24,490	23,700	24,490	23,700	24,490	288,350		285,350	-
Rooms Sold	11,251	11,803	12,975	12,345	10,825	10,685	13,082	13,664	12,998	15,215	12,535	10,288	147,666		148,718	(1,052)
Occupancy %	45.9%	53.4%	53.0%	52.1%	44.2%	45.1%	53.4%	55.8%	54.8%	62.1%	52.9%	42.0%	51.2%		51.6%	-0.4%
Average Daily Rate	$232.46	$227.03	$219.86	$241.58	$236.53	$234.20	$286.09	$287.40	$281.81	$284.67	$282.06	$243.68	$256.71		$250.47	$6.23
Room Yield	$106.77	$121.74	$116.48	$125.84	$104.55	$105.59	$153.15	$160.35	$154.55	$176.86	$149.18	$102.37	$131.46		$129.18	$2.28
																0
REVENUE																0
Rooms	2,614,773	2,679,649	2,852,621	2,982,355	2,550,429	2,502,461	3,750,532	3,927,085	3,662,953	4,331,216	3,535,649	2,506,981	37,906,705	36.6%	37,249,796	656,909
Food & Beverage	1,979,628	1,926,726	2,135,297	2,232,836	2,265,552	1,944,474	2,372,992	2,446,118	2,308,812	2,534,457	2,049,726	1,944,679	26,147,296	25.2%	26,377,092	(229,795)
Hotel Sundry	45,884	68,410	56,520	125,965	125,437	114,043	129,339	134,294	147,343	157,616	145,664	110,325	1,367,840	1.3%	1,433,042	(65,203)
Campground & Lodge	213,046	184,431	267,266	403,605	342,838	445,684	587,591	464,858	490,260	391,307	292,501	239,921	4,323,307	4.2%	4,065,462	257,845
Retail	1,269,592	1,123,172	1,337,253	1,440,714	1,265,461	1,352,780	1,766,751	1,647,462	1,669,676	1,539,643	1,293,067	1,235,312	16,940,884	16.4%	16,353,899	586,985
Airport	678,126	493,074	905,028	725,964	508,327	460,621	801,843	557,447	781,285	1,049,218	936,201	695,845	8,593,973	8.3%	8,726,723	(132,750)
Property	441,599	433,527	471,010	484,227	534,549	473,091	541,684	542,011	576,015	473,055	554,284	436,403	5,961,454	5.8%	5,908,334	53,120
Touring & Activities	141,015	114,211	118,270	136,597	115,996	110,550	148,488	138,474	137,248	149,946	111,996	139,903	1,562,593	1.5%	1,669,333	(106,740)
Spa	23,737	21,677	27,651	35,559	30,738	21,514	27,583	18,174	18,671	24,761	19,607	23,984	293,878	0.3%	330,613	(36,735)
Air	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	38,808	24,624	35,132	45,564	32,348	45,695	76,404	36,668	35,952	35,209	35,368	31,382	474,154	0.5%	499,447	(25,293)
TOTAL REVENUE	7,446,207	7,069,500	8,208,050	8,613,385	7,781,675	7,477,913	10,203,206	9,912,593	9,817,215	10,696,346	8,974,264	7,365,729	103,566,084	100.0%	102,607,742	958,342
DEPARTMENTAL OPERATING EXPENSE																
Rooms	733,721	673,250	784,333	777,277	720,595	718,055	809,306	810,297	800,192	823,564	831,609	872,748	9,354,946	24.7%	9,585,241	(230,295)
Food & Beverage	1,504,973	1,419,779	1,580,612	1,553,719	1,718,888	1,511,084	1,642,509	1,684,690	1,638,155	1,740,973	1,575,496	1,714,760	19,285,639	73.8%	19,893,253	(607,614)
Hotel Sundry	28,514	32,370	22,196	37,968	37,190	40,671	44,093	37,259	33,653	36,856	32,957	34,997	418,631	30.6%	315,425	103,206
Campground & Lodge	77,746	76,438	88,178	98,303	97,450	109,189	122,960	128,891	121,019	110,486	100,505	113,211	1,244,376	28.8%	1,162,379	81,997
Retail	975,186	859,208	1,025,800	1,094,193	1,017,508	1,042,555	1,264,403	1,215,545	1,304,277	1,188,217	1,050,749	1,004,976	13,042,616	77.0%	12,533,637	508,978
Airport	106,492	64,397	114,509	94,144	110,040	128,843	93,440	129,012	106,022	64,895	136,129	128,786	1,276,709	14.9%	1,335,841	(59,132)
Property	136,821	116,454	127,764	125,632	118,704	109,391	112,104	116,080	113,464	147,404	118,874	132,949	1,475,640	24.8%	1,695,717	(220,077)
Touring & Activities	93,418	75,366	86,486	79,113	77,597	74,429	89,164	87,159	79,462	87,631	85,484	68,860	984,369	63.0%	1,163,450	(179,082)
Spa	19,570	20,302	26,092	28,403	26,278	21,685	22,794	19,759	14,883	15,751	14,149	17,320	246,987	84.0%	294,596	(47,608)
Air	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	(6,568)	(16,437)	(44,436)	(9,921)	(5,077)	35,949	(39,879)	(11,626)	(16,113)	(5,963)	(4,962)	(7,239)	(132,273)	-27.9%	(265,316)	133,044
TOTAL OPERATING EXPENSE	3,669,872	3,321,135	3,811,534	3,878,831	3,919,170	3,791,851	4,160,894	4,217,065	4,194,914	4,210,014	3,940,991	4,081,368	47,197,640	45.6%	47,714,223	(516,583)
GROSS OPERATING INCOME	3,776,335	3,748,365	4,396,516	4,734,554	3,862,505	3,686,062	6,042,312	5,695,527	5,622,301	6,486,333	5,033,273	3,284,361	56,368,444	54.4%	54,893,519	1,474,925
UNDISTRIBUTED OPERATING EXPENSES																
Admin & General	451,194	474,258	446,679	444,793	446,295	479,854	435,086	490,006	474,531	703,160	401,619	361,957	5,619,432	5.4%	5,763,647	(144,215)
Sales & Marketing	40,908	40,423	36,250	19,797	29,953	29,028	27,156	28,191	28,944	28,591	26,837	29,365	367,442	0.4%	455,597	(88,155)
Energy	518,387	414,108	472,220	446,847	384,331	454,762	441,009	500,593	463,324	486,015	445,603	445,393	5,472,595	5.3%	5,580,821	(108,225)
Property Ops & Maintenance	405,040	381,255	599,493	494,367	419,790	385,050	419,949	485,948	565,082	514,143	550,755	608,346	5,829,219	5.6%	5,612,460	216,759
TOTAL UNDISTRIBUTED	1,425,529	1,310,043	1,556,642	1,405,803	1,280,370	1,348,693	1,323,200	1,504,738	1,531,891	1,731,909	1,424,820	1,445,061	17,288,688	16.7%	17,412,524	(123,836)
GROSS OPERATING PROFIT	2,350,806	2,438,322	2,839,875	3,328,751	2,582,135	2,337,369	4,719,112	4,190,789	4,090,420	4,754,423	3,608,453	1,839,300	39,079,756	37.7%	37,480,994	1,598,761
FIXED CHARGES																
Property Insurance	108,287	108,287	108,287	109,200	109,200	109,200	108,877	108,877	81,364	99,339	137,902	107,052	1,295,871	1.3%	1,419,733	(123,862)
Lease/Rent	79,549	51,719	72,441	68,861	53,185	65,151	75,985	57,531	68,511	101,000	90,011	71,992	855,936	0.8%	797,466	58,470
TOTAL FIXED CHARGES	187,836	160,006	180,728	178,061	162,384	174,351	184,862	166,407	149,876	200,340	227,913	179,044	2,151,808	2.1%	2,217,199	(65,391)
EBITDA (excluding recharges)	2,162,970	2,278,316	2,659,146	3,150,690	2,419,751	2,163,018	4,534,251	4,024,382	3,940,544	4,554,084	3,380,540	1,660,256	36,927,948	35.7%	35,263,796	1,664,153
Head Office Recharges																
Admin Recharge	19,556	15,050	15,781	1,289	20,825	14,597	20,207	20,066	19,148	20,235	20,009	19,652	210,798		215,906	(5,109)
Central Reservations Recharge	153,124	172,340	168,222	161,308	193,914	100,729	152,639	156,927	148,136	157,992	154,851	145,052	1,867,168		1,916,730	(49,628)
Finance Recharge	131,056	134,772	152,028	161,116	131,537	(136,229)	114,009	114,264	113,774	115,450	123,515	179,468	1,281,057		1,543,657	(262,600)
HR Recharge	34,795	19,061	17,842	31,002	8,534	15,055	32,576	33,083	32,464	33,330	35,007	47,197	335,001		353,825	(18,824)
IT Recharge	94,925	94,537	118,091	55,564	103,749	94,571	102,922	103,837	98,136	101,820	104,812	93,600	1,275,571		1,281,521	(4,950)
Tech Services Recharge	29,285	17,884	25,070	17,033	54,025	37,634	32,041	22,140	20,907	21,977	22,418	20,300	322,703		323,739	(35)
Sales & Marketing Recharge	471,108	455,949	373,710	379,412	283,687	(193,500)	299,251	300,569	303,107	303,399	322,025	320,065	3,626,697		4,167,497	(540,800)
Total Recharges	924,870	910,564	876,647	915,616	800,580	(62,040)	754,405	748,885	733,673	754,330	788,137	767,354	6,920,995		9,802,241	(881,246)
EBITDA (including recharges)	1,238,102	1,367,752	1,782,499	2,235,074	1,611,183	2,225,061	3,779,846	3,275,496	3,206,872	3,799,753	2,592,403	892,902	29,006,953		25,460,855	2,546,099

1) Last full year forecast submitted to Horwath HTL in June 2009 based on 5 mths actual + 7 forecast.

127

Voyages Hotels & Resorts
Ayers Rock Resort
P & L Summary - 2010 Budget

	Jan Budget	Feb Budget	Mar Budget	Apr Budget	May Budget	Jun Budget	Jul Budget	Aug Budget	Sep Budget	Oct Budget	Nov Budget	Dec Budget	2010 Budget	% Revenue	Variance to 2009	Variance to 2008	2009 Actuals	2008 Actuals
Visitor Numbers	20,990	20,304	25,738	23,667	22,676	26,852	36,636	30,732	31,653	31,069	25,132	22,145	323,794		3,676	(10,650)	320,118	334,444
Rooms Available	24,490	22,120	24,490	23,700	24,490	23,700	24,490	24,490	23,700	24,490	23,700	24,490	288,350		-	(1,156)	288,350	289,506
Rooms Sold	10,938	11,399	13,651	13,033	10,751	11,100	13,733	14,037	13,565	15,517	13,140	11,845	152,679		5,013	(16,078)	147,666	168,757
Occupancy %	44.7%	51.5%	55.7%	55.0%	43.9%	46.8%	56.1%	57.2%	57.2%	63.4%	55.4%	48.4%	52.9%		1.7%	-5.3%	51.2%	58.3%
Average Daily Rate	$245.67	$237.92	$226.67	$242.18	$239.51	$237.22	$281.00	$293.52	$285.98	$288.50	$290.19	$239.85	$261.72		$6.02	$11.28	$255.71	$250.44
Room Yield	$108.69	$122.58	$126.46	$133.12	$105.19	$111.13	$158.13	$167.88	$163.69	$182.83	$160.89	$116.01	$138.58		$7.12	$-7.41	$131.46	$145.98
REVENUE																		
Rooms	2,880,775	2,711,392	3,096,980	3,156,338	2,575,995	2,633,703	3,996,239	4,111,362	3,379,554	4,476,694	3,818,142	2,841,181	39,959,367	37.1%	2,052,662	(2,304,118)	37,906,705	42,263,485
Food & Beverage	1,956,822	1,934,933	2,228,573	2,359,124	2,150,452	2,050,322	2,537,262	2,492,151	2,430,490	2,697,460	2,276,495	2,067,897	27,182,038	25.2%	1,040,741	(2,114,556)	26,141,296	29,296,593
Hotel Sundry	126,316	118,922	127,248	124,505	126,275	123,660	127,258	127,302	124,664	127,654	124,567	126,672	1,505,463	1.4%	137,624	796,402	1,367,840	709,062
Campground & Lodge	216,487	190,431	273,548	408,649	340,815	465,969	600,573	487,249	498,243	396,826	297,857	239,625	4,424,038	4.1%	100,731	602,466	4,323,307	3,821,572
Retail	1,781,339	1,761,219	1,476,198	1,543,646	1,239,157	1,422,978	1,932,425	1,662,700	1,708,205	1,657,106	1,430,039	1,235,259	17,613,534	16.3%	672,650	533,887	16,940,884	17,079,648
Airport	605,434	632,979	733,239	709,780	545,781	580,505	766,749	770,763	773,082	903,478	748,667	679,275	8,452,551	7.5%	(141,422)	713,720	8,593,973	7,738,831
Property	518,263	468,102	518,263	501,545	518,263	501,545	518,263	518,263	501,545	518,263	501,545	518,263	6,102,127	5.7%	140,673	206,465	5,961,454	5,895,663
Touring & Activities	122,002	110,599	119,165	138,779	142,197	135,562	159,215	150,355	135,600	156,473	126,145	116,942	1,620,280	1.5%	57,687	5,219	1,562,593	1,615,061
Spa	32,039	34,821	34,230	33,577	24,705	24,958	57,050	29,257	34,220	35,724	32,200	31,007	377,652	0.4%	83,774	179,038	293,878	198,613
Air	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	44,385	40,090	44,385	42,953	44,385	42,953	44,385	44,385	42,953	44,385	42,953	44,385	522,600	0.5%	48,446	(77,420)	474,154	600,020
TOTAL REVENUE	7,473,858	7,403,849	8,591,829	9,018,090	7,716,465	7,933,296	10,719,358	10,399,197	10,118,373	11,038,297	9,392,630	7,899,406	107,759,651	100.0%	4,193,566	(1,458,896)	103,566,084	109,218,546
DEPARTMENTAL OPERATING EXPENSE																		
Rooms	784,341	694,654	795,259	855,635	762,050	760,393	936,365	829,431	825,971	868,557	808,711	790,300	9,607,773	24.0%	252,827	(137,585)	9,354,946	9,745,358
Food & Beverage	1,599,168	1,480,415	1,671,780	1,793,013	1,666,884	1,575,722	1,815,249	1,804,067	1,723,481	1,889,753	1,671,225	1,608,039	20,298,810	74.7%	1,013,171	(1,095,805)	19,285,639	21,394,615
Hotel Sundry	35,936	34,046	38,136	37,103	38,003	35,571	28,572	38,144	37,487	30,422	37,151	37,222	444,864	29.5%	26,234	176,164	418,631	268,701
Campground & Lodge	95,519	79,438	89,892	121,514	117,919	118,926	129,379	123,209	121,107	107,059	95,261	90,723	1,290,035	29.2%	45,659	150,092	1,244,376	1,139,943
Retail	960,426	908,630	1,096,012	1,191,442	1,004,717	1,110,940	1,428,834	1,254,367	1,268,178	1,260,945	1,102,825	994,075	13,590,248	77.2%	547,633	143,327	13,042,616	13,446,921
Airport	115,173	104,981	112,440	115,104	117,740	113,733	115,002	115,964	114,696	117,193	112,223	112,812	1,365,226	16.2%	88,517	307,824	1,276,709	1,057,402
Property	132,592	118,390	124,179	133,720	131,151	130,169	130,494	131,233	131,150	135,465	127,409	134,403	1,560,415	25.6%	84,775	(531,685)	1,475,640	2,092,100
Touring & Activities	91,943	83,003	89,472	95,300	96,043	92,419	98,333	100,648	80,045	98,494	85,909	90,131	1,112,638	68.7%	128,269	(16,433)	984,369	1,129,071
Spa	31,679	28,620	29,401	32,248	37,700	27,484	31,101	30,603	28,451	31,562	30,094	31,766	360,909	95.6%	113,922	152,574	246,987	208,336
Air	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	(15,260)	(12,716)	(13,657)	(10,882)	(14,934)	(15,718)	(12,133)	(13,545)	(22,431)	(22,679)	(23,595)	(20,504)	(198,256)	-37.9%	(65,983)	35,856	(132,273)	(234,112)
TOTAL OPERATING EXPENSE	3,822,007	3,579,660	4,032,903	4,360,326	3,945,279	3,949,638	4,611,085	4,414,119	4,318,144	4,534,660	4,045,203	3,869,633	49,432,663	45.9%	2,235,023	(815,671)	47,197,640	50,248,333
GROSS OPERATING INCOME	3,641,851	3,884,189	4,559,921	4,657,763	3,771,186	4,040,657	6,102,273	5,985,078	5,800,231	6,503,637	5,348,423	4,029,774	58,326,988	54.1%	1,958,544	(643,227)	56,368,444	58,970,215
UNDISTRIBUTED OPERATING EXPENSES																		
Admin & General	502,941	454,895	439,559	483,972	504,721	482,328	517,424	497,325	478,969	502,728	476,992	528,740	5,930,590	5.5%	311,158	76,886	5,619,432	5,853,704
Sales & Marketing	37,162	33,715	37,162	35,279	35,189	36,113	37,219	36,969	36,021	37,153	36,021	35,714	433,747	0.4%	66,305	(51,695)	367,442	485,442
Energy	549,527	439,765	498,039	470,524	423,375	481,735	466,794	550,744	458,944	489,717	491,814	510,340	5,831,418	5.4%	358,823	(232,965)	5,472,595	6,064,383
Property Ops & Maintenance	535,945	491,429	530,044	530,056	530,811	524,602	545,226	528,262	513,494	531,756	514,327	527,765	6,303,808	5.5%	474,589	896,392	5,829,219	5,407,415
TOTAL UNDISTRIBUTED	1,625,575	1,419,804	1,564,804	1,519,831	1,494,096	1,524,868	1,566,663	1,613,304	1,487,427	1,567,385	1,519,144	1,602,563	18,499,562	17.2%	1,210,874	688,618	17,288,688	17,810,944
GROSS OPERATING PROFIT	2,016,275	2,464,385	2,994,117	3,137,832	2,277,091	2,516,789	4,535,610	4,371,774	4,312,804	4,942,252	3,829,284	2,427,211	39,827,426	37.0%	747,670	(1,331,845)	39,079,756	41,159,271
FIXED CHARGES																		
Property Insurance	99,339	99,339	99,339	99,339	99,339	99,339	99,339	99,339	99,339	99,339	99,339	99,339	1,192,073	1.1%	(103,799)	(64,999)	1,295,871	1,257,071
Lease/Rent	67,760	67,760	67,760	67,760	67,760	67,760	67,760	70,470	70,470	70,470	70,470	70,470	826,670	0.8%	(29,266)	84,420	855,935	742,250
TOTAL FIXED CHARGES	167,099	167,099	167,099	167,099	167,099	167,099	167,099	169,809	169,809	169,809	169,809	169,809	2,018,743	1.9%	(133,065)	19,422	2,151,808	1,999,321
EBITDA (excluding recharges)	1,849,176	2,297,286	2,827,018	2,970,733	2,109,991	2,351,690	4,368,510	4,201,964	4,142,995	4,772,443	3,659,475	2,257,401	37,808,683	35.1%	880,735	(1,351,267)	36,927,948	39,159,950
Head Office Recharges (note 1)																		
Admin Recharge	22,465	20,272	22,465	21,734	22,465	21,734	22,465	22,465	21,734	22,465	21,734	22,465	264,467		53,969	28,764	210,798	235,703
Central Reservations Recharge	171,127	157,675	170,577	160,276	171,127	166,921	166,370	160,389	161,815	167,257	161,815	170,341	1,997,507		130,338	29,547	1,867,168	1,968,960
Finance Recharge	127,731	166,224	162,341	154,623	162,341	144,630	162,341	162,341	154,605	162,341	158,532	162,341	1,965,560		684,502	530,660	1,281,057	1,431,900
HR Recharge	16,799	14,104	65,799	20,597	16,709	16,598	16,709	18,799	16,599	16,700	16,596	29,549	272,228		(62,073)	(348,695)	335,007	621,334
IT Recharge	108,714	125,526	108,713	107,662	109,714	107,602	108,714	108,714	107,602	108,714	107,602	108,714	1,297,206		20,634	40,318	1,276,571	1,256,807
Tech Services Recharge	19,270	19,270	19,270	19,270	19,270	19,270	19,270	19,270	19,270	19,270	19,270	19,270	231,240		(92,460)	(6,246)	323,700	237,486
Sales & Marketing Recharge	364,554	456,714	416,766	475,425	515,786	409,420	417,354	456,554	409,362	427,554	409,862	409,554	5,178,830		1,552,940	1,047,960	3,626,007	4,131,770
Total Recharges	910,660	944,910	936,083	970,608	1,016,501	896,253	913,333	952,533	895,579	924,201	895,571	921,234	11,208,546		2,237,551	1,334,257	8,920,305	9,884,290
EBITDA (including recharges)	938,516	1,352,376	1,890,935	2,000,125	1,093,490	1,455,437	3,454,078	3,249,432	3,247,416	3,848,242	2,763,905	1,336,167	26,600,137		(1,406,837)	(2,675,530)	29,006,063	29,275,660

Note 1: Recharges in 2008 reflect apportionment of total Corp Office costs across the portfolio on the basis previously disclosed and discussed. In 2009 this apportionment was the same, based on an assumption that all properties in the portfolio remained for the full year. In 2010 budget the recharges are higher due to ARR bearing all recharged costs of the Corp Office. The increase is driven by such things as; full cost of Syd office (approx $500k impact), full cost of remaining infrastructure and full cost of remaining management structure. Whilst these costs will continue to scale, any purchaser should make their own assessment of the ongoing costs of running just the ARR business.

128

Australian Government

Indigenous Land Corporation

BOARD BRIEFING PAPER
BOARD MEETING No 134—16 June 2010

AYERS ROCK RESORT

Purpose

The purpose of this paper is to provide the Board with details of the proposed transaction to purchase Ayers Rock Resort and associated cash flows.

Background

Board Consideration to Date

Attachment A lists the Board's decisions on this project to date.

At its December 2008 meeting the Board considered a land acquisition proposal for the acquisition of Ayers Rock Resort. The Board agreed to enter into negotiations with GPT for the purchase of Ayers Rock Resort.

Due diligence on the property was completed in April 2009 and presented to the April 2009 Board meeting.

At its Meeting No 127 of 23 April 2009 the Board agreed to attempt to acquire the Ayers Rock Resort on terms and conditions acceptable to the ILC. The Board agreed to offer the following to GPT for the acquisition of Ayers Rock Resort:

- one-off payment of $200 million now, or
- one-off payment of $100 million now and a further payment of $120 million in 12 to 18 months

subject to bank financing or a bond issue.

The Minister has indicated that she will not support funding being sourced from the Land Account.[1]

[1] Correspondence from Dr Jeff Harmer dated 30 March 2009 (file reference g/005097)

Grant Samuel conducted preliminary discussions with four major banks. Two banks, the Commonwealth Bank and ANZ, declined to consider the project. However, both Westpac and the National Australia Bank (NAB) entered into negotiations/discussions for the provision of external funding for the acquisition of Ayers Rock Resort.

The original offer in accordance with the April 2009 Board decision was not progressed as the ILC did not secure bank financing for the project, the major issue being the uncertainty of funding to the ILC from the Land Fund.

Revised Proposal

In mid-May 2010, corresponding with the introduction into Parliament of the legislation to amend the Land Account, discussions with GPT recommenced.

GPT has advised that with the recovery of the economy, the recapitalisation of GPT and the introduction of a second airline to Ayers Rock,[2] it is no longer willing to sell at a price of $270 million.[3]

An alternative proposal is being developed that will involve the initial purchase of 54% of Ayers Rock Resort over a period of two years with the remaining 46% to be purchase at the end of year five. The payment in year five will be subject to an independent valuation of Ayers Rock Resort at the time (with a minimum payment of approximately $150 million[4]).

During this period the ILC will operate Ayers Rock Resort itself and will retain 100% of the profits of the resort. However, it will be required to provide GPT with a fixed return of 6.5% over this period.

Details of the proposal are provided on page 4 of the Grant Samuel paper included at Attachment B.

At its April 2010 meeting, the Board requested the ILC's Chief Operating Officer (COO), in conjunction with Mr Ian Ferrier, the independent member of the Audit and Risk Management Committee, to prepare a five-year cash flow reflecting this proposal. Mr Ferrier has reviewed the cash flows prepared by the COO and his note to the Board is provided at Attachment C. The cash flow and associated assumptions and authorities is provided at Attachment D.

The conclusion is that the ILC would need to borrow funds of approximately $10-40 million at the end of year one, increasing to $85-105 million in year five.

[2] Virgin Blue has announced that flights directly to Ayers Rock from Sydney will commence on 3 August 2010
[3] Proposed price that secured exclusive 30 day negotiating period
[4] This minimum amount is still subject to negotiation

Recommendation

That the Board:

1. Notes the contents of this paper and attachments

2. Determines whether to progress negotiations with GPT to purchase Ayers Rock Resort subject to securing finance or other contributions to the project of approximately $40 million.

Prepared by:

Jodie Lindsay
Chief Operating Officer

May 2010

ATTACHMENT A

BOARD DECISIONS ON PROJECT TO DATE

At its **Meeting No 121 of 27 August 2008** the Board indicated its support for the ILC to pursue the acquisition of the Central Australian Assets.

At its **Meeting No 122 of 22 October 2008** the Board noted that the ILC had progressed to the second round of the purchase process regarding the Central Australian Assets being offered for sale by GPT and authorised the General Manager to engage Grant Samuel and specialists/consultants for the due diligence as required.

At its **Meeting No 123 of 16-17 December 2008** the Board considered a comprehensive paper on the proposal and received presentations from Grant Samuel and other consultants undertaking the due diligence on behalf of the ILC. It was agreed that the ILC would not submit an offer for the entire portfolio of properties. Instead the Board agreed that it would be prepared to negotiate with GPT for the purchase of Ayers Rock Resort and El Questro. The Board further expressed its agreement that funding for the acquisition would be via access of funds through the Land Account and not borrowings.

At its **Meeting No 124 of 19 January 2009** the Board noted that GPT had provided a bottom offer for Ayers Rock Resort of $270 million and had agreed to an exclusive 30-day negotiating period to allow the ILC to secure funding. The Board further noted that this 30-day period would be utilised to finalise due diligence on the assets. The Board again expressed its agreement that if the ILC is not able access funds from the Land Account for this purchase the ILC will not go ahead with the purchase. The Board noted that GPT is to sell El Questro to another party.

At its **Meeting No 125 of 18 February 2009** the General Manager provided a verbal update on due diligence work being undertaken and advised the Board that a paper canvassing funding from the Land Account had been forwarded to the Prime Minister's Office. The Board noted that the Minister for Finance and Deregulation would need to pass a Regulation to allow such funding.

At its **Meeting No 126 of 15 April 2009** the Board was presented a substantial paper on the current status of negotiations and due diligence regarding the potential purchase of Ayers Rock Resort. The Board was also provided with correspondence from the Secretary of FaHCSIA advising that the Minister would not support the ILC's request for funding from the Land Account to purchase Ayers Rock Resort.[5] The Board resolved to defer discussion until all Board Directors were available for a face-to-face meeting.

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[5] Page 225 of Board Papers for Meeting No 126 of 15 April 2009 (correspondence from Dr Jeff Harmer dated 30 March 2009)

At its **Meeting No 127 of 23 April 2009** the Board noted that since the February 2009 meeting the due diligence team had progressed matters, with a contract of sale being agreed except for issues relating to environmental management risks. The Board also noted that Grant Samuel had conducted preliminary discussions with four major banks. The Board agreed to attempt to acquire the Ayers Rock Resort on terms and conditions acceptable to the ILC. The Board agreed to offer the following to GPT for the acquisition of Ayers Rock Resort:

- One-off payment of $200 million now, or
- One-off payment of $100 million now and a further payment of $120 million in 12-18 months

subject to bank financing or a bond issue.

At its **Meeting No 128 of 17 June 2009** the General Manager provided a verbal update to the Board that little progress had been made since the April meeting, as the banks approached were still settling their terms and conditions. Director Baffsky advised that an updated valuation had been received and that the first five months trading for 2009 indicated that trading for 2009 was ahead of forecast.

At its **Meeting No 129 of 16 August 2009** the General Manager provided a verbal update to the Board. It was agreed to defer discussion of this item until such time as all Directors were available to participate.

At its **Meeting No 130 of 28 October 2009** it was agreed to defer discussion of this item until such time as all Directors were available to participate.

At its **Meeting No 131 of 16 December 2009** the General Manager advised that Grant Samuel had not been able to ascertain the updated financial figures from GPT. Consequently, discussion was postponed until the Board's February 2010 meeting when the financial results for 2009 will be forthcoming.

Discussion on the matter was deferred during the February 2010 Board meeting.

At its **Meeting No 133 of April 2010** Directors agreed to defer further discussion until a full briefing is provided on both the financing proposal and the resort management arrangements. The General Manager undertook to work with the Chief Operating Officer, Mr Ian Ferrier and Mr Ross Grant (Grant Samuel) to review the finance proposal and to bring a paper to the Board as soon as possible.

ATTACHMENT B

Project Red Rock
ILC Board Update
Prepared by Grant Samuel

132

PROJECT RED ROCK
ILC BOARD UPDATE

PRIVATE & CONFIDENTIAL – June 2010

GRANT SAMUEL

/33

Contents

134

1. Introduction

In October 2008, the ILC lodged a proposal to acquire a portfolio of resorts from GPT. The ILC has since focussed on the acquisition of Ayers Rock Resort alone and "entered into" a period of exclusive negotiations with GPT after reaching agreement in principle on a purchase price of $270 million. While the period of exclusivity passed, GPT has maintained a dialogue with ILC while ILC sought to arrange financing for a possible acquisition.

The ILC, through Grant Samuel pursued third party bank financing to fund the acquisition of Ayers Rock Resort.

The four major banks, ANZ, CBA, NAB and Westpac were approached in early 2009. In August 2009 Westpac proposed relatively competitive terms but required change to legislation relating to the Land Account to give more certain income to the ILC. Discussions with the banks ceased until the legislation was passed.

In the period until April 2009 negotiations between ILC and GPT in relation to the sale agreement had been detailed with outstanding issues reduced to a short list. However, it was agreed that discussions with GPT would be put on hold until the issue of funding was resolved.

In mid May 2010, the third reading of the Social Security and Indigenous Legislation Amendment (Budget and Other Measures) Bill 2010 was heard in the House of Representatives. Support for the bill is bipartisan and there is confidence that the bill will pass the Senate. Discussions with GPT recommenced. GPT advised that with the recovery in the economy, the recapitalisation of GPT and the introduction of a second airline to Ayers Rock, it was no longer willing to sell at the price of $270 million. For a clean sale it would require a price of $300 million. ILC was not prepared to buy at this price.

An alternative solution was developed which involved the initial purchase of only 54% of Ayers Rock Resort, allowing GPT to participate in any capital growth over 5 years. To allow ILC to manage Ayers Rock Resort as it wishes, GPT will not share in Ayers Rock Resort income in that 5 year period but will receive a fixed return of 6.5% per annum. A 46% share of EBITDA over the 5 years is projected at $76.1 million.

In effect GPT will partner with ILC for five years. GPT has indicated strong support for ILC's objectives in relation to training and employment and believes its corporate image will be strengthened by participation in this way.

The revised proposal will enable ILC to acquire Ayers Rock Resort without the need for bank finance other than a facility to support capital expenditure.

This report provides an overview of the proposed transaction and an update on the performance of Ayers Rock Resort.

The proposed transaction involves a substantially reduced upfront cash outlay by ILC

Transaction terms

- At completion ILC will purchase 54% of Ayers Rock Resort for $162 million. The $162 million is payable in two payments:

  - $81 million at completion
  - $81 million 12 months from completion

  Interest will be payable on the $81 million deferred at the rate of 6.5% per annum.

- The remaining 46% of Ayers Rock Resort will be subject to put and call options exercisable at the end of five years.

  The option exercise price will be calculated as:

  - $138 million; plus
  - the valuation uplift of 46% of the amount by which (the valuation of Ayers Rock Resort at the 5th anniversary of completion minus capital expenditure incurred by ILC on Ayers Rock Resort in the 5 year period) exceeds $300 million. A minimum valuation uplift has been guaranteed. That was initially understood to be $12 million and in subsequent negotiations was agreed at $17 million.

  The Ayers Rock Resort valuation to be determined as the ungeared value of Ayers Rock Resort at the end of the five year period (refer to Appendix 4 for the valuation process to be followed).

- GPT to be paid a coupon of 6.5% per annum on $138 million over the five year period and foregoing 46% of the profits.

- ILC will control and manage Ayers Rock Resort but will do so having regard to its statutory obligation to act in accordance with sound business principles whenever it performs its functions on a commercial basis and having regard to the interests of GPT.

- GPT will be entitled to appoint a director to the Board of Ayers Rock Resort or alternatively be entitled to nominate an observer at Board meetings. There will be a limited range of decisions for which GPT agreement would be required i.e. sale of the resort, major external investments or acquisitions.

- ILC may decide to sell the airport to a third party. GPT would receive its proportionate share (46%) of the proceeds on completion of the airport sale. There would need to be an appropriate adjustment to the calculation of the payment after five years reflecting the sale of the airport. (This would result in a downward adjustment to the $300 million figure in the valuation uplift calculation and to the $138 million final payment on the basis of the price received for the airport.)

135

3. Present Value of payments to GPT for Ayers Rock Resort

The present value of payments made by ILC for the acquisition of 100% of Ayers Rock Resort after the exercise of the option at the end of the five year period is expected to be approximately $250 million based on current forecasts with a minimum of $241.3 million

- The payments to GPT are:
  - $81 million paid at completion
  - $81 million paid on the 1st anniversary of completion
  - on exercise of the option in relation to the balance of 46% at the end of year 5, $138 million plus the valuation uplift being 46% of the amount by which (the valuation of Ayers Rock Resort at the end of 5 years minus capital expenditure incurred by ILC on Ayers Rock Resort in the 5 year period) exceeds $300 million. The valuation uplift will be at least $17 million.
- The table below shows the present value of these payments in two cases – the Floor Value where the valuation uplift does not exceed $17 million and the Projected Value. For the purposes of estimating the Projected Value, Ayers Rock Resort is valued at the end of year 5 at 10 times forecast EBITDA in year 5.

IMPLIED PRESENT VALUE PAID TO GPT FOR AYERS ROCK RESORT

PAYMENTS TO GPT (EXCLUDING INTEREST)		
Discount Rates	Floor Value	Projected Value
9%	256.1	261.8
10%	250.9	256.3
11%	246.0	251.2
12%	241.3	246.2

PAYMENTS TO GPT (INCLUDING INTEREST)		
Discount Rates	Floor Value	Projected Value
9%	295.8	301.5
10%	289.7	295.1
11%	283.9	289.1
12%	278.3	283.3

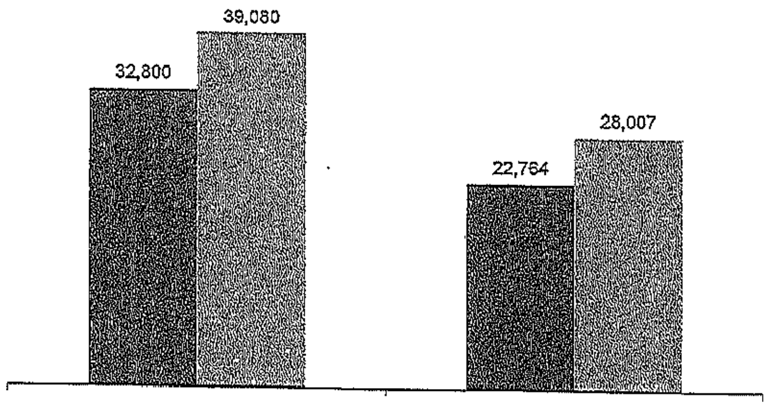
Note: the Projected Value is based on an EBITDA in year five of $42.4 million as per the financial model (with the ILC retaining 100% of profits for the whole 5 years).

136

In 2009 Ayers Rock Resort outperformed budget and substantially outperformed ILC's 2009 forecast

- High level financial results for Ayers Rock Resort for the year ended 31 December 2009 have been provided by GPT
- 2009 earnings were substantially higher than the 2009 forecasts in the ILC financial model. Actual gross operating profit for 2009 was $39.1 million compared to $32.8 million forecast in the ILC model[1]
- 2009 actual EBITDA was $28 million, $5.2 million higher than the ILC 2009 forecast of $22.8 million. The variance was predominately attributable to departmental costs being lower by $5.4 million, primarily in rooms and food and beverage. This was in part due to lower occupancy (refer to Appendix 1 for a high level numerical comparison)
- The lower expenses, together with slightly higher revenues also led to an increase in EBITDA margin (27% versus 22%)
- Actual occupancy was slightly down compared to forecast but this was offset by higher average daily room rates

2009 PERFORMANCE INDICATORS ($ MILLION)



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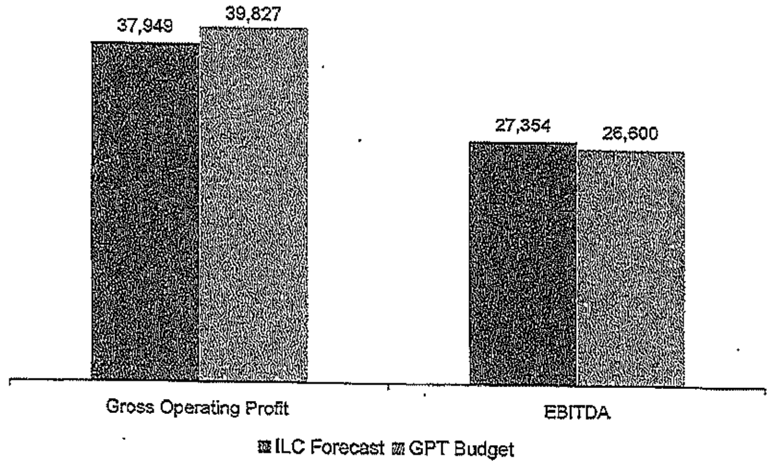
[1] ILC financial model numbers are similar to the numbers provided in the ILC Board Update in April 2009.

GPT has budgeted for similar earnings in 2010 to those in the ILC financial model

- GPT is budgeting for revenue in the 2010 year that is lower than revenue in the ILC financial model, but is budgeting for similar EBITDA in 2010 because of lower budgeted costs. 2010 EBITDA in the GPT budget is $26.6 million compared to 2010 EBITDA in the ILC financial model of $27.4 million. EBITDA margins are broadly the same - 24% for the 2010 ILC forecast compared to 25% for the 2010 GPT budget
- Gross operating income in the GPT 2010 budget is $1.2 million higher than in the ILC forecast mainly due to higher operating margins assumed in almost all categories (refer to Appendix 1 for a high level numerical comparison)
- The 2010 GPT budget is partly distorted by higher head office costs of $11.2 million compared to the ILC forecast head office costs of $7.5 million and to 2009 GPT actual costs of $8.9 million. This increase is due to Ayers Rock Resort now bearing all the head office costs for the Voyages Group following the sale of GPT's other resort assets. ILC's forecasts assume a 3rd party hotel manager is contracted to run the hotel operations of Ayers Rock Resort and that the Ayers Rock Resort corporate office is scaled down.

2010 PERFORMANCE INDICATORS ($ MILLION)



138

The opportunity to acquire the slimmed down Voyages Management Platform on an "as is" basis reduces complexity and risk for the ILC

- Chris Tallent (Voyages CEO) and Mark Rice (Voyages CFO) presented on Friday, 14 May 2010 an update on the activities and outlook of the Voyages Management Platform ("Voyages")
- Voyages was established as a centralised support structure to service GPT's large portfolio of remote resorts. Many of the key functions were supported from Voyages' head office (in Sydney) with two sub hubs (one of which was at Ayers Rock) providing field support. Voyages key functions included sales & marketing, a centralised travel & reservation centre, finance, IT, human resources, CEO and legal
- Ayers Rock Resort is the only property remaining from the original Voyages Hotels and Resorts portfolio. Consequently Voyages is now considerably smaller and simpler (refer to discussion on the following page)
- The availability of a focussed Voyages platform allows ILC to decide the most appropriate management of the resort in its own time. The management of Ayers Rock Resort can continue "as is" and ILC can determine whether and when it appoints a hotel manager after the transaction has been bedded down. In addition, maintaining Voyages would ease the new ownership transition and minimise disruption
- Voyages management believes the platform could fulfil other roles for ILC. The Voyages platform retains the capability and capacity to provide sales and marketing services and back office functions for other ILC businesses such as Home Valley
- No consideration would be payable to GPT for the Voyages platform

139

The Voyages Management platform has been substantially scaled down as it only services Ayers Rock Resort

- **Staff:** Voyages currently employs 73 people, a decline of 51% from two years ago. Reduction in staff numbers arose from two rounds of redundancies in the second half of 2009 (47 employees) and natural attrition (28 employees) largely in the finance and IT areas. There remains an ability (albeit limited) to further reduce staff and payroll costs as excess capacity in both quantity and capability (overqualified in view of the scaled down Voyages platform) exists. Natural attrition is expected to address some of the excess. Succession planning and retention remains a focus for Voyages due to the prolonged sale of Ayers Rock Resort and the associated uncertainty
- **Rental:** Voyages is located on level 9, 179 Elizabeth St, Sydney. The landlord is a GPT property fund. The annual rent is circa $778,000. Voyages occupies approximately two thirds of the floor but lease the entire floor of 1,571sqm
- **IT Systems:** IT systems are largely unchanged although support for some are now outsourced. Management believe the property management and reservation system is one of the best in the industry. The system has been designed to service a number of hotels. Additional properties can be serviced
- **Call Centre:** Call centre phone calls have halved from approximately 500,000-600,000 calls per year to approximately 200,000-300,000 calls per year. The Voyages Travel Centre staff have reduced from 48 to 25. Bookings taken by the Travel Centre (regarded as "direct" bookings) saves Voyages a 20% discount available to wholesalers (eg Qantas Holidays)

140

Further cost cutting initiatives have been identified

- **Performance:** FY2010 budget for Voyages platform is $14.252 million. Included in this is $2.916 million relating to the executive management team (CEO, CFO, EGM, S&M, HR) previously a cost of GPT and not recharged to the resorts. Excluding the executive management team the FY2010 budget for the Voyages platform reduces to $11.336 million. This compares to a Voyages platform recharge of $10.624 million in 2008 - the difference of $0.712 million principally reflects the costs of operating a standalone resort.
- Upcoming savings that will decrease the $14.252 million by approximately $800,000 a year include subletting of level 7, reducing the number of IT licenses, rationalisation of sales and marketing staff and finance staff (selected staff are over qualified for a simplified Voyages platform operation) and elimination of a risk management role (to be outsourced on a contract basis)

141

A second airline will service Ayers Rock

- **Airlines / Airport:**
  - Virgin Blue has announced it will introduce direct flights from Sydney to Uluru commencing on 2 August 2010. This will add 38,000 seat capacity annually and is forecast to generate an additional EBITDA of $2 million/pa for Ayers Rock Resort. Management estimates that the introduction of Virgin Blue has already locked in an incremental 3,500 forward bookings. Management believes airline capacity primarily influences arrivals to Ayers Rock
  - The introduction of a second airline has already created significant competition to Qantas, resulting in considerable discounting of forward airfares (return airfares to Uluru were approximately $900 pp prior to Virgin Blue's announcement and have been discounted to approximately $260 pp)
  - Qantas had previously reduced its overall capacity (including elimination of Melbourne flights) to Uluru by 29% in 2008. Qantas has since reinstated the second daily flight from Sydney on Saturdays. The passenger landing fee at Ayers Rock airport increased from $24 to $31 per person approximately 12 months ago which increased Ayers Rock revenue by approximately $1 million. It has been proposed that landing fees increase by a further $2 per person in October 2010 and October 2011
  - Discount airlines better service Uluru as price is more important to leisure travellers

142

Management has identified a number of opportunities to increase visitors to Ayers Rock Resort

The areas of focus identified are:

- Virgin Blue: 7,500 guests per annum (frequency of flights and lowering of airfares);
- length of stay: 7,500 guests per annum (increasing the average length of stay from 1.75 to 1.85 days generates an additional 10,000 rooms);
- China: 5,000 guests per annum (the relative penetration of Ayers Rock Resort of the China market compared to other markets is very low. By increasing the penetration level from 0.1% to 2.5% (which is still below the average of other markets) through a number of initiatives would materially increase visitor numbers;
- conference and website: 5,000 guests per annum;
- family: 2,500 guests per annum; and
- events: 2,500 guests per annum (sporting and cultural eg. introduce Ayers Rock marathon).

Management estimates the benefit of all opportunities, if implemented, is $6 million per annum

143

144

7. Capital Expenditure Funding

Cash flows generated by Ayers Rock Resort supplemented by a debt facility would support the capital expenditure proposed over the next five years

CAPEX REQUIREMENTS

- Approximately $70 million capital expenditure has been identified as potentially appropriate over the next five years (refer to Appendix 3 for a detailed breakdown)
- Capital expenditure includes an FF&E provision of $3 million per year
- Significant capital expenditure is not expected to begin until at least 12 months after completion, allowing time to bed down operations post completion and to develop a capital expenditure master plan

FUNDING

- Ayers Rock Resort will generate significant cash flows before capital expenditure which could be applied to fund capital expenditure
- Grant Samuel's debt team believes that it will be possible to obtain a credit facility for capital expenditure, secured by Ayers Rock Resort. The facility would be drawn as required
- It is estimated that a $40 million external debt capital expenditure facility would be sufficient to meet Ayers Rock Resort's capital expenditure needs over the next five years (the facility is estimated to be required for two years)

The sale of the airport could recover $50 million or more

Ownership of the airport is not fundamental to ILC's objectives in acquiring Ayer's Rock Resort. Infrastructure companies or funds are more logical owners of the airport and while not a large asset it would be of interest to them. GPT received expressions of interest in relation to the airport. ILC's interests would be protected by contractual undertakings by a buyer of the airport in the sale documentation.

Grant Samuel believes a price of $50 million or more would be achievable. An even higher price might now be obtained with a second airline servicing the airport and other airlines expressing interest in direct flights. GPT would receive its proportionate share (46%) of the sale proceeds.

MARKET EVIDENCE

- Transaction multiples
  - Australian and New Zealand airport transactions have typically been at multiples of 7.7 – 15.0 times forecast EBITDA with the median being 12.1 times (refer to Appendix 2 for the full list of comparable transactions)
  - Most recently in January 2010, Auckland International Airport acquired 24.6% of North Queensland Airports, the operator of Cairns and Mackay airports in Queensland at a forecast EBITDA multiple of ~23x. Brokers viewed this as an expensive transaction notwithstanding the potential synergies between Auckland International Airport and North Queensland Airports
  - Based on the above transaction multiples (excluding the North Queensland Airport transaction) and the ILC's FY2010 Ayers Rock Airport EBITDA forecast of $6.6 million, the implied value for the airport is $50.8 – $99.0 million
- Trading multiples
  - Listed airport companies also provide some guidance to value
  - Refer to appendix 2 for a list of comparable airport company multiples. Note these multiples were calculated as at 12 April 2010 i.e. prior the recent Icelandic volcanic eruption incident
  - While no listed airport company is directly comparable to Ayers Rock Airport (a considerably smaller regional airport), Australian and New Zealand airport comparable companies trade 6.9 – 13.4 times forecast EBITDA. In the Asia Pacific region and Europe, airport companies trade at similar multiples of 8.8 – 16.5 times and 8.0 – 9.8 times forecast EBITDA respectively
  - Based on the Australian and New Zealand trading multiples and the ILC's FY2010 Ayers Rock Airport EBITDA forecast of $6.6 million, the implied value for the airport is $45.5 – $88.4 million

145

8. Sale of Airport

- 3rd party offers
  - The most relevant measure would be offers received directly in relation to the asset. GPT/Jones Lang LaSalle received a number of offers for Ayers Rock airport during its sale process for the Voyages properties.
  - An offer of $50 million was the highest offer received which implies a forecast EBITDA multiple of 7.6 times. This is not inconsistent compared to the above transaction and trading multiples
  - Since that time a second airline has commenced flights to Ayers Rock Airport and other airlines have expressed interest.

146

9. Next Steps

Next steps include the following

- **Due Diligence:** High level due diligence will be required to confirm no new matters have arisen since March 2009. Due diligence was completed (with no material issues from legal, accounting, airport and IT) when discussions with GPT were suspended in March 2009. A few outstanding issues on environmental matters were elected to be addressed via the sale and purchase agreement
- **Structuring:** Finalise the transaction structure to reflect the new proposal
- **Legal agreements:** Amend the sale agreement to reflect the new proposal and finalise negotiations on a small number of outstanding items
- **Voyages platform:** Finalise the staff, infrastructure and premises obtained from the Voyages platform
- **Hotel manager:** Determine the most effective way to manage the Ayers Rock Resort and, if appropriate, select a hotel management group to participate

147

Appendix 1

Ayers Rock Resort Financial Performance

148

Appendix 1: Comparison of Ayers Rock Resort's 2009 Actual Performance to ILC's Financial Model Forecast

$ millions	2009 ILC forecast	2009 GPT actual	Variance
Occupancy	*54.1%*	*51.2%*	*(2.9%)*
Average daily rate	*$242.49*	*$256.71*	*$14.22*
RevPAR	*$131.10*	*$131.46*	*$0.36*
Operating Revenues			
Rooms	37.8	37.9	*0.2%*
Food and Beverage	27.6	26.1	*(5.1%)*
Retail	16.1	16.9	*5.3%*
Airport	9.0	8.6	*(4.0%)*
Other	12.4	14.0	*12.7%*
Total	**102.8**	**103.6**	***0.7%***
Departmental Expenses			
Rooms	(11.9)	(9.4)	*(21.3%)*
Food and Beverage	(21.4)	(19.3)	*(9.7%)*
Retail	(13.5)	(13.0)	*(3.2%)*
Airport	(0.9)	(1.3)	*36.6%*
Other	(5.0)	(4.2)	*(14.5%)*
Total	**(52.6)**	**(47.2)**	***(10.3%)***
Gross Operating Income	**50.2**	**56.4**	***12.3%***
Undistributed expense	(17.4)	(17.3)	*(0.7%)*
Gross operating Profit	**32.8**	**39.1**	***19.1%***
Fixed charges	(2.9)	(2.2)	*(26.5%)*
Head office / Hotel mgt fee	(7.1)	(8.9)	*25.5%*
EBITDA	**22.8**	**28.0**	***23.0%***
EBITDA margin	*22.1%*	*27.0%*	*4.9%*

149

Appendix 1: Comparison of Ayers Rock Resort's 2010 Budget to ILC's Financial Model Forecast

$ millions	2010 ILC forecast	2010 GPT budget	Variance
Occupancy	*57.7%*	*52.9%*	*(4.8%)*
Average daily rate	*$252.28*	*$261.72*	*$9.44*
RevPAR	*$145.57*	*$138.58*	*($6.99)*
Operating Revenues			
Rooms	42.0	40.0	*(4.8%)*
Food and Beverage	30.3	27.2	*(10.3%)*
Retail	17.7	17.6	*(0.4%)*
Airport	9.6	8.5	*(11.5%)*
Other	13.3	14.6	*9.1%*
Total Revenues	**112.9**	**107.8**	*(4.5%)*
Departmental Expenses			
Rooms	(12.5)	(9.6)	*(23.2%)*
Food and Beverage	(22.8)	(20.3)	*(10.8%)*
Retail	(14.3)	(13.6)	*(5.2%)*
Airport	(1.0)	(1.4)	*41.3%*
Other	(5.2)	(4.6)	*(11.7%)*
Total	**(55.7)**	**(49.4)**	***(11.3%)***
Gross Operating Income	**57.1**	**58.3**	***2.1%***
Undistributed expense	(19.2)	(18.5)	*(3.5%)*
Gross operating Profit	**37.9**	**39.8**	***5.0%***
Fixed charges	(3.1)	(2.0)	*(33.8%)*
Head office / Hotel mgt fee	(7.5)	(11.2)	*48.6%*
EBITDA	**27.4**	**26.6**	***(2.8%)***
EBITDA margin	*24.2%*	*24.7%*	*0.4%*

150

Ayers Rock Resort and ILC Financial Model

Ayers Rock Resort (incl. Airport)

$' 000s	2006 Actual	2007 Actual	2008 Actual	2009 ILC FC	2009 GPT Actual	2009 Variance	2010 ILC FC	2010 GPT Budget	2010 Variance
General Assumptions									
Number of Rooms per year	*288,716*	*288,715*	*289,506*	*288,484*	*288,350*	*(134)*	*288,484*	*288,350*	*(134)*
Occupancy %	*63.1%*	*63.1%*	*58.3%*	*54.1%*	*51.2%*	*(2.9%)*	*57.7%*	*52.9%*	*(4.8%)*
Rooms Sold (000's)	*182,293*	*182,077*	*168,757*	*155,965*	*147,666*	*(8,299)*	*166,462*	*152,679*	*(13,783)*
Average Daily Rate (inc price growth)	*258.44*	*242.04*	*250.44*	*242.49*	*256.71*	*14.22*	*252.28*	*261.72*	*9.44*
Daily Rate Growth		*(6.3%)*	*3.5%*	*(3.2%)*	*2.6%*	*5.7%*	*4.0%*	*2.0%*	*(2.1%)*
RevPAR	*163.18*	*152.64*	*145.98*	*131.10*	*131.46*	*0.36*	*145.57*	*138.58*	*(6.99)*
Operating Revenue									
Rooms	47,112	44,069	42,264	37,820	37,907	*0.2%*	41,996	39,959	*(4.8%)*
Food & Beverage	32,708	32,468	29,297	27,550	26,141	*(5.1%)*	30,287	27,182	*(10.3%)*
Hotel Sundry	850	707	711	673	1,368	*103.4%*	738	1,505	*104.0%*
Campground & Lodge	3,934	3,712	3,715	3,692	4,323	*17.1%*	3,858	4,424	*14.7%*
Retail	17,590	17,061	17,080	16,095	16,941	*5.3%*	17,676	17,614	*(0.4%)*
Airport	8,791	8,364	7,739	8,952	8,594	*(4.0%)*	9,554	8,453	*(11.5%)*
Property (inflation driver only)	5,968	5,853	5,896	5,528	5,961	*7.9%*	6,075	6,102	*0.4%*
Touring & Activities	1,637	1,912	1,733	1,805	1,563	*(13.4%)*	1,890	1,620	*(14.3%)*
Spa	-	-	199	173	294	*69.4%*	197	378	*92.0%*
Other Ayers Rock Resort / ILC revenue	601	696	492	539	474	*(12.1%)*	585	523	*(10.6%)*
Total Operating Revenue	**119,191**	**114,843**	**109,123**	**102,625**	**103,566**	*0.7%*	**112,853**	**107,760**	*(4.5%)*
Departmental Expenses									
Rooms	12,040	12,441	11,729	11,893	9,355	*(21.3%)*	12,502	9,608	*(23.2%)*
Food & Beverage	22,314	22,552	21,406	21,361	19,286	*(9.7%)*	22,762	20,299	*(10.8%)*
Hotel Sundry	348	284	269	255	419	*64.0%*	273	445	*63.0%*
Campground & Lodge	978	1,012	1,143	1,186	1,244	*4.9%*	1,222	1,290	*5.6%*
Retail	13,511	13,430	13,454	13,469	13,043	*(3.2%)*	14,335	13,590	*(5.2%)*
Airport	726	868	1,005	935	1,277	*36.6%*	966	1,365	*41.3%*
Property (inflation driver only)	2,060	1,907	2,099	2,135	1,476	*(30.9%)*	2,199	1,560	*(29.0%)*
Touring & Activities	1,115	1,207	1,204	1,189	984	*(17.2%)*	1,265	1,113	*(12.1%)*
Spa	-	-	208	189	247	*30.5%*	215	361	*68.1%*
Other Ayers Rock Resort / ILC expenses	-	-	-	-	(132)	*na*	-	(198)	*na*
Total Departmental Expenses	**53,092**	**53,701**	**52,517**	**52,613**	**47,198**	*(10.3%)*	**55,739**	**49,433**	*(11.3%)*
Gross Operating Income	**66,099**	**61,142**	**56,606**	**50,212**	**56,368**	-	**57,115**	**58,327**	
GOO Margin	*55.5%*	*53.2%*	*51.9%*	*40.9%*	*54.4%*		*50.6%*	*54.1%*	
Undistributed Expenses									
Administration & General	11,895	9,683	12,656	5,163	5,619	*8.8%*	5,681	5,931	*4.4%*
Sales & Marketing	5,945	4,774	4,517	3,132	367	*(88.3%)*	3,475	434	*(87.5%)*
Energy	4,351	4,403	3,938	3,461	5,473	*58.1%*	3,803	5,831	*53.3%*
Property Ops and Maintenance	3,643	3,864	3,514	5,656	5,829	*3.1%*	6,207	6,304	*1.6%*
Total Undistributed Expenses	**25,034**	**22,724**	**24,625**	**17,412**	**17,289**	*(0.7%)*	**19,166**	**18,500**	*(3.5%)*
Gross Operating Profit	**40,266**	**38,419**	**31,981**	**32,800**	**39,080**		**37,949**	**39,827**	
GOP Margin	*33.8%*	*33.5%*	*29.3%*	*31.9%*	*37.7%*		*33.6%*	*37.0%*	
Head Office Costs and Hotel Operator Fees									
Head office costs				5,700	8,921	*56.5%*	6,901	11,209	*69.9%*
Management Fees - Base				561		*na*	620		*na*
Management Fees - Incentive (excl ILC CC)				846		*na*	1,023		*na*
Total Head Office Costs and Hotel Operator Fees				**7,107**	**8,921**	*25.5%*	**7,544**	**11,209**	*48.6%*
Fixed Charges									
Property Insurance	1,091	1,197	1,257	1,295	1,296	*0.1%*	1,334	1,192	*(10.6%)*
Rates and taxes	714	679	727	740	856	*15.7%*	762	827	*8.5%*
Lease/Rent/Owner Costs	-	416	742	895	-	*na*	955	-	*na*
Total Fixed Charges	**1,805**	**2,291**	**2,726**	**2,930**	**2,152**	*(26.5%)*	**3,051**	**2,019**	*(33.8%)*
EBITDA (post Corporate Items)*	**38,460**	**36,127**	**29,255**	**22,764**	**28,007**	*23.0%*	**27,354**	**26,600**	*(2.8%)*
EBITDA Margin	*32.3%*	*31.5%*	*26.8%*	*22.1%*	*27.0%*		*24.2%*	*24.7%*	

* Historical GPT figures include interest at the consolidated level, this has been excluded in the above numbers

Other Statistics	2006 Actual	2007 Actual	2008 Actual	2009 ILC FC	2009 GPT Actual	2009 Variance	2010 ILC FC	2010 GPT Budget	2010 Variance
Rooms Profit Margin	*74.4%*	*71.8%*	*72.2%*	*68.6%*	*75.3%*		*70.2%*	*76.0%*	
Food and Beverages Profit Margin	*31.8%*	*30.5%*	*26.9%*	*22.5%*	*26.2%*		*24.8%*	*25.3%*	
Campground Profit Margin	*75.1%*	*72.7%*	*69.2%*	*67.9%*	*71.2%*		*68.3%*	*70.8%*	
Retail Profit Margin	*23.2%*	*21.3%*	*21.2%*	*16.3%*	*23.0%*		*18.9%*	*22.6%*	
Airport Profit Margin	*91.7%*	*89.6%*	*87.0%*	*89.6%*	*85.1%*		*89.9%*	*83.8%*	

Appendix 1: ILC's Ayers Rock Resort Financial Model

151

152

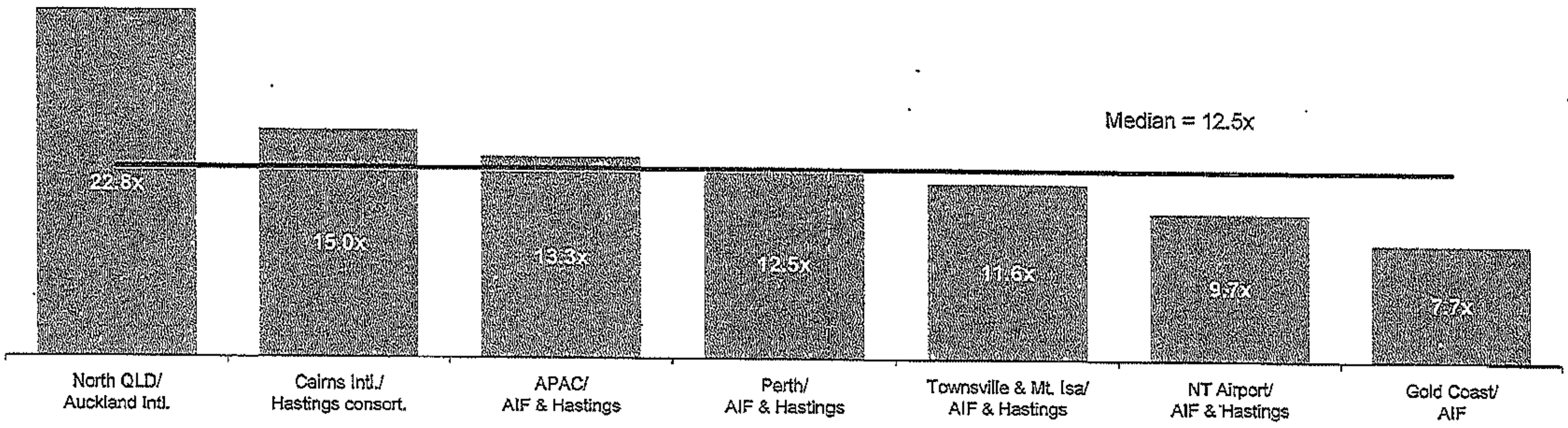
Appendix 2

Airport Multiples

Appendix 2: Airport Transaction Multiples

Recent transaction multiples – 2004 to 2010

FORECAST EBITDA MULTIPLES – AUSTRALIA AND NEW ZEALAND



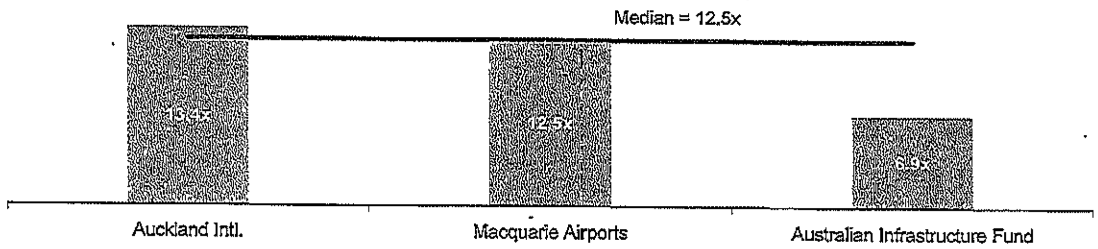
Source: Broker reports, Capital IQ and Company announcements

153

Appendix 2: Airport Comparable Companies Trading Multiples

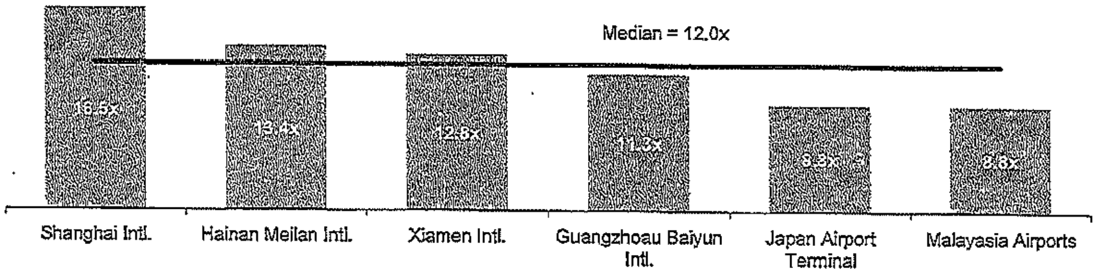
Trading multiples as at 12 April 2010

FORECAST EBITDA MULTIPLES – AUSTRALIA AND NEW ZEALAND



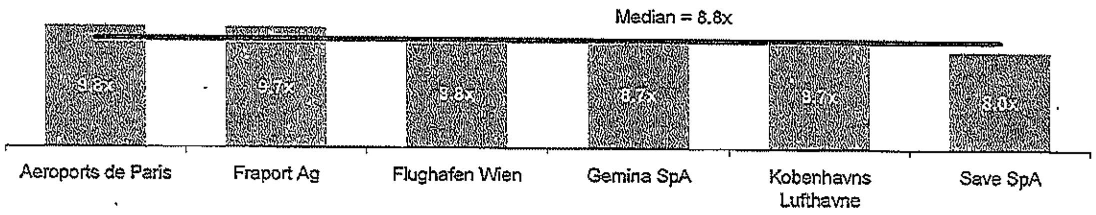
Source: Bloomberg

FORECAST EBITDA MULTIPLES – ASIA PACIFIC REGION



Source: Bloomberg

FORECAST EBITDA MULTIPLES – EUROPE



Source: Bloomberg

154

155

Appendix 3

Ayers Rock Resort Capital Expenditure

Appendix 3: Ayers Rock Resort Capital Expenditure

5 YEAR CAPTIAL EXPENDITURE FORECAST (REAL DOLLARS $ MILLIONS)

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Hotels						
Sails in the Desert	3.4	6.9	-	-	-	**10.3**
Desert Gardens	0.8	1.6	-	-	-	**2.4**
Lost Camel	0.5	1.0	-	-	-	**1.6**
Emu Walk	0.9	1.8	-	-	-	**2.7**
Longitude 131	0.1	0.2	0.2	-	-	**0.5**
Outback Pioneer Hotel and Lodge	0.2	0.5	-	1.7	-	**2.4**
Total Hotels	**6.0**	**12.0**	**0.2**	**1.7**	**-**	**19.9**
Other						
Airport	0.2	1.2	0.9	0.2	-	**2.5**
Conference Centre	2.0	4.0	-	-	-	**6.0**
Town Square Shopping	1.0	1.9	-	-	-	**2.9**
Coach Camping Ground	-	-	0.1	0.3	0.1	**0.4**
Ayers Rock Camping Ground	-	-	0.4	0.2	0.2	**0.8**
Staff Village	1.3	2.5	0.2	-	-	**4.0**
Ayers Rock Complex	0.4	0.8	4.1	2.8	4.5	**12.7**
Environmental	-	-	0.4	0.4	0.4	**1.3**
Other structural and Infrastructure	0.3	0.7	0.9	0.9	0.9	**3.7**
Total Other	**5.1**	**11.2**	**7.0**	**4.8**	**6.1**	**34.3**
Ayers Rock Resort Operational / FF&E	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**15.0**
Grand Total	**14.1**	**26.2**	**10.3**	**9.6**	**9.1**	**69.2**

156

Appendix 4

Valuation process at end of five year period

The valuation of Ayers Rock Resort at the end of the five year period to calculate the price at which the option over the remaining 46% of Ayers Rock Report will be exercised is as follows:

VALUATION PROCESS

- ILC and GPT will each appoint a valuer to determine the market value of Ayers Rock Resort
- The valuation would make no allowance for a minority interest or a lack of liquidity
- If the valuations differ by more than 5% of the average of the two valuations, either ILC or GPT may request that the President of the Australian Property Institute appoint a third valuer to act as umpire to determine a final and binding value. The fees of the umpire will be borne equally between ILC and GPT
- The price to be paid by GPT will be determined by the average of the two valuations or the value determined by the third valuer acting as umpire

158

ATTACHMENT C

Note to Directors from Ian Ferrier

BRI Ferrier

Business Reconstruction & Insolvency

NOTE TO	:	INDIGENOUS LAND CORPORATION DIRECTORS
FROM	:	IAN FERRIER
DATE	:	26 MAY 2010

As requested, I have considered the Corporation's cash flow prepared by Jodie Lindsay for 5 years up to 30 December 2015 incorporating a number of assumptions, the more important of which are:

1) That the ILC completes its current projects on hand;

2) That ILC spends $24M a year on new projects, this being the same sum developed for earlier budgets;

3) That the ILC purchases Ayers Rock Resort for a cash outlay of $312M payable over 5 years;

4) That the hotel generates a return on investment of about 8.5% per annum; and

5) That the Airport may be retained or sold for $50M (which is considered to be under value).

The end result is that ILC will have to borrow at the end of year one, $10 - $40M increasing in year 5 to $85 - $105M.

I have also calculated the net present value of the resort based upon capital cash flows (ie: excluding interest) as follows:

Capital Payment made		$M
At commencement		81
At the end of One Year	1	81
At the end of Five Years	5	150
		342

Discount Rate assuming no return	NPV($M)
9%	253
10%	248
11%	243
12%	238

IAN D FERRIER

Ferrier (Chairman) | Green | Krejci | Silvia | Hodgson (Consultant)

BRI Ferrier (NSW) Pty Ltd Chartered Accountants ABN 97 128 947 848
Trading as BRI Ferrier ABN 59 212 882 443
Level 13, 1 Castlereagh St, Sydney NSW 2000 GPO Box 7079, Sydney NSW 2001
T 02 8263 2300 F 02 8263 2399 info@briferriernsw.com.au www.briferrier.com.au
BRI Ferrier...throughout Australia

ATTACHMENT D

Cash flow projections

Consolidated
Cash flow Summary
$,m
Inflows (Outflows)

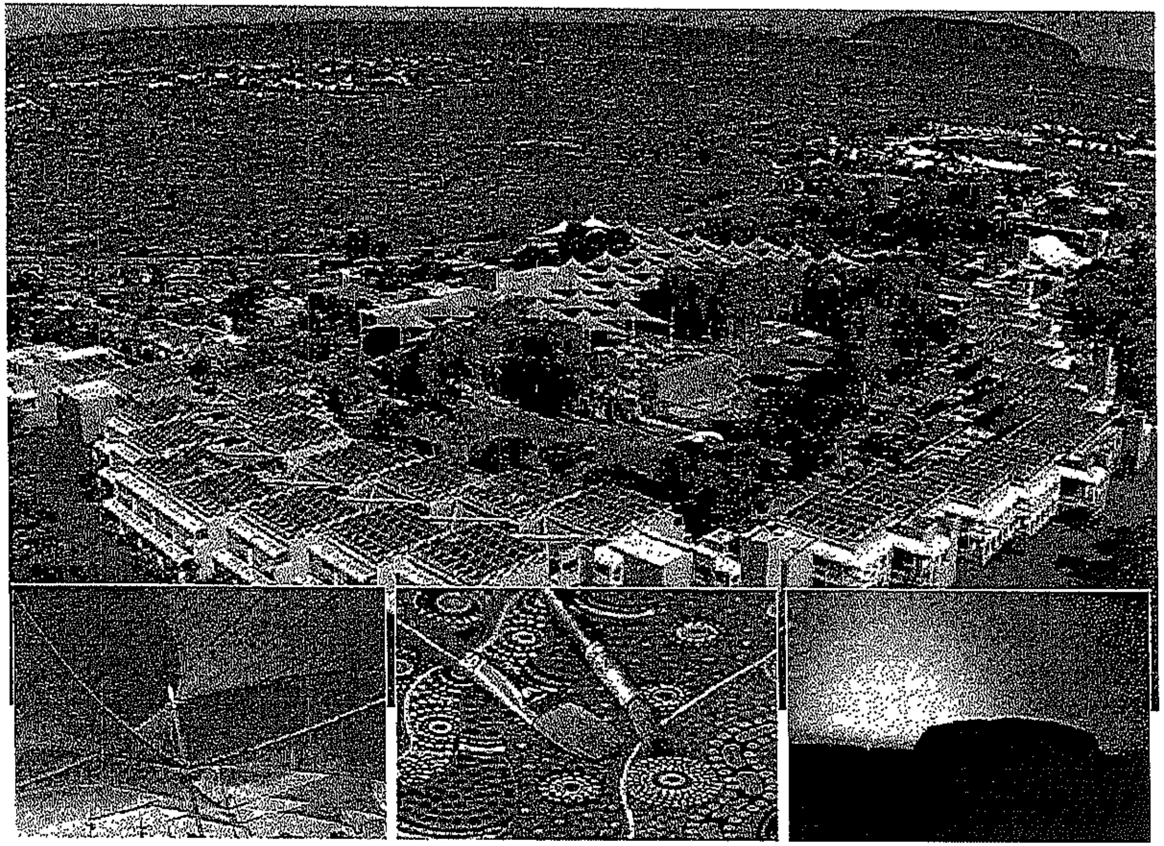
	Total period Oct Dec 2010	Total Calender year ending 30/12/11	Total Calender year ending 30/12/12	Total Calender year ending 30/12/13	Total Calender year ending 30/12/14	Total Calender year ending 30/12/15	*Total*	
ILC Cashflows before proposed acquisiton								
Opening cash position	151.19	128.15	121.83	126.38	136.42	148.14	151.19	
Income	51.40	51.79	53.11	54.61	56.37	58.23	325.21	
Expenditure	[illegible]	(58.11)	(48.56)	(44.57)	(44.65)	[illegible]	(315.09)	
	[illegible]	(6.32)	4.55	10.04	11.72	13.17	10.12	Page 3 (F)
Closing Cash Position	128.15	121.83	126.38	136.42	148.14	161.31	161.31	
ILC Cashflows after proposed acquisiton								
Assume interest on cash reserves	5.0%							
Assume interest on borrowings	7.8%							
SENARIO 1 - Exercise Option, retain airport								
Opening cash position	151.19	50.70	(38.01)	(38.38)	(12.35)	17.28	151.19	
ARR Cash flows	[illegible]	(74.78)	2.92	23.08	24.13	(122.83)	(221.24)	Page 4 (A)
ILC Cash flows before interest	[illegible]	(12.12)	(1.47)	3.55	4.67	5.49	(29.03)	Page 3 (E)
Net Interest	2.41	(1.81)	(1.83)	(0.59)	0.82	(5.09)	(5.99)	
Closing Cash Position	50.70	(38.01)	(38.38)	(12.35)	17.28	(105.07)	(105.07)	
SENARO 2 - Exercise Option, sell airport								
Opening cash position	151.19	50.70	(9.66)	(16.08)	1.91	22.12	151.19	
ARR Cash flows	[illegible]	(47.78)	(4.19)	14.35	14.48	[illegible]	(207.17)	Page 4 (C)
ILC Cash flows before interest	[illegible]	(12.12)	(1.47)	3.55	4.67	5.49	(29.03)	Page 3 (E)
Net Interest	2.41	(0.46)	(0.77)	0.09	1.05	[illegible]	(1.80)	
Closing Cash Position	50.70	(9.66)	(16.08)	1.91	22.12	[illegible]	(86.81)	

Commentary
Based on the cashflows presented the ILC will need find approx $40m to make the second payment to GPT, anticipated to be in Oct 2011.
The $40m could be sourced from borrowings, proceeds from the sale of the airport, a reduction or deferral of the capital program on ARR or through the reduction or deferral of funds put aside for new business of the ILC.
The sale of the airport will not cover the shortfall of the second payment as 46% of the proceeds will need to be paid to GPT. The sale of the airport would also have to settle within12 months of acquisition to reduce the requirement to borrow. The airport is expected to derive a profit of approximately $11m per year. This ongoing profit will be forgone if the airport was sold.
The ILC will have to secure borrowings to complete the option at the end of year 5 to secure the remaining 46% of ARR.

162

Ayers Rock Resort

Board Brief August 2010



The Business proposal

- Acquisition of Ayers Rock Resort ("ARR"),
  - its operating businesses,
  - and a suitable management platform to operate the businesses.



The vision is:

- To establish an Indigenous tourism enterprises that employ significant numbers of Indigenous staff.
- To establish a national Indigenous Tourism and Hospitality Training Academy at Yulara that produces nationally accredited Indigenous graduates and transitions them to employment in ARR and mainstream tourism and hospitality industries including development of an Indigenous tourism leadership capability.
- To acquire land of significant cultural value and to grant that land to appropriate Indigenous title holding body, with arrangements that allow the continuing operation of ARR.
- For the ILC to work in partnership with local Indigenous communities to train Indigenous youth and assist their transition into employment in ARR and the tourism industry.

Indigenous benefits to be delivered – key opportunities

- Unique opportunity to create real sustainable Indigenous jobs
- Establishment of an Indigenous tourism enterprise
- Employment of 70 Indigenous staff in ARR by 2013 and 206 by 2016
- Development of a national Indigenous Tourism and Hospitality Training Academy
- The acquisition of land of significant cultural value to Indigenous people.
- Granting of over 104,000 ha of acquired land to appropriate Indigenous title holding bodies, on condition of negotiated lease-back agreements of up to 99 years
- Build partnerships and programs with local Indigenous communities.

Regional Context

- Mutitjulu, a community of 217 Indigenous people, is situated less than 30 km from ARR.
- The Mutitjulu community has been identified as a community in extreme need. There are significant issues with education, health, housing, and alcohol and drug abuse including petrol sniffing.
- Representative of Mutitjulu are joint managers of the Uluru-Kata Tjuta National Park, which is 1,325km^2, with Parks Australia.
- "The primary sources of actively derived income earnings are employment activities at MCI and Uluru-Kata Tjuta National Park. Other significant employers include Anangu Tours and Mutitjulu Health Clinic. ***No Anangu residents of Mutitjulu work at the Yulara resort.***"
- Other communities Hermannsburg (Ntaria), Imanpa, Kaltukatjara (Docker River) and in Alice Springs itself, face similar issues and disadvantage statistics.

Regional Context

	Indigenous population	No. employed	No. unemployed	No. over 15 years not in labour force	Avg individual weekly income
Mutitjulu	217	27	5	117	$209
Imanpa	131	Data not available			
Kaltukatjara (Docker River)	341	34	3	179	$186
Hermannsburg (Ntaria)	506	80	11	208	$210
Alice Springs	4,494	1109	126	1371	$248

The Resort

- ARR is uniquely located adjacent to the Uluru-Kata Tjuta National Park
- Operates the eight accommodation choices and the township of Yulara, which includes a visitor's centre, a shopping square, petrol station, and a conference centre.
- It also has the leasehold interest in Ayers Rock Airport, and manages out-of-room experiences such as tours.

Key Infrastructure

Accommodation

- Longitude 131º - 15 luxury tents
- Sails in the Desert – 232 luxury rooms
- Desert Gardens Hotel – 218 deluxe rooms
- Outback Pioneer Hotel – 137 mid market rooms
- Emu Walk Apartments - 60 serviced apartments
- The Lost Camel – 99 mid market rooms
- Outback Pioneer Lodge – 332 backpacker beds
- Ayers Rock Campground – 421 campground and caravan sites

Key Infrastructure

Airport

- Ayers Rock (Connellan) Airport
- Situated approximately 7 km from ARR
- Owned by the Northern Territory Government and leased on a long term basis by ARR.
- Significantly upgraded in 1996
- Encompasses a terminal building and runway (capable of servicing fully loaded Boeing 737s and Airbus A320s), a general aviation area, car rental and associated tour company support services.

Key Infrastructure

Staff Accommodation

- Over 700 units and dwellings which range in size from shared accommodation through to free standing homes.
- A number of dwellings are also leased to third parties such as concessionaires, tenants and other service providers for commercial rentals.
- Staff facilities include swimming pools, a recreation centre, bar and restaurant and sporting facilities and extensive maintenance facilities.

Key Infrastructure

- ARR encompasses the town of Yulara and manages all aspects of Yulara other than statutory services (e.g. police and fire station, government school, power, water, ambulance and royal flying doctor medical service etc).
- These include retail shopping centre, petrol station, visitor information centre, various food and retail outlets, spa, conference centre and recreational facilities.

Voyages Platform

- Voyages was established as a centralised support structure to service GPT's large portfolio of remote resorts.
- Voyages key functions include sales & marketing, a centralised travel & reservation centre, finance, IT, human resources, CEO and legal.
- ARR is the only property remaining from the original Voyages Hotels and Resorts portfolio.

Key risks

- The need for the ILC to borrow up to $40m.
- The need to expend funds ($45m over the first 5 years) on capital expenditure for infrastructure/ modernisation of ARR.
- Retention of existing staff and platform to ensure continuity of operations.
- Assuming responsibility for municipal services and governance for the township of Yulara and administration of the airport

SWOT Analysis – Strengths[1]

Investment

- Irreplaceable resort at world famous tourist destination
- Over $500m invested – buy at steep discount to original & replacement costs
- Monopoly status may underwrite resort value subject to operating performance
- Vacant possession enables ILC to self-manage for value enhancement
- Includes developable land for expansion over time
- Extensive development & infrastructure paid for by current and past owners
- High barriers to entry, including capital and approval hurdles
- Vendor finance enables ILC capital to be directed to required capex

[1] Source Horwath Due Diligence Report August 2010

SWOT Analysis - Strengths[1]

Operational

- Current revenue level provides a base (albeit low) from which to grow profits
- Virgin Blue capacity/pricing should help grow visitation, incl. from new markets
- High destination recognition/profile
- <u>Accommodation facilities mix enables wide spread of guest types/room rates</u>
- <u>Profit centres capture almost all guest spending at this destination</u>
- Diverse geographic sources of guests reduces reliance on any single market
- Absence of local competition enhances demand potential & pricing power
- <u>Enough rooms to ensure operating efficiencies (if well managed)</u>
- Appeals to fly, drive and fly-drive markets
- <u>A "must visit" destination for Australians and an iconic tourist destination for</u>
- <u>offshore visitors</u>
- High level of support from key growth market, being baby boomers

[1] Source Horwath Due Diligence Report August 2010

SWOT Analysis - Weaknesses[1]

Investment

- ARR's recent material value decline (including subsequent to previous due diligence)
- Past 6 months EBITDA has declined 26% year on year .
- Major short-term & on going capex needs, including for infrastructure
- Nature/location/age of ARR will always require high premium for risk in valuation
- Remote location requires investment in non income & low income earning assets
- Complexity makes ARR a challenging and demanding investment for an owner
- Resorts are least preferred & lowest rated hospitality investment class
- Exit risk - ARR would be a difficult asset to sell, with few natural owners

[1] Source Horwath Due Diligence Report August 2010

SWOT Analysis - Weaknesses[1]

Operational

- Visitation & occupancy levels in continuous decline over past decade
- Voyages corporate overheads remain a drain on profits and cash flows
- High reliance on airlines support for access and support level is unpredictable
- Resort's age & unimpressive design/fit-out constrains appeal & guest satisfaction
- Remote location entails high operating costs
- Other than Longitude, most rooms don't have meaningful views/outlook to up-sell from
- Boring/limited F&B and inadequate activity/entertainment options limits revenue
- Stand-alone operation results in inefficient/ineffective marketing & distribution
- Destination pricing is highly dependent on airline pricing

[1] Source Horwath Due Diligence Report August 2010

SWOT Analysis - Weaknesses[1]

Operational cont...

- Seasonality and short average length of stay constrain revenue potential
- "Once in lifetime" visit aspiration means minimal repeat visitation
- Unavoidable high staff turnover adds to costs/reduces service standards
- Resort under-delivers on guest expectation of cultural experience
- In low season large number of rooms erodes profits due to high holding costs
- Nature of ARR & location requires large & ongoing repairs and maintenance costs

[1] Source Horwath Due Diligence Report August 2010

SWOT Analysis - Opportunities[1]

Investment

- Timing - buy off value weakness & vendor's need to sell
- Upgrade Sails in Desert to re-launch ARR and grow demand
- Reduce capital invested via sale of non core assets
- Lease or provide concessions for secondary revenue centres eg spa/retail
- Outsource to reduce management team size and costs
- Increase number/standard of rooms in Longitude to increase high end revenue
- Add "glamping" (glamorous camping) option to fill existing price void
- Evaluate radical options to extend stay/reduce seasonality eg golf/casino
- Update existing or build new conference facility to capture MICE demand
- Invest in entertainment eg cultural/outback show to extend stay
- Position & grow Voyages brand to become national Indigenous resort operator
- Adopt Operational Opportunities to increase value

[1] Source Horwath Due Diligence Report August 2010

SWOT Analysis - Opportunities[1]

Operational

- Obtain franchise from international operator to fix sales & marketing problem
- Using franchise, reposition & refresh ARR to relaunch it as destination option
- Introduce new management focussed on innovative revenue creation
- Downsize VCO structure further to improve profits
- Pursue further airline routes thru low cost carriers
- Devise new resort pricing models to grow demand eg "all inclusive" packages
- Increase & leverage off indigenous involvement, including for events
- Devise new resort/airline inclusive packages for low season
- Devise inbound packages from Darwin via Alice Springs hub
- Devise drive market incentives
- Devise more creative F&B options eg bar on Sails roof/outdoor bistro
- Devise outdoor activities eg concerts & frequent events program
- Promote ILC's ownership & govt. support to harness local support

[1] Source Horwath Due Diligence Report August 2010

SWOT Analysis - Threats[1]

Investment

- Price risk due to ARR's recent decline in value implying risk of further fall in value
- Recent sharp EBITDA decline implies risk of further decline in profits and value post acquisition
- Complexity of ARR increases potential for unidentified commercial risks during due diligence
- Price risk due to inadequate vendor insight on needed capital expenditure
- Risk of value decline post acquisition due to Operational Threats
- Risk of future capex growth rate exceeding future free cash flow growth rate
- Risk of overdue resort upgrades not lifting revenues near term
- Risk of need to direct capex to non-revenue earning areas eg infrastructure
- Risk of any presently unquantifiable, remedial environment costs

[1] Source Horwath Due Diligence Report August 2010

SWOT Analysis - Threats[1]

Operational

- Risk of Qantas reducing services/capacity if not enough demand for two carriers (not contractually committed to route)
- Risk of Virgin Blue reducing services/capacity or raising prices once it assesses market (not contractually committed to route)
- Risk of further economic decline in key o/seas source markets impacting demand
- Risk of visitation deferral in favour of cheaper/closer/easier access destinations
- Risk of delay in growing new markets if existing ones continue to falter
- Risk of visitation deferral due to ARR being once in lifetime, non-urgent option
- Risk of Rock climb restrictions reducing appeal for some visitors
- Risk of franchise with operator being expensive relative to benefits gained

[1] Source Horwath Due Diligence Report August 2010

Board Decision

At the June 2010 meeting the Board resolved:

That the Board approves to progress negotiations with GPT to purchase Ayers Rock Resort, subject to:

- finance being secured
  - credit approval as been received from 3 banks - $60m
- the Land Account legislation being passed
  - Legislation was passed in late June 201
- further due diligence
  - Further due diligence has been completed
- acceptable legal documentation
  - Lawyers are negotiating final terms of contract

Action required

- Advise Minister of the proposal pursuant to Section 15(1) of the CAC Act (completed – see attached)
- Resolve to incorporate new subsidiary – ILC Tourism Pty Ltd (draft decision sheet attached)
- Obtain credit approval for $60m facility from major bank (received credit approval from 3 of the 4 major banks)
- Finalise negotiations on price
- Finalise negotiations on terms of sale contract
- Bring the final purchase price and sale contract back to the Board for ratification
- Finalise finance documentation with preferred bank
- Exchange contract
- Recruit General Manager
- Proceed with transition activities
- Completion – approximately 3 months from contract exchange.

Attachment 1 – Correspondence to the Minister in accordance with Section 15(1) of the CAC Act.

Attachment 2 – Draft decision sheet to establish subsidiary – ILC Tourism Pty Ltd.

Falbala Weed control works Jan -Feb 2014				Verification		0.090909091		
INV/Receipt	**Name**	**Amount**	**Purpose**	**Amount**	**GST**	**GST exclusive**	**Description**	**Issues**
100211	Kit Bennett	1200	Labourer	$1,200.00	$109.09	$1,090.91	Kit from Abbotsford, invoice supplied 17 Feb	Address and ABN supplied. GST status unknown
810602	Rose rural Repairs	1000	Labourer, Meals, Accom	$0.00		$0.00	Invoice from P Rose for $800 labour plus food, fuel and accomodation for $200	No ABN or address supplied GST status unknown
53	The Beechy Hotel	185.4	Meals	$0.00		$0.00	Meals and drinks	not weed spraying
78	Top Job Roofing	9850	Labourer, Chemicals & Fuel	$9,850.00	$0.00	$9,850.00	Invoice for weed spraying from mid Nov to 19 Feb inclusive. Marty says it is inclusive of the earlier invoice for $2K.	GST exclusive
72	Top Job Roofing	2000	Spraying & fuel	$0.00	$0.00	$0.00	weed spraying, but superseded by later invoice	
Receipt	Landmark	681.02	Chemicals	$681.02	$61.91	$619.11		GST inclusive of $61.91
Receipt	W'bool Meat Barn	78.2	Catering Supplies	$0.00	$0.00	$0.00	receipt for community BBQ, including chicken necks	not weed spraying
Receipt	BP One Stop	148.56	Fuel	$0.00	$0.00	$0.00	Fuel purchased in Warrnambool	not weed spraying
Receipt	Bunnings	200	Equipment	$200.00	$20.68	$179.32	equipment purchased consistent with weed spraying	GST inclusive
Receipt	Woolworths	57	Catering Supplies	$0.00	$0.00	$0.00	Wine and Beer	not weed spraying
Receipt	IGA	7.6	Catering Supplies	$0.00	$0.00	$0.00	Butter and Ice	not weed spraying
Receipt	Woolworths	49.44	Catering Supplies	$0.00	$0.00	$0.00	foodstuffs	not weed spraying
Receipt	W'bool Disposals	31.9	Equipment	$31.90	$2.90	$29.00	clothing and camping equip	GST inclu of $2.90
				800	$72.73	$727.27		
	Total	**$ 15,489.12**		$12,762.92	$194.58	**$11,768.34**	GST Exclusive	
						$1,176.83	GST	
						$12,945.17	GST Inclusive	
				$13,562.92		$12,495.61	If inclusive of P Rose labour costs	
						$1,249.56		
						$13,745.17		

COMMERCIAL-IN-CONFIDENCE

Land Acquisition Board Report

ABN: 59 912 679 254
Freecall: 1800 818 490
Website: www.ilc.gov.au

Australian Government
Indigenous Land Corporation

STRATEGIC LAND ACQUISITION PROPOSAL

Board Meeting No. 136
Date: 1 October 2010

Project: Ayers Rock Resort, Yulara NT

Project ID: A3182

Category: Socio-Economic Development

Table of contents	Page number

EXECUTIVE SUMMARY

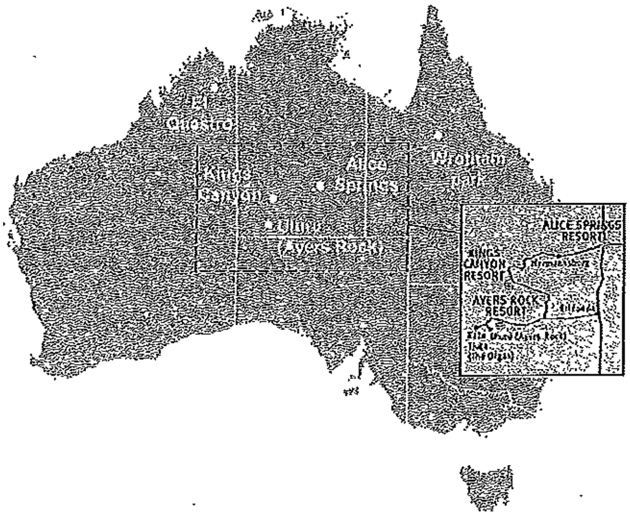
Project Title: **Ayers Rock Resort (ARR)**

Project ID: **A3182**

Category: **Land Acquisition**

ILC priority outcome this project will address

- ✓ Socio-economic development
- ✓ Access to and protection of cultural and environmental values



PROJECT PROPOSAL

Vision

In late 2008, Wana Ungkunytja (WU), (an Aboriginal corporation representing communities around Uluru) approached the ILC regarding the opportunity to acquire ARR to achieve significant benefits for local Indigenous people. ARR has been unsuccessful in employing Indigenous people and providing them with the flow-on socio-economic benefits that come with employment. Currently ARR and its operating businesses employ 670 people, of which only one is understood to be Indigenous.

The vision is to:

- Acquire a world-renowned tourism destination
- Create Indigenous employment, including through an Indigenous Tourism Training Academy
- Provide world class cultural tourism
- Develop Indigenous tourism leadership and capacity
- Promote Indigenous excellence in tourism
- Granting the land to an Indigenous organisation

The proposed acquisition

- ARR including 8 accommodation choices – ranging from five-star to back-packers to camping
- 104,000 ha of freehold land, including areas of significant cultural and environmental value
- The township of Yulara including:
  - Visitor's centre
  - Conference facilities
  - Shopping centre and businesses
  - Petrol station
  - Spa and recreational facilities
- Lease of the airport

Indigenous benefits

- Potentially 670 jobs at ARR (noting that currently only one employee is Indigenous). Realistic targets for Indigenous employment are estimated to be:
  - up to 200 Indigenous jobs by end 2015
  - up to 340 Indigenous jobs by end 2018
- Creation of 300 Indigenous jobs by end 2015 with major hotel operators across Australia
- Creation of a National Indigenous Tourism and Hospitality Training Academy – with an objective of:

- 40 accredited Indigenous graduates annually
  - Provision of School based apprenticeships/traineeships
  - Building Indigenous leadership in the tourism industry
- Transition to employment at ARR and with major hotel operators across Australia

Proposed divestment arrangements

The 104,000 ha of land will be granted to an appropriate Indigenous title holding body when secured and unencumbered title is available through discharge of the ILC's financial and security obligations. On the basis of current financial projections, this will be in 10 years time. The grant will occur with a lease-back arrangement to ensure the ongoing successful operation of ARR. There is already an ownership and 99-year leaseback and management arrangement with Traditional Owners over Uluru Kata Tjuta National Park. This Commonwealth Government model will be the starting point for discussions between Traditional Owners and the ILC.

Future management arrangements

It is proposed to use a wholly owned subsidiary, ILC Tourism Pty Limited (ILC Tourism), as the operating entity and landholder. There will be a formal arrangement put in place pursuant to section 191G(1) of the ATSI Act. ILC Tourism will be bound by the same statutory rights and obligations as bind the ILC and ILC Tourism cannot act beyond the ILC's powers. ILC Tourism's board will be chaired by Director Baffsky and contain outstanding Indigenous (including representatives of WU) and non-Indigenous members experienced in business and tourism. The ILC has attracted one of the foremost hotel executives in the world, a recipient of the Asia-Pacific Hotelier of the Year in 2007, as CEO and to oversee the operations of Home Valley and Mossman Gorge, when it opens next year. As part of the acquisition, ILC Tourism will acquire the Voyages platform to ensure a seamless transition of ownership to ILC Tourism, retention of experienced staff and operation of the businesses without interruption during the purchase period.

WU Participation in purchase of ARR

The following is recommend in relation to WU's participation in the purchase of ARR:

- Up to $100,000 worth of legal and consultant fees and costs since August 2008, to be verified by detailed accounts
- A $200,000 up front payment to be paid to WU on settlement of ARR
- Seven per cent equity in ILC Tourism after all loans and ILC monies have been repaid in approximately ten years
- Two Directors on the ILC Tourism board, but with only one vote
- Continued exclusivity treatment of Anangu Tours at ARR and the ILC's commitment to assist in the promotion of Anangu Tours

Key risks and opportunities

Due diligence and internal analysis has focused on the key risks and opportunities of this project. Risk treatment and mitigation strategies have been put in place for the risks rated as high and extreme, (Refer to the risk table in section 9). Horwath HTL has developed a comprehensive Strengths, Weakness, Opportunities and Threats (SWOT) Analysis, which is located at section 9 of this paper. This has informed due diligence work and will continue to be utilised in further development of business, communication, and marketing and sales plans.

Financial arrangements / current ILC financial position / ROI

Acquisition of ARR Assets	$300.0m
Minimum valuation up lift amount	$ 17.0m
Trading Stock	$ TBC
Capital expenditure for infrastructure/modernization	$ 45.0m
Delivery of the employment and training model (capital)	$ 2.5m
Delivery of the employment and training model (operational)	$ 1.3m pa
Delivery of school based apprenticeships	$ 0.2m pa

The proposal is for the ILC to purchase ARR and the Voyages Corporate platform for $300m. However, rather than pay the full purchase price at settlement, a tailored program of guaranteed deferred payments has been negotiated. This has been made possible through the vendor's support for the ILC's vision for ARR, Accordingly the acquisition payments are proposed as follows:

- $13.5m – deposit on exchange

- $67.5m – on completion (expected to be 120 days after exchange).
- $81m – on the first anniversary of completion – interest on deferred payment will be payable at 6.5% pa.
- $138m – on the fifth anniversary of completion – interest on deferred payment will be payable at 6.5%pa.

In addition, the ILC will pay GPT an uplift payment 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). (See the Summary of Sale Agreement prepared by Baker & McKenzie at Appendix 4). This has enabled the ILC to minimise external borrowings for the acquisition and capital expenditure on infrastructure and modernisation in the first 5 years of operations.

At 31 August 2010 the ILC had $136m in cash reserves. These cash reserves will be assist in minimising the level of external borrowings required, as they are not estimated to be required for the ILC's normal operations.

Three of the four major banks have provided credit approval for the $60m in bank finance. A five-year cash advance facility of $60 million to fund capital expenditure at Ayers Rock Resort, and part payment of the purchase price, has been negotiated with the ANZ Bank as it provided the most competitive fees and terms:

- Interest rate: (aggregate of the base rate and the margin):
  - base rate is the bank bill rate for the interest period; and
  - margin is 0.80% per annum
- Commitment fee: 0.45% per annum payable on the undrawn component of the facility
- Establishment fee: 0.20% payable on the commitment

(See the summary of bank finance arrangements prepared by Grant Samuel at Appendix 5)

Through terms included in the Sale Agreement, the ILC and ILC Tourism Pty Ltd guarantee to GPT that all payments for the acquisition will be paid in full when due. Accordingly, external borrowings and guarantees will peak at $260m at year one and reduce to $100m in year 5, with profit being approximately $25m per annum. Borrowings are estimated to be extinguished prior to the end of year 10 of operations.

Due diligence, planning and financial forecasts for the acquisition and operation of ARR have been based on the ILC maintaining its current and future planned operations. Income received from the Aboriginal and Torres Strait Islander Land Account will continue to be used to fund new and existing land acquisition and land management projects for Indigenous organisations and administration. Indeed after the repayment of borrowings in 10 years, ARR will provide an income of approximately $25m to the ILC, enabling it to significantly expand the benefits it will be able to deliver to Indigenous people beyond the income it will receive from the Land Account.

Delivery of the employment and training model and school based apprenticeships at ARR will be funded from the operations of ARR. The ILC has had favourable discussions with DEEWR to provide funding for the training and employment model.

Finance/ Borrowing summary[1]

$m	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Deferred payments of purchase price	*81.0*	*81.0*			*155.0*					
Financing/ Borrowing										
Bank Finance*	18.3	16.9	4.7	2.1	54.0	-45.0	-48.0	-3.0	-	-
GPT Contribution to CAPEX	-4.0	-8.0	-8.0	-3.0	-2.0					
ILC*	81.0	63.0						-65.2	-55.9	18.9
Total cash requirements	**95.3**	**56.3**	**-3.3**	**-1.0**	**52.0**	**-45.0**	**-48.0**	**-23.3**	**-**	**-**

[1] Cash flow is based on extinguishment of guarantees and back finance before recovery of cash reserves in the ILC.

Accumulative Bank Finance	18.3	35.2	39.9	42.0	96.0	51.0	3.0	-	-	-
Accumulative Funding from the ILC	77.0	140.0	140.0	140.0	140.0	140.0	140.0	74.8	18.9	0.0

*Repayment = -ve

Communication strategy

Negotiations have commenced with the Minister's office to enable an announcement on Friday 8 October at ARR. It is hoped that Ministers Ferguson (Tourism) and Arbib (Indigenous employment) might attend the opening. The possibility of the Prime Minister leading the announcement is also being explored. Elders from WU would also be involved in the announcement.

Other communication and marketing issues are identified at Section X and will be further developed during the period leading to settlement.

1. Vision and importance of ILC involvement

1.1 Vision

Approximately 670 people are currently employed across Ayers Rock Resort and the Yulara businesses, of which the ILC understands only one is Indigenous.

The **vision** is:

- To establish ARR as a world renowned Indigenous tourism enterprise that employs significant numbers of Indigenous staff;
- To employment of up to 200 Indigenous staff in the resort by 2015 and up to 340 by 2018 and beyond;
- To develop a National Indigenous Tourism and Hospitality Training Academy (the Academy) at Yulara that produces nationally-accredited Indigenous graduates (including trainees, apprentices and management cadets) and transitions them to employment at ARR and mainstream tourism and hospitality industries
- To develop arrangements with major hotel operators to secure Indigenous training and employment outcomes
- To develop Indigenous tourism leadership and capacity
- To provide visitors with world class cultural tourism
- To promote Indigenous excellence in tourism
- To grant the land to an appropriate Indigenous title holding body, with arrangements that allow the continuing operation of ARR and delivery of Indigenous benefits and when secured and unencumbered title is available through discharge of the ILC's financial and security obligations
- To build partnerships and programs with local Indigenous communities, including Mutitjulu, to support the education and training of Indigenous youth and to assist their transition into work experience, training and employment at ARR and in the tourism industry across Australia

The acquisition represents an once-in-a-lifetime opportunity for Indigenous people to own this land and a world renowned enterprise, with the potential to employing significant numbers of Indigenous staff. The Academy will produce accredited Indigenous graduates and transition them to employment at ARR and mainstream tourism and hospitality industries across Australia. Partnerships with Mutitjulu and other local Indigenous communities will focus on educating and training Indigenous youth to facilitate their training and employment at ARR.

The ILC will employ 200 Indigenous people by the end of the fifth year of operation and 340 by the end of 2018. Through the Academy, the ILC would be a source of recruits for the Australian tourism industry's demand for work-ready and trained Indigenous employees. The ILC will work with major hotel operators across Australia to place graduates into employment, as well as to enhance their own Indigenous employment programs, with the objective of increasing Indigenous employment by 300. It will develop an Indigenous tourism leadership capability and provide a platform for increased Indigenous participation in the tourism industry across Australia. The Indigenous workforce for ARR will be sourced across Australia, but special attention will be given to recruitment of local Indigenous people.

Indigenous employees at Home Valley Station and Mossman Gorge will be given the opportunity to train and gather work experience and secure employment at ARR.

The project will provide real, sustainable jobs and contribute significant flow-on economic, environmental, social and cultural benefits for Indigenous people in a region that lacks economic development opportunities and suffers chronic social disadvantage. This will contribute to 'Closing the Gap' in employment.

Uluru is viewed as an iconic Indigenous attraction yet there is little to no Indigenous experience for visitors. Indigenous tourism product is generally regarded by the industry to be relatively underdeveloped, with a mismatch between experiences sought and product offered[2]. This project will ensure that visitors to ARR and Uluru have a significant Indigenous experience.

The ILC plans a genuine, interactive Indigenous experience at ARR, in partnership with WU that will, in itself, provide Indigenous employment for members of local communities. Additionally, senior executives of the ILC recently met with Mr John Borghetti, Virgin Blue Chief Executive Officer, who advised that, if the ILC purchased ARR, Virgin Blue will commit to continue flying to Yulara for the long term and noted that Virgin Blue's inaugural flight to Yulara on 3 August 2010 was staffed by an all-Indigenous crew.

1.2 Alignment with the ILC policy and legislation

Acquisition of ARR and the Yulara businesses, to create employment and training outcomes, aligns with the ILC's key priorities described in the National Indigenous Land Strategy (NILS). The project map at Table 1 illustrates the alignment of the project with ILC priority outcomes.

The acquisition is consistent with the Government's priorities. The employment outcomes and the flow-on benefits that the project will produce will contribute significantly to the Government's *Closing the Gap* and *Overcoming Indigenous Disadvantage*.

The acquisition of ARR falls within the functions of the ILC[3] and is unlikely to be achieved through another Government initiative. The project is an extension of the ILC's current work with its pastoral and tourism businesses, and lends itself to application of the ILC's successful *Business Enterprise Training to Employment model*.

Following the priority of the NILS, the project will work collaboratively with other agencies, organisations and industries including:

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[2] Indigenous Tourism in Australia: Profiling the Domestic Market - Tourism Research Australia - July 2010
[3] Corrs Chambers Westgarth advice 18 August 2010

- DEEWR contributions to resourcing of employment and training programs (through the Indigenous Employment Program as per the ILC Pastoral Businesses)
- State/Territory training authorities for funds for vocational training
- IBA for the establishment of contracting enterprises
- Nyangatjatjara College (independent Indigenous school at Yulara) and Yirara College in Alice Springs
- Group Training Australia and Registered Training Organisations
- Tourism Training Australia and NT Tourism to assist with international and national marketing, and industry training requirements
- Major hotel chains to secure mainstream job outcomes across Australia
- The ILC's other tourism businesses at Home Valley and Mossman Gorge

Due diligence has confirmed that the proposed acquisition of ARR, the proposed company structure and the actions being taken by the ILC comply with both the ATSI and CAC Acts.[4]

Minister Macklin has indicated to the ILC Chairperson and General Manager that, if the ILC could fund the proposal through commercial borrowings that did not draw on the ILC's planned funding of other projects, then she would have no difficulty with the ILC pursuing the ARR purchase (meeting 25 September 2008).[5]

The Minister wrote to the ILC Chairperson on 22 September 2010 requesting further information, pursuant to sections 15 and 16 of the *CAC Act*, about the proposal. The Minister expressed her shared commitment to economic development and employment outcomes for Indigenous Australians, especially in disadvantaged regions like Uluru. She also expressed concern about the impact of the proposed project on normal ILC operations.

The ILC Chairperson responded on [date] providing commercial-in-confidence advice about the proposal and reassuring the Minister that:

- the proposed purchase of ARR is compliant with the *Aboriginal and Torres Strait Islander Act 2005* ***(the ATSI Act)*** and the *Commonwealth Authorities and Companies Act 1997;*
- the ILC has been working closely with Wana Ungkunytja;
- in all aspects of due diligence, planning and financial forecasting the ILC Board is ensuring that there will be no adverse impact on the delivery of the ILC's existing programs and operations, including work in relation to native title settlements, further strategic purchases, or its forward estimates as contained in the Portfolio Budget Statements 2010/11;
- Income received from the Aboriginal and Torres Strait Islander Land Account will continue to be used to fund new and existing land acquisition and land management projects for Indigenous organisations. Indeed, based on conservative cash flow projections, ARR, after ten years of operation, is predicted to provide additional net income to the ILC of over $25 million per year, which will enable expansion of the ILC's programs across Australia; and

[4] Advice from Corrs Chambers Westgarth dated 11 December 2008, 18 February 2009 and 18 August 2010

[5] Meeting Minister Macklin and ILC Chairperson and ILC General Manager, 25 September 2008

- Arrangements to establish ILC Tourism Pty Ltd, to be chaired by Director Baffsky, and recruit an internationally acclaimed CEO who was the Asia-Pacific Hotelier of the Year in 2007.

Table 1 Project map of inputs, outputs and outcomes of the project

Inputs	Outputs	Intended outcomes from the project		
		Short-term	Medium-term	ILC Priority Outcomes
ILC funds	Acquisition and grant of land	Trainees	Employment in ARR and mainstream tourism industries	Socio-economic development
ARR income	National Indigenous tourism Academy	Training in tourism and hospitality	Education and transition of local school students to employment	Protection of cultural & environmental values
ILC expertise in implementing training to employment model	Delivery of high quality cultural tourism	School-based apprentices	Indigenous owned enterprises	
DEEWR contribution to training and trainees	Development of Indigenous enterprises	Work experience	Cultural education of visitors	

Benefits Indicators & measures for reporting	
Participation in training	*Number of Indigenous people completing training*
Employment creation	*Number of Indigenous people employed at ARR or transitioned to employment*
Expansion of the Indigenous estate	*Number of hectares acquired*

2. Profile of property and businesses

2.1 Property profile

Table 2 - Summary of Ayers Rock Resort

Property Name	Ayers Rock Resort and Yulara businesses
Owner	GPT Group ("GPT") and managed by the GPT-owned Voyages Hotels & Resorts ("Voyages")
Location	Adjacent to the world heritage listed Uluru-Kata Tjuta National Park, 30 km north-west of the based of Uluru (Ayers Rock) and 60 km from Kata Tjuta (the Olgas).
Title / Tenure	Freehold site Ayers Rock Airport owned by NT Government and leased on a long term basis by the Resort
Area	104,000 ha
Land use	8 resorts and facilities
Year opened	Developed in 1984 to cater for growing international and domestic travel to Uluru and Kata Tjuta.
Access	Air access to the Resort's Airport from Alice Springs, Perth, Cairns and Sydney. Coach and car access also available from Alice Springs (465 kilometres to the north east) via the Lasseter Highway, off the Stuart Highway.
Guest rooms	Longitude 131° - 15 luxury tents Sails in the Desert – 232 luxury rooms Desert Gardens Hotel – 218 deluxe rooms Outback Pioneer Hotel – 137 mid market rooms Emu Walk Apartments - 60 serviced apartments The Lost Camel – 99 mid market rooms Outback Pioneer Lodge – 332 backpacker beds Ayers Rock Campground – 421 campground and caravan sites
Other Amenities and Facilities	The Resort encompasses the town of Yulara and manages all aspects of Yulara other than statutory services (e.g. police and fire station, government funded school, power, water, ambulance and royal flying doctor medical service etc). These include retail shopping centre, petrol station, visitor information centre, various food and retail outlets, spa, conference centre and recreational facilities
Infrastructure	The ARR also leases and operates the nearby Ayers Rock (Connellan) Airport
Closest Indigenous populations	Mititjulu, Imanpa, Kaltukatjara (Docker River)
Native Title	Unsuccessful native title claim for compensation; limited issues due to freehold nature of title
Cultural values	High cultural value of surrounding lands
Environmental values	High biodiversity values on some areas of the land

Due diligence identified that 13 Lots in the Yulara Township are not owned by the seller[6]. These lots are held by Power and Water Authority and Northern Territory

[6] Baker and McKenzie Supplementary Volume 1 April 2009

Housing. The advice suggests that any issue arising from the above will not be an impediment with proceeding with the proposed acquisition.

2.2 Description of ARR and businesses

ARR is uniquely located adjacent to the Uluru-Kata Tjuta National Park. It is the only resort within several hundred kilometres of this landmark and is the principal economic driver in the South West region of the Northern Territory. The resort as it is currently managed, operates not just the eight accommodation choices, but also the township of Yulara which includes a visitor's centre, a shopping square, petrol station, and a conference centre. It also has the leasehold interest in Ayers Rock Airport, and manages out-of-room experiences such as tours.

2.3 Market Position (drawn from Marlene Ponder's Marketing Report)

ARR is one of Australia's leading experiential destinations. It captures the essence of the Australian outback and provides visitors with access to the unique cultural and natural experience of the Uluru-Kata Tjuta National Park.

Within the National Park, the key attraction for visitors is underpinned by the region's Indigenous culture and natural landscapes. The visitor experience is supported by a wide range of touring options which feature strong educational themes.

The resort essentially enjoys a monopolistic situation in its location to the unique attractions and further commercial development is extremely unlikely. The nearest alternative large-scale accommodation is located in Alice Springs approximately 461 km away.

ARR's wide accommodation offering (from the five-star Sails in the Desert or the Desert Gardens Hotel, to the self contained Emu Walk Apartments, the Lost Camel Hotel, the Outback Pioneer Hotel and Lodge and the Ayers Rock Campground offering powered campsites and air conditioned cabins), caters to a wide range of market segments, including tour groups, free independent travellers, families and backpackers.

Table 3 - Summary of Hotels of Ayers Rock Resort

Hotel	Style & Rating	Facilities	Rack Room Rate (2010)
Longitude 131°	Luxury ☆☆☆☆☆	• 15 luxury tents with views of Uluru • Dune House restaurant • Swimming pool • Library	$3,318 - $4,320 -2 night package - Includes all meals, beverages and touring
Sails in the Desert Hotel	Luxury ☆☆☆☆☆	• 232 guest rooms & suites • 3 restaurants and Bar • Swimming pool • Spa • Art gallery and retail outlet • Tennis courts	$480-$950 - Room only
Desert Gardens Hotel	Deluxe ☆☆☆☆ 1/2	• 218 guest rooms • 2 restaurants and Bar • Swimming pool • Retail outlet • Guest laundry	$290-$590 - Room only
Emu Walk Apartments	Serviced Apartments ☆☆☆☆	• 60 one and two bedroom apartments • Access to recreational facilities and food and beverage outlets at Desert Gardens	$390-$480 - Room only
The Lost Camel	Mid market ☆☆☆ 1/2	• 99 studio rooms • Lobby bar • Swimming pool • Access to Town Square cafés and bars and Desert Gardens facilities	$330 - Room only
Outback Pioneer Hotel & Lodge	☆☆☆ 1/2 Backpacker	• 125 standard hotel rooms • 42 budget rooms • 168-bed dormitory-style lodge • Restaurant and Bar • Self-cook kitchens • Retail outlet	$190-$430 - Room only
Ayers Rock Campground	Camping/budget N/A	• 14 A/C cabins • 14 village tents • 201 powered caravan sites • 220 standard tent sites • Communal cooking facilities • Guest laundry • Convenience store • BBQ areas • Pool	Various

ARR occupancy over the past five years had declined by 20% and ARR has traded below market international visitor trends[7]. Contributions to this could be:

[7] Sales and Marketing Diligence Report - August 2010, prepared by Marlene Poynder

- Airline seats into ARR have declined
- Capacity from Japan to Australia has decreased
- Rate strategy appears to have been maximise revenue by continuing to increase room rates
- Lack of marketing plan
- Recent activity for sell property.

The report provides details of consumer and supplier perceptions. A consistent theme from consumer feedback was that ARR is an expensive destination. Supplier perceptions indicated that lack of air capacity and cost of fares is an issue. Past management had been considered arrogant, but there has been a significant improvement since 2005. Suppliers have noticed a change in business strategy since ARR was put on the market.

2.4 Description of Voyages business

Voyages Hotels and Resorts ("Voyages") was formed in March 2000 to rebrand the old ARR Company Limited (operating since 1992). Voyages was established as a centralised support structure to service GPT's large portfolio of remote resorts.

Many of the key functions were supported from Voyages' head office (in Sydney) with two sub hubs (one of which was at Ayers Rock) providing field support. Voyages key functions include sales & marketing, a centralised travel & reservation centre, finance, IT, human resources, CEO and legal. ARR is the only property remaining from the original Voyages Hotels and Resorts portfolio. Consequently, Voyages is now considerably smaller and simpler.

The opportunity to acquire the slimmed down Voyages Management Platform on an "as is" basis reduces complexity and risk for the ILC. The inclusion in the purchase of Voyages platform for no extra costs allows ILC to decide the most appropriate management of the resort in its own time. In addition, maintaining Voyages would ease the new ownership transition and minimise disruption. The Voyages platform retains the capability and capacity to provide sales and marketing services and back office functions for other ILC businesses such as Home Valley and Mossman Gorge. Voyages is located on level 9, 179 Elizabeth Street, Sydney.

IT systems are largely unchanged with some support outsourced. Voyages management, confirmed by IT consultant Ted Horner, believe the property management and reservation system is considered to be one of the best in the industry. The system has been designed to service a number of hotels. Additional properties can be serviced.

2.5 Key infrastructure

Ayers Rock (Connellan) Airport is the gateway to the Uluru-Kata Tjuta National Park and is situated approximately 7 km from ARR. The Ayers Rock Airport is owned by the Northern Territory Government and leased on a long term basis by ARR.

Significantly upgraded in 1996, the Airport encompasses a terminal building and runway that is capable of servicing fully loaded Boeing 737s and Airbus A320s. The terminal also includes a general aviation area, car rental and associated tour company support services.

ARR has considerable infrastructure and maintenance facilities which support the overall property. Management and staff are accommodated in over 700 units and dwellings which range in size from shared accommodation through to free standing homes. A number of dwellings are also leased to third parties such as concessionaires, tenants and other service providers for commercial rentals. Staff facilities include swimming pools, a recreation centre, bar and restaurant and sporting facilities and extensive maintenance facilities.

2.6 Cultural and environmental values

Uluru - Kata Tjuta National Park is one of the few properties inscribed on the World Heritage List for both its natural and cultural values. The huge rock formations of Uluru and Kata Tjuta are remarkable geological and landform features set in a contrasting, relatively flat, sand-plain environment.

They are a part of an important cultural landscape and have special significance to Anangu. Rock art in the caves around the base of Uluru are evidence of the enduring cultural traditions of Anangu.

The ARR land has had multiple surveys of its ecological values. It is known to have a variety of species of flora and fauna, including over 566 plant species, 24 species of native mammals, 161 species of birds, and 72 reptiles. Threatened species exist, such as the Mulgara (a small marsupial) and the Great Desert Skink. These species are reported to be faring well under the mosaic-burning regime that is being used. Since the development of ARR, consideration has been given to preserving the environment and emphasis has been placed on the cultural importance of the surroundings. The position of ARR adjacent to the joint managed National Park facilitates sound environmental management of the biodiversity values on the ARR land.

Aboriginal Areas Protection Authority licences apply to the use of a number of areas of ARR and surrounding areas. Two of the licences prohibit access to and work within specified sacred sites, as follows:

a) Licence Doc No. 503955; C2001/136 site reference 50470-6, which appears to be situated northwest of the Airport; and
b) Licence Doc 510723; C2007/004 site reference 5047-3, which appears to be situated adjacent to the Airport runway.

2.7 Environmental issues

<u>Responsibility of current owner</u>