

LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY**WRITTEN QUESTION**

Mr. Higgins to the Treasurer:

NT Infrastructure Development Fund and NT Beverages

1. Please advise what will happen to the Northern Territory Infrastructure Development Fund's investment in NT Beverages following the wind up of the Northern Territory Infrastructure Development Fund (NTIDF).
2. How will this investment be scrutinized, monitored and evaluated going forward?
3. Who will represent Territory taxpayers at NT Beverages Board and management meetings?
4. What type of investment did the NTIDF make in NT Beverages? Was it one off grant funding, equity or some other arrangement?
5. What were the terms and conditions of this investment?
6. Given that the NTIDF is being wound up, will these terms and conditions of investment be made public? If not, why not?
7. What is the expected rate of return on this investment by NTIDF in NT Beverages?
8. How does this compare with returns available through index funds, cash deposit rates and secured debt?
9. Was Treasury consulted by the NTIDF prior to NTIDF making an investment with NT Beverages? If so what form did this take?
10. What was the risk profile associated with this investment?
11. Was a risk profile assessment provided to Treasury or Government by the NTIDF for the investment in NT Beverages? If not, why not?
12. Was a business case provided to Treasury or Government by the NTIDF for the investment in NT Beverages? If not, why not?
13. Given that Government now has a significant investment in NT Beverages has an operations and expenses report been provided to the shareholding Minister? If not, why not?
14. What is the median salary at NT Beverages?
15. How does this compare to similarly sized businesses in this industry?
16. What is the cost of production at the NT Beverages plant and are there any risks to this forecast?
17. What is the current mark up and profit on each unit?
18. What risks have been identified that would negatively impact on the NT Beverages business case?
19. When will Territory taxpayers see a return on investment from their investment in NT Beverages?
20. How many people does NT Beverages currently employ?
21. How many of these people are local?

22. How many are FIFO?
23. Who did the legal work for this investment?
24. Was the legal firm a local NT based company?
25. If a local legal firm was not used in preparation of the investment paperwork, why not?
26. How many other investors are involved with NT Beverages?
27. Who are they, and what are their debt/equity holdings?
28. How has the NT Government's investment in NT Beverages performed from initial funding to date?
29. Were there any known, disclosed conflicts of interest before the NTIDF invested in NT Beverages?
30. Were there any known, disclosed conflicts of interest after the NTIDF invested in NT Beverages?
31. When will the NTIDF 2018 Annual report be made public?
32. What customer contracts are in place at present, and where are the KPIs regarding future customer contracts?
33. On Friday, 25 August 2017, NT Beverages signed a 10-year contract with one of South Korea's leading FMCG distribution Companies, Jace Company. However, Jace Company's website does not appear to list Akuna Blue, why is this so?
34. How confident are you that the current employees and management at NT Beverages have the appropriate skills, relevant experiences and technical expertise to deliver on the ambitious growth plans the company has publicly stated?
35. Under the investment agreement with NT Beverages, what will Territory taxpayers \$10 million investment enable NT Beverages to do?
36. What will the \$10 million be used for? If NT Beverages cannot account for what this investment will be used for, why not?
37. Why is it that NT Beverages has not issued any public statements since Tuesday, 29 August 2017?

Answers

1. The investment in NT Beverages was the only investment made by the Northern Territory Infrastructure Development Fund (NTIDF).

Following the wind up of the NTIDF, the investment will be realised (sold or otherwise converted to cash) by the NTIDF Trustee, and any proceeds will be returned to the Northern Territory Government as the NTIDF's only unit holder as cash.

2. NT Beverages is under Voluntary Administration. The Administrator is working with all secured creditors (including the NTIDF Trustee) to ensure the most favourable outcome in the circumstances.
3. The Northern Territory Government has no involvement with the Board or management meetings of NT Beverages. NT Beverages is currently under Voluntary Administration and is effectively being managed by the appointed Administrators.

4-8. The NTIDF's initial investment in NT Beverages was in the form of senior secured convertible notes with a principal value of \$9.2 million. It was essentially a secured loan, which could be converted to equity at the NTIDF's option. The interest rate on the convertible notes was 10 per cent per annum.

A further loan facility of up to \$500 000 was provided by the NTIDF in July 2018 of which it is understood \$400 00 was utilised.

The specific terms of the investments were negotiated by the Investment Manager, and the investments were executed and managed by the Investment Manager.

9-12. The Department of Treasury and Finance was made aware of the proposed investment, through attendance at Board meetings as an observer, however did not have any role in either approving the investment or being able to veto the investment.

Under the structure of the NTIDF, all investment decisions were made at arm's length from government. Government had no ability to dictate which projects the NTIDF invested in, and no ability to veto investments.

The independent Investment Manager, Infrastructure Capital Group, was responsible for developing investment proposals, making recommendations to the NTIDF Board, undertaking all investment due diligence, and ultimately executing and managing all investments.

In accordance with the requirements of the Investment Management Agreement, Infrastructure Capital Group was required to prepare a final investment report to the NTIDF Board detailing the basis of its investment recommendation, outlining all risks, and identifying the expected return of the investment.

Ultimately, it was the responsibility of the Investment Manager and the NTIDF Board to ensure that investment decisions were made on the basis of appropriate risk adjusted expected rates of return.

13-27. The Northern Territory Government was not and is not involved in the operation or management of NT Beverages.

While government was a unitholder in the NTIDF, it does not hold a direct investment in NT Beverages.

Specific questions relating to the activities of NT Beverages are a matter for the former directors and management of NT Beverages and more recently the Administrator, since the business has gone into voluntary administration.

Specific questions relating to the NTIDF's decision to invest in NT Beverages are a matter for the former Investment Manager, Infrastructure Capital Group, and the NTIDF Board.

28. While specific questions relating to the NTIDF's investments are a matter for the NTIDF Board, given NT Beverages is in voluntary administration it is clear that the investment has not performed well.

The poor performance of the NTIDF's only investment was a key factor in government's decision to request a wind up the NTIDF.

- 29-30.** The Department of Treasury and Finance and the Treasurer are not aware of any known conflicts of interest in relation to the NTIDF and its investment in NT Beverages. Questions relating to conflicts between the NTIDF Board, Investment Manager and NT Beverages are matters for the Board and Investment Manager.
- 31.** Audited 2018 financial accounts for the NTIDF have been prepared and can be provided through the Department of Treasury and Finance if required. Given the NTIDF has since been wound up, it is unlikely that an Annual Report will be published.
- 32-37.** The Northern Territory Government was not and is not involved in the operation or management of NT Beverages.

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Specific questions relating to the activities of NT Beverages are a matter for the former directors and management of NT Beverages and more recently the Administrator, since the business has gone into voluntary administration.

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