

**Crown Asset Management
Limited**

**ANNUAL REPORT
2017**

Contents

Page

1.	Chairman's Report.....	2
2.	Board of Directors	3
3.	Governance	4
5.	Key Performance Measures.....	5
6.	Statement of Performance	6
7.	Statement of Responsibility	7
8.	Audit Report	8
9.	Financial Statements.....	11
10.	Statutory Information	27
11.	Directory	28

1. Chairman's Report

I am pleased to present the sixth annual report for Crown Asset Management Limited covering the period 1 July 2016 to 30 June 2017.

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:

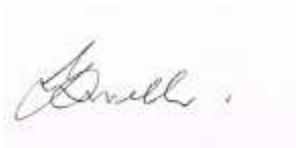
- acquire, manage and realise all of the assets of six of the eight finance companies under the Crown Retail Deposit Guarantee Scheme;
- acquire, manage and realise certain assets of Southern Response Earthquake Services Limited; and
- provide a better return to the Crown by operating in a manner that 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 realised two of its four long dated assets and is on track to transfer one to the Crown by the end of 2017. The fourth asset involves CAML in offshore litigation. This litigation is complex and may take some time to conclude and CAML is actively managing this litigation.

With a small Board and the continuing involvement, on a contractual basis, of the former General Manager, CAML is efficiently managing the final assets.

Given the uncertainty of the time required for litigation 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.



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: Director/Shareholder – TM Stud 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

3. 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);
- 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 two Directors, including a chairperson.

For the 2016-2017 year, there were no subcommittees with all matters being dealt with by the Board.

5. Key Performance Measures

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 2017.

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

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

Crown Asset Management Limited

Statement of Responsibility

For the year ended 30 June 2017

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 2017.

Signed



Gary Traveller
Chair

17 October 2017



Peter Castle
Director

17 October 2017

8. Audit Report



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF CROWN ASSET MANAGEMENT LIMITED'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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 KPMG, to carry out the audit of the financial statements of the Company on his behalf.

Opinion

We have audited the financial statements of the company on pages 1 to 16, that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive revenue and expense, statement of changes in net assets/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.

In our opinion the financial statements of the company on pages 1 to 16:

- present fairly, in all material respects:
 - its financial position as at 30 June 2017; 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 6 October 2017. This is the date at which our opinion is expressed.

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

Matters to draw to your attention

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

- Note 11 in the financial statements 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.
- 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 for opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Responsibilities of the auditor for the audit of the financial statements* section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible on behalf of the Company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible on behalf of the Company for assessing the Company's ability to continue as a going concern. If the Board of Directors concludes that a going concern basis of accounting is inappropriate, the Board is responsible for preparing the financial statements on a non-going concern basis and making appropriate disclosures.

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

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit 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.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the non-going concern basis of accounting by the Board of Directors.



We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Independence

We are independent of the Company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

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

A handwritten signature in blue ink, appearing to read 'G. Edwards'.

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 2017

	Note	30 June 2017 \$000's	30 June 2016 \$000's
Lending Activities			
Revenue from lending activities	6	2,013	490
Fair value movement on loans and advances		-	-
		<u>2,013</u>	<u>490</u>
Less:			
Loan collection costs - external fees and expenses		-	-
Impairments on loan advances		-	-
Net surplus/(deficit) - lending activities		2,013	490
Trading Activities - investments			
Gain on available for sale financial assets		-	-
Gain on sale of investments		-	-
Property and forestry income		-	-
Reversal of interest expense on derecognition of liability		-	-
		<u>-</u>	<u>-</u>
Less:			
Property and forestry costs		-	-
Interest expense		-	1
Impairments and fair value write downs		-	-
Loss on sale of investments		-	-
		<u>-</u>	<u>1</u>
Net surplus/(deficit) - investments		-	(1)
Revenue (Loss) from Other Assets	7	-	(23)
Net Revenue		2,013	466
Less Expenses			
Directors fees		117	126
Audit fees	8	11	11
Other expenses	9	3,416	1,636
Total Expenses		3,544	1,773
Net surplus/(deficit)		(1,531)	(1,307)
Other comprehensive revenue and expense			
Revaluation gain on available for sale financial assets		-	170
Total comprehensive revenue and expense		(1,531)	(1,137)
Total comprehensive revenue and expense for the year is attributable to:			
Equity holders of the company		(1,531)	(1,137)
		<u>(1,531)</u>	<u>(1,137)</u>

Crown Asset Management Limited
Statement of Changes in Net Assets/Equity
For the Year Ended 30 June 2017

	Note	Share Capital \$000's	Accumulated Comprehensive Revenue and Expenses \$000's	Other Reserves \$000's	Attributable to Equity Holders of the Company \$000's
2016					
Opening equity at 1 July 2015		13,611	8,030	587	22,228
Total surplus/(deficit) for the year		-	(1,307)	-	(1,307)
Fair value movement in share revaluation		-	-	170	170
Transactions with equity holders, recognised directly in equity:					
Ordinary shares repurchased	13	(8,750)	-	-	(8,750)
Dividends Paid		-	-	-	-
Closing equity at 30 June 2016		4,861	6,723	757	12,341
2017					
Opening equity at 1 July 2016		4,861	6,723	757	12,341
Total surplus/(deficit) for the year		-	(1,531)	-	(1,531)
Fair value movement in share revaluation		-	-	-	-
Transactions with equity holders, recognised directly in equity:					
Ordinary shares repurchased	13	2,500	-	-	2,500
Dividends Paid		-	-	-	-
Closing equity at 30 June 2017		7,361	5,192	757	13,310

Crown Asset Management Limited
Statement of Financial Position
As at 30 June 2017

		30 June 2017 \$000's	30 June 2016 \$000's
Assets	Note		
Cash and cash equivalents		2,858	1,994
Trade and other receivables from exchange transactions	10	1	-
Prepayments	10	5	6
Loans and advances to customers	11	10,000	10,000
Available for sale financial assets	12	734	734
Investments		-	-
Total Assets		<u>13,598</u>	<u>12,734</u>
Liabilities			
Trade and other payables under exchange transactions		288	393
Total Liabilities		<u>288</u>	<u>393</u>
Net Assets		<u>13,310</u>	<u>12,341</u>
Equity			
Equity attributable to equity holders of the company			
Contributed equity		7,361	4,861
Accumulated comprehensive revenue and expenses		5,192	6,723
Fair value movement in share revaluation		757	757
Total Equity	13	<u>13,310</u>	<u>12,341</u>

Signed for and on behalf of the Board of Directors, which authorised the issue of the Financial Statements on 6 October 2017.



 Gary Traveller (Chairman)



 Peter Castle (Director)

Crown Asset Management Limited
Statement of Cash Flows
For the Year Ended 30 June 2017

	Note	30 June 2017 \$000's	30 June 2016 \$000's
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,962	748
Interest received		50	112
Proceeds from the sale of available for sale financial assets		-	-
Proceeds from the sale of investments		-	-
Sale of property plant & equipment		-	-
Recoveries from other receivables		-	400
Decrease (Increase) in lending		-	-
Payments to suppliers and employees (inclusive of GST)		(3,648)	(1,570)
Purchase of property plant & equipment		-	-
Purchase of property		-	-
Net cash flows from operating activities	5	<u>(1,636)</u>	<u>(310)</u>
Cash flow from financing activities			
Proceeds from the issue of shares		-	-
New capital		2,500	-
Payment for share buy back		-	(8,750)
Equity dividends paid		-	-
Net cash flow used in financing activities		<u>2,500</u>	<u>(8,750)</u>
Net increase in cash and cash equivalents		864	(9,060)
Cash and cash equivalents at beginning of the year		1,994	11,054
Cash and cash equivalents at end of the year		<u>2,858</u>	<u>1,994</u>

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 2017**

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 6 October 2017.

(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 2018. Any assets that have not been realised by June 2018 will be transferred to The Treasury for management. For the year ended 30 June 2017, 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 2017 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 2017**

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 2017

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 2017

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 2017

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.

**Crown Asset Management Limited
Notes to the Financial Statements
For the Year Ended 30 June 2017**

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.

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 2017

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

	30 June 2017 \$000's	30 June 2016 \$000's
Net surplus	(1,531)	(1,307)
Add / Less Non Cash Items:		
Foreign Currency Adjustment	-	23
Movement in working capital items:		
Decrease/(Increase) in trade and other receivables	(1)	804
(Decrease)/Increase in trade and other payables	(105)	96
Decrease/(Increase) in loans and advances to customers	-	-
Decrease/(Increase) in investments	-	-
Decrease/(Increase) in prepayments	1	74
Working capital movements	<u>(105)</u>	<u>974</u>
Net cash flow from operating activities	<u>(1,636)</u>	<u>(310)</u>

6. Revenue from Lending Activities

	30 June 2017 \$000's	30 June 2016 \$000's
Revenue from Exchange Transactions		
Interest earned on cash and cash equivalents	50	102
Revenue from loans and advances to customers	1,963	388
Other interest	-	-
	<u>2,013</u>	<u>490</u>

**Crown Asset Management Limited
Notes to the Financial Statements
For the Year Ended 30 June 2017**

7. Other Revenue

	30 June 2017 \$000's	30 June 2016 \$000's
Revenue from Exchange Transactions		
Depreciation recovered	-	-
Foreign Exchange Loss	-	(23)
Grazing income	-	-
Management fees	-	-
Recoveries from non-financial assets	-	-
	<u>-</u>	<u>(23)</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

	30 June 2017 \$000's	30 June 2016 \$000's
Audit of the financial statements on behalf of the Auditor General	11	11
	<u>11</u>	<u>11</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 2017**

9. Other Expenses

	30 June 2017 \$000's	30 June 2016 \$000's
Personnel and contractor costs	19	32
Legal and other professional fees	3,323	1,464
Information systems, computing and telecommunications	-	92
Premises expenses	-	1
Other expenses	74	47
	<u>3,416</u>	<u>1,636</u>

10. Trade and Other Receivables

	30 June 2017 \$000's	30 June 2016 \$000's
Trade and Other Receivables from exchange transactions		
Trade receivables	1	-
Other receivables	-	-
GST Receivable	-	-
	<u>1</u>	<u>-</u>
Prepayments		
Prepayments	5	6
	<u>5</u>	<u>6</u>
Total Trade and Other Receivables	<u><u>6</u></u>	<u><u>6</u></u>

Crown Asset Management Limited
Notes to the Financial Statements
For the Year Ended 30 June 2017

11. Loans and Advances

Loans and advances and the provisions carried against them:

	30 June 2017 \$000's	30 June 2016 \$000's
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:

	30 June 2017 \$000's	30 June 2016 \$000's
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 2017 is unchanged from prior years.

The Company did not hold any loans and advances from non-exchange transactions as at 30 June 2017.

12. Available for Sale Financial Assets

	30 June 2017 \$000's	30 June 2016 \$000's
Equity investments		
Opening Balance	734	587
Revaluation to market	-	170
Foreign Currency Adjustment	-	(23)
Closing Balance	<u>734</u>	<u>734</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.

Crown Asset Management Limited
Notes to the Financial Statements
For the Year Ended 30 June 2017

On 15 March 2017 CAML entered into an agreement to transfer its shares in OMNI to the Crown. Under the agreement CAML will transfer the shares once it has received \$734,000 as consideration. As at 30 June 2017 consideration had not been received, therefore the shares were held at a fair value of \$734,000.

13. Capital and Reserves

	30 June 2017 \$000's	30 June 2016 \$000's
Ordinary shares	7,361	4,861
Accumulated comprehensive revenue and expense	5,192	6,723
Revaluation reserve for shares	757	757
Total shareholder's equity	<u>13,310</u>	<u>12,341</u>

Movement in ordinary shares on issue

	30 June 2017		30 June 2016	
	No. Shares 000's	Value \$000's	No. Shares 000's	Value \$000's
Opening shares	4,861	4,861	13,611	13,611
Shares issued	2,500	2,500	-	-
Shares repurchased	-	-	(8,750)	(8,750)
Closing balance	<u>7,361</u>	<u>7,361</u>	<u>4,861</u>	<u>4,861</u>

Capital contributions

\$2,500,000 of capital contributions from the Crown were received during the year (2016: nil).

Capital repurchases

No capital repurchase was made during the year (2016: \$8,750,000).

Ordinary shares

There were 7,360,736 ordinary shares at 30 June 2017 (2016: 4,860,736 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

14. 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 (2016: None).

Crown Asset Management Limited
Notes to the Financial Statements
For the Year Ended 30 June 2017

Key management personnel compensation comprised the following:

	30 June 2017 \$000's	30 June 2016 \$000's
Contractor Fees	19	5
	<u>19</u>	<u>5</u>

The Company did not have staff or staff liabilities for the year ended 30 June 2017. This is set to continue into the year ended 30 June 2018.

15. Contingent Assets/Liabilities

There were no contingent assets or liabilities for the year ended 30 June 2017. (2016: None)

16. Subsequent Events

No significant events, which would materially affect the financial statements, have occurred subsequent to year end that require disclosure or adjustment to the carrying value of assets or liabilities in these set of financial statements.

10. Statutory Information

Directors' Fees

	Year ended 30 June 2017 (12 months) \$	Period ended 30 June 2016 (12 months) \$
Board member fees during the period were:		
Gary Traveller	58,500	61,875
Peter Castle	58,500	55,125
Keiran Horne	0	9,000
Total Board member fees	117,000	126,000

The shareholding Ministers approved directors' fees of \$117,000 for the year ended 30 June 2017.

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

There were no employees during the year (2016: none).

During the year no employees received compensation or other benefits in relation to cessation of employment. (2016: nil)

11. Directory

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