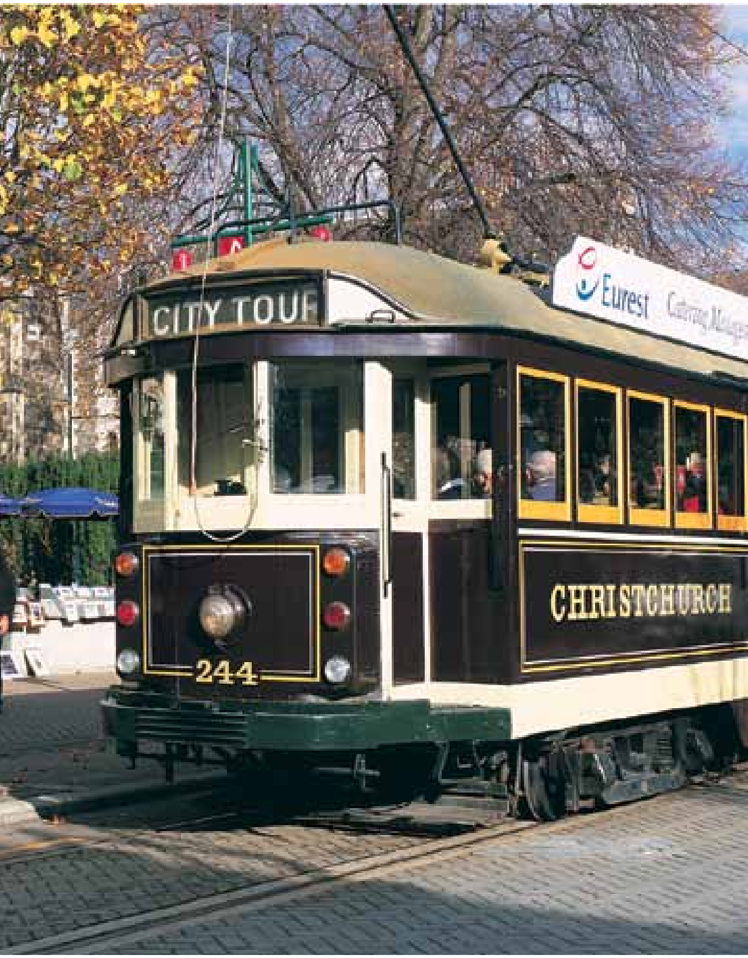
Canterbury Mortgage Trust

Annual Report 2010



Canterbury Mortgage Trust
Group Investment Fund

Audited Financial Statements For The Year Ended
31 March 2010

Contents

The Manager:

Fund Managers Canterbury Limited
Level 2, 161 Kilmore Street
Christchurch
Phone (03) 377 5201
Fax (03) 377 5207
PO Box 13229

Directors of the Manager:

Alan William Prescott *LLB*
Alexander Donald McBeath *LLB* (Chairman)
Geoffrey Read Thomas *LLB*
Paul Ernest McEwan
Andrew Hendra Young MA(Hons) LLB (Resigned 3 June 2009)

The Trustee:

Trustees Executors Limited
Level 5
10 Customhouse Quay
Wellington

Tax Advisor:

PricewaterhouseCoopers
Christchurch

Auditor:

Deloitte
Christchurch

Bank:

ANZ National Bank Limited
Christchurch

Canterbury Mortgage Trust

Chairman's Review

With the Canterbury Mortgage Trust Fund (the Fund) being progressively wound up and investors receiving repayments of their capital, this review largely reports on the progress of the winding-up and also comments on the prospects and timing of further repayments.

As investors will recall, the decision to wind up the Fund was made on 11 February 2009 by the Manager in consultation with the Trustee. This was after a large number of requests from investors for repayment exceeded the Fund's ability to make the repayments. Being a first-mortgage trust the Fund had invested in mortgages and, while the Fund was compliant in terms of cash liquidity, the volume of repayment requests exceeded both the cash available and forward mortgage repayment expectations.

From the date of winding-up until 31 March 2010, investors in the Fund have been repaid 65c in the dollar (65%) of their capital investment, with further repayments on 1 April and 1 July 2010 bringing the total to 71.5c.

To date, the capital repayments have been largely achieved by realising the loans in the Fund's loan book. An experienced loans recovery specialist has been contracted for this purpose and each loan is individually assessed to ensure the right action is taken to have it repaid.

An important issue is the difficulty in refinancing that a number of borrowers are having in the current financial climate. When loans are overdue but not otherwise in default, we have been prepared, in appropriate circumstances to consider deferring calling for immediate repayment and steps are taken to improve our position where possible.

When recovery action is taken as the result of loan default, we carefully weigh up whether greater benefits to investors will occur through an early sale or through deferring sale until the property market improves.

In some cases, investigations have revealed good grounds for legal action against other parties. A very firm approach in this area has resulted in satisfactory settlements being made on behalf of investors.

Occasionally there is comment the Manager ought to be more forthcoming in providing details of loan defaults and any legal action being taken to recover investors' money. We are however strongly advised by our loan recovery team that publicity could jeopardise their efforts in obtaining maximum recovery in individual cases.

Financial statements

When an entity is being wound-up, it is no longer in business. This means its financial statements change from showing the entity as a going concern, to showing how it is progressively realising its assets. In addition, as the assets are realised, the various financial ratios that formerly governed the operation of the Fund as a going concern are unable to be achieved.

Another feature of a winding-up involving loan losses is that there may be taxation benefits available to investors, depending on the Inland Revenue Department's view of how these losses ought to be treated.

The financial statements show the Fund being significantly reduced in

Chairmans Report

size, with net assets falling from $221 million as at 31 March 2009 to $61.57 million at 31 March 2010 as a result of loan realisations and capital repayments. However a reasonable level of interest income, $6.79 million, was received during the year from performing loans ($21.42 million in the previous year)

Fund Management

The Fund's reduction in size resulted in the Manager taking steps to reduce its involvement. The management fee of 1.5% in 2009 was reduced to 1% and as a result the total fee paid was $1.05 million compared with $3.83 million in the previous year. For the current year, the Manager is currently in negotiation with the Trustee. This will again reflect the reducing size of the Fund whilst maintaining the loan recovery work that is needed to produce the most effective outcome.

Outlook for 2011

We hope to be able to make a further repayment on 1 October 2010, possibly of 2.5 cents, which would bring the total repayment so far to 74.0c in the dollar or 74.0%. This capital repayment and subsequent capital repayments are of course dependent on progress with further loan recoveries.

The Fund is approaching the three-quarter mark in making capital repayments and this means the harder part of the loan recovery is underway with the remaining borrowers in default.

The slower than expected recovery in the property market remains a concern, particularly when some property assets are being held by the Fund pending an expected improvement in the market. Providing there is an improvement over the next 12 to 24 months, the directors remain optimistic of an overall improvement in the Fund's position and the Manager and the Trustee remain committed to doing all that is possible to achieve the most optimal outcome for investors

A D McBeath
Chairman

Approval by Directors

Canterbury Mortgage Trust

Approval by Directors

For the Year Ended 31 March 2010

Authorisation for Issue

The Directors of Fund Managers Canterbury Limited (as manager) and the Directors of Trustees Executors Limited (as trustee) authorised the issue of these financial statements on 31 August 2010.

Approval by Trustee and Manager

The Directors of Fund Managers Canterbury Limited and the Directors of Trustees Executors Limited are pleased to present the financial statements of Canterbury Mortgage Trust Group Investment Fund for the year ended 31 March 2010.

Signed for and on behalf of the Manager,
Fund Managers Canterbury Limited

Director
Fund Managers Canterbury Limited

Director
Fund Managers Canterbury Limited

Signed for and on behalf of the Trustee,
Trustees Executors Limited

Director
Trustees Executors Limited

Director
Trustees Executors Limited

Statement of Comprehensive Income
For the Year Ended 31 March 2010

	Notes	31 March 2010	31 March 2009
Revenue			
Mortgage interest income		6,792,283	21,421,839
Interest income from bank accounts		636,008	3,955,207
Other income		-	-
Total Revenue from financial assets at amortised cost.		7,428,291	25,377,046
Expenses			
Management fees	9	1,051,288	3,838,460
Trustees fees	9	152,351	240,765
Accountancy		65,605	21,804
Administration		45,502	120,593
Audit fees		146,171	137,186
(Reduction)/Increase in Provision for Impairment	6	(32,443,529)	46,786,673
Provision Recovered		(407,745)	-
Bad Debt write off		33,887,022	1,219,443
Bank charges		6,848	5,701
Total Expenses		2,503,513	52,370,625
Net Profit/(Loss) Before Taxation		4,924,778	(26,993,579)
Taxation	3	-	-
Comprehensive Income/(Deficit) for the Year		$4,924,778	$(26,993,579)

These statements are to be read in conjunction with the accounting notes and policies on page 9-23

Statement of Changes in Unitholders Funds
For the Year Ended 31 March 2010

	Notes	31 March 2010	31 March 2009
Unitholders' Funds at Start of Period		221,083,144	266,217,653
Comprehensive Income/(Deficit) for the Year		4,924,778	(26,993,579)
Total Recognised Income and Expenses for the Period		4,924,778	(26,993,579)
Net (Redemptions) / Contributions by Unitholders	5	(163,420,542)	(14,847,827)
PIE tax effect	7	(1,012,166)	7,495,585
Distributions to Unitholders	7	-	(10,788,688)
Net (Distribution) / Loss to Unitholders		(1,012,166)	(3,293,103)
Unitholders' Funds at End of Period	4	$61,575,214	$221,083,144

Balance Sheet

Balance Sheet
As At 31 March 2010

	Notes	31 March 2010	31 March 2009
Trust Equity	4	$61,575,214	$221,083,144
Represented by:			
Assets			
Cash and Cash Equivalents		10,733,230	118,042,804
Advances	2	50,583,120	142,969,670
Provision for impairment	6	(4,000,000)	(44,446,000)
Net Advances		46,583,120	98,523,670
GST		53,983	-
Deferred Taxation	3	152,113	170,842
Distribution Taxation Refundable		4,413,247	5,407,606
Total Assets		61,935,693	222,144,922
Liabilities			
Redemptions payable		113,529	-
Trade and other payables		246,950	1,050,667
GST		-	11,111
Total Liabilities		360,479	1,061,778
Net Assets		$61,575,214	$221,083,144

These statements are to be read in conjunction with the accounting notes and policies on page 9-23

	Notes	31 March 2010	31 March 2009
Cashflows from Operating Activities			
Cash was provided from:			
Interest received		10,676,421	22,511,024
Other income		315	638
		10,676,736	22,511,662
Cash was applied to:			
Interest paid		-	-
Payments to suppliers		(2,336,893)	(3,104,407)
Taxation Paid		-	112,255
		(2,336,893)	(2,992,152)
Net Cash Inflow from Operating Activities before changes in operating assets		8,339,843	19,519,510
Cash was provided from:			
Repayment of mortgages		50,170,227	120,191,903
		50,170,227	120,191,903
Cash was applied to:			
Mortgage advances made		(2,513,553)	(8,140,616)
		(2,513,553)	(8,140,616)
Net Cash Inflow / (Outflow) from Operating Activities	8	55,996,517	131,570,797
Cash Flows from Investing Activities		-	-
Cash Flows from Financing Activities			
Cash was provided from:			
Receipts from Issue of Units		-	3,043,835
Receipts from Return of Redemptions		113,529	-
		113,529	3,043,835
Cash was applied to:			
Distributions Paid		-	(11,249,142)
Payments for Redemptions of Units		(163,419,620)	(20,925,874)
		(163,419,620)	(32,175,016)
Net Cash (Outflow) / Inflow from Financing Activities		(163,306,091)	(29,131,181)
Net (Decrease) / Increase in Cash held		(107,309,574)	102,439,616
Add Opening cash brought forward		118,042,804	15,603,188
Ending cash carried forward		$10,733,230	$118,042,804
Represented by:			
Cash		10,733,230	118,042,804
		$10,733,230	$118,042,804

These statements are to be read in conjunction with the accounting notes and policies on page 9-23

1. STATEMENT OF ACCOUNTING POLICIES

Statement of Compliance

These financial statements have been prepared for Canterbury Mortgage Trust Group Investment Fund (the Fund) by Fund Managers Canterbury Limited (the Manager), on behalf of Trustees Executors Limited (the Trustee), in accordance with the Trustee Companies Act 1967, the Financial Reporting Act 1993 and the provisions of the Trust Deed.

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.

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 deposits for investments from unitholders; and
- Making advances generally on first mortgage security, general security agreements or specific security agreements.

On 11 February 2009 the Manager 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 unitholders.

Basis of Preparation

As noted above, on 11 February 2009 the Manager of the Fund resolved to wind-up the Fund and realise the assets of the Fund. Accordingly, the going concern assumption is no longer appropriate. These financial statements have been prepared on a realisation basis. Performing loans continue to be held at amortised cost which approximates realisation value. Non-performing loans are held at realisation value after consideration of bad debts, impairment losses and costs of debt recovery as detailed in the loan loss provisioning policy below.

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 2009.

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 are reported.

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 notes:

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Note 6 - Provision for Impairment

Note 10 - Financial Instruments

Note 12 - Asset Quality

Estimates and judgements have been applied where advances are outstanding beyond normal contractual terms. The likelihood of the recovery of these advances is assessed by the Manager. Any impairment loss is 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.

Distributions

In accordance with the Fund's Trust Deed, the Fund fully distributes its distributable income to unitholders by way of cash or reinvestment into the Fund. Distributable income equals all income after deduction of fees, expenses, taxes and any amount the Manager considers prudent to withhold to meet possible loan losses.

Distributions to unitholders comprise the income of the Fund to which the unitholders are presently entitled. The distributions are payable on a quarterly basis at the end of June, September, December and March.

The distributions are recognised in the Statement of Changes in Unitholders Funds.

Application and Redemptions

Applications received for units in the Fund are recorded net of any entry fees payable to the Fund's Manager. Redemptions from the Fund are recorded gross of any exit fees payable to the Fund's Manager.

The application and redemption prices are determined as the net asset value of the Fund adjusted for the estimated transaction costs, divided by the number of units on issue on the date of the application or redemption.

Applications and redemptions have been suspended since 22 July 2008.

Financial Assets

Financial assets are classified into the following specified categories: "fair value through profit & loss", "available for sale", "held to maturity" and "loans and receivables". The classification depends on the nature and purpose of the financial assets as determined at the time of initial recognition.

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

Advances, trade and other receivables and other financial assets are classified as "loans and receivables".

Advances are recorded at amortised cost using the effective interest rate method less any impairment except where the advance is no longer being operated

1. STATEMENT OF ACCOUNTING POLICIES (continued)

within the loan terms. Non-performing advances are recorded at their estimated realisation value after consideration of impairment losses and costs of debt recovery as detailed in the impairment of assets policy below.

Trade and other receivables and other financial assets are recorded at amortised cost using the effective interest rate method less any impairment.

Financial Liabilities

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

Trust Equity

In accordance with the February 2008 Amendments to NZ IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation, unitholders funds are defined as "puttable instruments" and classified as Equity. These amendments apply to annual periods beginning on or after 1 January 2009. However, the Fund early adopted these amendments during the period ended 31 March 2008.

Derivative Financial Instruments

The Fund has not entered into any derivative financial instruments.

Impairment of Assets

At each reporting date, the Manager reviews the carrying amounts of the Fund's assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement.

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.

Impairment losses on an individual basis are determined by an evaluation of the exposures on an advance by advance basis. A specific provision for impaired advances is created when recovery of principal and/or interest is not considered fully collectable in accordance with the terms of the loan contract. The collective impairment provision has been determined by the Manager after assessing the remaining advances according to their credit risk characteristics and considering objective evidence of impairment events. The provision is used to reduce the carrying amount of advances when the actual loss is realised. In undertaking this assessment advances are assessed as follows:

a. Past Due Assets

Advances where interest and/or principal are in arrears and they have not been operated by the borrower within their key terms, which are not impaired assets. This is primarily triggered when a payment is more than 14 days overdue, and applies from the due date of the instalment.

b. Impaired assets

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

1. STATEMENT OF ACCOUNTING POLICIES (continued)

c. Restructured assets

Restructured assets are those where the original terms have been changed due to the borrowers' difficulty in complying.

The loans are to be repaid over a longer period of time than specified in the original agreement.

Income Tax

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 for each investor. The tax that is paid to the Inland Revenue is not shown as income tax in the income statement, rather it is part of the distribution to unitholders.

Current Tax

Under the Portfolio Investment Entity regime the Fund is no longer liable for current tax. Current tax is now payable by or receivable to the unitholder based on the taxable income or loss attributed to that unitholder. This is taxed at their prescribed investor rate using tax rates and tax laws that have been enacted or substantively enacted by reporting date.

Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

Deferred tax is calculated by reference to the total amount of income tax recoverable in respect of the Formation Losses of the Fund. This represents a tax credit receivable by the unitholders upon realisation of those Formation Losses. The Formation Losses relate to the Provision for Impairment at the date of transition to a Portfolio Investment Entity. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date.

Goods and Services Tax

The Fund is registered for GST for the purpose of returning GST in relation to income received while in possession of properties or where a property is sold by way of a mortgagee sale on behalf of GST registered mortgagors.

All other transactions have been recorded inclusive of GST.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2010

Notes

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the presentation and disclosures presently made in relation to the Fund's financial report:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Omnibus Amendments (2009)	1-Jul-09	31-Mar-11
Improvements to New Zealand Equivalents to International Financial Reporting Standards 2009	*	31-Mar-11
NZ IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'	1-Jul-10	31-Mar-12
Amendments to NZ IAS 24 'Related Party Disclosures'	1-Jan-11	31-Mar-12

* The effective date and transitional provisions vary by Standard. Most of the improvements are effective for annual periods beginning on or after 1 January 2010, with earlier adoption permitted

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the Fund:

Standard/ Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
NZ IFRIC 17 'Distributions of Non-Cash Assets to Owners'	1-Jul-09	31-Mar-11
NZ IFRIC 18 'Transfers of Assets from Customers'	1-Jul-09	31-Mar-11
NZ IFRS 3 'Business Combinations' – revised 2008	1-Jul-09	31-Mar-11
NZ IAS 27 'Consolidated and Separate Financial Statements' – revised 2008	1-Jul-09	31-Mar-11
Amendments to NZ IAS 39 'Financial Instruments: Recognition and Measurement' – Eligible Hedged Items	1-Jul-09	31-Mar-11
Amendments to NZ IFRS 2 'Share-Based Payment' – Group Cash-Settled Share-Based Payment Transactions	1-Jan-10	31-Mar-11
Amendment to NZ IAS 32 'Financial Instruments: Presentation' – Classification of Rights Issues	1-Feb-10	31-Mar-11
Amendments to NZ IFRIC 14 'Prepayments of a Minimum Funding Requirement'	1-Jan-11	31-Mar-12
Improvements to New Zealand Equivalents to International Financial Reporting Standards 2010		
- Improvements to NZ IFRS 3 and NZ IAS 27	1-Jul-10	31-Mar-12
- Improvements to other standards	1-Jan-11	31-Mar-12
NZ IFRS 9 'Financial Instruments'	1-Jan-13	31-Mar-14

2. ADVANCES

		31 March 2010	31 March 2009
Mortgage advances by loan type:			
- Commercial		13,453,802	57,696,553
- Home - owner occupied		3,876,315	7,789,407
- Residential Investment Properties		27,350,924	64,616,215
- Rural		5,902,079	12,867,495
Closing balance		$50,583,120	$142,969,670
Mortgage advances by geographical region:			
Canterbury Region		17,659,859	62,417,874
Other South Island Regions		17,452,391	44,965,852
North Island Regions		15,470,870	35,585,944
Closing balance		$50,583,120	$142,969,670
Mortgage advances by nature of underlying security:			
COMMERCIAL	Bare Land	1,388,615	-
	Development	575,963	-
	Investment	7,804,120	45,931,748
	Owner Occupied	3,685,104	11,764,805
RURAL	Crop/Horticulture	274,230	452,601
	Other	-	204,748
	Sheep	1,465,588	1,944,458
	Viticulture	4,121,845	10,013,735
	Bare Land	40,416	251,953
HOUSING - Owner Occupied	Cross Lease	36,085	159,771
	Standard Homes	3,840,230	7,053,645
	Subdivision	-	575,991
RESIDENTIAL	Apartments	12,387,471	25,763,227
	Bare Land	4,475,382	19,711,152
	Development	9,467,908	12,557,625
	Standard Homes	1,020,163	6,584,211
		$50,583,120	$142,969,670

3. TAXATION

a) TAXATION EXPENSE

	31 March 2010	**31 March** 2009
Profit/(Loss) Before Income Taxation	4,924,778	(26,993,579)
Distributable to Unitholders	(4,924,778)	26,993,579
Taxation Expense	$-	$-
Taxation Expenses comprises:		
Current Taxation Expense	-	(554,096)
Deferred Taxation benefit of impairment provision	-	554,096
	$-	$-

3. TAXATION (continued)

b) DEFERRED TAX

	31 March 2010	31 March 2009
Opening balance	170,842	767,798
Movements Through Statement of Unitholders Funds	(18,729)	(42,860)
Movements Through the Income Statement of Comprehensive Income	-	(554,096)
Deferred Taxation Movements	(18,729)	(596,956)
Closing balance	$152,113	$170,842

Deferred Tax relates solely to the tax benefit of the Formation Losses of the Fund. This represents a tax credit receivable by the unitholders upon realisation of those Formation Losses. The Formation Losses relate to the Provision for Impairment at date of transition to a Portfolio Investment Entity. The date of transition was 1 October 2007 and the Provision for Impairment at that date amounted to $880,248, the balance at 31 March 2010 after utilisation of losses during the year is $152,113.

4. TRUST EQUITY

	31 March 2010	31 March 2009
Unitholders Funds (Note 5)	61,575,347	221,083,197
Accumulated (Over distributed) / Undistributed Income (Note 7)	(133)	(53)
	$61,575,214	$221,083,144

5. UNITHOLDERS FUNDS

	31 March 2010	31 March 2009
Applications from Unitholders	-	3,043,835
Redemptions to Unitholders	(163,420,542)	(20,925,874)
Distributions reinvested	-	3,034,212
	(163,420,542)	(14,847,827)
Profit/(Losses) applied to investors (Net of PIE Tax)	3,912,692	(30,286,685)
Opening balance	221,083,197	266,217,709
Closing balance	$61,575,347	$221,083,197

Units were issued at $1 per unit. Unitholders funds are for no fixed term. As described in Note 1 redemptions were suspended from 22 July 2008. The Manager resolved on 11 February 2009 to wind up the Fund. All units have equal rights in any surplus on winding up. To balance date, 31 March 2010, the Fund had repaid Unitholders 65 cents of each dollar held in March 2009, prior to any allocation of loss. On 1 April 2010 4 cents was paid and on 1 July 2010 a further 2.5 cents was paid, to bring the total repaid to 71.5 cents.

6. PROVISION FOR IMPAIRMENT

	31 March 2010 Collective	31 March 2010 Specific	31 March 2010 Total	31 March 2009 Collective	31 March 2009 Specific	31 March 2009 Total
Opening balance	5,000,000	39,446,000	44,446,000	559,327	2,000,000	2,559,327
Increase in impairment	-	1,876,000	1,876,000	4,440,673	42,346,000	46,786,673
Reduction in impairment	(1,000,000)	(33,319,529)	(34,319,529)	-	-	-
Net (Reduction)/Increase in Impairment	(1,000,000)	(31,443,529)	(32,443,529)	5,000,000	44,346,000	49,346,000
Provision utilised	-	(8,002,471)	(8,002,471)	-	(4,900,000)	(4,900,000)
Closing balance	$4,000,000	-	$4,000,000	$5,000,000	$39,446,000	$44,446,000

In arriving at the specific provision for 2009 the Manager determined the specific provision with reference to known impaired advances as at balance date and the present value of the likely recoverable amount. In completing that assessment independent external credit consultants were engaged to complete a loan-by-loan review of the entire advances portfolio. In March 2010 this process was once again considered in relation to each impaired loan and the Manager reached the conclusion that events had developed to the point where the specific provisions should be considered to be bad debts and written off. The Manager is still pursuing all and any avenues for repayment but acknowledges that collection beyond the written down value is unlikely.

The collective impairment provision has been determined by the Manager, with input from independent external credit consultants after assessing the remaining advances according to their credit risk characteristics and considering objective evidence of impairment events. ”

7. ACCUMULATED UNDISTRIBUTED/(OVER DISTRIBUTED) INCOME

	31 March 2010	31 March 2009
Profit /(Loss) Attributable to Unitholders	4,924,778	(26,993,579)
Distributions to Unitholders	-	(10,788,688)
(Decrease)/Increase in Undistributed Income	4,924,778	(37,782,267)
PIE (Profit)/loss applied to Unitholders	(4,924,858)	37,782,270
Opening balance	(53)	(56)
Total Accumulated (Over Distributed) / Undistributed Income	$(133)	$(53)
PIE tax effect allocated on (Profits)/losses	$(1,012,166)	$7,495,585

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

8. RECONCILIATION OF NET (LOSS)/PROFIT WITH NET CASH FLOW FROM OPERATIONS

	31 March 2010	31 March 2009
Net Profit/(Loss) after tax	4,924,778	(26,993,579)
Plus		
Increase from net repayment of Mortgages	91,619,261	113,680,465
Net (Decrease)/Increase in provision for impairment	(40,446,000)	41,886,673
	56,098,039	128,573,559
(Decreases)/Increases in Working Capital Items:		
Accrued Interest	767,289	1,624,244
Trade and other receivables	-	316,797
Trade, other payables and GST	(868,811)	943,942
Taxation payable	-	(441,841)
Deferred Taxation	18,729	596,956
Net Movements in Working Capital	(82,793)	3,040,098
Deferred Tax Movement through Statement of Unitholders Funds	(18,729)	(42,860)
Net cash flow from operating activities	$55,996,517	$131,570,797

Movement in Accrued Interest

Accrued Interest is included in the advances on the balance sheet.

9. RELATED PARTIES AND KEY MANAGEMENT PERSONNEL

a. Related Parties

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

Trustee and Management fees are paid in accordance with the Prospectus at the following rates:

- Trustee Fees are 0.1% (2009: 0.1%) on Investments up to $50 million and 0.08% (2009: 0.08%) on Investments exceeding $50 million.
- Management Fees are 1.0% (2009: 1.5%) of unitholders funds.

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

	31 March 2010	31 March 2009
Trustees Fees - Trustees Executors Limited	$152,351	$240,765
Management Fees - Fund Managers Canterbury Ltd	$1,051,288	$3,838,460
	$1,203,639	$4,079,225
Software service charge - Fund Managers Canterbury Limited	$12,500	$12,500
Amounts payable to related parties at period end:		
Fund Managers Canterbury Limited	$161,403	$959,138
Trustees Executors Limited	$15,545	$56,936

Amounts payable are unsecured and repayable at normal trade terms.

Amounts receivable by related parties at period end:		
Fund Managers Canterbury Limited	$ -	$ -
CMTrust Properties Ltd	$313,448	$ -

The personal client services division of Trustees Executors Limited invests in the Trust on behalf of its retail trust clients and as at 31 March 2010 held $1,890,923 units in the Trust (31 March 2009 $8,239,362).

CMTrust Properties Ltd is a property owing company, established in November 2009, whose shares are held in trust for the benefit of the Fund, thus enabling the Fund to enhance it's return on a loan settlement.

b. Key Management Personnel

Compensation paid to Directors and executives, being the key management personnel of Fund Managers Canterbury Limited in respect of their responsibilities

9. RELATED PARTIES AND KEY MANAGEMENT PERSONNEL (continued)

to the Fund were:

	31 March 2010	31 March 2009
Short-term Benefits	$295,553	$312,030
Post Employment Benefits	-	-
Other Long Term Benefits	-	-
Termination Benefits	-	-

The following directors or key management personnel and their related parties beneficially owned units in the Fund:

	31 March 2010	31 March 2009
G C Main	$28,546	$110,039
G C Main & V L Eilken-Main	$13,688	$55,929
V L Eilken-Main	$12,567	$51,346
Thistledome Trust	$65,046	$254,990
H J Thomas	$20,108	$82,158
Latheron Trust	$25,779	$118,933
V F Young	$26,922	$110,000
Winsome & Allen Barrow Trust	$9,077	$34,988

10. FINANCIAL INSTRUMENTS

a. Financial Risk Management Policies

Interest Rate Risk

It is the policy of the Fund to ensure that interest rate exposure is maintained on a floating rate basis.

All advances are made at floating rates.

Credit Risk

Credit risk is the risk that a counterparty will default on its obligation resulting in a financial loss to the Fund. All prospective mortgagors were subject to lending criteria established by the 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 Manager.

In the normal course of business the Fund has a credit risk on advances. The Fund has a credit policy, which is used to manage this credit risk. As part of this policy, the Trustee has provided guidelines that the maximum exposure to any one borrower is to be no greater than 5% of the value of the Fund and that the maximum exposure to any six borrowers is to be no greater than 20% of the value of the Fund. The Trustee has also approved policies limiting exposure to any one market segment.

The Trustee has approved lending criteria limiting loans to maximum levels of the mortgage security obtained and to the customer's serviceability of that loan. Other approved policies are also in place and are subject to annual review.

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.

Management monitors the risk as follows:

- maintaining liquidity at a minimum of 5% of total assets,
- the Trust Deed permits the Manager to arrange repayment of unitholders' funds over, or at the end of, a period of up to 90 business days and to suspend redemptions in certain circumstances (refer note 15).
- all mortgages are advanced on an 'on demand' basis. An analysis of the contractual repayment profile of the mortgage advances is outlined in note 11.

The Fund's liquidity position is set out in note 11. The Fund monitors its liquidity

10. FINANCIAL INSTRUMENTS (continued)

position on an ongoing basis and maintains a mix of call and short term deposits, which together with funds received from mortgage repayments enable the Fund to meet all commitments as they fall due.

To meet both expected and unexpected fluctuations in operating cash flows, the Fund maintains a stock of liquid investments. Taking into account analysis of historical cash flows, forecast cash flows and the current composition of the balance sheet it considers these to be inadequate. As a result the Manager suspended redemptions of the Fund and subsequently resolved to wind up the fund (refer note 15).

Capital Management

The Fund has no externally-imposed capital requirements other than those set out in the Trust Deed and Investment guidelines as described above. Any Undistributed Income forms part of the Trust's equity or capital. There have been no changes in the Fund's management of capital during the period. The Fund is a limited life entity and under the provisions of the Trust Deed dated 26 June 2001, the term is 80 years (less 2 days) from that date.

b. Quantitative Risk Exposure Disclosures

Concentration of Funding	31 March 2010	31 March 2009
Canterbury Region	42,542,869	150,626,621
Other South Island Regions	9,203,516	33,618,455
North Island Regions	9,272,978	35,043,316
Offshore	555,984	1,794,805
	61,575,347	221,083,197

Funding is primarily from unitholders in the Canterbury region of New Zealand.

Credit Risk

At balance date $10,733,230 (31 March 2009 $118,042,804) or 17.43% (31 March 2009 46.57%) of the Fund was invested with the ANZ National Bank of New Zealand Limited. One group of closely related counterparties to which the Fund has a credit exposure exceeded 5% of unitholders funds at 31 March 2010 and this exposure was 5.09% (31 March 2009 5.75%).

At balance date the 6 largest borrower exposures amounted to 42.37% of unitholder funds (31 March 2009 25.51%). This exceeds the credit risk exposure guideline of 20%. This guideline was breached due to the reduction in size of unitholders funds and the ongoing realisation of the loan book, with the Manager monitoring this situation, but unable to reduce this exposure and therefore, remedy the situation.

The maximum credit exposure of the Fund is $61,729,597 (31 March 2009 $221,974,080). Collateral held in respect of advances of $50,583,120 (31 March 2009 $142,969,670) is by way of registered first mortgage with the exception of one loan equalling $9,202,564 (31 March 2009 two loans equalling $11,619,465). The loan was incorrectly registered over a neighbouring property and proceedings have been commenced against the acting solicitor with further legal remedies being explored. The average loan to valuation ratio (LVR) on mortgage advances as at the time of lending was 50.76% (31 March 2009 57.56%). The deterioration in the property market (refer note 15) has had a significant adverse impact on the LVR as at balance date. Asset Quality is further discussed in Note 12.

Liquidity Risk

Canterbury Mortgage Trust's Trust Deed prescribes that liquid assets (as defined in the Trust Deed as including cash, bank deposits and securities) are to be maintained at a minimum of 5% of Total Tangible assets less reserves. Since the resolution to wind up the Fund in February 2009, the Fund has maintained a policy of paying all surplus funds to unitholders on a quarterly basis, as returns of capital, thus breaching this requirement.

10. FINANCIAL INSTRUMENTS (continued)

Sensitivity Analysis

The sensitivity of profit for the period and Net Assets attributable to unitholders to movements in market risk are as follows:

Interest Revenue

Canterbury Mortgage Trust as an entity accumulates income from mortgage loans which, after deduction of expenses is then paid out to unitholders as a quarterly return in terms of the Trust Deed.

All loans are on a "floating" basis, and as such the interest rates fluctuate in line with market rates, as determined by the Official Cash Rate and as adjusted by the application of a lending risk margin. In turn, the fluctuations result in corresponding reductions or increases in the quarterly returns paid to the unitholders.

Accordingly in terms of the net income available to disburse to unitholders, interest rate fluctuations caused by decreases in the Official Cash Rate during the current period, resulted in the following:

Continued top of next page

Date	Official Cash Rate	Average Lending Rate	Net Return Paid to Unitholders
31-Mar-09	3.15%	7.73%	-12.05%
30-Jun-09	2.50%	7.02%	0.00%
30-Sep-09	2.50%	5.31%	0.00%
31-Dec-09	2.50%	5.14%	0.00%
31-Mar-10	2.50%	3.04%	8.54%

The carrying value of the Balance Sheet items is, in the opinion of the directors of the Manager, equivalent to their fair value as the Manager has the right to increase or decrease the interest rate charged on mortgage advances by giving 14 days notice to borrowers. The return paid to unitholders is determined by the profit or loss generated by the Fund and there is no guaranteed rate of return.

11. LIQUIDITY PROFILE

The following tables detail the Fund's remaining contractual maturity for its financial assets and liabilities. The tables have been drawn up based on undiscounted cash flows based on the earliest date on which the Fund is entitled to receive the financial asset or required to pay for the financial liability. The table includes both interest and principal cash flows:

31 MARCH 2010	On Demand	0-6 Months	6-12 Months	1-2 Years	2-5 Years	Over 5 Years	Total
Financial Assets:							
Cash and Cash Equivalents	10,733,230	-	-	-	-	-	10,733,230
Advances	28,559,203	16,987,336	5,079,399	290,029	121,113	627,142	51,664,222
Distribution Taxation Receivable	-	4,413,247	-	-	-	-	4,413,247
	$39,292,433	$21,400,583	$5,079,399	$290,029	$121,113	$627,142	$66,810,699
Financial Liabilities:							
Trade and Other Payables	-	246,950	-	-	-	-	246,950
	$ -	$246,950	$ -	$ -	$ -	$ -	$ 246,950

31 MARCH 2009	On Demand	0-6 Months	6-12 Months	1-2 Years	2-5 Years	Over 5 Years	Total
Financial Assets:							
Cash and Cash Equivalents	118,042,804	-	-	-	-	-	118,042,804
Advances	56,495,234	37,623,354	25,687,279	26,932,601	1,872,060	2,092,129	150,702,657
Distribution Taxation Receivable	-	5,407,606	-	-	-	-	5,407,606
	$174,538,038	$43,030,960	$25,687,279	$26,932,601	$1,872,060	$2,092,129	$274,153,067
Financial Liabilities:							
Trade and Other Payables	-	1,050,667	-	-	-	-	1,050,667
	$ -	$1,050,667	$ -	$ -	$ -	$ -	$1,050,667

Advances include all contractual cash flows for the period defined. The interest rate applied to these contractual cash flows is the floating rate applicable to these advances at Balance Date.

Whilst mortgages are advanced on an on demand basis, it is not expected that these will be repaid on that basis. Due to the Fund being wound up it is not possible to predict with any certainty when the remaining mortgage advances will be repaid (Refer to Note 15).

As from 22 July 2008 the Fund has been in suspension and from 11 February 2009 the Manager formally resolved to wind up the Fund. As at 10 July 2010 $179,731,612 had been repaid to unitholders, representing 71.5 cents in the dollar of units held at 1 March 2009.

The weighted average interest rate on performing advances is 11.67% (March 2009 12.17%). A 0.5% movement in the interest rate would result in a $109,000 movement in interest revenue resulting in an increase or decrease to profit and equity (March 2009 $450,000). Advances which are significantly impaired are set as non accruing until the loan is brought up to date or repaid. Interest rates on all advances are floating with 14 days notice of a change. Therefore all advances reprice in 14 days. Interest rates on bank call and term deposit accounts are within the range of 3.00% to 4.00%. Interest rates can be reset daily for call accounts or on maturity of the term deposit.

Repayment of mortgage advances is spread over the term of the advance. Although the Fund has the right to call up advances at any time no such demands have been made. No estimate of the amount likely to be received from an early repayment of advances has been included in these financial statements.

While all financial assets/liabilities are at call the ability to liquidate a financial asset to repay unitholders is ultimately constrained by the timeliness to realise the asset (refer also to note 15).

12. ASSET QUALITY

a. Past due assets

The past due assets include the total amounts owing by the borrowers who are in arrears, not just the past due portion. As at 31 March 2010 the past due portion was $80,736 (31 March 2009 $829,179). Past due assets exclude impaired assets as noted in (b) below.

The past due assets are secured by first mortgages over properties in New Zealand with an average LVR of 42.83%, based on valuation at the time of lending. Due to the uncertainty in the property markets (Refer Note 15) the Manager considers it impracticable to estimate the fair value of the collateral held as security as at balance date.

The age analysis of the Past due assets and the Past due portion is:

31 MARCH 2010	0-3 Mths	3-6 Mths	6-9 Mths	9-12 Mths	12 Mths +	Total
Past due assets	4,412,093	2,020,649	516,797	-	-	6,949,539
Past due portion	66,129	649	13,958	-	-	80,736
31 MARCH 2009	**0-3 Mths**	**3-6 Mths**	**6-9 Mths**	**9-12 Mths**	**12 Mths +**	**Total**
Past due assets	6,565,632	3,991,524	5,474,922	2,190,256	157,316	18,379,650
Past due portion	166,135	105,891	321,393	208,059	27,702	829,179

	31 March 2010	31 March 2009
b. Impaired Assets		
Opening Impaired assets	79,753,915	7,334,808
New Impaired assets	6,625,069	74,387,134
Impaired assets repaid/written off	(56,626,943)	(1,968,027)
Closing Impaired assets	$29,752,041	$79,753,915

The impaired assets include the total amounts owing by the borrowers who are in arrears, not just the past due portion.

Interest Income on Impaired Financial Assets for the period was $2,003,876 (31 March 2009 $7,349,753).

The impaired assets are secured by first mortgages over properties in New Zealand with an average LVR at the time of lending of 51.49%, with the exception of one loan equalling $9,202,564 (31 March 2009 two loans equalling $11,619,465). The loan was incorrectly registered over a neighbouring property. Due to changes in the property market these assets have had a bad debt write down applied to them of $29,752,041, to reflect a current estimated fair market value. Last year this was recorded as a specific provision of $39,446,257. A general impairment provision of $4,000,000 (31 March 2009 $5,000,000) has been made in respect of these advances.

The age analysis of the Impaired assets and the Past due portion is:

31 MARCH 2010	0-6 Months	6-12 Months	12 Months+	Total
Impaired assets	3,962,601	5,701,185	20,088,254	29,752,041
Past due portion	319,082	710,028	3,899,774	4,928,884
31 MARCH 2009	**0-6 Months**	**6-12 Months**	**12 Months+**	**Total**
Impaired assets	22,326,510	35,233,406	22,194,000	79,753,916
Past due portion	1,185,114	2,266,181	2,570,387	6,021,682

c. Restructured Assets.

As at Balance Date, no loans (31 March 2009 - no loans) with interest totalling $Nil (March 2009 $Nil) was capitalised onto the principal balance of the loans. In all cases, these loans continued to meet the loan security value ratios and do not form part of the past due assets.

13. COMMITMENTS

Commitments in respect of mortgage advances approved but not yet paid out at 31 March 2010 totalled $Nil (March 2009 $Nil) as included in Note 11.

14. SEGMENT REPORTING

Adoption of NZ IFRS 8 Operating Segments

Canterbury Mortgage Trust Group Investment Fund has adopted NZ IFRS 8 Operating Segments, with effect from 1 April 2009. NZ IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Fund that are regularly reviewed by the chief operating decision maker (which is the Board of Directors of Fund Managers Canterbury Limited), in order to allocate resources to the segment and to assess its performance.

Products and services from which reportable segments derive their revenues

The Fund operates in one industry, receiving deposits for investments from unitholders (funding) and making advances secured by mortgages and other forms of security (lending). On 11 February 2009 the Manager 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 permit the pro-rata repayment of capital to unitholders. The service provision process for each of the investments and mortgages is similar.

Segment revenues and results

The accounting policies of the reportable segment are the same as the Fund's accounting policies described in Note 1. As there is only one reportable segment for the Fund the segment profit represents profit earned for the segment after all costs including all management fees, trustees fees, reduction in provision for impairment, provision recovered and bad debt write off. The Board of Directors of Fund Managers Canterbury Limited make resource allocation decisions to this segment based on the expected cash flows and results of Fund operations as a whole. For the purposes of monitoring segment performance and allocating resources to the segment, the Board monitor the tangible and financial assets attributable to the segment. All assets are allocated to the reportable segment.

Information about major customers

Please refer to Note 10 b for the six largest borrower exposures.

Geographical reporting

All operations are carried out in New Zealand, and there is a concentration of both funding and lending in the Canterbury region. Therefore there is a geographical concentration of risk regarding lending, with approximately 34.9% of the loan portfolio lent in Canterbury, refer to Note 2 for further details.

15. WIND-UP OF THE FUND AND MORTGAGE ADVANCES ARREARS

On 22 July 2008 the Manager of Canterbury Mortgage Trust Group Investment Fund advised its investors that all withdrawals from the Fund had been suspended for 90 days and would then be followed by the 90 business day redemption period making the effective date for the payment of redemptions March 2009. This action was taken to secure and protect the Fund from an unprecedented level of withdrawal requests from unitholders. On 11 February 2009 the Manager resolved that the Fund should be wound-up and the assets realised to permit the pro-rata repayment of capital to unitholders.

During the year a significant portion of impairment provisioning across the entire advances portfolio was written off as bad debts, with the most significant provisions being in respect of loans secured over commercial property, apartments and development property. The slowing New Zealand economy, the demise of a number of finance companies and the softening property market have resulted in very limited options for mortgage holders to refinance, making it increasingly difficult for many to repay their loans. The property market continues to be characterised by depressed prices and a slowdown in sales volumes. These conditions result in uncertainty regarding the value and the ability to realise the underlying security on mortgage advances on a timely basis. The inability of borrowers to repay mortgage advances has reduced the amount estimated to be recoverable on these advances, in real terms.

16. EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year the Fund has made two pro-rata capital repayments to all unitholders. The first on 1 April 2010 amounting to $10.05m or 4 cents of the March 2009 balance held, prior to any allocation of loss. The second on 1 July 2010 amounting to $6.28m or 2.5 cents.

The Manager proposes to make further pro-rata payments of capital at regular intervals, as and when funds are repaid by borrowers.

In late April the Fund received acceptance of it's 2009 and 2010 tax position by the IRD. Directly as a result of this a tax refund of $4.4m was passed back to entitled unitholders on 18 May 2010.

TO THE UNITHOLDERS OF THE CANTERBURY MORTGAGE TRUST GROUP INVESTMENT FUND

Deloitte.

We have audited the financial statements on pages 6 to 23. The financial statements provide information about the past financial performance of the Canterbury Mortgage Trust Group Investment Fund (the Fund) and its financial position as at 31 March 2010. This information is stated in accordance with the accounting policies set out on pages 9 to 13.

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's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Manager's Responsibilities

The Manager is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of the Canterbury Mortgage Trust Group Investment Fund as at 31 March 2010 and of the results of its operations and cash flows for the year ended on that date.

Auditors' Responsibilities

It is our responsibility to express to you an independent opinion on the financial statements presented by the Manager.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Manager in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor, we have no relationship with or interests in the Canterbury Mortgage Trust Group Investment Fund.

Basis of Preparation

The financial statements for the year ended 31 March 2010 have been prepared on the realisation basis. As disclosed in the Fund's accounting policies and Note 15 to the financial statements the Manager announced on 22 July 2008 that all withdrawals from the Fund had been suspended for 90 days to secure and protect the Fund from an unprecedented level of withdrawal requests from investors. This suspension was extended after the initial 90 days and on 11 February 2009 the Manager resolved to wind-up and realise the assets of the Fund. These actions had the effect of freezing all unitholdings as at 22 July 2008.

Fundamental Uncertainty

In forming our unqualified opinion, we have considered the adequacy of the disclosures in Note 15 of the financial statements regarding the impairment of advances and the potential impact of current market conditions on the carrying value of advances. These market conditions impact on both the realisation value and the expected timing of receipt of repayment of advances.

Consistent with the wind-up instructions of the Trustee the provisioning in respect of the potential impairment of advances outstanding at balance date has been determined based on an orderly realisation of the advances.

The financial statements do not include any adjustment to the carrying value of the advances that may result from further deterioration in property prices on which advances are secured beyond the date of approval of these financial statements, nor the effect of any delays in liquidating the property securities through a sale process.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Canterbury Mortgage Trust Group Investment Fund as far as appears from our examination of those records; and
- the financial statements on pages 6 to 23:
  - comply with generally accepted accounting practice in New Zealand;
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of the financial position of the Canterbury Mortgage Trust Group Investment Fund as at 31 March 2010 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 31 August 2010 and our unqualified opinion is expressed as at that date.

Deloitte

Chartered Accountants
Christchurch, New Zealand

AUDIT DISCLAIMER:

This audit report relates to the financial statements of Canterbury Mortgage Trust Group Investment Fund for the year ended 31 March 2010 included on Canterbury Mortgage Trust Group Investment Fund's website. Canterbury Mortgage Trust Group Investment Fund's Board of Directors is responsible for the maintenance and integrity of Canterbury Mortgage Trust Investment Fund's website. We have not been engaged to report on the integrity of Canterbury Mortgage Trust Group Investment Fund's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not prove an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 31 August 2010 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Canterbury Mortgage Trust

Canterbury Mortgage Trust
Group Investment Fund

Registered office of the Manager Fund Managers Canterbury Limited

Second floor, 161 Kilmore Street, Christchurch
03 377 5201 • 03 377 5207 • team@cmt.co.nz.co.nz • www.cmt.co.nz