



**Financial Statements
For the year ended 31 December 2011**

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Omataroa Rangitaiki No 2 Trust
Statement of Financial Performance
For the year ended 31 December 2011

	Note	2010 \$	2011 \$
Revenue	2	1,384,661	1,460,720
Net Financing Income	3	155,781	200,929
Share of Joint Venture/Partnership Income	11	16,638	19,215
Total Income		<u>1,557,080</u>	<u>1,680,864</u>
Less Expenses	4	<u>327,856</u>	<u>371,673</u>
Profit/(Loss) before Tax for the Year		1,229,224	1,309,191
Less Tax Expense	5	<u>209,432</u>	<u>225,123</u>
Profit/(Loss) for the Year		<u><u>1,019,792</u></u>	<u><u>1,084,068</u></u>

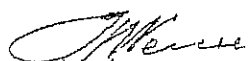
Omataroa Rangitaiki No 2 Trust
Statement of Movements in Equity
For the year ended 31 December 2011

	Note	2010 \$	2011 \$
Equity at the Beginning of the Year		31,132,815	20,212,311
Add Profit/(Loss) for the Year		1,019,792	1,084,068
Increases(Decreases) in reserves		(11,670,427)	(133,178)
Other Revenues and Expenses		<u>(9,710)</u>	<u>(24,690)</u>
Total Recognised Income and Expenses		20,472,470	21,138,511
Less			
Dividends Paid		-	1,000,000
Tertiary Grants		94,650	97,600
Boarding School Grants		36,300	37,000
Community Grants		44,000	54,505
Discretionary Grants		37,900	18,450
Health Grants		7,309	16,227
Marae Grants		<u>40,000</u>	<u>60,000</u>
		260,159	1,283,782
Equity at the End of the Year		<u><u>20,212,311</u></u>	<u><u>19,854,729</u></u>

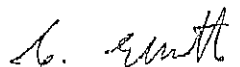
The accompanying accounting policies and notes form part of the financial statements.

Omataroa Rangitaiki No 2 Trust
Statement of Financial Position
As at 31 December 2011

	Note	2010	2011
Equity	6	\$	\$
Property Revaluation Reserve	7	7,918,804	7,758,804
Investment Revaluation Reserve	7	7,837	34,659
Distribution Grant Account		614,834	671,052
Trustee Capital Account		6,566,502	6,546,086
Retained Earnings		5,104,334	4,844,128
Equity	6	<u>20,212,311</u>	<u>19,854,729</u>
 This is represented by:			
What We Own:			
Current Assets			
Bank	9	1,894,453	1,866,796
Biological Assets		-	43,768
NZ Guardian Trust Account		154	-
Accounts Receivable		111,336	58,439
Other Assets		56,809	434,939
		<u>2,062,752</u>	<u>2,403,942</u>
Non-Current Assets			
Investments	11	2,766,483	3,537,092
Development Costs	12	140,456	152,787
Property, Plant & Equipment	10	17,368,961	17,229,793
		<u>20,275,900</u>	<u>20,919,672</u>
Total Assets		<u>22,338,652</u>	<u>23,323,614</u>
 Less What We Owe:			
Current Liabilities			
Accounts Payable & Accruals	13	36,045	242,838
Taxation	5	62,129	54,346
Income Received in Advance	14	95,221	561,709
Unclaimed Dividends		1,932,947	2,587,682
Other Liabilities		-	22,310
		<u>2,126,342</u>	<u>3,468,885</u>
Total Liabilities		<u>2,126,342</u>	<u>3,468,885</u>
Net Assets		<u>20,212,311</u>	<u>19,854,729</u>



T W Vercoe
Chairman - 20 July 2012



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 2011

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.

Finance Leases

Finance lease is a lease that transfers to the lessee substantially the entire risks and rewards incidental to ownership of the asset. Finance lease payments are apportioned between the finance charge and the reduction of the outstanding loan. The finance charge is allocated to each period during the lease term on an effective interest rate.

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.

Biological Assets

Biological Assets or agriculture produce have been recorded at cost. The future economic benefit will flow to the Trust on harvest.

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.



Omataroa Rangitaiki No 2 Trust
Notes to the Financial Statements
For the year ended 31 December 2011

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 Rangitaki No 2 Trust
Notes to the Financial Statements
For the year ended 31 December 2011

2 Revenue

	Nota	2010 \$	2011 \$
Rental & Property Income	2(a)	1,217,530	1,217,041
Roadway Royalties		53,167	55,123
Quarry Royalties & Fees		113,964	188,556
Total Revenue		<u>1,384,661</u>	<u>1,460,720</u>
2(a) Rental & Property Income			
Residential House Rents		50,670	64,380
Downward Road Te Teko-Forestry Lease		1,044,715	960,750
Property Income		122,145	191,911
		<u>1,217,530</u>	<u>1,217,041</u>
3 Net Financing Income			
Interest Income		155,690	169,776
Dividend Income		91	31,153
Total Financing Income(Loss)		<u>155,781</u>	<u>200,929</u>

4 Expenses

Audit Fees		4,000	5,500
ACC Levy		211	-
Administration Services		125,650	125,650
Advertising		163	642
AGM Expenses		13,423	-
Bank Charges		298	165
Conference Expenses		-	2,070
Consultants Fees		9,801	9,479
Depreciation		36,414	39,599
Donations		300	400
General Expenses		356	1,169
General/Trustee Meeting Expenses		1,911	4,480
Income Collection		4	-
Insurance		5,623	9,239
Legal Expenses		30,143	11,398
Loss on sale		4,494	6,987
Maori Land Court Fees		-	108
Printing/Stationery/Photocopying/Postage		-	3,974
Property Expenses		49,285	98,103
Sponsorship		3,989	18,902
Subscriptions		444	1,525
Telephone & Tolls		587	651
Trustee Travel costs		2,360	2,512
Trustee Meeting Fees	4(a)	38,400	28,920
Total Expenses		<u>327,656</u>	<u>371,573</u>

4(a) Trustee Fees

	No	2010 \$	No	2011 \$
W Vercoe	21	8,400	15	6,000
C Elliott	35	14,000	19	7,600
J Mason	12	4,800	10	4,000
W Brown	16	6,400	15	6,000
D Macpherson	12	4,800		-
J Waldon-Associate Trustee		-	7	2,660
G O'Brien-Associate Trustee		-	7	2,660
		<u>38,400</u>		<u>28,920</u>



Omataroa Rangitaiki No 2 Trust
Notes to the Financial Statements
For the year ended 31 December 2011

5 Tax Expense

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

	2010	2011
	\$	\$
Profit/(Loss) before Tax for the Year	1,229,224	1,309,191
Plus Non-deductible expenses	-	2,814
Less Non assessable/deductible income/losses	<u>(155,214)</u>	<u>(25,588)</u>
Taxable Profit/(Loss) before Tax for the Year	<u>1,074,010</u>	<u>1,286,417</u>
Income Tax Expense at 17.5%(2010 19.5%) on Taxable Profit	<u>209,432</u>	<u>225,123</u>

Tax Payable/(Receivable)

Opening Balance	(5,426)	62,129
Income Tax Expense	209,432	225,123
Provisional Tax paid	(175,942)	(234,929)
Prior Yrs Refunds	49,273	-
Resident Withholding Tax Paid	(15,181)	(28,905)
Tax Adjustments	-	32,381
Imputation Credits	<u>(27)</u>	<u>(1,452)</u>
Tax Payable/(Receivable)	<u>62,129</u>	<u>64,346</u>

Maori Authority Credit Account

Balance at the Beginning of the Year	1,190,836	1,324,703
Taxation Refunded	(49,273)	-
Provisional Taxation Paid	175,942	234,929
Resident Withholding Tax Paid	7,186	28,905
Imputation Credits Attached to Dividends	<u>12</u>	<u>1,452</u>
Balance at the End of the Year	<u>1,324,703</u>	<u>1,589,989</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
31 December 2010					
Balance at the Beginning of the Year	6,576,212	19,594,876	2,192	634,993	4,424,542
Profit/(Loss) for the Year					1,019,792
Dividend Distribution					
DOC Grant received	48,122				
Rahui Expenses	(57,832)				
Share(Transfer) of Surplus				340,000	(340,000)
Grants paid				(280,159)	
Revaluation Increase(decrease)		<u>(11,576,072)</u>	5,845		
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>
31 December 2011					
Balance at the Beginning of the Year	6,566,502	7,918,804	7,837	614,834	5,104,334
Profit/(Loss) for the Year					1,084,088
Dividend Declared 28/02/11					(1,000,000)
Rahui Expenses	(20,416)				
Share(Transfer) of Surplus				340,000	(340,000)
Taxation Credits Received					(4,274)
Grants paid				(283,782)	
Revaluation Increase(decrease)		<u>(160,000)</u>	26,822		
Balance at the End of the Year	<u>6,546,086</u>	<u>7,758,804</u>	<u>34,659</u>	<u>671,052</u>	<u>4,844,128</u>



Omataroa Rangitaiki No 2 Trust
Notes to the Financial Statements
For the year ended 31 December 2011

7 Reserves

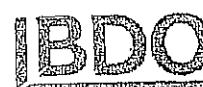
	2010	2011
	\$	\$
Property Revaluation Reserves	7,918,804	7,758,804
Other Reserves	<u>7,837</u>	<u>34,659</u>
	<u>7,926,641</u>	<u>7,793,463</u>

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		479,895		479,895
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 2184 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 Walrera 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 2011				
Investment Revaluation Reserve			7,837	7,837
Revaluation			26,822	26,822
Opening Balance 31/12/10		7,918,804		7,918,804
Revaluation 20 Kawerau Rd, Kawerau		(160,000)		(160,000)
Closing Balance 31/12/11		<u>7,758,804</u>	<u>34,659</u>	<u>7,793,463</u>

	2010	2011
	\$	\$
Opening Balance	4,959,535	6,719,168
Add Profit(Loss) for the Year	<u>1,019,792</u>	<u>1,084,058</u>
	5,979,327	6,803,236
Less Dividends Paid	-	1,000,000
Grants Paid	8(a) 280,159	283,782
Tax Credits Received	-	4,274
Closing Balance	<u>5,719,168</u>	<u>5,515,180</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. \$387,050 of the closing balance is available for tax free distributions.



Omataroa Rangitaiki No 2 Trust
Notes to the Financial Statements
For the year ended 31 December 2011

8(a) Grants Paid		2010	2011
		\$	\$
Tertiary Grants		94,850	97,600
Boarding School Grants		38,300	37,000
Community Grants		44,000	54,505
Discretionary Grants		37,900	18,460
Health Grants		7,309	16,227
Marae Grants		40,000	60,000
		<u>280,159</u>	<u>283,782</u>

9 Bank

	2010	2011
	\$	\$
Bank-ANZ	420	896
Bank-BNZ	-	10
Craggs Investment Partners	-	1,153
Bank-KiwiBank	394,033	855,498
Short Term Deposits	1,500,000	1,009,439
	<u>1,894,453</u>	<u>1,869,796</u>

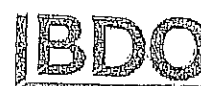
10 Property, Plant & Equipment

	Land	Buildings & Improvements	Furniture & Fittings	Office Equipment	Total Property Plant & Equip
31 December 2010	<i>Cost/ Valuation</i>	<i>Cost</i>	<i>Cost</i>	<i>Cost</i>	
Balance at the Beginning of the Year	27,742,028	717,895	11,867	419	28,472,009
Additions (Cost)	385,255	232,077	16,802	-	613,934
Revaluation	(11,492,188)	(163,883)	-	-	(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	781,595	28,269	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>
31 December 2011	<i>Cost/ Valuation</i>	<i>Cost</i>	<i>Cost</i>	<i>Cost</i>	
Balance at the Beginning of the Year	16,615,000	730,000	23,961	-	17,368,961
Additions (Cost)	8,095	190,872	8,751	-	207,718
Disposals (NBV)	(8,584)	(300,000)	(403)	-	(308,987)
Depreciation	(16)	(34,285)	(5,598)	-	(39,899)
<i>Balance at the End of the Year</i>	<u>16,616,495</u>	<u>686,587</u>	<u>26,711</u>	<u>-</u>	<u>17,229,793</u>
Cost or Valuation	16,623,095	920,872	32,309	-	17,269,692
Accumulated Depreciation	(16)	(34,285)	(5,598)	(485)	(39,899)
Net Book Value	<u>16,623,079</u>	<u>886,587</u>	<u>26,711</u>	<u>(485)</u>	<u>17,229,793</u>

The latest available Government valuations of Land and Improvements are:

2020 State Highway 30, Te Teko 16.8808ha	\$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
Total	<u>\$17,045,000</u>

Valuer: Quotable Value Limited
Date of Valuation: 1 September 2010.



Omataroa Rangitaki No 2 Trust
Notes to the Financial Statements
For the year ended 31 December 2011

11 Investments

	2010	2011
Note	\$	\$
Shares-Fletcher Building Limited	-	41,445
Shares-Horizon Energy Limited	1,220	1,220
Shares-M5 Holdings Limited	-	150,000
Shares-Port of Tauranga Limited	-	40,795
Shares-Ryman Healthcare Limited	-	40,650
Shares-Rangitaki 60D 6	80,000	80,000
Craigs Investment Partners	2,870	-
Kiwifruit Gold Licence-KCSM Horticulture Limited	124,833	-
NZ Guardian Trust Group Investment Fund	382,902	261,185
Auckland Council Bonds	51,565	55,370
Rabobank Fixed Rate Bonds	104,080	107,500
Manu Hou Limited Partnership	11(a) 1,014,544	1,248,344
Raukokore Gold Kiwifruit Development Limited Partnership	11(b) -	300,500
Investment in Joint Ventures	11(c) 412,541	434,544
Loans and Mortgages	11(d) 591,828	775,539
	<u>2,768,483</u>	<u>3,537,092</u>

11(a) The Manu Hou Limited Partnership was registered on 16 September 2009. The initial investors in the Partnership are Omataroa Rangitaki No 2 Trust, Ngati Awa Asset Holdings Ltd and Putauaki 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 \$1,485,000.

11(b) The Raukokore Gold Kiwifruit Development Limited Partnership was registered on 24 August 2011. The initial investors in the Partnership are Omataroa Rangitaki No 2 Trust, Te Arawa Group Holdings Limited, Maori Investments Limited, Eastpack Limited, Callaghan Whanau Trust, Ngati Ngahere Ngati Ira Lands Trust, Otanemutu Lands Trust and Richard Jefferies. The business of the Limited Partnership is to utilise the committed capital to procure establishment of a kiwifruit orchard on a 10.9Ha site in Raukokore Waihau Bay Bay of Plenty.

11(c) 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 (Rangitaki) 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 2011 has been included in the Trust's financial statements using the equity method. Since June 2011 the JV issued a dividend to the Trust of \$31,050. This has been treated as revenue in the Trust's 2011 financial statements.

	2010	2011
Note	\$	\$
Loans-Unsecured	4,000	4,000
Ministry of Works		
Loans-Secured		
B Hunia	32,688	32,305
RE & A Anderson	1,438	1,128
P Wilkins	9,420	5,261
Kingi Williams	4,433	(94)
Whitehouse Cafe	15,751	16,000
Te Kura Mana Maori o te Orini	35,175	29,550
Te Teko Golf Club	100,000	98,366
Whaitiri Pomana	4,000	3,754
Mortgages-Secured over the Assets to which they relate		
Helen Sisley	-	30,827
Poroporo Rugby & Sports Club	248,867	268,492
S Te Poona & A Sutton	46,331	43,808
Te Teko Riverside Tavern Limited	91,725	93,742
Finance Leases-Secured		
S Kingi & E Selway	11(d)(i) -	150,580
	<u>591,828</u>	<u>775,539</u>

11(d)(i) The Finance Lease with Kingi & Selway relates to a buy-back arrangement between the parties whereby Kingi and Selway shall repurchase the property situated at 20 Kawerau Rd from the Trust following repayment of the purchase price and any interest and expenses outstanding.

	2010	2011
	\$	\$
Opening Balance	-	140,456
Costs Incurred	140,456	12,331
Closing Balance	<u>140,456</u>	<u>152,787</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.

	2010	2011
	\$	\$
Accounts Payable & Accruals		
Accounts Payable	35,045	242,838
	<u>35,045</u>	<u>242,838</u>



Omataroa Rangitaki No 2 Trust
Notes to the Financial Statements
For the year ended 31 December 2011

14 Income Received in Advance
Property Rentals

	95,221	561,709
	95,221	561,709

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. (2010 \$Nil)

17 Contingent Liabilities

There are no contingent liabilities at balance date. (2010 \$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 Putauaki Trust and Waaka Vercoe and Joe Mason are directors 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 216 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 2011 is 2,322,500 shares.

21 Emissions Trading Scheme-NZ Carbon Credits

As at 31 December 2011, the Trust had 147,913 pre 1990 NZ Carbon Credit Units (NZUs) allocated under the New Zealand Emissions Trading Scheme. The units had a nil allocation value and have been stated at cost which is also nil.

The NZUs have traded at a market value of \$7.60 per unit. If the NZUs had been valued at market valuation their value at 31 December 2011 would amount to \$1,109,348. The Trustees have decided not to sell the NZUs and to value them at cost.





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 10, which comprise the statement of financial position as at 31 December 2011, 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 the revalued land and improvements. 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. Land & improvements are not valued at the latest market values. This is a departure from Financial Reporting Standards that require land &



improvements to be valued at latest market value. The trust has not calculated the financial effects of this departure.

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 10,

- 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 2011, and of its financial performance for the year then ended.

BDO Rotorua

BDO ROTORUA

20 July 2012

1130 Pukaki Street
Rotorua
New Zealand