Canterbury Mortgage Trust

Audited Financial Statements

For the Accounting Period 1 April 2019 to 8 May 2020

Canterbury Mortgage Trust
Group Investment Fund

Contents

The Manager:

Canterbury Fund Managers Ltd (In Liquidation)
C/- BDO Christchurch
287 Durham Street North
Christchurch 8013
PO Box 13229,
Christchurch 8141

Directors of the Manager:

Colin Anthony Gower
Warren Michael Johnstone

The Trustee:

Trustees Executors Limited
Level 9, Spark Central
45 Willis Street
Wellington 6011

Tax Advisor:

PricewaterhouseCoopers
Christchurch

Auditor:

Ernst & Young
Christchurch

Bank:

ANZ Bank New Zealand Limited
Christchurch

Canterbury Mortgage Trust

Approval by Directors

For the Accounting Period 1 April 2019 to 8 May 2020

Authorisation for Issue

The Directors of Canterbury Fund Managers Ltd (In Liquidation), as manager, authorised the issue of these financial statements on 20 July 2020.

Approval by Manager

The Directors of Canterbury Fund Managers Ltd (In Liquidation) present the financial statements of Canterbury Mortgage Trust Group Investment Fund for the period ended 8 May 2020.

Signed for and on behalf of the Manager,
Canterbury Fund Managers Ltd (In Liquidation)

Colin Gower.

Director

Director

Statement of Comprehensive Income

For the Accounting Period 1 April 2019 to 8 May 2020

	Notes	08 May 2020	31 March 2019
Revenue			
Legal Claim Settlement		-	6,250,000
Interest Income from Bank Accounts		295,270	421,154
Other Income		-	9
Total Revenue		295,270	6,671,163
Expenses			
Management Fees	8	402,046	272,107
Trustees Fees	8	13,202	11,441
Trustee- Additional Fees	8	22,913	7,930
Credit Consultancy		36,672	83,724
Legal Fees		12,152	626,799
Loan Review		-	7,360
Accountancy		16,577	7,745
Administration	8	34,939	23,491
Audit Fees		22,052	34,860
Bank Charges		1,928	1,839
		562,481	1,077,296
Bad Debt Expense		-	964,776
Bad Debts Recovered	3	(543,717)	(6,401,830)
Net Movement in Bad Debt Accounts		(543,717)	(5,437,054)
Total Expenses/(Gains) Net of Recoveries		18,764	(4,359,758)
Profit Before Taxation		276,506	11,030,921
Taxation		-	-
Profit and Total Comprehensive Income for the Accounting Period		$276,506	$11,030,921

These statements are to be read in conjunction with the accounting policies and notes on pages 7 - 15

Statement of Comprehensive Income

Statement of Changes in Trust Equity

For the Accounting Period 1 April 2019 to 8 May 2020

	Notes	08 May 2020	31 March 2019
Trust Equity at Start of the Accounting Period		14,793,816	10,501,883
Profit and Total Comprehensive Income for the Accounting Period		276,506	11,030,921
Repayments to Unitholders	5	(15,015,766)	(5,030,000)
PIE Tax Effect	6	(54,556)	(1,708,988)
Trust Equity at End of the Accounting Period	4	$-	$14,793,816

Statement of Changes in Trust Equity

Balance Sheet

As At 8 May 2020

	Notes	08 May 2020	31 March 2019
Trust Equity	4	$-	$14,793,816
Represented by:			
Assets			
Cash and Cash Equivalents		-	444,827
Term Deposits		-	13,243,829
Tax Pool Deposit	3	-	1,594,029
Mortgage Advances	3	-	1,400,000
Management Services Prepayment	8	-	25,000
Total Assets		-	16,707,685
Liabilities			
GST	3	-	1,589,161
Unitholder Redemptions Payable		-	25,697
Trade and Other Payables		-	56,821
PIE Taxation Payable		-	242,190
Total Liabilities		-	1,913,869
Net Assets		$-	$14,793,816

Balance Sheet

These statements are to be read in conjunction with the accounting policies and notes on pages 7 - 15

Statement Of Cash Flows

For the Accounting Period 1 April 2019 to 8 May 2020

	Notes	08 May 2020	31 March 2019
Cash Flows from Operating Activities			
Cash was provided from:			
Interest Received		295,268	421,154
Legal Claim Settlement		-	6,250,000
Other Income		-	9
		295,268	6,671,163
Cash was applied to:			
Payments to Suppliers		(2,183,461)	(385,023)
		(2,183,461)	(385,023)
Net Cash Inflow/(Outflow) from Operating Activities before changes in operating assets		(1,888,193)	6,286,140
Cash was provided from:			
Repayment of Mortgages		1,943,716	5,827,054
		1,943,716	5,827,054
Net Cash Inflow from Operating Activities	7	55,523	12,113,194
Cash Flows from Investing Activities			
Cash was provided from:			
ANZ Term Deposit		13,243,829	-
Tax Pool Deposit		1,594,029	-
		14,837,858	-
Cash was applied to:			
ANZ Term Deposit		-	(4,737,146)
Tax Pool Deposit		-	(978,261)
		-	(5,715,407)
Net Cash Inflow/(Outflow) from Investing Activities		14,837,858	(5,715,407)
Cash Flows from Financing Activities			
Cash was applied to:			
Payments for Redemptions of Units		(15,060,304)	(5,065,910)
PIE Tax Paid		(277,904)	(1,544,336)
		(15,338,208)	(6,610,246)
Net Cash Inflow/(Outflow) from Financing Activities		(15,338,208)	(6,610,246)
Net Increase/(Decrease) in Cash held		(444,827)	(212,459)
Add Opening Cash Brought Forward		444,827	657,286
Ending Cash Carried Forward		$-	$444,827
Represented by:			
Cash and Cash Equivalents		-	444,827
		$-	$444,827

These statements are to be read in conjunction with the accounting policies and notes on pages 7 - 15

Notes to the Financial Statements

For the Accounting Period 1 April 2019 to 8 May 2020

1 STATEMENT OF ACCOUNTING POLICIES

Statement of Compliance

These financial statements have been prepared for Canterbury Mortgage Trust Group Investment Fund ("the Fund") by Canterbury Fund Managers Ltd (In Liquidation) ("the Manager"), on behalf of Trustees Executors Limited ("the Trustee"), in accordance with the Trustee Companies Act 1967, the Financial Reporting Act 2013, the Financial Markets Conduct Act 2013 and the provisions of the Trust Deed.

The Manager acting in its capacity as Manager of the Fund is relying on a class exemption issued by the Financial Markets Authority ("FMA"). The FMA have issued an exemption for funds that are in the process of winding up, from certain provisions of the Financial Markets Conduct Act 2013 ("FMC Act"), requirements that would otherwise need to be complied with. The Financial Markets Conduct (Unit Trusts and Group Investment Funds being Wound Up – Securities Allotted under Securities Act 1978) Exemption Notice 2017 (the "Exemption") has now been enacted and is being relied on by the Manager.

Due to cost and additional compliance requirements, the FMA has recognised that for schemes in active wind up, full compliance with the FMC Act may outweigh the benefits for investors. Accordingly, the Manager and the Fund are exempt from:

- The requirement that the Trust have a governance document that meets the standards prescribed by sections 135(1) and (3); s127(1)(b); and s133(a) of the FMC Act;
- The requirement that the Manager be licensed as a manager as prescribed under s127(1)(c); s133(a); and s388(a) of the FMC Act;
- Sections 164 and 166(1) of the FMC Act, that would otherwise require the manager to have a "statement of investment policy and objectives". As the Fund is being wound up this is not applicable to the Trust and the Manager is exempted;
- The requirement under s218 of the FMC Act that the Manager must ensure that its registers are audited or reviewed in accordance with the FMC Act and regulations;
- Reconciling cash records daily as required under regulation 86(3). Notwithstanding reliance on this exemption, the Funds cash assets will be reconciled on a regular basis; and
- Regulation 87(1), which requires the Custodian of the Trust to engage an auditor in regards to processes relating to the handling of the scheme's assets. There is one mortgage security and cash remaining, with the Manager and Custodian relying on this exemption.

The Fund is domiciled in New Zealand and was established as a Group Investment Fund in accordance with the provisions of its Trust Deed dated 26 June 2001 (as amended).

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand. They comply with the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") as appropriate for profit-oriented entities. For this purpose the Fund has designated itself as profit-orientated.

The financial statements comply with International Financial Reporting Standards ("IFRS").

Principal Activities

The Fund's principal activities were:
- Receiving investments from unitholders; and
- Making advances generally on first mortgage security, general security agreements or specific security agreements.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

On 11 February 2009 the former manager (Fund Managers Canterbury Limited) resolved that the Fund should be wound up and the assets realised to permit the pro rata repayment of capital to unitholders. Since that date, the activities of the Fund have been limited to the management and realisation of loans and the repayment of capital to unitholders. With the wind up process complete as at 08 May 2020, the final repayment to unit holders was made on 29 April 2020 and outstanding liabilities settled by 8 May 2020.

Basis of Preparation

As noted above, on 11 February 2009 the former manager resolved to wind up the Fund and realise the assets. Accordingly, the going concern assumption is no longer appropriate. These financial statements have been prepared on a realisation basis, with all collection activity now ceased and the fund being shut down. In prior years non-performing loans were held at recoverable value after consideration of bad debts, impairment losses and costs of debt recovery as detailed in the loan loss provisioning policy below. Since there was no set date for the Fund wind down, operating expenses were recognised as and when incurred during the wind down process, rather than accruing for cessation costs upfront due to the uncertainty over the value of cessation costs.

The reporting currency is New Zealand Dollars. The accounting policies used in these financial statements are the same as adopted for the year ended 31 March 2019.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring the substance of the underlying transactions or other events is reported.

The financial statements are prepared for the Accounting Period ending 08 May 2020. The comparative shown are for the 12 month period to 31 March 2019.

Use of Estimates and Judgement

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following note:

Note 3 - Mortgage Advances and GST Payable

Estimates and judgements have been applied where advances were outstanding beyond normal contractual terms. The likelihood of the recovery of those advances was assessed by the Trustee and Manager. Any impairment loss was estimated with reference to the probability and timing of recovery, the cost of possible enforcement through security and related costs and sale proceeds.

SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied.

Revenue Recognition

Interest revenue is recognised using the effective interest method. This method allocates interest over the relevant period by applying the effective interest rate to the carrying amount of the financial asset. Legal claim settlements are recognised as revenue when the cash payments are received.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Distributions

In accordance with the Fund's Trust Deed, the Fund fully distributes its distributable income to unitholders. Since the decision to wind up, this has been by way of a pro rata allocation of distributable income to unitholders' individual accounts. Distributable income equals all income after deduction of fees, expenses, taxes and any amount the Trustee and Manager considers prudent to withhold to meet possible loan losses.

The distributions are recognised in the Statement of Changes in Unitholders' Funds (see Note 5).

Application and Redemptions

Applications and redemptions have been suspended since 22 July 2008 and since the decision to wind up the Fund in February 2009, the Fund has made pro rata repayments of capital to unitholders as funds have been realised. At balance date capital repayments of 93.5% of the unitholder balances held at suspension (approximately $234.9m) have been made to all unitholders.

Financial Assets

Financial assets carried on the balance sheet included cash and cash equivalents, trade and other receivables and advances. Financial assets were initially recognised at their fair value plus transaction costs. Fair value was determined by a market valuation based on market interest rates.

Interest income and expense was recognised in accordance with effective interest rate method, while carrying amount of assets and liabilities was then adjusted to net realisable value.

Financial Liabilities

Financial liabilities carried on the balance sheet included trade and other payables, and were measured at amortised cost using the effective interest rate method.

Trust Equity

In accordance with the February 2008 Amendments to NZ IAS 32 and NZ IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation, unitholders' funds are defined as "puttable instruments" and classified as Equity.

Impairment of Assets

At each reporting date the Manager and Trustee review the carrying amounts of the Fund's assets to determine whether there is any indication that those assets have suffered an impairment loss/gain. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss/gain (if any). Impairment losses/gains directly alter the carrying amount of assets and are recognised in the Statement of Comprehensive Income.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current interest rate as all advances are at floating rates.

Impaired assets are any assets where there is significant doubt about the collectability of the amounts owing.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Portfolio Investment Entity Taxation

From 1 October 2007 the Fund elected to be taxed as a Portfolio Investment Entity ("PIE"). As a PIE, the Fund allocates income or losses on a daily basis to each investor and deducts tax from that allocated income at the Prescribed Investor Rate ("PIR") for each investor. The tax that is paid to the Inland Revenue is not shown as income tax in the Statement of Comprehensive Income, rather it is shown as the PIE Tax effect in the Statement of Changes in Unitholders' Funds.

Current Tax

The Fund qualifies as a PIE for tax purposes. Under the PIE regime income is effectively taxed in the hands of the unitholders and therefore the Fund has no income tax expense. Accordingly, no income tax expense is recognised in the Statement of Comprehensive Income.

Under the PIE regime, the Manager attributes the taxable income of the Fund to unitholders in accordance with the proportion of their interest in the Fund. The income is attributed to each unitholder quarterly and taxed at the Unitholder's PIR which is capped at 28%.

Goods and Services Tax

The Fund is registered for GST and has filed a Business to Business (B2B) GST election with Inland Revenue. This entitles the Fund to reclaim a significant portion of the GST on its expenses. The Fund returns GST in relation to income received while in possession of properties and also where a property is sold by way of a mortgagee sale on behalf of GST registered mortgagors.

Statement of Cash Flows

The Statement of Cash Flows has been prepared using the direct method.

Operating activities: are the principal revenue producing activities of the Fund and other activities that are not investing or financing activities.

Investing activities: are the acquisition and disposal of long term assets.

Financing activities: are activities that result in changes in the size and composition of the contributed equity of the Fund.

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments or other short term highly liquid investments, net of outstanding bank overdrafts.

Term deposits, which have maturities greater than 90 days, are classified as Investment activity and excluded from total cash and cash equivalents.

STANDARDS AND INTERPRETATIONS ON ISSUE NOT YET ADOPTED

At the date of authorisation of the financial statements, a number of Standards and Interpretations were on issue but not yet effective. We are not aware of any standards on issue but not yet effective which would materially impact the amounts recognised or disclosed in these financial statements.

2 EVENTS SUBSEQUENT TO BALANCE DATE

The cost of the final shut down and deregistration is being undertaken by the Manager on a fixed fee basis, that was invoiced prior to balance date and is therefore reflected in this result. There are no other material subsequent events that would require adjustment to or disclosure in the financial statements.

3 MORTGAGE ADVANCES

The remaining matters relating to the loan securities were resolved during the current reporting period and no further recovery action is being undertaken.

The sale of the one security property remaining at 31 March 2019, an earthquake damaged building in central Christchurch which was the subject of on-going litigation, was settled in August 2019. In November 2019 the dispute with the IRD over the treatment of GST on insurance proceeds was settled. Litigation relating to the lease of the property was resolved, with the lessee having its application for leave to appeal to the Supreme Court rejected. Further sundry matters relating to this litigation were settled in April 2020 clearing the way for the final shut down of the Fund. The net recovery in excess of the amount anticipated at 31 March 2019 is reflected as bad debts recovered in the Statement of Comprehensive Income.

4 TRUST EQUITY

	08 May 2020	31 March 2020	31 March 2019
Unitholders Funds (Note 5)	-	7,389,168	14,764,881
Accumulated Undistributed Income (Note 6)	-	276,021	28,935
	$-	$7,665,189	$14,793,816

5 UNITHOLDERS' FUNDS

	08 May 2020	31 March 2020	31 March 2019
Opening Balance	7,389,168	14,764,881	12,141,188
Less Repayments to Unitholders	(7,475,766)	(7,540,000)	(5,030,000)
PIE Income Allocated to Unitholders	105,441	200,001	9,362,681
Less PIE Tax (Payable to) the IRD	(18,842)	(35,714)	(1,708,988)
Income Applied to Investors (Net of PIE Tax)	86,598	164,287	7,653,693
Closing Balance	$-	$7,389,168	$14,764,881

Units were issued at $1 per unit. Unitholders' funds were invested for no fixed term. As described in Note 1 redemptions were suspended from 22 July 2008. The former manager resolved on 11 February 2009 to wind up the Fund. All units had equal rights in any surplus on winding up. During the reporting period the Fund made an interim payment to Unitholders in December 2019 and a final repayment in April 2020, bringing average repayment to unit holders to 93.5 cents of each dollar held at the time the decision to wind up was made (31 March 2020: 90.5 cents and 31 March 2019: 87.5 cents).

5 UNITHOLDERS' FUNDS (continued)

Fund Value as at 11 February 2009			251,400,936	
Repayments to Unitholders:	Year ended 31 March 2010	163,355,222		
	Year ended 31 March 2011	33,944,706		
	Year ended 31 March 2012	5,030,002		
	Year ended 31 March 2013	6,280,020		
	Year ended 31 March 2018	6,280,288		
	Year ended 31 March 2019	5,030,000		
	17 December 2019	7,540,000		
	29 April 2020 Final Repayment	7,475,765		
Total Repaid			234,936,003	93.5%

6 ACCUMULATED UNDISTRIBUTED INCOME

	08 May 2020	31 March 2020	31 March 2019
Income/ (Loss) Attributable to Unitholders	(170,581)	447,087	11,030,921
PIE (Income) applied to Unitholders	(105,440)	(200,001)	(9,362,681)
Increase/ (Decrease) in Undistributed Income	(276,021)	247,086	1,668,240
Opening Balance	276,021	28,935	(1,639,305)
Total Accumulated Undistributed Income at the Accounting Period End	$-	$276,021	$28,935
PIE Tax Effect Allocated on PIE Income	18,842	35,714	1,708,988

The PIE Tax Effect has been calculated at the individual unitholder's PIR (Prescribed Investor Rate).

7 RECONCILIATION OF NET PROFIT WITH NET CASH FLOW FROM OPERATIONS

	08 May 2020	31 March 2019
Profit After Tax	276,506	11,030,921
Plus		
Increase from Net Repayment of Mortgages	1,943,716	5,827,053
Increase in Bad Debt Write Off	(543,716)	(5,437,053)
	1,676,506	11,420,921
(Decreases)/Increases in Working Capital Items:		
Trade, Other Payables and GST	(1,620,983)	692,273
Net Movements in Working Capital	(1,620,983)	692,273
Net Cash Flow from Operating Activities	$55,523	$12,113,194

8 RELATED PARTIES

The related parties are Trustees Executors Limited, who provide trustee services to the Fund, and Canterbury Fund Managers Ltd (In Liquidation) who provide management services to the Fund.

Trustee fees were defined by the Prospectus and subsequently agreed between the parties at 0.1% (2019: 0.1%) on Investments up to $50 million and 0.08% (2019: 0.08%) on Investments exceeding $50 million. Plus time and cost during the wind up for matters outside the scope of the original trustee agreement.

Management Fees paid to Canterbury Fund Managers Ltd (In Liquidation) were negotiated on its appointment, in September 2013, to be reimbursement for actual expenditure incurred in undertaking the role of manager.

The following transactions occurred during the period under review in regard to parties directly related to the Fund.

	08 May 2020	31 March 2019
Trustees Executors Limited - Fees and Costs		
Trustee Fees	13,202	11,441
Additional Fees	22,913	7,930
	$36,115	$19,371
Canterbury Fund Managers Ltd (In Liquidation) - Management Fees		
BDO Management Fees	100,578	116,548
Wages and Consultants Fees	184,327	128,382
Other Operating Expenses	117,141	27,177
	$402,046	272,107
Total Trustee and Managers Fees	$438,160	$291,478
Administration		
Fund Manager Software Service Charge	16,129	16,625
FMA registration fees and related costs	18,810	6,866
	$34,939	$23,491
Amounts Payable to Related Parties at Period End:		
Canterbury Fund Managers Ltd (In Liquidation)	-	21,706
Trustees Executors Limited	-	4,673

Amounts payable are unsecured and repayable at normal trade terms.

The personal client services division of Trustees Executors Limited invested in the Fund on behalf of its retail trust clients, holding $193,070 immediately prior to the full repayment on 29 April (31 March 2019: $410,871).

Amounts receivable from related parties at period end:

Canterbury Fund Managers Ltd (In Liquidation)	$-	$ 25,000

On appointment, Canterbury Fund Managers Ltd (In Liquidation) received an unsecured operating advance of $25,000, which was separately disclosed in the Balance Sheet. This advance provided the Manager with an operating fund, allowing the payment of expenses incurred in managing the Fund as they fell due, was agreed to by the Trustee and has now been repaid.

9 FINANCIAL INSTRUMENTS

a. Financial Risk Management Policies

Credit Risk

Credit risk is the risk that a counterparty will default on its obligation resulting in a financial loss to the Fund. Prior to the decision to wind up all prospective mortgagors were subject to lending criteria established by the former manager. These included maximum loan security value ratios, a demonstrated debt servicing ability and all advances are secured by first mortgage and/or general security agreement or specific security agreement. Approvals were by management, or by the board of directors of the former manager.

For the period since the commencement of the wind up the Fund has had a credit risk on outstanding advances. The Fund's policy with regard to outstanding advances was that all expired loans were required to be repaid. The Fund, with the assistance of a third party credit consultant, has worked to have the loans repaid or recover the outstanding amounts by realising securities held against the loans, with the Trustee monitoring the progress on an ongoing basis. The Fund is now being shut down with all collection activity ceased and unitholders repaid to an average of 93.5 cents in the dollar of funds held at the commencement of the wind up.

At balance date the maximum credit exposure (net of provisions and write-offs) of the Fund is $ Nil (31 March 2019: $16,707,685).

Liquidity Risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds at short notice to meet its commitments and arises from the mismatch of the maturity of monetary assets and liabilities, and unitholder funds. All collection activity has now ceased and the Fund has disbursed the residual funds, the final shut down will be completed with the presentation of these financial statements.

Management monitored the risk as follows:

- With the Fund being wound down, funds were returned to unitholders only when sufficient reserves have been accumulated to make a repayment of capital.
- Expenses incurred protecting or realising the Fund's position on advances are paid as they fall due.
- All mortgages had expired and been called up. The Fund worked to realise its investment in the most efficient manner.

The Fund monitored its liquidity position on an ongoing basis and maintained deposits at call which, together with funds received from mortgage repayments, enabled the Fund to meet its commitments as they fell due.

To meet both expected and unexpected fluctuations in operating cash flows, the Fund maintained a stock of liquid investments. As a result of the Fund's resolution to wind up the Fund, the level of funds held to cover operating cash flows was set to levels proportionate to the risk.

The remaining advance was significantly impaired and set as non-accruing. Interest rates on bank call and term deposit accounts are within the range of .25% to 4.0%. Interest rates could be reset daily for call accounts or on maturity of the term deposit.

While all financial assets/liabilities, other than term deposits, were ultimately at call the ability to liquidate a financial asset to repay unitholders was ultimately constrained by the timeliness to realise the asset. It was not possible to predict with any certainty when the remaining mortgage advances would be repaid.

9 FINANCIAL INSTRUMENTS (continued)

Capital Management

The Fund has no externally imposed capital requirements other than those set out in the Trust Deed dated 26 June 2001 (as amended) and Investment guidelines. However, since the decision was taken to wind up the Fund, the focus has been on maximising loan recoveries. All surplus funds have now been repaid to unitholders.

b. Quantitative Risk Exposure Disclosures

Concentration of Funding

	08 May 2020	31 March 2020
Canterbury Region	-	9,291,587
Other South Island Regions	-	2,254,208
North Island Regions	-	2,978,611
Offshore	-	240,475
	$-	$14,764,881

Funding was primarily from unitholders in the Canterbury region of New Zealand and excludes undistributed income as detailed in Note 6. Refer to Note 5 for details on movements in the balance.

Sensitivity Analysis

The Fund had been focused solely on the recovery of the remaining loan, which was significantly in arrears with no principle or interest payments being made by the borrower. It was not considered relevant or practical to calculate the Fund's sensitivity to changes in interest rates. The overall recovery of the loan was more sensitive to the property market and the outcome of the insurance claim, as these factors directly determined the Fund's overall recovery on the remaining loan.

10 ASSET QUALITY

Impaired Assets

	08 May 2020	31 March 2019
Opening Impaired Assets	1,400,000	1,790,000
New Impaired Assets	-	-
Net Bad Debt Reversal/ (Expense)	-	6,401,830
Impaired Assets Repaid/Written Off	(1,400,000)	(6,791,830)
Closing Impaired Assets	$-	$1,400,000

The impaired assets included the total amounts owing by the borrowers who are in arrears, not just the past due portion. The recorded amounts were net of write-downs for previously identified impairments.

Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF CANTERBURY MORTGAGE TRUST GROUP INVESTMENT FUND

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Canterbury Mortgage Trust Group Investment Fund ("the Fund") on pages 4 to 15, which comprise the balance sheet of the Fund as at 8 May 2020, and the statement of comprehensive income, statement of changes in trust equity and statement of cash flows for the period then ended of the Fund, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 4 to 15 present fairly, in all material respects, the financial position of the Fund as at 8 May 2020 and its financial performance and cash flows for the period then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the Fund's Unitholders, as a body. Our audit has been undertaken so that we might state to the Fund's Unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's Unitholders, as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Fund in accordance with Professional and Ethical Standard 1 (revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other than in our capacity as auditor we have no relationship with, or interest in, the Fund.

Emphasis of matter - Basis of preparation of the financial statements

The financial statements have been prepared on a realisation basis as described in Note 1. This basis differs from the normal convention in that financial statements are usually prepared on the basis that the Fund will carry on business as a going concern. The Fund completed its wind up as at 8 May 2020, the final repayment to unit holders was made on 29 April 2020 and outstanding liabilities settled. Our opinion is not qualified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Capital distributions to unit holders

Why significant	How our audit addressed the key audit matter
▶ As disclosed in note 5 of the financial statements, unitholder redemption was suspended from 22 July 2008 since the Fund resolved to be wound up. As part of the wind-up process distributions were made to unitholders of their share of funds available for distribution. ▶ The distributions during the period were material and include the final distribution before the fund was liquidated.	Our audit procedures included: ▶ On a sample basis obtained support for unitholdings transferred during the period. ▶ Recalculated each unitholder's percentage of the fund holding based on their unitholding. ▶ Performed a comparison between top unitholders in the current year compared to prior year. ▶ On a sample basis, agreed unitholder bank details to support, agreed capital distribution amounts to bank statement and compared current year bank account details to prior year. ▶ Agreed total capital distributions to bank statement.

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Audit Report

Information other than the financial statements and auditor's report

The Manager of the Fund is responsible for the annual report, which includes information other than the financial statements and auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Manager's responsibilities for the financial statements

The Manager is responsible, on behalf of the entity, for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing on behalf of the Fund the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities 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 conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (New Zealand), the auditor exercises professional judgement and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's 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.

- Obtains 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 entities internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concludes on the appropriateness of management's use of the going concern basis of accounting. When such use is inappropriate and management uses an alternative basis of accounting, we conclude on the appropriateness of management's use of the alternative basis of accounting. We also evaluate the adequacy of the disclosures describing the alternative basis of accounting and reasons for its use. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

- Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

The engagement partner on the audit resulting in this independent auditor's report is John Hodge.

Ernst + Young

Chartered Accountants
Christchurch
20 July 2020

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