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Crown Asset Management Limited

Statement of Intent

2021 – 2022

Presented to the House of Representatives
pursuant to the *Crown Entities Act 2004*

25 May 2021

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1. Introduction

This Statement of Intent is submitted by the Board of Directors of Crown Asset Management Limited (the **Company**), pursuant to the *Crown Entities Act 2004* (the Act). Although under the Act the SOI is required to cover a four year period, the objectives of CAML (see section 2.2) are expected to be substantially completed by 30 June 2022. Therefore this SOI sets out the objectives and intentions of the Company to manage the final assets for the period from 1 July 2021 to 30 June 2022.

Statement of responsibility

The Company is responsible for the prospective financial statements which underpin this document and which are set out in the Statement of Performance Expectations, including the appropriateness of the assumptions underlying them.

The Company is also responsible for internal control systems, which provide reasonable assurance as to the integrity of financial reporting.



Gary Traveller
Chair

25 May 2021



Peter Castle
Director

2. **Background information**

2.1 *This Statement of Intent*

The substantive background information on the Company is contained in the following sections of this Statement of Intent (**SOI**):

- (a) nature and scope of functions and operations;
- (b) impacts, outcomes and objectives; and
- (c) organisational health and capability.

2.2 *Objectives*

The objectives of the Company are to:

- (a) manage and recover the assets acquired from five of the eight Deposit Guarantee Scheme (**DGS**) finance companies that were in receivership/liquidation; manage and sell the properties formerly owned by Southern Response Earthquake Services Ltd; and acquire and manage any other assets that it may be directed to acquire by the Shareholding Ministers;
- (b) to provide a better financial return to the Crown as shareholder by operating in a manner that maximises financial returns, minimises costs and ensures the timely distribution of surplus funds thereby contributing to the overall reduction of the Crown's exposure under the DGS; and
- (c) operate commercially and on a financially sustainable, self-funding basis.

2.3 *Accountability*

The Company is accountable to its shareholding Ministers (the **Shareholding Ministers**), currently the Minister of Finance and the Minister for State Owned Enterprises.

2.4 *Governance*

The Shareholding Ministers appointed the Company's inaugural Board, which governs the Company. All decisions about the Company's operations are made under the authority of the Board. The Board is responsible for agreeing outputs with the Shareholding Ministers and ensuring that the expectations of the Company are met.

3. **Nature and scope of functions and operations**

3.1 *The Company's statutory framework*

The Company's operational mandate is provided by the statutory framework that applies to it, including (but not limited to) the *Public Finance Act 1989*, the *Crown Entities Act 2004* and the *Companies Act 1993*.

The Company is incorporated under the *Companies Act 1993* and is listed in Schedule 4 of the *Public Finance Act 1989*.

All of the shares in the Company are owned by the Shareholding Ministers on behalf of the Crown.

Certain sections of the Crown Entities Act apply to the Company by virtue of it being listed in Schedule 4 of the Public Finance Act. In addition, the Company's day-to-day operations are governed by the Companies Act.

3.2 *The Companies Act regime*

Under the Companies Act, the Board, each director and each Shareholding Minister have the rights, powers, duties and obligations set out in the Act, except to the extent that they are negated or modified, in accordance with the Act, by the Company's constitution.

Under the Company's constitution, its role and operations are to acquire, hold and dispose of or otherwise realise assets specified for the time being by the Shareholding Ministers.

3.3 *Funding*

The Company made loan recoveries during the 2020-2021 year and considers that it holds sufficient funds for the 2021-2022 year to conclude operations. All remaining cash will be returned to the Crown.

3.4 *Scope of the Company's role*

The Company has:

- (a) acquired the assets of five of the eight DGS finance companies that were in receivership/liquidation;
- (b) acquired the properties owned by Southern Response Earthquake Services Ltd;
- (c) managed and realised the majority of the acquired assets to provide the best possible financial return to the Crown;
- (d) operated in a financially sustainable, self-funding manner;
- (e) distributed surplus funds to its shareholders on a quarterly basis in accordance with the distribution policy;

and the Company will:

- (f) acquire any other assets that it may be directed to acquire by the Shareholding Ministers;
- (g) distribute its final cash and capital upon conclusion of its operations.

3.5 *Crown Entities Act requirements*

- (a) Some provisions of the Crown Entities Act apply automatically to the Company by virtue of the Company being listed in Schedule 4 of the Public Finance Act. These sections are:
 - (i) section 133, which requires the Board to supply the Shareholding Ministers with information requested;
 - (ii) section 134, which details good reasons for refusing to supply information requested by the Shareholding Ministers;
 - (iii) sections 154 to 156, which relate to the preparation and audit of annual financial statements; and
 - (iv) section 158, which relates to bank accounts.
- (b) The following sections of the Crown Entities Act also apply to the Company:
 - (i) section 139, which relates to preparation of a statement of intent;
 - (ii) section 150, which relates to preparation and publication of an annual report;
 - (iii) section 162, which restricts borrowing;
 - (iv) section 163, which restricts the giving of guarantees and indemnities; and
 - (v) section 164, which restricts use of derivatives.

3.6 *Other statutory requirements*

Because the Company is an organisation listed in schedule 4 of the Public Finance Act, pursuant to the *Public Audit Act 2001*, the Controller and Auditor-General is the auditor of the Company.

The Company is also subject to the *Ombudsmen Act 1975* and the *Official Information Act 1982*.

3.7 *Operations*

The Company is required to operate within the functions, powers and constraints outlined above. Within this framework, the Company has considerable discretion in how it goes about its day-to-day operations.

4. Impacts, outcomes and objectives

4.1 Overall objective

The Company's constitution defines its purpose as to:

- (a) acquire, manage and realise all the assets of six* of the eight finance companies under the Crown Retail Deposit Guarantee Scheme;
- (b) acquire, manage and realise certain assets of Southern Response Earthquake Services Limited;
- (c) acquire, manage and realise other assets with the prior written approval of each Shareholder; and
- (d) provide a better return to the Crown by operating in a manner that maximises returns and minimises costs.

**Subsequent to the Constitution being drafted, it was determined that there was no economic benefit in acquiring the assets of Rockforte Finance. Therefore the Company has only acquired the assets of five of the eight finance companies whose investors were repaid under the Crown Retail Deposit Guarantee Scheme.*

4.2 Shareholding Ministers' discretion

If the Shareholding Ministers so direct or approve, including as contemplated by paragraph 3.5, the Company may acquire additional assets from the Crown. If this occurs, the Company's operations may continue beyond what is required to realise the assets from the DGS finance companies.

4.3 Commercial objectives

The Company is expected to operate in a financially sustainable and self-funding manner. The Company is expected to provide a better financial return to the Crown as shareholder by operating in a manner that maximises financial returns, minimises costs and ensures the timely distribution of surplus funds thereby contributing to the overall reduction of the Crown's exposure under the DGS.

5. How the Company will achieve its impacts, outcomes and objectives

5.1 Acquisition of assets

The Company acquired the following DGS assets in 2012:

- FCS Loans Limited (in receivership and in liquidation) - formerly South Canterbury Finance Limited (in receivership), on 1 June 2012;
- NFA Limited (in receivership and in Liquidation) - formerly Allied Nationwide Finance Limited (in receivership), on 1 August 2012;
- Ex MFL Ltd (in receivership and in liquidation) - formerly Mutual Finance Ltd (in receivership) on 30 September 2012;

- Tocsam Ltd (in receivership and in liquidation) – formerly Mascot Finance Ltd (in receivership on 5 October 2012;
- Noisiv Ltd (in receivership and in liquidation) – formerly Vision Securities Ltd (in receivership), on 14 December 2012.

The Company acquired 9 (of 10) Southern Response Earthquake Services Ltd properties during 2013. The final property was not acquired due to an unresolved insurance claim.

5.2 *Management of assets*

The Company has managed and realised all of the assets acquired from the DGS finance companies and managed and sold the former Southern Response properties. The Company will also acquire, manage and realise any other assets as directed or approved by its Shareholding Ministers.

6. **Distribution Policy**

- 6.1 The distribution policy provides for a quarterly distribution to be made to the Crown based on the available cash at the end of the quarter less cash required for forecast operating costs and capital expenditure over the subsequent six months, and a cash buffer as agreed from time to time by the Crown. Such distributions will be by way of return of capital or dividends.
- 6.2 The Company distributed most of its cash and capital as at 30 June 2015 and will make a final distribution on completion of all operations.

7. **Governance**

7.1 *Board of Directors*

During the period covered by this SOI, the Company will be governed by a board consisting of two directors.

7.2 *Structure*

The Company will not have any staff. Services will be contracted as required.

8. **Key Measurements**

The Company will be self funded from cash retained in the business.

The Company will conclude operations and arrange for winding up of the company during the year.

9. Reporting

9.1 Reporting

The Company's reporting will include:

- (a) an Annual Report;
- (b) an annual statement of intent;
- (c) an annual business plan;
- (d) performance reports as agreed with Shareholding Ministers, but at a minimum, on a quarterly basis;
- (e) ad hoc reports to Ministers of the Crown on issues as requested by Ministers of the Crown; and
- (f) reports to Parliament.

The Company will report on its progress against its financial targets as set out in each statement of intent in the relevant Annual Report. The Company will also comply with its reporting obligations under its constitution, the *Companies Act 1993* and the *Financial Reporting Act 1993*.

The Company will provide any other information within its control as requested by its Shareholding Minister or other Ministers of the Crown, subject to confidentiality requirements.

9.2 Role of Ministers

The Company's Shareholding Ministers will:

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

10. **Consultation**

10.1 The Company will, in relation to any single or connected series of transactions, consult its Shareholding Ministers on substantial matters not contemplated in this SOI or business plan, including:

- (a) Any substantial expansion or change of activities outside the scope of its core activities;
- (b) Capital expenditure above the agreed threshold; and
- (c) The sale or disposal of assets for other than cash consideration.

10.2 Shareholding Ministers will continue to be advised of any other significant transactions, even if they do not meet the thresholds.

11. **Committees**

The Company does not have any board committees.