Canterbury Mortgage Trust

Annual Report 2016

Canterbury Mortgage Trust Group Investment Fund

Audited Financial Statements For The Year Ended 31 March 2016

Cover Photograph:
Albert Town Bridge, Central Otago
J King

Contents

Directory

The Manager:

Canterbury Fund Managers Ltd
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Phone (03) 377 5201
PO Box 13229,
Christchurch 8141

Directors of the Manager:

Colin Anthony Gower
Warren Michael Johnstone
Stephen John Tubbs

The Trustee:

Trustees Executors Limited
Level 5
10 Customhouse Quay
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 Year Ended 31 March 2016

Authorisation for Issue

The Directors of Canterbury Fund Managers Limited (as manager) and the Directors of Trustees Executors Limited (as trustee) authorised the issue of these financial statements on 24 June 2016.

Approval by Trustee & Manager

The Directors of Canterbury Fund Managers Limited (as manager) and the Directors of Trustees Executors Limited present the financial statements of Canterbury Mortgage Trust Group Investment Fund for the year ended 31 March 2016.

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

Director Director

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

Director Director

Statement of Comprehensive Income
For the Year Ended 31 March 2016

	Notes	31 March 2016	31 March 2015
Revenue			
Mortgage Interest Income		384	18,974
Interest Income from Bank Accounts		290,223	301,567
Other Income		203	12
Total Revenue from Financial Assets at Amortised Cost		290,810	320,553
Expenses			
Management Fees	7	219,680	271,888
Trustees Fees	7	15,617	13,713
Trustee- Legal Fees		-	96,592
Trustee- Additional Fees		25,215	96,123
Credit Consultancy		169,113	215,880
Legal Fees		365,881	543,082
Loan Review		-	597
Accountancy		4,150	3,986
Administration		14,771	17,208
Audit Fees		33,000	38,212
Bank Charges		660	755
		848,087	1,298,036
Bad Debt Expense/ (Reversal)		202,210	(105,372)
Bad Debts Recovered		(241,628)	(22,648)
Net Movement in Bad Debt Accounts		(39,418)	(128,020)
Total Expenses/(Gains) Net of Recoveries		808,669	1,170,016
Profit/(Loss) Before Taxation		(517,859)	(849,463)
Taxation		-	-
Profit/(Loss) and Total Comprehensive Income/(Loss) for the Year		$(517,859)	$(849,463)

These statements are to be read in conjunction with the accounting policies and notes on pages 8-17

Statement of Changes in Unitholders' Funds

For the Year Ended 31 March 2016

	Notes	31 March 2016	31 March 2015
Unitholders' Funds at Start of Period		15,644,116	16,915,806
Profit/(Loss) and Total Comprehensive Income/(Loss) for the Year		(517,859)	(849,463)
PIE Tax Effect	5	206,349	(422,227)
Unitholders' Funds at End of Period	3	$15,332,606	$15,644,116

These statements are to be read in conjunction with the accounting policies and notes on pages 8-17

Balance Sheet

As At 31 March 2016

	Notes	31 March 2016	31 March 2015
Trust Equity	3	$15,332,606	$15,644,116
Represented by:			
Assets			
Cash and Cash Equivalents		570,649	968,437
Term Deposits		6,700,000	6,700,000
Advances	2	7,895,500	8,499,886
Management Services Prepayment	7	25,000	25,000
GST		28,989	37,333
PIE Taxation Refundable		206,349	-
Total Assets		15,426,487	16,230,656
Liabilities			
Unitholder Redemptions Payable		427	427
Trade and Other Payables	7	93,454	163,886
PIE Taxation Payable		-	422,227
Total Liabilities		93,881	586,540
Net Assets		$15,332,606	$15,644,116

These statements are to be read in conjunction with the accounting policies and notes on pages 8-17

Statement of Cash Flows

For the Year Ended 31 March 2016

	Notes	31 March 2016	31 March 2015
Cash Flows from Operating Activities			
Cash was provided from:			
Interest Received		290,607	322,511
Other Income		203	12
		290,810	322,523
Cash was applied to:			
Payments to Suppliers		(910,174)	(1,441,118)
		(910,174)	(1,441,118)
Net Cash Inflow/ (Outflow) from Operating Activities before changes in operating assets		(619,364)	(1,118,595)
Cash was provided from:			
Repayment of Mortgages		643,803	1,422,349
		643,803	1,422,349
Net Cash Inflow from Operating Activities	6	24,439	303,754
Cash Flows from Investing Activities			
Cash was applied to:			
ANZ Term Deposit		-	(4,700,000)
Net Cash (Outflow) from Investing Activities		-	(4,700,000)
Cash Flows from Financing Activities			
Cash was applied to:			
PIE Tax Paid		(422,227)	(51,847)
		(422,227)	(51,847)
Net Cash (Outflow) from Financing Activities		(422,227)	(51,847)
Net Increase/(Decrease) in Cash held		(397,788)	(4,448,093)
Add Opening Cash Brought Forward		968,437	5,416,529
Ending Cash Carried Forward		$570,649	$968,437
Represented by:			
Cash and Cash Equivalents		570,649	968,437
		$570,649	$968,437

These statements are to be read in conjunction with the accounting policies and notes on pages 8-17

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 (the Manager), on behalf of Trustees Executors Ltd (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 (as subsequently 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.

On 11 February 2009 the former manager (Fund Managers Canterbury Ltd) 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.

Basis of Preparation

As noted above, on 11 February 2009 the former manager 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 other than a going concern basis. Non-performing loans are 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 is no set date for the Fund wind-down, operating expenses are recognised as and when incurred during the wind-down process rather than accruing for cessation costs upfront.

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 2015.

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.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

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:

Note 2 - Advances

Note 8 - Financial Instruments

Note 9 - 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 Trustee and 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. 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 and Note 4.

Applications 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 83% of the unitholder balances held at suspension (approximately $208.6m) have been made to all unitholders.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Financial Assets

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 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 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, in consultation with the Trustee and its external credit consultant, 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 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.

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.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

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.

Notes

2. MORTGAGE ADVANCES

The Fund has two significant securities remaining, one being an earthquake damaged multi-storey building in central Christchurch and the other a significant viticulture and rural residential development in Central Otago.

As stated in Note 1, the basis of preparation of the financial statements is a realisation basis.

Mortgage advances are carried at amortised cost less impairment. All remaining mortgage advances outstanding at the balance date are impaired with significant uncertainties impacting the valuation of advances. Advances constitute 51.2% (31 March 2015: 47.6%) of total assets of the Fund. Recovery of these advances depends on the sale of collateral assets in which the Fund has a security interest.

Valuation of Mortgage Advances

The Trustee used the following techniques to determine the carrying value of advances:

- Where the expected recovery was dependent on sale of land held as a security by Fund:
    - Based on actual cash collected from sale of security post balance date;
    - Based on past sales in the same property blocks and discounting the value of remaining property blocks taking into account market risk and expected time to sell;
    - Based on a valuation report from an independent third party valuer. Where a range of values was provided by the valuer depending on outcome of future events, the Trustee has adopted the most conservative scenario and discounted it further to allow for the thin market, costs and time to recover.
- Where the expected recovery was dependent of the outcome of an insurance claim related to the property held as security by the Fund, and potential litigation with parties involved with the loan, the Trustee has allowed a significant period for cash recovery and adopted the bottom end of the possible insurance recovery outcomes.

All advances with a gross value of $21,716,361 (31 March 2015: $22,829,576) are past due and are impaired. A total of $13,820,861 (31 March 2015: $14,729,690) of bad debts was written off against these advances. These advances were secured by first mortgage on land and buildings with CMT pursuing the recovery of the mortgage advances by realising the securities. The carrying value of the loans has been determined by an assessment of current market value, as determined by CMT's credit consultant, cross checked to the present value of the future cash flows discounted at the original advance interest rates. There is significant uncertainty as to the value and timing of the future cash flows expected from the realisation of the securities. The factors contributing to the uncertainties for different advances include the settlement of insurance claims, remote location, availability of services or partially completed easements or subdivisions, thin markets in some areas, ongoing litigation, costs of recovery and timing of cash recovery. The ultimate recoveries may therefore be materially different from the carrying values.

3. TRUST EQUITY

	31 March 2016	31 March 2015
Unitholders Funds (Note 4)	14,655,295	15,573,946
Accumulated Undistributed Income (Note 5)	677,311	70,170
	$15,332,606	$15,644,116

Notes

4. UNITHOLDER'S FUNDS

	31 March 2016	31 March 2015
Opening Balance	15,573,946	13,696,173
PIE Income/ (Loss) Allocated to Unitholders	(1,125,000)	2,300,000
Less PIE Tax Refundable by/ (Payable to) the IRD	206,349	(422,227)
Income/(Losses) Applied to Investors (Net of PIE Tax)	(918,651)	1,877,773
Closing Balance	$14,655,295	$15,573,946

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 have equal rights in any surplus on winding up. To balance date, 31 March 2016, the Fund had repaid unitholders 83 cents of each dollar held at the time the decision to wind up was made (31 March 2015: 83 cents).

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	
	208,609,950	83.0%

5. ACCUMULATED UNDISTRIBUTED INCOME

	31 March 2016	31 March 2015
Income/ (Loss) Attributable to Unitholders	(517,859)	(849,463)
PIE Loss/ (Income) applied to Unitholders	1,125,000	(2,300,000)
Increase/ (Decrease) in Undistributed Income	607,141	(3,149,463)
Opening Balance	70,170	3,219,633
Total Accumulated Undistributed Income at Year End	$677,311	$70,170
PIE Tax Effect Allocated on PIE Income / (Losses)	(206,349)	422,227

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

Events occurring after 31 March 2014, but before 2014 financial statements were authorised for issue have required the Trustee and management to revise expectations around the collectability of debts previously written off by the Fund. This revision was included in the statement of comprehensive income and left as undistributed PIE income in 2014 financial statements and formed part of the PIE income distributed in the 2015 year.

Notes

6. RECONCILIATION OF NET PROFIT WITH NET CASH FLOW FROM OPERATIONS

	31 March 2016	31 March 2015
Profit After Tax	(517,859)	(849,463)
Plus		
Increase from Net Repayment of Mortgages	402,176	1,399,702
Increase/ (Decrease) in Bad Debt Write Off	202,210	(105,372)
	86,527	444,867
(Decreases)/Increases in Working Capital Items:		
Accrued Interest	-	1,968
Trade, Other Payables and GST	(62,088)	(143,081)
Net Movements in Working Capital	(62,088)	(141,113)
Net Cash Flow from Operating Activities	$24,439	$303,754

7. RELATED PARTIES AND KEY MANAGEMENT PERSONNEL

a. Related Parties

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

Trustee fees were defined by the Prospectus and subsequently agreed between the parties at 0.1% (2015: 0.1%) on Investments up to $50 million and 0.08% (2015: 0.08%) on Investments exceeding $50 million. Plus time and cost during the windup for matters outside the scope of the original trustee agreement.

Management Fees paid to Canterbury Fund Managers Ltd were negotiated on it's 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.

	31 March 2016	31 March 2015
Trustees Executors Ltd - Fees and Costs		
Trustee Fees	15,617	13,713
Legal Fees	-	96,592
Additional Fees	25,215	96,123
	$40,832	$206,428
Canterbury Fund Managers Ltd - Management Fees		
BDO Fees	54,645	89,629
Wages and Consultants Fees	102,019	114,026
Other Operating Expenses	63,016	68,233
	$219,680	$271,888
Total Trustee and Managers Fees	$260,512	$478,316
Fund Manager Software Service Charge	14,771	17,208
Amounts Payable to Related Parties at Period End:		
Canterbury Fund Managers Ltd	34,022	54,058
Trustees Executors Limited	5,895	32,682

Amounts payable are unsecured and repayable at normal trade terms.

The personal client services division of Trustees Executors Ltd invested in the Fund on behalf of its retail trust clients and as at 31 March 2016 held $411,688 in the Fund (31 March 2015: $463,150).

Amounts receivable from related parties at period end:		
Springvale Water Company Ltd	$-	$-
Canterbury Fund Managers Ltd	$25,000	$25,000

On appointment Canterbury Fund Managers Ltd received an unsecured operating advance, of $25,000, separately disclosed in the Balance Sheet. This advance provides the Manager with an operating fund, allowing the payment of expenses incurred in managing the Fund, as they fall due and was agreed to by the Trustee.

8. 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 a credit risk on outstanding advances. The Fund's policy with regard to outstanding advances, is that all expired loans are required to be repaid. One loan was repaid in April 2015. The Fund, with the assistance of a third party credit consultant, is working 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.

At balance date the maximum credit exposure (net of provisions and write-offs) of the Fund is $15,426,486 (31 March 2015: $16,193,322). Collateral held in respect of advances of $7,895,500 (31 March 2015: $8,499,886) is by way of registered first mortgage. The average loan to valuation ratio (LVR) on mortgage advances as at the time of lending was 76.25% (31 March 2015: 64.79 %).

At balance date $7,270,648 (31 March 2015: $7,668,436) or 47.13% (31 March 2015: 49.24%) of the Fund was invested with the ANZ Bank New Zealand Limited.

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:
- The Fund is being wound down, with funds being 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 have expired and been called up. The Fund is working to realise its investment in the most efficient manner.

The Fund monitors its liquidity position on an ongoing basis and maintains deposits at call, which together with funds received from mortgage repayments enable the Fund to meet its commitments as they fall due.

To meet both expected and unexpected fluctuations in operating cash flows, the Fund maintains 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 has been set to levels proportionate to the risk.

Notes

8. FINANCIAL INSTRUMENTS (continued)

Advances which are significantly impaired are set as non accruing until the loan is brought up to date or repaid. Interest rates on bank call and term deposit accounts are within the range of 1.0% to 4.5%. Interest rates can be reset daily for call accounts or on maturity of the term deposit.

While all financial assets/liabilities are ultimately at call the ability to liquidate a financial asset to repay unitholders is ultimately constrained by the timeliness to realise the asset. It is not possible to predict with any certainty when the remaining mortgage advances will be repaid.

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 will be repaid to unitholders.

b. Quantitative Risk Exposure Disclosures
Concentration of Funding

	31 March 2016	31 March 2015
Canterbury Region	9,509,459	10,085,458
Other South Island Regions	2,208,587	2,343,501
North Island Regions	2,716,302	2,943,888
Offshore	220,947	201,099
	$14,655,295	$15,573,946

Funding is primarily from unitholders in the Canterbury region of New Zealand and excludes undistributed income as detailed in Note 5. Refer to Note 4 for details on movements in the balance.

Sensitivity Analysis
The Fund is focused solely on the recovery of the remaining loans, the majority of these loans are significantly in arrears and are not making regular interest payments. It is not considered relevant or practical to calculate the Fund's sensitivity to changes in interest rates. The overall recovery of the loans is more sensitive to the property market and the outcome of the insurance claim, as these factors will determine the Fund's overall recovery on the remaining loans.

9. ASSET QUALITY

a. Impaired Assets

	31 March 2016	31 March 2015
Opening Impaired Assets	8,099,886	9,764,165
New Impaired Assets	373,512	308,097
Net Bad Debt Reversal/ (Expense)	(202,210)	240,739
Impaired Assets Repaid/Written Off	(375,688)	(1,813,115)
Impaired Assets Reclassified as Unimpaired	-	(400,000)
Closing Impaired Assets	$7,895,500	$8,099,886

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

With the exception of one loan made to assist the realisation of a security, the impaired assets are secured by first mortgages over properties in New Zealand with an average LVR at the time of lending of 64.79%.

9. ASSET QUALITY (continued)

While there are no restructured loans the Fund has gross advances outstanding at 31 March 2016 of Nil (31 March 2015: Nil), on terms that would not meet the Fund's former investment guidelines.

b. Sensitivity Analysis:
With the recovery of outstanding amounts allowing CMT to cease operating:

Recoveries occur 1 year earlier than expected:	$610,000	$750,000
Recoveries occur 1 year later than expected:	$(610,000)	$(750,000)
Actual recoveries are 5% greater than expected	$390,000	
Actual recoveries are 5% less than expected	$(390,000)	

Successful resolution of litigation with regard to loan securities would significantly improve CMT recoveries. This amount is not able to be reliably estimated.

10. COMMITMENTS

Commitments in respect of mortgage advances approved but not yet paid out at 31 March 2016 totalled $Nil (31 March 2015: $Nil).

11. LITIGATION AGAINST THE PRIOR MANAGER AND PRIOR AUDITOR

A statement of claim by Trustees Executors Ltd (Plaintiff) against Fund Managers Canterbury Ltd (First Defendant); and Deloitte (Second Defendant); and Deloitte Ltd (Third Defendant); and Graeme Main (Fourth Defendant); and Alexander Donald McBeath, Paul Ernest McEwan, Alan William Prescott, Geoffrey Read Thomas, Andrew Hendra Young, Oliver Roderick Matson (Fifth Defendants) was filed at the High Court on 31 March 2014. For further information on this claim see claim number CIV-2014-485-4040. AIG New Zealand Ltd has been subsequently joined as a third party to the proceedings

Litigation is currently in the discovery phase and its outcome is therefore unknown.

12. EVENTS SUBSEQUENT TO BALANCE DATE

Other than disclosed above, there were no material subsequent events that would require adjustment to or disclosure in the financial statements.

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Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF CANTERBURY MORTGAGE TRUST GROUP INVESTMENT FUND

Report on the Financial Statements

We have audited the financial statements of Canterbury Mortgage Trust Group Investment Fund (the "Fund") on pages 4 to 17, which comprise the balance sheet of the Fund as at 31 March 2016, and the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Fund's unitholders, as a body, in accordance with the Financial Reporting Act 1993 and the Trust Deed governing the Fund. 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.

Trustee's Responsibility for the Financial Statements

The Trustee is responsible for the preparation of the financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the Fund's preparation of the financial statements that give a true and fair view of the matters to which they relate 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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

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

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Opinion

In our opinion, the financial statements on pages 4-17

- 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 Canterbury Mortgage Trust Group Investment Fund as at 31 March 2016 and its financial performance and cash flows for the year then ended.

Emphasis of Matter

Basis of Preparation of the Financial Statements

As disclosed in Note 1 to the financial statements, on 11 February 2009 the Manager resolved to wind-up and realise the assets of the Fund. Accordingly, the financial statements have been prepared on a realisation basis as described in Note 1.

Fundamental Uncertainty - Valuation of Mortgage Advances

As explained in Note 2 to the financial statements, there is uncertainty regarding the value and the ability to realise the underlying security on mortgage advances on a timely basis. Impaired mortgage advances with net book values totalling $7.9 million represent 51% of the book value of all assets of the Fund.

The recovery of impaired advances is in many cases dependent on the ability to sell the collateral assets in which Canterbury Mortgage Trust Group Investment Fund has a security interest. There is additional uncertainty over the value of the collateral assets, and the timing of sale of those assets.

Due to the circumstances disclosed in Note 2, the amount that will ultimately be recovered from these advances is uncertain and could be materially different from their carrying values. We are unable to quantify the potential effect of these uncertainties.

The financial statements do not include any adjustments that would result should the Trustee's estimate of the amount and timing of the cash flows from impaired advances prove to be inaccurate.

Our opinion is not qualified in this respect.

Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993, we report that:

- We have obtained all the information and explanations that we have required.
- In our opinion proper accounting records have been kept by Canterbury Mortgage Trust Group Investment Fund as far as appears from our examination of those records.

Ernst & Young

24 June 2016

Christchurch

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