

2022/23

# Statement of Intent



**nelmac**

ENHANCING OUR ENVIRONMENT





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# 1.0 Introduction

This Statement of Intent is presented by the Directors of Nelmac Limited (Nelmac) in accordance with Schedule 8 of the Local Government Act 2002.

Nelmac is a Council-Controlled Trading Organisation (CCTO), solely owned by Nelson City Council (NCC, the Shareholder). This Statement of Intent summarises Nelmac's objectives, nature and scope of activities to be undertaken, forecast financials, performance targets and other measures in relation to its objectives for the three-year period from 1 July 2022 to 30 June 2025.



# 2.0 Objectives

Nelmac's overarching purpose can be summarised as Kaitiakitanga, which for Nelmac means the guardianship, protection, care and upkeep of our stakeholders' natural and built environments.

Our Vision is to enhance New Zealand's environment for community wellbeing. Our Mission is to work with Kaitiaki of natural and built environments, providing expertise from advice to delivery.

To achieve our Vision, Mission and Objectives below, Nelmac lives by the following Values:

- We are one team.
- We have a positive impact.
- We strive to do things differently.
- We do as we say.
- Relentless pursuit of zero harm.

### Nelmac's Objectives are to:

- Improve Our Core Business
- Deliver Sustainably
- Protect & Develop our People
- Enhance our Environment

Nelmac's pursuit and achievement of these Objectives provide additional benefits to our Shareholder, such as:

Ensuring that NCC as Shareholder and strategic partner is a priority, supporting NCC's adoption of best practices and continuous improvement in environmental asset management and maintenance.

Profits generated from serving NCC and other clients are passed to the Shareholder as a distribution or reinvested into the 100% NCC-owned business.

A sizeable local employer dedicated to attracting, developing and retaining skilled staff in the region.

Retaining significant investment in the region, with Nelmac's head office and key professional leadership positions based in Nelson.

Support of other regional businesses through local procurement of plant, materials and subcontracted services.

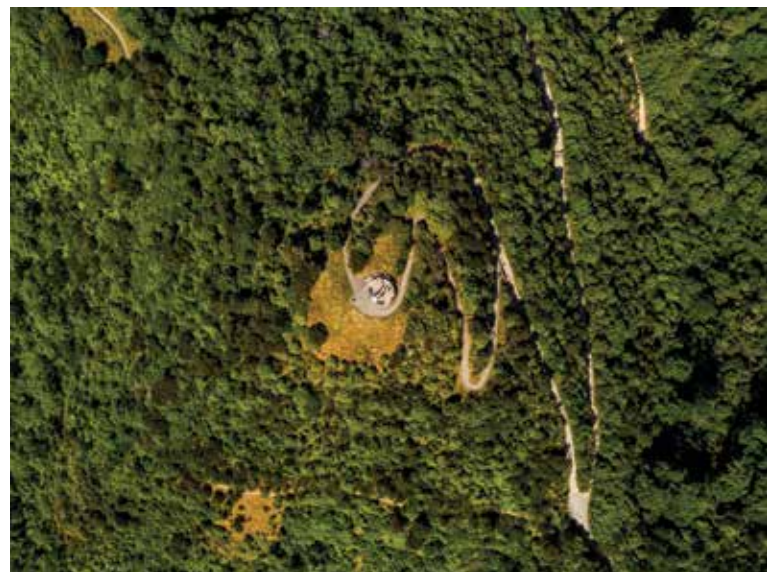
Expansion of Nelmac's services to national clients, such as Department of Conservation and OSPRI, promoting Nelson's environmental leadership across the country.

Significant local presence and scale enabling immediate support during times of civil emergency and a key responder to events such as rural fires, flooding, land subsidence, earthquakes and civil defence.

An active supporter of the community through sponsoring and working with government, sport & recreation groups and non-profit organisations.

Active pursuit of opportunities for partnerships and collaborations with other leading Nelson based organisations, in order to develop Nelson as a centre of excellence to attract talent and expert knowledge and services.

We will continue to develop and grow our iwi engagement strategy, to build stronger relationships and unlock opportunities for Nelmac's growth and for iwi participation.



# 3.0 Nature and Scope of Activities

For over 25 years, Nelmac has enhanced the wellbeing of New Zealand communities by providing environmental asset management services in the core areas of Recreation, Conservation and Three Waters, along with Refuse & Recycling and Landscape Architecture & Planning services.

## Nelmac's service offerings and activities include:

### Water

- Three Waters Utilities operations, maintenance and construction (for freshwater, stormwater and wastewater networks)
- Wastewater treatment facility operations and maintenance
- Civil water projects
- Reinstatement works following utility repairs or construction
- Supervisory Control and Data Acquisition (SCADA) - remote data monitoring and control

### Recreation

- Parks and Open Spaces Management
- Maintenance of parks and reserves
- Construction and maintenance of sports grounds
- Arboriculture services, including tree pruning, tree felling and line clearance work
- Construction, maintenance and safety of playgrounds
- Vegetation control of roads, utilities and ecological linkages
- Cemetery management and maintenance
- Landscape construction for local authority, commercial and private clients



## Facilities Management

- Recreational and community service asset management, e.g. marina, campgrounds, crematoria
- Building asset maintenance
- Plumbing, electrical, carpentry, joinery and painting trades
- Light construction
- Engineering – fitting and fabrication

## Conservation

- Conservation reserve maintenance & asset management for local authorities
- Biosecurity, pest plant and animal monitoring and control
- Ecological planning, management and restoration
- Track and trail design, build and maintenance
- Wholesale nursery, including production of eco-sourced plants

## Landscape Architecture & Planning

- Urban park and civic space design
- Landscape design, commercial and private
- Revegetation planning
- Project management of landscape construction/planting
- Resource consent and planning advice/assessments

## Refuse & Recycling

- Recycling collection, residential and commercial
- Street bin servicing and cleaning

## Additional Services

- Emergency services response, such as flooding, fires and windstorms
- Traffic management for events, emergencies and major projects
- Vehicle and equipment maintenance and general engineering

# 4.0 Strategy

Nelmac specialises in delivering integrated environmental asset management services underpinned by whole of life asset management. The Company is also moving towards more collaborative contracts and long-term relationships with clients, through partnering for best practice procurement solutions, including alliancing with NCC.

## Nelmac's overarching Strategic Pillars are:

- Improve our core
- Deliver Sustainably
- Protect & Develop our People
- Enhance our Environment

## 4.1 Divisional Strategies

Each Nelmac Division is guided by its own Divisional Objective and Strategy to drive both near-term and longer-term achievements and progress toward the overall company objectives:

- Water Division: A strong regional New Zealand supplier of three waters asset management, operations and construction services
- Recreation Division: Through business excellence, become one of New Zealand's best providers of parks and facilities maintenance services in order to retain current and gain diversified market share
- Conservation Division: A recognised national leader in conservation, particularly in biosecurity, track building/maintenance and ecology
- Commercial Projects Division: The preferred landscape architect/planner, construction & maintenance supported by a nursery business for councils and large property/facility owners.

Successful delivery of our divisional strategies is underpinned by:

- The expertise of our people
- Development of our intellectual property in water, conservation, ecology and asset management of the natural and built environment
- Growth targeted at strategic opportunities and leveraging of our core competencies
- Adoption of field data collection technology which enables smart programming of work, proof of service, data integration with client systems, and seamless dashboard style reporting

## 4.2 Asset Management and Capital Expenditure Strategy

Nelmac's capital assets play a fundamental role in enabling our strategic growth, maintaining profitability and continuous improvement in service quality and efficiency. Our asset management strategy drives our efforts to manage, maintain and maximize the life and productivity of our capital assets – plant, fleet and depots. Our capital expenditure strategy includes (1) an ongoing process to prioritise new assets to sustain and grow our business in the immediate and near future, (2) a systematic financial evaluation for each significant new investment and (3) instigating the review of major assets as to whether they are fit for purpose (for service delivery and health and safety).



### 4.3 Health and Safety

Prioritising Health and Safety is a key focus. We are continually refining our response to workplace safety events supported by a significant emphasis on staff engagement, together with responding to trends identified by our lead indicators.

Health and safety is a primary agenda item for the Board of Directors at each monthly meeting. In addition, critical risk incident information is reviewed by the Board as well as any findings and corrective actions from any Nelmac ICAM investigations. Nelmac has adopted Bow-tie training through the company's Leadership Development Programme. Bow-tie is a risk assessment tool which enables Nelmac to identify critical risks and put in place effective controls for risk mitigation.

The journey towards Zero Harm is on-going and at the forefront of operations across the company.

Nelmac has developed and implemented a set of seven golden rules, which guide staff behaviours relating to our critical risks.

One of Nelmac's key safety indicators is "Total Recordable Injury Frequency Rate (TRIFR)" which replaced the previous indicator "percentage of workday losses vs. hours worked". Following our result in 2019, we set the 2023 target of reducing TRIFR from 11 to under 10.



#### 4.4 Risk Management

Nelmac has implemented an Enterprise Risk Management (ERM) approach to managing risk and uncertainty in achieving the company's objectives.

At Nelmac, ERM will be an ongoing process which permeates all aspects of the business including:

- Strategy, critical business risks, business excellence, sustainability, change and project management, plus operational delivery including health and safety.
- Environmental risks, including natural hazards and climate change.
- An emergency response planning review is underway to ensure that Nelmac is sufficiently prepared and resilient in the event of any potential civil emergency caused by storm, pandemic, earthquake, fire, flooding or similar.
- The company maintains an Emergency Management and Recovery Plan which includes the following elements: Business Continuity, Emergency Action and Recovery.

#### 4.5 Sustainability

Nelmac is committed to advancing our corporate sustainability. We have an overarching sustainability plan which includes:

- Reducing Greenhouse gas emissions
- Climate Change responsiveness
- Maximising resource efficiency
- Supporting community projects and initiatives
- Sustainability in our community

Nelmac will continue to align our lowest paid wages with the Living Wage at the start of each Financial Year (with the exception of those on apprenticeship schemes or cadets).





# 5.0 Corporate Governance

## 5.1 Role of the Board

- Ensuring the Company meets its objectives as defined in this Statement of Intent.
- Ensuring the Company complies with all its lawful obligations.
- Ensuring the shareholder is kept well informed on all relevant issues.
- Making decisions as to strategy and policy.
- Employing the Chief Executive (including entering into a performance management agreement, reviewing performance and setting remuneration).
- Ensuring sound financial management of the Company.
- Ensuring the Company is regularly monitoring business risks and that appropriate insurance is maintained.
- Ensuring the Company has in place a process for annual reporting against statutory/legislative requirements and complies with the reporting requirements outlined under Performance Measures in Section 9 of this document.

## 5.2 Composition of the Board

- The Board is made up of five non-executive Directors
- The Shareholder, after consultation with the Board, will be responsible for appointing Directors to the Board.
- The Shareholder has formally adopted a policy/procedure for appointment of Directors, dated November 2015.
- The shareholder sets total remuneration for the Board at the Annual General Meeting. The Board will be responsible for deciding the apportionment of this amount.

## 5.3 Board Code of Conduct

- All Board members will be required to comply with Nelmac's Code of Ethics and the New Zealand Institute of Directors' "Code of Proper Practice for Directors".
- All Board members will apply their best endeavours to ensure the Company achieves the economic, social and environmental objectives defined in Section 7 of this document.
- All Board members will apply their best endeavours to ensure the Company complies with the requirements of its Constitution and this Statement of Intent.

## 5.4 Board Committees

Nelmac has established three Board sub committees encompassing Audit and Risk, Health and Safety and Remuneration. Under its terms of reference, each subcommittee is chaired by a member of the Board who is not the Board Chairman and is attended by other Nelmac Directors, the CEO and the relevant Nelmac executives.

In fulfilling their responsibilities, the committees seek and receive independent advice and make recommendations to the Board for its consideration.

### Board Health and Safety Committee

The objective of the Board Health and Safety Committee is to provide assurance and assistance on the company's health and safety systems, and its external accountability and reporting responsibilities.

The committee also assists the Board regarding:

- Monitoring of health and safety systems
- Company health and safety culture
- Critical risks

### Board Audit Committee

The objective of the Audit Committee is to provide assurance and assistance on the company's financial control and compliance framework, along with compliance to external accounting and reporting responsibilities.

### Board Risk Committee

The objective of the Risk Committee is to provide assurance and assistance on the company's risk, control and compliance framework.

The committee also assists the Board regarding:

- The monitoring and review of risk management framework and processes.
- The committee satisfies the Board that the appropriate controls and mitigations are in place for the company's size and risk profile.

### Board Remuneration Committee

The objective of the Remuneration Committee is to provide assurance and assistance on the company's remuneration strategy and employment conditions for the Chief Executive (CE) and other senior executives.

The committee also assists the Board regarding:

- Remuneration, retention and recruitment strategy
- Remuneration arrangements, training and development plans for the CE and other senior executives
- Succession plans for the CEO and other senior executives.

### Board Performance Management

The Board reviews its own performance regularly.

The Chair will reference these evaluations and any strategic consideration regarding the skill-mix of the Board when making recommendations to the Shareholder on the reappointment or recruitment of Board members.



# 6.0 Financial

## 6.1 Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME						
(\$000)	Actual 2019/20	Actual 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
<b>Gross Revenues</b>	38,487	43,269	46,000	47,000	48,000	50,000
Operating Expenditure	36,406	40,916	43,690	44,398	45,071	46,932
EBITDA	2,081	2,353	2,310	2,602	2,929	3,068
<b>EBIT</b>	931	1,203	870	1,102	1,329	1,468
<b>Net Profit before Subvention Payments</b>	794	1,028	700	900	1,100	1,250
Subvention Payments (in lieu of Dividend)		397	514			
<b>Retained Net Profit before Tax</b>	794	631	186	900	1,100	1,250
Taxation @ 28%	236	302	52	252	308	350
<b>Net Profit after Tax</b>	<b>558</b>	<b>329</b>	<b>134</b>	<b>648</b>	<b>792</b>	<b>900</b>
Distribution Declared (paid in following year)	397	514	252	324	396	450
Gross Distribution before Tax	397	514	350	450	550	625

## 6.2 Statement of Cashflows

STATEMENT OF CASHFLOW						
(\$000)	Actual 2019/20	Actual 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
Cash from Customers	38,008	42,820	45,900	46,909	47,959	49,918
Cash Disbursed	35,660	39,639	43,912	44,852	45,608	47,500
<b>Net Cash from operations</b>	<b>2,348</b>	<b>3,578</b>	<b>1,988</b>	<b>2,057</b>	<b>2,351</b>	<b>2,418</b>
Cash Invested	(1,015)	(2,462)	(1,564)	(2,689)	(2,607)	(1,634)
Cash from Financing	-485	(57)	200	970	814	-17
Distributions Paid	(210)	(397)	(514)	(252)	(324)	(396)
<b>Net Increase/(Decrease) in Cash</b>	<b>638</b>	<b>662</b>	<b>110</b>	<b>86</b>	<b>234</b>	<b>371</b>
Opening Cash Balance	19	657	1,319	1,429	1,515	1,749
<b>Closing Cash Balance</b>	<b>657</b>	<b>1,319</b>	<b>1,429</b>	<b>1,515</b>	<b>1,749</b>	<b>2,120</b>

## 6.3 Statement of Financial Position

STATEMENT OF FINANCIAL POSITION						
(\$000)	Actual 2019/20	Actual 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
Share Capital	2,000	2,000	2,000	2,000	2,000	2,000
Retained Earnings	7,068	7,397	7,531	7,927	8,395	8,899
Reserves	1,080	1,080	1,080	1,080	1,080	1,080
<b>Equity</b>	<b>10,148</b>	<b>10,477</b>	<b>10,611</b>	<b>11,007</b>	<b>11,475</b>	<b>11,979</b>
Current Assets	7,370	8,724	8,110	8,286	8,463	8,815
Non Current Assets	10,957	12,780	12,944	14,133	15,240	15,374
<b>Total Assets</b>	<b>18,327</b>	<b>21,504</b>	<b>21,054</b>	<b>22,419</b>	<b>23,703</b>	<b>24,189</b>
Current Liabilities	5,081	9,575	6,281	6,366	6,501	6,772
Non Current Liabilities	3,098	1,451	4,162	5,047	5,726	5,438
<b>Total Liabilities</b>	<b>8,179</b>	<b>11,026</b>	<b>10,443</b>	<b>11,413</b>	<b>12,227</b>	<b>12,210</b>
<b>Net Assets</b>	<b>10,148</b>	<b>10,478</b>	<b>10,611</b>	<b>11,007</b>	<b>11,475</b>	<b>11,979</b>
Bank Debt/Equity	28%	29%	23%	36%	43%	42%
Interest Cover (EBIT)	7.42	9.02	8.33	7.57	7.33	7.99
Shareholders Funds/Total Assets	55%	49%	50%	49%	48%	50%



## 6.4 Capital Programme:

Nelmac will continue to invest as much as possible in fleet and plant, while balancing Financial Stability and Nelmac's current distribution policy.

Nelmac recognises the need to renew fleet and plant to deliver best possible Health & Safety and Quality outcomes, as well as to achieve Carbon Reduction targets.

Nelmac intends to invest at a rate greater than current depreciation and retained earnings in order to achieve these outcomes. This additional investment will be funded by bank debt.

The five year Capex Plan is:

	FINANCIAL YEAR				
	2022	2023	2024	2025	2026
Land & Buildings	200,000	150,000	750,000	-	-
Core Systems	400,000	250,000	100,000	100,000	100,000
Fleet/Plant	2,130,000	3,597,065	2,657,120	2,234,000	2,104,500
<b>Total Investment</b>	<b>2,730,000</b>	<b>3,997,065</b>	<b>3,507,120</b>	<b>2,334,000</b>	<b>2,204,500</b>



# 7.0 Performance Measures

Objective Area	Goal	Measure	Timeframe
Quality of Service	Maintain A/NZS ISO 9001 Quality Accreditation	ISO 9001 Accredited	June 2023
	Understand and strive to improve customer satisfaction	Undertake customer satisfaction surveys (alternate years for all Customers vs NCC only Surveys)	
		2021/22 - Customer Satisfaction Survey for a representative sample of Nelmac customers - improving on 2019/20 score of 5.53 out of 7	June 2024
		2022/23 - Pulse Survey for NCC Contract Managers improving on Net Promoter Score of -27	June 2023
Sustainability and Community	Reporting of planned initiatives and impact on reducing carbon emissions	Carbon emissions included in annual report and compared against 2020 baseline (normalised against revenue)	June 2023
		Reduce carbon emission compared with 2022 (normalised against revenue) 2021 = 38g/S Revenue, 2022 TBC	June 2023
	Reduced carbon emissions year on year (adjusted for COVID)	25% carbon reduction compared to 2020 (normalised against revenue) 2020 = 40g/S Revenue, 2025 Target = 30g/S Revenue	June 2025
	Support community organisations/initiatives	Financial or in-kind contributions equivalent to 5% of net profit after tax	June 2023
	Employee Turnover comparable to industry average	Employee Turnover within 5% of the national industry average	June 2023
People and Safety	Reduce average TRIFR	TRIFR reduced from 11% to under 10%	June 2023
		ISO 45001 accredited	June 2023
	Maintain ISO 45001 accreditation for health & safety		
Non-shareholder Business	Profitable growth in non-NCC work	Profitable year on year growth in non-NCC work from 2022 to 2023	June 2023
Equity Ratios	Return on Equity is at or above industry benchmarks	EBIT Return on Capital	June 2023
	Bank Debt to Equity Ratio within acceptable risk tolerance	Bank Debt to Equity Ratio at or below 55%	June 2023



## 8.0 COVID-19

A Nelmac Crisis Management Team (CMT) has been operational since February 2020, consisting of a range of experienced personnel with key connections across all our divisions. Nelmac's response plan identified five clear stages which have since aligned with the government's four level alert system.

The plan takes into account:

- Which essential service teams needed to remain operational & how we keep these teams safe
- Resourcing to backfill essential service roles to ensure continuation of service
- Protection of high risk and vulnerable staff
- The recent travel history of staff
- Technology requirements needed to enable people working from home
- Pay arrangements structured to accommodate variability in work patterns across departments

The CMT has continued to meet regularly throughout the pandemic to review our Business Continuity Planning and to coordinate the Company's internal response to changes in the alert levels. Nelmac has implemented a COVID-19 Safe Operating Procedure which aims to ensure Nelmac employees minimise the potential spread of the virus. This procedure is regularly reviewed, and communicated to staff, as new information regarding the virus comes to light.

In December 2021 Nelmac engaged an external Health & Safety consultant to complete a COVID-19 Risk Assessment for

all roles across the business. At the time of the assessment the risks of transmission and infection of COVID-19 in our workplace were high enough to justify the introduction of a vaccine mandate for all roles in the interests of keeping all Nelmac employees safe.

As a result of changes to guidance from MBIE, the Ministry of Health and WorkSafe NZ, Nelmac completed a second Risk Assessment in April 2022. The conclusion of this assessment was that the current COVID-19 risk to employees is not substantially higher in the workplace than it is in the community, and that Nelmac's other controls were adequate to mitigate any risk arising in the workplace.

Managing the health, safety and wellbeing of all staff remains the priority for Nelmac. Nelmac is continuing to monitor the pandemic as it evolves and will continue to review and assess all options to keep employees safe. Providing consistent communication, access to PPE, access to COVID-19 and flu vaccinations (for all staff who desire them) ensures we are continuing to look after our staff and that we respond effectively to future events. This combined with all our planning, gives us confidence that we are well placed to deal with any future matters related to the COVID pandemic.

# 9.0 Information to be Provided to Shareholder

## 9.1 Statement of Intent

<p><b>Draft Statement of Intent:</b> The Directors shall deliver to the shareholder a draft SOI which fulfils the requirements of Schedule 8 of the Local Government Act 2002 before March 1 each year.</p>	<p>Before March 1 each year</p>
<p><b>Statement of Intent:</b> After considering shareholders' comments on the draft, the Directors shall deliver to the shareholder a SOI which fulfils the requirements of Schedule 8 of the LGA 2002 and which meets the shareholder's approval annually before 30 June each year.</p>	<p>Before June 30 each year</p>

## 9.2 Annual Report

<p>The Directors shall deliver to the shareholders an annual report prepared to comply with Section 67 of the LGA 2002, Finance Reporting Act &amp; International Financial Reporting Standards, and audited financial statements in respect of the financial year, containing the following information as a minimum:</p> <ul style="list-style-type: none"> <li>• Directors' report including a summary of the financial results, a review of operations, a comparison of performance in relation to objectives and any recommendations as to dividend.</li> <li>• Revenue statement disclosing actual and budgeted revenue and expenditure, and comparative figures from previous years.</li> <li>• Statement of financial position at the end of the year.</li> <li>• Statement of cash flow</li> <li>• Auditor's report on the above statements and the measurement of performance in relation to objectives.</li> </ul>	<p>Within three months of the end of the financial year</p>
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## 9.3 Half Yearly Report

<p>The Directors shall deliver to the shareholder an unaudited report containing the following as a minimum in respect of the period under review:</p> <ul style="list-style-type: none"> <li>• Revenue statement disclosing actual and budgeted revenue and expenditure, and comparative figures from previous years.</li> <li>• Statement of financial position (summarized) at the end of the half year.</li> <li>• Statement of cash flow (summarized)</li> <li>• Commentary on the results for the first six months together with a report on the outlook for the second six months with reference to significant factors likely to have an effect on the company's performance, including an estimate of the financial result for the year based on that outlook</li> </ul>	<p>Within two months of the end of the first half of each financial year</p>
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# 10.0 Other Governance Items

## 10.1 Distribution Policy

The company will distribute to the shareholder at least either 50% of the taxable profit by way of subvention payments and dividends, or 50% of tax paid profit by way of dividends. This is provided that, there are no specific reasons why the Directors consider that the company is unable to meet this distribution policy. If so, they shall notify the shareholder and discussion shall be held in respect of variance from that policy.

## 10.2 Accounting Policies

General Accounting Policies:

The accounting policies recognised by the NZ Institute of Chartered Accountants for the measurement and reporting of profit and financial position will be adopted by the company.

Particular Accounting Policies:

Specific accounting Policies will be detailed in the financial statements

## 10.3 Procedure for Acquisition / Divestment

Nelmac may at times, consider the acquisition, subscription or divestment of interests to meet its operating needs and strategic objectives.

When such an acquisition, subscription or divestment of interests is valued at more than \$1.5 million the Directors will obtain the prior approval of the shareholder by special resolution. Approval will not be required where the value is equal to or less than \$1.5 million, however the shareholder will be advised in writing within 14 days.

## 10.4 Directors' Estimate of Company Value

The Directors estimate that the opening balance of Shareholder's funds in the annual accounts represent the net value of the company's assets. The value of Nelmac as a 'going concern' is greater than the net value of its assets. The Directors will promptly advise the Shareholders if they believe the value of Nelmac as a "going concern" risk falling below the net value of the company's assets.



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