

Norfolk Mortgage Management Limited presents this Annual Report to the investors of the Norfolk Unit Trusts for the year ended 31 March 2017 (“accounting period”)

Details of the Scheme

The name of the scheme is Norfolk Unit Trusts (“Scheme”). It is a managed investment scheme under the Financial Markets Conduct Act 2013 (“FMC Act”). The manager of the Scheme is Norfolk Mortgage Management Limited (“Manager”). The supervisor of the Scheme is Covenant Trustee Services Limited (“Supervisor”).

The Scheme was established on 15 December 2006. The Scheme has two funds, Norfolk Mortgage Trust and Norfolk (No. 2) Trust. The Norfolk Mortgage Trust was established on 15 December 2006 by an Establishment Deed, which was amended and restated on 6 July 2009 and 16 September 2016. The Norfolk (No. 2) Trust was established on 28 October 2016. A Product Disclosure Statement (PDS) was registered for each fund on 4 November 2016. Norfolk Mortgage Trust’s PDS status remains open for applications. The Norfolk (No. 2) Trust’s PDS status is closed for applications.

The latest fund updates for Norfolk Mortgage Trust and Norfolk (No. 2) Trust are dated 30 June 2017 and were made publicly available on 28 July 2017. The Scheme’s latest financial statements and auditor’s report lodged with the Registrar cover the accounting period.

Information on contributions and Scheme Participants

The total number of managed investment products (being units in the Scheme) on issue at the start of the accounting period was 4,725,736 (Norfolk Mortgage Trust – 4,725,736; Norfolk (No. 2) Trust – nil)¹. The total number of managed investment products (being units in the Scheme) on issue at the end of the accounting period was 20,167,392 (Norfolk Mortgage Trust – 6,982,831; Norfolk (No. 2) Trust – 13,184,561).

Changes relating to the Scheme

The Scheme transitioned to the FMC Act compliance regime on 14 November 2016. Material changes to the nature of the Scheme, the investment objectives and strategy, and/or the management of the Scheme during the accounting period are as follows:

¹ Norfolk (No. 2) Trust was established on 28 October 2016 and was, therefore, not in existence at 1 April 2016, being the start of the accounting period.

Governing documents

FMC Act changes

As part of the transition to the FMC Act regime the Manager and the Supervisor amended the existing Trust Deed for the Scheme to comply with the provisions of the FMC Act, the Financial Markets Conduct Regulations 2014 and various other legislation. A summary of the material changes made is set out below.

Making offers

The Trust Deed was updated to provide that the preconditions for making any offer of units in the Scheme are that the Manager has a registered PDS and has uploaded onto the online Disclose Register all required statutory information about the Scheme and its performance.

Application for units

A specific requirement was added for new investors to provide evidence of their identity. This requirement enables the Manager to comply with its obligations under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009.

Pricing errors

The Trust Deed was amended to allow the Manager and Supervisor to agree a minimum level of reimbursement or compensation for investors affected by pricing errors.

Related party transactions

As required by the FMC Act, the Manager is restricted from entering into transactions that provide for related party benefits. Exceptions are provided if the Supervisor consents to the transaction, the transaction is on an arm's length basis or otherwise approved by a special resolution of investors.

Manager's Duties

Standards have been imposed for the Manager's conduct including the requirement to act honestly, in the best interest of investors, treat investors equally and exercise the care, diligence and skill that a prudent person engaged in the same profession would exercise in the same circumstances. The Manager is also restricted from making use of information acquired through being a manager to gain any improper advantage or cause any detriment to investors.

The Manager is required to notify the Supervisor if it becomes aware of any issue or circumstance which could materially and adversely affect the interest of investors or the Manager's licence under the FMC Act. Following such notification, the Supervisor is entitled to appoint persons to attend meetings of the Manager or give management directions to the Manager.

Supervisors Duties

The Trust Deed was expanded to expressly set out the duties of the Supervisor as prescribed by the FMC Act. The Supervisor can now be removed by the Financial Markets Authority.

Other changes to the Trust Deed

Meetings

The rules governing meetings of investors have been expanded to provide that an investor may participate in a meeting by a video link, telephone conference call or other telephonic means of communication. In addition, how an investor may appoint a proxy to act on that investor's behalf at a meeting has been expanded to allow for electronic proxy appointments.

Where a meeting is called to discuss the passing of a special resolution the quorum has been increased to investors who hold 25% or more (by value) of units in the Scheme.

Also, a written resolution signed by investors holding no less than 75% of units by value is effective as a resolution of investors passed at a meeting.

Standing Applications

Further amendments have been made to permit standing applications, being regular applications for units.

“Side pocketing”

In addition, an amendment allows for the Manager to “side pocket” certain investments of a fund where it is in the interests of investors for reasons such as liquidity or pricing issues that may lead to deferral or suspension of redemption requests. Although such assets are permitted to be treated separately, side pocketing arrangements do not create a new and separate fund.

Changes to Norfolk Mortgage Trust Establishment Deed

Changes have also been made to the Norfolk Mortgage Trust Establishment Deed during the accounting period. A summary of the material changes is set out below.

Reduction of notice period for Norfolk Mortgage Trust

The notice period for redemptions of units issued on or after 16 September 2016 has been reduced to 6 months. This notice period aligns with the notice period for the Norfolk (No. 2) Trust.

Change of benchmark rate

The benchmark rate for the calculation of the performance fee has been changed. The new benchmark rate is the Reserve Bank of New Zealand 6 month term deposit rate plus 1.4% per annum.

The terms of the offer of interests in the Scheme

Apart from the changes to the terms of the offer of interests in the Scheme described in this Annual report, the only other material changes to the terms of the offer are:

- Norfolk Mortgage Management Limited elected for both funds to become portfolio investment entities from the time of transition to the FMC Act compliance regime;
- Norfolk (No. 2) Trust was open for the purpose of investors in the Professional Mortgage Investment Trust (PMIT) approving the resettlement of the assets of PMIT on Norfolk (No. 2) Trust and, in exchange, the investors were issued units in Norfolk (No. 2) Trust. An extraordinary resolution approving the resettlement was passed at a special meeting of PMIT investors held on 29 November 2016. Norfolk (No. 2) Trust has not accepted any applications from any other prospective investors since this time and was closed on the Disclose Register on 19 July 2017.

Statement of investment policy and objectives of the Scheme's Funds (SIPO)

A SIPO for each fund was lodged on the Disclose Register on 4 November 2016. There have been no changes to the SIPO for either fund, from the time of lodgement until the end of the accounting period.

Related party transactions

There have been no material changes to the nature or scale of related party transactions during the accounting period. There have been no related party transactions during the accounting period not on an arm's length basis.

Other information for types of managed funds

The price for the units in the Scheme at the start and the end of the accounting period end of the accounting period was as follows:

Fund Name	Unit Price as at 1 April 2016	Unit Price as at 31 March 2017
Norfolk Mortgage Trust	\$0.97	\$0.97
Norfolk (No. 2) Trust	²	\$0.94

Changes to persons involved in the Scheme

Manager

Norfolk Financial Management Limited resigned as manager with effect from 1 August 2016. Norfolk Mortgage Management Limited was appointed manager at a meeting of

² Norfolk (No. 2) Trust was established on 28 October 2016 and was, therefore, not in existence at 1 April 2016, being the start of the accounting period.

investors held on 18 July 2016, such appointment effective from 1 August 2016. Jack Lee Porus and Stuart Adrian Smith are the directors of Norfolk Financial Management Limited. Stuart Gavin Callender, Norton Ross Fanthorpe, Donald Fraser Howden, Gregory Claude McDonnell, Richard Kenneth Owen, Myles John Prestidge and Ian Christopher Watson resigned as directors of Norfolk Mortgage Management Limited on 27 July 2016. Jack Lee Porus, Stuart Adrian Smith and Craig Alexander Urquhart were appointed directors of Norfolk Mortgage Management Limited on 27 July 2016. There have been no changes to the directors of Norfolk Mortgage Management Limited since it became manager of the scheme on 1 August 2016.

Supervisor

In respect of Covenant Trustee Services Limited, in the year ending 31 March 2017, the following changes occurred in relation to the Board:

Timothy James Shaw resigned on 3 August 2016; and
Bryan David Connor was appointed on 15 February 2017.

Custodian

In respect of Norfolk Nominees Limited and Norfolk (No. 2) Nominee Limited for the year ending 31 March 2017, the following changes occurred in relation to the Board:

Bryan David Connor resigned on 8 December 2016; and
Mark Patrick Jephson was appointed on 15 February 2017.

Securities registrar and auditor

There have been no changes to the securities registrar or auditor.

How to find further information

Copies of documents relating to the Scheme, such as the Trust Deed, SIPO, Product Disclosure Statement, quarterly fund updates and annual financial statements are available on the Disclose Register at www.business.govt.nz/disclose, scheme number SCH11124.

You may request, at any time, copies of the Trust Deed, SIPO, Product Disclosure Statement, most recent financial statements, and most recent annual report for the Scheme by contacting the Manager at

Norfolk Mortgage Management Limited
P O Box 220
Shortland Street
Auckland 1140

Copies of the above documents will be provided free of charge on request to the Manager. These documents are also available for public inspection at the offices of the Manager at Level 1, 70 Shortland Street, Auckland and on the Disclose Register.

Contact details and complaints

Manager
Norfolk Mortgage Management Limited
P O Box 220
Shortland Street
Auckland 1140
Telephone: 0505 777 707
Email: info@norfolktrust.co.nz

Supervisor

Covenant Trustee Services Limited
Level 6
191 Queen Street
Auckland 1010
P O Box 4243
Shortland Street
Auckland 1140
Telephone: 09 302 0638

Email: team@covenant.co.nz

A complaint about a fund or the Scheme can be made to the Manager or the Supervisor

The Manager and the Supervisor are both members of the Financial Services Complaints Limited ("FSCL") an approved dispute resolution scheme. If a complaint is not resolved within 40 days after contacting either the Manager or the Supervisor or if an investor is dissatisfied with the proposed resolution, then the investor can refer it to FSCL at:

Financial Services Complaints Limited
101 Lambton Quay
P O Box 5967
Lambton Quay
Wellington 6145
Telephone: 0800 347 257

Full details of how to access the FSCL scheme can be obtained from its website www.fscl.org.nz. There is no cost to use the services of FSCL.