

Inframax Construction Limited
STATEMENT OF INTENT
FOR THE YEAR ENDING 30 JUNE 2023

1.0 INTRODUCTION

1.1 Inframax Construction Limited is –

- a limited liability company pursuant to the Companies Act 1993.
- a Council Controlled Organisation pursuant to Section 6 of the Local Government Act 2002.

1.2 This Statement of Intent is prepared to meet the requirements of Section 64 and Schedule 8 of the Local Government Act 2002.

1.3 It outlines the activities and intentions of Inframax Construction Limited and the objectives to which those activities will contribute. Performance targets and measures are specified, along with the Company's policies relating to governance and other matters.

1.4 The Statement of Intent is reviewed annually by the Company following consultation with Waitomo District Council.

2.0 NATURE AND SCOPE OF ACTIVITIES

2.1 The core business of the Company will be roading maintenance and construction, quarrying and crushing of aggregates and maintenance and construction of utilities and infrastructure assets.

2.2 The Company will compete for infrastructure contracts in the central western North Island Districts and in other areas where it is identified that such contracts will yield an appropriate rate of return or where the Company believes that there are sound commercial reasons for doing so.

2.3 The Company may expand into other ventures and/or activities that are consistent with the Company's objectives and the provisions of the Local Government Act 2002.

3.0 OBJECTIVES

The principal objective of Inframax Construction Limited is to operate as a successful business and to contribute to the wellbeing of the communities in which it operates.

In pursuing the principal objective, the Company and Directors shall:

- Maximise the long-term viability and profitability consistent with the Shareholder's objectives for ownership and value creation.
- Seek and develop profitable business opportunities that make best use of the people, technical and financial resources of the Company.
- Continue to review the available options for the share ownership of the Company, to be able to provide informed advice to the Shareholder as to the most efficient arrangements to enhance both profitability and Shareholder value.

- Ensure assets and liabilities are prudently managed consistent with the nature of a contracting business.
- Ensure transparent and informed relationships are maintained with the shareholder within the spirit of 'no surprises'.
- Act as a good employer by:
 - Providing a work environment that recruits, fosters and maintains safe, competent, motivated, committed and productive employees
 - Recognising and rewarding excellent performance of any staff.
- Act in an environmentally and socially responsible manner and implement sustainable business practices.

4.0 CORPORATE GOVERNANCE

Pursuant to Section 57 of the Local Government Act 2002, the Board of Directors is appointed by the shareholder to govern and direct the activities of the Company.

All Directors are required to comply with a formal Code of Conduct, which is based on the Institute of Directors in New Zealand's Code of Practice for Directors.

(a) Role of the Board of Directors

The Directors' role is defined in Section 58 of the Local Government Act 2002. This section states that all decisions relating to the operation of the CCO shall be made pursuant to the authority of the directorate of the Organisation and its Statement of Intent. The Board consults with the Company's shareholder in preparing and reviewing the Statement of Intent.

The Board meets on a regular basis and is responsible for the proper direction and control of the Company's activities. This responsibility includes such areas of stewardship as the identification and control of the Company's business risks, the integrity of management information systems and reporting to the shareholder.

The Board accepts that it is responsible for the overall control system operating within the Company but recognises that no cost-effective internal control system will permanently preclude all errors or irregularities. The control systems reflect the specific risks associated with the business of the Company.

To achieve this governance the Board will:

- Conduct regular briefings with the designated shareholder representatives to discuss emerging risk and opportunities of the business, the general forecast performance expectations and to learn of relevant changes in council policies, expectations and risk appetite.
- Act on a fully informed basis, in good faith, with due diligence and care, and in the best interests of the company.
- Act in accordance with the Constitution and Statement of Intent.
- Ensure compliance with applicable legislation, regulation, codes and accounting standards.
- Structure itself to utilise the expertise of Directors to add value.

- Monitor the effectiveness of overall governance and make changes as needed.
- Monitor and manage potential conflicts of interest of management, board members and shareholder.
- Appoint and monitor the performance and remuneration of the Chief Executive Officer and oversee succession planning.
- Ensure the Company's financial management is consistent with good business practice.
- Decide on necessary actions to protect the Company's financial position and the ability to meet its debts and other obligations when they fall due, and ensure such actions are taken.
- Ensure the Company's goals are clearly established, and that strategies are in place for achieving them (such strategies being expected to originate, in the first instance, from management).
- In the spirit of 'no surprises', keep the shareholder informed on significant events and issues, including those sensitive to publicity that may arise from Council being a political organisation.
- Promote a culture which requires all employees to adhere to high levels of ethical behaviour.
- Ensure the Company has appropriate risk management/regulatory compliance policies in place and that these are monitored on a regular basis.

(b) The Role of the Shareholder

The Board aims to ensure that the shareholder is informed in a timely manner of all major developments affecting the Company's state of affairs. The shareholder is consulted on the review of the Company's Statement of Intent and is responsible for the appointment of Directors. Information is communicated to the shareholder in the Annual Report, the Half-Annual Report and special meetings where required.

The shareholder is expected to:

- Deal with issues raised by the Company in a prompt and expedient fashion.
- Maintain a high level of communication with the Company on relevant matters.
- Ensure transparent and collaborative relationships are maintained with the Company.

5.0 PERFORMANCE INDICATORS

In its half-year and annual report, the Company will record its performance relating to its goals and objectives.

6.0 PERFORMANCE MEASURES AND TARGETS

The Company will endeavour to exceed the targets of the Projected Business Plan.

6.1 Ratio of Shareholder's Funds to Total Assets

The Ratio of Shareholder's Funds to Total Assets shall not be less than that set out in this Statement of Intent.

6.2 Current Ratio

The Current Ratio measures solvency. The Company will maintain a positive Current Ratio.

6.3 EBITDA

Earnings before interest, tax, depreciation and amortisation gives an indication on the underlying operational profitability of the business.

6.4 Revenue

Measuring revenue growth gives a good indication of the rate at which the company has expanded the business.

6.5 Bank Covenants

The Company will meet all bank covenants.

	30 June 23	30 June 24	30 June 25
6.1 Equity Ratio Shareholders Funds expressed as a % of Total Assets	49%	50%	51%
6.2 Current Ratio Current Assets expressed as a % of Current Liabilities	Positive	Positive	Positive
6.3 EBITDA Earnings Before Interest, Tax, Depreciation and Amortisation	\$3.0m	\$3.1m	\$3.2m
6.4 Revenue Revenue Targets	\$43m	\$44m	\$45m
6.5 Bank Covenants As agreed with the Bank from time to time	Met	Met	Met

7.0 NON-FINANCIAL PERFORMANCE MEASURES

7.1 Lost Time Injury Frequency Rate

The lost time injury frequency rate will measure the number of lost time injuries for year ending 30th June 2023 relative to the number of hours worked in the same period.

$$\frac{\text{Total lost time injuries in 2023}}{\text{Total hours worked in 2023}} \times 1,000,000$$

Lost time injuries are occurrences that result in a fatality, permanent disability or time lost from work of one day/shift or more.

7.2 ACC Weekly Compensation Days

ACC weekly compensation days measures and gives an indication of workplace safety. It is also a measure of wellness in the workplace and indicates how a company cares for and rehabilitates employees injured at work. Measure is the number of compensation days incurred in the ACC calendar year.

7.3 ISO 9001 Accreditation

ISO 9001 is a quality accreditation standard verifying that the company has systems and processes in place to operate to industry best practices. It confirms that issues within the company are identified, recorded and information used to generate continual business improvement.

7.4 ISO 45001 Accreditation

ISO 45001 is a global standard for Occupational Health and Safety (OS&S) Management Systems that provides a practical solution to improve the safety and health of both employees and other personnel by preventing work-related injury and ill health, as well as by proactively improving the Company's OH&S performance.

7.5 Environmental Consent Compliance

There are three measures of environment consent compliance - full, partial and non-compliance. Full compliance of consents held by the Company indicates that all conditions of consents are met in full and the organisation is acting in an environmentally responsible manner.

7.6 Number of local events supported in operating area

Number of local events supported by the Company indicates that the Company is acting in a socially responsible manner, supporting and adding value to local communities in its operating area.

	30 June 23	30 June 24	30 June 25
7.1 LTI Frequency Rate	Zero	Zero	Zero
7.2 ACC Weekly Compensation Days	100	100	100
7.3 ISO 9001 Accreditation	Standard Achieved	Standard Achieved	Standard Achieved
7.4 ISO 45001 Accreditation	Standard Achieved	Standard Achieved	Standard Achieved
7.5 Environmental Consent Compliance	Full Compliance	Full Compliance	Full Compliance
7.6 Number of Local Events Supported	15 (Waitomo District 9, Other 6)	15 (Waitomo District 9, Other 6)	15 (Waitomo District 9, Other 6)

8.0 DIVIDEND POLICY

- 8.1** Subject to the Directors being satisfied as to the solvency of the Company, the meeting of its bank covenants and the integrity of its asset replacement and investment programme, the Company is committed to the provision of annual distributions to the Shareholder.
- 8.2** A dividend payment is not anticipated in the 2022/2023 financial year.
- 8.3** Should a distribution to the Shareholder occur, it will be made, after consultation with the Shareholder, by subvention payment, or other mutually agreed methods after taking account of all tax considerations.
- 8.4** The Company may declare dividends as approved by the Directors.
- 8.5** The Directors may from time to time pay interim dividends.

9.0 ACCOUNTING POLICIES

- 9.1** The Company will maintain accounting records in accordance with the Companies Act 1993 and the Financial Reporting Act 2013.

Significant accounting policies adopted by the Company in its Annual Report are –

- Compliance with New Zealand generally accepted accounting practice (NZ GAAP).
- Preparation on a historical cost basis, apart from Land and Buildings and Heavy Quarry Equipment which are stated at their fair value.
- Preparation on a going concern basis.
- Financial assets, other than those at fair value, are assessed for impairment at each balance date.
- Revenue and profit are primarily recognised based on value earned.
- Trade and other receivables are stated at their expected realisable value after providing for impairment.
- Aggregate stocks are valued using standard costs based on the estimated average cost of production.
- Property, plant and equipment other than Land and Buildings and Heavy Quarry Equipment (which are measured at fair value), are carried at cost less accumulated depreciation and impairment losses.
- Trade and Other Payable are recognised when the Company becomes obliged to make future payments.

10.0 INFORMATION TO BE PROVIDED TO SHAREHOLDERS

- 10.1** Annual Report and half-yearly operational report will be submitted in accordance with the Local Government Act 2002.
- 10.2** The half-yearly report will include details as are necessary to enable an informed assessment of the Company's performance during the reported period. This report will be accompanied by the Chairman's review of the period. The half-yearly report will be made available to the Shareholder no later than 1 March in every year.
- 10.3** The Annual Report will include all items required by the Companies Act 1993, the Financial Reporting Act 2013 and such other information as the Directors deem necessary for the Shareholder to measure performance of the Company against performance targets as agreed in the Statement of Intent.

11.0 SIGNIFICANT ACQUISITIONS

- 11.1** Procedure to be followed as per Schedule 8, Clause 9(1)(i) of the Local Government Act 2002 regarding share transactions will be at the discretion of the Directors unless the acquisition qualifies as a major transaction as defined in 10.3.
- 11.2** The Board will consult with the Shareholder before making any significant acquisition including investment in another entity.
- 11.3** Acquisitions involving more than 10% of the total assets of the company will constitute a "major transaction" under Section 129 of the Companies Act 1993 and will require a special resolution of the Shareholder.

12.0 ESTIMATED COMMERCIAL VALUE OF SHAREHOLDER'S INVESTMENT

- 12.1** An independent valuation of the shares in the company dated 8 September 2020 concluded that the fair value of 100% of the shares in the Company at 30 June 2020 was \$11.0m.
- 12.2** The Directors believe that value of the shares will continue to grow.
- 12.3** Net Assets in the Annual Report as at 30 June 2021 stood at \$11.94m.

13.0 CAPITAL SUBSCRIPTION

- 13.1** No capital will be required from the Shareholder.
- 13.2** No capital injections from the Shareholder are expected in the current period.