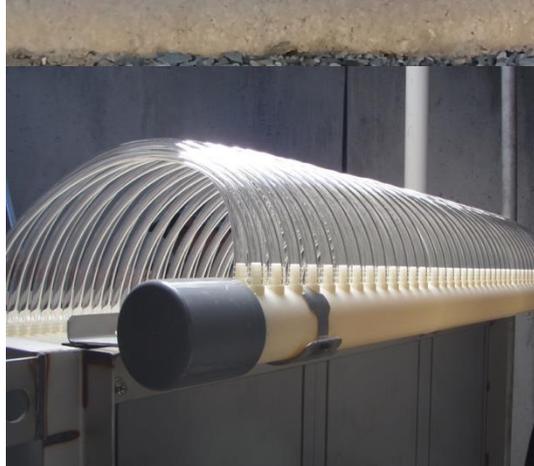




# 2016/17

## Statement of Intent



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# 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 2016 to 30 June 2019.

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](http://www.apexenvironmental.co.nz)  
Email: [sales@apexenvironmental.co.nz](mailto: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:

**HELPING INDUSTRY GROW SUSTAINABLY**

Apex's positioning statement is:

**ENGINEERING OUTCOMES FOR WATER**

## 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

## 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, textiles, winery, and municipal sectors.

The company's main service offerings are:

- Designing and building water and wastewater treatment plants for industrial and municipal clients
- 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 also provides products into Australia and the Pacific.

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

## 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 but who are executives of City Care.

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	2016/17	2017/18	2018/19
Revenue	6,158	9,000	14,285
Net Profit After Tax	222	324	514
Total Shareholders’ Equity	1,433	1,526	1,703
Ratio of Shareholders’ Funds to Total Assets	66%	58%	50%
Total Assets	2,186	2,624	3,444

**Revenue** — Revenue is forecast to grow for the next three financial years 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.

Whilst demand is strong, the competitive environment remains challenging and 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:

- Invest in additional resources to enable growth
- Establish a product development program
- Use City Care Limited to enter the local authority market

### 7.2 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 2015/16
<b>Client Satisfaction</b>	Positive Net Promoter Score
<b>Health and Safety</b>	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 working days
<b>Staff Engagement</b>	Maintain current level of staff satisfaction through annual survey
<b>Growth</b>	Grow the products market by 10% revenue year by year

## 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 SOI will be submitted to the Shareholder annually, as required by the Local Government Act 2002. The Directors will include any other information they consider appropriate. Where appropriate, revised forecasts will be submitted to the Shareholder when required.

## 8.3 Annual Report

An Annual Report will be submitted to the Shareholder and will include audited financial statements and such other information as necessary to permit an informed assessment of the company's performance and financial position during the reporting period.

Apex will provide further information requested by the Shareholder in accordance with the requirements of the Local Government Act 2002.

## 8.4 Quarterly Reporting

Quarterly reports will be provided to the Shareholder. These reports will include financial results for the year to date, performance compared to SOI and an operational overview. It will also report on health and safety practices and performance within the company.

# 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.