Norfolk Mortgage Management Limited

PO Box 37341
Parnell
Auckland 1151

Dear Investor

We have pleasure in sending to you the accounts for the Norfolk Mortgage Trust for the year ended 31 March 2019.

It has been a year of consolidation following the amalgamation of PMIT into the Norfolk Mortgage Trust which occurred on 1st April 2018.

It is pleasing to note that we have not had any impaired loans during the year and accordingly have been able to pay a return to shareholders of 6 cents per unit.

We have been seeking steady growth in the fund and we were able to increase the overall size of the fund by 9.37% during the year.

We have been successful in continuing to source good quality loans as indicated by the overall average loan to valuation ratio of 41.6%

We are working in an environment of growing levels of compliance and regular changes to accounting policies. Under IFRS 9 we have had to make a provision in the accounts for losses (even though we don't expect any at this point) which has slightly depressed the profit for the year.

A further change involved making an accrual with respect to our obligation to make payments to investors in April for income earned in March.

Since balance date the Trust has continued to grow and perform well. We are accordingly looking forward to another good year.

Jack Porus
Chairman

Norfolk Mortgage Trust
Financial Statements
For the Year ended 31 March 2019

Norfolk Mortgage Trust
Trust Directory
As at 31 March 2019

Nature of Business
Investment in Mortgages

Manager
Norfolk Mortgage Management Limited

Trustee
Covenant Trustee Services Limited

Address
The Offices of Glaister Ennor
Barristers & Solicitors
18 High Street
Auckland 1010

Banker
ASB Bank Limited

Auditor
RSM Hayes Audit
Auckland

Accountant
Bendall and Cant Limited
Auckland

Norfolk Mortgage Trust
Statement of Comprehensive Income
For the Year ended 31 March 2019

	Note	2019 $	2018 $
Investment Income			
Interest Income		1,938,585	714,917
Other Investment Income		12,124	2,619
Other Operating Income		-	5,078
Total Investment Income		1,950,709	722,613
Operating Expenses			
Administration	6	(610,208)	(246,890)
Finance Costs		386	(71)
Net Profit Before Taxation		1,340,887	475,653
Income Tax		-	-
Net Profit for the Year		1,340,887	475,653
Other Comprehensive Income		-	-
Total Comprehensive Income		1,340,887	475,653

NOTE: Read in conjunction with the Notes to the Financial Statements.

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Norfolk Mortgage Trust
Statement of Changes in Equity
For the Year ended 31 March 2019

		Unit Capital	Retained Earnings	Total Equity
For the Year ended 31 March 2019				
Opening Equity Balances		20,574,754	(187,722)	20,387,032
Profit for the Year		-	1,340,887	1,340,887
Initial Application of NZ IFRS 9		-	(30,182)	(30,182)
Transactions with Owners				
Units Issued	7	4,439,084	-	4,439,084
Units Redeemed		(2,224,474)	-	(2,224,474)
Distributions		-	(1,349,111)	(1,349,111)
Total Transactions with Owners		2,214,610	(1,349,111)	865,499
Balance at 31 March 2019	7	22,789,364	(226,128)	22,563,236
For the Year ended 31 March 2018				
Opening Equity Balances		6,944,071	(149,800)	6,794,271
Profit for the Year		-	475,653	475,653
Transactions with Owners				
Units Issued	7	14,185,223	-	14,185,223
Units Redeemed	7	(554,540)	-	(554,540)
Distributions Paid		-	(513,575)	(513,575)
Total Transactions with Owners		13,630,683	(513,575)	13,117,108
Balance at 31 March 2018	7	20,574,754	(187,722)	20,387,032

Norfolk Mortgage Trust
Statement of Financial Position
As at 31 March 2019

	Note	2019	2018
		$	$
CURRENT ASSETS			
Cash and Cash Equivalents	8	2,847,819	566,407
Taxation	10	-	590
Accounts Receivable	12	145,375	101,321
Mortgage Portfolio - Current Portion	13	19,346,716	18,502,968
Total Current Assets		22,339,910	19,171,286
NON-CURRENT ASSETS			
Mortgage Portfolio - Term Portion	13	232,267	1,408,500
Investments	14	255,000	-
Total Non-Current Assets		487,267	1,408,500
TOTAL ASSETS		22,827,177	20,579,786
CURRENT LIABILITIES			
Accounts Payable	15	167,967	192,754
Distribution Payable		95,974	-
Total Current Liabilities		263,941	192,754
TOTAL LIABILITIES		263,941	192,754
NET ASSETS		22,563,236	20,387,032
Represented by;			
Retained Earnings		(226,128)	(187,722)
Units on Issue	7	22,789,364	20,574,754
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		22,563,236	20,387,032

The accompanying notes form part of these Financial Statements and should be read in conjunction with the reports contained herein.

For and on behalf of the Directors of the Manager:

Director ____________________ Director ____________________

Date: 26 July 2019

Norfolk Mortgage Trust
Statement of Cash Flows
For the Year ended 31 March 2019

	Note	2019 $		2018 $
Cash Flows from Operating Activities				
Cash was provided from:				
Interest Income		1,907,245		670,395
Fee Income		-		1,380
Cash was applied to:				
Payments to Suppliers			(632,767)	(212,816)
Net Cash Inflow from Operating Activities	9		1,274,478	458,959
Cash Flows from Financing Activities				
Cash was provided from:				
Subscription Funds Received		4,439,084		4,463,288
Cash was applied to:				
Distributions Paid to Unitholders		(1,256,459)		(504,965)
Units Redeemed		(2,224,474)		(554,539)
Net Cash Inflow from Financing Activities			958,151	3,403,784
Cash Flows from Investing Activities				
Cash was provided from:				
Net Mortgage Advances		303,783		(5,801,496)
Cash was applied to:				
Purchases of Other Investments	17	(255,000)		-
Net Cash Inflow from Investing Activities			48,783	(5,801,496)
Net Increase in Cash Held			2,281,412	(1,938,754)
Opening Cash brought forward			566,407	2,505,161
Ending Cash carried forward			2,847,819	566,407
Represented By:				
Cash and Cash Equivalents	8		2,847,819	566,407
			2,847,819	566,407

NOTE: Read in conjunction with the Notes to the Financial Statements.

1. **STATEMENT OF ACCOUNTING POLICIES**

The financial statements presented here are for Norfolk Mortgage Trust ("the Trust"), a trust formed and domiciled in New Zealand. The financial statements of Norfolk Mortgage Trust are general purpose financial statements which have been prepared according to generally accepted accounting practice.

The Trust complies with the Financial Markets Conduct Act 2013 ("FMCA 2013") and prepares financial statements in compliance with that Act. The Trust is registered as a managed fund investment scheme under the FMCA 2013 on 1 November 2016.

The Directors of Norfolk Mortgage Management Limited ("the Manager") are responsible for the day-to-day management of the Trust. The Directors of the Manager do not have the power to amend these financial statements once issued.

Measurement Base
The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis have been used, with the exception of certain items for which specific accounting policies have been identified.

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand. They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and also comply with International Financial Reporting Standards. For this purpose, the Trust has designated itself as profit-oriented. The information is presented in New Zealand Dollars, rounded to the nearest dollar.

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

(a) **Revenue**

Revenue Recognition
Revenue is recognised to the extent that it is probable that economic benefit will flow to the Trust and that the revenue can be reliably measured. Sources of revenue include interest income and income from limited partnerships.

Interest Income
Financial instruments are classified in the manner described in the financial assets and liabilities sections below.

For financial instruments measured at amortised cost, interest income and expense is recognised on a time-proportion basis using the effective interest method.

(b) **Goods & Services Tax**
With the exception of trade payables and receivables, all items are stated exclusive of Goods and Services Tax.

(c) **Income Tax**
The Trust elected to become a Portfolio Investment Entity ("PIE") fund as of 17 November 2016. Subsequent to becoming a PIE, income is allocated to each unitholder and tax is paid to the Inland Revenue Department ("IRD") on the investors' behalf at the unitholders prescribed rate. All Trust income is allocated and as a result no tax is directly payable by the Trust itself.

(d) **Investments**
Investments are recorded at fair value.

(e) **Units and Distributions**

Units are classified as equity as all units are entitled to a pro-rata share of the Trust's net assets on liquidation, the units are subordinate to all other instruments, the units have identical features other than redemption period, and the total cash flows to unitholders are based substantially on the net profit.

Distributions on units are recognised when the amount for the relevant period has been set by the Manager. During the 2019 year, the period to which distributions relate was changed to reflect the previous calendar month, but remained payable on the 15th of the month. For this reason, the March 2019 distribution that was paid in April 2019 was accrued for at year-end.

(f) **Financial Instruments**

Financial instruments are recognised in the Statement of Financial Position when the Trust becomes party to a financial contract. They include cash balances, deposits, mortgages, receivables, payables and intercompany balances.

All the Trust's financial instruments are initially recorded at cost and subsequently carried at amortised cost using the effective interest method. Due allowance is made for impaired receivables (doubtful debts). The Trust has not entered into any financial instrument with off balance sheet risk.

(g) **Financial Assets**

Classification of Financial Assets under NZ IFRS 9 for Current Year Disclosures

The Trust classifies its financial assets as measured at amortised cost, based on both the business model for managing the financial assets and their contractual cash flow characteristics.

The Trust classifies its financial assets at amortised cost if the asset is held within a business model with the objective of collecting the contractual cash flows, and if the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Classification under NZ IAS 39 for Comparative Information

Under NZ IAS 39, all the Trust's financial instruments were initially recorded at cost and subsequently carried at amortised cost using the effective interest method. Due allowance was made for impaired receivables (doubtful debts).

Financial Liabilites

Financial liabilities are recognised when an obligation arises and derecognised when it is discharged, cancelled or expired. Financial liabilities are initially recognised at fair value less transaction costs, except where they are designated at fair value, in which case transaction costs are expensed as incurred.

The Trust's financial liabilities include balances due to related parties, deposit and other borrowings, and other liabilities. Deposits from customers cover all forms of funding, and include transactional and savings accounts, term deposits and credit balances on cards. Other liabilities include the accrual of interest coupons and fees payable.

Classification under NZ IFRS 9 for Current Year Disclosures

The Trust classified its financial liabilities as subsequently measured at amortised cost.

Classification under NZ IAS 39 for Comparative Information

The Trust classified its financial liabilities under NZ IAS 39 as other financial liabilities. The classification depended on the purpose for which the financial liability was entered into. Management determines the classification of its financial liabilities at initial recognition. All previously recognised financial liabilities were recognised in the other financial liability category.

Impairment of Financial Assets

Current Policies under NZ IFRS 9 for Current Year Disclosures

The Trust now applies a three-stage approach to measuring expected credit losses (ECL) on debt instruments accounted for at amortised cost. Such assets may move through the following three stages based on their change in credit quality since their initial recognition:

Stage 1: 12-month ECL - Performing

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Lifetime ECL - Under Performing

For credit exposures where there has been a significant increase in credit risk since initial recognition, but that are not credit impaired, a lifetime ECL is recognised. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Stage 3: Lifetime ECL - Not Performing

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

Assessment of Significant Increase in Credit Risk

At each reporting date, the Trust assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the expected life between that of the reporting date to that of the date of initial recognition.

The Trust assesses whether the credit risk on a financial asset has increased significantly on an individual and collective basis. For the purposes of collective evaluation, financial assets are grouped on the basis of shared credit risk characteristics, taking into account instrument type, internal credit risk rating, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.

Regardless of other changes since the origination of the financial asset, it will be considered to have had a significant increase in credit risk where it is more than 30 days past due.

Subsequent Improvement in Credit Quality

If, in a subsequent reporting period, the credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the provision for credit losses reverts from full lifetime ECL to 12-month ECL.

Measurement of Expected Credit Losses

The estimated amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Trust and all the cash flows that the Trust expects to receive. The amount of the loss is recognised using a provision for credit loss allowance.

The Trust considers its historical loss experience and adjusts this for current observable data. In addition, the Trust uses reasonable and supportable forecasts of future economic conditions including experienced judgement to estimate the amount of an expected impairment loss. The Trust assesses a range of macroeconomic factors which include, but are not limited to, unemployment rates, interest rates, gross domestic product, inflation and property prices, and requires an evaluation of both the current and future direction of the economic cycle. Incorporating forward-looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions, including any forecasts of future economic conditions are reviewed regularly.

<u>Collective Assessment of Credit Loss Allowances</u>
For collectively assessed provisions, expected credit losses are estimated based on the probability of default, loss given default, and the anticipated exposure at default.

The Probability of Default ("PD")
This estimates the likelihood of default occurring either over the lifetime of the financial instrument, or within the 12 months from reporting period.

Exposure at Default ("EAD")
This represents the estimate of the exposure at a future default date, taking into account expected changes in the exposure after reporting date for instance due to available borrowing facilities.

Loss Given Default ("LGD")
This represents the estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Trust would expect to receive, including cash flows expected from collateral and other credit enhancements.

<u>Indivdually Assessed Loss Allowances</u>
For credit-impaired financial assets that are assessed on an individual basis, a discounted cash flow calculation is performed and multiple cash flow scenarios are considered.

<u>Credit Impaired Assets</u>
In defining default for the purposes of determining the risk of a default occurring, the Trust applies a default definition consistent with the definition used for internal credit risk management purposes for the relevant financial instrument and considers qualitative indicators when appropriate. The Trust applies a presumption that default does not occur later than when a financial asset is 90 days past due, or where it operates outside of agreed facility limits for a period of more than 90 days.

<u>Write-off of Financial Assets</u>
Financial assets (and the related impairment allowances) will be written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security.

Impairment of Financial Assets under NZ IAS 39 for Comparative Information
<u>Impairment Provisioning - Incurred Loss Model</u>
In the prior year, the impairment of loans and receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet been identified.

Restructured and Past Due Assets
<u>Restructured Assets</u>
A restructured asset is any credit exposure for which the original terms have been changed to grant the counterparty a concession that would not otherwise have been available due to the counterparty's difficulties in complying with the original terms, the revised terms of the facility are not comparable with the terms of new facilities with comparable risks, and the yield on the asset following restructuring is equal to or greater than, the Trust's average cost of funds, or that a loss is not otherwise expected to be incurred.

Assets acquired through the enforcement of security are those real estate and other assets acquired in full or partial satisfaction of a debt.

Past Due Assets
A financial asset is disclosed as a past due asset where a counterparty has failed to make a payment when contractually due, and which is not an impaired asset.

(h) **Statement of Cash Flows**
The statement of cash flows has been prepared using the direct approach modified by the netting of certain items.

The following are the definitions of the terms used in the statement of cash flows:

- Cash and cash equivalents means cash on deposit with banks.
- Investing activities are those which relate to the mortgage advances
- Financing activities are those activities which result in changes in Trust unit capital.
- Operating activities include all transactions that are not investing or financing activities, and include all interest received and paid.

Mortgage principal receipts and advances have been presented on a net basis.

(i) **Changes in Accounting Policies**
The Trust has adopted two new accounting standards during the year.

Adoption of NZ IFRS 9 Financial Instruments
The Trust has adopted the requirements of NZ IFRS 9 in the year ended 31 March 2019. NZ IFRS 9 replaces the provisions of NZ IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting.

In accordance with the transitional provisions in NZ IFRS 9 comparative information for the 31 March 2018 year has not been restated. As a result, the comparative information provided continues to be accounted for in accordance with the Trust's previous accounting policies.

All financial assets recognised at the previous balance date were considered to be loans and receivables and measured at amortised cost under NZ IAS 39, which continued to be recognised at amortised cost under NZ IFRS 9. Disclosures provided for comparative information has not been restated.

NZ IFRS 9 introduced new impairment requirements based on an expected credit loss model, replacing the incurred loss model previously applied under NZ IAS 39. The impact of this change is summarised in Note 20.

Classification and measurement of financial liabilities has remained unchanged for the Trust, with all financial liabilities continuing to be measured at amortised cost.

Adoption of NZ IFRS 15 Revenue from contracts with customers
The Trust has adopted the requirements of NZ IFRS 15 in the year ended 31 March 2019. The standard introduces a revised model for the recognition of revenue, and a revised policy for revenue recognition has been adopted - see note 1(a).

There were no material changes in recognition, measurement or presentation required upon adoption of NZ IFRS 15 within the financial statements of the Trust.

All other accounting policies have remained unchanged from the previous reporting period.

Significant Judgements, Estimates and Assumptions
The preparation of financial statements requires the Directors of the Manager to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. Estimates are based both on historical experiences and on assumptions that are believed to be reasonable in the circumstances. They form the basis of judgements made as to appropriate carrying values disclosures for assets, which are not readily ascertainable from other sources. Actual results may differ from these estimates and judgements.

The uncertainty associated with judgements and estimates that has the most significant effect on the financial statements as at 31 March 2019 is commented on as follows:

Liquidity Profile
Liquidity profile disclosures include the timing of cash flows from finance receivables based on current expectations. These cash flow timings have been estimated by the Directors of the Manager based upon their assessments of the current status of borrower's property, recent valuations and their assumptions relating to the time it may take to sell the secured property.

Recognition of Expected Credit Losses ("ECL")
The implementation of NZ IFRS 9 has resulted in a change to the assessment of the critical accounting estimates and judgements related to impairment of financial assets. In determining ECL, management is required to exercise judgement in defining what is considered to be a significant increase in credit risk and default events.

Assumptions and estimates have been made based on readily obtainable and relevant information about past credit experience, current conditions and forecasts of economic conditions.

The probability of default, loss given default, and exposure at default assumptions which support the expected credit loss estimate will be reviewed regularly in light of differences between loss estimates and actual loss experience, but given that NZ IFRS 9 requirements are newly adopted, and the lack of loss experience in this time period, there has been limited opportunities to make these comparisons.

2. NEW STANDARDS AND INTERPRETATION

The Trust has not early adopted any new standards or interpretations in advance of their effective dates.

3. CAPITAL COMMITMENTS

At balance date, the Trust had no capital commitments (2018: Nil).

4. CONTINGENT LIABILITIES

At balance date, there are no known contingent liabilities (2018: Nil). Norfolk Mortgage Trust has not granted any securities in respect of liabilities payable by any other party whatsoever.

5. EVENTS SUBSEQUENT TO BALANCE DATE

No significant events subsequent to balance date which should require disclosure as part of these financial statements have been noted (2018: None noted).

6. ADDITIONAL INFORMATION

Expenses deducted in calculation of Net Profit Before Taxation include the following:

	2019 $	2018 $
Administration Costs		
Audit Fees - Trust	29,475	14,663
Audit Fees - Custodian	12,075	4,313
Accounting Fees - Trust	22,184	8,625
Management Fees - Norfolk Mortgage Management Limited	543,047	219,290
	606,781	246,890

Other than audit fees no other fees were paid to the auditors.

7. UNITS ON ISSUE

The Trust issues units that are redeemable at the unitholders' option, are entitled to receive a pro-rata share of net assets on wind-up and have identical features other than redemption period. All units share equally in distributions.

	2019		2018	
	Number	$	Number	$
At the Beginning of the Year	21,060,780	20,574,754	6,982,831	6,944,072
Units Issued	4,574,942	4,439,084	4,172,070	4,042,807
Units Issued to Norfolk (No.2) Unitholders	-	-	10,477,600	10,142,415
Units Redeemed	(2,294,588)	(2,224,474)	(571,721)	(554,540)
At the End of the Year	23,341,134	22,789,364	21,060,780	20,574,754

As at 31 March 2019, there was one significant investor who accounted for 6.64% (2018: 7.36%) of the total units issued. The number of unitholders is 199 (2018: 201) with an average holding per unitholder of 117,292 units (2018: 104,780 units). A number of these units are held by related parties, please refer to the Related Parties Note (Note 17).

Units in the Trust are redeemable at net asset value per unit at the time of redemption. The Trust's net asset value is calculated by taking the gross asset value of the fund, deducting all liabilities of the fund calculated on an accrual basis and deducting any other provisions that the Manager or Trustee thinks necessary or desirable for accrued or contingent liabilities.

Units Issued to Norfolk (No. 2) Unitholders
In the year ended 31 March 2018, unitholders in Norfolk (No 2) Trust voted to convert units they held in Norfolk (No. 2) Trust into units in Norfolk Mortgage Trust. From the perspective of Norfolk Mortgage Trust this was a subscription for new units. Each Norfolk (No 2) Trust unitholder received units in Norfolk Mortgage Trust, with an aggregate value equal to the value of Norfolk (No 2) Trust net assets transferred to Norfolk Mortgage Trust at the date of the subscription.

8. CASH AND CASH EQUIVALENTS

	2019	2018
	$	$
Current Accounts	2,296,880	201,380
On Call Interest Bearing Deposits	550,939	365,027
	2,847,819	566,407

The interest rate received on interest bearing deposits was 2.85% at 31 March 2019 (2018: 2.00%). No interest was earned on the current account. Interest income on interest bearing deposits during the year to 31 March 2019 was $27,267 (2018: $18,006).

A 1% decrease in the weighted average interest rate would reduce the interest income on interest bearing deposits from $27,267 to $13,193 (2018: $18,006 to $9,740).
A 0.5% decrease in the weighted average interest rate would reduce the interest income on interest bearing deposits from $27,267 to $20,230 (2018: $18,006 to $13,873).

9. RECONCILIATION OF NET PROFIT AFTER TAXATION WITH CASH INFLOW FROM OPERATING ACTIVITIES

	2019	2018
Net Profit for the Year	1,340,887	475,653
Add / (Less) Non Cash Items:		
Credit Loss Allowance	(1,480)	-
Add / (Less) Movements in other Working Capital items:		
Accounts Payable and Accruals	(21,465)	34,113
Accounts Receivable and Prepayments	(43,464)	(47,109)
Deferred Income	-	(3,698)
Net Cash Inflow from Operating Activities	1,274,478	458,959

10. TAX PAYABLE (REFUND DUE)

	2019	2018
Prior Year's Taxation Carried Forward	-	(590)
Current Tax Charge	-	-
Income Tax Payable (Refund Due)	-	(590)

11. IMPUTATION CREDIT ACCOUNT

At balance date, the imputation credits available to unitholders were:

	2019	2018
Balance at beginning of year	590	590
Income Tax Paid (Refunded)	(590)	-
Balance at end of year	-	590
Less Tax Refund Due / Add Tax Payable	-	(590)
Credits Available for Future Periods	-	-

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12. ACCOUNTS RECEIVABLE & ACCRUALS

	2019	2018
	$	$
Interest Accrued Receivable	145,375	101,321
	145,375	101,321

13. MORTGAGE PORTFOLIO

First Mortgage Advances - Current	19,374,685	17,962,968
Second Mortgage Advances - Current	-	540,000
Provision for Credit Impairment	(27,969)	-
Total Mortgages Advances - Current	19,346,716	18,502,968
First Mortgages Advances - Non-Current	233,000	1,408,500
Provision for Credit Impairment	(733)	-
Total Mortgages Advances - Non-Current	232,267	1,408,500
Total Net Mortgage Advances	19,578,983	19,911,468

The provision for credit impairment is equal to the sum of ECLs calculated pursuant to IFRS 9.

These represent mortgages to unrelated parties at commercial interest rates and are contractually repayable within 24 months. Of these mortgages, none (2018: balances amounting to $650,000) are investments in contributory mortgages managed by Vulcan Contributory Mortgage Nominee Company Limited (see Note 17). Interest rates range from 7.00% to 9.95% (2018: 7.00% to 12.95%). Loans which are past due and where any agreed contractual grace period has passed incur penalty interest rates ranging from 12.00% to 19.95% (2018: 17.00% to 22.95%).

14. INVESTMENTS

Vulcan Mortgage Limited Partnership	255,000	-

Investments in Vulcan Mortgage Limited Partnership are permitted investments under the terms of the Trust's Statement of Investment Policies and Objectives as the Limited Partnership invests solely in mortgages. The fair value of the Trust's investment has been taken as the carrying value (i.e. cost) as the investment is for a short term and fair value is not expected to be materially different from carrying value. Vulcan Mortgage Limited Partnership is a related party, for further details, refer to Note 17.

15. ACCOUNTS PAYABLE

Accounts Payable and Accruals comprise the following:

Accounts Payable	355	-
Accrued Management Fees - Norfolk Mortgage Management Ltd	48,778	43,714
PIE Tax Payable	62,799	36,222
Distribution Funds Held in Trust	3,210	33,107
Sundry Payables and Accruals	52,825	79,712
	167,967	192,754

16. CONCENTRATION OF RISK

Loans advanced by the Trust including interest accrued receivable have the following geographical concentration (based on land registration district):

	2019 $	2018 $
Auckland	9,533,103	9,320,691
Bay of Plenty	607,190	259,667
Canterbury	878,619	-
Hawkes Bay	255,420	550,838
King Country / Taranaki	730,272	2,246,204
Nelson	506,099	-
Northland	615,127	695,588
Otago	2,470,800	1,572,233
Waikato	1,912,198	2,303,357
Wellington	2,499,054	3,064,125
	20,007,882	20,012,702

Loans advanced by the Trust including interest accrued receivable have been secured by the following property types:

	2019 $	2018 $
Residential - Home & Land	6,102,267	7,129,355
Residential - Development	-	542,682
Residential - Lifestyle	4,991,362	653,442
Residential - Rental	1,450,480	1,985,674
Rural - Farming	138,106	867,217
Rural - Horticulture	-	1,964,351
Rural - Other	326,389	1,181,253
Commercial - Industrial	1,937,080	1,464,568
Commercial - Office	5,062,198	4,224,159
	20,007,882	20,012,702

The Trust has the following unit geographical concentration with all figures shown being in number of units issued.

	2019 Units	2018 Units
Auckland	7,126,699	6,124,487
Bay of Plenty	3,219,379	3,280,501
Canterbury	332,269	329,939
Hawkes Bay	16,695	16,695
King Country / Taranaki	800,428	1,518,511
Northland	59,175	-
Overseas Resident	128,736	375,326
South Island - Other	72,197	-
Waikato	11,461,845	9,415,321
Wellington	123,711	-
	23,341,134	21,060,780

17. RELATED PARTIES

The Trust is associated with its Manager, Norfolk Mortgage Management Limited. Management fees paid to the Manager during the year were $543,047 (2018:$219,290). The Manager also derives fees from borrowers related to loan processing.

The 2018 financial year conversion of units described in Note 7 was a related party transaction as Norfolk (No. 2) Trust was managed by the same Manager. Assets totalling $10,257,149 (consisting of bank deposits of $420,481 and finance receivables of $9,836,668) and liabilities of $114,734 were transferred from Norfolk (No. 2) Trust in exchange for 10,477,600 units in Norfolk Mortgage Trust.

J L Porus is a partner of the law firm Glaister Ennor ("GE"). The Trust and its Manager engage GE for a variety of matters from time to time. In the prior year, $8,878 was outstanding at year-end for costs relating to the conversion with Norfolk (No. 2) Trust. GE also holds interest bearing bank deposits on behalf of the Trust. The value of these deposits at balance date was $550,939 (2018: Nil).

J L Porus is also associated with Vulcan Mortgage Limited Partnership, an entity that itself invests in mortgages. During the year, the Trust acquired an investment in the Limited Partnership and held an investment of $255,000 at year-end. In the prior year, the Trust acquired and then disposed of an investment in the Limited Partnership and held no balance at year-end. The Trust derived investment income of $12,124 (2018: $2,619) from the Limited Partnership.

In the prior year, the Trust entered into two contributory mortgage arrangements with Vulcan Contributory Mortgage Nominee Company Limited (the "Nominee Company"). The advances under these arrangement totalled $650,000 at 31 March 2018. J L Porus is a Director of the Nominee Company. Security in respect of these loans is held by the Nominee Company on behalf of the Trust based on the proportional share of the mortgage owned by the Trust. In the normal course of business, Vulcan Mortgage derives a commission of 1% in respect of contributory mortgages (2018: 1%). However, in the case of the Trust, these fees are rebated.

Some of the Directors of the Manager and/or the firm(s) of which they are members may from time to time receive fees direct from borrowers for arranging mortgage advances by the Trusts. These fees are payable by the borrowers at commercial rates.

<u>Related Party Unitholders</u>
Persons associated with Directors of the Manager have subscribed for units in the Trust on a normal commercial basis. A summary of the units held where a Director or the Chief Executive Officer of the Manager has a beneficial interest and also those in which a Director acts in his professional capacity as a Trustee of a Trust or Director of a Trustee Company and does not have a beneficial interest are as follows:

	2019 Units Held	2018 Units Held
A G Flett - Beneficial Interest	-	203,512
A G Flett - Non-Beneficial Interest	511,404	511,404
J L Porus - Beneficial Interest	108,454	160,000
J L Porus - Non-Beneficial Interest	1,555,051	1,335,093
D F Howden - Beneficial Interest	257,177	-
D F Howden - Non-Beneficial Interest	2,798,760	-
G Holden - Beneficial Interest	209,250	-

Distributions were paid to each of these units on a normal basis and in all respects in the same manner as for other unitholders.

18. ASSET QUALITY

Current Year Information under NZ IFRS 9

The following information is provided as at 31 March 2019 as current year information under NZ IFRS 9, and includes mortgage principal only.

Gross Loan Exposures by Internal Rating

The Trust's internal rating approach scores loans out of 70 across seven different indicators. Each indicator is ranked 1 to 10 with 10 being most favourable and therefore the total rating being out of 70. Deposits held by the Trust are not scored. A summary of gross loan exposures by internal rating is as follows:

	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Below 40	981,750	560,842	-	1,542,592
40-45	-	-	-	-
46-50	1,600,000	831,252	1,954,000	4,385,252
51-55	2,619,950	-	-	2,619,950
56-60	3,266,800	180,891	-	3,447,691
Above 60	7,089,091	778,109	-	7,867,200
				19,862,685

Analysis of Days Past Due

Gross amount of finance receivables that were past due but not impaired at 31 March 2019 were as follows:

Less than 30 Days Past Due	1,469,286	-	-	1,469,286
At Least 30 Days but less than 60 Days Past Due	-	57,522	-	57,522
More than 60 Days but less than 90 Days Past Due	-	720,587	-	720,587
At Least 90 Days Past Due	-	1,572,985	1,954,000	3,526,985
Total Past Due but Not Impaired Loans				5,774,381

Gross Exposure (by Credit Loss Allowance Stage)

A summary of gross loan exposures as at 31 March 2019 by credit loss allowance stage is as follows:

At the Beginning of the Year	18,254,059	138,500	1,518,909	19,911,467
Transfers Between Stages				
From Stage 1 to 2	(1,604,405)	1,604,405	-	-
From Stage 2 to 1	-	-	-	-
Transfer to Stage 3	(1,954,000)	-	1,954,000	-
Transfer from Stage 3	129,000	606,500	(735,500)	-
Net Further Lending / (Repayment) - Existing Loans	1,802,254	(54,811)	-	1,747,443
Net Further Lending / (Repayment) - New Loans	7,575,437	195,000	-	7,770,437
Asset Derecognised including Final Repayments	(8,644,753)	(138,500)	(783,409)	(9,566,662)
Assets Written Off	-	-	-	-
At the End of the Year	15,557,591	2,351,094	1,954,000	19,862,685
Assessment Approach:				
Collectively Assessed	15,557,591	778,109	1,954,000	18,289,700
Individually Assessed	-	1,572,985	-	1,572,985

The Trust does has no modified or restructured assets, financial, real estate or other assets acquired through security enforcement or any assets under administration as at 31 March 2019 (2018: Nil). The Trust does not have any such collateral which it can sell or re-pledge. There were no undrawn balances on lending commitments to counterparties within the impaired asset category at 31 March 2019 (2018: Nil).

Comparative Information under NZ IAS 39

The following information is provided as at 31 March 2018 as comparative information under NZ IAS 39. The tables include the initial mortgage advance and any related interest accrued.

Past Due Assets

At the Beginning of the Year	936,027
Transfer to Past Due Assets	1,682,175
Transfer from Past Due Assets	(936,027)
At the End of the Year	1,682,175

Loans classified as past due are considered to be temporarily past due and all principal and accrued interest balances are considered collectable.

Past due loans are aged as follows:

Not more than three months past due	138,790
Three to six months past due	965,597
Six to twelve months past due	180,087
Twelve to twenty-four months past due	240,814
More than twenty-four months past due	156,888
Total Past Due Loans	1,682,175

There were seven past due loans as at 31 March 2018 with expiry dates ranging between 22 August 2011 and 22 February 2018. One loan was repaid on 17 April 2018 and another one was repaid on 26 July 2018. Three loans were renewed on similar terms subsequent to balance date and the Manager expected to receive repayment in October 2018, March 2019 and May 2019 respectively. One further loan was in the process of being refinanced with all interest payments being up-to-date. The Manager accepted an offer on the final loan through mortgagee sale and settlement occurred on 17 July 2018.

Estimated Value of Security Held for Past Due and Impaired Assets

Not more than three months past due	280,000
Three to six months past due	1,874,000
Six to twelve months past due	636,000
Twelve to twenty-four months past due	505,000
More than twenty-four months past due	390,000
Total Value of Security Held	3,685,000

The value of the underlying securities held above are based on valuations performed by registered valuers or Council rating values.

19. CREDIT LOSS ALLOWANCE

Expected Credit Loss allowances as at 31 March 2019 on mortgages are as follows:

Collectively Assessed

	Stage 1 $	Stage 2 $	Stage 3 $	Total $
At the Beginning of the Year	27,056	329	2,797	30,182
Transfers Between Stages				
From Stage 1 to 2	(2,278)	2,420	-	142
From Stage 2 to 1	-	-	-	-
Transfer to Stage 3	(2,775)	-	3,478	703
Transfer from Stage 3	230	1,080	(1,309)	-
Net Re-Measurement on Individual Assessment	-	(2,513)	-	(2,513)
Net Further Lending / (Repayment) - Existing Loans	2,808	51	-	2,859
Net Further Lending / (Repayment) - New Loans	11,294	347	-	11,641
Asset Derecognised including Final Repayments	(12,496)	(329)	(1,488)	(14,313)
Assets Written Off	-	-	-	-
At the End of the Year	23,839	1,385	3,478	28,702
Charge / (Credit) to profit or loss	(3,217)	1,056	681	(1,480)

Individually Assessed
Mortgages that have been individually assessed are those that have repaid in full after balance but before the date of issue of these financial statements. In each of these cases, the Expected Credit Loss is nil.

Impact of Changes in Gross Carrying Amount on ECL
The change in the provision for credit impairment during the year was driven by a combination of changes in the profile of the Trust's loans and an increase in the number of loans individually assessed to have lower expected credit loss due to repayment after balance date.

Financial Assets other than Mortgages
All other financial assets have been assessed to have expected credit losses that are not material.

20. IMPACT OF THE ADOPTION OF NZ IFRS 9

NZ IFRS 9 introduced new impairment requirements based on an expected credit loss model, replacing the incurred loss model under NZ IAS 39. The impact of this change is summarised below.

	Loans and Advances	Retained Earnings
As Reported as at 31 March 2018	19,911,467	19,911,467
Expected Credit Loss Allowance	(30,182)	(30,182)
Total Adjustment	(30,182)	(30,182)
As at 1 April 2018 under NZ IFRS 9	19,881,285	19,881,285

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21. FINANCIAL RISK MANAGEMENT

Exposure to credit, market and interest rate risks arise in the normal course of the Trust's business.

Credit Risk
To the extent that the Trust has a receivable from another party there is a credit risk in the event of non performance by that other party.

Financial instruments which potentially subject the Trust to credit risk principally consist of mortgages advanced to third parties. All advances made have first ranking security. Maximum exposures to credit risk at balance date are the carrying amounts of financial assets as follows:

	2019	2018
	$	$
Mortgage Portfolio - Current Portion	19,346,716	18,502,968
Mortgage Portfolio - Term Portion	233,000	1,408,500
Cash and Cash Equivalents	2,847,819	566,407
Interest Accrued Receivable	145,375	101,321

The above maximum exposures are net of any recognised impairment losses on these financial instruments.

Mortgage advances and interest receivable are secured by registered mortgage over property. Security in respect of contributory mortgages is held by Vulcan Contributory Mortgage Nominee Company Limited on behalf of the Trust based on the proportional share of the mortgage owned by the Trust. Refer to Note 17 for further information on contributory mortgages.

Credit Risk Management
The Trust's investment policies are published in the Product Disclosure Statement and Statement of Investment Policies and Objectives both available on the Companies Office's Disclosure Register.

The Trust invests in mortgage-secured loans, which are either first or second mortgages. For first mortgage-secured loans, at the time of approval, the loan must be within 75% of the value of the mortgaged property. For second mortgage-secured loans, at the time of approval, the loan together with the prior first mortgage must be within 75% of the value of the mortgaged property.

Loans may be spread between the residential, commercial, rural and mixed-use sectors, and in no set proportions. Generally, loans are predominantly within the residential and commercial sectors. The intent is not to impose sector allocation rules until the Trust reaches $30 million.

Origination and Assessment
Loan applications are generally received from brokers and are subject to a detailed credit assessment that normally includes enhanced due diligence of the borrower and guarantors, assessment and review of the proposed security property and its valuation, assessment and review of financial information, and assessment and review of the proposed structure of the loan including debt servicing and exit plan.

The use of the Directors to assess loans is a significant comparative advantage that the Trust holds over institutional lenders - be they banks or other large second-tier lenders.

Monitoring
Each loan is monitored to ensure it is performing in accordance with the contracted terms. In the event of an issue with the performance of the contracted terms, a management plan is put in place which has been approved at director level.

Each loan is reviewed quarterly and checked to ensure it is correctly categorised and any ECL provisions are identified and calculated.

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The Trust has a very hands on management style with close monitoring and review by the Directors and its Board on a regular basis.

Concentration of Credit Risk

No mortgage exceeded 10% of the gross asset value of the Trust (2018: Nil). Geographic information regarding mortgages is disclosed in Note 16.

At balance date, cash and interest bearing deposits were held with one bank. During the year the Trust also held funds on trust with Glaister Ennor. There was no overdraft at balance date and no facility arranged. The Trust does not have any other significant concentrations of credit risk.

Market Risk

The Trust's mortgages portfolio is linked to the property market which may vary from time to time. However, the Trust's weighted average loan to asset ratio is not able to exceed 75% per the investment policy. This means that the Trust has no exposure to a property market downturn of up to 25% based on the most recent valuations obtained.

As at 31 March 2019, the weighted average loan to asset ratio was 47.51% (2018: 49.74%), excluding accrued interest.

Interest Rate Risk

The Trust has exposure to interest rate risk to the extent it borrows or invests for a fixed term at fixed rates. The Trust has no borrowings at balance date. In general the interest rate risk associated with lending by the Trust is managed by lending for relatively short terms and ensuring that interest rates on initial lending or renewal are appropriate given the prevailing market interest rates.

At 31 March 2019, the weighted average interest rate on the mortgage portfolio was 9.28% (2018: 9.28%), with rates ranging from 7.00% to 9.95% (2018: 7.00% to 12.95%). All loans have agreed penalty interest rates to apply in the event of the loan being past due. Penalty interest rates range from 12.00% to 19.95% (2018: 17.00% to 22.95%) with a weighted average of 19.03% (2018: 19.28%).

The distribution to unitholders is based on the net profit arising from operations, after allowing for expenses, impairment losses, taxes and any other amount the Manager considers prudent to set aside.

The key driver of this distribution is interest income from loans to customers. Assuming nil impairment losses, a 1 percent increase/(decrease) in the interest rates received from loans to customers and bank deposits would normally drive a corresponding 1 percent increase/(decrease) in the distribution to unitholders.

The interest rate risk profile of the Trust is consistent with the Trust's contractual liquidity profile. The liquidity profiles shown in the Liquidity Risk Note on page 22 can therefore also be used to provide an interest rate repricing analysis of the Trust's financial assets.

Liquidity Risk

Liquidity risk represents the Trust's ability to meet its financial obligations on time. The Trust's redemption policies allow sufficient time to collect finance receivables in order to meet the cash flows resulting from redemptions. The Trust's cash flows enable it to make timely payments.

Units issued have redemption terms as follows:

- For units issued after 16 September 2016, the Trust is required to action a redemption within six months from the date of request. The value of these units are $18,202,120 (2018: $15,643,856).
- For units issued after 6 July 2009 but before 16 September 2016, the Trust is required to action a redemption within twelve months from the date of request. The value of these units are $2,324,735 (2018: $2,520,540).

- For units issued prior to 6 July 2009, the Trust is required to action a redemption within three months from the date of request. The value of these units are $2,263,358 (2018: $2,410,358).

The Manager can elect to redeem units on an earlier date at the Manager's discretion. As units issued do not have fixed maturity dates, they have not been included in the liquidity analysis below. The actual units redeemed during the year were 2,294,588 units (2018: 571,721 units) with a redemption value of $2,224,474 (2018: $554,539). The historical redemption rate is 5.82% (2018: 5.92%) and is a 10-year historical rate.

Redemptions of units paid subsequently amount to $781,750 (2018: $1,038,185).

Redemption requests of Nil (2018: $77,417) have been received but not yet actioned.

The following provides analysis of the Trust's liquidity profile as at 31 March 2019 and 31 March 2018. This analysis is of both contractual and expected undiscounted cash flows. Where contract terms have been re-documented, the maturity profile is based on the maturity date per the new contract.

	Total	0-6 mths	7-12 mths	13-24 mths	24+ mths
As at 31 March 2019					
Cash flows based on contractual obligations:					
Finance Receivables	20,685,196	12,524,268	7,649,121	511,807	-
Cash & Cash Equivalents	2,847,819	2,847,819	-	-	-
Total	23,533,015	15,372,087	7,649,121	511,807	-
Cash flows based on Trust's expectations of likely flows:					
Finance Receivables	21,125,579	10,914,422	7,159,792	2,543,622	507,743
Cash & Cash Equivalents	2,847,819	2,847,819	-	-	-
Total	23,973,398	13,762,241	7,159,792	2,543,622	507,743
As at 31 March 2018					
Cash flows based on contractual obligations:					
Finance Receivables	20,939,936	12,264,055	7,230,077	1,445,804	-
Cash & Cash Equivalents	566,407	566,407	-	-	-
Total	21,506,343	12,830,462	7,230,077	1,445,804	-
Cash flows based on the Trust's expectations of likely flows:					
Finance Receivables	21,025,765	11,058,390	8,207,039	1,760,336	-
Cash & Cash Equivalents	566,407	566,407	-	-	-
Total	21,592,172	11,624,797	8,207,039	1,760,336	-

The cash flows based on Trust's expectations take into consideration the expected renewal of existing facilities upon maturity for past due assets, which lead to increased cash flows from interest and later principal repayments.

Accounts payable and accruals, representing all the financial liabilities of the Trust, are all due to be settled within six months. This takes into consideration the expected renewal of existing facilities upon maturity.

Capital Management

Net assets attributable to unitholders are considered to be the Trust's capital for the purposes of capital management. The Trust does not have to comply with externally imposed capital requirements.

The Trust's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to its unitholders and to support future development and growth of the business to maximise the Trust's unitholders value as well as ensuring its net assets attributable to unitholders are sufficient to meet all present and future obligations, considering the level of units on issue and their redemption periods as disclosed above.

In order to meet its objectives for capital management the Manager reviews the Trust's performance on a regular basis.

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Independent Auditor's Report

To the unitholders of Norfolk Mortgage Trust

Opinion

We have audited the financial statements of Norfolk Mortgage Trust (the Trust) which comprise:

- the statement of financial position as at 31 March 2019;
- the statement of comprehensive income for the year then ended;
- statement of changes in equity for the year then ended;
- statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

In our opinion, the financial statements on pages 2 to 23 present fairly, in all material respects, the financial position of the Trust as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

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

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

Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. The key audit matter identified on the next page was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Mortgage advances – allowance for expected credit losses and related disclosures

Why we considered this to be a key audit matter

Mortgage advances represent the most significant assets of the Norfolk Mortgage Trust.

In the 2019 year, a new financial reporting standard, NZ IFRS 9 *Financial Instruments,* has been applied for the first time. The most significant impact of the new standard for the Norfolk Mortgage Trust is the introduction of an expected credit loss model for the measurement of credit losses allowances, primarily in respect of mortgage advances.

The allowance for expected credit losses on mortgage advances is considered to be a key audit matter as it requires the application of judgement and use of subjective assumptions by management in determining the probability of default and extent of loss in the event of default, in order to determine the expected credit losses. Judgment is also required as to whether a loan has exhibited indicators of a significant increase in credit risk.

Details of the mortgage advances, asset quality and credit loss allowances are described in Notes 13, 18 and 19 to the financial statements.

How our audit addressed this key audit matter

We tested of the accuracy of the underlying mortgage data by requesting direct confirmations from a sample of borrowers, comparison to loan agreements and evidence of security registration.

We obtained Norfolk Mortgage Trust's workings for the allowance for expected credit losses, and ensured the information utilised to compile the allowance was consistent with the above data, and latest available repayment information related to the mortgage advances.

For collectively assessed credit loss allowances we considered the basis and assumptions of the expected credit loss calculations and assessed whether these appeared reasonable and supportable, based Norfolk Mortgage Trust's credit loss experience and broader market data.

For individually assessed credit loss allowances, where loan specific cash flow expectations are used to determine the amount of credit loss allowances, we considered whether the timing and quantum of expected cash flows were based on reasonable and supportable assumptions.

We evaluated the accuracy and adequacy of the disclosures within the financial statements in relation to credit risk, expected credit losses and the overall adoption of NZ IFRS 9 *Financial Instruments.*

Other information

The directors of the manager, Norfolk Mortgage Management Limited, are responsible for the other information. The other information comprises the Trust Directory on page 1 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors of the manager for the financial statements

The directors of the manager, Norfolk Mortgage Management Limited, are responsible, on behalf of the Trust, for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors of the manager determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors of the manager are responsible on behalf of the Trust for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements. A further description of the auditor's responsibilities for the audit of the financial statements is located at the XRB's website at:
https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/

Who we report to

This report is made solely to the Trust's unitholders, as a body. Our audit work has been undertaken so that we might state those matters which 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 Trust's unitholders, as a body, for our audit work, for this report or for the opinions we have formed.

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

RSM

RSM Hayes Audit
Auckland

26 July 2019