

**Crown Asset Management  
Limited**

**ANNUAL REPORT  
2016**

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# 1. Chairman's Report

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I am pleased to present the fifth annual report for Crown Asset Management Limited covering the period 1 July 2015 to 30 June 2016.

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

By 30 June 2015 CAML had realised the majority of assets acquired and by August 2015 had returned \$258 million to the Crown.

CAML continues to manage four long dated assets and is either preparing them for transfer to the Crown or realising them while it facilitates closure of the Company. One asset has been realised and two remain on track for collection or transfer to the Crown. The fourth asset involves CAML in offshore litigation to either prepare the asset for transfer or for its collection. This litigation is complex and may take some time to conclude and CAML will actively manage this litigation.

With a small Board and the continuing involvement, on a contractual basis, of the former General Manager, CAML is efficiently managing its final assets. Costs are minimal and the final returns to the Crown as Shareholder will be enhanced by the managed wind down process.

Given the uncertainty of the time required for litigation and to put the final assets into a form that can be transferred to the Crown it is not yet clear when CAML will formally be dissolved. The Board is mindful of the requirement to conclude this as soon as practicable.

Again I wish to reiterate that the formation of CAML has enabled the Crown to achieve a significantly better result from the management of the assets from the various finance companies that were transferred to it. It is clear from the results that better realisations were enabled at lower cost and in a shorter time frame by the amalgamation of the assets into a single Company than would have been the case if the companies had continued to be administered separately.



Gary Traveller  
Chair  
Crown Asset Management Limited

## 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 – Plywood City Ltd; Director – Ply City Ltd; Director/Shareholder – TM Stud Ltd; Director/Shareholder Mapcon Ltd; Director – Pyramid Building Panels Ltd; Director Mamaku 6 Ltd; 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 Keiran Horne**

(Appointed 18 March 2012; Resigned 30 September 2015)

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: Director – Solid Energy Ltd; Director – Coalcorp Insurance Services Ltd; Director – Breastscreen Otago Southland Ltd; Trustee CEC Charitable Trust; Trustee of various private family trusts.

### 3. Executive Interest Register

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| <b>Executive</b>   | <b>Interest Disclosed</b>      |
|--|--------------------------------|
| Sharon Burleigh<br>General Manager<br>Until 31 August 2015 | Trustee - private family trust |

## 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);
- 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

Following the resignation of Ms Horne on 30 September 2015, CAML was governed by a Board comprising two Directors, including a chairperson.

For the 2015-2016 year, there were no subcommittees with all matters being dealt with by the Board.

## **5. Key Performance Measures**

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Key performance measures for CAML are set out in its Statement of Intent and Statement of Performance Expectations, which included a budgeted Statement of Comprehensive Revenue and Expense and Balance Sheet for the year ended 30 June 2016.

CAML's single key performance measure was to ensure that Ministers were kept fully apprised of matters pertaining to the offshore litigation.

## **6. Statement of Performance**

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Section 151 (1) (b) of the Crown Entities Act 2004 requires Crown Entities to include a Statement of Performance in their Annual Accounts. However, section 151 (1A) states that this does not apply unless the Crown Entity supplied one or more reportable classes of outputs during the year. The Company did not supply any reportable classes of output during the year and therefore is not required to include a Statement of Performance in its Annual Accounts.

## 7. Statement of Responsibility

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**Crown Asset Management Limited**

**Statement of Responsibility**

**For the year ended 30 June 2016**

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 2016.

Signed



Gary Traveller  
**Chair**

9 November 2016



Peter Castle  
**Director**

9 November 2016

## 8. Audit Report

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### INDEPENDENT AUDITOR'S REPORT

#### TO THE READERS OF CROWN ASSET MANAGEMENT LIMITED'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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.

#### Opinion

We have audited the financial statements of the the company on pages 1 to 17, that comprise the statement of financial position as at 30 June 2016, the statement of comprehensive revenue and expense, the statement of changes in Net Assets/equity and the 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; and

In our opinion the financial statements of the company:

- present fairly, in all material respects:
  - its financial position as at 30 June 2016; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with PBE Accounting Standards Reduced Disclosure Regime.

Our audit was completed on 21 October 2016. 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 explain our independence.

#### Matters to draw to your attention

Without qualifying your opinion, we draw your attention to the following matters:

- We draw attention to Note 11 in the financial statements which describes the significant uncertainty related to the outcome of the legal proceedings that the Company is currently engaged in. The final judgement of these proceedings could result in a material impact on the carrying value of the loan and advance balance and the settlement amount of the relevant investment proceeds. Our opinion is not qualified in respect of this matter.
- For reasons set out in note 2(b), the financial statements have been prepared on a non-going concern basis. We consider the non-going concern basis of preparation to be appropriate

#### 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 the company's financial statements 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 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 the 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.

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 are responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- present fairly the company's financial position, financial performance and cash flows.

The Board of Director's responsibilities arise from the Public Finance Act 1989 and the Crown Entities Act 2004.

The Board of Directors are 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 are also responsible for the publication of the financial statements, whether in printed or electronic form.

### **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 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

## 9. Financial Statements

### Crown Asset Management Limited Statement of Comprehensive Revenue and Expense For the Year Ended 30 June 2016

|   | Note | 30 June<br>2016<br>\$000's | 30 June<br>2015<br>\$000's |
|---|------|----------------------------|----------------------------|
| <b>Lending Activities</b>   |      |                            |                            |
| Revenue from lending activities   | 6    | 490                        | 8,527                      |
| Fair value movement on loans and advances                                       |      | -                          | 3,529                      |
|   |      | <u>490</u>                 | <u>12,056</u>              |
| Less:   |      |                            |                            |
| Loan collection costs - external fees and expenses                              |      | -                          | 815                        |
| Impairments on loan advances  |      | -                          | 361                        |
| <b>Net surplus/(deficit) - lending activities</b>                               |      | <b>490</b>                 | <b>10,880</b>              |
| <b>Trading Activities - investments</b>   |      |                            |                            |
| Gain on available for sale financial assets                                     |      | -                          | 355                        |
| Gain on sale of investments   |      | -                          | 553                        |
| Property and forestry income  |      | -                          | 201                        |
| Reversal of interest expense on derecognition of liability                      |      | -                          | 341                        |
|   |      | <u>-</u>                   | <u>1,450</u>               |
| Less:   |      |                            |                            |
| Property and forestry costs   |      | -                          | 116                        |
| Interest expense  |      | 1                          | -                          |
| Impairments and fair value write downs  |      | -                          | 14                         |
| Loss on sale of investments   |      | -                          | -                          |
|   |      | <u>1</u>                   | <u>130</u>                 |
| <b>Net surplus/(deficit) - investments</b>                                      |      | <b>(1)</b>                 | <b>1,320</b>               |
| <b>Revenue (Loss) from Other Assets</b>   | 7    | <b>(23)</b>                | <b>218</b>                 |
| <b>Net Revenue</b>  |      | <b>466</b>                 | <b>12,418</b>              |
| <b>Less Expenses</b>  |      |                            |                            |
| Directors fees  |      | 126                        | 153                        |
| Audit fees  | 8    | 11                         | 29                         |
| Other expenses  | 9    | 1,636                      | 1,150                      |
| <b>Total Expenses</b>   |      | <b>1,773</b>               | <b>1,332</b>               |
| <b>Net surplus/(deficit)</b>  |      | <b>(1,307)</b>             | <b>11,086</b>              |
| <b>Other comprehensive revenue and expense</b>                                  |      |                            |                            |
| Revaluation gain on available for sale financial assets                         |      | 170                        | 587                        |
| <b>Total comprehensive revenue and expense</b>                                  |      | <b>(1,137)</b>             | <b>11,673</b>              |
| <b>Total comprehensive revenue and expense for the year is attributable to:</b> |      |                            |                            |
| Equity holders of the company   |      | (1,137)                    | 11,673                     |
|   |      | <u>(1,137)</u>             | <u>11,673</u>              |

**Crown Asset Management Limited**  
**Statement of Changes in Net Assets/Equity**  
**For the Year Ended 30 June 2016**

|   | Note | Share Capital<br>\$000's | Accumulated<br>Comprehensive<br>Revenue and<br>Expenses<br>\$000's | Other Reserves<br>\$000's | Attributable<br>to Equity<br>Holders of<br>the Company<br>\$000's |
|---|------|--------------------------|--|---------------------------|---|
| <b>2015</b>   |      |                          |  |                           |   |
| Opening equity at 1 July 2014   |      | 13,611                   | 31,094   | -                         | <b>44,705</b>   |
| <b>Total surplus/(deficit) for the year</b>                                 |      | -                        | 11,086   | -                         | <b>11,086</b>   |
| <b>Fair value movement in share revaluation</b>                             |      | -                        | -  | 587                       | <b>587</b>  |
| <b>Transactions with equity holders,<br/>recognised directly in equity:</b> |      |                          |  |                           |   |
| Ordinary shares repurchased   | 14   | -                        | -  | -                         | -   |
| Dividends Paid  |      | -                        | (34,150)   | -                         | <b>(34,150)</b>   |
| <b>Closing equity at 30 June 2015</b>                                       |      | <u>13,611</u>            | <u>8,030</u>   | <u>587</u>                | <u><b>22,228</b></u>  |
| <b>2016</b>   |      |                          |  |                           |   |
| Opening equity at 1 July 2015   |      | 13,611                   | 8,030  | 587                       | <b>22,228</b>   |
| <b>Total surplus/(deficit) for the year</b>                                 |      | -                        | (1,307)  | -                         | <b>(1,307)</b>  |
| <b>Fair value movement in share revaluation</b>                             |      | -                        | -  | 170                       | <b>170</b>  |
| <b>Transactions with equity holders,<br/>recognised directly in equity:</b> |      |                          |  |                           |   |
| Ordinary shares repurchased   | 14   | (8,750)                  | -  | -                         | <b>(8,750)</b>  |
| Dividends Paid  |      | -                        | -  | -                         | -   |
| <b>Closing equity at 30 June 2016</b>                                       |      | <u>4,861</u>             | <u>6,723</u>   | <u>757</u>                | <u><b>12,341</b></u>  |

**Crown Asset Management Limited**  
**Statement of Financial Position**  
**As at 30 June 2016**

|   |             | <b>30 June<br/>2016<br/>\$000's</b> | <b>30 June<br/>2015<br/>\$000's</b> |
|---|-------------|-------------------------------------|-------------------------------------|
| <b>Assets</b>   | <b>Note</b> |                                     |                                     |
| Cash and cash equivalents                                   |             | 1,994                               | 11,054                              |
| Trade and other receivables from exchange transactions      | 10          | -                                   | 804                                 |
| Prepayments   | 10          | 6                                   | 80                                  |
| Loans and advances to customers                             | 11          | 10,000                              | 10,000                              |
| Available for sale financial assets                         | 12          | 734                                 | 587                                 |
| Investments   | 13          | -                                   | -                                   |
| <b>Total Assets</b>   |             | <u>12,734</u>                       | <u>22,525</u>                       |
| <b>Liabilities</b>  |             |                                     |                                     |
| Trade and other payables under exchange transactions        |             | 393                                 | 297                                 |
| <b>Total Liabilities</b>                                    |             | <u>393</u>                          | <u>297</u>                          |
| <b>Net Assets</b>   |             | <u>12,341</u>                       | <u>22,228</u>                       |
| <b>Equity</b>   |             |                                     |                                     |
| <b>Equity attributable to equity holders of the company</b> |             |                                     |                                     |
| Contributed equity  |             | 4,861                               | 13,611                              |
| Accumulated comprehensive revenue and expenses              |             | 6,723                               | 8,030                               |
| Fair value movement in share revaluation                    |             | 757                                 | 587                                 |
| <b>Total Equity</b>   | 14          | <u>12,341</u>                       | <u>22,228</u>                       |

Signed for and on behalf of the Board of Directors, which authorised the issue of the Financial Statements on 21 October 2016.



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



\_\_\_\_\_  
 Peter Castle (Director)

**Crown Asset Management Limited**  
**Statement of Cash Flows**  
**For the Year Ended 30 June 2016**

|   | <b>Note</b> | <b>30 June<br/>2016<br/>\$000's</b> | <b>30 June<br/>2015<br/>\$000's</b> |
|---|-------------|-------------------------------------|-------------------------------------|
| <b>Cash flows from operating activities</b>                   |             |                                     |                                     |
| Receipts from customers (inclusive of GST)                    |             | 748                                 | 6,546                               |
| Interest received   |             | 112                                 | 538                                 |
| Proceeds from the sale of available for sale financial assets |             | -                                   | 355                                 |
| Proceeds from the sale of investments                         |             | -                                   | 11,094                              |
| Sale of property plant & equipment                            |             | -                                   | 4                                   |
| Recoveries from other receivables                             |             | 400                                 | 808                                 |
| Decrease (Increase) in lending                                |             | -                                   | 8,894                               |
| Payments to suppliers and employees (inclusive of GST)        |             | (1,570)                             | (2,401)                             |
| Purchase of property plant & equipment                        |             | -                                   | -                                   |
| Purchase of property  |             | -                                   | -                                   |
| <b>Net cash flows from operating activities</b>               | 5           | <u>(310)</u>                        | <u>25,838</u>                       |
| <b>Cash flow from financing activities</b>                    |             |                                     |                                     |
| Proceeds from the issue of shares                             |             | -                                   | -                                   |
| Payment for share buy back                                    |             | (8,750)                             | -                                   |
| Equity dividends paid   |             | -                                   | (34,150)                            |
| <b>Net cash flow used in financing activities</b>             |             | <u>(8,750)</u>                      | <u>(34,150)</u>                     |
| Net increase in cash and cash equivalents                     |             | (9,060)                             | (8,312)                             |
| Cash and cash equivalents at beginning of the year            |             | 11,054                              | 19,366                              |
| <b>Cash and cash equivalents at end of the year</b>           |             | <u>1,994</u>                        | <u>11,054</u>                       |

**Crown Asset Management Limited  
Notes to the Financial Statements  
For the Year Ended 30 June 2016**

**1. Company Activity**

Crown Asset Management Limited (the Company) is a public benefit entity incorporated and domiciled in New Zealand and registered under the Companies Act 1993. The Company is a public benefit entity for the purposes of the Financial Reporting Act 2013. 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 its shareholders and to realise the assets acquired.

**2. Statement of compliance and 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 Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS) and other applicable Financial Reporting Standards. In previous years the financial statements complied with New Zealand Equivalents of International Financial Reporting Standards (NZ IFRS).

The financial statements have been prepared in accordance with Tier 2 PBE Standards and disclosure concessions have been applied. The criteria under which an entity is eligible to report in accordance with Tier 2 PBE standards is due to the Company not being publicly accountable or large, as defined by the *External Reporting Board (XRB) Standard A1: Application of Accounting Standards*.

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 includes the requirement to comply with NZ GAAP. The financial statements are for the year ended 30 June 2016.

Section 151 (1) (b) of the Crown Entities Act 2004 requires Crown Entities to include a Statement of Performance in their Annual Accounts. The Company did not supply any reportable classes of output during the year and therefore is not required to include a Statement of Performance in its Annual Accounts, in accordance with section 151 (1) (a) of the Crown Entities Act 2004.

The financial statements were authorised for issue by the Board of Directors on 21 October 2016.

**(b) Non-Going Concern Basis**

In line with the Company's objectives, as detailed in the Statement of Intent, the financial statements have not been prepared on a going concern basis. As at balance date, the Company is involved in a litigation to realise a significant asset. As a result the Company will remain in operation and it is expected to realise its remaining recoverable assets and cease operations by 30 June 2017. Any assets that have not been realised by June 2017 will be transferred to The Treasury for management. For the year ended 30 June 2016, the financial statements have been compiled on a non-going concern basis.

The Company is no longer adopting the going concern assumption for accounting purposes and as a consequence the Company's assets and liabilities at 30 June 2016 have been incorporated into these financial statements with this consideration, in accordance with the relevant requirements of NZ GAAP.

**Crown Asset Management Limited  
Notes to the Financial Statements  
For the Year Ended 30 June 2016**

**2. Statement of compliance and basis of preparation continued**

**(c) Basis of measurement**

The financial statements have been prepared on a non-going concern basis. This is consistent with prior years.

**(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.

**3. Significant Accounting Policies**

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

**(a) Foreign currency translation**

The financial statements are presented in New Zealand Dollars ("NZ\$"). This is the functional and presentational currency for the Company and for all controlled entities of the Company (the Economic Entity).

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 recognised in the "non-trading foreign exchange gain" line of the Statement of Comprehensive Revenue and Expense.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

**(b) Recognition of revenue and expense**

Revenue is recognised to the extent that it is probable that the economic benefits or service potential 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 revenue*

Interest revenue 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) Forestry revenue*

Forestry revenue is recognised in the revenue from "investments" line item in the Statement of Comprehensive Revenue and Expense as the product is sold. Forestry costs include amortisation of the forestry asset.

**Crown Asset Management Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2016**

**3. Significant Accounting Policies continued**

**(b) Recognition of revenue and expense continued**

*(iii) Exchange and non-exchange revenue*

Revenue has been identified as either exchange or non-exchange transactions. Exchange transactions are transactions where the Company has given approximately equal value in consideration to another entity in exchange. Non-exchange transactions are transactions where the Company receives value from another entity without giving approximately equal value in exchange. Revenue items have been disclosed as either exchange or non-exchange revenue in notes 6 and 7.

**(c) Income tax**

Income tax has not been accounted for in these financial statements on the basis that the Inland Revenue Department has granted the Company an exemption from income tax.

**(d) 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 Inland Revenue Department (IRD), in which case, it is recognised as a separate expense item in the Statement of Comprehensive Income.
- Receivables and payables, which are stated GST inclusive.

The net amount of GST recoverable from, or payable to, the IRD is included as in the receivables or payables line item in the Statement of Financial Position.

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

**(e) Financial assets**

*(i) Initial Recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are initially recognised at fair value plus, in the case of financial assets not recorded at fair value through surplus or deficit, transaction costs that are attributable to the acquisition of the financial asset.

*(ii) Subsequent measurement*

For the purpose of subsequent measurement financial assets are classified as the following categories:

- Loans and receivables
- Available-for-sale financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses.

This category applies to cash and cash equivalents, loans and advances, and trade and other receivables.

**Crown Asset Management Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2016**

**3. Significant Accounting Policies continued**

**(e) Financial assets continued**

Available-for-sale financial assets

Available-for-sale (AFS) financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through surplus or deficit. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive revenue and expense and accumulated in the AFS reserve until:

- The investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or:
- The investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the Statement of Comprehensive Revenue and Expense in finance costs.

Interest earned whilst holding AFS financial investments is reported as interest income using the effective interest rate method.

*(iii) 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.

*(iv) 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.

*(v) Asset quality*

All loans and advances have been subject to regular credit scrutiny. Impaired assets were 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.

**Crown Asset Management Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2016**

**3. Significant Accounting Policies continued**

**(e) Financial assets continued**

*(vi) 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 Statement of Comprehensive Income 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 Statement of Comprehensive Revenue and Expense.

**(f) Cash and cash equivalents**

Cash and cash equivalents in the Statement of Financial Position comprises cash held with bank and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts, where applicable, are disclosed separately as a liability in the Statement of Financial Position.

**(g) Investments**

The Company classifies assets as held for sale or distribution to owners if their carrying value will be recovered principally through sale or distribution, rather than continued use. Such assets are measured at the lower of their carrying value and fair value less the cost to sell or distribute.

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.

**(h) 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.

**(i) Cash flow statement**

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

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

#### **(j) Changes in accounting policies**

There have been no changes in accounting policies. All policies are consistent with previous years. (2015: There has been a change in policy for the year ended 30 June 2015 with the first time adoption of PBE IPSAS. Adoption of PBE IPSAS 1: Presentation of Financial Statements has had an effect on wording in the financial statements and disclosures only. Adoption of PBE IPSAS 9: Revenue from Exchange Transactions and PBE IPSAS 23: Revenue from Non-Exchange Transactions has had an effect on disclosures relating to revenue in the Statement of Comprehensive Revenue and Expense and disclosures relating to trade and other receivables and loans and advances to customers in the Statement of Financial Position now distinguish between revenue from exchange transactions and revenue from non-exchange transactions.).

### **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 revenue, expenses, assets, liabilities, disclosures and the application of policies. Actual results may differ from these estimates under different assumptions and may materially affect financial results or the financial position reported in future periods.

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.

In the process of applying the Company's accounting policies, management has made the following estimates and judgements which have the most significant effect on the amounts recognised in the financial statements:

#### ***Impairment losses on loans and advances***

Those responsible for preparing the financial statements use significant judgement in determining whether a loss event has occurred and whether an impairment provision needs to be estimated.

#### ***Impairment losses on loans and advances continued***

##### ***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, those responsible for preparing the financial statements consider 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.

Estimates are made by those responsible for preparing the financial statements 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, and 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 and actual results may differ, resulting in future changes to the impairment loss.

**Crown Asset Management Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2016**

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

*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 11.

**5. Reconciliation of Profit with Cash Flow from Operating Activities**

|  | <b>30 June<br/>2016<br/>\$000's</b> | <b>30 June<br/>2015<br/>\$000's</b> |
|--|-------------------------------------|-------------------------------------|
| Net surplus  | (1,307)                             | 11,086                              |
| Add / Less Non Cash Items:                             |                                     |                                     |
| Foreign Currency Adjustment                            | 23                                  | -                                   |
| Movement in working capital items:                     |                                     |                                     |
| Decrease/(Increase) in trade and other receivables     | 804                                 | 7,777                               |
| (Decrease)/Increase in trade and other payables        | 96                                  | (3,657)                             |
| Decrease/(Increase) in loans and advances to customers | -                                   | 4,113                               |
| Decrease/(Increase) in investments                     | -                                   | 6,519                               |
| Decrease/(Increase) in prepayments                     | 74                                  | -                                   |
| Working capital movements                              | <u>974</u>                          | <u>14,752</u>                       |
| Net cash flow from operating activities                | <u>(310)</u>                        | <u>25,838</u>                       |

**6. Revenue from Lending Activities**

|  | <b>30 June<br/>2016<br/>\$000's</b> | <b>30 June<br/>2015<br/>\$000's</b> |
|--|-------------------------------------|-------------------------------------|
| <b>Revenue from Exchange Transactions</b>    |                                     |                                     |
| Interest earned on cash and cash equivalents | 102                                 | 403                                 |
| Revenue from loans and advances to customers | 388                                 | 8,044                               |
| Other interest                               | -                                   | 80                                  |
|  | <u>490</u>                          | <u>8,527</u>                        |

**Crown Asset Management Limited  
Notes to the Financial Statements  
For the Year Ended 30 June 2016**

**7. Other Revenue**

|   | <b>30 June<br/>2016<br/>\$000's</b> | <b>30 June<br/>2015<br/>\$000's</b> |
|---|-------------------------------------|-------------------------------------|
| <b>Revenue from Exchange Transactions</b> |                                     |                                     |
| Depreciation recovered                    | -                                   | 5                                   |
| Foreign Exchange Loss                     | (23)                                | -                                   |
| Grazing income                            | -                                   | 6                                   |
| Management fees                           | -                                   | -                                   |
| Recoveries from non-financial assets      | -                                   | 208                                 |
|   | <u>(23)</u>                         | <u>218</u>                          |

The company made a foreign currency loss on translation of the OMNI Orthopaedics Inc Investment.

In 2015, the Company made recoveries from non-financial assets taken over from the receivership of South Canterbury Finance Limited. These had been acquired and carried at nil value.

**8. Audit Fees**

|  | <b>30 June<br/>2016<br/>\$000's</b> | <b>30 June<br/>2015<br/>\$000's</b> |
|--|-------------------------------------|-------------------------------------|
| <b>Payable to KPMG</b>   |                                     |                                     |
| Audit of the financial statements on behalf of the Auditor General | 11                                  | 29                                  |
|  | <u>11</u>                           | <u>29</u>                           |

KPMG provided audit services to the Company, on behalf of the Auditor-General, during the year.

**Crown Asset Management Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2016**

**9. Other Expenses**

|   | <b>2016</b><br><b>\$000's</b> | <b>2015</b><br><b>\$000's</b> |
|---|-------------------------------|-------------------------------|
| Personnel and contractor costs                        | 32                            | 487                           |
| Legal and other professional fees                     | 1,464                         | 249                           |
| Information systems, computing and telecommunications | 92                            | 248                           |
| Premises expenses                                     | 1                             | 23                            |
| Other expenses  | 47                            | 143                           |
|   | <u>1,636</u>                  | <u>1,150</u>                  |

**10. Trade and Other Receivables**

|   | <b>30 June</b><br><b>2016</b><br><b>\$000's</b> | <b>30 June</b><br><b>2015</b><br><b>\$000's</b> |
|---|---|---|
| <b>Trade and Other Receivables from exchange transactions</b> |   |   |
| Trade receivables   | -   | 370   |
| Other receivables   | -   | 400   |
| GST Receivable  | -   | 34  |
|   | <u>-</u>  | <u>804</u>                                      |
| <b>Prepayments</b>  |   |   |
| Prepayments   | 6   | 80  |
|   | <u>6</u>  | <u>80</u>                                       |
| <b>Total Trade and Other Receivables</b>                      | <u>6</u>  | <u>884</u>                                      |

The Company did not hold any trade and other receivables from non-exchange transactions as at 30 June 2016.

2015: Other receivables include a right to receive the proceeds from the liquidation of Southbury Insurance Limited (In Liquidation).

**Crown Asset Management Limited  
Notes to the Financial Statements  
For the Year Ended 30 June 2016**

**11. Loans and Advances**

**Loans and advances and the provisions carried against them:**

|   | <b>30 June<br/>2016<br/>\$000's</b> | <b>30 June<br/>2015<br/>\$000's</b> |
|---|-------------------------------------|-------------------------------------|
| Gross advances                                    | 10,000                              | 10,000                              |
| Net loans and advances from exchange transactions | <u>10,000</u>                       | <u>10,000</u>                       |

**Asset quality of loans and receivables:**

|                             | <b>30 June<br/>2016<br/>\$000's</b> | <b>30 June<br/>2015<br/>\$000's</b> |
|-----------------------------|-------------------------------------|-------------------------------------|
| Impaired loans and advances | 10,000                              | 10,000                              |
| Net Advances                | <u>10,000</u>                       | <u>10,000</u>                       |

With regard to the loan and advance balance above, the Company, in conjunction with other unit holders, began legal proceedings during the year ended 30 June 2015, filing court action to have the fund wound up on just and equitable grounds and have a liquidator appointed. The legal proceedings are ongoing with an outcome yet to be determined. The result of these proceedings could have a material impact on the carrying value of the loans and receivables balance and the settlement amount of the relevant investment proceeds. The amount recorded at 30 June 2016 is unchanged from prior years.

The Company did not hold any loans and advances from non-exchange transactions as at 30 June 2016.

**12. Available for Sale Financial Assets**

|                             | <b>30 June<br/>2016<br/>\$000's</b> | <b>30 June<br/>2015<br/>\$000's</b> |
|-----------------------------|-------------------------------------|-------------------------------------|
| <b>Equity investments</b>   |                                     |                                     |
| Opening Balance             | 587                                 | -                                   |
| Revaluation to market       | 170                                 | 587                                 |
| Foreign Currency Adjustment | (23)                                | -                                   |
| Closing Balance             | <u>734</u>                          | <u>587</u>                          |

There is no impairment provision for investments.

Equity investments are measured at fair value with fair value determined by reference to published bid price quotations in an active market.

At 30 June 2016 the Company revalued its investment in OMNI Orthopaedics Inc to \$734k (2015: \$587k) based on available market information and taking into account the holding is a minority interest. Refer Note 18.

**Crown Asset Management Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2016**

**13. Investments**

Investments at balance date comprise:

|                 | <b>30 June<br/>2016<br/>\$000's</b> | <b>30 June<br/>2015<br/>\$000's</b> |
|-----------------|-------------------------------------|-------------------------------------|
| Property assets | -                                   | -                                   |
|                 | <u>-</u>                            | <u>-</u>                            |

The Company sold no investments during the year ended 30 June 2016 (30 June 2015: \$12 million).

A summary of movements in investments is set out below:

|   | <b>30 June<br/>2016<br/>\$000's</b> | <b>30 June<br/>2015<br/>\$000's</b> |
|---|-------------------------------------|-------------------------------------|
| Opening balance   | -                                   | 6,519                               |
| Additions   | -                                   | 75                                  |
| Disposals   | -                                   | (3,952)                             |
| Fair value adjustment   | -                                   | 1,340                               |
| Gain/(loss) on sale   | -                                   | (801)                               |
| Derecognition of property on cancellation of purchase agreement | -                                   | (3,181)                             |
| Closing Balance   | <u>-</u>                            | <u>-</u>                            |

2015:

During the period an agreement for the purchase of a property was cancelled by agreement between the Company and the vendor, Southern Response Earthquake Services Limited. The agreement also provided for deferred payment of the purchase price and interest until settlement date. On cancellation of the agreement the liability was derecognised and interest expense reversed.

**14. Capital and Reserves**

|   | <b>30 June<br/>2016<br/>\$000's</b> | <b>30 June<br/>2015<br/>\$000's</b> |
|---|-------------------------------------|-------------------------------------|
| Ordinary shares                               | 4,861                               | 13,611                              |
| Accumulated comprehensive revenue and expense | 6,723                               | 8,030                               |
| Revaluation reserve for shares                | 757                                 | 587                                 |
| Total shareholder's equity                    | <u>12,341</u>                       | <u>22,228</u>                       |

**Crown Asset Management Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2016**

**Movement in ordinary shares on issue**

|                    | <b>30 June 2016</b>         |                          | <b>30 June 2015</b>         |                          |
|--------------------|-----------------------------|--------------------------|-----------------------------|--------------------------|
|                    | <b>No. Shares<br/>000's</b> | <b>Value<br/>\$000's</b> | <b>No. Shares<br/>000's</b> | <b>Value<br/>\$000's</b> |
| Opening shares     | 13,611                      | 13,611                   | 13,611                      | 13,611                   |
| Shares issued      | -                           | -                        | -                           | -                        |
| Shares repurchased | (8,750)                     | (8,750)                  | -                           | -                        |
| Closing balance    | <u>4,861</u>                | <u>4,861</u>             | <u>13,611</u>               | <u>13,611</u>            |

**Capital contributions**

No capital contributions were made during the year (2015: nil).

**Capital repurchases**

A capital repurchase of \$8,750,000 was made during the year (2015: nil).

**Ordinary shares**

There were 4,860,736 ordinary shares at 30 June 2016 (2015: 13,610,736 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. Related Party Transactions**

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 provides 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 and/or its directors or officers.

During the period the Company did not purchase any services from companies that are related through having common directorship (2015: None).

Key management personnel compensation comprised the following:

|                    | <b>30 June<br/>2016<br/>\$000's</b> | <b>30 June<br/>2015<br/>\$000's</b> |
|--------------------|-------------------------------------|-------------------------------------|
| General Management | -                                   | 243                                 |
| Contractor Fees    | 5                                   | 57                                  |
|                    | <u>5</u>                            | <u>300</u>                          |

The Company did not have staff or staff liabilities for the year ended 30 June 2016. This is set to continue into the year ended 30 June 2017.

**Crown Asset Management Limited  
Notes to the Financial Statements  
For the Year Ended 30 June 2016**

**16. Operating Lease Expenses**

The Company has the following cancellable operational lease commitments:

|                            | <b>30 June<br/>2016<br/>\$000's</b> | <b>30 June<br/>2015<br/>\$000's</b> |
|----------------------------|-------------------------------------|-------------------------------------|
| Less than one year         | -                                   | 9                                   |
| Between one and five years | -                                   | -                                   |
|                            | <hr/>                               | <hr/>                               |
|                            | -                                   | 9                                   |

There are no lease commitments for the year ended 30 June 2016. (2015: 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. These contracts have been transferred to the Treasury for on-going management at the cost of the Treasury.)

**17. Contingent Assets/Liabilities**

There were no contingent assets or liabilities for the year ended 30 June 2016. (2015: None)

**18. Subsequent Events**

In September 2016 CAML received an offer from the Crown to transfer the ownership of the OMNI Orthopaedic shares to the Crown for \$734k. This offer is not yet unconditional but settlement is expected in the 2017 financial year.

Also in September 2016, CAML received confirmation that approximately \$1.4m of debts previously written off will be received in October 2016. This asset was carried at a nil value at 30 June 2016 (2015: \$0) due to uncertainty relating to collecting this amount from an overseas jurisdiction.

## 10. Statutory Information

### Directors' Fees

|   | Year ended<br>30 June 2016<br>(12 months)<br>\$ | Period ended<br>30 June 2015<br>(12 months)<br>\$ |
|---|---|---|
| Board member fees during the period were: |   |   |
| Gary Traveller                            | 61,875  | 72,000  |
| Peter Castle                              | 55,125  | 45,000  |
| Keiran Horne                              | 9,000   | 36,000  |
| <b>Total Board member fees</b>            | <b>126,000</b>                                  | <b>153,000</b>                                    |

The shareholding Ministers approved directors' fees of \$126,000 for the year ended 30 June 2016.

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<br>30 June 2016<br>(12 months)<br>No. staff | Period ended<br>30 June 2015<br>(12 months)<br>No. staff |
|-----------------------|--|--|
| \$100,000 - \$110,000 | 0  | 0  |
| \$100,000 - \$120,000 | 0  | 0  |
| \$120,000 - \$130,000 | 0  | 0  |
| \$130,000 - \$140,000 | 0  | 0  |
| \$150,000 - \$160,000 | 0  | 0  |
| \$170,000 - \$180,000 | 0  | 0  |
| \$340,000 - \$350,000 | 0  | 1  |

During the year no employees received compensation or other benefits in relation to cessation of employment. (2015: nil)

# 11. Directory

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## **Shareholders**

The Minister of Finance  
The Minister for State Owned Enterprises

## **Registered Office**

Clifton Chambers  
70 The Terrace  
Wellington 6011  
New Zealand

## **Contact Address**

P O Box 778  
Wellington 6140  
New Zealand

## **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

## **Lawyer**

Duncan Cotterill