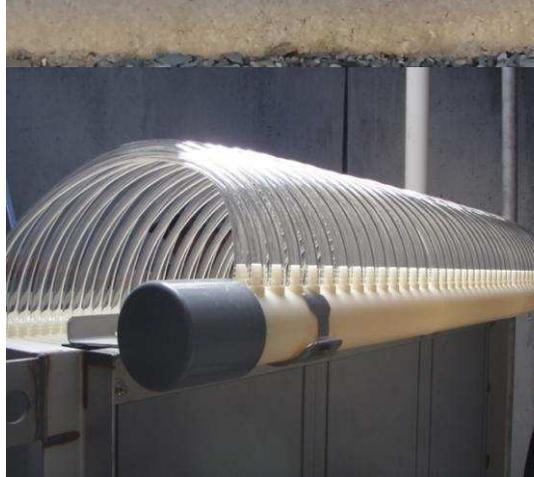




2018/19

Statement of Intent



CONTENTS

1	INTRODUCTION	2
2	OBJECTIVES	2
	2.1 VISION	2
	2.2 OBJECTIVES	3
3	NATURE AND SCOPE OF ACTIVITIES	3
	3.1 ACQUISITION OF OTHER INTERESTS	3
	3.2 COMMERCIAL VALUE OF SHAREHOLDERS INVESTMENT	3
4	GOVERNANCE	4
	4.1 BOARD ROLE AND RESPONSIBILITY	4
	4.2 RESPONSIBILITY TO SHAREHOLDER	4
	4.3 BOARD COMPOSITION	4
	4.4 CONFLICTS OF INTEREST	4
	4.5 NOMINATIONS AND APPOINTMENT OF NEW DIRECTORS	5
	4.6 BOARD MEETINGS	5
	4.7 DIRECTOR INDUCTION AND EDUCATION	5
	4.8 BOARD PERFORMANCE REVIEW	5
	4.9 GENERAL MANAGER PERFORMANCE REVIEW	5
	4.10 DIRECTOR & OFFICER INSURANCE	5
	4.11 CONTROLLING AND MANAGING RISK	6
5	FINANCIAL	6
	5.1 FINANCIAL OVERVIEW	6
	5.2 MEDIUM-TERM FINANCIAL PERFORMANCE TARGETS	6
6	DIVIDENDS	7
7	STRATEGY	7
	7.1 STRATEGIC DIRECTION	7
	7.2 INNOVATION	7
	7.3 SUSTAINABILITY LEADERSHIP	7
	7.4 PERFORMANCE TARGETS	8
8	INFORMATION TO BE PROVIDED TO THE SHAREHOLDER	8
	8.1 NO SURPRISES	8
	8.2 STATEMENT OF INTENT	8
	8.3 HALF YEARLY REPORT	8
	8.4 ANNUAL REPORT	9
	8.5 ANNUAL BUDGET	9
9	SPECIAL SHAREHOLDER REQUESTS	9
10	ACCOUNTING POLICIES	9

1 INTRODUCTION

This Statement of Intent (SOI) is prepared in accordance with Section 64(1) of the Local Government Act 2002. The SOI specifies for Apex Environmental Limited (Apex) the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of the company may be judged in relation to its objectives.

The SOI is a public and legally required document, reviewed and agreed annually by the Shareholders, City Care Limited, Matthew and Sarah Savage, and Steven and Keely Kroening, and covers a three year period. This SOI covers the period from 1 July 2018 to 30 June 2021.

Contact details for the Chairman are Apex's registered office:

Address: 226 Antigua Street, Christchurch
P.O. Box 7669, Christchurch
Telephone: 03 941 7200

Contact details for the General Manager are Apex's place of business:

Address: 32 Washdyke Flat Road, Timaru
P.O. Box 2169, Washdyke, Timaru
Telephone: 03 929 2675
Web: www.apexenvironmental.co.nz
Email: sales@apexenvironmental.co.nz

2 OBJECTIVES

Apex is a leading provider of design, build, installation and commissioning of water and wastewater treatment plants and associated consultancy services.

2.1 Vision

Apex's vision is:

SAFE WATER BY DESIGN

2.2 Objectives

Apex's key objectives are to:

- Operate a profitable, sustainable, growing and innovative national business so as to maintain a strong market presence in the areas of design, build, installation and commissioning of water and wastewater treatment plants
- Operate the business in a way that generates appropriate financial returns and dividend streams for the Shareholders
- Deliver operational excellence that meets clients' expectations, generates repeat business and maintains contract longevity
- Be a responsible social, environmental and value-adding business
- Be a good employer in providing a safe work environment that recruits, fosters and retains competent, motivated, committed and productive employees
- Continue to actively develop and deploy ideas, innovation and new disruptive technologies that enhance the products, processes and services we provide to our clients
- Further expand our sustainability agenda through support of social enterprises, active involvement in the communities we operate in, and climate change leadership

3 NATURE AND SCOPE OF ACTIVITIES

Apex is in the business of designing, building, installing and commissioning water and wastewater treatment plants for the food and beverage, dairy, winery and municipal sectors.

The company's main service offerings are:

- Designing and building water and wastewater treatment plants for industrial and municipal clients to ensure safe and sustainable water supplies and effective wastewater treatment and disposal
- Supplying key wastewater products
- Consultancy services including plant audits, conducting pilot plant trials, and preparation of resource consent applications

Apex's current area of operations for design and build projects is New Zealand and is open to delivery of services into Australia for targeted specific opportunities. It also provides products into Australia and the Pacific.

3.1 Acquisition of Other Interests

Apex will not subscribe for, purchase, or otherwise acquire, shares in any company or other organisation without first being authorised to do so by City Care Ltd.

Apex may consider entering into joint ventures when appropriate in order to capitalise on commercial opportunities.

3.2 Commercial Value of Shareholders Investment

The Directors estimate that the commercial value of the shareholders' investment in Apex will be represented by the opening balance of shareholders' funds. The Directors will advise the shareholders on an annual basis if they believe the value to differ materially from this amount.

The value of the investment will be reassessed every three years by evaluating movement in asset values and earnings.

4 GOVERNANCE

Apex's Board of Directors is responsible for the corporate governance of the company. The Board and Management are committed to ensuring the company operates to the recognised principles of best practice governance and adheres to high ethical standards.

This statement presents an overview of the main corporate governance policies of the company.

4.1 Board Role and Responsibility

Apex's Board of Directors is appointed by the Shareholders, and is responsible for the direction and control of the company's activities. The primary objective of the Board is to build long-term Shareholder value with due regard to other stakeholder interests. The Board does this by setting strategic direction and context and focusing on issues critical for its successful execution.

The Board has delegated to the General Manager the day-to-day leadership and management of the company. The General Manager has formally delegated certain authorities to direct reports and has established a formal delegated authority framework for those direct reports to sub-delegate as appropriate.

The Board endorses and adheres to the principles of the Institute of Directors of New Zealand and the Four Pillars of Governance Best Practice for New Zealand Directors.

4.2 Responsibility to Shareholder

In accordance with Section 64 of the Local Government Act 2002, each February the company submits to the Shareholder a draft SOI for the coming financial year. The SOI sets out the objectives, activities, intentions, financial and performance targets.

After due consideration and discussion with the Shareholder and completion of the annual business planning and budgeting, the final SOI is approved by the Board of Directors and delivered to the Shareholder in May.

4.3 Board Composition

The company's Constitution provides that the Board will consist of a maximum of five Directors. Currently the Board comprises two Executive Directors and two Non-Executive Directors who are Executives of Citycare.

The Board supports the separation of the role of Chairman and General Manager. The Chairman's role is to manage and provide leadership to the Board and to facilitate the Board's interface with the General Manager.

4.4 Conflicts of Interest

The Board is conscious of its obligations to ensure that Directors avoid conflicts of interest (both real and apparent) between the company and their own interests. The Board Charter outlines the Board's policy on conflicts of

interest. Where conflicts of interest do exist at law, then the Director(s) concerned must disclose their interest, excuse themselves from any Board discussions and not receive any Board papers in respect of those interests.

The company maintains a Board Interests Register and reviews this register at each Board meeting.

4.5 Nominations and Appointment of New Directors

The procedures for appointing and removing Directors are governed by the company's Constitution.

4.6 Board Meetings

Each year there are at least six (6) scheduled meetings of the Board. The Board also meets as required between the scheduled meetings.

The Chairman and General Manager establish meeting agendas to ensure adequate coverage of all key issues. The Directors generally receive Board papers three (3) working days in advance of Board meetings, except in the case of special meetings for which the time period may be shorter.

Directors are entitled to have access, at all reasonable times, to all relevant company information and to the company's management team. Any Director is entitled to obtain independent professional advice relating to the affairs of the company or to his or her other responsibilities as a Director. If a Director considers such advice necessary, the Director shall first gain the approval of the Chairman, and having done so, shall be free to proceed.

4.7 Director Induction and Education

Directors are expected to keep themselves informed of changes and trends in the company's business and in the environment and markets in which the company operates.

All Directors undertake continuous development so that they may appropriately and effectively perform their duties.

4.8 Board Performance Review

The Board reviews its own performance regularly.

4.9 General Manager Performance Review

The Board reviews the performance of the General Manager against his key performance objectives at least once a year.

4.10 Director & Officer Insurance

The company has arranged liability insurance for Directors and officers. This insurance ensures that, generally, Directors will incur no monetary loss as a result of actions undertaken by them as Directors of the company arising out of acts or omissions of Directors and employees in their capacity as such. Insurance is not provided for dishonest, fraudulent, malicious or wilful acts or omissions.

The company indemnifies the Directors and holds them harmless, to the extent possible by law and as allowed under the company’s Constitution, against any proceedings incurred, suffered or expended by or threatened against the Directors with respect to any act or omission in their capacity as a Director. The indemnity excludes: gross negligence or wilful default; deliberate action outside the scope of the delegated authority; criminal liability; breaches of duty under section 131 of the Companies Act 1993; and any other liability for which giving an indemnity is prohibited by law.

4.11 Controlling and Managing Risk

Risk Management – The company has a formal risk management framework which identifies the key risks and outlines the appropriate risk management and mitigation plans. The risk management framework is reported to and reviewed by the Board. Mitigation plans are controlled and administered by Management.

Performance – The Board sets the strategic direction of the company and participates in developing strategic plans, approves budgets and monitors company performance monthly.

Insurance – The Board satisfies itself that adequate insurance is in place for the company’s size and risk profile. External advice is received by the Board as appropriate.

Health and Safety – The Board reviews health and safety performance at every Board meeting. The Board reviews company health and safety policies, hazard assessments, and regularly monitors the company’s health and safety performance.

5 FINANCIAL

5.1 Financial Overview

Apex’s financial performance continues to improve consistently in a challenging environment through a combination of growth in profitable revenue across our activities, continued focus on staff development, operational efficiencies, project management systems and robust financial management.

5.2 Medium-Term Financial Performance Targets

The financial performance targets as detailed in Table 1 show the revenue and profit expectations for the next three years.

Table 1 – Medium-Term Financial Performance Targets

\$000’s	2018/19	2019/20	2020/2021
Revenue	8,746	10,058	11,567
Net Profit After Tax	368	422	489
Total Shareholders’ Equity	1,763	1,908	2,081
Ratio of Shareholders’ Funds to Total Assets	65%	64%	63%
Total Assets	2,697	2,982	3,317

Revenue — Revenue is forecast to grow for the next three financial years at a compounded rate of 15% as a result of activities across the company’s core industry sectors and as a result of an increased focus on the municipal market through its association with City Care Limited.



Net Profit After Tax – Net Profit after Tax (NPAT) reflects a combination of revenue growth over the period, investments in people and systems, sustained focus on improving our efficiency and reducing our cost base as well as increasing productivity.

Shareholders' Funds to Total Assets – Shareholders equity plus retained earnings divided by total assets. Assets include trade debtors, inventory, WIP, prepayments, net fixed assets and goodwill.

6 DIVIDENDS

The Board may authorise a distribution by the Company in accordance with the Act. Planned dividend distributions are stated in the Shareholders' Agreement.

7 STRATEGY

7.1 Strategic Direction

Demand for Apex's services across its industry sectors remains positive in New Zealand and growing in Australia for product related activities. Apex is committed to ensuring it continues to play a key role in meeting these needs through a focus on our customers.

The increasing focus on environmental issues and sustainability creates opportunities for the services, products, and design solutions that Apex is well placed to provide. Apex will continue to create sustainable value through a strategy which builds on Apex's well balanced portfolio of industry sectors, which provide potential for growth.

Apex's strategy will concentrate on certain priorities to accelerate sustainable-growth:

- Identify and Invest in additional skilled resources to enable significant growth
- Continue a program of identifying and developing products sales to grow higher margin revenue.
- Leverage City Care Limited to expand its presence in the local authority market
- Build our experience and track record in potable water treatment in addition to waste water treatment.

7.2 Innovation

Innovation will be a key driver for developing new solutions for potable and waste water treatment to respond to communities' expectations around water quality and environmental management. Apex seeks to be a leader in the design and construction of water and wastewater treatment solutions to support economic growth and these expectations. To achieve this Apex will be researching and keeping up to date with international trends in water treatment and looking for new products which can be introduced to the New Zealand market.

7.3 Sustainability Leadership

7.4 Wholly aligned with Christchurch City Council's strategic priority to drive and display climate change leadership, Apex continues to work hard to identify opportunities to promote sustainable solutions. The key to Apex's environmental leadership is in maintaining close collaboration with key clients, subcontractors and suppliers, not only when it comes to ensuring compliance, but also with

the aim of continual improvement of environmental practices. Our water treatment solutions promote the efficient treatment of drinking water to provide safe water for our communities, and the recycling of waste water.

Performance Targets

The performance targets outlined in Table 2 reflect the key milestones the company must meet to be able to operate effectively in its chosen market sectors.

Table 2 – Performance Targets

Target	Performance Measure 2018/19
Client Satisfaction	Positive Net Promoter Score
Health and Safety	Maintain an appropriate H&S framework to ensure the company complies with all relevant legislation Investigate and close out all incidents, accidents and near misses within ten (10) working days
Staff Engagement	Maintain current level of staff satisfaction through annual survey
Innovation	Identify two new products or technologies to bring to market.

8 INFORMATION TO BE PROVIDED TO THE SHAREHOLDER

8.1 No Surprises

The company will operate on a ‘no surprises’ basis in respect of significant Shareholder-related matters, to the extent possible in the context of commercial sensitivity and confidentiality obligations.

Any sensitive issues that could result in media attention or issues will be communicated to the Shareholder as soon as possible.

8.2 Statement of Intent

The Directors will deliver to the shareholder a Statement of Intent which fulfils the requirements of Clause 9 of Schedule 8 of the Local Government Act 2002. On or before 30 June each year, the Directors shall deliver to the shareholders a Final Statement of Intent.

8.3 Half Yearly Report

On or before 28 February each year, the Directors shall deliver to the shareholder an unaudited Half Yearly Report containing the following information as a minimum in respect of the half year under review:

- A revenue statement disclosing actual and budgeted revenue and expenditure, and comparative figures
- A statement of financial position at 31 December
- A statement of cash flows
- A commentary on the results for the first six months together with a report on the outlook for the second six months with reference to any significant factors that are likely to have an effect on the Company's performance, including an estimate of the financial result for the year based on that outlook

A non-financial performance report.

8.4 Annual Report

The Directors shall deliver to the shareholder an Annual Report and audited financial statements in respect of the financial year, containing the following information as a minimum:

- A Directors' report including a summary of the financial results, a review of operations, a comparison of performance in relation to objectives
- A revenue statement disclosing actual and budgeted revenue and expenditure, and comparative figures
- A statement of financial position at the end of the year
- A statement of cash flows
- An auditor's report on the above statements and the measurement of performance in relation to objectives

8.5 Annual Budget

An annual budget shall be provided in particular terms for the coming financial year and in general terms for the following two years.

9 SPECIAL SHAREHOLDER REQUESTS

At the request of the Shareholder, the company may undertake activities that are not consistent with normal commercial objectives. Specific financial arrangements will be entered into to meet the full commercial cost of providing such activities. Currently, no such activities are undertaken or contemplated.

10 ACCOUNTING POLICIES

Apex Environmental has adopted accounting policies that are consistent with New Zealand International Financial Reporting Standards, generally accepted accounting practice and the policies adopted by the Christchurch City Council group. The detailed accounting policies are available on request.