



Financial Statements For the year ended 31 December 2010

CONTENTS

Page 1	Statement of Financial Performance
Page 1	Statement of Movements in Equity
Page 2	Statement of Financial Position
Page 3-8	Notes to Financial Statements
Page 9-10	Auditors' Report

Omataroa Rangitaiki No 2 Trust
Statement of Financial Performance
For the year ended 31 December 2010

	Note	2010 \$	2009 \$
Revenue	2	1,384,661	1,304,688
Net Financing Income	3	155,781	160,526
Total Income		<u>1,540,442</u>	<u>1,465,214</u>
Less Expenses	4	327,856	486,416
Share of Joint Venture/Partnership Income	11(b)	16,638	(123,263)
Profit/(Loss) before Tax for the Year		<u>1,229,224</u>	<u>855,535</u>
Less Tax Expense	5	209,432	141,066
Profit/(Loss) for the Year		<u><u>1,019,792</u></u>	<u><u>714,469</u></u>

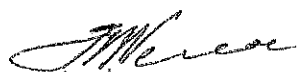
Omataroa Rangitaiki No 2 Trust
Statement of Movements in Equity
For the year ended 31 December 2010

	Note	2010 \$	2009 \$
Equity at the Beginning of the Year		31,132,815	30,718,883
Add Profit/(Loss) for the Year		1,019,792	714,469
Increases(Decreases) in reserves		(11,670,427)	(460)
Other Revenues and Expenses		(9,710)	(25,954)
Total Recognised Income and Expenses		<u>20,472,470</u>	<u>31,406,938</u>
Less			
Dividends Paid		-	-
Tertiary Grants		94,650	65,500
Boarding School Grants		36,300	35,600
Community Grants		44,000	46,000
Discretionary Grants		37,900	43,830
Health Grants		7,309	23,193
Marae Grants		40,000	60,000
		<u>260,159</u>	<u>274,123</u>
Equity at the End of the Year		<u><u>20,212,311</u></u>	<u><u>31,132,815</u></u>

The accompanying accounting policies and notes form part of the financial statements.

Omataroa Rangitaiki No 2 Trust
Statement of Financial Position
As at 31 December 2010

	Note	2010	2009
Equity	6	\$	\$
Property Revaluation Reserve	7	7,918,804	19,594,876
Investment Revaluation Reserve	7	7,837	2,192
Distribution Grant Account		614,834	534,993
Trustee Capital Account		6,566,502	6,576,212
Retained Earnings		5,104,334	4,424,542
Equity	6	<u>20,212,311</u>	<u>31,132,815</u>
 This is represented by:			
What We Own:			
Current Assets			
Bank	9	1,894,453	1,661,320
NZ Guardian Trust Account		154	402
Taxation	5	-	5,428
Accounts Receivable		111,336	52,860
Other Assets		56,809	32,403
		<u>2,062,752</u>	<u>1,752,413</u>
Non-Current Assets			
Investments	11	2,766,483	3,027,417
Development Costs	12	140,613	-
Property, Plant & Equipment	10	17,368,961	28,472,009
		<u>20,276,057</u>	<u>31,499,426</u>
Total Assets		<u>22,338,809</u>	<u>33,251,839</u>
 Less What We Owe:			
Current Liabilities			
Accounts Payable & Accruals	13	36,045	30,216
Taxation	5	62,289	-
Income Received in Advance	14	95,221	101,138
Unclaimed Dividends		1,932,944	1,987,670
		<u>2,126,499</u>	<u>2,119,024</u>
Total Liabilities		<u>2,126,499</u>	<u>2,119,024</u>
Net Assets		<u>20,212,311</u>	<u>31,132,815</u>



T W Vercoe
Chairman - 20 July 2011



C Elliott
Trustee

The accompanying accounting policies and notes form part of the financial statements.

Omataroa Rangitaiki No 2 Trust
Notes to the Financial Statements
For the year ended 31 December 2010

1 Statement of Accounting Policies

Reporting Entity

For the purpose of entity reporting, Omataroa Rangitaiki No 2 Trust is an Ahuwhenua Trust, as defined under Section 215 of the Te Ture Whenua Maori Act 1993.

These financial statements have been prepared in accordance with generally accepted accounting practice and the requirements of the Te Ture Whenua Maori Act 1993.

Measurement Base

The measurement base is historical cost except where stated otherwise.

Specific Accounting Policies

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

Revenue

Rental Income

Rental Income is recognised in the Statement of Financial Performance on a straight line basis over the term of the lease.

Net Financing Income

Net financing income represents financing income less financing expenses. Financing income comprises interest income received on funds invested, and dividend income that are recognised in the Income Statement. Interest income is recognised in the Income Statement as the income accrues. Dividend income is recognised in the Income Statement on the date the Trust's right to receive payment is established.

Depreciation

Depreciation has been calculated using the maximum rates permitted by the Income Tax Act 2007. This method is considered appropriate to the business.

Buildings	25 to 40 years
Plant and Equipment	5 to 10 years
Office Equipment	5 to 10 years
Furniture & Fittings	5 to 10 years

Income Tax

The income tax expense charged against the operating surplus for the year is the estimated total tax for year in accordance with the taxation return to the Inland Revenue.

No provision has been made for deferred tax.

Receivables

Receivables are stated at their estimated realisable value.

Investments

Investments are recorded at fair value by reference to relevant market quotations for shares in listed companies and government and other fixed interest securities.

Changes in investment values are accounted for through the Investment Revaluation Reserve.

Joint Ventures

Joint Ventures are joint engagements with other parties in which the Trust has several liability in respect of costs and liabilities, and shares in resulting output. The Trust's share of the assets, liabilities, revenues and expenses of joint ventures is incorporated into the financial statements using the equity method.

Intangible Assets/Development Costs

Development costs are expenses incurred in project investigation. Upon commencement of the project these expenses will be capitalized to the cost of the project. Alternatively if the project does not proceed these expenses will be written off.

Property, Plant and Equipment

Fixed Assets are valued at cost less depreciation written off to date, except land and buildings which are revalued to the latest Rating Valuation.

The use of rating valuation is a departure from FRS 3 which requires that land and improvements are to be valued at fair value, that being the latest market value. Depreciation has been calculated on cost rather than the revaluation and this too is a departure from FRS 3 which requires that depreciation be charged against surplus so as to allocate the cost of land and improvements over their useful economic lives and that the Trust has not calculated the financial effects of this departure from the applicable financial reporting standard.

Plant and Equipment, Furniture and Fittings and Office Equipment are stated at cost less accumulated depreciation.

Goods and Services Tax

These accounts have been prepared exclusive of Goods and Services Tax except for Accounts Receivable and Accounts Payable.

Differential Reporting

The Trust is entitled to claim certain exemptions from reporting standards under the differential reporting framework by virtue of the following criteria:

1. The Trust does not have public accountability
2. The Trust is not large

The Trust has taken advantage of all differential reporting exemptions which are available.

Changes in Accounting Policy

There has been no changes in accounting policies during the year and they have been applied on a consistent basis with those of the previous year.



Omataroa Rangitaiki No 2 Trust
Notes to the Financial Statements
For the year ended 31 December 2010

2 Revenue

	Note	2010 \$	2009 \$
Rental Income	2(a)	1,217,530	1,157,923
Roadway Royalties		53,167	35,536
Quarry Royalties & Fees		113,964	111,230
Total Revenue		1,384,661	1,304,689

2(a) Rental Income

Residential House Rents	50,670	58,082
Downward Road Te Teko-Forestry Lease	1,044,715	1,050,000
Property Income	122,145	49,841
	<u>1,217,530</u>	<u>1,157,923</u>

3 Net Financing Income

Interest Income	155,690	160,453
Dividend Income	91	73
Total Financing Income(Loss)	<u>155,781</u>	<u>160,526</u>

4 Expenses

Audit Fees	4,000	3,000
ACC Levy	211	129
Accountancy & Secretarial Fees	-	30,930
Administration Services	125,650	126,280
Advertising	163	656
AGM Expenses	13,423	-
Bad Debts	-	16,994
Bank Charges	298	201
Conference Expenses	-	3,988
Consultants Fees	9,801	22,755
Depreciation	36,414	43,151
Donations	300	2,550
General Expenses	356	560
Income Collection	4	1,191
Insurance	5,623	6,177
Interest	-	702
Legal Expenses	30,143	45,490
Loss on sale	4,494	1,608
General Meeting Expenses	1,911	3,089
Printing/Stationery/Photocopying/Postage	-	169
Property Expenses	35,420	107,273
Rates	13,865	10,233
Sponsorship	3,989	4,944
Subscriptions	444	444
Telephone & Tolls	587	588
Trustee Travel costs	2,360	4,514
Trustee Meeting Fees	38,400	48,800
Total Expenses	<u>327,856</u>	<u>486,416</u>

4(a) Trustee Fees

	2010		2009	
	No	\$	No	\$
W Vercoe	21	8,400	27	10,800
C Elliott	35	14,000	39	15,600
J Mason	12	4,800	14	5,600
W Brown	16	6,400	19	7,600
D Macpherson	12	4,800	17	6,800
R Moses	-	-	6	2,400
		<u>38,400</u>		<u>48,800</u>



Omataroa Rangitaiki No 2 Trust
Notes to the Financial Statements
For the year ended 31 December 2010

5 Tax Expense

Reconciliation of the Prima Facie Income Tax Payable on Profit with the Income Tax Expense Charged:

	2010	2009
	\$	\$
Profit/(Loss) before Tax for the Year	1,229,224	855,535
Plus Non-deductible expenses	-	20,243
Less Non assessable/deductible income/losses	(155,214)	(152,364)
Taxable Profit/(Loss) before Tax for the Year	<u>1,074,010</u>	<u>723,414</u>
Income Tax Expense at 19.5% on Taxable Profit	<u>209,432</u>	<u>141,066</u>
Tax Payable/(Receivable)		
Income Tax Expense	209,432	141,066
Provisional Tax paid	(175,942)	(135,762)
Prior Yrs Refunds	49,273	-
Resident Withholding Tax Paid	(15,186)	(10,709)
Prior Yr Adjustments	(5,276)	-
Imputation Credits	(12)	(23)
Tax Payable/(Receivable)	<u>62,289</u>	<u>(5,428)</u>
Maori Authority Credit Account		
Balance at the Beginning of the Year	1,190,836	1,044,342
Taxation Refunded	(49,273)	-
Provisional Taxation Paid	175,942	135,762
Resident Withholding Tax Paid	7,186	10,709
Imputation Credits Attached to Dividends	12	23
Balance at the End of the Year	<u>1,324,703</u>	<u>1,190,836</u>

The closing balance is available to be attached to dividends issued by the Trust.

6 Equity

	Trustee Capital	Property Revaluation Reserve	Investment Revaluation Reserve	Grants Accounts	Accumulated Surplus	Total Equity
31 December 2010						
Balance at the Beginning of the Year	6,576,212	19,594,876	2,192	534,993	4,424,542	31,132,815
Profit/(Loss) for the Year					1,019,792	1,019,792
Dividend Distribution						-
DOC Grant received	48,122					48,122
Rahui Expenses	(57,832)					(57,832)
Share(Transfer) of Surplus				340,000	(340,000)	-
Grants paid				(260,159)		(260,159)
Revaluation Increase(decrease)		(11,676,072)	5,645			(11,670,427)
Balance at the End of the Year	<u>6,566,502</u>	<u>7,918,804</u>	<u>7,837</u>	<u>614,834</u>	<u>5,104,334</u>	<u>20,212,311</u>
31 December 2009						
Balance at the Beginning of the Year	6,561,025	19,594,876	2,652	424,116	4,136,214	30,718,883
Profit/(Loss) for the Year					714,469	714,469
Prior Year Adjustment					(86,141)	(86,141)
DOC Grant received	46,176					46,176
Rahui Expenses	(30,989)					(30,989)
Transfer previous Grant to Loan Account				45,000		45,000
Share(Transfer) of Surplus				340,000	(340,000)	-
Grants paid				(274,123)		(274,123)
Revaluation increase(decrease)			(460)			(460)
Balance at the End of the Year	<u>6,576,212</u>	<u>19,594,876</u>	<u>2,192</u>	<u>534,993</u>	<u>4,424,542</u>	<u>31,132,815</u>



Omataroa Rangitaiki No 2 Trust
Notes to the Financial Statements
For the year ended 31 December 2010

7 Reserves

	2010	2009
	\$	\$
Property Revaluation Reserves	7,918,804	19,594,876
Other Reserves	<u>7,837</u>	<u>2,192</u>
	<u>7,926,641</u>	<u>19,597,068</u>

Reserves comprise of:

	Note	Property Revaluation Reserve	Other Reserves	Total
31 December 2010				
Investment Revaluation Reserve			2,192	2,192
Revaluation			5,645	5,645
Opening Balance 31/12/09		19,594,876		19,594,876
Revaluation Downward Rd 7773.001 ha		(12,400,000)		(12,400,000)
Revaluation Downward Rd Improvements		(551,878)		(551,878)
Revaluation 323 McDonalds Rd 63.5837 ha		479,695		479,695
Revaluation 414 McDonalds Rd 2.0234 ha		24,027		24,027
Revaluation 2020 State Highway 30, Te Teko 18.8808ha		243,796		243,796
Revaluation 2164 State Highway 30, Te Teko 16.8453ha		430,000		430,000
Revaluation 38,40 State Highway 30 Te Teko		10,969		10,969
Revaluation 10 Harvey St, Whakatane		(69,172)		(69,172)
Revaluation 83 Muriwai Drive Flat 1, Whakatane		(60,392)		(60,392)
Revaluation 83A Muriwai Drive, Whakatane		57,566		57,566
6 Wairere St, Whakatane		(683)		(683)
Revaluation 20 Kawerau Rd, Kawerau		160,000		160,000
		<u>7,918,804</u>	<u>7,837</u>	<u>7,926,641</u>
31 December 2009				
Investment Revaluation Reserve			2,652	2,652
Revaluation			(460)	(460)
Opening Balance 31/12/94		6,400,000		6,400,000
Revaluation Downward Rd 7773.001 ha		9,850,000		9,850,000
Revaluation Downward Rd Improvements		3,050,000		3,050,000
Revaluation McDonalds Rd 63.5837 ha		277,823		277,823
Revaluation McDonalds Rd 2.0234 ha		500		500
Revaluation Te Teko 18.0387 ha		21,852		21,852
Revaluation Te Teko Improvements		7,000		7,000
Less Te Teko adjustments		(12,299)		(12,299)
		<u>19,594,876</u>	<u>2,192</u>	<u>19,597,068</u>

8 Retained Earnings

	2010	2009
	\$	\$
Opening Balance	4,959,535	4,560,330
Add Profit(Loss) for the Year	<u>1,019,792</u>	<u>714,469</u>
	5,979,327	5,274,799
Less Dividends Paid	-	-
Grants Paid	260,159	274,123
Prior year Adjustments	-	41,141
Closing Balance	<u>5,719,168</u>	<u>4,959,535</u>

Distributions to members from income retained prior to the 2004/05 year will be treated as non-taxable distributions in the hands of the members. Distributions to members from income retained from the 2004/05 year onwards will be treated as taxable distributions in the hands of the members. \$1,830,832 of the closing balance is available for tax free distributions.

8(a) Grants Paid

	2010	2009
	\$	\$
Tertiary Grants	94,650	65,500
Boarding School Grants	36,300	35,600
Community Grants	44,000	46,000
Discretionary Grants	37,900	43,830
Health Grants	7,309	23,193
Marae Grants	40,000	60,000
	<u>260,159</u>	<u>274,123</u>

9 Bank

	2010	2009
	\$	\$
Bank-ANZ	420	27,855
Bank-KiwiBank	394,033	600,031
Short Term Deposits	<u>1,500,000</u>	<u>1,033,434</u>
	<u>1,894,453</u>	<u>1,661,320</u>

Omataroa Rangitaiki No 2 Trust
Notes to the Financial Statements
For the year ended 31 December 2010

10 Property, Plant & Equipment

	Land	Buildings & Improvements	Furniture & Fittings	Office Equipment	Total Property Plant & Equipment
31 December 2010	Cost/ Valuation	Cost	Cost	Cost	
Balance at the	27,742,028	717,895	11,667	419	28,472,009
Beginning of the Year	27,742,028	717,895	11,667	419	28,472,009
Additions (Cost)	365,255	232,077	16,602	-	613,934
Revaluation	(11,492,188)	(183,883)	-	-	(11,676,071)
Disposals (NBV)	-	(4,494)	-	-	(4,494)
Depreciation	(95)	(31,595)	(4,308)	(419)	(36,417)
<i>Balance at the End of the Year</i>	<u>16,615,000</u>	<u>730,000</u>	<u>23,961</u>	<u>-</u>	<u>17,368,961</u>
Cost or Valuation	16,615,095	761,595	28,289	419	17,405,378
Accumulated Depreciation	(95)	(31,595)	(4,308)	(419)	(36,417)
Net Book Value	<u>16,615,000</u>	<u>730,000</u>	<u>23,961</u>	<u>-</u>	<u>17,368,961</u>

	Land	Buildings & Improvements	Furniture & Fittings	Office Equipment	Total Property Plant & Equipment
31 December 2009	Cost/ Valuation	Cost	Cost	Cost	
Balance at the	27,742,128	748,905	12,548	904	28,504,485
Beginning of the Year	27,742,128	748,905	12,548	904	28,504,485
Additions (Cost)	-	-	2,724	-	2,724
Disposals (NBV)	-	-	(564)	(485)	(1,049)
Depreciation	(100)	(31,010)	(3,041)	-	(34,151)
<i>Balance at the End of the Year</i>	<u>27,742,028</u>	<u>717,895</u>	<u>11,667</u>	<u>419</u>	<u>28,472,009</u>
Cost or Valuation	27,742,128	748,905	14,708	904	28,506,160
Accumulated Depreciation	(100)	(31,010)	(3,041)	(485)	(34,151)
Net Book Value	<u>27,742,028</u>	<u>717,895</u>	<u>11,667</u>	<u>419</u>	<u>28,472,009</u>

The latest available Government valuations of Land and Improvements are:

2020 State Highway 30, Te Teko 18.8808ha	\$640,000
2164 State Highway 30, Te Teko 16.8453ha	\$730,000
38 State Highway 30, Te Teko 0.0951ha	\$10,000
40 State Highway 30, Te Teko 0.0951ha	\$10,000
124 Downward Road, Whakatane 7,773.001ha	\$13,000,000
311 McDonald Road, Whakatane 63.5837ha	\$1,125,000
83 Muriwai Drive, Whakatane(Residential)	\$280,000
83A Muriwai Drive, Whakatane(Residential)	\$215,000
10 Harvey Street, Whakatane(Residential)	\$330,000
414 McDonald Road, Whakatane 0.4046ha	\$305,000
6 Wairere St, Whakatane(Commercial)	\$400,000
0 Kawerau Road, Kawerau(Residential)	\$300,000
Total	<u>\$17,345,000</u>

Valuer: Quotable Value Limited

Date of Valuation: 1 September 2010.

11 Investments

	Note	2010 \$	2009 \$
Shares-Horizon Energy		1,220	1,220
Shares in Rangitaiki 60D 6		80,000	80,000
Craigs Investment Partners		2,970	151,189
Kiwifruit Gold Licence-KCSM Horticulture Limited		124,833	124,333
NZ Guardian Trust Group Investment Fund		382,902	557,871
Auckland Council Bonds		51,565	-
Rabobank Fixed Rate Bonds		104,080	100,000
Manu Hou Limited Partnership	11(a)	1,014,544	1,000,000
Investment in Joint Ventures	11(b)	412,541	410,447
Loans and Mortgages	11(c)	591,828	602,357
		<u>2,766,483</u>	<u>3,027,417</u>

11(a) The Manu Hou Limited Partnership was registered on 16 September 2009. The initial investors in the Partnership are Omataroa Rangitaiki No 2 Trust, Ngati Awa Asset Holdings Ltd and Putaaki Trust. The business of the Limited Partnership is to utilise the committed capital to undertake private equity investment through the Direct Capital private equity program, Direct Capital IV. As at 31 December the Limited Partnership's commitment to Direct Capital IV was \$810,000.

11(b) The Joint Venture(JV) investment includes the Trust's share (6.21%) in the ownership of Ngakaurua Dairy Farm located at 672 Western Drain Road, Whakatane. The Ngati Awa Farms(Rangitaiki) JV is an unincorporated JV. The main partner in the JV is Ngati Awa Farms Limited(50.91%) and the remaining partners are Eastern BOP Maori Trusts. The balance date of the JV is 30 June and the operating result for the year ended 30 June 2010 has been included in the Trust's financial statements using the equity method.



Omataroa Rangitaiki No 2 Trust
Notes to the Financial Statements
For the year ended 31 December 2010

11(c) Loans and Mortgages	2010	2009
Loans	\$	\$
Ministry of Works	4,000	4,000
B Hunia	32,688	32,233
RE & A Anderson	1,438	2,202
P Wilkins	9,420	-
Kingi Williams	4,433	9,406
Whitehouse Cafe	15,751	16,281
Te Kura Mana Maori o te Orini	35,175	40,800
Te Teko Golf Club	100,000	100,000
Whaitiri Pomana	4,000	4,000
Mortgages		
Poroporo Rugby & Sports Club	246,867	246,867
Te Teko Riverside Tavern Limited	91,725	98,039
S Koopu te Poono & A Sutton	48,331	48,529
	<u>691,828</u>	<u>802,357</u>

12 Development Costs	2010	2009
	\$	\$
Opening Balance	-	-
Costs Incurred	140,613	-
Closing Balance	<u>140,613</u>	<u>-</u>

Costs incurred to date relate to assessing the feasibility of a Landfill site on the Trust's land at 124 Downward Rd Whakatane. Upon completion of the feasibility process the costs will be capitalised to the cost of the Project. Alternatively, should the project not proceed, these expenses will be written off.

13 Accounts Payable & Accruals	2010	2009
	\$	\$
Accounts Payable	36,045	30,215
	<u>36,045</u>	<u>30,215</u>

14 Income Received in Advance	2010	2009
Property Rentals	95,221	101,138
	<u>95,221</u>	<u>101,138</u>

15 Capital

The capital of the Trust has been defined as the value of the unimproved land in the Trust, ie that value or value equivalent which was in the beginning available to the Trustees, updated by events such as increases or decreases in the value of land. A Land Revaluation Reserve was included in the 1992 and 1995 years. An Investment Revaluation Reserve was included in the 1994 and 1995 years.

16 Capital Commitments

Other than those commitments disclosed in Note 11(b) there are no capital commitments at balance date. (2009 \$Nil)

17 Contingent Liabilities

There are no contingent liabilities at balance date. (2009 \$Nil)

18 Related Party Transactions

There have been no material related party transactions during the year. Waaka Vercoe and Charlie Elliott are also trustees in Puleauki Trust and Waaka Vercoe is a director in Ngati Awa Asset Holdings Limited and Ngati Awa Farms Limited.

19 Background

Formation

The Trust was formed on 14 April 1971 pursuant to Section 438 of the Maori Affairs Act 1953. (now Section 215 of the Te Ture Whenua Maori Act 1993.)

Principal Activities

The principal activities of the Trust are landlords, investment, cropping and leases.

20 Shareholding

The total shareholding in the Trust Register as at 31 December 2010 is 2,322,500 shares.

21 Significant Events after Balance Date

Since balance date the Trust received 147,913 emission units on 13 May 2011 relating to 6,431 ha of pre-1990 forest land at 124 Downward Rd Whakatane. These units have been allocated as compensation units under the NZ emissions trading scheme ("ETS"). As this land is subject to the NZ ETS, compensation units have been provided from the Government because should the land be deforested (i.e. The land is changed from forestry to some other purpose) a deforestation penalty will arise. The deforestation contingency is not recognised as a liability on the balance sheet as there is no current intention of changing the land use subject to the ETS. The units received have a market value of approximately \$2.6 million.

**INDEPENDENT AUDITOR'S REPORT
TO THE OWNERS OF
OMATAROA RANGITAIKI #2 TRUST**

Report on the Financial Statements

We have audited the financial statements of **OMATAROA RANGITAIKI #2 TRUST** on pages 1 to 8, which comprise the statement of financial position as at 31 December 2010, and the statement of changes in equity, and statement of Financial Performance for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Owners, as a body, in accordance with the Trust Order of **OMATAROA RANGITAIKI #2 TRUST**. Our audit has been undertaken so that we might state to the Owners those matters we are required to state to them in an auditors' 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 Owners, as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Trustees Responsibility for the Financial Statements

The trustees are responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 entity'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 presentation of the financial statements.

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

Other than in our capacity as auditor we have no relationship with, or interests in, **OMATAROA RANGITAIKI #2 TRUST**.

Basis for Qualified Opinion on Financial Position and Financial Performance

As stated in note 1 page 3, the trust has not provided for depreciation on land and improvements or valued these at the latest market values. This is a departure from applicable Financial Reporting Standard No. 3, which requires that depreciation be charged against surplus so as to allocate the cost of land and improvements over their useful economic lives and that land and improvements are required to be valued at fair value, latest market value. The trust has not

calculated the financial effects of this departure from the applicable financial reporting standard.

Qualified Opinion on Financial Position and Financial Performance

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph the financial statements on pages 1 to 8,

- comply with generally accepted accounting practice in New Zealand;
- present fairly , in all material respects, the financial position of **OMATAROA RANGITAIKI #2 TRUST** as at 31 December 2010, and of its financial performance for the year then ended.

BDO Rotorua

BDO ROTORUA

26 July 2011

**1130 Pukaki Street
Rotorua
New Zealand**