

**Crown Asset Management Ltd**

**ANNUAL REPORT  
2012**

**Contents**

**Page**

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- 1. Chairman’s Report ..... 2
- 2. Board of Directors ..... 3
- 3. Executive Interest Register ..... 5
- 4. Governance ..... 6
- 5. Statement of Responsibility ..... 8
- 6. Audit Report ..... 9
- 7. Financial Statements ..... 11
- 8. Statutory Information ..... 24
- 9. Directory ..... 25

# 1. Chairman's Report

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I am pleased to present the first annual report for Crown Asset Management Limited.

Crown Asset Management Limited (CAML) was incorporated on 14 February 2012 and commenced business in late May 2012. Under its constitution, it has been established to:

- acquire, manage and realise all of the assets of six of the eight finance companies under the Crown Retail Deposit Guarantee Scheme;
- acquire, manage and realise certain assets of Southern Response Earthquake Services Ltd; and
- provide a better return to the Crown by operating in a manner that maximises returns and minimises costs.

This report covers the first six weeks of operation and relates to the Company's position as at 30 June 2012. As CAML had only been operating for just over one month at the time of its annual accounts, this first annual report does not include a comparison of results against its Statement of Intent.

As at 30 June 2012, CAML had acquired the assets of FCS Loans Ltd (in Receivership and in Liquidation) (formerly South Canterbury Finance Ltd (in Receivership)) and work was being undertaken to acquire the assets of the remaining Crown Retail Deposit Guarantee Scheme finance companies. Subsequent to 30 June 2012, the Crown determined that the assets of one of the six Retail Deposit Guarantee Scheme finance companies would not be acquired by CAML.

A team of 17, contracted to the receivers of FCS, were seconded to CAML on 1 June 2012 to continue the work in realising the assets which had been acquired. The majority of the team will be offered employment directly by CAML when their contracts expire in October 2012. Sharon Burleigh, who has significant asset recovery experience, has been appointed General Manager to lead the team. It is clear that our team is skilled and highly motivated to assist CAML achieve its objectives.

The Board of six has wide ranging skills relevant to CAML's purpose and each Director brings a wealth of experience to lead the strategic direction of the company.

CAML's Statement of Intent reflects the realisation of more than 50% of all the assets acquired, by 30 June 2013. Given the nature of assets acquired, this will be a challenging task, but early indications lead me to feel confident that the Company has the personnel with the expertise and experience to achieve this.



Gary Traveller  
Chair

## 2. Board of Directors

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### Directors Profiles and Interests Held

#### **Chair – Mr Gary Traveller**

(Appointed 18 March 2012)

Prior to becoming a professional director, Mr Traveller was a partner at PricewaterhouseCoopers and has extensive experience in insolvency and work out situations.

The following are general disclosures of interest given by Mr Traveller pursuant to s140(2) of the Companies Act 1993 and entered into CAML's interests register: Chairman – Apollo Apples Ltd; Chairman – Plywood City Ltd; Director – Quotable Value Ltd; Director – Rave Events Management Ltd; Director – Suncourt Plaza Ltd; Director – Darroch Ltd; Director – Clever Hands Ltd; Director/Shareholder – GLT Advisory Ltd; Trustee – NZ Patchwork & Quilting Charitable Trust; Trustee of various private family trusts.

#### **Director – Mr Peter Castle (Deputy Chair)**

(Appointed 14 February 2012)

Mr Castle is a Barrister and former partner at Bell Gully.

The following are general disclosures of interest given by Mr Castle pursuant to s140(2) of the Companies Act 1993 and entered into CAML's interests register: Director/Shareholder - Clifton Chambers Ltd

#### **Director Ms Debbie Birch**

(Appointed 18 March 2012)

Ms Birch has a background in Global Markets and is currently Deputy Maori Trustee.

The following are general disclosures of interest given by Ms Birch pursuant to s140(2) of the Companies Act 1993 and entered into CAML's interests register: Director – Kordia Ltd

#### **Director – Mr Steven Fyfe**

(Appointed 18 March 2012)

Mr Fyfe is a professional director and was formerly deputy Chief Executive at ANZ National Bank Ltd.

The following are general disclosures of interest given by Mr Fyfe pursuant to s140(2) of the Companies Act 1993 and entered into CAML's interests register: Director – The Co-operative Bank Ltd; Director – 500 Victoria Ltd; Director – Upland Consulting Ltd; Director – Dumbarton Land Company Ltd; Director Cigna Life Ltd; Trustee – Royal NZ Ballet; Trustee – Red Cross Foundation; Trustee Victoria University Foundation.

**Director – Ms Keiran Horne**

(Appointed 18 March 2012)

Ms Horne is a consultant specialising in insolvency matters at HFK Ltd.

The following are general disclosures of interest given by Ms Horne pursuant to s140(2) of the Companies Act 1993 and entered into CAML's interests register: Trustee of various private family trusts.

**Director – Mr Stephen Smith**

(Appointed 18 March 2012)

Mr Smith is a professional director and former partner at PricewaterhouseCoopers.

The following are general disclosures of interest given by Mr Smith pursuant to s140(2) of the Companies Act 1993 and entered into CAML's interests register: Director – Spanbild Holdings Ltd; Director/Shareholder – Trebol Investments Ltd; Director/Shareholder - Rimu SA (Chile); Director / Shareholder – Pascaro Investments Ltd; Director/Indirect Shareholder – Canterbury Grasslands Ltd; Director/Shareholder – Fulton Hogan Ltd; Director/Fund Investor – Elevation Capital Management Ltd; Director/Shareholder Hellaby Holdings Ltd; Director – Balle Bros Group Ltd; Director/Shareholder – Tower Ltd and Tower Capital Ltd; Director – Kinrich Holdings Ltd; Director – Unison Securities Ltd; Director – Unison Capital Advisors Ltd; Director – Summerlee Investments Ltd; Trustee of various private family trusts.

### 3. Executive Interest Register

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Executive	Interest Disclosed
Sharon Burleigh General Manager	Nil

## 4. Governance

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### Overview

CAML is a Crown company listed as a Schedule Four company under the Public Finance Act 1989. As a Crown company, CAML is subject to the Companies Act 1993 in addition to other Acts governing Statutory Entities.

This framework allows CAML to have a mix of commercial and non-commercial objectives allowing the company to operate in a commercial manner within the public sector environment.

As a Crown company, CAML's board is accountable to its shareholders. Currently the Minister of Finance and the Minister for State Owned Enterprises are equal shareholders in CAML.

The Ministers' role is to:

- monitor the performance of the Company (by way of the Treasury and COMU);
- appoint and remove Board Members;
- approve transactions defined by the Companies Act as "major transactions";
- approve other significant decisions regarding the scope of the Company's activities; and
- give directions relating to the acquisition, management and realisation of other assets by the Company.

### Governance Functions and Responsibilities

CAML is governed by a Board comprising six Directors, including a chairperson.

The Board currently has three standing subcommittees: (a) Finance, Audit and Risk, (b) Credit, and (c) Human Resources.

- The Finance Audit and Risk subcommittee, chaired by Ms K Horne, assists the Board in fulfilling its responsibilities by providing recommendations, counsel and information concerning its
  - financial reporting
  - external audit function
  - maintenance of an effective internal control environment
  - legislative and contractual compliance
  - maintenance of an effective risk management environment.

- The Credit subcommittee, chaired by Mr S Fyfe, assists the Board in fulfilling its responsibilities by providing advice and recommendations regarding the management of loan and investment assets.
- The Human Resources subcommittee, chaired by Mr P Castle, assists the Board in fulfilling its responsibilities by providing advice and recommendations regarding the appropriate remuneration policies and human resources policies for CAML



## 5. Statement of Responsibility

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**Crown Asset Management Limited**

**Statement of Responsibility**

**For the period ended 30 June 2012**

In terms of the Public Finance Act 1989, the Board is responsible for the preparation of Crown Asset Management Limited's financial statements and for the judgements made in them.

The Board of Directors of Crown Asset Management Limited has the responsibility for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting for the Company.

In the Board's opinion, these financial statements fairly reflect the financial position and operation of Crown Asset Management Limited for the period ended 30 June 2012.

Signed on behalf of the Board.



Peter Castle  
**Deputy Chair / Director**

21 September 2012



Keiran Horne  
**Director**

21 September 2012

## 6. Audit Report

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**INDEPENDENT AUDITOR'S REPORT**  
**TO THE READERS OF**  
**CROWN ASSET MANAGEMENT LIMITED'S**  
**FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2012**

The Auditor-General is the auditor of Crown Asset Management Limited (the company). The Auditor-General has appointed me, Graeme Edwards, using the staff and resources of KPMG, to carry out the audit of the financial statements of the company on her behalf.

We have audited:

- the financial statements of the company on pages 11 to 23 that comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income and statement of changes in equity for the period ended on that date and notes to the financial statements that include accounting policies.

### **Opinion**

#### ***Financial statements***

In our opinion:

- the financial statements of the company on pages 11 to 23:
  - comply with generally accepted accounting practice in New Zealand;
  - give a true and fair view of the company's:
    - financial position as at 30 June 2012; and
    - financial performance for the period ended on that date.

#### ***Other legal requirements***

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 31 August 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and we explain our independence.

#### **Basis of opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.



An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. In accordance with the Financial Reporting Act 1993 we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

#### **Responsibilities of the Board of Directors**

The Board of Directors is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company's financial position and financial performance

The Board of Directors is also responsible for such internal control as is determined necessary to enable the preparation of financial statements are free from material misstatement, whether due to fraud or error.

The Board of Directors' responsibilities arise from the Crown Entities Act 2004, the Financial Reporting Act 1993 and the Public Finance Act 1989.

#### **Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

#### **Independence**

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the company.

Graeme Edwards  
KPMG  
On behalf of the Auditor-General  
Wellington, New Zealand

## 7. Financial Statements

Crown Asset Management Limited  
Statement of Comprehensive Income  
For the Period Ended 30 June 2012

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	Note	30 June 2012 \$000's
Interest income	5	218
Lending activities		328
Other income		459
<b>Gross Revenue</b>		<b>1,005</b>
Forestry costs		367
Net Revenue		638
<b>Less Expenses</b>		
Impairment losses on financial assets		10
Personnel costs		99
Directors fees		87
Audit fees		80
Professional fees		141
Administrative expenses		79
Total Expenses		496
<b>Profit before and after taxation for the period</b>		<b>142</b>
<b>Total comprehensive income for the period</b>		<b>142</b>
<b>Total comprehensive income for the period is attributable to:</b>		
Equity holders of the company		142
		<b>142</b>

The accompanying notes form an integral part of these financial statements.

**Crown Asset Management Limited  
Statement of Changes to Equity  
For the Period Ended 30 June 2012**

	Note	Share Capital \$000's	Retained Earnings \$000's	Attributable to Equity Holders of the Company \$000's
<b>Total comprehensive income for the period</b>				
Profit for the period		-	142	142
Other comprehensive income		-	-	-
<b>Total comprehensive income for the period</b>		<u>-</u>	<u>142</u>	<u>142</u>
<b>Transactions with equity holders, recognised directly in equity:</b>				
Ordinary shares issued	8	102,095	-	102,095
Total contributions by equity holders		<u>102,095</u>	<u>-</u>	<u>102,095</u>
<b>Balance at 30 June 2012</b>		<u>102,095</u>	<u>142</u>	<u>102,237</u>

The accompanying notes form an integral part of these financial statements.

**Crown Asset Management Limited**  
**Statement of Financial Position**  
**As at 30 June 2012**

	<b>Note</b>	<b>30 June 2012 \$000's</b>
<b>Assets</b>		
Cash and cash equivalents		19,810
Trade and other receivables		575
Loans and advances to customers	6	67,726
Assets held for sale	7	14,603
Property plant and equipment		53
<b>Total Assets</b>		<u>102,767</u>
<b>Liabilities</b>		
Trade and other payables		530
<b>Total Liabilities</b>		<u>530</u>
<b>Net Assets</b>		<u>102,237</u>
<b>Equity</b>		
<b>Equity attributable to equity holders of the company</b>		
Contributed equity		102,095
Retained earnings		142
<b>Total Equity</b>	8	<u>102,237</u>

Signed for and on behalf of the Board of Directors, which authorised the issue of the Financial Statements on 31 August 2012.



\_\_\_\_\_  
 Gary Traveller (Chairman)



\_\_\_\_\_  
 Keiran Horne (Director)

The accompanying notes form an integral part of these financial statements.

**Crown Asset Management Limited**  
**Notes to the Financial Statements**  
**For the Period Ended 30 June 2012**

**1. Company Activity**

Crown Asset Management Limited (the Company) is a profit oriented entity incorporated and domiciled in New Zealand and registered under the Companies Act 1993. The Company's principal activity is the realisation of financial assets. The Company was incorporated on 14 February 2012. The Company was established to acquire from the Crown the loan receivables and other financial assets of six finance companies in receivership that were participants in the Crown Retail Deposit Guarantee Scheme and to realise the assets acquired. Crown Asset Management Limited subsidiaries are listed in note 11. Subsequent to 30 June 2012, the Crown determined that the assets of one of the six Retail Deposit Guarantee Scheme finance companies would not be acquired by CAML.

The Company acquired the majority of the remaining assets of FCS Loans Limited (in Receivership and In Liquidation) (formerly named South Canterbury Finance Limited (in Receivership) and its subsidiaries ("FCS") from the Crown on 1 June 2012.

**2. Basis of Preparation**

**(a) Statement of compliance**

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate to profit-orientated entities that qualify for and apply differential reporting concessions.

The financial statements of the Company have been prepared in accordance with the relevant requirements of the Public Finance Act 1989 and the Crown Entities Act 2004, which include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP). The financial statements are for the period from 14 February 2012 to 30 June 2012.

The Company qualifies for Differential Reporting exemptions as it is not considered large under the Framework for Differential Reporting.

The Company has been granted an exemption by the Minister of Finance from S151(b) of the Crown Entities Act 2004, which requires that an annual report contain a statement of service performance in accordance with S153 of the Crown Entities Act 2004.

The financial statements were authorised for issue by the Board of Directors on 31 August 2012.

**(b) Basis of measurement**

The financial statements have been prepared on an historical cost basis, except for available-for-sale investments, and other financial assets and liabilities held for trading all of which have all been measured at fair value.

**(c) Functional and presentation currency**

The financial information is presented in New Zealand dollars, which is the Company's functional currency. Except as otherwise stated amounts have been rounded to the nearest thousand dollars.

**Crown Asset Management Limited**  
**Notes to the Financial Statements**  
**For the Period Ended 30 June 2012**

**2. Basis of Preparation continued**

**(d) Standards issued but not yet effective**

The following standards and amendments to standards relevant to the Company are not yet effective and have not been applied in preparing the financial statements. The Company does not currently intend to apply any of these pronouncements until their effective date and is assessing their impact on its financial statements.

*NZ IFRS 9 Financial Instruments* – it is the intention of the IASB to replace IAS 39 with IFRS 9. This standard will apply to the Company from 1 June 2016.

*NZ IFRS 13 Fair Value Measurement*– will apply to the Company from 1 June 2013.

**3. Significant Accounting Policies**

The accounting policies set out below have been applied consistently to all periods in these financial statements.

**(a) Accounting for business combinations**

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets and liabilities, including intangible assets and contingent liabilities, of the acquired business at fair value. Any excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets acquired, the discount on acquisition is recognised directly in the income statement in the year of acquisition.

**(b) Subsidiaries**

Subsidiaries are those entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

Subsidiaries are fully consolidated from the date on which control is obtained. They cease to be consolidated from the date on which control is transferred out of the parent.

The Directors do not consider subsidiaries that are under the control of a liquidator or where the Company has no right to appoint directors, to be in the control of the Company.

**(c) Foreign currency translation**

The financial statements are presented in New Zealand Dollars. This is the functional and presentational currency for the Company and for all subsidiaries of the Company.

Transactions in foreign currencies are initially recorded at the functional currency of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange at the balance sheet date. All differences arising on non-trading activities are taken to “non-trading foreign exchange gain” in the income statement.



### **3. Significant Accounting Policies continued**

#### **(d) Recognition of income and expense**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

##### *(i) Interest Income*

Interest income for all instruments measured or amortised is recognised as it accrues, using the effective interest rate method. This calculates the amortised cost of the financial asset and allocates interest income, including any fees and directly related transaction costs over the expected life of the asset. This has the effect of recognising interest in proportion to the amount outstanding over the life of the asset.

##### *(ii) Dividend income*

Dividend income is recognised in the income statement when the Company's right to receive payment becomes unconditional.

##### *(iii) Forestry income*

Forestry income is recognised in other income as the product is sold and forestry costs include amortisation of the forestry asset.

#### **(e) Income tax**

Income tax has not been accounted for in these financial statements on the basis that the Inland Revenue Department will grant an exemption from income tax in accordance with a draft submission for an income tax exemption. There is a potential exposure, if this is not granted, that the Company will be liable for income tax and associated penalties.

#### **(f) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case, it is recognised as separate expense item in the income statement.
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### **(g) Loans and advances**

##### *(i) Recognition and measurement*

Loans and advances are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method less any impairment losses.

##### *(ii) Derecognition*

The Company derecognises a financial asset when the contractual rights to the cash flow from the financial assets expire, or when it transfers the financial assets in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company derecognises a financial liability when its contractual obligations expire or are discharged or cancelled.

### **3. Significant Accounting Policies continued**

#### **(g) Loans and advances continued**

##### *(iii) Offsetting financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

##### *(iv) Asset quality*

All loans and advances are subject to regular credit scrutiny. Impaired assets are classified into the following categories:

*Restructured Advances:* Advances on which original terms have been changed due to borrowers' difficulty in complying, and on which interest continues to be accrued at a rate of interest which is equal to or greater than the average cost of funds at the date of restructuring. The revised terms are not comparable with the terms of new facilities with comparable risks at the date of restructure.

*Impaired Assets:* Assets for which an impairment loss has been recognised or a restructuring has occurred on a non-market interest rate.

*Past Due Assets:* Assets where a counterparty has failed to make a payment when contractually due. For the purposes of these financial statements, past due financial assets are not impaired assets.

##### *(v) Identification and measurement of impairment*

The Company assesses at each balance date whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if one or more events have occurred after the initial recognition of the asset and the event(s) impact on the estimated future cash flows of the financial asset. The allowance for impairment is deducted from advances in the statement of financial position and the movement in the allowance is reflected in the income statement as an impairment loss.

In considering whether a financial asset is impaired, the Company considers the borrower's payment history, makes an assessment of their ability to make future payments, the industry category in which they operate and the estimated value of security held to support the loan. In assessing the level of impairment the Company considers the estimated value of any collateral held. Conditions associated with the collateral may vary between individual loans but in general, following default by the borrower, the Company is permitted to sell or re-pledge the collateral offered as security for the loan.

All known losses arising from loans and advances that are deemed unrecoverable are written off against income in the period in which they become evident. Any subsequent recovery of an amount previously written off is taken to the income statement.

#### **(h) Cash and cash equivalents**

Cash and cash equivalents include unrestricted balances held with banks. Bank overdrafts, where applicable, are disclosed separately as a liability in the statement of financial position.

**Crown Asset Management Limited**  
**Notes to the Financial Statements**  
**For the Period Ended 30 June 2012**

**3. Significant Accounting Policies continued**

**(i) Assets held for sale**

Assets held for sale represent those assets, excluding loans and advances, that will be recovered principally through sale rather than continued use, are available for immediate sale in their present condition and a sale is considered highly probable. These assets are recognised at the lower of carrying value and fair value less the cost to sell, and are not depreciated.

The Company assesses the fair value of assets held for sale based on market value, eg quoted price for investments or recent observable trades in similar assets. Where there is no active market or observable trades, assets held for sale are carried at cost.

**(j) Employee benefits**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amount expected to be paid when the liabilities are settled. Expenses for non-accumulated sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

**(k) Changes in Accounting Policies**

The Company was incorporated on 14 February 2012 and commenced trading in May 2012. There have been no accounting policy changes between the commencement of trading and balance date.

**4. Significant Accounting Judgements and Estimates and Assumptions**

The preparation of the financial statements requires the use of management judgements, estimates and material assumptions that affect the reported amounts and the application of policies.

Estimates and judgements are continually evaluated in relation to assets, liabilities, contingent liabilities, revenue and expenses and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and may materially affect financial results or the financial position reported in future periods.

**Impairment losses on loans and advances**

Management and the Directors use significant judgement in determining whether a loss event has occurred and whether an impairment provision needs to be estimated.

*Specific Impairment on Individual Advances*

The Company individually reviews all significant advances at each reporting date to assess whether an impairment loss has occurred and should be recorded in the Income Statement. In determining whether there is objective evidence of impairment, management considers factors including significant financial difficulty of the borrower, breach of contract or default by the borrower, adverse changes in the payment status of the borrower, and economic data that correlates with defaults on a group of advances.

**4. Significant Accounting Judgements and Estimates and Assumptions continued**  
**Impairment losses on loans and advances continued**

Significant estimates are made by management in determining the amount of impairment losses. These estimates include the amount and timing of risk free future cash flows when determining the impairment loss. In estimating these cash flows, the Company makes assumptions about the borrower's financial situation and the net realisable value of collateral being in many cases real property assets. In the current economic conditions, given the high level of uncertainty in respect of property values and the difficulties in assessing borrowers' ability to meet their future obligations, actual results may differ. Estimates are based on assumptions about a number of factors and actual outcomes may result in future changes to the impairment loss.

*Collective Impairment*

The Company also assesses advances for collective impairment. All advances that have not been assessed individually and impaired are included in this assessment. For this assessment, similar advances are grouped based on shared risk characteristics and are then assessed collectively, to determine whether an impairment provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the advances portfolio including historic trends, advances status, advances class and economic data.

The provision for impairment loss on advances is disclosed in note 6.

**5. Interest Income**

	<b>30 June 2012 \$000's</b>
Cash and cash equivalents	21
Loans and advances to customers	197
	<hr/> <hr/> <b>218</b>

**Crown Asset Management Limited  
Notes to the Financial Statements  
For the Period Ended 30 June 2012**

**6. Loans and Advances**

	<b>30 June 2012 \$000's</b>
Gross Advances	81,735
Collective Impairment Provision	(14,009)
Net Advances	<u>67,726</u>

	<b>30 June 2012 \$000's</b>
Loans and advances not past due or impaired	1,563
Past due loans and advances	-
Restructured loans and advances	1,400
Impaired loans and advances	78,772
Collective Impairment Provision	(14,009)
Net Advances	<u>67,726</u>

**7. Assets held for sale**

On 1 June 2012 \$14.7 million of assets that are classified as assets held for sale were acquired from the Crown. There have been no material changes to the fair value of the assets held for sale since acquisition. The assets held for sale at balance date comprise:

	<b>30 June 2012 \$000's</b>
Unlisted company shares	6,503
Property and forestry assets	8,100
	<u>14,603</u>

**Crown Asset Management Limited  
Notes to the Financial Statements  
For the Period Ended 30 June 2012**

**8. Capital and Reserves**

	<b>30 June 2012 \$000's</b>
Ordinary Shares	102,095
Retained earnings	142
Total shareholder's equity	<u><u>102,237</u></u>

**Movement in ordinary shares on issue**

	<b>30 June 2012</b>	
	<b>No. Shares 000's</b>	<b>Value \$000's</b>
Shares issued	102,095	102,095
Closing balance	<u><u>102,095</u></u>	<u><u>102,095</u></u>

**Capital Contributions**

During the period ended 30 June 2012 the Company issued 10,000,100 ordinary shares subscribed for in cash totaling \$10,000,000, and a further 92,095,000 ordinary shares were issued in accordance with an agreement between the Company, the Crown, Kerry Mark Downey and William Guy Black as receivers of FCS, and FCS dated 31 May 2012 in exchange for the acquisition of assets valued at \$92,095,000.

**Ordinary Shares**

All ordinary shares have been issued and are fully paid. The shares have no par value. Ordinary shareholders are entitled to receive dividends as declared from time to time. All ordinary shares rank equally and shareholders are entitled to one vote per share at the meetings of the Company. In a winding up, ordinary shares rank in priority behind all other claims.

**9. Subsidiary Companies**

All subsidiaries are incorporated in New Zealand.

Southbury Insurance Limited (In Liquidation)	100%
ZNH Limited (In Liquidation)	100%
Waipamu Station Limited	66%

The Directors do not consider the above subsidiaries to be under the control of the Company, as they are either under the control of a liquidator, or the Company cannot appoint directors to the subsidiary.

**Crown Asset Management Limited  
Notes to the Financial Statements  
For the Period Ended 30 June 2012**

**10. Related Party Transactions**

During the period the Company acquired assets from the Crown, refer note 12. The parent of the Company is considered to be the Crown.

During the period the Company traded with various Government agencies and Crown owned entities. The amount expended with such agencies and entities was not significant.

The Company has had no transactions with directors with the exception of Directors fees and reimbursement of travel costs.

**11. Operating Lease Expenses**

The Company has the following non-cancellable operational lease commitments:

	<b>30 June 2012 \$000's</b>
Less than one year	189
Between one and five years	81
	<u>270</u>

**12. Business Combinations**

On 1 June 2012 the Company acquired from the Crown assets previously owned by FCS valued at \$92.095 million with consideration being the issue of 92,095,000 ordinary shares in the Company.

	<b>1 June 2012 \$000's</b>
Trade and other receivables	6
Loans and advances to customers	77,331
Assets held for resale	14,703
Property, plant and equipment	55
Net assets acquired	<u>92,095</u>

The net assets acquired have been recognised in equity.

**Crown Asset Management Limited**  
**Notes to the Financial Statements**  
**For the Period Ended 30 June 2012**

**13. Subsequent Events**

Subsequent to year end the Company on 1 August 2012 acquired assets formerly owned by Allied Nationwide Finance Limited (In Receivership), initially valued at \$26.201 million, from the Crown in exchange for the issue of 26,201,000 new ordinary shares in the Company. The asset value and number of shares to be issued is subject to finalisation of the asset valuation which is expected to be completed in September 2012.

Subsequent to year end, loan repayments totalling \$31.26 million have been received. No new loans have been written. Drawdowns on existing loan facilities subsequent to year end are not material.

On 15 August 2012 the Directors resolved to make a distribution to the Crown of \$28.432 million by way of an offer to purchase and cancel 28.432 million shares. Subject to shareholder acceptance of the offer, the distribution is expected to be paid and the shares purchased and cancelled during September 2012.



## 8. Statutory Information

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### Directors' Fees

	Actual 2012 \$
Board member fees during the period were:	
Gary Traveller	24,000
Peter Castle	15,000
Debra Birch	12,000
Steven Fyfe	12,000
Keiran Horne	12,000
Steve Smith	12,000
<b>Total Board member fees</b>	<b>87,000</b>

The Company has effected Directors' and Officers' Liability insurance to cover Directors and Officers.

The Company indemnifies the Directors and Officers against costs and liabilities incurred by Directors for acts or omissions made in their capacity as Directors or Officers to the extent permitted by the Company's Constitution and the Companies Act 1993.

The shareholding Ministers approved ordinary fees of \$87,000 for the four months ended 30 June 2012.

### Employee Remuneration

No employee received remuneration in excess of \$100,000 during the period ended 30 June 2012.

### Donations

The Company made no donations during the period ended 30 June 2012.

## 9. Directory

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### **Shareholders**

The Minister of Finance  
The Minister for State Owned Enterprises

### **Registered Office**

30 Sir William Pickering Drive  
Christchurch 8053  
New Zealand

### **Contact Address**

P O Box 1970  
Christchurch 8140

Email: [enquiry@crowncrownassetmanagement.co.nz](mailto:enquiry@crowncrownassetmanagement.co.nz)

Phone: +64 3 977 9261

### **Auditor**

The Auditor-General pursuant to section 15 of the Public Audit Act 2001. Graeme Edwards of KPMG was appointed to perform the audit on behalf of the Auditor-General.

### **Banker**

Bank of New Zealand

### **Lawyers**

Duncan Cotterill

### **Executive Management**

Sharon Burleigh	General Manager
David Jarman	Interim CFO
Gary McCosh	Senior Manager, Asset Management
Mike Fraher	Senior Manager, IT / Facilities