

**Crown Asset Management
Limited**

**ANNUAL REPORT
2013**

Contents

Page

1.	Chairman's Report.....	2
2.	Board of Directors	4
3.	Executive Interest Register.....	6
4.	Governance.....	7
5.	Key Performance Measures.....	9
6.	Statement of Responsibility	13
7.	Audit Report.....	14
8.	Financial Statements.	16
9.	Statutory Information	36
10.	Directory	37

1. Chairman's Report

I am pleased to present the second annual report for Crown Asset Management Limited covering the period 1 July 2012 to 30 June 2013.

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 Limited; and
- provide a better return to the Crown by operating in a manner that maximises returns and minimises costs.

This report covers the Company's first full year of operations and includes a comparison of results against its Statement of Intent.

During the twelve months to 30 June 2013, CAML acquired the assets of four of the remaining Crown Retail Deposit Guarantee Scheme finance companies: Mutual Finance Limited (Mutual); Mascot Finance Limited (Mascot); Allied Nationwide Finance Limited (ANF); and Vision Securities Limited (Vision) all of which were in receivership and in liquidation. It was uneconomic to transfer assets from the fifth company, Rockforte Finance Limited (Rockforte), due to it having no remaining assets of value to realise following receivership.

CAML also acquired seven of the ten properties owned by Southern Response Earthquake Services Limited which were owned in conjunction with the AMI insurance business. Three remaining properties were the subject of earthquake damage and are being acquired in the 2014 financial year.

Given CAML's requirement is to realise the remaining assets it has acquired, the state of the economy can have an impact on achieving its results. While the NZ economy could be described as flat and with the remaining assets essentially poor performing assets, the CAML team has achieved very positive results during the year.

The decision to establish CAML has been vindicated by the results achieved by the dedicated team of staff and directors of the Company.

It is pleasing to report that CAML has realised in excess of \$140 million, which equates to 80% of the original acquisition value, and during the financial year has distributed \$116 million to the Crown. A further \$18 million for the June 2013 quarter was distributed after balance date. Our results as measured against the Statement of Intent can be found in section 5 this report.

The results to date are a testament to the skills of the management and staff in devising and executing strong realisation strategies and managing costs and of the board in providing guidance to management. I would firstly like to thank the team of management and staff at CAML for their dedication and the hard work put in during the year. This is greatly appreciated by the Board.

Also, I would like to thank the Board of CAML for the support and guidance that has been made available to the team. This has often gone beyond the normal expectations of a commercial Board and the expertise and experience of the whole Board has helped achieve the returns paid to the Crown.

As CAML's assets reduce so do the staff levels. The staff members that have left over the year have done so in the knowledge that they have contributed strongly and that CAML has benefited from their input. I thank you and wish you well for the future. The Board is reducing as well and Steve Smith voluntarily stepped down from the Board effective 30 June 2013. Steve's input has been greatly appreciated. His strong commercial background has added to the strength of results of the Company and I wish him well for the future also.

CAML has performed strongly against all of its performance measures and is on track to realise most, if not all, of its remaining assets over the course of the next twelve months. This will again be challenging and I am confident the team will be able to meet this challenge.

Finally I would like to express the Board's thanks to the leadership provided by Sharon Burleigh, our General Manager. I know both staff and the Board are greatly appreciative of the effort Sharon puts in and the results that are achieved.

A handwritten signature in black ink, appearing to read "G Traveller", is centered on a light pink rectangular background.

Gary Traveller
Chair
Crown Asset Management Limited

2. Board of Directors

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/Shareholder – GLT Advisory Ltd; Director/Shareholder – NZ Champions Ltd; Director/Shareholder Mapcon 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 Debra Birch

(Appointed 18 March 2012)

Ms Birch has a background in Global Markets and is currently General Manager of Te Tumu Paeroa.

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 – Crown Irrigation Company Ltd; Trustee – Wellington Free Ambulance.

Director – Mr Steven Fyfe

(Appointed 18 March 2012)

Mr Fyfe is a professional director and was formerly deputy Chief Executive at ANZ New Zealand 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; Directors – Midway Moorhouse Ltd; Member – Inland Revenue Risk and Assurance Committee; 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; Resigned 30 June 2013)

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/Shareholder Hellaby Holdings 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

Executive	Interest Disclosed
Sharon Burleigh General Manager	Trustee - private family trusts
David Jarman Chief Financial Officer	Director/Shareholder - Castlebrade Limited; Director/Shareholder – Tasman Pacific Insurance Ltd; Director/Shareholder – Munich Capital Ltd; Director/Shareholder – NZ Credit & Loans Ltd; Director/Shareholder – Flexi Credit Ltd; Director/Shareholder – East Bay Finance SI Ltd; Director/Shareholder – Whyte Knight Management Ltd; Director/Shareholder – Whyte Knight Group Ltd; Director/Shareholder – Cresta Composites Ltd; Director/Shareholder – Humphrey Eight Ltd

4. Governance

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 four standing subcommittees: (a) Finance, Audit and Risk, (b) Credit, (c) Human Resources and (d) Litigation Review.

- The Finance Audit and Risk subcommittee, chaired by Ms Keiran 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 Steven 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 Peter Castle, assists the Board in fulfilling its responsibilities by providing advice and recommendations regarding the appropriate remuneration policies and human resources policies for CAML.
- The Litigation Review subcommittee comprises the chair and deputy chair and was established to review ongoing litigation and review potential litigation identified by the receivers with regard to the merits of commencing such litigation.

5. Key Performance Measures

Key performance measures for CAML are set out in its Statement of Intent, which included a budgeted Statement of Comprehensive Income and Balance Sheet for the year ended 30 June 2013.

The key performance measures cover four areas: asset management, operational goals, cash management, and human resources / other.

The Company's performance for the year against the key measures is set out below.

5.1 Asset Management

Completion of a number of loan settlements that were already in progress contributed to recoveries continuing to be ahead of budget at 30 June 2013. Property and investments are generally more complex and in some cases are requiring significantly longer time to realise, but overall are currently in line with budgeted expectations, especially when taking account of contracted property sales which will settle in coming months.

5.1.1 Reduction in average total number of assets under management

Number of Assets	Actual	Budget	30-Jun-12 + Acquired	Movement YTD		
	30-Jun-13	30-Jun-13		Actual	Budgeted	Variance
Loan advances	261	499	774	(513)	(275)	(238)
Property	6	3	3	3	-	3
Investments	8	6	6	2	-	2
Receivables	2	2	2	-	-	-
Total Assets (Number)	275	508	785	(508)	(275)	(233)

The total number of loans managed was 261 at 30 June 2013, 238 lower than budgeted. This was mainly due to the lower than budgeted numbers of loans transferred from Vision and the non-acquisition of the 173 Rockforte loans. In addition, the ANF ledger included a number of loans that were fully provided but not written off at the time of acquisition and which have since been written off.

5.1.2 Reduction in average total value of assets under management

Assets at Carrying Value (\$'000)	Actual	Budget	30-Jun-12 + Acquired	Movement YTD		
	30-Jun-13	30-Jun-13		Actual	Budgeted	Variance
Loan advances (before DSC & NPV prov)	25,117	32,036	104,305	(79,188)	(72,269)	(6,919)
Property	27,684	20,501	31,509	(3,825)	(11,008)	7,183
Investments	691	8,296	11,157	(10,466)	(2,861)	(7,605)
Receivables	41,001	503	503	40,498	-	40,498
Total Assets (before provisions for Direct Sale Costs and NPV)	94,493	61,335	147,474	(52,981)	(86,138)	33,158

The asset base under management has reduced by \$53 million to \$94.5 million, predominantly due to loan recoveries. This is based on a starting point of the 30 June 2012 book value for the South Canterbury Finance (SCF) assets, and the acquisition price for the other loan ledgers and assets that were acquired during the year. The reduction in the asset base was \$7.3 million ahead of budget at 30 June 2013 if a \$40 million receivable asset revaluation is excluded.

5.1.3 Total Recoveries since reporting date (30 June 2012) meeting or exceeding agreed targets

Total Recoveries \$'000	Year to 30 June 2013		
	Actual	Budget	Variance
Loan advances	97,945	74,226	23,719
Property	8,166	11,067	(2,901)
Investments	12,006	2,270	9,736
Receivables	10,161	-	10,161
Total Recoveries	128,278	87,564	40,715

Total recoveries, which are measured as cash collected from the assets, exceeded budget by \$40.7 million in the year to 30 June 2013. Asset realisation strategies were put in place for all significant assets when CAML commenced operations and these plans are reviewed regularly throughout the recovery period.

Recoveries from loan advances during the year exceeded budget by \$23.7 million, mainly through higher recoveries than the loans' carrying value across a large number of loans, and approximately \$7 million of recoveries that were achieved ahead of budgeted timing.

Property recoveries were lower than budget by \$2.9 million. This was due to the later acquisition of the Southern Response properties than had been budgeted, with settlement occurring in February 2013 instead of late 2012 and some acquisitions held up by insurance issues related to the Christchurch earthquake. Sales of the properties are therefore later than budgeted. Subsequent to year-end most of the former Southern Response properties have been sold.

Recoveries from investments exceeded budget by \$9.7 million mainly as a result of investments being sold earlier than planned. The Company adopted parallel strategies of maximising holding income from investments, while at the same time seeking sale options, and this approach assisted in achieving realisations ahead of budget.

Receivables, where CAML obtained a right to proceeds from assets that were to be transferred to the Company from the receiverships and where there was a low expectation of recovery, resulted in \$10.1 million of cash recoveries.

5.1.4 Number and value of asset recoveries across the period meeting or exceeding budgeted figures

As noted in 5.1.3 above, the asset recoveries are ahead of budget, and in 5.1.1, the number of assets under management is now below budget.

5.2 Operational Goals

The key performance indicators for operational goals, and performance against them for the year, were:

(a) Operating Costs	Year to 30 June 2013		
	Actual	Budget	Variance
Actual operating costs not exceeding budget (\$'000)	4,362	4,609	(247)

Expenses for the year were below budget by \$247k, mainly due to reduced asset recovery expenses (\$363k below budget), and partly offset by higher staff costs (\$138k above budget for the year) as staff have been retained for continued recovery work and additional reporting not foreseen when the budget was set.

(b) Operating Costs to Recoveries ratio		Year to 30 June 2013		
		Actual	Budget	Variance
Comparison of operating expenses compared to total value of recoveries for the period (\$'000)	Expenses	4,362	4,609	(247)
	Recoveries	128,278	87,564	40,715
	Ratio	3%	5%	-2%

The ratio is ahead for the 12 month period mainly due to significantly higher recoveries than budgeted.

(c) Loan Recoveries to Net Loan Balances Ratio		Year to 30 June 2013		
		Actual	Budget *	Variance
Comparison of actual loan recoveries against net loan balances (after taking account of impairment) (\$'000)	Loan Recoveries	97,945	74,226	23,719
	Net Loans at start of year and acquired	104,305	104,305	-
	Ratio	94%	71%	23%

Loan recoveries were ahead of budget by 32% for the year, contributing to a higher than budgeted loan recoveries ratio.

(d) Loan Provisioning	Year to 30 June 2013
	New Individual Loan Provisions
Minimal increase in loan provisions after first assessment (\$'000):	6,091
	Change in Collective Provision
Collective Provision against loans (\$'000):	(10,866)

During the year individual provisions were made against various loans where increased credit risk was identified, the most significant being a full provision against loans associated with a contaminated property (\$1.7 million). The collective provision was reassessed prior to year end and was reduced by \$10.8 million, mainly reflecting the significantly reduced loan book.

5.3 Cash Management

Distributions to the Crown are made each quarter based on collections from the previous quarter after allowing for future cash requirements. The distributions shown below are those actually paid during the year.

(a) Distributions to the Crown	Year to 30 June 2013		
	Actual	Budget	Variance
Total value of distributions to the Crown compared with agreed target (\$'000)	116,822	76,328	40,494

(b) % of Recoveries Distributed to the Crown		Year to 30 June 2013		
		Actual	Budget	Variance
Cash distributed divided by total recoveries compared with agreed targets and the cash distribution	Cash	116,822	76,328	40,494
	Recoveries	128,278	87,564	40,715
	%	91%	87%	4%

The Company paid \$116.8 million to the Crown during the year and a further \$18.3 million was distributed in August 2013, in respect of the quarter ended 30 June 2013. The August 2013 distribution will bring total distributions into line with cash recovered, after allowing for operating expenses of \$4.4 million for the year to be deducted from recoveries.

(c) Funding Obligations Within Agreed Terms	Year to 30 June 2013
Funding obligations remaining within agreed terms	Undrawn funding of \$0.8m at 30 June 2013 No overdrawn facilities

Funding obligations on loans were within terms and undrawn facilities totalled \$0.8 million.

5.4 Human Resources and Other

The key performance indicators in the Statement of Intent, and results achieved, were as follows:

(a) Value of Assets Per Staff Member		End of Year - 30 June 2013		
		Actual	Budget	Variance
Total value of assets under management compared with average total number of staff employed	Staff (FTE)	15.9	12.3	3.6
	Assets \$'000 (excl cash)	94,493	61,335	33,158
	Ratio (\$m/head)	5.94	4.99	1.0

The level of assets at 30 June 2013 has been increased by a receivable being revalued (\$40 million). Apart from this asset, the ratio of other assets to staff has been lower than budgeted due to increased complexity in dealing with the consumer loans acquired from ANF, and some of the properties acquired. In addition, there is a high level of support required to meet reporting and other compliance obligations.

(b) Number of Assets Per Staff Member		End of Year - 30 June 2013		
		Actual	Budget	Variance
Total number of assets compared with average total number of staff employed	Staff (FTE)	15.9	12.3	3.6
	No. Assets	280	516	(236)
	Ratio (No./head)	18	42	(24)

The budget presumed that Rockforte's loans would be taken over and that there would be 85 of these loans remaining at 30 June 2013, however these loans were not acquired. Other loans, in particular the ANF consumer and small business loans, have proven more complex to manage, together with properties which also have complexities. In addition a number of staff are involved in activities other than loan recoveries such as property/investment recoveries, reporting and compliance.

(c) Systems and Processes audit	
Audit of systems and processes achieving a minimum result of "good"	<ul style="list-style-type: none"> - CAML engaged Ernst & Young to provide internal audit services. This was completed in March 2013 and it was noted that CAML had good controls in place. - A further review will be conducted for compliance against policies in Q1 2014. - The Company's policies are being reviewed on a six month cycle. - Procedures are in place for oversight of CAML's Risk Management process.

6. Statement of Responsibility

Crown Asset Management Limited

Statement of Responsibility

For the year ended 30 June 2013

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 year ended 30 June 2013.

Signed on behalf of the Board.



Gary Traveller
Chair

9 September 2013



Keiran Horne
Director

9 September 2013

7. Audit Report



**INDEPENDENT AUDITOR'S REPORT
TO THE READERS OF
CROWN ASSET MANAGEMENT LIMITED'S
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

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 16 to 35, that comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion

Financial statements

In our opinion the financial statements of the company on pages 16 to 35:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the company's:
 - financial position as at 30 June 2013; and
 - financial performance and cash flows for the year 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 19 August 2013. 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, in our judgement, are likely to influence readers' 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. Also we did not evaluate the security and controls over the electronic publication 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; and
- give a true and fair view of the company's financial position, financial performance and cash flows.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Financial Reporting Act 1993.

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.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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

8. Financial Statements

Crown Asset Management Limited Statement of Comprehensive Income For the Year Ended 30 June 2013

	Note	30 June 2013 \$000's	5 Months to 30 June 2012 \$000's
Lending Activities			
Income	6	9,935	218
Fair value movement on loans and advances		27,625	328
		<u>37,560</u>	<u>546</u>
Less:			
Loan collection costs - external fees and expenses		1,398	22
Impairments on loan advances		6,091	10
Net income - lending activities		30,071	514
Trading Activities - held for sale assets			
Income - forestry and property		11,225	459
Gain on sale of held for sale assets		818	-
Recovery of prior amortisation on sale		100	-
		<u>12,143</u>	<u>459</u>
Less:			
Forestry and property costs		6,413	367
Interest expense		85	-
Impairments and fair value write downs		5,746	-
Loss on sale of held for sale assets		1,900	-
		<u>14,144</u>	<u>367</u>
Net (loss)/income - held for sale assets		(2,001)	92
Income from Other Assets	7	51,703	-
Net Revenue		79,773	606
Less Expenses			
Directors Fees		299	87
Audit Fees	8	132	80
Other Expenses	9	2,780	297
Total Expenses		3,211	464
Total comprehensive income		76,562	142
Total comprehensive income for the year is attributable to:			
Equity holders of the company		76,562	142
		<u>76,562</u>	<u>142</u>

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

**Crown Asset Management Limited
Statement of Changes in Equity
For the Year Ended 30 June 2013**

	Note	Share Capital \$000's	Retained Earnings \$000's	Attributable to Equity Holders of the Company \$000's
2012				
Total comprehensive income for the period ending 30 June 2012		-	142	142
Transactions with equity holders, recognised directly in equity:				
Ordinary shares issued		102,095	-	102,095
Closing equity at 30 June 2012		<u>102,095</u>	<u>142</u>	<u>102,237</u>
2013				
Opening equity at 1 July 2012		102,095	142	102,237
Total comprehensive income for the year		-	76,562	76,562
Transactions with equity holders, recognised directly in equity:				
Ordinary shares issued	14	54,809	-	54,809
Ordinary shares repurchased	14	(116,822)	-	(116,822)
Closing equity at 30 June 2013		<u>40,082</u>	<u>76,704</u>	<u>116,786</u>

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

Crown Asset Management Limited
Statement of Financial Position
As at 30 June 2013

	Note	30 June 2013 \$000's	30 June 2012 \$000's
Assets			
Cash and cash equivalents	10	26,796	19,810
Trade and other receivables	11	43,175	575
Loans and advances to customers	12	22,253	67,726
Assets held for sale	13	28,375	14,603
Property plant and equipment		148	53
Total Assets		<u>120,747</u>	<u>102,767</u>
Liabilities			
Trade and other payables		3,961	530
Total Liabilities		<u>3,961</u>	<u>530</u>
Net Assets		<u>116,786</u>	<u>102,237</u>
Equity			
Equity attributable to equity holders of the company			
Contributed equity		40,082	102,095
Retained earnings		76,704	142
Total Equity	14	<u>116,786</u>	<u>102,237</u>

Signed for and on behalf of the Board of Directors, which authorised the issue of the Financial Statements on 19 August 2013.



Gary Traveller (Chairman)



Keiran Horne (Director)

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

Crown Asset Management Limited
Statement of Cashflows
For the Year Ended 30 June 2013

	Note	30 June 2013 \$000's	30 June 2012 \$000's
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		111,680	-
Payment to suppliers and employees (inclusive of GST)		(13,393)	(302)
Proceeds from recovery of lending		-	10,098
Proceeds from the sale of held-for-sale investments		17,567	-
Interest received		1,159	14
Dividends received		191	-
Purchase of property plant & equipment		(206)	-
Purchase of property		(16,648)	-
Increase in lending		(2,905)	-
Recoveries from other receivables		10,197	-
Net cash flows from operating activities	5	107,642	9,810
Cash flow from financing activities			
Proceeds from the issue of shares		16,166	10,000
Payment for share buy back		(116,822)	-
Net cash flow (used in)/from financing activities		(100,656)	10,000
Net increase in cash and cash equivalents		6,986	19,810
Cash and cash equivalent at beginning of the year		19,810	-
Cash and cash equivalents at end of the year	10	26,796	19,810

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

Crown Asset Management Limited
Notes to the Financial Statements
For the Year Ended 30 June 2013

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 any other assets that it may be directed to acquire by the shareholders and to realise the assets acquired.

Crown Asset Management Limited subsidiaries are listed in note 15.

During the year the Company acquired the majority of the remaining assets of four finance companies as follows: -

- Allied Nationwide Finance Limited (In Receivership) (ANF) from the Crown on 1 August 2012
- Mascot Finance Limited (In Receivership) (Mascot) from the Crown on 24 September 2012
- Mutual Finance Limited (In Receivership) (Mutual) from the Crown on 5 October 2012
- Vision Securities Limited (In Receivership) (Vision) from the Crown on 14 December 2012

The Company acquired various properties from a Crown Owned Entity, Southern Response Earthquake Services Limited (Southern Response) on 28 February 2013.

The Company acquired property and loans from Belfast Park Limited (In Receivership & In Liquidation) (Belfast) and Tyrone Estates Limited (In Receivership & In Liquidation) (Tyrone) on 28 February 2013. Belfast and Tyrone are subsidiaries of FCS Loans Limited (In Liquidation) (FCS) and the property and loan assets were acquired in accordance with an earlier agreement for the Company's acquisition of assets from FCS.

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.

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 1 July 2012 to 30 June 2013.

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 19 August 2013.

Crown Asset Management Limited
Notes to the Financial Statements
For the Year Ended 30 June 2013

2. Basis of Preparation continued

(b) Going concern

The financial statements have been prepared on a going concern basis in line with the Company's objectives as detailed in the Statement of Intent. The Company has a finite life and is expected to realise all, or substantially all, of the recoverable assets and cease operations by 30 June 2014. The Company is on track to achieve its objectives and the Directors expect it to continue operations through the coming financial year in line with the Statement of Intent. The Company is in the process of planning the wind down, however, if appropriate the Directors may enter into discussions with the shareholder regarding continued operations in a limited capacity to complete further asset recoveries.

The assets of the Company consist mainly of available for sale investments, financial assets and liabilities held for trading which are all measured at fair value and are therefore not required to be revalued to fair value as a result of the finite life.

(c) Basis of measurement

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

(d) 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.

(e) 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.

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 Statement of Comprehensive Income in the year of acquisition.

3. Significant Accounting Policies continued

(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 Statement of Comprehensive Income.

(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 has granted an exemption from income tax.

3. Significant Accounting Policies continued

(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 are discharged, cancelled or expire.

(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 to 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.

3. Significant Accounting Policies continued

(g) Loans and advances continued

(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 impact of the event 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.

(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, e.g. 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) Cash flow statement

The Statement of Cash Flow has been prepared using the direct approach. Cashflows are stated GST inclusive where transactions are subject to GST. Cashflows relating to loan receivables, held for sale assets and other asset recoveries are included in the Operating Cashflow section as the Company's primary business is to obtain recoveries from the assets that it acquired.

Crown Asset Management Limited
Notes to the Financial Statements
For the Year Ended 30 June 2013

3. Significant Accounting Policies continued

(I) 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 Statement of Comprehensive Income. 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.

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. These estimates are based on assumptions about a number of factors which may contribute to differing actual results, resulting 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 12.

Crown Asset Management Limited
Notes to the Financial Statements
For the Year Ended 30 June 2013

5. Reconciliation of Profit with Cash Flow from Operating Activities

	30 June 2013 \$000's	30 June 2012 \$000's
Profit from operations	76,562	142
Less non-cash items:		
Depreciation	84	2
Fair value adjustment on loans	(21,730)	(305)
Fair value loss on property	3,570	-
Impairment on forestry assets	(100)	100
Impairment loss on investments	1,894	-
Other non-cash recoveries	(1,015)	-
Total	<u>(17,297)</u>	<u>(203)</u>
	<u>59,265</u>	<u>(61)</u>
Movement in other working capital items:		
(Increase) in trade and other receivables	(42,141)	(488)
(Decrease)/Increase in trade and other payables	(4,466)	473
Decrease in loans and advances to customers	93,245	9,886
Decrease in assets held for sale	1,945	-
(Increase) in property plant and equipment	(206)	-
	<u>48,377</u>	<u>9,871</u>
Net cash flow from operating activities	<u>107,642</u>	<u>9,810</u>

Crown Asset Management Limited
Notes to the Financial Statements
For the Year Ended 30 June 2013

6. Income from Lending Activities

	30 June 2013 \$000's	5 Months to 30 June 2012 \$000's
Interest earned on cash and cash equivalents	1,237	21
Income from loans and advances to customers	5,697	197
Amortisation of direct costs of collection provision	2,991	
Other	10	-
	<u>9,935</u>	<u>218</u>

7. Other Income

	30 June 2013 \$000's	5 Months to 30 June 2012 \$000's
Management fees	31	-
Gain on recovery of receivables	11,175	-
Fair value movement on receivables	40,497	-
	<u>51,703</u>	<u>-</u>

8. Audit Fees

	30 June 2013 \$000's	5 Months to 30 June 2012 \$000's
External audit fees	84	80
Internal audit	48	-
	<u>132</u>	<u>80</u>

KPMG provided audit services to the Company, on behalf of the Auditor-General, and Ernst & Young performed internal audit services for the Company during the year

**Crown Asset Management Limited
Notes to the Financial Statements
For the Year Ended 30 June 2013**

9. Other Expenses

	30 June 2013 \$000's	5 Months to 30 June 2012 \$000's
Personnel and contractor costs	1,460	106
Legal and other professional fees	392	112
Information systems, computing and telecom	467	25
Premises expenses	171	12
Depreciation	84	2
Other expenses	206	40
	<u>2,780</u>	<u>297</u>

10. Cash and Cash Equivalents

	30 June 2013 \$000's	30 June 2012 \$000's
Cash and balances with banks	26,796	19,810
	<u>26,796</u>	<u>19,810</u>

Cash is held at trading banks on call or on short term deposit with less than 3 months maturity.

11. Trade and Other Receivables

	30 June 2013 \$000's	30 June 2012 \$000's
Property debtors	1,764	-
Trade receivables and prepayments	410	561
Other current receivables	41,001	14
	<u>43,175</u>	<u>575</u>

Other Receivables includes a right to receive proceeds from the liquidation of ZNH Limited (In Liquidation). The value of this receivable was written up at 30 June 2013 to \$40.0 million to reflect the fair value of the expected proceeds based on an estimate by the liquidators of ZNH.

Crown Asset Management Limited
Notes to the Financial Statements
For the Year Ended 30 June 2013

12. Loans and Advances

Loans and advances and the provisions carried against them:

	30 June 2013 \$000's	30 June 2012 \$000's
Gross advances	34,878	89,247
Individual loan provisions	(6,091)	-
Direct cost of collection provision	(2,357)	(5,348)
Net present value provision	(507)	(2,164)
Collective impairment provision	(3,670)	(14,009)
	<u>22,253</u>	<u>67,726</u>
Net advances	<u>22,253</u>	<u>67,726</u>

Asset quality of loans and receivables:

	30 June 2013 \$000's	30 June 2012 \$000's
Loans and advances not past due or impaired	2,069	1,563
Past due loans and advances	3,517	-
Restructured loans and advances	4,082	1,400
Impaired loans and advances	19,119	86,284
	<u>(2,357)</u>	<u>(5,348)</u>
Direct cost of collection provision	(2,357)	(5,348)
Net present value provision	(507)	(2,164)
Collective impairment provision	(3,670)	(14,009)
	<u>22,253</u>	<u>67,726</u>
Net Advances	<u>22,253</u>	<u>67,726</u>

Movement in provisions:

	Individual Provisions \$000's	Collective Provision \$000's	Net Present Value Provision \$000's	Direct Costs of Collection Provision \$000's
Balance at 1 July 2012	-	14,009	2,164	5,348
Additional provisions made	6,091	527	-	-
Provision used in the period	-	(3,059)	-	-
Provision amortised/reversed	-	(7,807)	(1,657)	(2,991)
	<u>6,091</u>	<u>3,670</u>	<u>507</u>	<u>2,357</u>
Balance at 30 June 2013	<u>6,091</u>	<u>3,670</u>	<u>507</u>	<u>2,357</u>

Crown Asset Management Limited
Notes to the Financial Statements
For the Year Ended 30 June 2013

12. Loans and Advances continued

Credit Risk

Credit risk is the risk of financial loss to the Company if a borrower or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and short term cash deposits.

The Company has significant exposure to credit risk due to most of the Company's loan receivables being impaired. Most impaired loans had been significantly provisioned prior to the Company acquiring the loans and these loans had been under specialist management for 1-3 years.

Individual impairment provisions have been assessed by the Company and are held against impaired loans. A collective provision is held by the Company against other loans.

To manage credit risk, the Board has established a Credit Committee, which reviews the Company's loan receivables and regularly assesses the Company's credit risk and appropriateness of any impairment provisions against loan receivables. The Credit Committee also assesses and recommends to the Board the level of collective provision to be held.

A specialist asset management unit was formed by the Company to manage and recover impaired loan receivables when the Company acquired the loan receivables. All impaired loans are subject to recovery plans which, for higher value loans, are reviewed on a regular basis by the Credit Committee. Loan recovery plans include milestones with progress measured against those plans. The Credit Committee also reviews the recovery progress of the overall impaired loan portfolio.

The Company holds cash on deposit pending return of surplus cash to its shareholder. To manage the credit risk on short term deposits the Company places deposits across a range of registered trading banks and all deposits are held for a short period, generally less than three months.

13. Assets Held for Sale

Assets held for sale at balance date comprise:

	30 June 2013 \$000's	30 June 2012 \$000's
Unlisted company shares	1	6,503
Listed company shares	690	-
Property assets	27,684	4,606
Forestry assets	-	3,494
	<u>28,375</u>	<u>14,603</u>

During the year the Company acquired assets from related parties and third parties, which are set out further in note 14. The Company sold held for sale assets during the year for \$17.6 million net of selling costs (30 June 2012: nil).

Crown Asset Management Limited
Notes to the Financial Statements
For the Year Ended 30 June 2013

13. Assets Held for Sale continued

A summary of movements in held for sale assets is set out below:

	30 June 2013 \$000's	30 June 2012 \$000's
Opening balance	14,603	-
Additions	41,461	14,703
Disposals	(18,657)	-
Fair value adjustment	(8,629)	-
Reclassified to trade and other receivables (note 15)	(503)	-
Amortisation of forestry rights	-	(100)
Reversal of forestry right amortisation on disposal	100	-
Closing Balance	<u>28,375</u>	<u>14,603</u>

During the year a fair value writedown of \$3.67 million was made against property to reflect the expected realisation value, net of selling costs, and taking into account actual realisation values subsequent to balance date.

The estimated fair value of held for sale assets at balance date equates to the carrying value. As noted some held for sale assets have been sold subsequent to balance date and the others are being actively marketed for sale.

14. Capital and Reserves

	30 June 2013 \$000's	30 June 2012 \$000's
Ordinary shares	40,082	102,095
Retained earnings	76,704	142
Total shareholder's equity	<u>116,786</u>	<u>102,237</u>

Movement in ordinary shares on issue

	30 June 2013		30 June 2012	
	No. Shares 000's	Value \$000's	No. Shares 000's	Value \$000's
Opening shares	102,095	102,095	-	-
Shares issued	54,809	54,809	102,095	102,095
Shares repurchased	(116,822)	(116,822)	-	-
Closing balance	<u>40,082</u>	<u>40,082</u>	<u>102,095</u>	<u>102,095</u>

**Crown Asset Management Limited
Notes to the Financial Statements
For the Year Ended 30 June 2013**

14. Capital and Reserves continued

Capital contributions

During the year ended 30 June 2013 the Company issued 38,966,546 ordinary shares, the shares were issued in accordance with agreements with between the Company, the Crown and receivers of finance companies, in exchange for the acquisition of assets from those finance companies valued at \$38.63 million, together with cash of \$0.32 million.

During the year ended 30 June 2013 the Company issued 15,842,486 ordinary shares for \$15.84 million, subscribed in cash. The proceeds of the issue were used to acquire property assets from a Crown entity and loans and property from the receivers of a finance company under an agreement with the Crown.

Capital repurchases

During the year ended 30 June 2013 the Company purchased and cancelled 116,821,870 ordinary shares for \$116,821,870.

Ordinary shares

There were 40,082,262 ordinary shares at 30 June 2013 (2012: 102,095,100 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.

15. Subsidiary Companies

During the year the Company sold its 66% holding in Waipamu Station Limited.

The Company has reclassified its interest in the equity of ZNH Limited (in Liquidation) (ZNH) from Held for Sale assets to Trade and Other Receivables as the shares in ZNH were not able to be transferred into the name of the Company due to the liquidation of ZNH. The shares in ZNH are owned by FCS Loans Limited (in Liquidation) and Hornchurch Limited (in Receivership and Liquidation). The Company, however, has a right to receive all proceeds from the liquidation under an agreement between the Company, the Crown and the receivers of both FCS Loans Limited (in Liquidation) and Hornchurch Limited (in Receivership and Liquidation).

The Company has reclassified its interest in the equity of Southbury Insurance Limited (In Liquidation) from Held for Sale Assets to Trade and Other Receivables as the shares in Southbury Insurance were not able to be transferred into the name of the Company, but the Company has a right to all proceeds attributable to the equity holder from the liquidation.

Crown Asset Management Limited
Notes to the Financial Statements
For the Year Ended 30 June 2013

16. Related Party Transactions

The Company acquired assets during the year from the receivers of various finance companies under agreements with those receivers and the Crown, which is the Company's parent. Information regarding the acquisitions under these agreements is set out in note 18.

During the year the Company acquired assets from Southern Response, which is wholly owned by the Crown and therefore a related party of the Company. Further information regarding the acquisition from Southern Response is set out in note 18.

The Company traded with various Government agencies and Crown owned entities during the year. 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. The Company holds an insurance policy which may provide certain benefits for the directors and officers such as payment of defence costs and meeting claims in the event of a claim against the Company or its directors or officers.

Key management personnel compensation comprised the following:

	30 June 2013 \$000's	5 Months to 30 June 2012 \$000's
Short-term employee benefits	941	113
	<u>941</u>	<u>113</u>

17. Operating Lease Expenses

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

	30 June 2013 \$000's	30 June 2012 \$000's
Less than one year	185	189
Between one and five years	17	81
	<u>202</u>	<u>270</u>

In addition to the above commitments the company has entered into cancellable contracts for the storage of archived records, and the Company has a legal requirement to retain records for a certain period. If the storage contracts were cancelled the service provider is entitled to charge for destruction or retrieval of the records. Although the Company is not contractually committed the expected future cost to store and later destroy the records is \$0.4 million.

Crown Asset Management Limited
Notes to the Financial Statements
For the Year Ended 30 June 2013

18. Asset Acquisitions

During the year the Company acquired assets from related parties and third parties with the consideration being the issue of ordinary shares in the Company or the payment of cash and payables as follows:

The assets acquired and consideration paid was made up as follows:

	1 Aug 2012	24 Sept 2012	5 Oct 2012	14 Dec 2012	28 Feb 2013	28 Feb 2013	2013
	ANF	Mascot	Mutual	Vision	Southern Response	Belfast/ Tyrone	Total
Assets Acquired:							
Cash and balances with banks	323	-	-	-	-	-	323
Trade and other receivables	36	-	-	-	-	-	36
Loans and advances to customers	23,814	1,850	270	1,400	-	1,732	29,066
Assets held for resale	1,910	-	1,964	-	19,023	5,668	28,565
Net assets acquired (\$'000)	26,083	1,850	2,234	1,400	19,023	7,400	57,990
Consideration:							
Shares issued by the Company ('000)	26,083	1,850	2,234	1,400		7,400	38,967
Value of shares issued (\$'000)	26,083	1,850	2,234	1,400		7,400	38,967
Cash paid (\$'000)	-	-	-	-	15,842	-	15,842
Payable (\$'000)	-	-	-	-	3,181	-	3,181
Total Consideration (\$'000)	26,083	1,850	2,234	1,400	19,023	7,400	57,990

19. Contingent Assets/Liabilities

The Company sold forestry rights during the year and the sale agreement provides for final determination of the sale value to be dependent on the volume of merchantable logs that is harvested or assessed in one year's time. As the volume of merchantable logs cannot be quantified by the Company at this time there is a contingent asset or liability depending on the outcome. The company has received advice that there is unlikely to be a material adjustment to the sale price.

20. Subsequent Events

Subsequent to year end, loan repayments totalling \$3.7 million have been received. No new loans have been written. Drawdowns on existing loan facilities subsequent to year end are not material.

On 17 July 2013 the Directors resolved to make a distribution to the Crown of \$18.31 million by way of an offer to purchase for cash and cancel 18.31 million shares. The distribution was paid and the shares purchased and cancelled on the 14 August 2013.

Subsequent to year end the Company entered into agreements for the sale of held for sale land and buildings with a book value of \$18.9 million for \$19.3 million of which \$2.0 million has settled.

Subsequent to year end the Company purchased land for \$4 million from a related entity. The land will be classified by the Company as a held for sale asset.

9. Statutory Information

Directors' Fees

	Year ended 30 June 2013 (12 months) \$	Period ended 30 June 2012 (4 months) \$
Board member fees during the period were:		
Gary Traveller	84,000	24,000
Peter Castle	52,500	15,000
Debra Birch	42,000	12,000
Steven Fyfe	42,000	12,000
Keiran Horne	42,000	12,000
Stephen Smith	36,000	12,000
Total Board member fees	298,500	87,000

The shareholding Ministers approved directors' fees of \$327,000 for the year ended 30 June 2013, including special fees of up to \$65,250 for additional duties during the establishment phase of the company until 31 December 2012.

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.

Employee Remuneration

Total remuneration per employee paid or payable by the Company in respect of those employees receiving remuneration of over \$100,000 during the period:

	Year ended 30 June 2013 (12 months) No. staff	Period ended 30 June 2012 (4 months) No. staff
\$100,000 - \$110,000	2	-
\$330,000 - \$340,000	1	-
Total employees	3	-

Remuneration for most staff is for 8 months only as staff were seconded to the Company by the receivers of South Canterbury Finance for the first 4 months at no cost to the Company.

During the year no employees received compensation or other benefits in relation to cessation of employment. (2012: nil)

Donations

The Company made no donations during the year ended 30 June 2013. (2012: nil)

10. Directory

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

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	Chief Financial Officer
Gary McCosh	Senior Manager, Asset Management
Mike Fraher	Senior Manager, IT / Facilities