

COAL SERVICES PTY LIMITED

Annual Report



1 January – 30 June 2002

COAL SERVICES PTY LIMITED

Coal Services Pty Limited and its subsidiary entities, Coal Mines Insurance Pty Limited and Mines Rescue Pty Limited, are proprietary companies subject to the regulatory regime of the Commonwealth's Corporations Act 2001.

The main objectives of the Coal Services group stemming from its Mission are:

- To operate an innovative, efficient, effective, competitive and fully funded workers' compensation insurance scheme for the coal mining industry in New South Wales.
- To provide the NSW coal mining industry with an occupational health service that delivers quality medical assessments, rehabilitation, risk and injury management, work environment monitoring and health educational material tailored to the needs of those working in the NSW coal industry.
- To provide a rescue service to the NSW coal industry that can quickly and effectively respond to and assist in the control of emergencies at mines enabling the escape/rescue of persons from those emergencies, and to ensure that members of the Brigade are adequately trained in mines rescue procedures.

OUR VISION

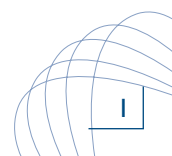
To be a recognised leader in the provision of workers' compensation, health, safety and mines rescue services.

OUR MISSION

To enable our customers to improve their outcomes by providing quality services and expert solutions in insurance, health, safety and mines rescue.

WHO WE ARE

An industry-owned, workplace-focussed organisation providing best practice occupational health, safety, workers' compensation insurance and mines rescue services as a model for all industries.



CHAIRMAN'S REPORT

On 1 January 2002 the Coal Industry Act 2001 was enacted, creating Coal Services Pty Limited and its subsidiary entities (CSPL) to undertake the functions formerly performed by the Joint Coal Board and the NSW Mines Rescue Board.

The new organisational arrangements were necessary following a decision of the Commonwealth Government to repeal the Commonwealth's Coal Industry Act 1946 and withdraw from its involvement with the Joint Coal Board. Although recognising the importance of the functions performed by the Joint Coal Board the Commonwealth Government considered that it no longer had a role in the oversight and administration of the coal industry in New South Wales.

Coal Services Pty Limited is owned jointly by the NSW Minerals Council and the CFMEU and the assets, rights and liabilities of the former Joint Coal Board and Mines Rescue Board were transferred to relevant entities in the new group of companies.

Included amongst the liabilities transferred to CSPL was the liability to fund the pension entitlements for the pre-1978 pensioners. This was an undertaking entered into in 1992 by the former JCB and which will now be fulfilled by CSPL.

The new arrangements represent a break from the past and provide a unique opportunity to enhance the delivery of critical services to the coal industry in the areas of occupational health and safety, workers' compensation, welfare and mines rescue.

The functions performed by Coal Services and its subsidiary entities include:

- (a) providing occupational health and rehabilitation services for workers engaged in the coal industry, including providing preventative medical services, monitoring workers' health and investigating related health matters,
- (b) collecting, collating and disseminating accident and other statistics relating to the health and safety of workers engaged in the coal industry,
- (c) collecting, collating and disseminating other statistics related to the coal industry,
- (d) referring matters relating to the safety of workers engaged in the coal industry, as it thinks fit, to the Chief Inspector of coal mines appointed under section 7 of the *Coal Mines Regulation Act 1982* for consideration,
- (e) reporting to the Minister as it thinks fit, or when requested by the Minister, on matters related to the health or welfare of workers engaged in the coal industry, or on any other matter arising out of its functions,
- (f) publishing reports and information of public interest concerning or arising out of its functions,
- (g) promoting the welfare of workers and former workers in the coal industry in the State, their dependants and communities in coal mining areas,
- (h) monitoring, promoting and specifying adequate training standards relating to health and safety for workers engaged in the coal industry,
- (i) approving training schemes for the purposes of Division 8 of Part 4 of the *Coal Mines Regulation Act 1982*,
- (j) monitoring dust in coal mines,
- (k) providing mines rescue and other services in accordance with Division 3 of this Part and Part 4,
- (l) establishing or administering (or establishing and administering), or providing administrative services in respect of, superannuation schemes for the benefit of either or both of the following:
 - (i) mine workers (within the meaning of the *Coal and Oil Shale Mine Workers (Superannuation) Act 1941*), former mine workers and their dependants,
 - (ii) employees of the approved company, former employees and their dependants,
- (m) establishing or administering (or establishing and administering), or providing, workers compensation insurance schemes in relation to workers engaged in the coal industry.



The Coal Industry Act 2001 provides for the composition of the Board of Directors of CSPL and its subsidiary entities. The seven directors of each approved company are appointed by the Minister for Industrial Relations, with responsibility for administering the Coal Industry Act 2001, currently The Hon. J Della Bosca. Two of these directors are nominees of the CFMEU, two are nominees of the NSW Minerals Council, and two are independent directors having relevant expertise who are nominated jointly by the CFMEU and the Minerals Council.

The seventh director is the Managing Director and CEO appointed from among persons nominated by the other directors.

All appointments are for a maximum, although renewable, term of 5 years.

The Chairperson is appointed on a rotational 2-year basis between a CFMEU director and a Minerals Council director. I am the inaugural Chairman.

One of the major core businesses is the provision of a workers' compensation scheme by Coal Mines Insurance. Prior to the creation of the new arrangements the NSW Government commissioned an independent review of the workers' compensation arrangements for the NSW coal industry – the Grellman Report. This Report recommended that the fund operated by Coal Mines Insurance remain separate from WorkCover. This was because it was considered that transferring the special coal industry workers' compensation arrangements into the general State workers' compensation scheme would be unlikely to materially reduce costs of the scheme nor improve the administration of the scheme.

However, the Grellman Report did recommend that an independent review be undertaken of CMI one year after the establishment of the new company's Board to evaluate restructuring efforts intended to properly realise the benefits of industry specialisation.

Moreover, the Grellman Report recommended a further independent review of the monopoly arrangement after 2 years.

The Government accepted and adopted these recommendations, a fact which was specifically referred to by the Minister when he introduced the legislation creating CSPL into the Parliament.

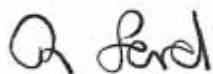
The Board accepts these recommendations and appropriate action will be initiated during 2003 to accommodate the government's requirements.

The first 6 months of operations have been satisfying and confirm that the new structural arrangements are conducive to bringing about change and enhancing service delivery in critical areas. These new arrangements provide a unique opportunity for the coal industry in New South Wales to take direct responsibility for the administration, delivery and financing of occupational health and welfare, workers' compensation, training and mines rescue services.

The industry parties have been given the opportunity to run their own affairs through companies owned and managed by industry representatives for this purpose, rather than a government agency.

Although Coal Services and its subsidiary entities are owned and operated by the industry's major stakeholders they will, of course, be subject to the requirements of the Coal Industry Act 2001. This is only right considering the health and safety of coal miners is at stake.

I would like to thank the Managing Director and his staff for their efforts ensuring that the transition from a government statutory authority regime to a private sector model, subject to Corporations Law, was achieved seamlessly.



Ron Land

Chairman

MANAGING DIRECTOR'S REPORT

Coal Services Pty Limited and its subsidiary entities commenced trading on 1 January 2002. During the first 6 months a number of key outcomes were achieved. These included:

- appointment of directors and the establishment of an appropriate supporting infrastructure;
- incorporation of the separate legal entities comprising CSPL and the development of appropriate reporting systems;
- the development of an operational plan, in consultation with key stakeholders, which identifies the planned outcomes and key performance indicators for the operations of the separate business units comprising Coal Services;
- the formation of key board sub-committees to facilitate the operations of the board and ensure an appropriate level of corporate governance;
- ensuring appropriate and equitable terms and conditions of employment for staff transferring from the former Joint Coal Board and NSW Mines Rescue Board to the new entities were in place; and
- implementation of a communication strategy to apprise all stakeholders of the changed operating arrangements.



Staff are critical to the success of any organisation, particularly in an environment of change. I would like to thank the staff of the former Joint Coal Board and NSW Mines Rescue Board who transferred across to the new entities for their positive contributions to the change. It was largely through their efforts that we were able to achieve a "seamless transition" to the new operating arrangements.

The Chairman referred to the assets and liabilities of the former JCB and MRB being vested in the new entities. A question has subsequently been raised as to whether the assets transferred constitute assessable income and should be subject to income tax. The intent of both the Federal and State Governments was to transfer all of the assets, liabilities and rights of the former Boards to the new organisations to ensure that these entities commenced operation on a sound financial base. In discussions prior to the formation of the CSPL group it was not envisaged that the assets transferred would constitute assessable income.

The matter is being discussed with the relevant authorities and we are confident that a decision exempting the assets from being treated as assessable income will be reached. Notes to the financial statements make reference to the material inherent uncertainty arising from not having this matter finalised at the reporting date.

The first 6 months of operation resulted in an operating profit before income tax for the group of \$ 6.9 million.

A number of challenges face the new organisation. Principal amongst these is the need to implement strategies which will result in workers' compensation premium rates reducing from their current unsustainably high levels. To this end the Board has established a special Board Review Committee consisting of Mr Ron Land, Chairman of the Board; Mr John Tucker, Director and Executive Director of the Minerals Council; the Deputy CEO, Ms Sandra Berghofer and myself. The Board Review Committee has adopted key terms of reference which include these shared objectives:

- To improve performance, social and financial amenity, and achieve lower premiums by reducing the number of accidents and injuries in the coal industry.
- To be proactive in reducing claims by focussing on best practice, prevention, injury and claims management.

Target issues include early notification and reporting of injuries, the provision of suitable duties to partially injured mineworkers, the implementation of industry research findings into industry safety practice, and performance improvements.

I reiterate the sentiments of the Chairman. The new arrangements whereby ownership of CSPL resides with the two major industry stakeholders provides a unique opportunity to demonstrate the benefits of having an industry owned entity focussing on the administration, delivery and financing of occupational health and welfare, workers' compensation, training and mines rescue services for the benefit of the NSW coal industry.

Ian Farrar
Managing Director/CEO

CORPORATE GOVERNANCE STATEMENT

BOARD OF DIRECTORS (BOARD)

The Board is responsible for the business of the economic entities, including setting the direction, establishing goals for management and monitoring achievement of those goals. The Board has established a framework for corporate governance which includes an Audit Committee, a process for the identification of risk and its management through a system of internal control and the establishment of appropriate ethical standards.

The Board of each company is comprised of 7 persons, all of whom are appointed by the Minister with responsibility for administering the Coal Industry Act 2001. Two of these directors are nominees of the CFMEU, two are nominees of the NSW Minerals Council, and two are independent directors having relevant expertise who are nominated jointly by the CFMEU and the Minerals Council.

The seventh director is the Managing Director and CEO appointed from among persons nominated by the other directors.

The Chairperson is appointed on a rotational 2-year basis between a CFMEU director and a Minerals Council director.

Directors can be appointed by the Minister for terms of up to five years. At the expiration of his/her term of appointment a director is eligible for reappointment

AUDIT COMMITTEE

The Audit Committee currently comprises four directors, namely, the two independent directors and one director each nominated by the Minerals Council and the CFMEU.

The role of the Committee is to review all aspects of the internal and external audit processes, including the monitoring of the identification and management of risk.

RISK MANAGEMENT AND CONTROL

The board of directors acknowledge that it is responsible for the overall internal control framework. To assist in discharging their responsibility, directors through the Managing Director, have established an internal control framework which includes:

Risk Management and Internal Control System

The risks involved in achieving the objectives established by directors and the system of internal control in place to ensure that those risks are kept within acceptable limits are monitored by the Audit Committee through Internal Audit.

Financial Reporting

A comprehensive budgeting system is in place. Monthly actual results against budget are reported to directors and variations examined.

Fraud Control

A fraud control plan is in place and is updated on a regular basis. The current assessment of the plan is that the potential for fraud is low.

The plan will be reviewed during 2002/03.

Internal Audit

An internal auditor reports directly to the Chairman of the Audit Committee and is responsible for monitoring, investigating and reporting on the system of internal control and the risks that this system mitigates.

PLANNING

The group is required to submit to the Minister an annual operating plan each year. The plan must contain the proposed strategy of the group in exercising its functions in the period to which the plan relates, and such other matters as may be required to be included in the plan by regulations made under the Coal Industry Act.

INVESTMENT

The board monitors investment on a monthly basis and reviews its investment strategy at least annually. Approximately half of Coal Services Pty Ltd's investments are managed by external fund managers who provide monthly performance reports which are considered by the Finance & Investment Committee, a sub-committee of the Board, before being considered by the Board.

Due to the long term insurance operation we maintain a balanced investment profile and a long term outlook.

COAL MINES INSURANCE PTY LIMITED

The first six months of operations for CMI under the new structure continued to provide challenges. Despite a declining claim rate the cost of claims did not reduce.

The board of directors has established a Board Review Committee to, amongst other things, critically examine all aspects of CMI's operations, identify the cost drivers behind the scheme, and identify appropriate actions to address the cost escalations.

Two independent consultants have been engaged. Milliman Australia is undertaking the first phase of a consultancy focussing on early and proactive injury and claims management. Transformation Management will be examining the current dispute resolution processes and identifying areas where actions can be taken to reduce legal costs.

Stakeholders will have an opportunity to input to both of these reviews.

The directors recognise that the current scheme rate cannot be sustained over the longer term and is giving its highest priority to implementing initiatives which focus on reducing the cost of claims and, importantly, assist in the prevention of injuries in the workplace.

COAL SERVICES HEALTH

New Name For An Old Friend

Upon the creation of Coal Services Pty Ltd, its occupational health, rehabilitation and occupational hygiene business, previously called JCB Health was re-named Coal Services Health or CS Health. The directors of Coal Services Pty Ltd understood that in order to reinforce the move from a statutory organisation to a commercial business, a change of name was central to a change of focus. The new name has been well received by CS Health's customers and staff, and its brand recognition continues to grow.

Occupational Health

During the first six months of 2002, CS Health began to expand its occupational health service. We recruited an additional doctor and several new health professionals. Growth in occupational health services occurred mainly in the Hunter region and this growth is predicted to continue. Preventative training programs are the biggest growing service, and CS Health staff continue to develop coal mine specific training, as well as continuing to provide WorkCover accredited training.

Rehabilitation

CS Health professional staff continue to provide injury management services to both CMI and specific minesite clients. CS Health's performance equals or better the WorkCover benchmarks for both time to return to work, and cost of rehabilitation.

CS Health's Singleton staff are involved in a project developing a coal industry specific pain management program, in conjunction with the Royal North Shore hospital. The program utilises the skills and expertise of our health professionals to deliver better outcomes for coal miners in managing their pain. The program will be in full development by the middle of 2003.

Occupational Hygiene

The occupational hygiene group of CS Health has continued its expansion into personal monitoring of hazards other than the traditional monitoring of respirable dust. CS Health runs its occupational hygiene group on a fully cost recovery basis, and has done for several years. This group also provides the technical input into the Standing Committee on Dust Research and Control, and also provides statutory monitoring for compliance with the Coal Mine Regulations Act.

Over the next two years, the occupational hygiene group will develop expertise in monitoring for personal diesel exhaust exposure and will provide baseline occupational exposure surveys for interested coal mines.

Information

CS Health continues to disseminate information about its services and also about the industry generally through its website, <http://health.coalservices.com.au>. Regular updates providing statistics on drug and alcohol usage in the industry are available, based on CS Health's five year history of providing random screening to the industry.

MINES RESCUE PTY LIMITED

EMERGENCY PREPAREDNESS AND RESPONSE

Mines Rescue Pty Limited operates four mines rescue facilities or stations at: Singleton, Newcastle, Wollongong and Lithgow. Employees at these facilities provide technical advice to mine management, emergency co-ordination, emergency systems and training to the volunteer mines rescue brigadesmen in each region.

Mines Rescue were active at Dartbrook colliery from 16th May 2002 where staff from the Hunter Valley station used the 'Mineshield Plant' to inert a spontaneous heating in the active Longwall goaf.

All Mines Rescue Stations had their Emergency Response Systems/Plans internally audited by two other station managers. Any non-compliances identified have been rectified.

The "Emergency Preparedness and Mines Rescue Guidelines" were reviewed by a NSW industry committee with the resulting '2002 Control Document' being released in January 2002.

TRAINING OF MINES RESCUE BRIGADESMEN

Underground mines rescue brigadesmen undergo competency based training in the care and wearing of closed circuit oxygen breathing apparatus in an irrespirable and hostile environment. Brigadesmen numbers reduced during the period from 335 to 319 as a result of a reducing underground workforce, greater use of contractors and an aging workforce. These issues are being monitored and reviewed by the board of directors.

Competitions in mines rescue techniques and practices are conducted for underground rescue brigadesmen in all regions annually. These competitions are an essential component in maintaining and developing the skills of rescue brigadesmen and improving overall emergency response preparedness. During the report period there was only one competition held at Wyee mine in the Newcastle District

PERSONNEL

The number of full time employees of the company remained constant at thirty-three (33) during the period. Employees continue to undergo internal and external training programs to maintain or enhance the specialist skills that are required for both principal and discretionary functions.

SAFETY

Safety training of personnel is the responsibility of the Regional Managers and is integrated into mines rescue training courses. Each Station conducted risk assessments and have developed their 'Major Hazard Registers'. Each of the hazards identified were ranked and schedules established to perform a complete risk review.

ENVIRONMENT

During the period there were no issues raised nor complaints received from the EPA, employees, brigades, clients or the general public about environmental matters. All operations are scheduled to be externally audited with the Hunter Valley Station's audit completed in February 2002. All recommendations are being implemented.

CONTRIBUTIONS

The Act requires all coal mines to contribute to the company's principal functions. The levy issued for the six month period again remained constant at \$1,750,000. In addition, a Special Taxation Levy was issued to assist the company to meet its anticipated fringe benefits tax liability to the Australian Tax Office. Due to a better than budget performance, the company was able to pay \$1.573 million in back-returns and \$211,500 in interest charges in April 2002. The ATO has now confirmed that this has finalised the matter and subsequently the 'Special Levy' for the 2003 year (\$1.0 million) will not need to be raised.

COAL MINE TECHNICAL SERVICES



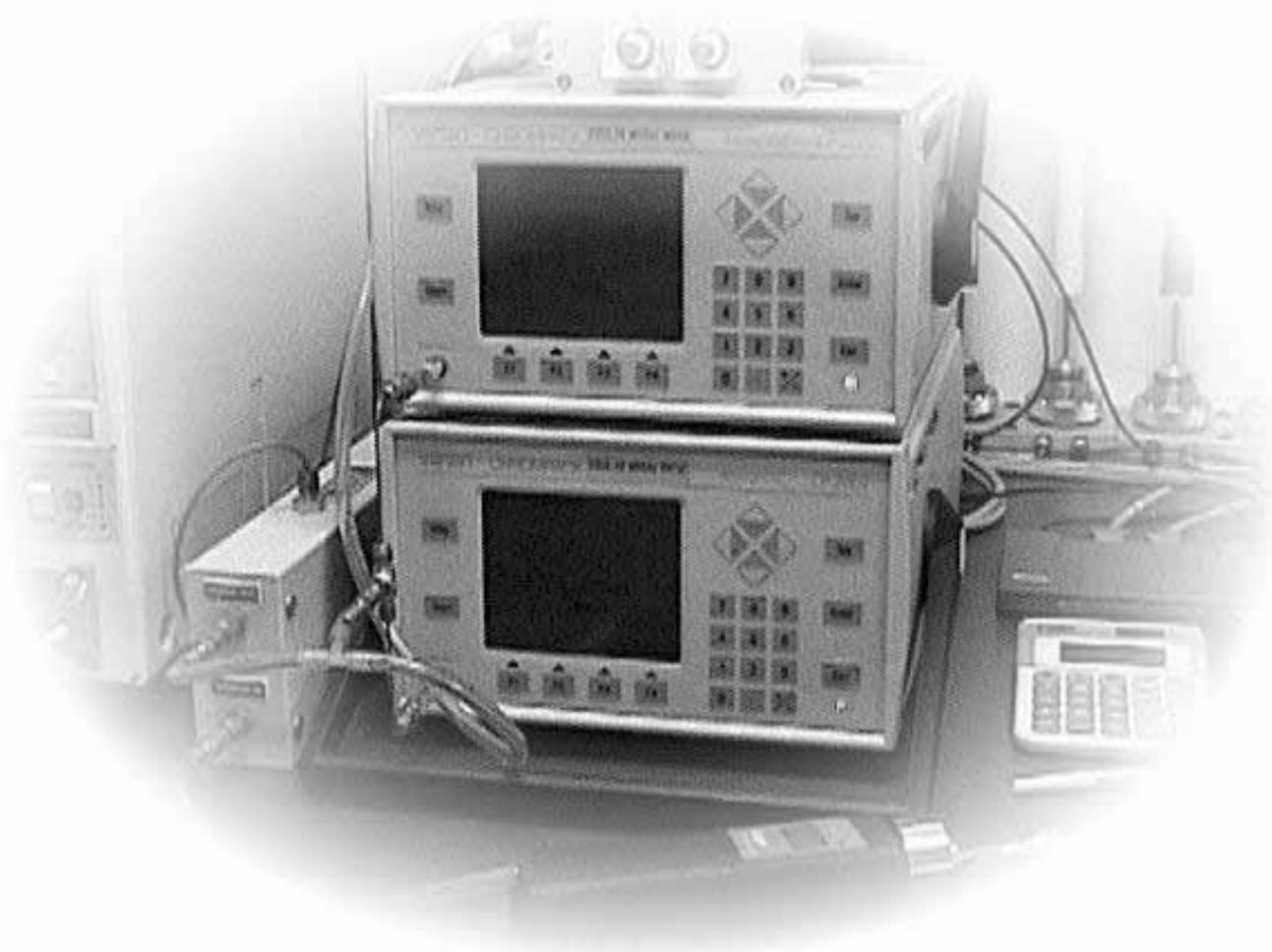
Coal Mines Technical Services (CMTS) is a registered business of Mines Rescue Pty Ltd which offers a range of mine gas related technical services throughout the coal industry in NSW, Queensland, general industry and government agencies in Australia. It operates a NATA accredited laboratory which repairs and calibrates gas detection instruments, analyses mine atmospheres and seam gases, and prepares standard gas mixtures for industry. CMTS is equipped with a mobile laboratory, which is able to provide advanced gas analyses and interpretation with its on-board gas chromatograph and infra red gas analysers.

DISCRETIONARY TRAINING ACTIVITIES

Income for the period increased to a total of \$2.4 million due to increases from the four Station's commercial income and CMTS income. A substantial component of this revenue directly offsets the cost of mines rescue to the NSW coal industry.

RESEARCH AND DEVELOPMENT

Mines Rescue is involved in a number of research and development projects which include Rescue Emergency Vehicle (REV), Self Escape Systems for U/G mines, Body Recovery Protocols, Mine Safety Council Training Sub-Committee and Fatal Risk Management Audit.



“SMARTGAS” Gas Chromatographic System

CSPL COMMITTEES & ASSOCIATED GROUPS

AUDIT COMMITTEE

The Audit Committee was established to assist Coal Services Pty Limited and its subsidiaries to meet its responsibility for good corporate governance and accountability. The Committee consists of four members appointed by the Board of Directors. Regular meetings are held where representatives from the internal audit function, management and external audit review the effectiveness of the audit process and discuss internal and external audit matters. During the six months to 30 June 2002 the Audit Committee reviewed reports on:-

- Claims and related systems including miners' payment summaries
- Premium rate setting
- HR and payroll including employees' payment summaries
- Property Investments
- Funeral Benefits Fund
- Health and Safety Trust
- External audit recommendations

OCCUPATIONAL HEALTH AND SAFETY COMMITTEE

This Committee comprises a representative from each of the company's offices and a management representative. The committee reports on and monitors issues relating to the occupational health and safety of staff. Two Committee meetings were held during the period – one each at the offices in Sydney and Singleton.

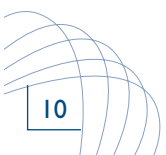
STANDING COMMITTEE ON DUST RESEARCH AND CONTROL

This Committee is an expert advisory body comprising representatives of the colliery proprietors, mining unions, government departments, industry consultants and Coal Service Pty Ltd's medical and technical personnel. The main role of the Committee is to:

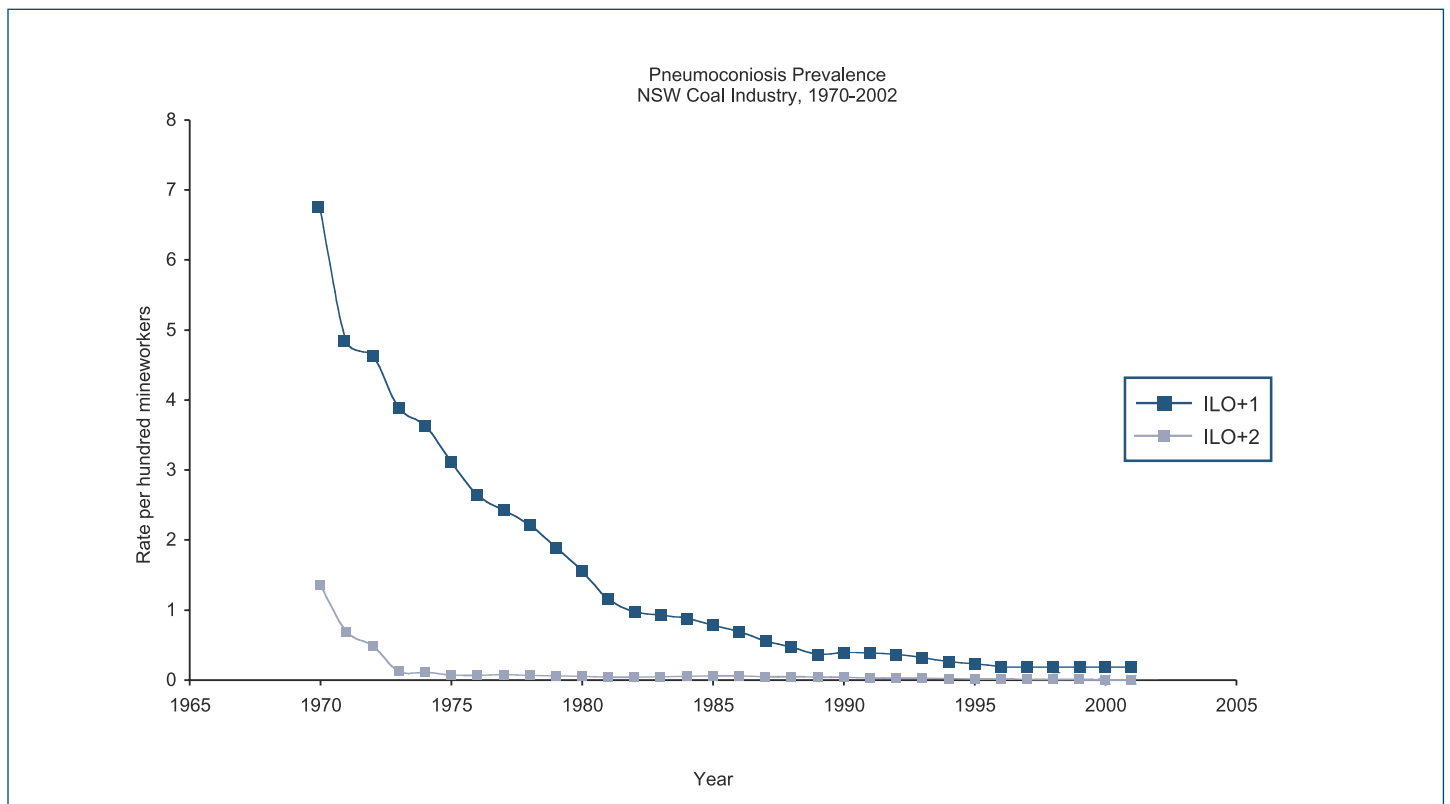
- Monitor the results of respirable dust sampling
- Evaluate dust hazards
- Research improved dust control methods
- Disseminate information
- Educate mine personnel in matters related to dust control

The Committee meets bi-monthly, usually at minesites and, during the six months to 30 June 2002, visited Bloomfield, Cumnock and Baal Bone collieries.

The Committee endorses the use of proper ventilation and dust suppression strategies at coalmines to control dust-related lung disease in the NSW coal industry and the Committee is pleased to report that the prevalence rate of pneumoconiosis in NSW continues to be less than 0.5%.



PNEUMOCONIOSIS PREVALENCE IN NSW COAL MINING INDUSTRY



The ILO classification of x-rays is a method of grading based on x-ray appearance and may be in practical terms interpreted as the following: –

ILO+1 = People with diagnostic features of dust exposure but no clinical symptoms.

ILO+2 = People with more severe dust exposure than above and likely to have symptoms.



JOINT COAL BOARD HEALTH AND SAFETY TRUST

The JCB Health and Safety Trust was formed in 1991 by the former Joint Coal Board for the purpose of funding research to improve the health and safety of coalminers at work. As at 30 June 2002, two of the five trustees were directors of CSPL. The Trust has links with the major research funding bodies in the coal industry and targets its research at health and safety issues. Priority areas are set after consultation with the other major funding bodies to ensure that minimal duplication (if any) occurs in the research funded.

In March 2002 the Trust conducted seminars in New South Wales and Queensland on the results of completed projects and included outlines of the new projects approved during the year. Promotion of the Trust at these venues facilitated communication with the broader Australian coal industry.

NEW PROJECTS APPROVED FOR 2001/2002

1	Update Occupational Hygiene Manual for Coal Mines
2	Injury Network Program
3	Feasibility Study for a National Mining Health Database
4	Determine Risk Factors for Heart Disease Among Coal Miners
5	Noise Awareness and Hearing Protection for the Australian Coal Industry
6	The Utility of Standardising the Assessment of Low Back Pain
7	Implementation of an Ergonomics Program Intervention
8	The Effects of Coal Dust Exposure in Longwall Coal Mine Workers
9	Safety Certification Procedure for Underground Mine Workers with Partial Hearing Loss
10	Acoustic Energy Meter
11	e-Minesafe Simulator Training and Assessment
12	Manual Handling Video for the Australian Coal Industry
13	Injury Rehabilitation Project

For further information about the Trust and its activities please contact:

Sharon Buckley

Trust Secretary

Telephone: (02) 8270 3258

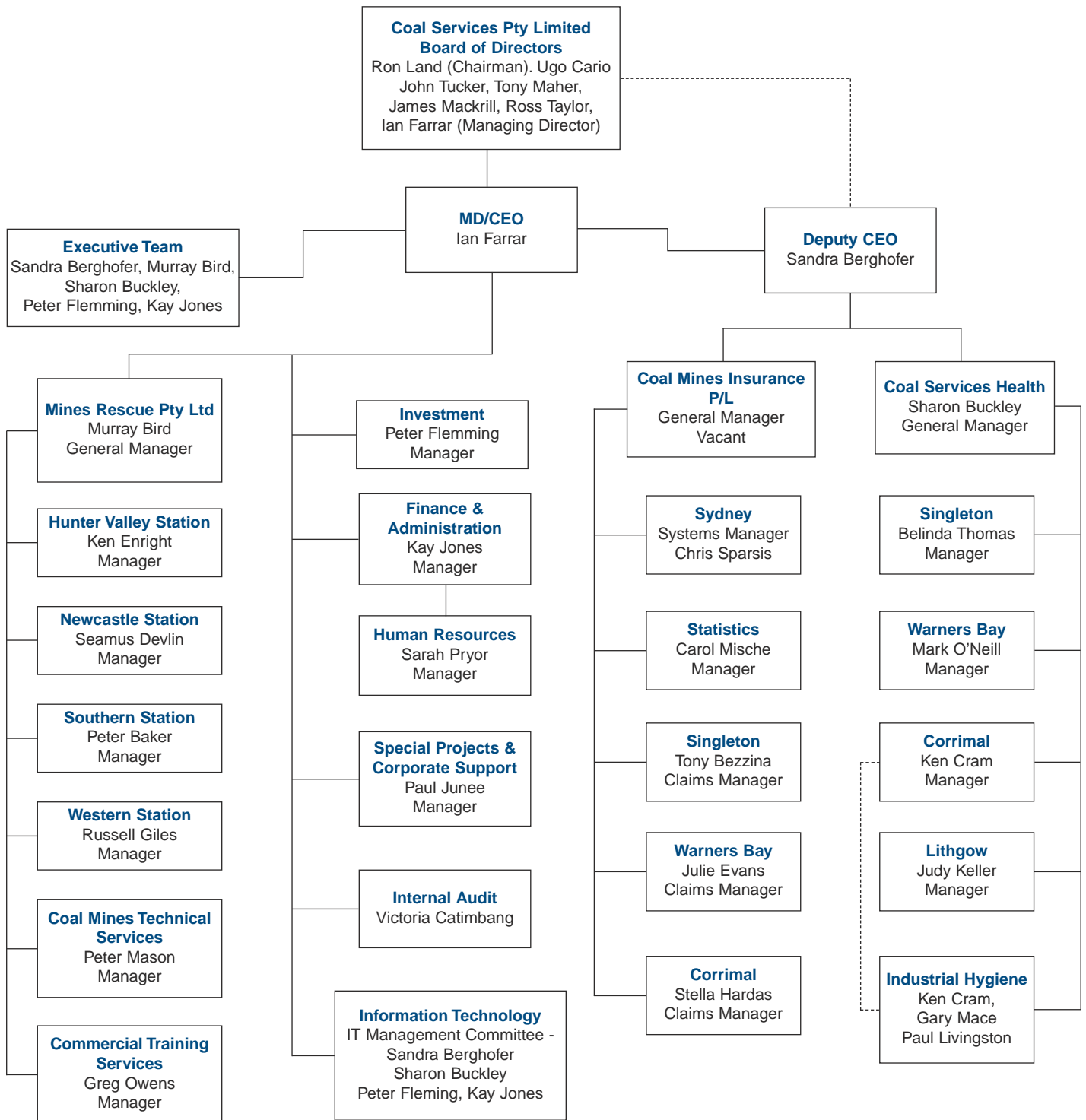
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Ken Cram

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COMPARATIVE STATISTICAL PROFILE

	Notes	Units	1993	1994	1995	1996	1997	1998	1999	2000	2001	6 months to 31 Dec 2001
Industry Declared wages (assessable)		\$m	847.0	799.0	813.0	875.0	946.0	887.9	754.9	693.7	693.2	387.4
Average Number Employed		Number	15100	14700	14300	14473	14793	13522	11064	10150	9838	10041
Premiums Received	(a)	\$m	33.0	32.5	38.0	55.8	60.0	54.0	45.9	51.9	60.6	40.9
Average Industry Premium Rate		%	3.9	4.1	4.7	6.4	6.3	6.1	6.1	6.4	8.5	10.2
Premium Cost Per Employee		\$	2185	2211	2657	3855	4056	4008	4140	5113	6160	7876 *
Workers Compensation Claims Lodged		Number	5903	5690	6231	5533	5095	4651	3552	3285	2892	1349
Claim Rate	(b)	%	39.1	38.7	43.6	38.2	34.4	34.0	32.1	32.4	29.4	26.9 *
Payments on Claims		\$m	77.0	72.4	68.1	64.9	69.1	57.8	73.0	72.6	80.7	40.1
Provision for Outstanding Claims		\$m	223.0	212.4	221.3	233.0	232.3	247.7	261.7	277.0	304.4	330.8
Raw Coal Production		mTonnes	102.9	101.9	107.8	113.1	123.7	134.0	131.4	132.9	138.8	74.4
Premium Cost Per Tonne of Coal Produced		\$	0.32	0.32	0.35	0.49	0.49	0.40	0.35	0.39	0.44	0.55
Lost Time Injury Frequency Rate	(c)	Number	78	68	73	56	48	52	39	34	33	31
Severity Rate	(d)	Days	1210	1128	1332	1050	999	1215	1079	947	1083	539.6
No of Mines		Number	67	68	69	72	68	66	64	57	56	59
Days Lost per Employee due to Industrial Disputes		Days	2.5	6.7	2.0	5.0	5.8	5.4	2.6	2.4	1.2	0.3
Days Lost per Employee due to Workers Compensation		Days	3.4	3.6	4.1	3.7	3.3	3.2	3.5	3.3	3.1	1.7
Fatalities		Number	4	1	2	2	6	2	3	3	2	1
Investment Income		\$m	37.1	21.6	29.5	37.5	55.1	33.3	27.9	39.5	28.0	5.0
Total Assets		\$m	352.0	312.5	293.3	306.2	332.1	344.6	327.6	330.2	333.9	331.8
Accumulated Funds		\$m	56.4	42.5	22.4	24.0	55.7	57.3	31.1	23.5	3.3	(24.4)
Staff	(e)	Number	143	139	131	130	130	131	123	114	113	131 #

Notes (a) 2000 and 2001 figures include a 20% levy imposed in the policy year 1 October 1999 to 1 October 2000

(b) the claims rate is calculated as follows: $\frac{\text{Number of claims during the period} \times 100}{\text{number of employees exposed to risk during period}}$

(c) number of lost time injuries per million hours worked

(d) days lost due to absences on workers compensation per million hours worked

(e) staff numbers as at 30 June in each year

* annualised

includes casuals

COAL INDUSTRY STATISTICS

Year Ended 30 June	1998	1999	2000	2001	2002
NSW Coal Industry Statistics					
Number of coal mines at 30 June	66	64	57	56	56
Raw coal production, million tonnes	134.0	131.4	132.9	138.8	145.2
Saleable coal production, million tonnes	107.7	103.4	105.2	110.2	114.3
Coal sales within Australia, million tonnes	33.7	31.2	32.3	33.4	33.9
Coal exports overseas, million tonnes	75.9	79.4	72.4	75.9	77.5
FOB value of coal exports overseas, \$A billion	4.0	3.8	3.1	3.8	4.7
Average FOB value of coal exports, \$A per tonne	52.62	49.15	42.69	50.55	60.79
Number of mineworkers at 30 June	11,695	10,400	9,583	9,821	10,052
Average age of mineworkers at 31 December	42.3	42.5	43.2	43.2	43.5
Average weekly earnings of mineworkers, \$	1,554	1,573	1,574	1,624	1,718
Saleable coal output per mineworker per year, tonnes	8,110	9,600	10,580	11,570	11,400
Saleable coal output per mineworker per hour, tonnes	4.43	5.05	5.36	5.90	5.81
Days worked per mineworker per year	261.2	271.8	282.5	279.7	280.4
Days lost per mineworker due to industrial disputes	5.4	2.6	2.4	1.2	0.6
Days lost per mineworker due to workers' compensation	3.2	3.5	3.3	3.1	3.1

COAL SERVICES STATISTICS

Coal Services Statistics offers a comprehensive statistical service, on a fee for service basis, that has evolved in response to users needs. A listing of our standard reports appears below. Coal Services Statistics also offers reports specifically tailored to an individual user's requirements.

Two data streams on the NSW coal industry are offered - accident statistics and industry statistics. Accident statistics are based on the workers' compensation injury and disease claims submitted by employers for their injured employees. Industry statistics describe the industry where the accidents and diseases occurred through its collection of data on production, domestic consumption, overseas export tonnages and values and employment.

PUBLICATIONS

NEW SOUTH WALES COAL STATISTICS

Annual publication containing comprehensive statistical information on production, employment, productivity, exports and domestic consumption of New South Wales coal.

AUSTRALIAN BLACK COAL STATISTICS

Annual publication produced in co-operation with the Department of Mines & Energy, Queensland. Contains a wide range of industry statistics for the 2000-01 year, resource data and producers directory.

LOST-TIME INJURIES AND FATALITIES, NEW SOUTH WALES COAL MINES

Annual publication containing lost-time injury and fatality statistics for NSW coal mines.

INJURY AND DISEASE CLAIMS, NEW SOUTH WALES COAL MINES

Annual publication containing injury and disease claim data for NSW coal mines.

AUSTRALIAN LONGWALL QUARTERLY REPORT

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Annual publication co-produced with Australia's Mining Monthly - comprehensive profiles on longwall mines, new projects and a statistical review of the calendar year.

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CONSOLIDATED FINANCIAL STATEMENTS

FOR

COAL SERVICES PTY LIMITED

(ACN 099 078 234)
and its controlled entities

COAL MINES INSURANCE PTY LIMITED

ACN 000 011 727

and

MINES RESCUE PTY LIMITED

ACN 099 078 261

FOR THE SIX MONTHS ENDED

30 JUNE 2002

DIRECTORS' REPORT

Your directors present their first report of the consolidated entity consisting of Coal Services Pty Limited and the entities it controlled, from date of commencement of operations on 1 January 2002 to 30 June 2002.

Directors

The following persons were directors of Coal Services Pty Limited and its controlled entities for the period from 1 January 2002 and to the date of this report:

U Cario
 I L Farrar
 R P Land
 J Mackrill
 A Maher
 R Taylor
 J Tucker

Principal activities

The company's principal activities during the period consisted of:

- (a) workers' compensation insurance for the New South Wales coal industry through its controlled entity, Coal Mines Insurance Pty Limited;
- (b) mines rescue services to the New South Wales coal industry through its controlled entity, Mines Rescue Pty Limited.
- (c) occupational health and rehabilitation services to the New South Wales coal industry, under the registered trading name, Coal Services Health.

Dividends

The directors do not recommend the payment of a dividend for the period.

Review of operations

A summary of consolidated revenues and results by significant segments is set out below:

	Revenue	Results
	6 mths ended	6 mths ended
	30 June 2002	30 June 2002
	\$'000	\$'000
Assumption of net liabilities from Joint Coal Board	—	(24,401)
Assumption of net assets from Mines Rescue Board	10,984	10,984
Workers compensation insurance	37,186	374
Mines rescue services	4,796	1,140
Occupational health and rehabilitation services	1,088	(928)
Other	2,118	(3,295)
Intersegment eliminations/unallocated	(2,894)	23,047
	<hr/>	<hr/>
	53,278	6,921
Profit from ordinary activities before income tax expense		6,921
Income tax expense		(7,302)
Profit from ordinary activities after income tax expense		<hr/>
		14,223
Net profit		<hr/>
		14,223

Comments on the operations and the results of those operations are set out below:

(a) Coal industry Act 2001 and re-structure of industry services

Pursuant to the Coal Industry Act 2001, the assets and liabilities of the former Joint Coal Board and Mines Rescue Board, were effectively transferred to Coal Services Pty Limited and its wholly-owned subsidiaries, Coal Mines Insurance Pty Limited and Mines Rescue Pty Limited on 1 January 2002.

Net liabilities of the Joint Coal Board totalling \$ 24.4 million were assumed by both the parent entity and Coal Mines Insurance Pty Limited. At 1 January 2002, the parent entity provided an indemnity to Coal Mines Insurance Pty Limited equal to the value of its net assets of \$ 299.7 million, thereby reducing the net liabilities assumed by Coal Mines Insurance Pty Limited totalling \$324.1 million, to \$ 24.4 million. On consolidation, the assumption of net liabilities is accounted for as goodwill. Details of the indemnity and goodwill on consolidation are provided at Notes 35 and 19 respectively.

Net assets of the Mines Rescue Board totalling \$ 11.0 million were assumed by Mines Rescue Pty Limited in their entirety.

(b) Workers compensation insurance

Coal Mines Insurance Pty Limited is the approved workers compensation insurance company pursuant to the Coal Industry Act 2001. Its principal activity is to provide workers compensation insurance to the New South Wales coal industry.

The segment result for the six months reported at note 2 was a loss of \$ 24.0 million. Excluding the assumption of net liabilities of \$ 24.4 million discussed above, the result was a profit of \$ 0.4 million. This included an underwriting result of \$ 11.2 million, and net general and administration expenditure totalling \$ 8.1 million. The indemnity provided to the workers compensation company by the parent entity reduced during the period by \$ 1.1 million in line with the terms of the deed agreement.

(b) Mines rescue services

Mines Rescue Pty Limited is the approved mines rescue company pursuant to the Coal Industry Act 2001. Its principal activity is to provide a mines rescue service to the New South Wales coal industry.

For the six months, the segment result was \$ 1.1 million. Total operating revenue of \$ 4.8 million included contributions from mineowners of \$ 2.5 million and training and services revenue of \$ 2.2 million.

(c) Occupational health and rehabilitation services

Coal Services Health is the registered trading name for the division of Coal Services Pty Limited which provides occupational health and rehabilitation, occupational hygiene, and dust sampling services to the New South Wales coal industry.

During the six months to 30 June 2002, the division continued to provide services to the coal industry consistent with its charter for quality and excellence. Net expenditure for the segment was \$ 0.9 million.

(d) Other services

Coal Services Pty Limited provides other services including an information and statistical service, and investment management. It also provides corporate and administration support to the core business units.

Net expenditure for the segment of \$ 3.3 million included a net negative return on the investment portfolio of \$ 0.6 million.

Likely developments and expected results of operations

At 30 June 2002 the consolidated entity had net assets of \$ 14.2 million. This included goodwill created on consolidation of Coal Mines Insurance Pty Limited of \$ 24.4 million less accumulated amortisation of \$ 2.4 million. Refer note 19.

Coal Mines Insurance Pty Limited will increase the scheme rate for 2002/03 to cover claims costs expected in that year, and to assist in reducing the scheme's deficit from previous years.

The directors' intention is to create a prudential margin in the provision for outstanding claims over the next three years, equal to 15% of the central estimate. At 30 June 2002, the prudential margin was equal to 4% of the central estimate.

Coal Mines Insurance Pty Limited introduced a new premium rating methodology for workers compensation insurance policies due for renewal on or after 1 October 2002.

The new methodology more closely reflects a policyholder's actual claims experience and should provide an incentive for employers to proactively manage injuries, and minimise the impact of claims experience on their premium costs.

Coal Services Pty Limited has established the 'Board Review Committee' to address a number of key priorities, all of which are aimed at reducing costs and enhancing service delivery.

These include:

- implementation of industry research to prevent/reduce injuries in the workplace;
- early notification of injuries, and proactive injury and claims management;
- alternative dispute resolution systems;
- rehabilitation and return to work programs;
- "tail" management strategies for workers' compensation claims;
- reviewing premium and insurance systems.

Insurance of directors and officers

During the period, the company paid a premium of \$ 42,154 to insure the directors and officers of the company.

The insurance policy provides coverage in respect of any claim made against an insured person:

- under the Trade Practices and related legislation,
- for breach or alleged breach of any contract, other than a breach or alleged breach of a contract for the provision of professional services and/or professional advice,
- for libel or slander by reason of words written or spoken by an insured person,
- for infringement of copyright, trademarks, registered designs or patents, or any plagiarism, or breach of confidentiality.

Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PricewaterhouseCoopers were appointed Auditors from 1 January 2002 in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of the directors.



I L Farrar
Managing Director



R P Land
Chairman of Directors
Sydney

12 December 2002

STATEMENT OF FINANCIAL PERFORMANCE FOR THE SIX MONTHS ENDED 30 JUNE 2002

	Note	Parent entity 6 mths ended 30 June 2002 \$'000	Consolidated 6 mths ended 30 June 2002 \$'000
Underwriting activities			
— Revenue	3	—	43,807
— Expenses	3	—	(32,576)
		—	11,231
Revenue from other ordinary activities			
	7	3,206	9,470
Employee benefits expense		(4,013)	(5,514)
Depreciation and amortisation expenses	8(a)	(172)	(2,803)
Net (loss) profit from sale of assets	8(a)	(3)	3
Bad and doubtful debts expense	8(a)	—	(257)
Investment management expenses		(432)	(432)
Miners pension expense	8(a)	(1,471)	(1,471)
Mines rescue materials expenses		—	(553)
Repairs and maintenance expenses		(47)	(267)
Consultants and contractors		(151)	(652)
Medical related expenses		(134)	(134)
Other expenses from ordinary activities		(1,005)	(1,700)
Reduction in indemnity to controlled entity		1,085	—
		(3,137)	6,921
Profit (loss) from ordinary activities before income tax		(3,137)	6,921
Income tax expense (credit)	9	(3,137)	(7,302)
Profit from ordinary activities after income tax		—	14,223
Net profit		—	14,223
Total changes in equity other than those resulting from transactions with owners as owners	30	—	14,223

The above statement of financial performance should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2002

	Note	Parent entity 6 mths ended 30 June 2002 \$'000	Consolidated 6 mths ended 30 June 2002 \$'000
Current assets			
Cash assets	10	18,924	21,263
Receivables	11	7,897	14,990
Investments	12	175,198	175,198
Inventories	13	—	130
Other	14	119	244
Total current assets		202,138	211,825
Non-current assets			
Receivables	15	—	1,274
Investments	16	116,120	116,030
Property, plant and equipment	17	1,355	12,125
Deferred tax assets	18	5,414	10,529
Intangible assets	19	—	21,962
Other	20	264	264
Total non-current assets		123,153	162,184
Total assets		325,291	374,009
Current liabilities			
Payables	21	2,079	4,392
Current tax liabilities	22	2,277	2,539
Provisions	23	4,247	78,360
Other	24	413	689
Total current liabilities		9,016	85,980
Non-current liabilities			
Provisions	25	316,275	273,817
Total non-current liabilities		316,275	273,817
Total liabilities		325,291	359,797
Net assets		—	14,212
Equity			
Contributed equity	28	~	~
Retained profits	29	—	14,212
Total equity	30	—	14,212

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2002

	Note	Parent entity 6 mths ended 30 June 2002 \$'000	Consolidated 6 mths ended 30 June 2002 \$'000
Cash flows from operating activities			
<i>Underwriting operations</i>			
Premiums received (inclusive of goods and services tax)		45,170	45,097
Outwards reinsurance paid		(132)	(132)
Claims paid		(36,450)	(36,215)
Other Underwriting expenses paid		(408)	(408)
<i>Other operations</i>			
Rentals received		3,918	3,918
Interest received		2,275	2,328
Dividends & distributions received		4,279	4,279
Joint Coal Board Health and Safety Trust		23	23
Mines rescue industry contributions received		—	3,122
Other revenue		1,283	2,147
Miners' pension fund payments		(2,566)	(2,566)
Cash balance transferred from Mines Rescue Board on 1 January 2002		—	2,628
Other operating payments		(10,378)	(14,601)
Net cash inflow (outflow) from operating activities	38	7,014	9,620
Cash flows from investing activities			
Cash balance received from Joint Coal Board on 1 January 2002		16,418	16,418
Proceeds from sale of fixed interest securities		35	35
Proceeds from sale of property		94	94
Proceeds from sale of shares		6,687	6,687
Proceeds from sale of plant and equipment		152	176
Payments for fixed interest securities		(42)	(42)
Payments for property		(420)	(420)
Payments for shares		(10,404)	(10,404)
Payments for plant and equipment		(342)	(633)
Net cash (outflow) inflow from investing activities		12,178	11,911
Cash flows from financing activities			
Proceeds from issue of shares		~	~
Net cash inflow from financing activities		~	~
Net increase (decrease) in cash held		19,193	21,531
Cash at the beginning of the reporting period		—	1
Cash at the end of the reporting period	10	19,193	21,532

The above statement of cashflows should be read in conjunction with the accompanying notes.

Note 1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the *Corporations Act 2001*.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation.

(a) Material inherent uncertainty

Pursuant to the Coal Industry Act 2001, the assets and liabilities of the former Joint Coal Board and Mines Rescue Board, were effectively transferred to Coal Services Pty Limited and its wholly-owned subsidiaries, Coal Mines Insurance Pty Limited and Mines Rescue Pty Limited on 1 January 2002.

It has been identified, that the vesting process may have created a potential tax liability for the economic entity in the range: \$ nil to \$93 million. The economic entity is awaiting the outcome of an application for a private binding ruling lodged with the Commissioner of Taxation, which requires clarification of the income tax implications arising from its formation and the vesting process. Until the ruling is received there is an inherent uncertainty concerning the financial position of the economic entity.

These consolidated financial statements have been prepared on the basis that there will be no income tax liability to the economic entity arising from the vesting process. This is understood to have been the intention of both NSW and Commonwealth governments when the Coal Industry Act 2001 (NSW) and the Coal Industry Repeal Act 2001 (Commonwealth) were enacted.

(b) Going concern

As at 30 June 2002 the consolidated entity has net assets of \$ 14.2 million, and a net tangible asset deficiency of \$ 7.8 million. Therefore it appears that there is significant uncertainty regarding the going concern assumption, which the directors have carefully considered.

Pursuant to the Coal Industry Act 2001, the New South Wales Government has:

- undertaken to continue the monopoly status of the controlled entity, Coal Mines Insurance Pty Limited, for workers compensation to the New South Wales coal industry;
- given the power to that controlled entity to require, if necessary, coal industry employers to pay a contribution to it to meet any overall deficit in its net tangible assets position in any financial year.

This is designed to ensure the ongoing viability of the company as a going concern. The directors have therefore concluded the going concern basis is appropriate.

(c) Principles of consolidation

The consolidated financial statements are those of the economic entity comprising Coal Services Pty Limited (the parent entity) and its wholly-owned controlled entities, Coal Mines Insurance Pty Limited and Mines Rescue Pty Limited. The effects of all transactions between entities in the economic entity have been eliminated in full.

(d) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

(e) Revenue recognition

Amounts disclosed as revenue are net of returns, and goods and services tax (GST), if applicable. Revenue is recognised for the major business activities as follows:

(i) Workers compensation insurance

Direct premium comprises amounts charged to the policyholders, excluding GST collected on behalf of the government. The earned portion of premiums received and receivable is recognised as revenue. Premiums are earned on a daily basis from the date of attachment of risk.

(ii) Mines rescue service

The Coal Industry Act 2001 requires colliery proprietors to contribute to a fund administered by Mines Rescue Pty Limited. Contributions are recognised at fair value of the consideration received. Training revenue is derived from the provision of safety training to the coal industry and commercial industries. Services revenue is derived from the repair and maintenance of technical and safety equipment.

(e) Revenue recognition (continued)**(iii) Occupational health and rehabilitation services**

Revenue is derived from the provision of occupational health and rehabilitation, occupational hygiene, and dust sampling services to the coal industry.

(iv) Investments and investment income

Investments are taken up in the financial statements at net market value at balance date. Investments include all land and buildings owned by Coal Services Pty Limited only. Land and buildings owned by Mines Rescue Pty Limited are not integral to the insurance operations of the consolidated entity, and are shown as part of property, plant and equipment, at their market values at balance date. Refer Note 1. (j) revaluation of non-current assets.

Changes in the net market values of investments at the balance date from their net market values at the beginning of the period (or cost of acquisition, if acquired during the financial period) are recognised as revenue or expense in the statement of financial performance.

Net market values are determined as follows:

- Land and buildings — directors' valuation based on existing use and valuations provided by independent registered valuers
- Fixed interest securities — by reference to market quotations
- Australian shares — by reference to market quotations
- Equity trust units — by reference to unit redemption prices
- Property trust units — by reference to market quotations

Where material, estimated costs of realisation are deducted.

Investment revenue is brought to account on an accruals basis. Dividends and distributions on quoted shares and property trusts are deemed to accrue on the date the shares or property trusts are quoted ex-dividend or ex-distribution. Rental revenue from the leasing of investment properties is recognised in the statement of financial performance when it is receivable, as this represents the pattern of service rendered through the provision of the properties.

(f) Outwards reinsurance

Premium ceded to reinsurers of the workers compensation insurance business is recognised as an expense in accordance with the pattern of reinsurance service received.

(g) Workers compensation insurance claims

Claims expense and a liability for outstanding claims are recognised in respect of direct workers compensation insurance business. The liability covers claims which have been reported but not yet paid, claims incurred but not yet reported (IBNR), and the anticipated direct and indirect costs of settling those claims. Outstanding claims are subject to independent actuarial assessment.

The liability for outstanding claims is measured as the present value of the expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and "superimposed" inflation. The expected future payments are discounted to present value at the balance date using risk adjusted market rates of return on investments. The details of rates applied are included in Note 6.

Claims expense includes claims discount expense, being the portion of the increase in the liability for outstanding claims during the period arising from the passage of time as the claim payments discounted in prior periods come closer to settlement.

(h) Receivables

All trade debtors are recognised at the amounts receivable, as they are due for settlement within 30 days. Collectability is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

(i) Inventories

Stocks of materials held for resale and used in the operations of Mines Rescue Pty Limited to generate income are stated at the lower of cost and net realisable value. Costs are assigned to individual items of stock on the basis of weighted average costs. Consumables are expensed to the income and expenditure account as incurred.

(j) Revaluations of non-current assets

Subsequent to initial recognition as assets, land and buildings, including those classified as investments, but excluding those noted below, are measured at fair value being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arms length transaction. Revaluations are made with sufficient regularity to ensure the carrying amount of each piece of land and each building does not differ materially from its fair value at the reporting date. Annual assessments are made by independent valuers.

(j) Revaluations of non-current assets (continued)

Land and buildings owned by Mines Rescue Pty Limited with a market value of \$ 2.8 million have been constructed for a specific use, and are valued based on their existing use, using a depreciated replacement cost method.

Revaluation increments, for assets not classified as investments, are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net profit or loss, the increment is recognised immediately as revenue in net profit or loss.

Revaluation decrements, for assets not classified as investments, are recognised as expenses in net profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of that same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Potential capital gains tax is not taken into account in determining revaluation amounts unless it is expected that a liability for such tax will crystallise.

Revaluations do not result in the carrying value of land or buildings exceeding their recoverable amount.

(k) Depreciation of property, plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments of major items. The depreciation rates used for each class of assets are:

Buildings	2% per annum
Office improvements	20% per annum
Computer equipment	20% per annum
Motor vehicles	10% - 25% per annum
Plant and equipment	5% - 33.33 % per annum

(l) Trade and other creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Maintenance and repairs

Plant of the consolidated entity is required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with note 1 (k). Other routine operating maintenance, repair and minor renewal costs are charged as expenses as incurred.

(n) Employee entitlements**(i) Wages and salaries, annual and sick leave**

Liabilities for wages and salaries, and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of all employees' services up to that date. A liability for sick leave is recognised and measured for certain employees of Mines Rescue Pty Limited under clause 12 of the New South Wales Coal Mining Industry (Permanent Mine Rescue Corp) Award.

The liabilities for annual and sick leave are measured at their nominal value and are expected to be settled within twelve months.

(ii) Long service leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted to present value at the balance date using a discount rate of 6.5%.

(n) Employee entitlements (continued)**(iii) Superannuation**

Employees may participate in a number of superannuation schemes. The consolidated entity's contributions to these schemes are charged as an expense as the contributions are paid or become payable.

A liability or an asset in respect of defined benefit superannuation is recognised, and is measured as the difference between the present value of employees' accrued benefits at the reporting date and the net market value of the superannuation fund's assets at that date. Further details of superannuation schemes participated in by employees of the consolidated entity are included at Note 27.

(o) Cash and Statement of cash flows

For purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

The parent entity's statement of cash flows shows cash inflows and outflows for premiums received, or claims and other underwriting expenses paid. All cashflows of the subsidiary, Coal Mines Insurance Pty Limited are managed through the parent entity's bank account, and cash inflows and outflows for the subsidiary company occur through the inter-company account.

(p) Operating leases

Operating lease payments are charged to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(q) Rounding

Amounts have been rounded to the nearest \$1 000 with the following exceptions:

- remuneration of directors,
- remuneration of auditors

and where included as part of the narrative of a note.

The symbol "~" has been used for amounts greater than zero and less than \$500.

(r) Comparative figures

There are no comparative figures as this is the first period of trading for the consolidated entity.

Note 2. Segment information

Business segments

The company is organised into the following divisions by product and service type.

Workers compensation insurance

Provides workers compensation insurance services to employers in the coal industry.

Mines rescue services

Provides emergency response standby services to mine owners in the coal industry; provides safety training, and a repair and maintenance service for technical and safety equipment.

Occupational health and rehabilitation services

Provides occupational health and rehabilitation services, and occupational hygiene services to the coal industry.

Other

Includes management of investment portfolio and statistical services.

Geographical segments

The consolidated entity operates in New South Wales, Australia.

Primary reporting - business segments

	Workers compensation insurance \$'000	Mines rescue services \$'000	Occupational health and rehabilitation services \$'000	Other \$'000	Inter-segment eliminations/ unallocated \$'000	Total \$'000
Revenue from external customers	43,808	4,660	816	117	-	49,401
Intersegment revenue	67	1	273	2,553	(2,894)	—
Total operating revenue	43,875	4,661	1,089	2,670	(2,894)	49,401
Revenue from transfer of business	—	10,984	—	—	—	10,984
Other revenue	(6,689)	135	—	(553)	—	(7,107)
Total segment revenue	37,186	15,780	1,089	2,117	(2,894)	53,278
Expenditure	(61,213)	(3,656)	(2,017)	(5,412)	25,941	(46,357)
Profit (loss) from ordinary activities before income tax expense	(24,027)	12,124	(928)	(3,295)	23,047	6,921
Income tax expense (unallocated)	—	—	—	—	—	(7,302)
Profit (loss) from ordinary activities after income tax expense	—	—	—	—	—	14,223
Net profit	—	—	—	—	—	14,223
Segment assets	308,611	17,138	—	319,877	(282,146)	363,480
Total assets	—	—	—	—	—	363,480
Segment liabilities	(332,559)	(5,702)	—	(323,014)	304,017	(357,258)
Total liabilities	—	—	—	—	—	(357,258)
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	—	292	—	—	24,682	24,974
Depreciation and amortisation expense	—	(173)	—	—	(2,613)	(2,786)
Other non-cash expenses	(241)	(26)	—	—	(3)	(270)
Net cash inflow from operating activities	(5)	2,606	—	—	7,019	9,620

Notes to and forming part of the segment information

(a) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and the revised segment reporting accounting standard, AASB 1005 *Segment Reporting*.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, investments, receivables, and property, plant and equipment, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of outstanding claims provisions, trade and other creditors, and employee entitlements. Segment assets and liabilities do not include income taxes. The indemnity agreement described in Note 35 has been reflected as a receivable for the "workers compensation insurance" segment, and a payable in the "other" segment.

(b) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an arm's-length basis. The movement in the indemnity described in Note 35 is reflected as an expense in the "workers compensation insurance" segment, and a revenue in the "other" segment.

	Note	Parent entity 6 mths ended 30 June 2002 \$'000	Consolidated 6 mths ended 30 June 2002 \$'000
Note 3. Underwriting result			
(a) Underwriting revenues			
Gross earned premiums	4	—	43,623
Reinsurance and other recoveries revenue	5	—	184
		—	43,807
All underwriting revenues relate to operating activities			
(b) Underwriting expenses			
Gross claims expense	5	—	32,033
Outwards reinsurance premium expense	4	—	107
Other underwriting expenses		—	436
		—	32,576
(c) Underwriting result			
Net earned premiums	4	—	43,516
Net incurred claims	5	—	(31,849)
Acquisition costs		—	—
Other underwriting expenses		—	(436)
		—	11,231
Note 4. Net earned premiums			
Gross written premiums		—	43,758
Movement in unearned premiums		—	(135)
Gross earned premiums		—	43,623
Outwards reinsurance premium expense		—	107
Net earned premiums		—	43,516
Note 5. Net incurred claims			
Claims expense			
- Direct:			
Claims paid		—	36,092
Movement in provision for claims outstanding		—	(5,847)
- Discount		—	1,788
		—	32,033
Reinsurance and other recoveries			
Other recoveries		—	184
		—	184
Net incurred claims		—	31,849

Note 5. Net incurred claims (continued)**Claims development (consolidated)**

Current period claims relate to risks borne in the financial period covered by this report. Prior period claims relate to a reassessment of the risks borne in all previous financial periods.

	Current period \$'000	Prior periods \$'000	Total \$'000
2002			
Gross claims incurred and related expenses			
- Undiscounted			
Claims paid	1,638	34,454	36,092
Movement in provision for claims outstanding	27,693	(33,540)	(5,847)
- Discount	(3,726)	5,514	1,788
	<u>25,605</u>	<u>6,428</u>	<u>32,033</u>
Reinsurance and other recoveries			
- Undiscounted			
Recoveries received	—	184	184
- Discount	—	—	—
	<u>—</u>	<u>184</u>	<u>184</u>
Net incurred claims	<u>25,605</u>	<u>6,244</u>	<u>31,849</u>

Note 6. Outstanding claims

	Notes	Parent entity 6 mths ended 30 June 2002 \$'000	Consolidated 6 mths ended 30 June 2002 \$'000
(a) Undiscounted expected future claim payments			
Central estimate	(d)	—	390,867
Prudential margin		—	11,990
Indirect claims settlement costs		—	15,000
		<u>—</u>	<u>417,857</u>
Discount to present value	(d)	—	(91,115)
Liability for outstanding claims		<u>—</u>	<u>326,742</u>
Current		—	72,090
Non-current		—	254,652
		<u>—</u>	<u>326,742</u>

(b) The following average inflation (normal and superimposed) rates and discount rates were used in the measurement of outstanding claims

For the succeeding year		
Inflation rate — normal	—	3.50%
Inflation rate — superimposed	—	1.50%
Discount rate	—	6.50%
For the subsequent years		
Inflation rate — normal	—	3.50%
Inflation rate — superimposed	—	1.50%
Discount rate	—	6.50%

(c) The weighted average expected term to settlement of the outstanding claims from the balance date is estimated to be 4.7 years.

(d) The prudential margin has been set at a level of 4% of the central estimate. It is the directors' intention to create a prudential margin over the next three years, equal to 15% of the central estimate.

Note 7. Other revenue**Revenue from other operating activities**

	Parent entity 6 mths ended 30 June 2002 \$'000	Consolidated 6 mths ended 30 June 2002 \$'000
Net investment income — refer Note 8 (b)	(553)	(7,191)
Contributions from colliery proprietors	—	2,462
Training and services revenue	—	2,198
Occupational health and rehabilitation services	1,065	792
Other	141	141
	<u>653</u>	<u>(1,598)</u>
Revenue from outside the operating activities		
Costs recovered from controlled entity	2,553	—
Revenue from transfer of business	—	10,984
Other	—	84
	<u>2,553</u>	<u>11,068</u>
Revenue from other ordinary activities	<u>3,206</u>	<u>9,470</u>

Note 8. Profit from ordinary activities**(a) Net gains/losses and expenses**

Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:

Net (losses) gains

Net (loss) gain on disposal

Plant and equipment

(3)

3

Expenses

Depreciation of plant and equipment

(172)

(363)

Amortisation of goodwill

—

(2,440)

Bad and doubtful debts

—

(257)

Employee entitlements provisions

(363)

(103)

Rental expense relating to operating leases

(136)

(136)

Miners' pensions expense under indemnity

(1,471)

(1,471)

(b) Net investment income**Revenues**

Dividends

622

622

Equity and Property trust distributions

3,668

3,668

Fixed Interest trust distributions

1,811

1,811

Interest — short term investments

459

512

Interest — long term investments

1,887

1,887

Rental income

3,734

3,734

Unrealised gains on investments:

Property

121

121

Property trust units

160

160

Realised profits:

Property

—

—

Other investment income

8

8

12,470

12,523

Expenses

Unrealised losses on investments:

Fixed interest investments

(1,446)

(1,446)

Australian listed shares and equity trust units

(16,819)

(16,819)

Realised losses:

Fixed interest investments

(6)

(6)

Australian listed shares and equity trust units

(236)

(236)

Investment property operating and management expenses

(1,207)

(1,207)

(19,714)

(19,714)

Net investment income before allocation

(7,244)

(7,191)

Income allocated to controlled entity

6,691

—

(553)

(7,191)



Parent entity 6 mths ended 30 June 2002 \$'000	Consolidated 6 mths ended 30 June 2002 \$'000
---	--

Note 9. Income tax

(a) The income tax expense for the financial year differs from the amount calculated on the profit/loss. The differences are reconciled as follows:

Profit from ordinary activities before income tax expense	(3,137)	6,921
Income tax calculated at 30%	(941)	2,076
Tax effect of permanent differences:		
Net assets and liabilities assumed by controlled entities	—	(9,883)
Reduction in indemnity to controlled entity	(326)	(326)
Miners pension expense	441	441
Income allocated to controlled entity	(2,007)	—
Other permanent differences	(304)	(242)
Income tax losses not brought to account	—	632
Total permanent differences	(2,196)	(9,378)
Income tax expense	(3,137)	(7,302)

Aggregate income tax expense comprises:

Current taxation provision	2,277	2,539
Future income tax benefit — timing differences	(5,414)	(9,841)
	(3,137)	(7,302)

(b) No part of the future income tax benefit shown in note 18 is attributable to tax losses. The directors estimate that the potential future income tax benefit at 30 June 2002 in respect of tax losses not brought to account is

	—	632
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This benefit for tax losses will only be obtained if:

- the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or
- the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

	Parent entity 6 mths ended 30 June 2002 \$'000	Consolidated 6 mths ended 30 June 2002 \$'000
Note 10. Current assets — Cash assets		
Cash at bank and on hand	18,271	20,610
Short term deposits	653	653
	<u>18,924</u>	<u>21,263</u>

The above figures are reconciled to cash at the end of the period, as shown in the statement of cash flows, as follows:

Balances as above	18,924	21,263
Add: Deposit with investment managers (Note 12)	269	269
Balances per statement of cash flows	<u>19,193</u>	<u>21,532</u>

Bank overdraft

The parent entity has a bank overdraft facility of \$600 000 which was unused as at 30 June 2002.

Note 11. Current assets — Receivables

Trade debtors	498	4,051
Less: provision for doubtful debts	14	901
	<u>484</u>	<u>3,150</u>
Accrued income		
Premiums	—	9,717
Interest	1,317	1,317
Dividends/distributions	473	473
Occupational health and rehabilitation	87	87
Other debtors	245	246
Coal Mines Insurance Pty Limited	5,281	—
Mines Rescue Pty Limited	10	—
	<u>7,897</u>	<u>14,990</u>

Note 12. Current assets — Investments

Australian bond trust units	48,075	48,075
Australian listed shares	38,563	38,563
Australian equity trust units	53,614	53,614
Overseas equity trust units	22,765	22,765
Property trust units	11,673	11,673
Deposit with investment managers	269	269
Mortgage bonds	239	239
	<u>175,198</u>	<u>175,198</u>

Note 13. Current assets — Inventories

Goods held for resale	—	130
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Stocks of materials held for resale and used to generate income by Mines Rescue Pty Limited, are accounted for as inventory, at the lower of cost or net realisable value. Consumables are expensed to the statement of financial performance, as incurred.

	Parent entity 6 mths ended 30 June 2002 \$'000	Consolidated 6 mths ended 30 June 2002 \$'000
Note 14. Current assets — Other		
Deposit paid	~	40
Prepayments	119	204
	<u>119</u>	<u>244</u>

Note 15. Non-current assets — Receivables

Receivable from statutory corporation (refer Note 27)	—	1,274
	<u>—</u>	<u>1,274</u>

Note 16. Non-current assets — Investments

Semi-government stock	31,361	31,361
Commonwealth bonds	10,895	10,895
Corporate Securities	10,087	10,087
Equity Loan	1,015	1,015
Property	62,672	62,672
Shares in associated entity — at cost	~	—
Shares in controlled entities — at cost	90	—
	<u>116,120</u>	<u>116,030</u>

**Note 17. Non-current assets —
Property, Plant and Equipment**

Land and buildings at independent valuation	—	9,227
Office improvements at cost	300	300
Less: accumulated depreciation	216	216
	<u>84</u>	<u>84</u>
Computer equipment at cost	1,111	1,111
Less: accumulated depreciation	710	710
	<u>401</u>	<u>401</u>
Motor vehicles at cost	715	1,605
Less: accumulated depreciation	109	439
	<u>606</u>	<u>1,166</u>
Plant and equipment at cost	1,337	3,913
Less accumulated depreciation	1,073	2,666
	<u>264</u>	<u>1,247</u>
	<u>1,355</u>	<u>12,125</u>

Note 17. Non-current assets — Property, Plant and Equipment (continued)

Valuation of land and buildings

The basis of valuation of land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition.

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial period are set out below.

	Land and Buildings \$'000	Office Improvements \$'000	Computer Equipment \$'000	Motor Vehicles \$'000	Plant and Equipment \$'000	Total \$'000
Consolidated						
Carrying amount at 1 January 2002	9,256	72	362	1,208	1,145	12,043
Additions	39	23	118	162	230	572
Disposals	—	—	(10)	(110)	(25)	(145)
Depreciation/amortisation expense	(68)	(11)	(69)	(94)	(103)	(345)
Carrying amount at 30 June 2002	9,227	84	401	1,166	1,247	12,125
		Office Improvements \$'000	Computer Equipment \$'000	Motor Vehicles \$'000	Plant and Equipment \$'000	Total \$'000
Parent entity						
Carrying amount at 1 January 2002		72	362	666	258	1,358
Additions		23	118	95	44	280
Disposals		—	(10)	(99)	(2)	(111)
Depreciation/amortisation expense		(11)	(69)	(56)	(36)	(172)
Carrying amount at 30 June 2002		84	401	606	264	1,355

	Parent entity 6 mths ended 30 June 2002 \$'000	Consolidated 6 mths ended 30 June 2002 \$'000

Note 18. Non-current assets — Deferred tax assets

Future income tax benefit	5,414	10,529
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Note 19. Non-current assets — Intangible assets

Goodwill on consolidation	—	24,402
Less: accumulated amortisation	—	2,440
	—	21,962

On consolidation of the subsidiary company Coal Mines Insurance Pty Limited at 1 January 2002, goodwill was created. This represents the value of the workers compensation insurance business not currently recognised.

Goodwill is being amortised on a straight line basis over 5 years, being the period over which the consolidated entity believes the asset position of the subsidiary company will be restored.

	Parent entity 6 mths ended 30 June 2002 \$'000	Consolidated 6 mths ended 30 June 2002 \$'000
Note 20. Non-current assets — Other		
Prepayments — Superannuation	264	264
Note 21. Current liabilities — Payables		
Trade and other creditors	954	1,402
Net GST payable to ATO	662	662
Accrued expenses	348	2,328
Coal Mines Insurance Pty Limited	115	—
	<u>2,079</u>	<u>4,392</u>
Note 22. Current liabilities — Current tax liabilities		
Income tax	2,277	2,539
	<u>2,277</u>	<u>2,539</u>
Note 23. Current liabilities — Provisions		
Outstanding claims	—	72,090
Miners' pension fund — indemnity	3,500	3,500
Employee entitlements	747	2,770
	<u>4,247</u>	<u>78,360</u>
Note 24. Current liabilities — Other		
Unearned premiums	—	134
Claims recovery received in advance	—	142
Income received in advance	317	317
Rental bonds received	96	96
	<u>413</u>	<u>689</u>
Note 25. Non-current liabilities — Provisions		
Outstanding claims	—	254,652
Coal Mines Insurance — indemnity	298,612	—
Miners' pension fund — indemnity	16,613	16,613
Employee entitlements	1,050	2,552
	<u>316,275</u>	<u>273,817</u>

Note 26. Indemnity — Miners' superannuation pension fund

In 1992, with the agreement of the Commonwealth and New South Wales Governments, the Joint Coal Board indemnified COALSUPER Pty Ltd, for its liability to pre-1978 pensioners in the Statutory Superannuation Fund. This indemnity transferred to the parent entity on 1 January 2002. The actuarial valuation of the liability at 30 June 2002 was \$20,113,526.

	Parent entity 6 mths ended 30 June 2002 \$'000	Consolidated 6 mths ended 30 June 2002 \$'000
(a) Expected future pension payments (undiscounted)	29,404	29,404
Discount to present value	(9,291)	(9,291)
Liability for future pension payments	20,113	20,113
Current	3,500	3,500
Non-current	16,613	16,613
	20,113	20,113
(b) The following average inflation rates and discount rates were used in the measurement of the Miners' Pension Fund liability:		
For the succeeding year		
Inflation rate	3.00%	3.00%
Discount rate	6.50%	6.50%
For subsequent years		
Inflation rate	3.00%	3.00%
Discount rate	6.50%	6.50%
(c) The weighted average expected term to settlement of future payments from the balance date is estimated to be 5.1 years.		
(d) Miners' pensions expense under indemnity:		
Pension payments	1,835	1,835
Movement in provision	(364)	(364)
	1,471	1,471

Note 27. Employee entitlements

Employee entitlement liabilities

Long service leave entitlements

Current	75	75
Non-current	1,050	1,050
	1,125	1,125
Coal Industry Long Service Leave		
Current deficiency	—	44
Non-current deficiency	—	44
Non-current liability	—	1,457
	—	1,545
Annual leave entitlements		
Current	672	1,204
Sick leave entitlements		
Current	—	1,447
Total employee entitlements		
Current	747	2,770
Non-current	1,050	2,551
	1,797	5,321

Note 27. Employee entitlements (continued)

Employee Numbers

Average number of employees during the financial year

Coal Industry Long Service Leave

In 1992, Commonwealth legislation established a statutory corporation to assume responsibility for funding the payment of long service leave entitlements to persons employed in the black coal industry. Employers pay a levy, based on employee wages, to the fund and when an employee leaves and long service payments are made, seeks reimbursement of those payments from the fund.

The obligation for long service leave entitlements rests with the employee as part of the conditions of employment. The centralised method of financing the payment of long service leave is consistent with the entitlement to be paid, long service leave being based on continuous employment within the coal industry rather than service with a single employer.

An unfunded liability for prior years' accrued entitlements was actuarially determined to exist as at June 1998. The levy on employers is directed to extinguish this past liability and meet the cost of current and future entitlements as they fall due and are paid. The past liability is expected to be extinguished in 2003.

Mines Rescue Pty Limited's obligation to employees is shown as a liability above. Its right to reimbursement from the statutory corporation is shown as an asset at Note 15.

Sick leave entitlements

The sick leave entitlements shown above reflect the outstanding entitlements due to employees of Mines Rescue Pty Limited.

Superannuation entitlements

During the period, the consolidated entity participated in various superannuation schemes that offered either defined and/or accumulated benefits to employees on retirement, disability or death.

The parent entity participated in the following Energy Industry Superannuation Schemes (EISS): the Defined benefit scheme, the Retirement scheme, and the Accumulation scheme; as well as various personal superannuation schemes administered by financial institutions.

Mines Rescue Pty Limited, a controlled entity, participated in the Miners Superannuation Plan (formerly the Coal and Oil ShaleWorkers Superannuation Fund), the Cosaf Superannuation Plan and the Mines Rescue Station Staff Superannuation Plan, all administered by CoalSuper Services Pty Limited.

Contributions are made to the schemes by employees and the consolidated entity based on salary and within the rules of each scheme. The total amount paid or payable by the parent entity was \$ 240 334. This amount includes \$ 120 842 paid as part of salary packages and is included as part of the salaries and wages expense. Current employer contributions to all schemes are calculated to meet the full cost of the parent entity's liabilities under each scheme.

The gross superannuation liabilities for the EISS Defined benefit and Retirement schemes are assessed each year by the actuary. The difference between the gross liability and the employer reserve account balance held by EISS for each scheme is recognised either as a liability or an asset. There is no provision for superannuation liability in these statements. Prepaid superannuation contributions to the EISS defined benefit and retirement schemes are shown as an asset at Note 20.

Note 28. Contributed equity

	Notes	Parent entity 6 mths ended 30 June 2002 Shares	Consolidated 6 mths ended 30 June 2002 \$		
(a) Share capital					
Ordinary shares — fully paid	(b), (c)	2	2		
(b) Movements in ordinary share capital:					
Details	Effective date	Notes	Issue price	Number of shares	\$
Share issue	1 January 2002	(d)	\$1.00	2	2
Balance	30 June 2002			2	2

Note 28. Contributed equity (continued)**(c) Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Share issue

Effective 1 January 2002, the company issued one ordinary share each, at an issue price of one dollar per share, to NSW Minerals Subsidiary Company Pty Limited, and the Construction Forestry Mining and Energy Union.

Parent entity 6 mths ended 30 June 2002 \$'000	Consolidated 6 mths ended 30 June 2002 \$'000
---	--

Note 29. Retained profits

Accumulated losses at the beginning of period

— (11)

Net Profit

— 14,223

Retained profits at the end of the period

— 14,212

Note 30. Equity

Total changes in equity recognised in the statement of financial performance

— 14,223

Transactions with owners as owners:

Contributions of equity

~ ~

Total equity at the end of the period

~ 14,223

Note 31. Remuneration of auditors

Remuneration of audit of the financial reports of the company:

Auditor of the company – PricewaterhouseCoopers Australian firm

10,000 97,500

Remuneration of other services:

Auditor of the company – PricewaterhouseCoopers Australian firm

17,000 17,000

27,000 114,500

Note 32. Remuneration of directors

Income paid or payable, or otherwise made available, to directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities

Directors of parent entity 6 mths ended 30 June 2002 \$	Directors of entities in the consolidated entity 6 mths ended 30 June 2002 \$
387,410	387,410

The number of parent entity directors whose total income from the parent entity or related parties was within the specified bands are as follows:

Remuneration between:

\$10,000 and \$19,999

Number Number

1 1

\$20,000 and \$29,999

4 4

\$110,000 and \$119,999

1 1

\$150,000 and \$159,999

1 1

Directors' remuneration excludes insurance premiums of \$42 154 paid by the parent entity in respect of directors' and officers' liability insurance, as the contract does not specify premiums paid in respect of individual directors and officers. Information relating to the insurance contract is set out in the directors' report.

Note 33. Related parties

Directors

The names of the persons who were directors of Coal Services Pty Limited and its subsidiaries at any time during the reporting period are as follows: U Cario; I L Farrar; R P Land (Chairman); J Mackrill; A Maher; R Taylor and J Tucker.

All of these persons were appointed on 1 January 2002. I L Farrar was appointed Acting Managing Director and Chief Executive Officer on 1 January 2002, and was appointed Managing Director and Chief Executive Officer on 2 April 2002.

Remuneration and retirement benefits

Information on remuneration benefits of directors is disclosed in note 32. There were no retirement benefits paid in the period.

Transactions with directors and director-related entities

A director, Mr U Cario, is the managing director of Austral Coal Limited, a director of Tahmoor Coal Pty Ltd, and a director of Port Kembla Coal Terminal Limited. During the period Coal Mines Insurance Pty Limited provided workers compensation insurance services to these companies. Mines Rescue Pty Limited provided emergency response standby services and mines rescue training to Tahmoor Coal Pty Limited. All transactions were conducted under normal commercial terms and conditions.

Directors, Mr I L Farrar and Mr R P Land, are trustees of the Joint Coal Board Health & Safety Trust. During the period the parent entity provided secretarial and management services to the Trust. All transactions with the Trust are shown separately in the statement of cash flows.

A director, Mr R P Land, is a director and Chairman of Coalsuper Services Pty Ltd. During the period, the parent entity provided office space for rental to Coalsuper Services Pty Ltd. All transactions were conducted under normal commercial terms and conditions.

A director, Mr R P Land, is a director and Chairman of Coalsuper Pty Ltd. The parent entity has indemnified Coalsuper Pty Ltd for its liability to pre-1978 pensioners in the Statutory Fund. Details of the indemnity are disclosed at Note 26.

A director, Mr R P Land, was a director of United Mining Support Services, and secretary for the Northern District, Mining and Energy Division, Construction Forestry Mining and Energy Union, from 1 January 2002 to 4 April 2002. During the period Coal Mines Insurance Pty Limited provided workers compensation insurance services to these organisations. All transactions were conducted under normal commercial terms and conditions.

A director, Mr A Maher, is the General President, Mining and Energy Division, Construction Forestry Mining and Energy Union. During the period Coal Mines Insurance Pty Limited provided workers compensation insurance services to this organisation. All transactions were conducted under normal commercial terms and conditions.

A director, Mr J Tucker, is the executive director of the New South Wales Minerals Council and joint director of the Australian Coal Association. During the period Mines Rescue Pty Limited renewed its membership of the New South Wales Minerals Council and contracted the professional services of several industrial relations consultants. All transactions were conducted under normal commercial terms and conditions.

Aggregate amounts of each of the above types of transactions with director and their director related entities are:

	Parent entity 6 mths ended 30 June 2002 \$	Consolidated 6 mths ended 30 June 2002 \$
Workers compensation insurance premium income	—	3,725,316
Investment property rental income	63,772	63,772
Mine owners levy	—	67,103
Membership and professional services	—	(5,115)

Wholly-owned group

The wholly-owned group consists of Coal Services Pty Limited and its wholly-owned controlled entities, Coal Mines Insurance Pty Limited and Mines Rescue Pty Limited. Ownership interests in these controlled entities are set out in Note 34.

Transactions between Coal Services Pty Limited and other entities in the wholly-owned group during the six months ended 30 June 2002 consisted of:

- (a) rehabilitation services provided by the parent entity to Coal Mines Insurance Pty Limited
- (b) occupational health assessments provided by the parent entity to Mines Rescue Pty Limited
- (c) claims management services provided by the parent entity to Coal Mines Insurance Pty Limited

Note 33. Related parties (continued)**Wholly-owned group (continued)**

	Parent entity 6 mths ended 30 June 2002 \$
Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with entities in the wholly-owned group:	
Rehabilitation services income	242,144
Occupational health assessments income	30,132
Claims management services/administration costs (recoverable)	2,552,584
Aggregate amounts receivable from (payable to) entities in the wholly-owned group at balance date:	
Current receivables	5,290,239
Current payables	(115,000)

Other Related Parties

The parent entity holds a nominee directorship in Mount Thorley Coal Loading Limited.

The parent entity has made a loan to Mount Thorley Coal Loading Limited which is secured by a bank guarantee.

As at 30 June 2002 the amount outstanding on the loan was \$1,010,000.

During the period, the company received \$37,875 in interest on this loan.

Controlling entities

The ultimate parent entity in the wholly-owned group is Coal Services Pty Limited. The parent entity is owned 50% by NSW Minerals Subsidiary Company Pty Limited, and 50% by the Construction Forestry Mining and Energy Union.

NSW Minerals Subsidiary Company Pty Limited is a company owned by the NSW Minerals Council, an association representing employers in the NSW coal industry. The Construction Forestry Mining and Energy Union is an association representing employees in the NSW coal industry.

Note 34. Investment in controlled entities

Name of entity	Country of incorporation	Class of shares	Equity holding %
Coal Mines Insurance Pty Limited	Australia	Ordinary	100
Mines Rescue Pty Limited	Australia	Ordinary	100

Coal Mines Insurance Pty Limited and Mines Rescue Pty Limited are directly controlled by the parent entity.

All claims on policies issued by Coal Mines Insurance Pty Limited are managed by staff of the parent entity under an administration agreement.

There are no outside equity interests in Coal Mines Insurance Pty Limited or Mines Rescue Pty Limited.

Note 35. Indemnity — Coal Mines Insurance Pty Limited

The parent entity has indemnified Coal Mines Insurance Pty Limited, against all claims, payments, damages, costs, outgoings and liabilities arising from the workers compensation insurance scheme. The indemnity is limited to the value of the parent entity's gross assets less total liabilities (excluding the value of the indemnity).

The value of the indemnity at 30 June 2002 was \$298,611,713.

	Parent entity 6 mths ended 30 June 2002 \$'000
Indemnity provided 1 January 2002	299,697
Movement in period	(1,085)
Value of indemnity 30 June 2002	<u>298,612</u>

Note 36. Contingent liabilities

At the reporting date the consolidated and parent entity were not aware of any contingent liabilities.

Note 37. Commitments for expenditure**Capital commitments**

Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:

Within one year

Parent entity 6 mths ended 30 June 2002 \$'000	Consolidated 6 mths ended 30 June 2002 \$'000
---	--

— 21

— 21

Lease commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:

Within one year

347 366

Later than one year but not later than 5 years

379 394

Later than 5 years

— —

726 760

Representing:

Cancellable operating leases

— 22

Non-cancellable leases

726 738

726 760

Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year

347 359

Later than one year but not later than 5 years

379 379

Later than 5 years

— —

Commitments not recognised in the financial statements

726 738

Note 38. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

Profit from ordinary activities after income tax	—	14,223
Depreciation and amortisation	172	2,786
Losses (profits) on realisation of investments	242	242
Unrealised losses (profits) on investments	17,984	17,984
Net loss on disposal of plant and equipment	3	13
Increase (decrease) in provision for doubtful debts	~	239
Bad debt written off	~	17
Transfer of business	—	(8,356)
Decrease (increase) in trade debtors	131	306
Decrease (increase) in inventories	—	10
Decrease (increase) in other receivables	(78)	(9,997)
Decrease (increase) in accrued income	(7,179)	(118)
Decrease (increase) in prepayments and deposits	622	811
Decrease (increase) in future tax benefits	(5,414)	(9,841)
Increase (decrease) in trade creditors	(505)	7,112
Increase (decrease) in accrued expenses	151	36
Increase (decrease) in other operating liabilities	36	(512)
Increase (decrease) in claims provision	—	(4,173)
Increase (decrease) in taxation provision	2,277	604
Increase (decrease) in other provisions	(1,428)	(1,766)
Net cash inflow from operating activities	7,014	9,620

Note 39. Financial instruments**(a) Terms conditions and accounting policies**

Financial Instrument	Accounting Policies and Methods	Nature of underlying instrument
Financial Assets		
Deposits at Call	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	Temporarily surplus funds are placed in call money market investments awaiting further investment opportunities. Interest is earned on the daily balance and is paid at month end.
Receivables	Receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts.	Credit terms are between 7 and 30 days depending on the nature of the receivable.
Equity Loan	Equity Loan is valued according to market quotations.	Loan is secured by a bank guarantee. Interest payable monthly.
Government Securities	Securities issued by Governments and their authorities are valued according to market quotations.	These securities are guaranteed by the issuing government and traded in active markets. Interest is payable half-yearly.
Corporate Securities	Securities issued by Banks and other institutions are valued according to market quotations.	These securities are traded in active markets. Interest is payable half-yearly.
Mortgage Bonds	Securities issued are valued according to market quotations.	These securities are guaranteed by the New South Wales government and traded in active markets. Interest and capital repayments are made half-yearly.
Short Term Deposits	The deposit is recognised at cost. Interest is accrued as it is earned.	Surplus funds held in short term deposits maturing in 2002.
Shares in listed companies	These shares are carried at market value. Movements in these values are recognised in accordance with AAS26 'Financial reporting of general insurance activities'. Dividend income is recognised when declared by the investee.	The shares held are ordinary shares.
Units in listed property trusts	These units are carried at market value. Movements in these values are recognised in accordance with AAS26 'Financial reporting of general insurance activities'. Distribution income is recognised when declared by the trust.	The units held are ordinary units.
Managed Funds	Units in managed funds are carried at market value. Movements in these values are recognised in accordance with AAS26 'Financial reporting of general insurance activities'. Distributions are recognised when declared.	The units held are ordinary units backed by Australian shares, Overseas shares or Fixed interest securities. Distributions are made quarterly or annually at the discretion of the fund manager.
Financial Liabilities		
Trade Creditors	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).	Settlement is usually made in accordance with the creditor's trading terms.
Indemnity	The indemnity is measured as the present value of the expected future payments.	Payments are made in monthly instalments. Further details are disclosed at note 26.

Note 39. Financial Instruments (continued)**(b) Interest rate risk exposures**

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate applicable to each class of financial asset or liability is set out in the following table:

30 June 2002

	Floating Interest Rate \$'000	1 year or less \$'000	Fixed interest maturing in:			Non-interest Bearing \$'000	Total \$'000	Weighted average effective interest rate %
			Over 1 to 5 years \$'000	More than 5 years \$'000				
Financial Assets								
Cash at Bank/Deposits at Call	20,610					20,610	4.61	
Short Term Deposits		653				653	4.20	
Receivables					16,264	16,264	n/a	
Equity Loan		1,015				1,015	5.28	
Government Securities			26,420	15,836		42,256	5.90	
Corporate Securities			10,087			10,087	5.89	
Mortgage Bonds		239				239	5.25	
Shares in listed companies					38,563	38,563	n/a	
Deposit with investment managers	269					269	n/a	
Units in Property Trusts					11,673	11,673	n/a	
Managed Funds					124,454	124,454	n/a	
	20,879	1,907	36,507	15,836	190,954	266,083		
Financial Liabilities								
Creditors					4,392	4,392	n/a	
Indemnity					20,114	20,114	n/a	
					24,506	24,506		
Net financial assets (liabilities)	20,879	1,907	36,507	15,836	166,448	241,577		

(c) Credit risk exposures

The carrying amount of financial assets recorded in the balance sheet, net of any provision for losses, represents the entity's maximum exposure to credit risk.

(d) Net fair value of financial assets and liabilities

The entity's financial assets and liabilities are carried at amounts that approximate net fair value.

(e) Reconciliation of net financial assets to net assets of consolidated entity

	30 June 2002 \$'000
Net financial assets as shown above at (b):	241,577
<i>Non-financial assets and liabilities:</i>	
Inventories	130
Investment property	62,672
Property, plant and equipment	12,125
Deferred tax assets	10,529
Intangible assets	21,962
Other assets	508
Tax liabilities	(2,539)
Provisions (excluding Miners' pension indemnity)	(332,063)
Other liabilities	(689)
Net assets as per statement of financial position	14,212

Directors' declaration

The directors declare that the financial statements and notes:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2002 and of their performance, as represented by the results of their operations and their cash flows, for the financial period ended on that date.


In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



I L Farrar
Managing Director



R P Land
Chairman of Directors

Sydney
12 December 2002





Independent audit report to the members of Coal Services Pty Limited

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Audit opinion

In our opinion, the financial report:

- presents a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Coal Services Pty Limited and the Coal Services Group (defined below) as at 30 June 2002 and of their performance for the six month period ended on that date
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the following explanations of the inherent uncertainties contained in the financial report, and the scope and summary of our role as auditor.

Inherent Uncertainty Regarding Taxation Liabilities

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matter described in Note 1(a), there is significant uncertainty surrounding the outcome of an application to the Commissioner of Taxation for a private binding ruling in respect of a potential income tax liability from the formation of the Coal Services Group.

Scope and summary of our role

The financial report – responsibility and content

The preparation of the financial report for the period ended 30 June 2002 is the responsibility of the directors of Coal Services Pty Limited. It includes the financial statements for Coal Services Pty Limited (the Company) and for the Coal Services Group (the Group), which incorporates Coal Services Pty Limited and the entities it controlled during the period ended 30 June 2002.

The auditor's role and work

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our role was to conduct the audit in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our audit did not involve an analysis of the prudence of business decisions made by the directors or management.

In conducting the audit, we carried out a number of procedures to assess whether in all material respects the financial report presents fairly a view in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001, which is consistent with our understanding of the Company's

The logo for PricewaterhouseCoopers, featuring the company name in a serif font and a small square icon with the letters 'PwC' inside.

and the Group's financial position, and their performance as represented by the results of their operations and cash flows.

The procedures included:

- selecting and examining evidence, on a test basis, to support amounts and disclosures in the financial report. This included testing, as required by auditing standards, certain internal controls, transactions and individual items. We did not examine every item of available evidence
- evaluating the accounting policies applied and significant accounting estimates made by the directors in their preparation of the financial report
- obtaining written confirmation regarding material representations made to us in connection with the audit
- reviewing the overall presentation of information in the financial report.

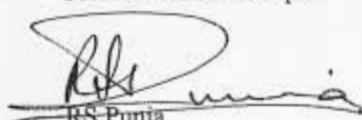
Our audit opinion was formed on the basis of these procedures.

Independence

As auditor, we are required to be independent of the Group and free of interests which could be incompatible with integrity and objectivity. In respect of this engagement, we followed the independence requirements set out by The Institute of Chartered Accountants in Australia, the Corporations Act 2001 and the Auditing and Assurance Standards Board.

In addition to our statutory audit work, we were engaged to undertake other services for the Group. These services are disclosed in note 31 to the financial statements. In our opinion the provision of these services has not impaired our independence.

PricewaterhouseCoopers
PricewaterhouseCoopers


RS Punia
Partner

Sydney
12 December 2002

Location of Offices

Sydney

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