



**Magnetic Shoals Limited ACN 101 491 282**

## **RISK MANAGEMENT**

The Board of Directors must undertake to eliminate where possible, or else minimise, risks associated with administration and operation of Magnetic Shoals Limited and Island Palms Resort. This administration is to be consistent with legislation, constitution, State Rules, accepted codes, policies and guidelines and accepted community standards.

The risks are to be managed utilising the integrated risk management assessment process as detailed below.

### **Integrated Risk Management Process**

The Risk Management Process consists of 7 steps:

1. Establish the context
2. Identify the risks
3. Analyse the Risks
4. Evaluate the Risks
5. Treat the Risks
6. Continually Monitor and Review
7. Communicate and Consult

A detailed risk assessment is attached at **Annex “D”**

**COVID-19:** Detailed plan attached at **Annex “E”**

### **SITUATIONS REQUIRING ACTION**

There are a number of situations when a Risk Management Plan might be initiated. These include but are not limited to;

- Pending bankruptcy of the company,
- Gross mismanagement by the employed managers,
- Mismanagement by Directors
- Inability of the board to hire suitable managers for an extended period,
- Loss of income by virtue of the members not paying their levies,
- Malicious damage,

- Natural disaster (tsunami, earthquake, cyclone),
- Fire (office or units),
- Climate change, or
- Attempted takeover by another management organisation.

## **PENDING BANKRUPTCY**

Pending bankruptcy will be apparent when the outgoing cost of running the resort is greater than the income over a period of one year. This may result from a variety of reasons and generally indicates poor management, low response to annual levies, bad board decisions, theft, poor accounting practices, etc. or a combination of these.

The key to identifying this situation will become evident through the monthly figures presented by the managers to each of the board members. Early interdiction should be taken and this will eliminate the risk.

Action might include the reduction in spending, reduction of staff, police involvement, Extraordinary General Meetings of the members, or any other appropriate action deemed necessary by the Board.

## **GROSS MISMANAGEMENT BY EMPLOYED MANAGERS**

The Board should become aware of any gross mismanagement by their employees by observation, especially of the monthly reports. Directors should check bank balances at a minimum of twice a month for any irregularities. Any concerns will need to be addressed immediately by the Board and the situation resolved as quickly as possible. This process may include special training courses, the installation of a 'trainer' for a period or any other suitable action including cancellation of the relevant employment contract.

## **MISMANAGEMENT BY DIRECTORS**

All new directors should be advised of their role and responsibilities, and issued with a copy of ASIC's "Your Company and the Law". (can be viewed on the ASIC website [www.asic.gov.au](http://www.asic.gov.au) "For Business" section; "Running a Company" section; "Company officeholder duties".)

## **INABILITY TO FIND A SUITABLE MANAGER**

Should the Board be unable to find suitable managers over an extended period the success of the business will fail to satisfy expectations. The Board can not allow this situation to continue for any length of time and every avenue, no matter what the cost, must be explored as quickly as possible to find a suitable management team.

## **LOSS OF INCOME BY NON PAYMENT OF LEVIES**

If the members' levies are not paid, within a reasonable time frame, from their date of issue, the capacity for the managers to continue with the ongoing work will be restricted. This could reduce the star rating of the resort and be detrimental to all members. The manager is responsible to ensure that all levies are paid and where necessary, to chase the defaulters at an early stage.

The Board is to be advised of any unpaid levies and they, in turn, will determine suitable follow up action to be taken in accordance with the Constitution.

## **MALICIOUS DAMAGE**

From time to time someone will cause damage of a malicious nature. To limit this damage the resort has a requirement to have a security system in place. This system needs to be able to identify the culprit(s) and be of a satisfactory quality to stand up in a court.

Managers as well as all members need to be alert to this sort of problem and be willing to take appropriate action. Managers are not to put their person at risk but are to refer to the local police for action when necessary.

The resort insurance policy must include this type of cover.

## **NATURAL DISASTER**

The geography of the area would limit the damage caused by natural disasters in many instances. Tsunamis will generally be generated by earthquakes in the island chain to Australia's north and north-east. The distance for any tsunami to travel and the protection provided by the reef would be moderating factors and the shape of Nelly Bay would further reduce any wave action.

In the event of a tsunami warning, the managers will have a small amount of time and they should use that time to move themselves and the residents to higher units.

They should also ensure that the power is secured by turning off computers, equipment, etc as well as the main power board.

The area is not one of high earthquake activities and therefore they are not generally of concern. In the event of a serious earthquake the managers will need to take action to protect themselves primarily, and the resident members/clients as best they can in the circumstances.

The units are built strongly and will be good protection against a cyclone. Warnings from the BOM will give enough time to allow the managers to prepare the site and warn the residents of appropriate action to be taken. Managers should have suitable emergency items available in sufficient numbers for issue to each unit when the alert is given.

Resort's Natural Disaster Plan is located: [Natural Disaster Plan Island Palms Resort](#)

## **FIRE**

Fire may devastate the units or the manager's area independently. It is unlikely that it will totally wipe out the full complex.

In the event of a fire the most important things to do are to call the fire service and to clear the area under threat of people.

The insurance policy should include appropriate cover for fire damage including the re-hosting of members (currently living on the premises and those with bookings into the future) until the damage can be repaired.

## **CLIMATE CHANGE**

In due course, if the various “experts” are correct there will be a rising of the sea levels and the managers' residence/office and the units' car ports may become part of the sea.

As this is a very long term threat there is little need to prepare for it however, it needs to be considered in due course. As time passes a suitable Exit Strategy will be necessary.

## **ATTEMPTED TAKE-OVER**

An attempted take-over by another management group will not necessarily be bad for the members.

In this event, the Board is to consider all the options and make a recommendation to the members. Action might involve the purchasing of units, either from owners or by borrowing money against current assets, counter offers, the total sale of the buildings, etc. The actual circumstances at the time will dictate the action to be taken.

## **SUMMARY**

In summary, there is more risk to the company from poor management than from any other activity. The constant review of cash flow, budget and other financial data will eliminate this for the most part.

Natural and accidental damages to the resort are likely to be minimal and will probably not be too detrimental. Insurance and vigilance will reduce these threats.

The attempted takeover of the management company is possible but there may be no disadvantage in that. Each situation would need to be considered on its own merits and approached accordingly.

A detailed risk assessment is attached at **Annex “D”**

**COVID-19:** Detailed plan attached at **Annex “E”**

## Risk Assessment Categories

Explanation of Consequence Category	
Negligible	The consequences are dealt with by routine operations. A budget overrun up to 1 % of monthly / project budget would be of negligible consequence.
Minor	The consequences would threaten the efficiency or effectiveness of some aspects of the program but would be dealt with internally. A budget overrun up to 2% of monthly / project budget would be of low consequence.
Moderate	The consequences would not threaten the program, but would mean that the administration of the program could be subject to significant review or changed ways of operating. Budget overrun up to 5% of monthly / project budget would have moderate consequences for the organisation both financially and politically.
Major	The consequence would threaten the survival or continued effective function of the program, or require the intervention of top level management or by the elected representative/so Budget overrun up to 10% of total monthly / project budget would have very high Consequences for the organisation both financially and politically.
Extreme	The consequences would threaten the survival of not only the program, but also the organisation, possibly causing major problems for clients, the administration of the program or for a large part of the public sector. Budget overrun up to 15% of monthly / project budget would have extreme consequences for the organisation both financially and politically.

Likelihood (Probability) Table (The likelihood of the risk occurring)

<b>Rare</b>	May occur in exceptional circumstances only
<b>Unlikely</b>	Might occur at some time (not to be expected)
<b>Occasional</b>	Could occur at least once (capable of happening/foreseeable)
<b>Likely</b>	Is expected to occur occasionally (to be expected)
<b>Almost certain</b>	Is expected to occur frequently (in most circumstances)

Risk Matrix (The risk matrix combines consequences and likelihood resulting in a level of risk.)

Consequences

Likelihood		<i>Negligible</i>	<i>Minor</i>	<i>Moderate</i>	<i>Major</i>	<i>Extreme</i>
<b>Rare</b>	<b>E</b>	Low	Low	Low	Medium	High
<b>Unlikely</b>	<b>D</b>	Low	Medium	Medium	High	Very High
<b>Possible</b>	<b>C</b>	Low	Medium	High	Very High	Very High
<b>Likely</b>	<b>B</b>	Medium	High	Very High	Very High	Extreme
<b>Almost certain</b>	<b>A</b>	Medium	Very High	Very High	Extreme	Extreme

Legend:

<b>Low risk</b>	Manage by routine procedures, unlikely to need specific application of resources
<b>Medium risk</b>	Manage by specific monitoring or response procedures
<b>High risk</b>	Senior executive management attention needed and management responsibility specified
<b>Very high risk</b>	Detailed research and management planning required at a senior level
<b>Extreme risk</b>	Immediate action required, senior management will be involved, preparation of detailed plan

Actions:

- All High, Very High and Extreme risks are considered notifiable and must be reported immediately.
- All notifiable events (as per local policy or procedure) must be reported as directed
- All incidents including near misses must be reported and recorded
- The risk assessment process is applicable to all processes and levels within Magnetic Shoals Ltd and Island Palms Resort.

**Integrated Risk Management Analysis Matrix**

(Consisting of Consequence and Likelihood Tables, and Risk (Matrix))

Consequence Table		Degree of Severity				
Type of Consequences		NEGLIGIBLE	MINOR	MODERATE	MAJOR	EXTREME
Adverse Incident	C	No injury or harm caused, minor	Minimal harm caused, minor interruption to routine	Loss of function, major harm caused	Loss of life	Multiple deaths
Outrage/Damage to Reputation	E	Minimal adverse local publicity	Significant adverse local publicity	Significant adverse State-wide publicity	Significant and sustained State-wide adverse publicity	Sustained national adverse publicity, Magnetic Shoals Ltd & timeshare industry reputation significantly damaged
Litigation	E	Potential exposure to Magnetic Shoals Ltd	Minor exposure to Magnetic Shoals Ltd	Exposure will result in a single claim	Claims greater than \$500,000 or multiple claims resulting from single exposure	Claims greater than \$1M or multiple claims resulting from multiple similar exposures
Tax Increases Local, State & Federal	C	Likely but minimal	Minimal	Minimal effect on funds	Effect on funds – reduces income	Sufficient funds to operate
Land Tax	C	Likely but minimal	Minimal	Minimal effect on funds	Effect on funds – reduces income	Sufficient funds to operate

Consequence Table		Degree of Severity				
Type of Consequences		NEGLIGIBLE	MINOR	MODERATE	MAJOR	EXTREME
Maintenance of Property	B	No change	Minimal	Minimal effect on funds	Effect on providing acceptable standard of accommodation, may result in reduced levy payments	Sufficient funds to operate
Property replacement or demolition	E	No change	Minimal	Restrictions to services	Cessation of services	Sufficient funds to operate
Disruption to Established routines. Operational delivery (may include power failure, natural or man-made disaster, etc)	B	No interruption to service	Some disruption manageable by altering routine	Disruption to the Resort operation.	All areas dramatically interrupted	Total shut-down of Island Palms Resort &/or Resort Reception.
Board and Staff Morale	E	Minor Disruption No effect on services	Alteration to routine practices	Disruption spreads across services	Disruption spreads across resort & Board function and operation	Cessation of service

Consequence Table		Degree of Severity				
Type of Consequences		NEGLIGIBLE	MINOR	MODERATE	MAJOR	EXTREME
Workplace Health & Safety	E	No injury/illness – no time lost, minor adjustment to operational routine	Injury/illness -lost time of less than 4 days	Serious injury/illness eg more than 4 days lost, or an event which is notifiable	Fatality	Multiple fatalities
Security (may include major fraud/theft, IT failure, security breach)	C	Event noted by Resort Management &/or Directors, no changes to routine required	Monitored by Resort Management &/or Directors, some effect on routine operations	Reportable event, some threat to service that requires investigation and review	Major event threatens administration service.	Extreme event affecting the organisation's ability to continue service
Environmental Impact	E	No lasting detrimental effect on the environment	Local detrimental effect on the environment	Short term local detrimental effect	Long term detrimental effect (eg significant discharge of pollutant)	Extensive detrimental long term effect (eg extensive discharge of persistent hazardous pollutant)
Workforce Issues (may include recruitment and retention, capability)	E	No effect on services or programs	Some effect on specific service or alterations to routine practice required	Restrictions to service/s with possible flow on to other locations	Cessation of service/s	Cessation of service/s

Consequence Table		Degree of Severity				
Type of Consequences		NEGLIGIBLE	MINOR	MODERATE	MAJOR	EXTREME
Operational Management	D	No impact on operations	Minor impact on operations	Moderate to long-term impact on wider operations	Major impact on operations	Cessation of some operations
Financial (anything that has the potential to cost the Scheme as a whole)	C	- 1% of annual budget	- 2% annual budget	- 5% of annual budget	- 10% of annual budget	-15% of annual budget
COVID-19 Risk Management	C	-1% of annual budget Limited effect on operations and services	-2% annual budget Local detrimental effect on operations and services	-5% of annual budget Local detrimental effect on operations and services	-10% of annual budget Restrictive impact on operations and finances	-15% of annual budget Significant impact on operations and financial survival