

Standard 4.04 – Financial Arrangements

1. Application

This Guideline applies to all directors, employees and Contractors of NQBP.

2. Policy

Under Policy 4 – Finance, the key objective of NQBP is to be commercially successful in the conduct of its activities. This guideline outlines how NQBP will manage its Investment of short term surplus funds and how it will procure funding.

2.1 Liquid Investments

Definition

An investment generally is defined as an investment acquired for the purpose of producing income and or capital gains for an organisation. For the purposes of this guideline, the investment definition is limited purely to investments in financial assets.

Requirement

When evaluating investment alternatives, consideration should be given to the timing of future liquidity requirements (cash flow forecasts), credit risk and return maximisation and utilising a ratings based approach in line with NQBP's risk appetite to determine the limit that can be placed with individual financial institutions.

Authorised investments approved by the Board are as follows:

- Queensland Treasury Corporation (QTC) Cash Fund;
- QTC Fixed Rate Deposits for short term investments; and
- QIC Growth Fund for long term investments.

Internal Controls which are required to be maintained include:

- Financial agreements governing the terms and conditions of the financial arrangement prior to making an investment;
- All investments and payments of funds are to be approved by an authorised officer pursuant to Board delegations;
- The financial institution has instructions that it is only authorised to repay investments to the bank account of NQBP or the account of another government entity; and
- Regular market rate comparisons are undertaken to ensure adequate returns are being achieved on funds invested.

2.2 Procurement of Funding

Definition

A borrowing (procurement or funding) can be defined as the raising and obtaining in any way, money, credit and includes guarantees and letter of credit given by financial institutions.

© North Qld Bulk Ports Corporation Limited ACN 136 880 218		Document Type	Standard	Standard Sponsor	CFO
Version Control	Only electronic copy in RM8 is controlled. To ensure any paper copy is current, please check the policy document list on ERIC.			Revision	6
				Document Number	E16/27355
				Page	Page 1 of 4
Approval	This Standard requires subject matter expert approval.			Date Approved	24/01/2017

Standard 4.04 – Financial Arrangements

Reference should also be made to Standard 4.05 Financial Risk Management.

Requirement

In accordance with Government policy, including the Code of Practice for Government Owned Corporations' Financial Arrangements,

- NQBP will borrow from QTC for ordinary requirements; and
- NQBP may borrow privately where the private sector is a joint venture or equity participant in the project or where there is no recourse to NQBP's balance sheet and where prior funding approval is granted by the Treasurer.

When evaluating funding alternatives, consideration should be given to the timing of future liquidity requirements (cash flow forecasts) including capex requirements, and consideration of lowest cost of funds vs. interest rate certainty (refer section 2.4.4. of Standard 4.05 Financial Risk Management).

NQBP will manage its cash investments and borrowings on a commercial basis, which may include the use of short-term funding facilities. It may purchase and sell debt instruments as part of a structured debt management portfolio (e.g. exchange short-term debt for long-term debt) to minimise NQBP's risk exposure.

NQBP will only operate an overdraft facility as a means of covering unanticipated cash shortfalls on a day to day basis. The facility will not be used for working capital or longer term needs.

NQBP will ensure that guarantees and letters of credit will be sourced from financial institutions at the lowest cost possible for a given term and value.

NQBP will include in its Statement of Corporate Intent the estimated borrowing requirement for the succeeding year. NQBP will also provide sufficient information to enable the Government to obtain State Borrowing Limits approvals.

All borrowings will be in accordance with the State Borrowing Program allocation limits and be in accordance with the target capital structure.

NQBP must not provide written guarantees or letters of credit without the approval of the Board.

2.3 Structured Finance Arrangements - Project Funding

Definition

This standard refers to proposals for 'non-conventional' funding arrangements (excluding leasing, which has its own section) and includes:

- Transactions such as limited or non-recourse project finance, which purport to transfer project risk to a third party; and
- Tax-effective transactions, excluding cross border lease transactions (refer section 2.4 Leasing).

Requirement

Prior to entering structured finance arrangements which rely primarily on tax treatment under the Commonwealth tax system (or any other non-Queensland TER jurisdiction) NQBP will:

- Assess the risks associated with the proposed arrangement;
- Not accept responsibility for any material tax risk unless approved by the shareholding Ministers. If NQBP is to have a material contingent tax risk (e.g. a third party indemnifies NQBP) this will be considered to be a material tax risk unless the third party is a creditworthy organisation which satisfies NQBP's credit policies; and

© North Qld Bulk Ports Corporation Limited ACN 136 880 218		Document Type	Standard	Standard Sponsor	CFO
Version Control	Only electronic copy in RM8 is controlled. To ensure any paper copy is current, please check the policy document list on ERIC.			Revision	6
				Document Number	E16/27355
				Page	Page 2 of 4
Approval	This Standard requires subject matter expert approval.			Date Approved	24/01/2017

Standard 4.04 – Financial Arrangements

- Obtain binding tax rulings from the Australian Taxation Office for any material Australian tax risk to be assumed by NQBP unless prior approval is obtained from the shareholding Ministers.

Limited recourse and non-recourse funding will be assessed by NQBP on case by case basis.

Factors to be considered include:

- Extent of risk transfer (e.g. core business, desirability and likelihood that NQBP would exercise its option to walk away from a failed project; and
- The cost of risk transfer (e.g. higher interest costs, transaction costs).

Prior approval will be sought from the Queensland Treasurer before entering into any limited recourse or non-recourse funding transaction (in accordance with the Code of Practice for Government Owned Corporations' Financial Arrangements).

2.4 Leasing

Definition

A lease is an agreement between two parties whereby one party (the lessee) pays a periodic rental to the owner of the equipment (the lessor) in consideration for the use of that equipment.

Requirement

Prior to entering any leasing arrangement, excluding tenancy leases of real property and motor vehicle leases, NQBP will:

- Consider the lease vs. buy decision on a whole of life cost perspective and choose the best cost alternative;
- Classify the lease appropriately between finance and operating, and consider accounting disclosure requirements and State Borrowing Program requirements; and
- Obtain Treasurer's approval where a finance lease has a cost premium, or where an operating lease, where the cost premium of the lease over the purchase alternative is greater than 5 per cent of the capital cost of the equipment.

To the extent relevant, NQBP adopts Queensland Treasury's Leasing in the Queensland Public Sector Policy Guidelines.

Prior to concluding a Cross Border Leasing transaction, NQBP will appoint Queensland Treasury Corporation as arranger/adviser, mitigate any material tax risk and obtain approval of the Board and Shareholding Ministers.

3. Compliance Policy, Procedure, Standard and Legislative Framework

NQBP is a Government Owned Corporation and port authority and is required to comply with its own policies, prescribed applicable legislation and State Government policies and procedures. This procedure should be read in conjunction with:

- a. Policy 4 - finance
- b. Finance Standards, Guidelines, and Procedures
- c. Policy 2 - Compliance
- d. Corporations Act 2001 (Cth)
- e. Government Owned Corporations Act 1993 (Qld)
- f. Financial Accountability Act 2009 (Qld)
- g. Investment Guidelines for Government Owned Corporations 2013 (IGGOC)
- h. Code of Practice for Government Owned Corporations' Financial Arrangements
- i. Corporate Governance Guidelines for Government Owned Corporations February 2009.
- j. Australian Accounting Standards

© North Qld Bulk Ports Corporation Limited ACN 136 880 218		Document Type	Standard	Standard Sponsor	CFO
Version Control	Only electronic copy in RM8 is controlled. To ensure any paper copy is current, please check the policy document list on ERIC.			Revision	6
				Document Number	E16/27355
				Page	Page 3 of 4
Approval	This Standard requires subject matter expert approval.			Date Approved	24/01/2017

Standard 4.04 – Financial Arrangements

4. Procedure Review Date

This procedure should be reviewed by 31/January 2017.

5. Definitions

Contractors: means contractors or consultants engaged by NQBP under a personal services consultancy agreement or other similar arrangements.

NQBP: means North Queensland Bulk Ports Corporation Limited ACN 136 880 128.

NQBP Employee: means employees and Contractors of NQBP but does not include NQBP directors.

NQBP Personnel: means NQBP officers (for example NQBP directors) and NQBP Employees.

© North Qld Bulk Ports Corporation Limited ACN 136 880 218		Document Type	Standard	Standard Sponsor	CFO
Version Control	Only electronic copy in RM8 is controlled. To ensure any paper copy is current, please check the policy document list on ERIC.			Revision	6
				Document Number	E16/27355
				Page	Page 4 of 4
Approval	This Standard requires subject matter expert approval.			Date Approved	24/01/2017