

**Norfolk Mortgage Trust
Other Material
Information**

1 General

- 1.1 This Other Material Information document (“**document**”) has been prepared to meet the requirements of section 57(1)(b)(ii) of the Financial Markets Conduct Act 2013 (“**FMC Act**”) and clause 52 of Schedule 4 of the Financial Markets Conduct Regulations 2014 (“**FMC Regulations**”). All legislation referred to in this document can be viewed at www.legislation.govt.nz.
- 1.2 The Product Disclosure Statement (“**PDS**”) for the offer of units in the Norfolk Mortgage Trust (“**Fund**”) is also available. If you are “retail investor” under the FMC Act you must be given a copy of the relevant PDS before you can invest in the Fund.

2 Non-performing loans

- 2.1 As at 4 November 2016, there is only one non-performing loan in the Fund’s mortgage and loan portfolio.
- 2.2 The borrower is Connelly Way Developments Limited. The secured property is situated in Cromwell, Otago.
- 2.3 This loan was impaired in the financial statements for the Fund as at 31 March 2016.
- 2.4 Following the impairment, the carrying value of this loan is \$328,672.17.
- 2.5 The Manager has recently accepted an offer to acquire the property from an interested purchaser above the carrying value. On the basis that the sale under this agreement settles in February 2017, the current carrying value of the loan will be cleared. Therefore, it should not affect returns payable to investors.

3 Calculation of Annual Fund Returns/PIE Election

- 3.1 The Fund will elect Portfolio Investment Entity (PIE) status for tax purposes upon transition to the FMC Act regime. Prior to making this election, the Fund has been taxed as a company under the Income Tax Act 2007. This tax status is usual for unit trusts which have not elected to become PIEs. As such, the Fund has paid tax on all its income and gains at 28% and deducted withholding tax from distributions to unitholders.
- 3.2 Therefore, the Fund was not a PIE when its annual past performance was calculated for past periods, most recently the period ending 31 March 2016. Accordingly, these returns have been calculated in accordance with the FMC Regulations as if the Fund is not a PIE, ie net of accrued tax.

4 Calculation of Management fee

- 4.1 Under the Establishment Deed for the Fund as amended and restated on 6 July 2009 and as further amended and restated on 16 September 2016, the Manager is entitled to charge the

Trust and retain for its own use an annual management fee of up to 3% per annum of the Gross Asset Value of the Fund, calculated at the end of each month and payable in arrears.

- 4.2 The management fee is currently set at 2.5% the Gross Asset Value of the Fund.
- 4.3 The expenses of the Fund and the Supervisor's fee are currently paid out of the management fee. As such, there are no further charges on the Fund. Accordingly, despite the fact that these are permitted to be charged as a percentage of the gross asset value of the Fund, such fees are in effect a percentage of the net asset value of the Fund. This result arises as expenses (such as audit costs, legal fees, printing and stationery) which are usually charged direct to a fund are, in this case, paid by the Manager. Therefore, for the purposes of the FMC Regulations these fees are disclosed as percentages of net asset value in the PDS.