



**TIKITERE TRUST  
(WHAKAPOUNGAKAU 24)**

**TRUSTEE REPORT  
TAI ERU  
14 August 2014**



To the owners of Tikitere Trust.

*Tenei te mihi atu kia koutou Ngati Rangiteaorere, Whanui....*

*Kia u, Kia Maia, Kia Manawanui e te Whanau, ki tenei Hui.*

*He Hui Whakahirahira te hui nui, no reira e te whanau.*

*Tena koutou, Tena koutou, Tena koutou, Katoa.*

Both your trustees are required to report separately as we do not agree with each other, over many issues, and there are insufficient trustees for a quorum.

**1 General Meeting:**

I encourage all registered owners to attend the General Meeting at: Mataikotare (Waiohewa) Marae, Te Ngae Junction on Saturday 30 August 2014 at 10am.

**2 Vote for new Trustees:**

Please vote for new trustees **at the meeting or by post** to be received by the Registrar of Waiariki Maori Land Court by close of business on 11 September 2014 – on forms available from the Registrar at the Court or from [Hori.Tahana@justice.govt.nz](mailto:Hori.Tahana@justice.govt.nz). The Trust Order requires a minimum of 3 trustees to make any decision. There are only 2 remaining. Therefore the trust is dysfunctional and urgently requires new trustees.

**3 Endorsement:**

I endorse the following candidates as, having spoken to them, I understand they support the vision I set out below as to how this Trust can prosper going forward:

✓ Jewell

MATHEWS

✓ Georgina

WHATA

✓ Jackson

WHITE

**4 Litigation:**

The Trust has been tied up in court proceedings for 5 years. I generally support the action taken against the Trust by certain owners supported by Ngati Rangiteaorere Koromatua Council, which I co-chair. The

following sections should help with understanding the circumstances leading to the litigation and explain its present state.

## **5 Calling the Meeting:**

Under the current Trust Order the Trust is required to hold General Meetings every three years. The trust has never held a quorate General Meeting. The only meetings that have ever been attended by more than a handful people are meetings requisitioned by owners, or ones that were ordered by the Court. I therefore wished to call the meeting this month to comply with the trust order, to enable the owners to elect new trustees, and to enable the trust to be accountable to its owners.

Mr Kingi and Mr Gray did not want to face the owners and applied to the Court to put of the meeting off until 2016 and reduce the number of trustees required to two. I had to apply to the Court, with the support of the Ngati Rangiteaorere Koromatua Council, for an order to call the meeting. The Court granted that order.

## **6 Accounts:**

Bill Kingi and the Trust Secretary, Jim Gray, were given the responsibility for preparing the accounts by the other trustees, when they were in majority. Only after intervention by the Court Mr Kingi made available financial statements for the Trust. I am advised that these statements do not meet New Zealand accounting standards. Also, the Trust Order requires the accounts to be audited. They are not audited.

The Court and the Trust Order also require the Trust accounts to include the accounts of Tikitere Holdings Limited (the operating company of Hell's Gate owned 50% by the Trust and 50% by another party) and Tikitere Geothermal Power Limited (the company proposed to do the power station which was owned 100% by the Trust until only recently). Accounts for those companies have not been produced. My lawyers have written letters demanding them, but at the time of writing those letters had simply been ignored. The

statements provided by Mr Kingi provide no information on the state of the operations of Hell's Gate and power company. It appears I will need to go back to Court merely to obtain the accounts that Mr Kingi and Mr Grey already know they are required to produce.

I have requested the Ngati Rangiteaorere Koromatua Council to make the Trust's financial statements available on their website at: [www.rangiteaorere.co.nz](http://www.rangiteaorere.co.nz)

## **7 Hell's Gate:**

As all shareholders may know, I am very proud of Hell's Gate as the centre-piece of the Tikitere Geothermal Field. Hell's Gate has been a part of my hapu identification. I was happy to see it being developed from the time I commenced as a trustee. I ought to be able to report to you on the current performance and plans for Hell's Gate but my involvement was blocked in 2009 by the other trustees when I started to question their decisions.

The last accounts I saw for the Hell's Gate were for the year ending in 2009. At that time the Trust had revenues of \$3,000,000 per year. If that was the average revenue over the last 10 years that company would have had revenues of \$30,000,000 and yet the Trust only receives a rental of less than \$50,000 per year and the owners have received nothing.

I look forward to working with new trustees that will help the Trust regain the proper oversight of the operating company, see its continued development and distribute dividends to owners. I am passionate about Hell's Gate and the benefits it can bestow to our future generations if we treasure our taonga!

## **8 The Power Station:**

I am unable to report much about this issue. I have been completely excluded by the other trustees and Mr Grey from receiving information about the Power Station project since 2009. Financial documents that are supposed to be made public have never been

produced. I am aware from Court documents that secret trustee meetings have been held to make decisions about the project. I was not even told these meetings were taking place.

Originally the Power Company (Tikitere Geothermal Power Limited) was 100% owned by the Trust but I have heard from other sources that it is now owned 65% by Paehinahina Mourea Trust. I understand that Paehinahina Mourea Trust have consulted with their owners on the Power Company but Tikitere Trust have not.

Back in 2009, I obtained an independent report on the project from an experienced senior accountant. I believe this remains the only independent report on the project that anyone has obtained. This report condemned the project. Other consultants have convinced me that the project agreements are skewed in favour of Ormat and the consulting company. It is claimed that in 14 years the Trust will receive a thriving power station. The truth is it will be 25 years or more before the trust receives anything, and by that time the available heat may be spent and the Hell's Gate feature badly affected.

My disagreement with the other trustees ultimately resulted in litigation in 2009 when I came to realise the Trust was misled by the consulting company which did not disclose their conflicts of interest – being closely associated with proposed developer, Ormat.

It is still possible the arrangements with Ormat will be unwound through the litigation. The Court of Appeal ordered that the matter be returned to the Maori Land Court to decide whether the agreement should be set aside. However, Mr Kingi has appealed that decision to the Supreme Court.

**9 Jim Gray:**

Jim Gray was appointed by the Court as the Trust's secretary. He has self-appointed himself as its CEO.

As secretary, Jim Gray is as equally responsible as Bill Kingi and the other majority trustees for non-compliance with the Trust Order. This

non-compliance includes failure to consult with the owners, not holding quorate trust and shareholder meetings, failing to obtain independent due diligence, lending unsecured funds (of \$300,000) from the Hell's Gate company to his personal business partner, and continuously over at least 10 years failing to audit accounts for the Trust and both its subsidiaries and failing to file such accounts with the Court and provide them to owners at AGMs.

One of my questions in 2010 uncovered the fact that Jim Gray had personally entered into an undisclosed business relationship with the Hughes family, which is the 50% partner with the Trust in the Hell's Gate operating company. At the time Jim Gray was the Secretary of the Trust and the sole director appointed by the Trust on Hell's Gate. Jim Gray was also one of the main advisors urging the trustees to participate in the power station project. He personally benefits under that project as a director of Company.

Jim Gray is on notice that I shall be seeking the support of the new trustees for his removal from all the affairs of the Trust including its subsidiaries.

## **10 Going forward**

As a Trust Report should include forward looking statements as well as reporting on the past, I set out in the following the vision I see for the Trust.

I will endeavour to work with the new trustees to achieve:

### **a. More Accountability by Trustees**

- proper accountability to our owners, disclosing key upcoming decisions and events and providing a welcoming platform for consultation;
- accounts properly kept by a chartered accountant and audited on an annual basis and filed with the Court and

posted to a Trust website in accordance with the Trust Order;

- Jim Gray is removed from the Trust;
- proper controls are put in place on the Trust operations including its subsidiaries
- a conflicts register will be maintained and audited; and
- an owners register will be established (currently the Trust has no contact details for owners).

**b. Oversight of the Hell's Gate and Power Companies**

- replacement of the current directors nominated by the Trust;
- a review of all arrangements;
- establishment of a proper relationship with our partners; and
- create a revenue stream to be used for the benefit of the owners.

**c. Power Station Project**

- depends on outcome of the current litigation which includes the possibility of the current arrangements being undone; but
- to the extent possible, harmonise any future power station development of the Tikitere geothermal field to provide for:
  - permanent sustainability of the field;
  - zero risk to Hell's Gate;
  - zero cost and positive support by any power station for hapu based direct-use and small

- scale indirect-use of the geothermal, with no restrictions by the power station company; and
- greater participation and support from all the stakeholders in the field, including the land trusts, hapu, neighbouring land owners, the Rotorua Lakes Trust, and local and district councils.

**d. Direct-Use by the Owners/ Hapu**

Hell's Gate and the Tikitere geothermal field are precious to the owners and the hapu. This is true because of the historic and current uses, and because of the promise of potential direct enjoyment and long term economic development by and for all our members.

Rotorua as a whole, and Mayor Steve Chapman in particular, are enthusiastic for the development of direct-use applications for geothermal. These are applications that can be developed from small to large scale. We don't need 200 million dollars to build a power station which only generates a handful of local jobs, jeopardises Hell's Gate and may never deliver income. Hell's Gate is the eye into the whole of the Tikitere geothermal field and it should be the focus of Rotorua's culturally authentic spa/hot springs revival. What we have now is just a glimpse of that potential.

Our owners, universally members of the Ngati Rangiteaorere hapu, should also benefit by participating in other direct-use geothermal applications on the surface lands over the field. Under the project arrangements with Ormat, our owners and hapu members will need to go cap-in-hand to this foreign company to beg permission to tap into the field and they reserve the right to close down operations that will adversely affect their operation.

As well as spas and other developments at Hell's Gate our owners and members of the hapu should be entitled to tap into the field for direct-use heat for spas in other locations, and many other direct use applications such as:

- Home and building heating and cooling and hot water
- Health Care Facilities,
- Green house,
- Aquaculture,
- Timber drying and processing,
- Food processing,
- Biogas etc.

**Signed**

*TAI ERU J.P.  
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