



TE KĀHUI WHAKAMANA
RUA TEKAU MĀ IWA
PIKE RIVER
RECOVERY AGENCY

Annual Report

for the year ended 30 June 2018

Presented to the House of Representatives pursuant to section 44(1) of the Public Finance Act 1989



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At 3.44pm on Friday 19 November 2010 there was an underground explosion at the Pike River mine. Two men in the mine drift that day managed to escape. 29 men did not return home.



Minister's Foreword



On Friday 19 November 2010 an underground explosion at the Pike River Mine resulted in the loss of 29 lives. A subsequent Royal Commission of Inquiry found failures in governance, management and regulatory oversight were responsible for the tragedy.

No-one should go to work and not come home.

In the period since the tragedy, pledges to make every possible effort to recover any remains of those who lost their lives have not been upheld. Preliminary assessments of the possibility of the recovery of the Pike River Mine drift suggest it would be safe to do so. Recovering the drift also enables us to better ascertain the causes of the tragedy.

Therefore, the recovery of the drift is an act of justice. By ascertaining the causes of the explosion we can ensure that a disaster like this does not happen again.

I am very pleased at the progress that Te Kāhui Whakamana Rua Tekau mā Iwa — Pike River

Recovery Agency is making as it works to safely re-enter the Pike River Mine and bring justice for the families and all New Zealanders.

Hon Andrew Little

**Minister Responsible
for Pike River Re-entry**

Family Reference Group Foreword



The Pike River Family Reference Group (FRG) has been busy working with Dave Gawn and Agency staff to provide input, clarity and feedback on the drift re-entry plans and processes.

There have been several workshops attended by various mining and ventilation experts from New Zealand and indeed throughout the world. The FRG attend these workshops and are actively involved in the discussion process.

A representative from the FRG sits in on the interview panel when the Agency recruits new staff. The Agency also organises and involves the FRG in a range of meetings.

The FRG are impressed with the level of transparency they receive from the Agency which helps build a level of trust and respect.

We also have a close working relationship with Minister Andrew Little, who updates the Agency and FRG regularly.

Our group meets on a weekly basis with Agency staff to discuss the past week's events, the progress to date and/or issues that may have been identified.

The families of the 29 are updated each week via emails from the FRG Chairperson on progress or issues. This is tremendously important to the families as in the past the families have been let down with communication breakdowns and no real dialogue with the government. The families want to be involved and kept up to speed every step of the way. The families are also involved in a quarterly meeting with the Agency.

Resources are limited for the FRG as we are not paid for the work that we do. Sometimes the workload is quite substantial, but we are committed to seeing this project through till the end and we make do with the limited resources we do have.

We are approaching a very exciting part of the project now Minister Little has signed off on the Concept Plan and the Agency can start organising the required equipment and resources for a safe re-entry of the Pike River drift.



We are grateful for the level of communication and contact we receive from the Agency and look forward to the next phase of the project.

A handwritten signature in black ink that reads "A Osborne".

Anna Osborne
Chair, Family Reference Group (FRG)

PART ONE OVERVIEW



From the Chief Executive – the journey so far



I am pleased to present the 2017/18 Annual Report for Te Kāhui Whakamana Rua Tekau mā Iwa – the Pike River Recovery Agency.

The Agency was established to create and execute a plan for safe manned re-entry and recovery of the Pike River mine drift/access tunnel.

The original aim was to develop and implement an appropriate drift re-entry and recovery plan by March 2019. In practice, the timeframe for re-entry and recovery will be determined by what can be achieved safely (the overriding priority), effectively and efficiently.

A lot was achieved in the five months from when the Agency was set up in Greymouth on 31 January 2018.

Positive working relationships were developed and maintained with the Pike River Family Reference Group, and the Agency engaged with the wider Pike River families and encouraged them to visit both the office and the Mine site. The Agency also worked closely and cooperatively with other government departments and organisations. For example, the Ministry of Business, Innovation and Employment agreed to provide a range of shared administrative and support services to help the Agency keep its operating costs to a minimum, and the New Zealand Defence Force is making available senior personnel to work in collaboration with the New Zealand Police to develop the forensic plan and support the Agency with the resealing and rehabilitation phases of the re-entry project.

Key structures, systems and processes were put in place. A core team of skilled and experienced staff was recruited and is drawing on other specialist technical and professional advice and expertise. The team includes technical staff with the necessary experience, knowledge and statutory qualifications to operate and maintain the mine in a safe and legally compliant condition during the project, and to supervise the work being done there.

Ownership and control of the mine (and associated assets including resource consents, the Pike River mining permit, and the access arrangements authorised by the Minister of Conservation under the Crown Minerals Act 1991 covering activities in the Paparoa National Park) passed to the Agency from the former owner Solid Energy New Zealand Limited.

A Memorandum of Understanding was entered into with the Department of Conservation (DOC) on things including working relationships and the rehabilitation of the mine site before it is returned to DOC at the end of the project.

A concept plan for safe manned re-entry and recovery was developed, certified and recommended to the responsible Minister as a basis for preparatory work and further detailed planning before a final go/no go decision is made by the Minister later this year. The plan was developed by the Agency with input from a wide range of technical experts, the Mines Rescue Service and WorkSafe New Zealand, and with the close ongoing involvement of representatives of the Pike River families and experts advising them and the Agency.

The process got underway to select a contractor or contractors to carry out the work of re-entry and recovery under the supervision and control of the Agency, and to carry out the sealing and rehabilitation work at the end of the project. Before that, the selected contractor or contractors will be key contributors to the necessary detailed planning, costing and risk assessment work.

I am pleased with this progress and what was achieved in such a short time. But there is a lot more to do as we move towards the goal of safe manned re-entry and recovery of the drift.

In July the Minister signed off the concept plan as a basis for:

- ⤴ preparing a fully costed and detailed operational plan for safe manned re-entry and recovery of the drift (including a comprehensive assessment of all relevant risks and how these can and should be managed); and
- ⤴ taking action to secure and install key items of equipment and infrastructure that will be required for re-entry and recovery activities¹

That work is now underway.

The Agency welcomes the challenges ahead and the opportunity to deliver for the Pike River families and for the wider New Zealand community.

Whakataukī (proverb)

Ma whero ma ponga ka oti ai te mahi
Literally, “*With red and black the work will be complete*” – refers to co-operation, whereby if everyone does their part, the work will be done.



Dave Gawn
Chief Executive
Pike River Recovery Agency

¹ In June 2018 Cabinet approved the transfer of \$400,000 of existing funding from operating to capital expenses to cover the cost of designing, constructing and installing new portal doors that can be operated remotely.

Our highlights at a glance

The Agency

🌱 Agency set up and staffed (including all required statutory roles)

🌱 Partnership established and operating with Family Reference Group (FRG)

🌱 Very high levels of FRG and Minister satisfaction with the services provided by the Agency

The Mine

🌱 Mine ownership (and relevant permissions) taken over

🌱 Mine maintained in safe and legally compliant condition – no enforcement notices issued

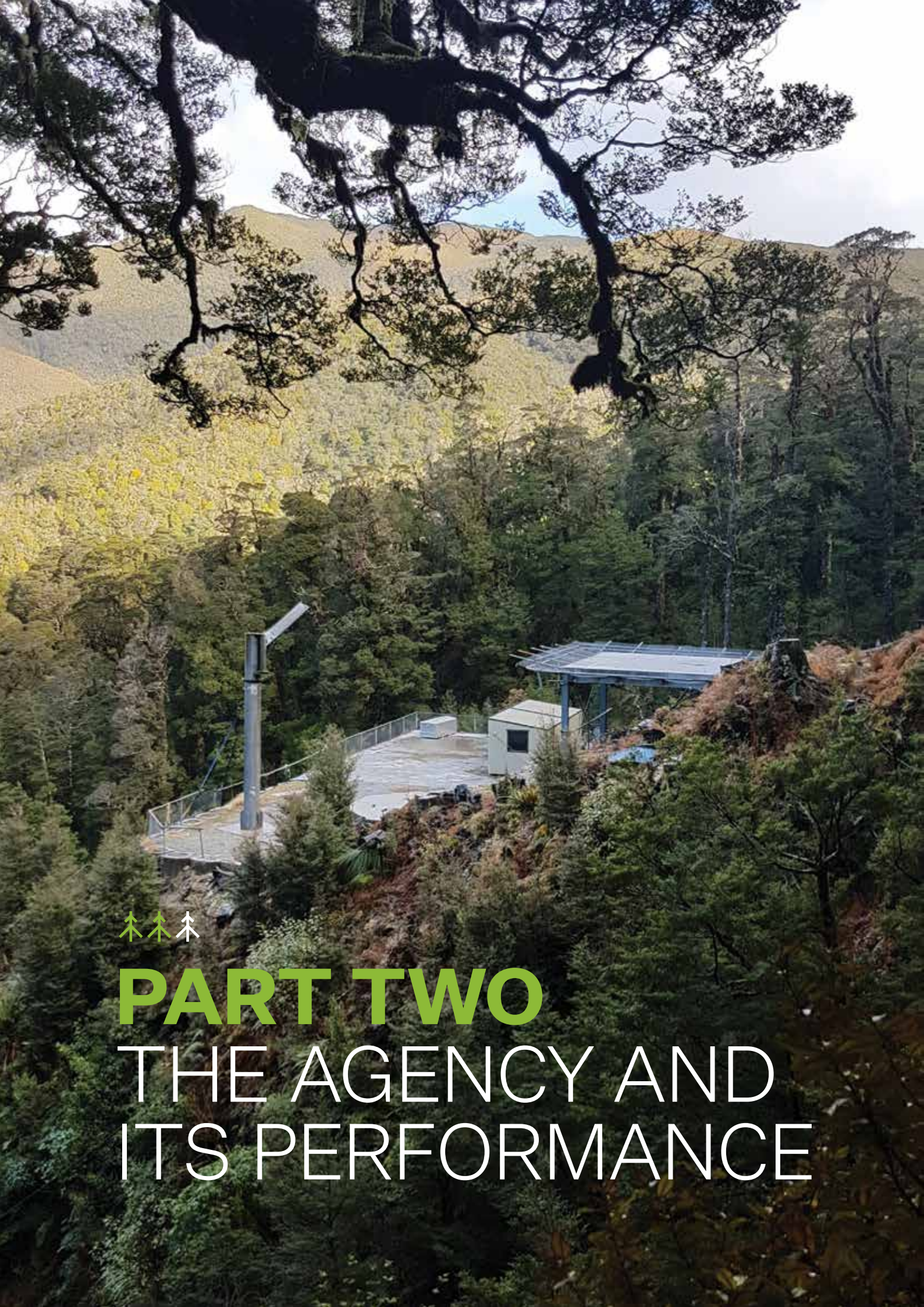
🌱 Required Principal Hazard Management Plans (7) and Principal Control Plans (5) developed

Planning and preparation for re-entry and recovery

🌱 Baseline concept plan developed and presented

🌱 MoU entered into with Department of Conservation

🌱 Contractor(s) selection underway



PART TWO

THE AGENCY AND ITS PERFORMANCE

Te Kāhui Whakamana Rua Tekau mā Iwa — Pike River Recovery Agency was established as a stand-alone government department by Order in Council on 31 January 2018. The agency will be disestablished once the Pike River site has been rehabilitated and returned to the Department of Conservation.

Mana whenua

Te Rūnanga o Ngāti Waewae (Ngāi Tahu) has gifted the Agency the Te Reo Māori name Te Kāhui Whakamana Rua Tekau mā Iwa, which can be shortened to Te Kāhui Whakamana 29. It is interpreted as ‘The Empowering Voice for the Pike 29’. Ngāti Waewae is kaitiaki of Pike River in the Atarau region.

Our strategic objective

Our strategic objective is to conduct a safe manned re-entry and recovery of the Pike River mine drift (access tunnel) to:

- ⤴ Gather evidence to better understand what happened in 2010 with an eye to preventing future mining tragedies and promoting accountability for this mining tragedy;
- ⤴ Give the Pike River families and victims overdue closure and peace of mind; and
- ⤴ Recover remains where possible.



The best available estimate now is that work on actual re-entry and recovery could be completed by mid-2019 (rather than 31 March 2019) as originally estimated, and the mine site could be remediated and handed over to the Department of Conservation by the end of 2019.

We will monitor and manage the safety of the mine, maintain its infrastructure and ensure the safe-keeping of records throughout the process.

Our strategic partners

The agency would like to acknowledge the ongoing expertise, support and goodwill of:

- › **Pike River Families and the Family Reference Group**
- › **Ngati Waewae**
- › **The Technical Experts Group**
- › **Ministry of Business, Innovation and Employment (MBIE)**
- › **New Zealand Defence Force (NZDF)**
- › **Department of Internal Affairs**
- › **WorkSafe New Zealand**
- › **New Zealand Police**
- › **Archives New Zealand**
- › **Department of Conservation**
- › **NZ Mines Rescue Trust**
- › **Minerals sector industry organisations**
- › **National Health and Safety for the New Zealand Mining and Quarry Industry**
- › **Business Leaders Health and Safety Forum**

Our values and operating principles

The following values and principles underpin and inform all aspects of our work:

Close partnership with the Pike River families

We work closely with the families and their representatives in all aspects of our work. In particular, the families and their experts have played a central role in planning for, and implementing decisions on, re-entry and recovery.

We are monitoring on a regular basis the satisfaction of the Family Reference Group with the engagement and liaison services we provide and acting on insights gained from that.

Health and safety comes first

Everyone involved in this process agrees that safety is paramount. A final go/no go decision about safe manned re-entry will be based on a robust assessment of the risks and advice that all risks can be reasonably managed.

Transparency and openness

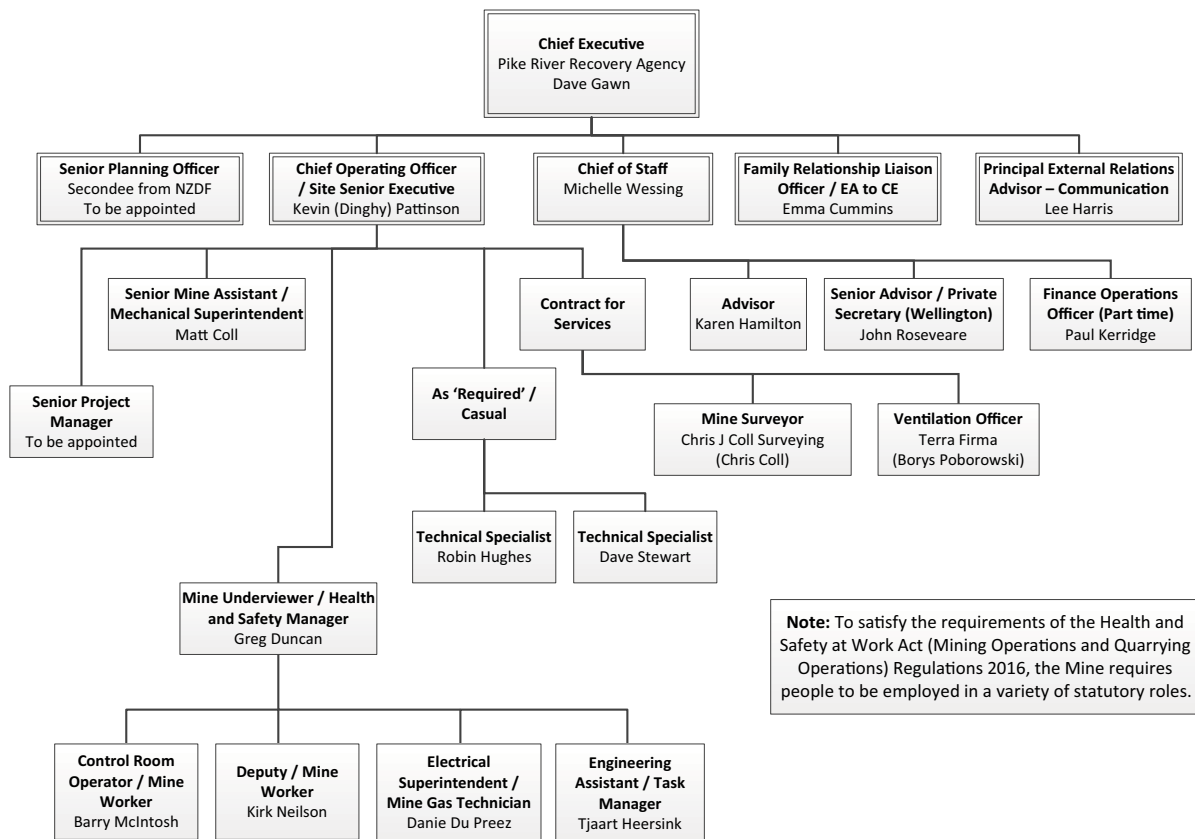
We do our planning in a publicly transparent and rigorous way that draws on the best possible expertise and experience. Opportunities are provided for input into draft conclusions. Our advice to the Minister is open and unbiased. We go where the facts and the best available information takes us.

Information about our activities and advice continues to be released to the Agency's website without people needing to ask for it. All (100%) of Official Information Act requests received by the Agency to 30 June 2018 were responded to within the timeframes set out in the Act.

Our Organisation



TE KĀHUI WHAKAMANA
 RUA TEKAU MĀ IWA
**PIKE RIVER
 RECOVERY AGENCY**



Note: To satisfy the requirements of the Health and Safety at Work Act (Mining Operations and Quarrying Operations) Regulations 2016, the Mine requires people to be employed in a variety of statutory roles.

As at 30 June 2018

What we have achieved with our appropriations

This section provides information about performance against our targets as set out in the Information Supporting the Supplementary Estimates 2017/18.

We have not included any comparative information from previous years as the Agency was only established on 31 January 2018.

Departmental multi-year appropriations and capital expenditure

The purpose of these appropriations was to fund the establishment and operations of the Pike River Recovery Agency. See Tables 1 and 2.

The appropriation for output expenses was intended to achieve a plan for the safe manned re-entry to the Pike River mine drift and a recommendation to the responsible Minister about whether the risks can, as much as is reasonably practicable, be adequately managed, and then if the Minister agrees, to execute the plan.

The appropriation for capital expenditure was to achieve the establishment of the Agency office in Greymouth.

Independent advice on Pike River Recovery (non-departmental multi-year appropriation for output expenses)

The purpose of this appropriation was to fund advice from an independent advisor to support decision-making by the Minister Responsible for Pike River Re-entry.

Mr Rob Fyfe was appointed in December 2017 to carry out this role and his costs and expenses have been met from the appropriation. The appointment of the independent advisor was intended to support high quality unbiased decision-making relating to the development of the plan for safe-manned re-entry and recovery of the drift.

The Agency is the appropriation administrator for this appropriation. Expenditure is monitored and approved by the responsible Minister. See Table 3.

Measuring our financial performance

Statements of budgeted and actual expenses and capital expenditure incurred against appropriations for the period ended 30 June 2018

Table 1 : Department Capital Expenditure

The capital injection was used during the initial establishment of the Agency and covered the cost of setting up the office in Greymouth and the associated fit-out.

	2018 Actual \$000's	2018 Unaudited Supplementary Estimates \$000's	2019 Unaudited Forecast \$000's
Departmental Capital Expenditure			
<i>Pike River Recovery Agency – Capital Expenditure PLA (M99)</i>	343	500	–
Total Annual and Permanent Appropriations	343	500	–

Note: Performance against these appropriations is reported on page 17.

Table 2 : Departmental Output Expense

The Agency's expenditure is below appropriation for the 2017/18 financial year. This lower than expected level is a result of costs being incurred at a slower rate than was expected during the establishment of the Agency.

	2018 Actual \$000's	2018 Unaudited Supplementary Estimates \$000's	2019 Unaudited Forecast \$000's
Multi-year appropriations			
<i>Pike River Recovery Agency (M99) (31 January 2018 to 31 December 2019)</i>			
Original appropriation	21,974	21,974	21,974
Cumulative adjustments	–	–	
Total adjusted appropriations	21,974	21,974	21,974
Cumulative expenditure 31 January	–	–	2,135
Current year expenditure	2,135	3,628	17,107
Cumulative expenditure 30 June	2,135	3,628	19,242
Appropriation remaining 30 June	19,839	18,346	2,732

Note: Performance against these appropriations is reported within this Annual Report.

Table 3 : Non-Departmental Output Expense

Costs incurred by the independent advisor to support decision-making by the Minister Responsible for Pike River Re-entry.

	2018 Actual \$000's	2018 Unaudited Supplementary Estimates \$000's	2019 Unaudited Forecast \$000's
Non-Departmental Output Expenses			
<i>Independent Advice on Pike River Recovery (M99) (31 January 2018 to 31 December 2019)</i>			
Original appropriation	75	75	75
Cumulative adjustments	–	–	
Total adjusted appropriations	75	75	75
Cumulative expenditure 31 January	–	–	15
Current year expenditure	15	60	60
Cumulative expenditure 30 June	15	60	75
Appropriation remaining 30 June	60	15	–

Note

1. An exemption from end of year performance reporting under s15D (2) (b) (iii) of the Public Finance Act 1989 was granted.

Statement of unappropriated expenses and capital expenditure incurred without appropriations

Nil.

Statement of capital injection made to the Department without the authority or in excess of an existing authority

Nil.

MEASURING OUR PERFORMANCE

Performance measures	Supplementary Estimates 2017/2018 Standard	Achievement
Plan for the safe manned re-entry of the drift and advice provided to the Minister	By 30 October 2018	On track to be met (Note 2)
The satisfaction of the Families Reference Group (FRG) with the engagement and liaison service, as measured using the Common Measurement tool, is at least a '3' (see Note 1)	3 – Met Expectation	4.5 out of 5 (see Note 3)
Office set up by 31 January 2018 and within budget	Achieved	Standard met (see Note 4)

Notes

- The Common Measurement tool measures external client satisfaction and identifies areas for delivery improvement in the public sector on scale of 1 to 5, where 1 means fell well short of expectations and 5 means far exceeded expectations.
- By 30 June 2018:
 - a baseline concept plan had been developed by the Agency (with input from external technical experts and other agencies), certified by the Site Senior Executive and the Chief Executive of the Agency, and submitted to the Minister Responsible for Pike River Re-entry for consideration and approval.
 - a second technical workshop had been conducted to explore three possible approaches for ventilation and access during re-entry.
 By 31 August 2018:
 - the Minister had noted the baseline concept plan and agreed that the Agency should proceed to develop a fully costed and detailed operational plan for re-entry and recovery (including a comprehensive assessment of all relevant risks and how these might be managed) and submit this plan for consideration by 31 October 2018
 - The Minister had been briefed on, and noted, the results of the second technical workshop
 - A formal plan had been developed and approved setting out a four stage process for detailed task analysis and risk assessment of the three safe manned re-entry and recovery options that had been identified
 - Work was underway on the development of the forensic examination component of the detailed re-entry and recovery plan in collaboration with the New Zealand Police
- FRG satisfaction surveys are being carried out on a monthly basis. As well as providing an overall rating FRG members are invited to identify any areas in which things could be done differently or better by the Agency. Any identified issues are addressed promptly and a written response is provided to the FRG. Progress on issues raised in the satisfaction survey responses are a standing agenda item for meetings of the Agency management team. The reported result is the rating (as at 30 June 2018) of overall FRG satisfaction with the engagement and liaison service provided by the Agency to the FRG and the families it represents.
- The office of the Agency in Greymouth was set up by 31 January, and the capital cost of setting up the Agency was within budget. See Table 1: Department Capital Expenditure on page 15.

Organisational health and capability

As a small agency with a clear strategic objective we have struck a balance between:

- ⤴ Employing a small team of (currently 14²) dedicated people with the specific skills and experience to do our core work
- ⤴ Reaching out to other agencies (for example NZDF and MBIE) to provide services, expertise and people to support our work where that is the best use of available resources
- ⤴ Obtaining other specialist expertise, advice and assistance (from New Zealand and overseas) as required.

Our staff

The Agency is a small one and will only be operating for a limited time. We employ a mix of technical qualified mining staff (with backgrounds in the mining industry here in New Zealand and overseas) and people in managerial, facilitation, analytical and support roles.

² Figures are a headcount, as at 30 June 2018 and includes the Chief Executive and exclude staff employed on an 'as required basis'.

Being a good employer

The agency has a strong commitment to being a good employer through fair, honest and transparent dealings with all our staff. Recruitment, selection and remuneration practices are based on principles of fairness, equity and merit-based selection.

The policies and management practices that we have for recruitment, induction, staff development, health and safety and all other employment matters demonstrate our commitment to all aspects of being a good employer.

Our culture

We have actively promoted an organisational culture of learning, continuous improvement and success.

In the forthcoming financial year we expect to invest \$200,000 in upskilling and re-qualification of staff in critical safety sensitive statutory roles.

The Agency team is proactive at a local level in working to motivate and engage each other. There are a number of initiatives that are likely to contribute to staff engagement including:

- ⤴ Regular all Agency 'stand up' progress meetings
- ⤴ Communication based on truth, transparency and openness
- ⤴ Investing in the staff personal development.

Health and safety

In the period up to 30 June 2018:

- ⤴ There were no serious or 'lost time' accidents or injuries to Agency staff
- ⤴ One inspection of the mine was carried out by WorkSafe New Zealand inspectors and no enforcement notices were issued
- ⤴ \$27,000 was invested in training and upskilling Agency staff employed in safety sensitive roles.

This is as it should be. The safety of everyone involved in re-entry and recovery of the drift is paramount. Zero-harm is a non-negotiable 'bottom line' for the Agency.

All mining activities involve an element of risk and are therefore subject to specific requirements set out in the Health and Safety at Work (Mining Operations and Quarrying Operations) Regulations 2016 and the Mines Rescue Act 2013.

Principal Hazard Management Plans, Principal Control Plans and a Crisis Management Plan have been developed by the Agency as required by the regulations.

Members of the mining team check safety equipment regularly, are trained in various aspects of safe operation and emergency response, and participate in drills and exercises to test readiness and established procedures. The mine and activities there are subject to – and the Agency welcomes – scheduled and unscheduled inspections from WorkSafe New Zealand inspectors at any time.



I am also very conscious of the accountabilities and duties that are placed on me as the chief executive, and on the Agency, under the Health and Safety at Work Act 2015 across the full range of our activities and operations.

A key focus of the planning for safe manned re-entry and recovery of the drift is detailed and intensive risk assessment of all possible elements of the proposed operations, and how all relevant risks could and should be eliminated or managed down to an acceptably low level.

A detailed operational plan will only be submitted to the Minister for consideration if the Chief Operating Officer of the Agency and I are both satisfied, and are both willing to certify, that:

- ⤴ Manned re-entry and recovery as proposed in the plan is feasible and safe; and
- ⤴ All relevant risks can and will be managed appropriately

In the meantime the organisational commitment to health and safety is supported by:

- ⤴ An active health and safety committee that meets regularly and includes (mining and non-mining) managers and staff from across the organisation
- ⤴ Regular scheduled consideration by the Agency management team of health and safety matters – including reports on the work of the health and safety committee, and attendance of the chair of the committee at all (monthly) meetings of the management team
- ⤴ Regular discussions between the chief executive and staff in safety-sensitive mining roles
- ⤴ Structured self-assessments and audits of Agency compliance with all established health and safety requirements
- ⤴ A proactive monitoring regime which has been developed and implemented for all Agency staff.

Pay and workplace profile

As at 30 June 2018 there are 14 staff³ in the Agency, engaged on a fixed term basis, which includes full time and part time staff with more than 50% employed in specialist critical safety-sensitive roles.

Recruitment, selection and remuneration practices are based on principles of fairness, equity and merit-based selection.

Ethnicity profile

All Agency staff identify with the New Zealand European Pākehā ethnic group, with 14% of staff members each identifying with two ethnic groups (Māori and other).

Remuneration profile

Salary per annum	Number of staff ⁴
Up to \$100,000	4
Over \$100,000	9

Notes

1. Ethnicity of the Agency's workforce has been aggregated to protect the privacy of individuals.
2. Remuneration information for the Agency's staff has been aggregated to protect the privacy of individuals.

³ Includes the Chief Executive who is employed by the State Services Commission but excludes two technical specialist workers who are engaged on an 'as required basis'.

⁴ Excludes the remuneration of the Chief Executive who is employed by the State Services Commission.



PART THREE

FINANCIAL STATEMENTS

WHITE KNIGHT
BRIDGE



TE KĀHUI WHAKAMANA
RIĀ TEKAU MĀ IWA
PIKE RIVER
RECOVERY

HILUX

Statement of management responsibility

I am responsible, as Chief Executive of the Pike River Recovery Agency (the Agency) for:

- ⤴ the preparation of the Agency's financial statements, and statements of expenses and capital expenditure, and for the judgments expressed in them
- ⤴ having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting
- ⤴ ensuring that end-of-year performance information on each appropriation administered by the Agency is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in this annual report
- ⤴ the accuracy of any end-of-year performance information prepared by the Agency, whether or not that information is included in the annual report.

In my opinion:

- ⤴ the financial statements fairly reflect the financial position of the Agency as at 30 June 2018 and its operations for the year ended on that date
- ⤴ the forecast financial statements fairly reflect the forecast financial position of the Agency as at 30 June 2019 and its operations for the year ending on that date.



Dave Gawn
Chief Executive
1 October 2018

Independent auditor's report

**To the readers of the
Pike River Recovery Agency's
annual report for the period ended 30 June 2018**

The Auditor-General is the auditor of the Pike River Recovery Agency (the Agency). The Auditor-General has appointed me, Ajay Sharma, using the staff and resources of Audit New Zealand, to carry out, on his behalf, the audit of:

- the financial statements of the Agency on pages 28 to 53 that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and assets as at 30 June 2018, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the period ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information prepared by the Agency for the period ended 30 June 2018 on pages 17;
- the statements of expenses and capital expenditure of the Agency for the period ended 30 June 2018 on pages 15 to 16; and
- the schedules of Non-departmental activities which are managed by the Agency on behalf of the Crown on pages 54 to 57 that comprise:
 - › the schedules of assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2018;
 - › the schedules of expenses; and revenue for the period ended 30 June 2018; and
 - › the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- ✦ the financial statements of the Agency on pages 28 to 53:
 - › present fairly, in all material respects:
 - its financial position as at 30 June 2018; and
 - its financial performance and cash flows for the period ended on that date; and
 - › comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.

- ⤴ the performance information of the Agency on page 17:
 - › presents fairly, in all material respects, for the period ended 30 June 2018:
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
 - › complies with generally accepted accounting practice in New Zealand.
- ⤴ the statements of expenses and capital expenditure of the Agency on pages 15 to 16 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.
- ⤴ the schedules of Non-departmental activities which are managed by the Agency on behalf of the Crown on pages 54 to 57 present fairly, in all material respects, in accordance with the Treasury Instructions:
 - › the assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2018; and
 - › expenses; and revenue for the period ended 30 June 2018.

Our audit was completed on 1 October 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below and we draw your attention to the contingency for mine rehabilitation obligations. In addition, we outline the responsibilities of the Chief Executive and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

Contingency for mine rehabilitation obligations

Without modifying our opinion, we draw your attention to the unquantifiable contingent liabilities disclosure in the Statement of Contingent Liabilities and Assets on pages 34 to 35, which explains the Agency's obligation in relation to the rehabilitation of the Pike River mine site, the uncertainties associated with the amount of this obligation, and the reasons for disclosing a contingent liability.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Chief Executive for the information to be audited

The Chief Executive is responsible on behalf of the Agency for preparing:

- ⤴ financial statements that present fairly the Agency's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand;
- ⤴ performance information that presents fairly what has been achieved with each appropriation, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand;
- ⤴ statements of expenses and capital expenditure of the Agency, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989; and
- ⤴ schedules of Non-departmental activities, in accordance with the Treasury Instructions, that present fairly those activities managed by the Agency on behalf of the Crown.

The Chief Executive is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information to be audited, the Chief Executive is responsible on behalf of the Agency for assessing the Agency's ability to continue as a going concern. The Chief Executive is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Agency, or there is no realistic alternative but to do so.

The Chief Executive's responsibilities arise from the Public Finance Act 1989.

Responsibilities of the auditor for the information to be audited

Our objectives are to obtain reasonable assurance about whether the information we audited, as a whole, is 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 carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the Agency's Supplementary Estimates of Appropriations for 2017/18.

We did not evaluate the security and controls over the electronic publication of the information we audited.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- ⤴ We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ⤴ We obtain an understanding of internal control relevant to the audit 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 Agency's internal control.
- ⤴ We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive.
- ⤴ We evaluate the appropriateness of the reported performance information within the Agency's framework for reporting its performance.
- ⤴ We conclude on the appropriateness of the use of the going concern basis of accounting by the Chief Executive and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Agency to cease to continue as a going concern.
- ⤴ We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Chief Executive regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Chief Executive is responsible for the other information. The other information comprises the information included on pages 2 to 14, 18 to 20 and 58 to 59, but does not include the information we audited, and our auditor's report thereon.

Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the information we audited or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, 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.

Independence

We are independent of the Agency in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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

A handwritten signature in black ink that reads "Ajay Sharma". The signature is written in a cursive style with a horizontal line underneath the name.

Ajay Sharma
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Departmental Statement of Comprehensive Revenue and Expenses

for the period ended 30 June 2018

	Notes	2018 Actual \$000's	2018 Unaudited Supplementary Estimates \$000's	2019 Unaudited Forecast \$000's
Income				
Revenue – Crown	3	2,087	3,628	17,107
Other revenue		48	-	-
Total income		2,135	3,628	17,107
Expenditure				
Personnel costs	4	792	1,000	2,900
Depreciation and amortisation expense	12	54	80	250
Capital charge	6	-	-	30
Other operating expenses	5	1,289	2,548	13,927
Total expenditure		2,135	3,628	17,107
Net surplus/(deficit) and comprehensive income		-	-	-

Explanations of major variances against Supplementary Estimates can be found in Notes 3 to 6 and Note 12.

The accompanying notes form part of these financial statements.

Departmental Statement of Financial Position

as at 30 June 2018

	Notes	2018 Actual \$000's	2018 Unaudited Supplementary Estimates \$000's	2019 Unaudited Forecast \$000's
Assets				
Current Assets				
Cash and cash equivalents		2,537	509	2,466
Debtors and other receivables	7	-	-	-
Total current assets		2,537	509	2,466
Non-current assets				
Property, plant and equipment	12	317	420	170
Work in progress	12	20	-	-
Total non-current assets		337	420	170
Total assets		2,874	929	2,636
Liabilities				
Current Liabilities				
Creditors and other payables	8	658	429	2,136
Revenue in Advance	9	1,541	-	-
Employee entitlements	11	105	-	-
Total current liabilities		2,304	429	2,136
Non-current liabilities				
Provisions	10	70	-	-
Total non-current liabilities		70	-	-
Total liabilities		2,374	429	2,136
Net assets		500	500	500
Equity				
Taxpayers' funds		500	500	500
Total Equity	14	500	500	500

Explanations of major variances against Supplementary Estimates can be found in Notes 7 to 12 and 14.

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

for the period ended 30 June 2018

	Notes	2018 Actual \$000's	2018 Unaudited Supplementary Estimates \$000's	2019 Unaudited Forecast \$000's
Balance as at 31 January		-	-	500
Comprehensive income / (expense)		-	-	-
Return of operating surplus to the Crown		-	-	-
Capital contributions	15	500	500	-
Balance as at 30 June 2018	14	500	500	500

Explanations of major variances against Supplementary Estimates can be found in Notes 14 and 15.

The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the period ended 30 June 2018

Notes	2018 Actual \$000's	2018 Unaudited Supplementary Estimates \$000's	2019 Unaudited Forecast \$000's
Cash flows from operating activities			
Receipts from Crown	3,628	3,628	17,107
Payments to suppliers	(692)	(2,169)	(12,220)
Payments to employees	(687)	(1,000)	(2,900)
Payments for capital charge	-	-	(30)
Goods and services tax (net)	131	50	-
Net cash flows from operating activities	2,380	509	1,957
Cash flows from investing activities			
Purchase of property, plant and equipment	(343)	(500)	-
Net cash flows from investing activities	(343)	(500)	-
Cash flows from financing activities			
Capital contributions	500	500	-
Net cash flows from financing activities	500	500	-
Net (decrease) / increase in cash	2,537	509	1,957
Cash at the beginning of the year	-	-	509
Cash at the end of the year	2,537	509	2,466

Explanations of major variances against Supplementary Estimates can be found in Note 13.

The accompanying notes form part of these financial statements.

Reconciliation of net surplus to net cash flows from operating activities

For the period ended 30 June 2018

	2018 Actual \$000's
Net surplus (deficit)	–
Add/(less) non-cash items	
Depreciation, amortisation and impairment expenses	54
Vested assets – motor vehicles	(48)
Total non-cash items	6
Add/(less) movements in working capital	
Increase in creditors and other payables	597
Increase in Revenue in Advance	1,541
Increase in GST	131
Increase in employee entitlements	105
Net movement in working capital items	2,374
Net cash flow from operating activities	2,380

The accompanying notes form part of these financial statements.

Statement of Commitments

As at 30 June 2018

Capital commitments

The Agency has no capital commitments at 30 June 2018.

On 20 June 2018 Cabinet approved the transfer of \$400,000 of existing funding from operating to capital expenses to cover the cost of designing, constructing and installing new pressure rated portal entry doors.

As at 30 June 2018, no contract has been signed for the fabrication and installation of the doors.

Non-cancellable operating lease commitments

The Agency leases property, plant and equipment in the normal course of its business, with the main commitment relating to the Greymouth Office premises.

The Agency has entered into a two year lease on the Greymouth Office premises, with a commencement date of 31 January 2018. There is one right of renewal, from 31 January 2020 for a further one year period.

	2018 Actual \$000's
Non-cancellable operating lease commitments	
Not later than one year	81
Later than one year and not later than five years	78
Later than five years	
Total non-cancellable operating lease commitments	159

The accompanying notes form part of these financial statements.

Statement of Contingent Liabilities and Assets

As at 30 June 2018

Quantifiable contingent liability

The Agency has no quantifiable contingent liabilities.

Unquantifiable contingent liabilities

The Agency has an obligation to rehabilitate the Pike River mine site.

Basis for this obligation

The basis for this obligation arises from agreements for the transfer of mine assets and access arrangements.

Therefore, the Agency (in respect of the Crown) took on the burden of the make good obligations in the Access Arrangements from Pike River (2012) Ltd on 23 February 2018. Though the Agency is aware that Pike River (2012) Limited recognised a rehabilitation provision in its final accounts (dated 30 June 2017), this has not been recognised due to the following reasons.

1. The scope and purpose of the two entities do not align with each other. Pike River (2012) a wholly owned subsidiary of Solid Energy NZ Limited had a single purpose of resealing the mine site and surrendering the site. While the Agency has wider and more diverse objectives to maintain the mine site in a safe and legally compliant condition to enable the safe manned re-entry and recovery of the mine drift (2.3km access tunnel from the portal (entrance) to the mine workings) in order to:

- › Gather evidence to better understand what happened in 2010 with an eye to preventing future mining tragedies, and promoting accountability for this mining tragedy;
- › Give the Pike River families and victims overdue closure and peace of mind; and
- › Recover remains where possible in collaboration with New Zealand Police.

This wider scope may lead to increased costs and damage to the mine site which will need to be remediated. The obligations are ongoing and do/will vary on a daily/ weekly and monthly basis as the planning and preparation for the re-entry develops (for example: repairing helicopter landing pads, and strengthening access bridges and roads to the Pike River mine site).

2. The Management of the Agency has initiated preliminary discussions with the Department of Conservation (DoC) around the need for rehabilitation prior to the site being handed back. The Agency are working through with DoC the rehabilitation expectations and the required work programme to enable a transfer of the site to DoC in the form they require for future use. However, as details are yet to be determined, the scope and size of this work is unknown at this time.

The accompanying notes form part of these financial statements.

Management have concluded the obligation cannot be reliably estimated after the first five months of operation. High level information available to the Agency has indicated a range of possible estimates that vary significantly. A detailed analysis of the work required to achieve the Agency's objectives is underway at the time of publishing of the annual report, in collaboration with the Agency's technical expert alliance and strategic partners (including DoC and WorkSafe NZ).

Decisions on these future activities may substantially effect the approach to be taken for rehabilitation and associated costs. This work will help establish a reliable estimate of the rehabilitation work required. This will be included in the recommendation to the Minister on preferred re-entry option to be provided by 31 October 2018 for his consideration.

Contingent Assets

The Agency has no contingent assets as at 30 June 2018.



The accompanying notes form part of these financial statements.

Who we are

The public sector consists of a number of different organisational forms. These forms vary in the extent to which they are at an arm's-length from Ministers, how they are governed, and the expectations that apply. The Agency is a Public Service department, which means it is close to Ministers, and forms part of the legal Crown.

This section provides information on the legislation governing the Agency's operations and reporting requirements and accounting policies, or information on where to find accounting policies that are fundamental to the financial statements. The Agency was established for a finite time, and is appropriated until 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: REPORTING ENTITY

Te Kāhui Whakamana Rua Tekau Mā Iwa Pike River Recovery Agency (the Agency) is a New Zealand government department as defined by section 2 of the Public Finance Act 1989 (the PFA) and is domiciled and operates in New Zealand. The legislation governing the Agency's operations includes the PFA. The ultimate parent of the Agency is the New Zealand Crown.

The Agency's primary objective is to provide services to the public. The Agency does not operate to make a financial return and is

a public benefit entity (PBE) for financial reporting purposes. The financial statements cover all activities of the Agency as set out in the 2018 Supplementary Estimates and include Vote Pike River Re-entry.

In addition, the Agency has reported the Crown activities that it administers.

The financial statements of the Agency are for the period ended 30 June 2018. They were authorised for issue by the Chief Executive of the Agency on 1 October 2018.

NOTE 2: BASIS OF PREPARATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the year.

Statement of compliance

The financial statements have been prepared in accordance with the requirements of the PFA, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP) and Treasury Instructions.

The financial statements of the Agency have been prepared in accordance with Tier 1 PBE accounting standards.

Measurement base

The financial statements have been prepared on the historical cost basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the Agency is New Zealand dollars.

Changes in accounting policies

There have been no changes in accounting policies during the financial year.

Standards, amendments and interpretations issued that are not yet effective and have not been adopted early

There are no standards and amendments, issued but not yet effective that will affect the Agency.

Significant accounting policies

The following significant accounting policies have been applied. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

Commitments

Lease and capital expenses yet to be incurred on non-cancellable contracts that have been entered into at balance date are disclosed as commitments. Commitments relating to employment contracts are not disclosed.

Cancellable contracts that have penalty or exit costs are included in the Statement of Commitments at the lower of the remaining contractual commitment or the value of the penalty or exit costs.

Contingent liabilities

Contingent liabilities are disclosed at the point at which the contingency is evident and, for each class of contingent liability, a brief description of the nature of the contingent liability is provided at balance date.

Contingent liabilities are not disclosed if the possibility is remote.

NOTE 2: BASIS OF PREPARATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency transactions

Foreign currency transactions, including those for which forward foreign exchange contracts are held, are translated to New Zealand dollars at the rate applicable on the day of settlement.

Monetary assets and liabilities denominated in foreign currencies at balance date are translated to New Zealand dollars at the foreign exchange rate at balance date.

Foreign exchange gains or losses arising from the settlements of such transactions and from the translation of foreign currency monetary assets and liabilities are recognised in net surplus or deficit.

Goods and services tax (GST)

All items in the financial statements, except for receivables and payables, are stated exclusive of GST including appropriation statements and commitments and contingencies. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Income tax

Government departments are exempt from income tax as public authorities and no income tax has been provided for.

Critical accounting estimates, assumptions and critical judgements in applying accounting policies

In preparing these financial statements, estimates, assumptions and critical judgements have been made concerning the future and may differ from the subsequent actual results. Estimates, assumptions and critical judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

There are no estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

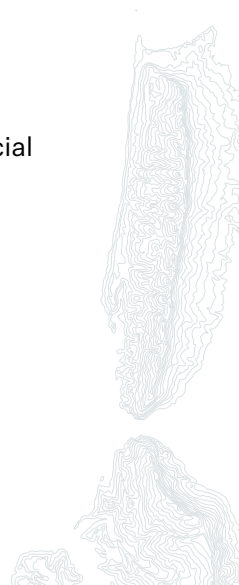
Budget figures

The Budget figures are for the year ended 30 June 2018. They were included in the Supplementary Estimates of Appropriations for the Government of New Zealand for the year ended 30 June 2018.

Forecast figures

The forecast figures for the year ending 30 June 2019 are consistent with the Agency's best estimate financial forecast information submitted to Treasury for the Budget Economic and Fiscal Update (BEFU) for the year ended 30 June 2019.

The forecast figures are unaudited and have been prepared using the accounting policies adopted in preparing these financial statements.



NOTE 2: BASIS OF PREPARATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant assumptions used in preparing the unaudited forecast financial statements

The forecast financial statements have been prepared in accordance with the PBE FRS 42 Prospective Financial Statements and comply with PBE FRS 42.

The purpose of the forecast financial statements is to facilitate Parliament's consideration of the appropriations for, and planned performance of the Agency. Use of this information for other purposes may not be appropriate. Readers are cautioned that actual results are likely to vary from the forecast information presented and that the variations may be material.

The forecast figures contained in these financial statements reflect the Agency's purpose and activities and are based on a number of assumptions on what may occur during the 2018/19 year.

The forecast figures have been compiled on the basis of existing government policies and Ministerial expectations at the time the Main Estimates were finalised. The main assumptions were as follows:

- ⤴ the Agency's activities and output expectations will remain substantially the same as for the previous year focusing on the Government's priorities
- ⤴ personnel costs were based on planned full-time equivalent staff, which takes into account staff turnover
- ⤴ land and buildings are not expected to be revalued, and
- ⤴ estimated year-end information for 2017 /18 was used as the opening position for the 2018 /19 forecasts.

The actual financial results achieved for 30 June 2019 are likely to vary from the forecast information presented, and the variations may be material.

There are no significant events or changes that would have a material impact on the BEFU forecast. Factors that could lead to material differences between the forecast financial statements and the 2018/19 actual financial statements include changes to the baseline budget through new funding. Significant events since balance date include:

- ⤴ The Minister Responsible for Pike River Re-entry in July signed off the concept plan as a basis for preparing for his consideration by 31 October 2018 a fully costed and detailed operational plan for safe manned re-entry and recovery of the drift. This includes a comprehensive assessment of all relevant risks and how these could be managed.
- ⤴ Taking action to secure and install key items of equipment and infrastructure that will be required for the re-entry and recovery work including:
 - › designing, constructing and installing new pressure rated portal entry doors
 - › leasing of a nitrogen generating plant
 - › signed statement of requirement for the mains power required for the Pike River mine drift re-entry was provided to Westpower in late July 2018. A connection agreement will be entered into shortly, supported by an electricity supply agreement with a compatible retailer.

NOTE 2: BASIS OF PREPARATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- ⤴ Contract for drift re-entry and recovery supplier(s)/contractor(s) not awarded as none met the Agency's requirements in full. The Agency has commenced planning to source the goods and services it requires from specialised suppliers on a non-consolidated basis. It is expected now that up to five additional mine workers will be employed by the Agency to complete the re-entry and recovery works.
- ⤴ Pre-planning for issuance of a Request for Proposal for helicopter services.

Authorisation statement

The forecast figures reported are those for the period ended 30 June 2019 submitted to Treasury and included in the Budget and Economic Update (BEFU) 2018. These were authorised for issue on 9 April 2018 by the Chief Executive who is responsible for the forecast financial statements as presented.

It is not intended that the prospective financial statements will be updated subsequent to presentation.

How we were funded

The Agency's delivery of services and functions on behalf of the Government is funded by revenue from the Crown.

Crown revenue consists of amounts appropriated for departmental multi-year appropriations adjusted for any formal additions and reductions.

NOTE 3: REVENUE

Accounting policy

Revenue from the Crown

Revenue from the Crown is treated as a non-exchange transaction. The amount of revenue recognised takes into account any amendments to appropriations approved in the Appropriation (Supplementary Estimates) Act for the year and certain other unconditional funding adjustments formally approved prior to balance date.

There are no conditions attached to the funding from the Crown. However, the Agency can incur expenses only within the scope and limits of its appropriations.

Revenue is measured at the fair value of consideration received or receivable.

Explanation of major variances against estimates

Total Crown revenue is equal to the expenses incurred and all Crown revenue received above this, has been recognised as Revenue in Advance. The Agency also recognised revenue from vested assets for motor vehicles received for nil consideration. The value of the motor vehicles was established by an independent valuer.

The Supplementary Estimates for the period ended 30 June 2018 are disclosed in the Statement of Comprehensive Revenue and Expenses on page 28.

The costs we incur to achieve our goals

In order to provide services to the public, the Agency incurred various types of expenditure totalling \$2.135m. Personnel costs (see note 4) and other operating expenses (see note 5), such as IT costs and technical support, professional services and rental and operating lease costs, make up the majority of the Agency's expenditure.

NOTE 4: PERSONNEL COSTS

Accounting policy

Employee benefits

Employee entitlements to salaries and wages, bonuses, annual leave, long service leave, retiring leave and other similar benefits are recognised in the surplus or deficit when they accrue to employees.

Obligations for contributions to KiwiSaver are recognised in the surplus or deficit as they fall due.

	2018 Actual \$000's
Salaries and wages	699
Superannuation contributions to defined contribution plans	13
Increase/(decrease) in employee entitlements	31
Training and development	27
Other	22
Total personnel costs	792

Explanation of major variances against estimates

Personnel costs were \$0.208m below Supplementary Estimates. This was mainly due to recruiting of staff for Agency safety-sensitive positions taking longer than originally expected.

The Supplementary Estimates for the period ended 30 June 2018 are disclosed in the Statement of Comprehensive Revenue and Expense on page 28.

NOTE 5: OTHER OPERATING EXPENSES

Accounting policy

Other operating expense recognition

Other operating expenses are recognised when goods and services are received.

Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives for accommodation are recognised evenly over the term of the lease as a reduction in rental expense. The unexpired portion of an operating lease is shown in the Statement of Commitments.

	2018 Actual \$000's
Occupancy costs	19
Rental of premises	34
Fees to auditor	60
Legal fees	120
Consultants and contractors	524
Transport and travel	140
Information and communication costs	126
Other operating costs	266
Total operating expenses	1,289

Explanation of major variances against estimates

Other operating expenses were \$1.259m below Supplementary Estimates. This was mainly due to expenditure being incurred slower than expected during the establishment of the Agency.

The Supplementary Estimates for the period ended 30 June 2018 are disclosed in the Statement of Comprehensive Revenue and Expenses on page 28.

NOTE 6: CAPITAL CHARGE

The Agency pays a capital charge to the Crown based on its taxpayers' funds at 31 December and 30 June each financial year. As the Agency was newly formed in the second half of the 2017/18 year it has paid no capital charge for the six months ended 30 June 2018.

Our Working Capital

The Agency's working capital is made up of its operating assets less liabilities. The Agency's operating assets support the performance of day-to-day operations and the provision of services to the public. Certain Agency's operating assets were cash-related and disclosures relating to these can be found in the Financial Risk Management section.

NOTE 7: DEBTORS AND OTHER RECEIVABLES

Accounting policy

Debtors and other receivables

Debtors and other receivables are recorded at face value, less any provision for impairment.

Debtors and other receivables are considered to be impaired when there is evidence that the Agency will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount and the present value of the amount expected to be collected.

Explanation of major variances against estimates

The Agency had no debtors or other receivables as at 30 June 2018. This agrees with the Supplementary Estimates.

The Supplementary Estimates for the period ended 30 June 2018 are disclosed in the Statement of Financial Position on page 29.

NOTE 8: CREDITORS AND OTHER PAYABLES

Accounting policy

Short-term creditors and other payables are recorded at face value.

	2018 Actual \$000's
Payables	303
Accrued expenses	223
GST payable to Inland Revenue	132
Total creditors and other payables	658

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. The carrying value of creditors and other payables approximates their fair value.

NOTE 9: REVENUE IN ADVANCE

Accounting policy

Revenue in Advance results from the Agency operating a multi-year appropriation. The balance represents the difference between the revenue and the expenditure incurred for the year. In the final year of the multi-year appropriation the whole of the remaining funding will be recognised and any surplus will be repaid back to the Crown.

	2018 Actual \$000's
Receipts	3,676
Less total expenditure	2,135
Revenue in Advance	1,541

NOTE 10: PROVISIONS

Accounting policy

Provisions

The Agency recognises a provision for future expenditure when there is a present obligation, either legal or constructive, as the result of a past event and it is probable that an outflow of resources will be required to settle the obligation but the timing or the amount of obligation is uncertain.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate based on market yields on government bonds at balance date with terms to maturity that match, as closely as possible, the estimated timing of the future cash outflows.

Property

Make-good

The Agency is required, at the expiry of its leases, to make-good any damage caused and remove any fixtures or fittings installed by it. In this case the Agency has the option to renew these leases, which may change the timing of the expected cash outflows to make-good the premises.

	2018 Actual \$000's
Make Good – Greymouth Office	70
Total Non-current provision	70
Total provision	70

NOTE 11: EMPLOYEE ENTITLEMENTS

Accounting policy

Annual leave is expected to be settled within 12 months of balance date and is classified as a current liability. All other employee entitlements are classified as a non-current liability.

Current employee entitlements

Current employee entitlements are measured at nominal values based on accrued entitlements at current rates of pay. These include: salaries and wages accrued up to balance date; and annual leave earned but not yet taken at balance date.

A liability for performance payments will be recognised where the Agency has a contractual obligation or where there is a past practice that has created a constructive obligation.

	2018 Actual \$000's
Current liabilities	
Accrued salaries	69
Annual leave	31
ACC payable	5
Total current portion	105
Total employee entitlements	105

Long-term assets that support our operations

In order to efficiently carry out its operations, the Agency invests in physical assets with a useful life of more than one year. These long-term assets are capitalised and the cost is spread over multiple financial years.

NOTE 12: PROPERTY AND EQUIPMENT

Accounting policy

Property and equipment consists of equipment, leasehold improvements, furniture and fittings, computer hardware and motor vehicles.

Measurement

All asset classes are measured at cost less accumulated depreciation and impairment losses.

Additions

Items of property and equipment are recognised at cost if it is probable that future economic benefits or service potential will flow to the Agency.

Costs incurred subsequent to the initial recognition of an item of property and equipment are only recognised where it can be demonstrated that there has been an increase in the future economic benefits or service potential that will flow to the Agency. Costs relating to the servicing or maintenance of items of property and equipment are recognised in net surplus or deficit when incurred.

Work in progress is recognised at cost less impairment losses.

Upon set up Solid Energy New Zealand Limited passed on to the Agency, for nil consideration, the assets held by them at that time. These assets included two motor vehicles, and items located at the Pike River mine site, including the existing gas monitoring system and buildings. As per Accounting Standards these assets have been reviewed and an estimated depreciated replacement cost calculated for them. For all but the motor vehicles the value has been considered to be immaterial and no value has been recognised in the accounts. The motor vehicles have been independently valued as at the date of acquisition and this value has been used to recognise the vehicles in the Agency's accounts.

Depreciation

Depreciation is charged on a straight-line basis, at rates that will write off the cost (or valuation) of the assets to their estimated residual value over the useful life to the Agency. Work in progress is not depreciated. The useful lives of major categories of property and equipment have been estimated as follows:

Asset Class	Useful Life
Computer Hardware	3 years
Furniture and Fittings	3 years
Leasehold Improvements (shorter of lease period or estimated useful life)	3 years
Motor Vehicles	3 years
Equipment	3 years

Impairment

Property and equipment is reviewed for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impaired asset's carrying amount is written down to its recoverable amount which is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognised immediately in the surplus or deficit.

Disposals

Gains and losses on disposal of an item of property and equipment represent the difference between disposal proceeds, if any, and the carrying value of the asset at the time of disposal and are recognised in net surplus or deficit.

	Leasehold Improvements \$000	Furniture, Fittings and Office Equipment \$000	Computer Hardware \$000	Motor Vehicles \$000	Work In Progress \$000	Total
Cost						
Opening balance at 31 January 2018	-	-	-	-	-	-
Additions	127	143	53	48	20	391
Balance at 30 June 2018	127	143	53	48	20	391
Accumulated depreciation and impairment losses						
Opening Balance at 31 January 2018	-	-	-	-	-	-
Depreciation expense	(18)	(19)	(7)	(10)	(-)	(54)
Balance at 30 June 2018	(18)	(19)	(7)	(10)	(-)	(54)
Carrying amounts						
At 31 January 2018	-	-	-	-	-	-
At 30 June 2018	109	124	46	38	20	337

Explanation of major variances against estimates

There are no major variances against Supplementary Estimates for property and equipment. The Supplementary Estimates for the period ended 30 June 2018 are disclosed in the Statement of Financial Position on page 29.

Financial Risk Management

The Agency can be exposed to various financial risks. This section discusses how financial risks can affect the Agency's financial position and net surplus and deficit and how the Agency manages these risks.

NOTE 13: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Accounting policy

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, and other short term highly liquid investments with original maturities of three months or less. Balances denominated in foreign currencies are translated to New Zealand dollars at the foreign exchange rate at balance date. The Agency is only permitted to expend its cash and cash equivalents within the scope and limits of its appropriations.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. There was no currency risk at balance date.

Interest rate risk

Interest rate risk is the risk that the fair value of, or cash flows from, a financial instrument will fluctuate due to changes in market interest rates. The Agency has no exposure to interest bearing financial instruments.

Credit risk

Credit risk is the risk that a third party will default on its obligations to the Agency, resulting in a loss. In the ordinary course of the Agency's business, it is exposed to credit risk in association with financial assets held. The Agency is not exposed to significant concentrations of credit risk. The Agency is potentially exposed to credit risk for undrawn credit card facilities equal to the undrawn balance. The credit card facilities limit as at 30 June 2018 was \$15,000.

The Agency's maximum credit exposure is the carrying value of its financial assets. The Agency does not hold collateral as security against its financial assets.

Liquidity risk

Liquidity risk is the risk that the Agency will encounter difficulty raising liquid funds to meet its commitments as they fall due. In meeting its liquidity requirements, the Agency closely monitors its forecast cash requirements with expected cash drawdowns from the New Zealand Debt Management Office. The Agency maintains a target level of available cash to meet liquidity requirements.

The Agency will settle all of its financial liabilities within six months of balance date.

Other disclosures

NOTE 14: EQUITY

Accounting policy

Equity

Equity is the Crown's investment in the Agency and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified as taxpayers' funds.

Taxpayers' funds

	Note	2018 Actual \$000's	2018 Unaudited Supplementary Estimates \$000's	2019 Unaudited Forecast \$000's
Balance as at 31 January		-	-	500
Capital contributions	15	500	500	-
Balance as at 30 June 2018		500	500	500

The Agency pays a capital charge to the Crown in November and May each year based on its taxpayers' funds at 31 December and 30 June each financial year.

NOTE 15: CAPITAL MANAGEMENT

The objective of managing the Agency's equity is to ensure that the Agency achieves its goals and objectives efficiently, while remaining a going concern. Where the Agency identifies that it does not have sufficient resources to achieve this objective a capital injection is sought.

As general government policy, with the exception of the balances retained in memorandum accounts, the Agency is not permitted to retain any operating surplus.

Statement of Departmental Capital Injections

	2018 Actual \$000's
Capital injections	500
Total Capital Injections	500

Explanation of major variances against estimates

The Agency received a capital injection of \$500,000 to cover the cost of setting up the Agency and this agrees to the Supplementary Estimates.

NOTE 16: RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

All related party transactions have been entered into on an arm's-length basis.

The Agency has recognised funding from the Crown of \$2.087m to provide services to the public for the year ended 30 June 2018.

In conducting its activities, the Agency is required to pay various taxes and levies (such as GST, PAYE and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies is based on the standard terms and conditions that apply to all tax and levy payers. The Agency is exempt from paying income tax.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Agency would have adopted in dealing with the party at arm's-length in the same circumstances. Further, transactions with other government agencies are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

The Treasury advises that the Minister Responsible for Pike River Re-entry, Hon Andrew Little, has certified that there have been no related party transactions for the year ended 30 June 2018.

Related party transactions involving key management personnel or their close family members

There are no unrecorded related party transactions involving key management personnel or their close family members.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

Key management personnel compensation

As at balance date the Agency's management team comprised 5 FTEs.

	2018 Actual \$000's
Salaries and other short-term employee benefits	279
Post employment benefits	4
Other long term employee benefits	–
Total key management personnel compensation	283

The above key management personnel disclosure includes the Chief Executive, however excludes the Minister responsible for the Agency. The Minister's remuneration and other benefits are set by the Remuneration Authority under the Members of Parliament (Remuneration of Services) Act 2013 and are paid under Permanent Legislative Authority, and not paid by the Agency.

NOTE 17: EVENTS AFTER BALANCE DATE

The Agency has had confirmation from the Minister Responsible for Pike River Re-entry in July that they are to progress to preparing a fully costed and detailed operational plan for safe manned re-entry and recovery of the drift for consideration by 31 October 2018 and take action to secure and install key items of equipment and infrastructure that will be required for the re-entry and recovery action.

In line with this the Agency has undertaken a number of procurement processes since balance date. The procurement has been in the following areas:

- ⤴ the leasing of a nitrogen plant
- ⤴ the design, construction and installation of new pressure-rated portal entry doors
- ⤴ signing a statement of requirement for the mains power required for the Pike River mine drift re-entry. Connection agreement will be entered into shortly, supported by an electricity supply agreement, with a compatible retailer
- ⤴ commencement of planning to source the goods and services the Agency requires from specialised suppliers on a non-consolidated basis, which will include the recruitment of five additional mine workers to complete the re-entry and recovery works
- ⤴ pre-planning for issuing a Request for Proposal for helicopter services has commenced.



Non-Departmental Statements and Schedules

For the period ended 30 June 2018

The following non-departmental statements and schedules record the revenue, expenses, assets, liabilities, commitments, contingent liabilities, and contingent assets that the Agency manages on behalf of the Crown.

Schedule of Non-Departmental Revenue

For the period ended 30 June 2018

	2018 Actual \$000's	2018 Unaudited Supplementary Estimates \$000's
Non-Departmental Revenue		
Revenue	-	-
Total non-departmental revenue	-	-

Schedule of Non-Departmental Expenditure

For the period ended 30 June 2018

	Note	2018 Actual \$000's	2018 Unaudited Supplementary Estimates \$000's
Non-Departmental Expenditure			
Output expense – multi-year appropriation	2	15	60
GST Expense			
Total non-departmental expenditure		15	60

Explanations of major variances against Supplementary Estimates can be found in Note 2.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2018.

The accompanying notes form part of these financial statements.

Schedule of Non-Departmental Assets

As at 30 June 2018

	Notes	2018 Actual \$000's	2018 Unaudited Supplementary Estimates \$000's
Non-Departmental Assets			
Current Assets			
Cash and cash equivalents		60	60
Total current assets		60	60
Total non-departmental assets		60	60

Schedule of Non-Departmental Liabilities

As at 30 June 2018

	Notes	2018 Actual \$000's	2018 Unaudited Supplementary Estimates \$000's
Non-Departmental Liabilities			
Current Liabilities			
Creditors and other payables		15	-
Total current liabilities		15	-
Total non-departmental liabilities		15	-

Explanations of major variances against Supplementary Estimates can be found in Note 2.
For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2018.

Schedule of Non-Departmental Contingent Liabilities and Contingent Assets

As at 30 June 2018

There are no non-departmental contingent liabilities or assets as at 30 June 2018.

Schedule of Non-Departmental Commitments

As at 30 June 2018

There are no non-departmental commitments.

The accompanying notes form part of these financial statements.

NOTE 1 : STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

These non-departmental schedules and statements present financial information on public funds that are managed by the Agency on behalf of the Crown.

These non-departmental balances are consolidated into the Financial Statements of the Government for the year ended 30 June 2018. For a full understanding of the Crown's financial position, results of operations, and cash flows for the year, refer to the Financial Statements of the Government for the year ended 30 June 2018.

Basis of Preparation

The non-departmental schedules and statements have been prepared in accordance with the accounting policies of the Financial Statements of the Government, Treasury Instructions and Treasury Circulars.

Measurement and recognition rules applied in the preparation of the non-departmental statements and schedules are consistent with New Zealand generally accepted accounting practice (Tier 1 Public Sector Public Benefit Accounting Standards) as appropriate for public benefit entities.

SIGNIFICANT ACCOUNTING POLICIES

Foreign exchange

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the schedule of non-departmental revenue or expenses.

Budget figures

The budget figures are those included in the Estimates of Appropriations (Budget) for the year ending 30 June 2018. The Budget is 2018 Estimates Budget. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

Goods and services tax

All items in the non-departmental schedules, including appropriation statements, are stated exclusive of goods and services tax (GST), except for receivables and payables, which are stated on a GST-inclusive basis. In accordance with Treasury Instructions, GST is returned on revenue received on behalf of the Crown, where applicable. However, an input tax deduction is not claimed on non-departmental expenditure. Instead, the amount of GST applicable to non-departmental expenditure is recognised as a separate expense and eliminated against GST revenue on consolidation of the Financial Statements of the Government.

The accompanying notes form part of these financial statements.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, and deposits held at call with banks with maturities of three months or less.

Creditors and other payables

Creditors and other payables are recorded at their face value.

Commitments

Future lease and capital expenses and liabilities to be incurred on non-cancellable contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations. Information on non-cancellable capital and lease commitments are reported in the Schedule of Commitments. Cancellable commitments that have penalty or exit costs in the agreement, on exercising that option to cancel, are included in the statement of commitments at the lower of the remaining contractual commitment and the value of that penalty or exit cost.

NOTE 2 : EXPLANATIONS OF MAJOR VARIANCES AGAINST BUDGET

The major variances from the Agency's non-departmental supplementary estimates figures are as follows:

Non-departmental output expense

The appropriation was \$0.060 million with an actual spend of \$0.015 million. This variance relates to the Minister's independent advisor costs being incurred at a slower rate than budgeted.

Schedule of non-departmental liabilities

At year end an outstanding invoice from the independent advisor was the only non-departmental liability. This invoice was for providing advice to the Minister Responsible for Pike River Re-entry concerning the drift re-entry concept plan.

The Pike River 29

Pike River Mine, Atarau, Greymouth, NZ

- Pike River Coal
- Sub Tech Contracting
- Valley Longwall Drilling
- Boyd Kilkelly Builders
- Pizzato Contracting
- Chris Yeats Builders



Conrad Adams
43, Greymouth



Malcolm Campbell
25, St Andrews, Scotland



Glenn Cruse
35, Greymouth



Allan Dixon
59, Runanga



Christopher (Chris) Duggan
31, Dunollie



Daniel (Dan) Herk
36, Runanga



David (Dave) Hoggart
33, Greymouth



Richard (Rolls) Holling
41, Blackball



Koos Jonker
47, Limpopo, South Africa



William (Willie) Joynson
49, Maryborough, QLD, Australia



Stuart (Stu) Mudge
31, Runanga



Peter O'Neill
55, Runanga



Brendon Palmer
27, Greymouth



Peter (Pete) Rodger
40, Perth, Scotland



Blair Sims
28, Greymouth





Keith Valli
62, Nightcaps



Terry Kitchin
41, Runanga



Samuel (Sam) Mackie
26, Christchurch



Milton (Milt) Osborne
54, Ngahere



Joseph Dunbar
17, Christchurch



Benhamin (Ben) Rockhouse
21, Singleton, NSW, Australia



Joshua (Josh) Ufer
25, Charters Towers, QLD, Australia



Zen Drew (Verhoeven)
21, Greymouth



Kane Nieper
33, Greymouth



Riki (Rik) Keane
28, Greymouth



Michael Monk
23, Greymouth



John Hale
45, Hokitika



Andrew (Huck) Hurren
32, Hokitika





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41, Barrytown


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RUA TEKAU MĀ IWA
PIKE RIVER
RECOVERY AGENCY

New Zealand Government

