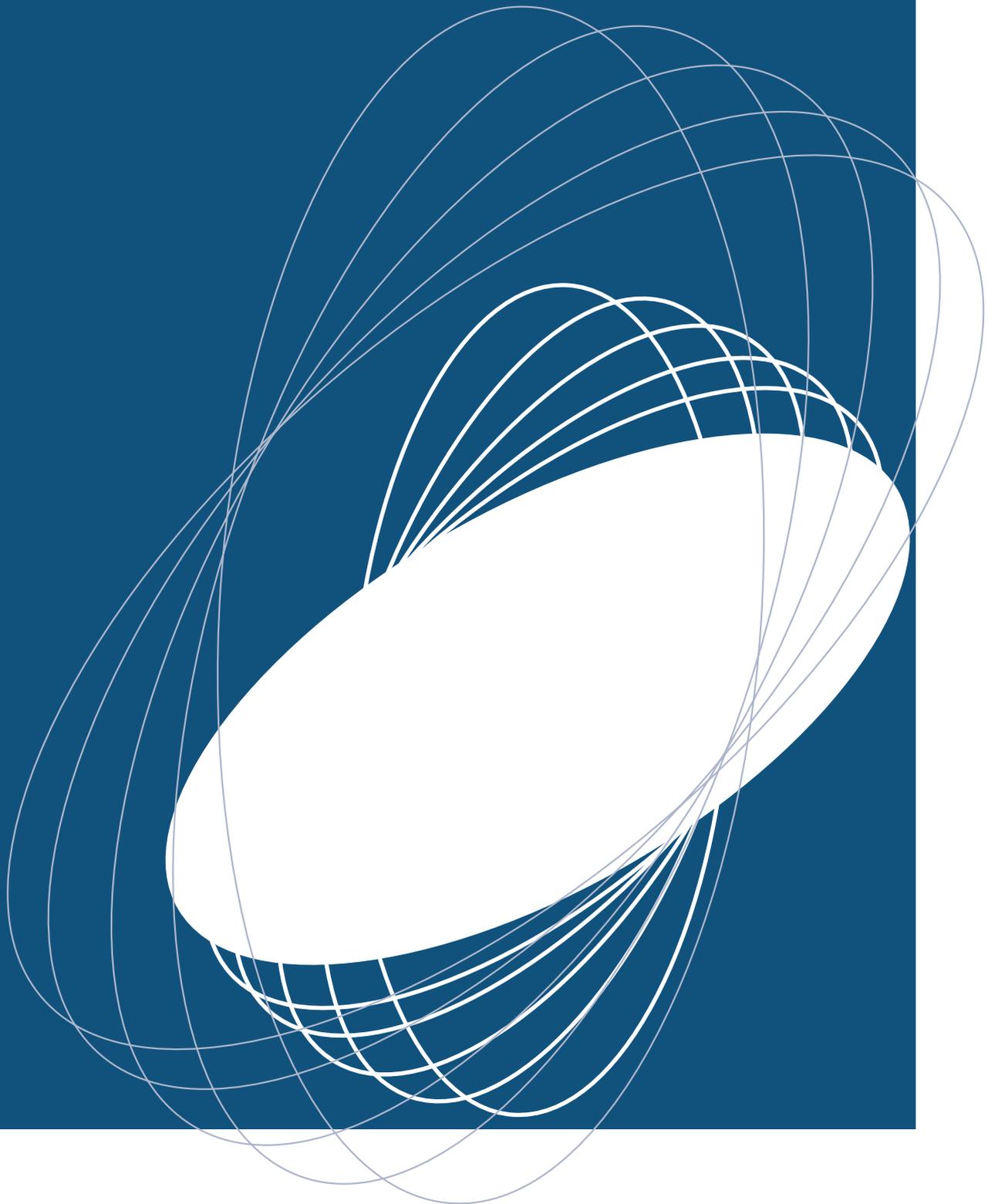


COAL SERVICES PTY LIMITED

Annual Report 2002 - 2003



COAL SERVICES PTY LTD

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 ARE WE?

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



2002/03 was the first full year of operation of the Coal Services Pty Limited (CSPL) Group. We continued to build on the solid foundation created in our first six months of operation

and this resulted in a significant improvement in the financial performance of the group.

The consolidated entity reported a net profit before income tax of \$2.6 million for the twelve months ended 30 June 2003. This result was achieved after:

- (i) using a discount rate of 4.75% (previously 6.5%), to calculate the outstanding claims liability, thereby increasing the outstanding claims liability by approximately \$18 million; and
- (ii) increasing the prudential margin to 15%, an increase in dollar terms of approximately \$30 million.

Coal Mines Insurance Pty Limited (CMI), the wholly owned workers' compensation subsidiary of CSPL, improved its equity position over the year by \$6.5 million.

Coal Services Health continued to expand the services it provides to the NSW Coal industry. It continues to work closely with industry to deliver high quality, specially tailored programs that deliver much needed resources to an industry facing many pressures, including an ageing of the industry's workforce. The aim is to ensure that by the end of the 2004/05 financial year Coal Services Health fully recovers the costs of the services it provides.

NSW Mines Rescue continued to build on its reputation as the pre-eminent source of training to ensure an appropriate level of emergency preparedness at NSW coal mines should an emergency arise. The main issues confronting Mines Rescue relate to the reducing number of Brigadesmen and the

ageing of the workforce. Adding another dimension of complexity to the problem is the increasing use of contractors in the industry and their "non-availability" for Mines Rescue training. A working party comprised of representatives from both employers and employees has been formed to develop a number of initiatives to address these issues.

I am delighted to report that a project in which I have had a long, personal interest is about to come to fruition. In the very near future 3M will be releasing its AH6TM Airstream Helmet which is technically superior to its previous underground helmets.

During 2002/03 Ernst & Young was commissioned by CSPL to undertake an independent review of the NSW Coal Industry Workers' Compensation Scheme administered by CMI. The review was undertaken one year after the commencement of the Coal Industry Act 2001 and fulfilled an undertaking made by the NSW Government.

The key findings of this review were:

- The CMI scheme is under "substantial financial stress".
- Restructuring of the industry is the main reason for the deterioration in the financial position of the scheme over the past decade.
- The capital position of the scheme is poor.
- There are significant opportunities for the management of the scheme to be improved.
- In the medium term premium rates are likely to remain high.
- Legislative reform is not the only opportunity available to address the scheme's poor position and will not by itself address all the issues. Deterioration in the scheme's financial position is principally the result of poor return to work rates.

The Board has developed a capital management plan which, in the absence of any further major restructuring of the industry, will further bolster solvency levels while seeing the average premium rate reduce.

CHAIRMAN'S REPORT

CSPL has embarked on a vigorous remodelling of its claims management process to ensure optimal service both to the industry's employees and employers. Management and staff are committed to achieving best practice outcomes in all areas of operations. A new premium rating system is in place that has, as its cornerstone, transparency and the ability to accurately reflect colliery safety and workers' compensation claim rates. This premium process will reward those companies who deliver a good safe workplace.

The staff and management of CSPL are keen

to continue working with the industry's employers and workforce in its drive to make the NSW coal industry the safest in the world.

I would like to thank the Managing Director and his team for their efforts throughout 2002/03. They have transformed the perceived benefits of creating the CSPL group into a reality.



R. P. Land
Chairman



Appin Team doing a final check before going active in the local competition.



Our major challenge in 2002/03, the first full year of operation of Coal Services Pty Limited (CSPL) and its subsidiary entities, was to restore solvency to the workers' compensation

scheme administered by Coal Mines Insurance Pty Limited, a wholly owned subsidiary of CSPL. This was largely achieved and our task going forward will be to build on the level of solvency while achieving reductions in the scheme rate.

In 2002/03 the average premium charged for workers' compensation coverage for persons working in the NSW coal industry was 11.5%, or approximately \$9,000 per person. The board of CSPL recognises that this level of premium is unsustainable and every effort needs to be made to reduce the rate significantly.

The main driver of scheme cost increases in recent years has flowed from industry restructuring (downsizing). There are signs that employment levels in the industry are stabilising. However, if this "stabilisation" is not sustained and further major industry restructuring occurs then this will, inevitably, lead to further pressures on the scheme.

The claim rate (ie the number of workers' compensation claims received per 100 people employed in the industry) continues to decline. For the year just ended the rate was 21 compared with 25.7 in 2001/02.

A number of specific initiatives have been commenced to ensure that our claims management processes are operating at what is perceived to be "best practice". An executive management team from Employers Mutual Limited (EML) has been insourced to assist us in re-engineering our claims management processes. EML had a reputation as being at the leading edge in this area of activity. They commenced in April 2003 and have a contract for an initial period of 12 months.

SANO Consulting was engaged to provide advice on the benefits of early and pro-active injury and claims management. A pilot program to assess the potential for improvements in this area was trialled in the Singleton Office. Following an

evaluation of the success of the pilot, a program focussed on early injury management intervention has now been implemented in all of the CMI offices.

Transformation Management Services was engaged to examine current dispute resolution processes within the coal industry scheme. The aim of this project is to develop an enhanced industry-based early dispute resolution scheme, ensuring that key objectives such as easy access, equity, fairness, efficiency and affordability are achieved.

As mentioned in the Chairman's Report, Coal Services Health continued to expand the services it provides to the NSW coal industry. In 2003/04 the aim is to recover 85% of its operational costs and to fully recover costs by June 2005.

Coal Services Health, in conjunction with the Pain Management Research Centre at Royal North Shore Hospital, has begun a program to overcome the chronic effects of pain for coal miners with the aim of increasing the likelihood that they will be able to return to work.

The vision of Mines Rescue is to provide a rescue service to the NSW coal industry to assist in the control of emergencies at coal mines in a quick, effective and responsive manner. The ageing of the NSW coal industry coupled with the increasing use of contractors in the industry is impacting on the number of trained brigadesmen. In consultation with the major stakeholders we are developing initiatives to address these issues.

The year ahead will be challenging as we seek to continue to improve the solvency of the workers' compensation scheme while, at the same time, reducing the overall scheme rate. Consistent with an undertaking given by Government at the time CSPL was created, there is to be an independent review of CMI's workers' compensation monopoly arrangements to determine whether the current monopoly arrangement is the most appropriate vehicle to deliver a sustainable and competitive workers' compensation insurance scheme for the NSW coal industry. This review is scheduled to be completed early in 2004.

A handwritten signature in black ink, appearing to read "I L Farrar". The signature is fluid and cursive, written over a white background.

I L FARRAR
Managing Director/CEO

VISION:

To operate an innovative, efficient, competitive and fully-funded workers compensation insurance scheme for the coal mining industry in New South Wales.

Following the departure of key senior management personnel during the year, the board "in-sourced" an executive management team through Employers Mutual Limited, a recognised leader in the management of workers' compensation claims. Their mandate is to review CMI's current practices and, where appropriate, implement changes to ensure that CMI's claims management is at the forefront of what is perceived to be industry best practice.

INJURY MANAGEMENT PROJECT

In February 2003 CMI undertook a pilot project for Injury Management with the aim of achieving better health outcomes for the injured worker and better claims outcomes through evidenced based injury management. SANO Consulting has worked closely with CMI claims staff on this project.

The aim of the project is to place greater emphasis on the role of injury management by integrating injury management into the claims management process. Early intervention, claims profiling and claims management using evidence based tools are integral to the project as well as multidisciplinary case conferencing.

Since undertaking the pilot project CMI staff have enthusiastically applied the SANO principles to claims and injury management. All claims are assessed initially and identified as to risk by using the SANO evidence based tools. Multidisciplinary case conferencing has commenced with involvement with employer representatives and it is expected that this will continue to grow in the future.

ALTERNATIVE DISPUTE RESOLUTION MECHANISMS

With the abolition of the NSW Workers' Compensation Court on 31 December 2003 CMI, in partnership with the major stakeholders, is currently exploring alternative dispute resolution mechanisms. Both shareholders - i.e. the NSW Minerals Council and the CFMEU - are of the view that any agreed alternative system should ensure:

- That injured workers are equitably compensated in a timely manner.
- That the level of disputation is reduced to an absolute minimum level.
- That the level of legal involvement should be minimised, thereby maximising the level of payments from the scheme to the injured worker and minimising the period of unresolved matters.

The creation of the CSPL Group provides a unique opportunity for the industry to develop an appropriate model which meets the requirements of all stakeholders.

PREMIUM RATING

One of the recommendations flowing from the independent review of CSPL conducted by Ernst & Young was that the board should document the agreed objectives of the CMI premium rating system. The board agreed to the following objectives and principles underpinning the premium rating formula:

Statement of Objectives

- (i) *To be fully funded*
ie. to collect sufficient premium to cover the estimated cost of claims and expenses for the following year and to maintain capital adequacy
- (ii) *To charge premiums which are fair and consistent between policyholders* ie. to share the required premiums in such a way that the premiums paid by policyholders:
 - (a) Reflect each policyholder's underlying claims risk
 - (b) Follow insurance principles by smoothing random variations in claim cost
 - (c) Change as the underlying risk changes due to changes in operations, risk management and claims management (eg. improved return to work)
- (iii) *To provide an incentive for policyholders to reduce risk*

PRINCIPLES UNDERPINNING THE RATING FORMULA

- (i) The rating formula is based on policyholder claims experience. Where a policyholder's claims experience is insufficient, then use is made of the claims experience of similar risks (ie. the group rate).

- (ii) Balance long term claims experience with short term experience.
- (iii) Allow the claims experience of large policyholders to have a greater influence on their premium than for small policyholders. The claims experience of smaller policyholders will be subject to much greater random variation due to smaller numbers of claims.
- (iv) Limit year-to-year fluctuations as part of the insurance process.
- (v) Minimise cross subsidisation.
- (vi) Minimise manipulation by policyholders.
- (vii) Include a discount, or loading, where policyholders achieved, or failed to achieve, certain risk and claims management practices.

SCHEME PERFORMANCE

CMI continued to face challenging times throughout 2002/03. Despite employment levels stabilising and the claim rate continuing to reduce, total claims payments were still in excess of \$80 million.

The Scheme rate for 2002/03 was 11.5%, which is unsustainably high in the medium to longer term, and every effort needs to be made to significantly reduce this rate while maintaining the Scheme's solvency.

Injury management remained an ongoing commitment for CMI. Policyholders were encouraged to more actively manage the short-term cases thereby allowing our injury management coordinators to concentrate on the longer term claimants. Generally speaking, 20% of the claimants generate 80% of the costs and these are predominantly the "long time off work" cases.

The claims management interventions introduced during 2002/03 have, as their primary focus, an emphasis on early and pro-active injury management intervention.

CMI continued to develop its information technology capability providing online claims data access to policyholders. Further enhancements are planned to provide more user friendly management reports to policyholders.

ACTUARIAL VALUATION

An independent valuation of the outstanding claims liability as at 30 June 2003 was completed for our formal financial statements. Directors have decided to adopt an interest rate for valuation purposes of 4.75%, resulting in a central estimate valuation of \$298M. This is some \$16M less than the valuation as at 30 June 2002.

Directors have also endorsed that a prudential margin of 15% should be provided, ensuring that CMI complies with relevant APRA guidelines should these become applicable.

AUDIT AND COMPLIANCE STRATEGY

The audit and compliance strategy is comprised of two phases, these being education and audit. The overall objective of the strategy is to ensure accuracy in the collection of premium.

The educational phase involves the dissemination of information relating to topics such as assessable wages in a manner that is client-focussed and builds long-term relationships. Communication mediums include on-site client visits, the internet and written correspondence so that clients are adequately informed.

After a client has passed through the educational phase they may then be selected for an audit of their wage records. The emphasis on the educational phase engenders ownership and accountability by the employer of the process of accurately declaring wages.

	Notes	Units	6 Months ended 30 June 2002	12 months ended 30 June 2003
Industry Declared Assessable Wages		\$m	416.51	918.12
Average Number Exposed to Risk		number	10,794	10,893
Premiums Received		\$m	43.62	99.01
Average Premium Rate		%	10.5	10.8
Premium Cost Per Employee		\$	4,041	9,089
Claims Lodged		number	1318	2,151
Average Claim Size				
- Workers Compensation	(a)	\$	12,333	18,899
- Common Law	(b)	\$	408,441	422,166
Claim Frequency	(c)	%	12.21	19.75
Payments on Claims	(d)	\$m	36.09	80.25
Analysis of Payment Types				
Common Law	)	%	25.62	30.36
Weekly Benefits	)	%	25.57	24.63
Redemption	)	%	19.22	16.24
Legal	(e)	%	10.74	10.58
Medicals/Treatment	)	%	9.50	9.49
Permanent Incapacity	)	%	6.68	6.16
Other	)	%	2.67	2.54
Provision for Outstanding Claims		\$m	326.74	340.79

- Notes:**
- (a) Average claim size of workers compensation claims finalised during the period ending 30 June
 - (b) Average claim size of common law claims finalised during the period ending 30 June
 - (c) Number of claims during the period x 100
Number of employees exposed to risk during period
 - (d) Excludes payments to CS Health and recoveries from third parties
 - (e) Payment types as a percentage of payments on claims

VISION:

To be the first choice for health services in coal and related industries.

MISSION:

To provide expert solutions to assist our customers to manage their occupational health risks.

OVERVIEW

During 2002-03, Coal Services Health (CS Health) continued to support the NSW coal industry by delivering quality accredited occupational health, rehabilitation and occupational hygiene services. We developed several innovative products in advance of and also in response to the needs of the industry and specific customers. Our business continues to grow in response to demand, and we are positioning ourselves as the one-stop occupational health specialists for the industry.

CS Health employs around 60 staff, mostly health professionals. We have offices in Singleton, Lithgow, Warners Bay and Corrimal. During the coming year, we will investigate co-location with Mines Rescue and CMI in Corrimal and with Mines Rescue in Lithgow, in an effort to reduce our costs and provide greater efficiency in the delivery of our services.

OCCUPATIONAL HYGIENE

During 2002-03, CS Health's occupational hygienist travelled to Canada and the USA to investigate the latest technology for monitoring levels of respirable coal dust. As a result of what was learnt on this trip, CS Health has commenced participation in an American based project to develop and introduce real time personal dust monitoring equipment. As well, during the trip, Mr Mace previewed the latest technology to measure exposure to diesel particulate. Consequently, CS Health has begun a project using this equipment to measure exposure to diesel particulate during longwall change-outs. Both of these projects will position the NSW industry at the forefront of personal dust and diesel monitoring technology.

During 2002-03 the occupational hygiene group commenced participation in two major projects in the industry, collecting baseline hygiene data on exposure to the three major hazards of respirable dust, inhalable dust and noise.

OCCUPATIONAL HEALTH INITIATIVES

Diet and Exercise

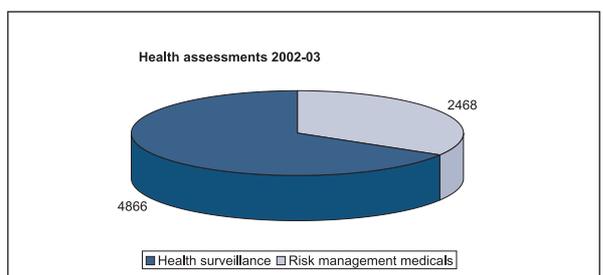
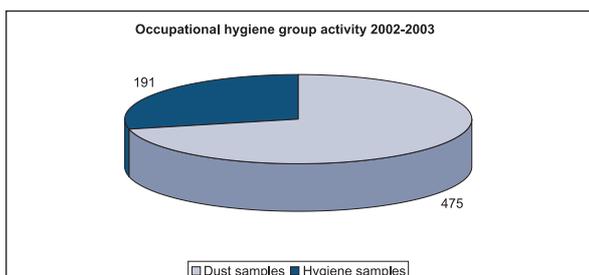
As a result of its health surveillance program, CS Health has recognised the developing trend in the NSW coal industry towards obesity. Statistics show that coalmine workers who are obese have a significantly higher risk of injury or illness than those in the normal weight range. During 2002-03, in response to these statistics, CS Health employed an exercise therapist and a dietician. They are developing appropriate programs for miners to improve their general level of fitness and weight. The programs are being offered initially through the Warners Bay office, and will expand to our Singleton office during the coming year.

Health Surveillance

CS Health provides health surveillance for the NSW coal industry which includes medical screening against the major hazards of the industry, and a personal dust monitoring service. During 2002-03, CS Health commenced a process of reviewing the medical screening to ensure that it remained relevant to the industry and covered all of the major hazards. The process will be completed during the early part of 2003-04.

New Services and Contracts

CS Health expanded its range of services over the past twelve months. Site-based physiotherapy services are now offered thereby reducing time lost and production inefficiencies associated with workers attending the CS Health office for treatment. CS Health continues to build its market share in providing drug and alcohol services. Our team of nurses are market leaders in providing training and education related to drug and alcohol testing, as well as performing the tests. During the



year, CS Health provided training for twelve of its staff to obtain Certificate IV in Workplace Assessment and Training. This enhances our ability to offer training focused on individual workplace issues.

Pain Management

We hear in the media, in our own social groups and also in the coal-mining workforce about the effects of chronic pain on people's lives.

CS Health, in conjunction with the Royal North Shore Hospital, began an active program to overcome the effects of chronic pain for coal miners. It is called "Intervene", and the CS Health rehabilitation counsellors in Singleton and Warners Bay coordinate it.

"Intervene" is a four-week treatment program for people who are finding that ongoing pain is interfering in their ability to work or return to work. Once realistic medical or surgical treatments to relieve pain have been ruled out, early referral to "Intervene" can help potentially avoid the traps that can put people at risk of developing a chronic pain syndrome. Chronic pain can cause people to slip into a life of disability, suffering, high drug use, and dependence on others. Much of this can be avoided by dealing with the problems before they take hold.

- These workers often end up in a downward spiral of attempting their full duties, experiencing a flare up of pain and having to take more time off to recover.
- "Intervene" aims to minimise these erratic patterns of high levels of pain, followed by reduced levels of activity and consequent work absenteeism.
- This is done by teaching mineworkers strategies to manage their activity level in a graded way and thus control pain levels.
- The flow-on effect is a more sustained return to work outcome as opposed to patterns of constant re-aggravation of pain and lost time from work.
- Strategies learnt at the "Intervene" program assist by:
 - ❖ Improving the way pain is managed
 - ❖ Reducing reliance on unhelpful medications
 - ❖ Assisting resumption of pre injury activities
 - ❖ Improving mood, confidence, and sleep
 - ❖ Assisting rehabilitation and return to work (despite pain)

Two programs have been run so far out of the Singleton office with continuing programs planned for throughout the year. Warners Bay is also commencing the program during 2003.

OCCUPATIONAL REHABILITATION

CS Health provides occupational rehabilitation services for injured mine workers. CS Health benchmarks itself against the NSW WorkCover Authority, and it is pleasing to note that CS Health compares well with the WorkCover benchmarks. The challenge for CS Health occupational rehabilitation staff is to return injured miners to work in an industry where there are very few workplaces with suitable duties available.

	CS Health	Benchmark*
No of plans developed	65	11051
Return to work rate (%)	88	90
Avg duration of rehab (months)	5.6	6.8
Avg cost of rehab (\$)	1846	3757
Avg period injury to referral (months)#	4.3	4.1

* WorkCover All Providers Report June 2003

The average period from injury to referral was 4.3 months for the last financial year. During April 2003, one case was referred to CS Health after 24 months. If this case was excluded, the average period from injury to referral was in line with the WorkCover benchmark.

Pilot Programs

During the 2002-03 year, we commenced two pilot programs aimed at assisting workers prevent injury and to expedite recovery and return to work.

The first project involves CS Health staff running workshops focused on preventing the major cause of accidents at the minesite. This was followed up with underground observation and further training. The pilot program is practical and teaches mine workers the best way to avoid particular classes of injury, eg. back strain or ankle injury. The second pilot program uses CS Health doctors as initial treating doctors in order to examine the impact of early intervention by a doctor with a good working knowledge of the industry. Injured workers at the pilot site have the choice of visiting the CS Health doctor or their own GP. The pilot programs will report in the 2003-04 year, and depending upon the results, will be offered across the industry during the latter part of 2003-04 or during 2004-05.

VISION:

To provide a rescue service to the New South Wales coal industry that can quickly and effectively respond to, and assist in, the control of emergencies at coal mines.

EMERGENCY PREPAREDNESS:

All Mines Rescue Station's reviewed their emergency systems and had them internally audited during the year.

Trials of both the mine's and the Service's emergency systems were conducted during the year at Newstan, Southland, Nardell and Dendrobium mines. Two Mines Rescue employees were also assessors at the Queensland Level 1 simulated emergency.

Station management introduced bi-annual audits on each colliery's emergency system to assist mine management with their compliance to the CMRA Regulations. These audits were carried out for Angus Place, Baal Bone, Charbon, Clarence, Ulan, Springvale, Dartbrook, Kayuga, Beltana, South Bulga, Southland, Cooranbong, Newstan, Awaba, Appin, Berrima, Dendrobium, Eloura, Gibsons, Metropolitan, Tahmoor, Tower and West Cliff mines. It is intended that Station management will audit each mines 'self escape system' on the alternate years to the emergency system audit.

Mines Rescue conducted the 5 day 'Underground Coal Mine Emergency Preparedness' course for 12 mining industry candidates who are to sit for statutory tickets in the near future. This course is now registered and complies with the Black Coal Competencies under the Australian Quality Framework (AQF) levels 5 and 6 - Undermanagers and Managers.

Mines Rescue also conducted technical conferences, or had employees deliver technical papers, at a number of forums. These included quarterly internal Technical Transfer sessions, Brigadesmen Conference at Wollongong, an Open day on CABA Self Escape (Appin Colliery), NSW and Qld OH&S conferences, Qld Inertisation conference, Mine Managers Association, Minerals Council and CFMEU. Employees were also involved in the development of the 'Body Recovery Protocols' for NSW Mining Industry and the ACARP steering committee which is investigating 'The

Use of Diesel Vehicles in Hazardous Atmospheres'.

EMERGENCY RESPONSE:

During the year the Mines Rescue Service attended a number of emergencies at minesites in the Hunter Valley.

Dartbrook Mine

On the 16th May 2002 the Hunter Valley Station responded to a spontaneous heating in the longwall goaf at Dartbrook Colliery. The Mineshield Inertisation Plant was activated to pump an average of 4 tonne/hour of liquid nitrogen into the area. The longwall equipment had been removed and, by 30 September, the goaf area sealed and inerted. During the whole operation approximately 10,500 tonnes of liquid nitrogen had been used. The Plant remained on standby at the mine until 8th October 2002.

This protracted utilisation of the Mineshield Plant put a strain on the pumps and the electrical systems which were only designed for short intense usage of up to 18 tonne/hour of liquid nitrogen. Following a review of the performance of the Mineshield Plant, it was decided to undertake a capital upgrade of the plant to ensure it remained operative and effective for the next 15 years. The upgrade will be completed late in 2003.

Beltana Colliery

On 15th December 2002, the Hunter Valley Station responded to a spontaneous heating in a pillar near the mine fan at Beltana Colliery. The mine had been evacuated and gas sampling and gas chromatograph results were undertaken over the ensuing 8 day period. Mines Rescue Service employees were involved in the risk assessment prior to mine employees being able to operate inbye of the heating area.

The Hunter Valley Station was again activated to Beltana colliery on 1st April 2003 due to early signs of spontaneous heating in a pillar located between the intake and return near the seam outcrop. Station and Coal Mines Technical Services employees operated gas chromatographs over a five day period to monitor the heating.

Mines Rescue Competitions

Mines Rescue competitions were conducted in all Districts with teams competing at the

Australian Mines Rescue titles at Moranbah North mine (Qld) on 26th October 2002. The team from Dysart Station won the competition with the Dartbrook team, representing Hunter Valley, placing second.

The Newcastle Mines Rescue Station trialed a different concept at their local competition. This involved all teams being randomly formed, which more closely simulates what actually occurs during an emergency operation. Brigadesmen were tested on 'competencies' rather than being task orientated with a subjective assessment.

This system requires further refinement and is to be trialed again at other competitions. Mines Rescue employees also conducted, and/or assessed, at Mines Rescue competition exercises in Tasmania, the Victorian Hard Rock competition, the Northern Territory Minerals Council and at the Open Cut Coal Mine competitions in NSW and Queensland.

MINES RESCUE BRIGADESMEN:

The number of Brigadesmen are still reducing although they are just above the minimal required number. While there are currently 290 nominated, only 240 are 'BA Current' which is the minimum required. The number of underground employees is still reducing and the average age of the workforce is increasing. This is applying additional pressure on the system to keep Brigadesmen both 'Breathing Apparatus (BA) Current' and fit enough to pass the Mines Rescue medical.

A 'Brigadesmen questionnaire' was developed and circulated to determine other strategies that can be implemented to increase the number of Brigadesmen.

During the year Brigadesmen were offered 6 trainings under the 'competency based' program. Hydration testing was introduced as a result of research undertaken at the Western Mines Rescue Station. This led to alterations in Mine Rescue's protocols prior to a Brigadesmen going active in breathing apparatus.

COAL MINES TECHNICAL SERVICES (CMTS):

CMTS assisted a number of mines in both NSW and Queensland with the supply, installation and ongoing maintenance of gas chromatographs and other electronic monitors. They were also involved with gas interpretation

during a number of mine occurrences. On 1st July 2002, CMTS purchased the 'Diesel Testing Group' from BHP. This NATA approved group is currently conducting statutory diesel testing on underground coal mine vehicles in the Lithgow and Illawarra areas. They are also involved in project work on various types of diesel filter systems. It is proposed to expand these activities into the Newcastle and Hunter Valley districts in the future.

CMTS, with its diverse product range and its NATA approved statutory testing of gas monitoring equipment, has expanded its operations and services to the extent it achieved a \$2 million income for the year.

OTHER ACTIVITIES:

The Mines Rescue Service broadened its 'Scope of Registration' under the Vocational Educational and Training Accreditation Board (VETAB) as a Registered Training Organisation (RTO).

The Service is now registered to provide all of the Black Coal Competencies up to AGF-Level 5 and to AQF - Level 6 for 'Emergency Preparedness'. The Service is also registered for a number of other Industrial OH&S competencies.

The main courses that were conducted for the coal industry during the year (other than Mines Rescue training) were Underground Coal Mine Induction, Self Escape training (on all types of equipment), a variety of fire fighting courses, and OH&S Committee Member and Workplace Trainer and Assessor training. Training for general heavy industries was mainly in the areas of 'Safe Working in Confined Spaces', 'First Response' and Audits. Income from these activities has assisted the Service to maintain the Levy to coal operators at an average of \$3.5 million over the last four years.

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 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 three directors, namely, the two independent directors and one director nominated by the Minerals Council.

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 & 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. Annual audits conducted by the internal audit function are risk-based with particular emphasis on fraud. The current assessment of the plan is that the potential for fraud is low. The fraud control policy and plan will be comprehensively reviewed during 2003/04.

Internal & External 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. An internal audit charter is maintained and regularly referenced by management and the internal auditor.

Under the Corporations Act, 2001, Coal Services Pty Limited and its subsidiary entities are subject to external audit on a fee-for-service basis. PricewaterhouseCoopers were appointed auditors for the company for the year ending 30 June 2003.

PLANNING

The board is required to submit to the Minister an annual operating plan each year. The plan must contain the proposed strategy of the company 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 the board'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 to the Board.

As a long term insurance operation we maintain a balanced investment profile and a long term outlook.

CORPORATE GOVERNANCE STATEMENT

CODE OF CONDUCT

The Board has instituted a code of conduct for the chairman and directors to ensure they act in good faith, with appropriate skill, care and diligence. They have a fiduciary duty of loyalty to Coal Services Pty Limited (CSPL) and its subsidiary entities and to meet these requirements the chairman and directors must:

- at all times act honestly;
- at all times exercise due care in the performance of their duties;
- be diligent, attend board meetings and make themselves knowledgeable about the operation of CSPL and its subsidiaries;
- ensure that systems are established within CSPL to provide sufficient and accurate data on a regular and timely basis to enable directors to discharge their duty of care and diligence;
- act in the interests of CSPL as a whole;
- avoid conflicts of interest;
- be independent in their judgements and actions; and
- not release information outside the Board Room unless there is agreement of directors to do so.

ETHICAL STANDARDS

Our first responsibility is to the people who comprise the NSW coal industry; the workers and the management of the coal mining companies to whom we provide a service. In

meeting their needs everything we do must be of high quality. Without compromising quality we must constantly strive to reduce costs to ensure premiums are minimised and the services we provide on a "user pays" basis are provided at reasonable prices. Services to our stakeholders must be provided efficiently and be of a high quality. Advice to Ministers must be timely and unbiased.

Suppliers of goods and services to the Board must have an opportunity to compete for our business on a fair and equitable basis.

We are responsible to our employees and each must be considered as an individual.

We respect the dignity and recognise the merit of each employee. Remuneration is fair and adequate, and working conditions clean, orderly and safe. Employees are free to communicate and to make suggestions and complaints and there is equal opportunity for employment, development and advancement for those qualified. We provide competent management and the actions of management are just and equitable.

PRIVACY

Coal Services Pty Limited (CSPL) has a firm commitment to privacy, in accordance with the principles outlined in the Privacy and Personal Information Protection Act, 1998, and all officers of CSPL are subject to this Act.



CSPL staff inspecting new Longwall at Westcliff Colliery.

CSPL ASSOCIATED GROUPS & COMMITTEES

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 role of the Audit Committee is documented in a board approved charter.

During the year the Committee carried out an in-depth risk identification and assessment, in coordination with the internal auditor and senior management, and reviewed reports on:-

- Claims and related systems including miners' payment summaries
- Premium income
- Purchasing and creditors
- Human Resources and payroll including employees' payment summaries
- Funeral Benefits Fund
- 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. Four Committee meetings were held during the period - one each at the offices in Sydney, Singleton, Warners Bay and Corrimal.

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

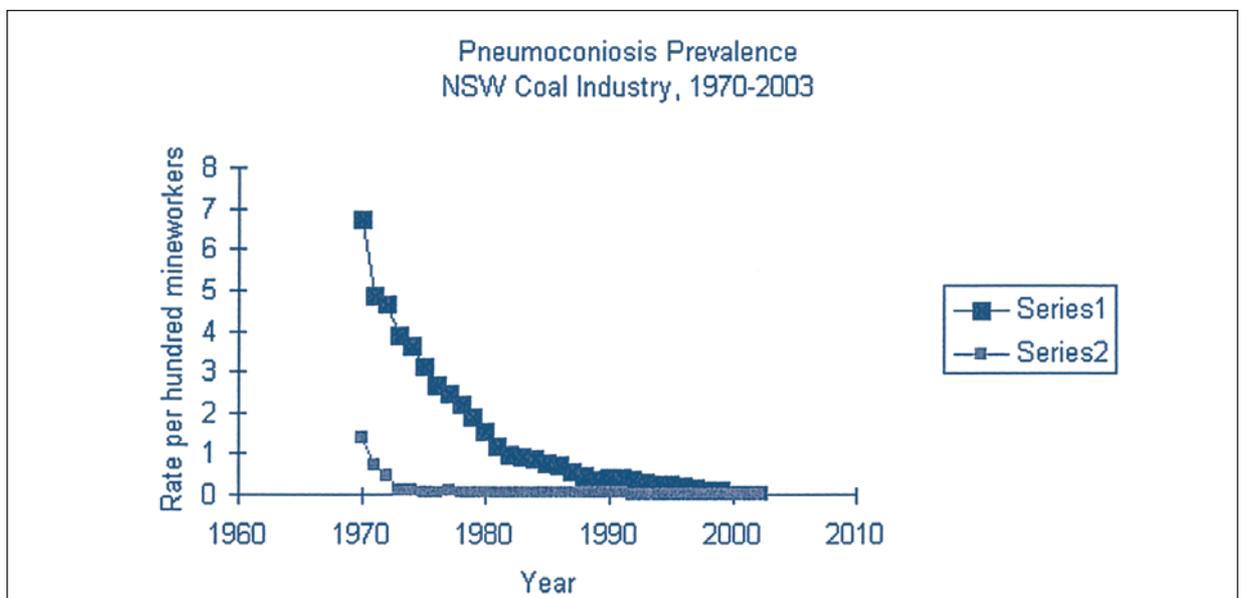
The Committee meets bi-monthly, usually at minesites and, during the year, visited Newstan, Elouera, United, Rixs Creek, Dartbrook and Awaba collieries. The Committee also visited the Southern Mines Rescue Station and Testsafe, Londonderry.

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%.

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



CSPL ASSOCIATED GROUPS & COMMITTEES

JCB HEALTH AND SAFETY TRUST

For the past twelve years, the NSW coal industry has benefited from research funded by the JCB Health and Safety Trust. The Trust was established in 1991, and since then has been involved with projects ranging from strata control to hearing protection.

In 2002-03, the Trust funded the following new projects:-

PROJECT TITLE	RESEARCHER/INSTITUTE	AMOUNT
Developing risk management strategies to improve safety and health outcomes in coal mines	Hayden Cater/Southern Cross Safety	\$25,230
Quantify the effect of occupational health and hygiene issues for the Illawarra coal underground operations	Steven McFadden/ BHPBilliton	\$126,000
Ergonomics - a handbook for mining personnel	Barbara McPhee/Jim Knowles Group	\$55,000
Coal industry safety culture measure Work Breaks and Rest Period	Peter Pfister/University of Newcastle Carmel Bofinger, David Cliff/MISHC	\$57,086 \$124,000
The underlying causes and incidence of shift worker driver fatigue in the central Queensland region	Lee di Milia/Central Queensland University	\$32,642
Fatigue Related Crashes on the Way Home From Coal Mines in the Hunter Valley, Newcastle Coalfields and Wollongong Districts	Nick Mabbott/ARRB Transport Research	\$87,680
Evaluation of Workload Distribution in Underground Mining and the Development of Strategies to Reduce Overuse Injury	Tony Parker/QUT	\$100,487
An Extension of the Diesel Particulate (DP) Exposure Sampling Program to Potential High Exposure Mine, & Contractor Personnel Involved in Longwall Transfer	Gary Mace/Coal Services Health	\$187,000
Evaluation and management of personal fatigue risk factors	Richard Addinall/ Richard Addinall Pty Ltd	\$15,000
Investigation of Dust Generation and the effectiveness of suppression techniques used on Longwall BSL and Crushers	A.Rutherford/ Andrew Rutherford Pty Ltd	\$8,000

During April 2003, the Trust held seminars in NSW and Queensland to introduce the new projects and to report back to the industry on the results of the projects funded last year. The Trust also promotes the results of its research through displays at the relevant conferences. In 2003, several Trust researchers presented papers at the NSW and QLD mining industry health and safety conferences.

For more information about the Trust and its activities, please contact:

Sharon Buckley Trust Secretary Tel: 02 8270 3258 buckley@coalservices.com.au	Ken Cram Project Liaison Officer Tel: 02 4286 5425 cram@corrim.coalservices.com.au
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COAL SERVICES STATISTICS

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.

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, 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

Production, productivity and equipment information on an individual mine basis to assist the underground longwall industry to gauge performance. 4 issues - March, June, September and December quarters plus a copy of:-

Australia's Longwalls

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

Visit the Coal Services Website at www.coalservices.com.au for a complete list of publications, price list and order forms.

COAL INDUSTRY STATISTICS

YEAR ENDED 30 JUNE	1999	2000	2001	2002	2003
NSW Coal Industry Statistics					
Number of coal mines at 30 June	64	57	56	56	56
Raw coal production, million tonnes	131.4	132.9	138.8	145.2	143.1
Saleable coal production, million tonnes	103.4	105.2	110.2	114.3	111.5
Coal sales within Australia, million tonnes	31.2	32.3	33.4	33.9	34.0
Coal exports overseas, million tonnes	76.4	72.4	75.9	77.5	79.3
FOB value of coal exports overseas, \$A billion	3.8	3.1	3.8	4.7	3.9
Average FOB value of coal exports, \$A per tonne	49.15	42.69	50.55	60.79	48.60
Number of mineworkers at 30 June	10,400	9,583	9,821	10,052	9,758
Average age of mineworkers at 31 December, previous year	42.5	43.2	43.2	43.5	43.5
Average weekly earnings of mineworkers, \$	1,573	1,574	1,624	1,718	1791
Saleable coal output per mineworker per year, tonnes	9,600	10,580	11,570	11,400	11,410
Saleable coal output per mineworker per hour, tonnes	5.05	5.36	5.91	5.81	5.80
Days worked per mineworker per year	271.8	282.5	279.7	280.4	281.0
Days lost per mineworker due to industrial disputes	2.6	2.4	1.2	0.6	0.7
Days lost per mineworker due to workers' compensation	3.5	3.3	3.1	3.1	3.1

COMPARATIVE STATISTICAL PROFILE TO 31 DECEMBER 2001 - JOINT COAL BOARD

	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	15,100	14,700	14,300	14,473	14,793	13,522	11,064	10,150	9,838	10,041
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		\$	2,185	2,211	2,657	3,855	4,056	4,008	4,140	5,113	6,160	7,876*
Workers Compensation Claims Lodged		Number	5,903	5,690	6,231	5,533	5,095	4,651	3,552	3,285	2,892	1,349
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	1,210	1,128	1,332	1,050	999	1,215	1,079	947	1,083	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: $\frac{\text{Number of claims during the period} \times 100}{\text{number of employees exposed to risk during period}}$

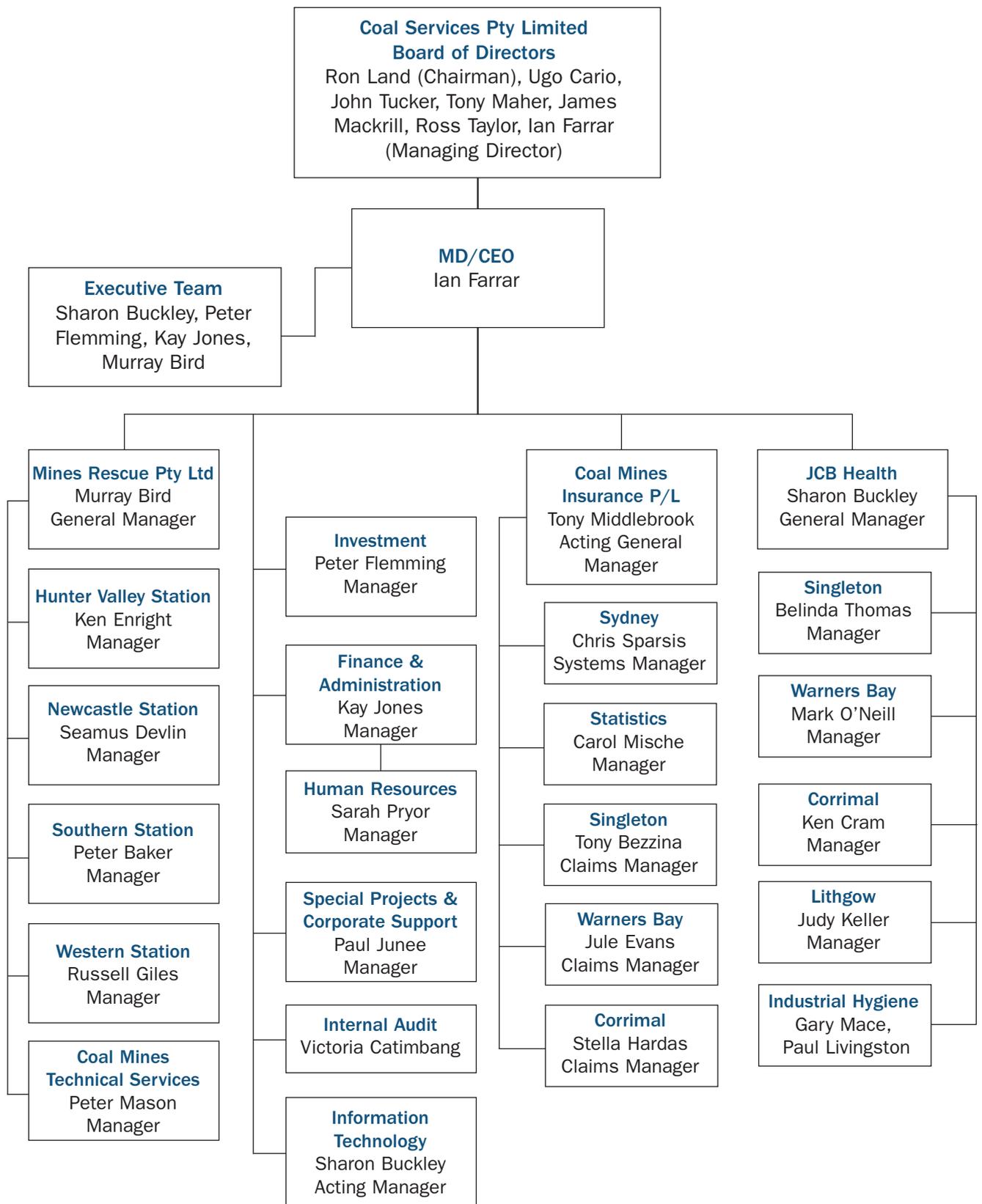
(c) number of lost time injuries per million hours worked

(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

COMPANY FLOW CHART



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 YEAR ENDED
30 JUNE 2003**

FINANCIAL

Directors' report

Your directors present their report of the consolidated entity consisting of Coal Services Pty Limited and the entities it controlled at the end of, and during, the year ended 30 June 2003.

Directors

The following persons were directors of Coal Services Pty Limited and its controlled entities during the whole of the financial year and up to the date of this report:

- U Cario
- I L Farrar
- R P Land (Chairman)
- 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:

	Segment revenues		Segment results	
	12 mths ended 30 June 2003 \$ 000	6 mths ended 30 June 2002 \$ 000	12 mths ended 30 June 2003 \$ 000	6 mths ended 30 June 2002 \$ 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	115,595	37,186	5,870	374
Mines rescue services	8,563	4,796	(627)	1,140
Occupational health and rehabilitation services	2,302	1,088	(2,151)	(928)
Other	8,006	2,118	(3,019)	(3,295)
Intersegment eliminations/unallocated	(6,177)	(2,894)	2,544	23,047
	<u>128,289</u>	<u>53,278</u>		
Profit from ordinary activities before income tax expense			2,617	6,921
Income tax expense (credit)			<u>1,423</u>	<u>(7,302)</u>
Profit from ordinary activities after income tax expense			<u>1,194</u>	<u>14,223</u>
Net profit			<u>1,194</u>	<u>14,223</u>

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.

Directors' report - continued

(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 twelve months was a profit of \$5.9 million. The result for underwriting operations was a profit of \$0.1 million, while general and administration reported a profit of \$13.2 million, mainly due to investment income of \$15.6 million. The indemnity provided to the company by the parent entity reduced during the period by \$7.4 million in line with the terms of the deed agreement.

(c) 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 twelve months, the segment result was a loss of \$0.6 million. Total operating revenue of \$8.6 million included contributions from mineowners of \$3.0 million and training and services revenue of \$ 4.7 million.

(d) Occupational health and rehabilitation services

CS 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 twelve months to 30 June 2003, the division continued to provide services to the coal industry consistent with its charter for quality and excellence. Net expenditure for the segment was \$2.2 million.

(e) 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 \$3.0 million included a net return on the investment portfolio of \$2.3 million.

Likely developments and expected results of operations

At 30 June 2003 the consolidated entity had net assets of \$16.1 million. This included goodwill created on consolidation of Coal Mines Insurance Pty Limited of \$24.4 million less accumulated amortisation of \$7.3 million. Refer note 19.

Coal Mines Insurance Pty Limited will reduce the scheme rate for 2003/04 to align with estimated claims costs expected in that year.

The directors of Coal Mines Insurance Pty Limited have agreed to provide a prudential margin in the provision for outstanding claims equal to 15% of the central estimate and to build reserves to an appropriate level to comply with APRA requirements should they become applicable.

Coal Mines Insurance Pty Limited will introduce new risk rating categories for the new policy year commencing 1 October 2003. When coupled with the new premium rating methodology introduced on 1 October 2002, this should ensure that premium rates more accurately reflect actual claims' experience and provide a greater 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.

FINANCIAL

Directors' report - continued

Tax consolidation

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to the group. The impact of the mandatory and elective elements of the tax consolidation system on existing deferred tax balances of the consolidated entity and company has been taken into account when assessing the carrying value of deferred tax assets. At the date of this report, the directors have not made a decision as to when the tax consolidation system will be implemented.

Insurance of Directors and Officers

During the period, the company paid premiums of \$61 304 to insure the directors and officers of the company.

The insurance policy provides coverage in respect of losses resulting from a wrongful act which a director or officer becomes legally obliged to pay on account of any claim made against them during the policy period. It does not provide cover for losses in certain circumstances, including fraud, dishonesty, or illegal acts; or claims, litigation, or demands occurring outside specified dates.

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
23 October 2003

FINANCIAL

Statement of Financial Performance

for the year ended 30 June 2003

	Note	Parent entity		Consolidated	
		12 mths ended 30 June 2003 \$'000	6 mths ended 30 June 2002 \$'000	12 mths ended 30 June 2003 \$'000	6 mths ended 30 June 2002 \$'000
Underwriting activities					
- Revenue	3	-	-	99,830	43,807
- Expenses	3	-	-	95,879	32,576
		-	-	3,951	11,231
Revenue from other ordinary activities	7	10,308	3,206	28,486	9,470
Employee benefits expense		(8,105)	(4,013)	(11,964)	(5,514)
Depreciation and amortisation expenses	8(a)	(392)	(172)	(5,672)	(2,803)
Net (loss) profit from sale of assets	8(a)	(33)	(3)	(60)	3
Bad and doubtful debts expense	8(a)	(24)	-	(710)	(257)
Investment management expenses		(770)	(432)	(770)	(432)
Miners pension expense	8(a)	(2,495)	(1,471)	(2,495)	(1,471)
Mines rescue materials expenses		-	-	(588)	(553)
Repairs and maintenance expenses		(139)	(47)	(336)	(267)
Consultants and contractors		(748)	(151)	(1,597)	(652)
Medical related expenses		(381)	(134)	(381)	(134)
Other expenses from ordinary activities		(2,391)	(1,005)	(5,247)	(1,700)
Reduction in indemnity to controlled entity		7,424	1,085	-	-
Profit (loss) from ordinary activities before income tax		2,254	(3,137)	2,617	6,921
Income tax expense (credit)	9	2,254	(3,137)	1,423	(7,302)
Profit from ordinary activities after income tax		-	-	1,194	14,223
Net profit		-	-	1,194	14,223
Net increase in asset revaluation reserve (recognised directly in equity)				710	
Total changes in equity other than those resulting from transactions with owners as owners	30	-	-	1,904	14,223

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

FINANCIAL

Statement of Financial Position

as at June 30 2003

	Note	Parent entity		Consolidated	
		30 June 2003 \$'000	30 June 2002 \$'000	30 June 2003 \$'000	30 June 2002 \$'000
Current assets					
Cash assets	10	36,711	18,924	38,057	21,263
Receivables	11	2,681	7,897	12,239	14,990
Investments	12	175,740	175,198	175,740	175,198
Inventories	13	-	-	176	130
Other	14	241	119	538	244
Total current assets		215,373	202,138	226,750	211,825
Non-current assets					
Receivables	15	-	-	1,362	1,274
Investments	16	118,186	116,120	118,096	116,030
Property, plant and equipment	17	1,469	1,355	12,513	12,125
Deferred tax assets	18	3,961	5,414	9,954	10,529
Intangible assets	19	-	-	17,097	21,962
Other	20	-	264	-	264
Total non-current assets		123,616	123,153	159,022	162,184
Total assets		338,989	325,291	385,772	374,009
Current liabilities					
Payables	21	25,936	2,079	2,694	4,392
Current tax liabilities	22	-	2,277	-	2,539
Provisions	23	3,732	4,247	76,915	78,360
Other	24	428	413	1,010	689
Total current liabilities		30,096	9,016	80,619	85,980
Non-current liabilities					
Provisions	25	308,893	316,275	289,037	273,817
Total non-current liabilities		308,893	316,275	289,037	273,817
Total liabilities		338,989	325,291	369,656	359,797
Net assets		-	-	16,116	14,212
Equity					
Contributed equity	28	~	~	~	~
Reserves	29(a)	-	-	710	-
Retained profits	29(b)	-	-	15,406	14,212
Total equity		-	-	16,116	14,212

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

FINANCIAL

Statement of Cash Flows

for the year ended 30 June 2003

Note	Parent entity		Consolidated	
	12 mths ended	6 mths ended	12 mths ended	6 mths ended
	30 June 2003	30 June 2002	30 June 2003	30 June 2002
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
<i>Underwriting operations</i>				
Premiums received (inclusive of goods and services tax)	111,606	45,170	111,422	45,097
Outwards reinsurance paid	(651)	(132)	(650)	(132)
Claims paid	(80,631)	(36,450)	(80,141)	(36,215)
Other Underwriting expenses paid	(1,038)	(408)	(1,054)	(408)
<i>Other operations</i>				
Rentals received	8,235	3,918	8,235	3,918
Interest received	5,127	2,275	5,205	2,328
Dividends & distributions received	7,135	4,279	7,135	4,279
Other investment income	2	-	2	-
Joint Coal Board Health and Safety Trust	2	23	2	23
Mines rescue industry contributions received	-	-	2,865	3,122
Other revenue	2,514	1,283	8,115	2,147
Interest paid	-	-	-	-
Miners' pension fund payments	(3,399)	(2,566)	(3,399)	(2,566)
Cash balance transferred from Mines Rescue Board on 1 January 2002	-	-	-	2,628
Income taxes paid	(3,281)	-	(3,795)	-
Other operating payments	(24,658)	(10,378)	(33,967)	(14,601)
Net cash inflow from operating activities	38	20,963	19,975	9,620
Cash flows from investing activities				
Cash balance received from Joint Coal Board on 1 January 2002	-	16,418	(75)	16,418
Proceeds from sale of fixed interest securities	-	35	-	35
Proceeds from maturity of fixed interest securities	238	-	238	-
Proceeds from sale of property	-	94	-	94
Proceeds from sale of shares	49,846	6,687	49,846	6,687
Proceeds from sale of plant and equipment	904	152	1,563	176
Payments for fixed interest securities	(89)	(42)	(89)	(42)
Payments for property	(228)	(420)	(228)	(420)
Payments for shares	(52,621)	(10,404)	(52,621)	(10,404)
Payments for plant and equipment	(1,495)	(342)	(2,084)	(633)
Net cash (outflow) inflow from investing activities		(3,445)	12,178	(3,450)
Cash flows from financing activities				
Proceeds from issue of shares	-	~	-	~
Net cash inflow from financing activities		-	-	~
Net increase in cash held		17,518	16,525	21,531
Cash at the beginning of the reporting period		19,193	21,532	1
Cash at the end of the reporting period	10	36,711	38,057	21,532

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

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Notes to the Financial Statements

as at 30 June 2003

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) Prior year inherent uncertainty

At 30 June 2002, the economic entity was awaiting the outcome of an application for a private binding ruling lodged with the Commissioner of Taxation, which required clarification of the income tax implications arising from its formation and the transfer of assets and liabilities from the former Joint Coal Board and Mines Rescue Board to companies within the group at 1 January 2002.

Rulings have now been received from the Commissioner of Taxation which confirm that there will be no income tax liability to the economic entity arising from the vesting process, and there is no longer an inherent uncertainty concerning the financial position of the economic entity.

(b) Going concern

As at 30 June 2003 the consolidated entity has net assets of \$16.1 million, and a net tangible asset deficiency of \$1.0 million. Therefore it appears that there is 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.

Note 1. Summary of significant accounting policies - 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), claims incurred but not enough reported (IBNER), 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 the risk free rate. 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.

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Note 1. Summary of significant accounting policies - continued

(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.

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% - 30% per annum
- Motor vehicles 15% 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, in respect of employees' services up to the reporting date, are recognised and measured at the reporting date, as the amounts expected to be paid when the liabilities are settled.

A liability for sick leave is recognised and measured for certain employees of Mines Rescue Pty Limited at the reporting date as the amounts expected to be paid when the liability is settled. Sick leave vests under clause 12 of the New South Wales Coal Mining Industry (Permanent Mine Rescue Corp) Award.

Note 1. Summary of significant accounting policies - continued

(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 4.75%.

(iii) Superannuation

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

A liability or an asset in respect of defined benefit superannuation is recognised in the provision for employee benefits, 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 in which employees of the consolidated entity participate are included at Note 27.

(iv) Employee benefit on-costs

Employee benefit on-costs are recognised and included in employee benefit provisions when the employee benefits to which they relate are recognised as liabilities.

(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

Comparative figures are for the six months ending 30 June 2002, which was the first period of trading for the consolidated entity.

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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

12 months ended 30 June 2003	Workers compensation insurance	Mines rescue services	Occupational health and rehabilitation services	Other	Inter-segment eliminations/ unallocated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	99,830	7,684	1,761	273		109,548
Intersegment revenue	167	3	541	5,465	(6,177)	-
Total operating revenue	99,997	7,687	2,302	5,738	(6,177)	109,548
Other revenue	15,598	876		2,267		18,741
Total segment revenue	115,595	8,563	2,302	8,006	(6,177)	128,289
Expenditure	(109,725)	(9,190)	(4,453)	(11,025)	8,721	(125,672)
Profit (loss) from ordinary activities before income tax expense	5,870	(627)	(2,151)	(3,020)	2,544	2,617
Income tax expense (unallocated)						1,423
Profit from ordinary activities after income tax expense						1,194
Net profit						1,194
Segment assets	323,610	15,584	-	334,825	(298,492)	375,527
Total assets						375,527
Segment liabilities	(341,688)	(4,373)	-	(338,990)	315,483	(369,568)
Total liabilities						(369,568)
Acquisitions of property, plant and equipment, intangibles and other non-current segment asset	-	664	-	-	1,373	2,037
Depreciation and amortisation expense	-	(404)	-	-	(5,273)	(5,677)
Other non-cash expenses	(258)	(156)	-	-	(58)	(472)
Net cash inflow (outflow) from operating activities	(11)	(989)	-	-	20,975	19,975

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Note 2. Segment Information - continued

6 months ended 30 June 2002	<i>Workers compensation insurance</i>	<i>Mines rescue services</i>	<i>Occupational health and rehabilitation services</i>	<i>Other</i>	<i>Inter-segment eliminations/ unallocated</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
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 (credit) (unallocated)						(7,302)
Profit 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.

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	Notes	Parent entity		Consolidated	
		12 mths ended	6 mths ended	12 mths ended	6 mths ended
		30 June 2003	30 June 2002	30 June 2003	30 June 2002
		\$'000	\$'000	\$'000	\$'000
Note 3. Underwriting Result					
(a) Underwriting revenues					
Gross earned premiums	4	-	-	99,015	43,623
Reinsurance and other recoveries revenue	5	-	-	815	184
		-	-	99,830	43,807
All underwriting revenues relate to operating activities					
(b) Underwriting expenses					
Gross claims expense	5	-	-	94,297	32,033
Outwards reinsurance premium expense	4	-	-	504	107
Other underwriting expenses		-	-	1,078	436
		-	-	95,879	32,576
(c) Underwriting result					
Net earned premiums	4	-	-	98,511	43,516
Net incurred claims	5	-	-	(93,482)	(31,849)
Other underwriting expenses		-	-	(1,078)	(436)
		-	-	3,951	11,231

Note 4. Net earned premiums

Gross written premiums	-	-	99,148	43,758
Movement in unearned premiums	-	-	(133)	(135)
Gross earned premiums	-	-	99,015	43,623
Outwards reinsurance premium expense	-	-	504	107
Net earned premiums	-	-	98,511	43,516

Note 5. Net incurred claims

Claims expense					
Direct					
- Claims paid (including indirect settlement costs)		-	-	80,252	36,092
- Movement in provision for claims outstanding		-	-	(12,883)	(5,847)
Discount		-	-	26,928	1,788
		-	-	94,297	32,033
Reinsurance and other recoveries					
Other recoveries		-	-	815	184
		-	-	815	184
Net incurred claims		-	-	93,482	31,849

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
12 months ended 30 June 2003			
Gross claims incurred and related expenses			
Undiscounted			
- Claims paid	6,418	73,834	80,252
- Movement in provision for claims outstanding	71,240	(84,123)	(12,883)
Discount	(7,178)	34,106	26,928
	70,480	23,817	94,297
Reinsurance and other recoveries			
Undiscounted			
	-	815	815
	-	815	815
Net incurred claims	70,480	23,002	93,482

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	Current period \$'000	Prior periods \$'000	Total \$'000
Note 5. Net incurred claims - continued			
6 months ended 30 June 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
	25,605	6,428	32,033
Reinsurance and other recoveries			
Undiscounted	-	184	184
	-	184	184
Net incurred claims	25,605	6,244	31,849

Notes	Parent entity		Consolidated	
	12 mths ended 30 June 2003 \$'000	6 mths ended 30 June 2002 \$'000	12 mths ended 30 June 2003 \$'000	6 mths ended 30 June 2002 \$'000

Note 6. Outstanding claims

(a) Undiscounted expected future claim payments					
Central estimate	(d)	-	-	348,176	390,867
Prudential margin		-	-	42,598	11,990
Indirect claims settlement costs		-	-	14,199	15,000
		-	-	404,973	417,857
Discount to present value	(d)	-	-	(64,187)	(91,115)
Liability for outstanding claims		-	-	340,786	326,742
Current		-	-	71,044	72,090
Non-current		-	-	269,742	254,652
		-	-	340,786	326,742

(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	-	-	4.00%	3.50%
Inflation rate - superimposed	-	-	2.00%	1.50%
Discount rate	-	-	4.75%	6.50%
For the subsequent years				
Inflation rate - normal	-	-	4.00%	3.50%
Inflation rate - superimposed	-	-	2.00%	1.50%
Discount rate	-	-	4.75%	6.50%

(c) The weighted average expected term to settlement of the outstanding claims from the balance date is estimated to be 4.8 years (2002: 4.7 years).

(d) The prudential margin has been set at a level of 15% (2002: 4%) of the discounted central estimate.

Note 7. Other revenue

Revenue from other operating activities				
Net investment income - refer Note 8 (b)	2,267	(553)	17,932	(7,191)
Contributions from colliery proprietors	-	-	3,005	2,462
Training and services revenue	-	-	4,679	2,198
Occupational health and rehabilitation services	2,255	1,065	1,713	792
Other	324	141	321	141
	4,846	653	27,650	(1,598)
Revenue from outside the operating activities				
Costs recovered from controlled entity	5,462	2,553	-	-
Revenue from transfer of business	-	-	-	10,984
Other	-	-	836	84
	5,462	2,553	836	11,068
Revenue from other ordinary activities	10,308	3,206	28,486	9,470

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	Parent entity		Consolidated	
	12 mths ended	6 mths ended	12 mths ended	6 mths ended
	30 June 2003	30 June 2002	30 June 2003	30 June 2002
	\$'000	\$'000	\$'000	\$'000

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

Property, plant and equipment	(33)	(3)	(60)	3
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Expenses

Depreciation of plant and equipment	(392)	(172)	(792)	(363)
Amortisation of goodwill	-	-	(4,880)	(2,440)
Bad and doubtful debts	(24)	-	(710)	(257)
Employee entitlements provisions	(823)	(363)	(823)	(103)
Rental expense relating to operating leases	(323)	(136)	(323)	(136)
Miners' pensions expense under indemnity	(2,495)	(1,471)	(2,495)	(1,471)

(b) Net investment income

Revenues

Dividends	1,653	622	1,653	622
Equity and Property trust distributions	4,423	3,668	4,423	3,668
Fixed Interest trust distributions	4,533	1,811	4,533	1,811
Interest - short term investments	1,368	459	1,440	512
Interest - long term investments	3,752	1,887	3,752	1,887
Rental income	7,594	3,734	7,594	3,734
Unrealised gains on investments:				
Fixed interest investments	1,369	-	1,369	-
Property	5,719	121	5,719	121
Property trust units	450	160	450	160
Realised profits:				
Property	-	~	-	~
Property trust units	126	-	126	-
Other investment income	16	8	16	8
	31,003	12,470	31,075	12,523

Expenses

Unrealised losses on investments:

Fixed interest investments	-	(1,446)	-	(1,446)
Australian listed shares and equity trust units	(6,856)	(16,819)	(6,856)	(16,819)

Realised losses:

Fixed interest investments	(6)	(6)	(6)	(6)
Australian listed shares and equity trust units	(4,007)	(236)	(4,007)	(236)

Investment property operating and management expenses

	(2,274)	(1,207)	(2,274)	(1,207)
	(13,143)	(19,714)	(13,143)	(19,714)

Net investment income before allocation

	17,860	(7,244)	17,932	(7,191)
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Income allocated to controlled entity

	(15,593)	6,691	-	-
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Net investment income

	2,267	(553)	17,932	(7,191)
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	Parent entity		Consolidated	
	12 mths ended	6 mths ended	12 mths ended	6 mths ended
	30 June 2003	30 June 2002	30 June 2003	30 June 2002

\$'000 \$'000 \$'000 \$'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	2,254	(3,137)	2,617	6,921
Income tax calculated at 30%	676	(941)	785	2,076
Tax effect of permanent differences:				
Net assets and liabilities assumed by controlled entities	-	-	1,464	(9,883)
Reduction in indemnity to controlled entity	(2,227)	(326)	-	(326)
Miners pension expense	748	441	748	441
Income allocated to controlled entity	4,565	(2,007)	-	-
Other permanent differences	130	(304)	166	(242)
Income tax losses not brought to account	-	-	-	632
Under provision in previous year	(67)	-	(169)	-
Tax credits	(1,571)	-	(1,571)	-
Income tax adjustments for permanent differences	1,578	(2,196)	638	(9,378)
Income tax expense (credit)	2,254	(3,137)	1,423	(7,302)
Aggregate income tax expense comprises:				
Current taxation provision	691	2,277	737	2,539
Under provision in prior year	110	-	110	-
Future income tax benefit - timing differences	1,453	(5,414)	1,310	(9,841)
Future income tax benefit - tax losses	-	-	(734)	-
	2,254	(3,137)	1,423	(7,302)

(b) 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 2003 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:

- (i) 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
- (ii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

Note 10. Current assets - Cash assets

Cash at bank and on hand	21,191	18,271	21,321	20,610
Short term deposits	15,520	653	16,736	653
	36,711	18,924	38,057	21,263

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	36,711	18,924	38,057	21,263
Add: Deposit with investment managers (Note 12)	-	269	-	269
Balances per statement of cash flows	36,711	19,193	38,057	21,532

Bank overdraft

The parent entity has a bank overdraft facility of \$600,000 which was unused as at 30 June 2003.

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	Parent entity		Consolidated	
	12 mths ended 30 June 2003 \$'000	6 mths ended 30 June 2002 \$'000	12 mths ended 30 June 2003 \$'000	6 mths ended 30 June 2002 \$'000
Note 11. Current Assets - Receivables				
Trade debtors	437	498	3,130	4,051
Less: provision for doubtful debts	33	14	1,165	901
	404	484	1,965	3,150
Accrued income				
Premiums	-	-	7,782	9,717
Interest	1,347	1,317	1,347	1,317
Dividends/distributions	551	473	551	473
Occupational health and rehabilitation	79	87	79	87
Other debtors	286	245	515	246
Coal Mines Insurance Pty Limited	-	5,281	-	-
Mines Rescue Pty Limited	14	10	-	-
	2,681	7,897	12,239	14,990
Note 12. Current assets - Investments				
Australian bond trust units	50,245	48,075	50,245	48,075
Australian listed shares	-	38,563	-	38,563
Australian equity trust units	89,128	53,614	89,128	53,614
Overseas equity trust units	19,793	22,765	19,793	22,765
Property trust units	11,557	11,673	11,557	11,673
Deposit with investment managers	-	269	-	269
Mortgage bonds	-	239	-	239
Corporate Securities	5,017	-	5,017	-
	175,740	175,198	175,740	175,198
Note 13. Current assets - Inventories				
Goods held for resale	-	-	176	130
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.				
Note 14. Current assets - Other				
Deposit paid	~	~	40	40
Prepayments	241	119	498	204
	241	119	538	244
Note 15. Non-current assets - Receivables				
Receivable from statutory corporation (refer note 27)	-	-	1,362	1,274
Note 16. Non-current assets - Investments				
Semi-government stock	32,308	31,361	32,308	31,361
Commonwealth bonds	11,033	10,895	11,033	10,895
Corporate Securities	5,126	10,087	5,126	10,087
Equity Loan	1,010	1,015	1,010	1,015
Property	68,619	62,672	68,619	62,672
Shares in associated entity - at cost	~	~	-	-
Shares in controlled entities - at cost	90	90	-	-
	118,186	116,120	118,096	116,030

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	Parent entity		Consolidated	
	12 mths ended	6 mths ended	12 mths ended	6 mths ended
	30 June 2003	30 June 2002	30 June 2003	30 June 2002
	\$'000	\$'000	\$'000	\$'000

Note 17. Non-current assets - property, plant and equipment

Land and buildings at independent valuation	-	-	9,410	9,227
Office improvements at cost	299	300	299	300
Less: accumulated depreciation	219	216	219	216
	80	84	80	84
Computer equipment at cost	1,154	1,111	1,154	1,111
Less: accumulated depreciation	736	710	736	710
	418	401	418	401
Motor vehicles at cost	779	715	1,481	1,605
Less: accumulated depreciation	58	109	187	439
	721	606	1,294	1,166
Plant and equipment at cost	938	1,337	2,242	3,913
Less: accumulated depreciation	688	1,073	931	2,666
	250	264	1,311	1,247
	1,469	1,355	12,513	12,125

Valuations 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. One property was revalued during the year based upon an independent assessment by a member of the Australian Property Institute. All other 2003 revaluations were made by the directors.

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.

Consolidated	Land and Buildings \$'000	Office Improvements \$'000	Computer Equipment \$'000	Motor Vehicles \$'000	Plant and Equipment \$'000	Total \$'000
Carrying amount at 1 July 2002	9,227	84	401	1,166	1,247	12,125
Additions	12	25	195	1,448	337	2,017
Disposals	(407)	0	(14)	(1,101)	(24)	(1,546)
Revaluation increment (note 29(a))	711					711
Depreciation/amortisation expense	(133)	(29)	(164)	(219)	(249)	(794)
Carrying amount at 30 June 2003	9,410	80	418	1,294	1,311	12,513

Parent entity	Office Improvements \$'000	Computer Equipment \$'000	Motor Vehicles \$'000	Plant and Equipment \$'000	Total \$'000
Carrying amount at 1 July 2002	84	401	606	264	1,355
Additions	25	195	1,077	76	1,373
Disposals	0	(14)	(833)	(19)	(866)
Depreciation/amortisation expense	(29)	(164)	(129)	(71)	(393)
Carrying amount at 30 June 2003	80	418	721	250	1,469

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	Parent entity		Consolidated	
	12 mths ended 30 June 2003 \$'000	6 mths ended 30 June 2002 \$'000	12 mths ended 30 June 2003 \$'000	6 mths ended 30 June 2002 \$'000
Note 18. Non-current assets - deferred tax assets				
Future income tax benefit - timing differences	3,961	5,414	9,219	10,529
Future income tax benefit - tax losses	-	-	735	-
	<u>3,961</u>	<u>5,414</u>	<u>9,954</u>	<u>10,529</u>
Note 19. Non-current assets - Intangible assets				
(a) Goodwill at cost	-	-	20	-
Less: accumulated amortisation	-	-	4	-
	<u>-</u>	<u>-</u>	<u>16</u>	<u>-</u>
(b) Goodwill on consolidation	-	-	24,402	24,402
Less: accumulated amortisation	-	-	7,321	2,440
	<u>-</u>	<u>-</u>	<u>17,081</u>	<u>21,962</u>
	<u>-</u>	<u>-</u>	<u>17,097</u>	<u>21,962</u>
<p>(a) During the period, the subsidiary company Mines Rescue Pty Limited, purchased a diesel testing facility from BHP Steel. The excess of the purchase price over the fair value of the identifiable net assets acquired, has been brought to account as goodwill. This goodwill is being amortised on a straight line basis over 5 years from the purchase date, being the period during which the benefits are expected to arise.</p> <p>(b) 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. This 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.</p>				
Note 20. Non-current assets - Other				
Prepayments - superannuation	-	264	-	264
Note 21. Current liabilities - Payables				
Trade and other creditors	440	954	979	1,402
Net GST payable to ATO	754	662	754	662
Accrued expenses	469	348	961	2,328
Coal Mines Insurance Pty Limited	24,273	115	-	-
	<u>25,936</u>	<u>2,079</u>	<u>2,694</u>	<u>4,392</u>
Note 22. Current liabilities - Current tax liabilities				
Income tax	-	2,277	-	2,539
	<u>-</u>	<u>2,277</u>	<u>-</u>	<u>2,539</u>
Note 23. Current liabilities - Provisions				
Outstanding claims	-	-	71,044	72,090
Miners' pension fund - indemnity	3,200	3,500	3,200	3,500
Employee entitlements	532	747	2,671	2,770
	<u>3,732</u>	<u>4,247</u>	<u>76,915</u>	<u>78,360</u>
Note 24. Current liabilities - Other				
Unearned premiums	-	-	449	134
Claims recovery received in advance	-	-	133	142
Income received in advance	328	317	328	317
Rental bonds received	100	96	100	96
	<u>428</u>	<u>413</u>	<u>1,010</u>	<u>689</u>
Note 25. Non-current liabilities - Provisions				
Outstanding claims	-	-	269,742	254,652
Coal Mines Insurance - indemnity	291,187	298,612	-	-
Miners' pension fund - indemnity	16,009	16,613	16,009	16,613
Employee entitlements	1,697	1,050	3,286	2,552
	<u>308,893</u>	<u>316,275</u>	<u>289,037</u>	<u>273,817</u>

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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 2003 was \$19,209,191.

	Parent entity		Consolidated	
	12 mths ended 30 June 2003 \$'000	6 mths ended 30 June 2002 \$'000	12 mths ended 30 June 2003 \$'000	6 mths ended 30 June 2002 \$'000
(a) Expected future pension payments (undiscounted)	25,647	29,404	25,647	29,404
Discount to present value	(6,438)	(9,291)	(6,438)	(9,291)
Liability for future pension payments	19,209	20,113	19,209	20,113
Current	3,200	3,500	3,200	3,500
Non-Current	16,009	16,613	16,009	16,613
	19,209	20,113	19,209	20,113

(b) The following average inflation rates and discount rates were used in the measurement of the Miners' Pension Fund liability:

	Parent entity		Consolidated	
	12 mths ended 30 June 2003 %	6 mths ended 30 June 2002 %	12 mths ended 30 June 2003 %	6 mths ended 30 June 2002 %
For the succeeding year				
Inflation rate	3.00%	3.00%	3.00%	3.00%
Discount rate	4.75%	6.50%	4.75%	6.50%
For subsequent years				
Inflation rate	3.00%	3.00%	3.00%	3.00%
Discount rate	4.75%	6.50%	4.75%	6.50%

(c) The weighted average expected term to settlement of future pension payments from the balance date is estimated to be 5.4 years (2002: 5.1 years).

(d) Miners' pensions expense under indemnity:

	Parent entity		Consolidated	
	12 mths ended 30 June 2003 \$'000	6 mths ended 30 June 2002 \$'000	12 mths ended 30 June 2003 \$'000	6 mths ended 30 June 2002 \$'000
Pension payments	3,399	1,835	3,399	1,835
Movement in provision	(904)	(364)	(904)	(364)
	2,495	1,471	2,495	1,471

Note 27. Employee entitlements

Employee entitlement liabilities

Long service leave entitlements

Current	36	75	36	75
Non-current	1,214	1,050	1,214	1,050
	1,250	1,125	1,250	1,125

Coal Industry Long Service Leave

Current deficiency	-	-	44	44
Non-current deficiency	-	-	44	44
Non-current liability	-	-	1,545	1,457
	-	-	1,633	1,545

Annual leave entitlements

Current	300	672	844	1,204
Non-current	483	-	483	-
	783	672	1,327	1,204

Sick leave entitlements

Current	-	-	1,551	1,447
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Superannuation entitlements

Current	196	-	196	-
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Total employee entitlements

Current	532	747	2,671	2,770
Non-current	1,697	1,050	3,286	2,551
	2,229	1,797	5,957	5,321

Employee numbers

	Number	Number	Number	Number
Number of employees at end of period	110	114	143	147

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Note 27. Employee entitlements - continued

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 leave payments are made, seeks reimbursement of those payments from the fund.

The obligation for long service leave entitlements rests with the employer 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 2006.

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 Shale Workers 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 \$914 591 (2002: \$240 334). This amount includes \$379 414 (2002: \$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.

The provision for superannuation liability at 30 June 2003 is shown above. Prepaid superannuation contributions to the EISS defined benefit and retirement schemes at 30 June 2002 are shown as an asset at Note 20.

Notes	Parent entity		Parent entity	
	12 mths ended 30 June 2003	6 mths ended 30 June 2002	12 mths ended 30 June 2003	6 mths ended 30 June 2002
	Shares	Shares	\$	\$

Note 28. Contributed equity

(a) Share capital

Ordinary shares - fully paid	(b)	2	2	2	2
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(b) 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.

	Parent entity		Consolidated	
	12 mths ended	6 mths ended	12 mths ended	6 mths ended
	30 June 2003	30 June 2002	30 June 2003	30 June 2002
	\$'000	\$'000	\$'000	\$'000

Note 29. Reserves and retained profits

(a) Reserves

Asset revaluation reserve	-	-	710	-
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Movements:

Increment on revaluation of freehold land and buildings	-	-	710	-
Balance at end of period	-	-	710	-

(b) Retained profits

Retained profits/accumulated losses at beginning of period	-	-	14,212	(11)
Net profit	-	-	1,194	14,223
Retained profits at the end of period	-	-	15,406	14,212

(c) Nature and purpose of reserves

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in note 1(j).

Note 30. Change in equity

Total changes in equity recognised in the statement of financial performance	-	-	1,904	14,223
Transactions with owners as owners:				
Contributions of equity	-	~	-	~
Total change in equity during the year	-	~	1,904	14,223

Note 31. Remuneration of auditors

Remuneration for audit of the financial reports of the company:

	Parent entity		Consolidated	
	12 mths ended	6 mths ended	12 mths ended	6 mths ended
	30 June 2003	30 June 2002	30 June 2003	30 June 2002
	\$	\$	\$	\$
Auditor of the company - PricewaterhouseCoopers Australian firm	11,200	10,000	111,200	97,500

Remuneration for other services:

Auditor of the company - PricewaterhouseCoopers Australian firm	49,700	17,000	49,700	17,000
	60,900	27,000	160,900	114,500

Directors of Parent entity

Directors of entities in the consolidated entity

	Parent entity		Consolidated	
	12 mths ended	6 mths ended	12 mths ended	6 mths ended
	30 June 2003	30 June 2002	30 June 2003	30 June 2002
	\$	\$	\$	\$

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

	783,787	387,410	783,787	387,410
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The number of parent entity directors whose total income from the parent entity or related parties was within the specified bands are as follows:

	Number	Number	Number	Number
Remuneration between:				
\$10 000 and \$19 999	-	1	-	1
\$20 000 and \$29 999	-	4	-	4
\$40 000 and \$49 999	2	-	2	-
\$50 000 and \$59 999	3	-	3	-
\$110 000 and \$119 999	-	1	-	1
\$150 000 and \$159 999	-	1	-	1
\$230 000 and \$239 999	1	-	1	-
\$290 000 and \$299 999	1	-	1	-

Directors' remuneration excludes insurance premiums of \$ 61 304 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.

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Note 33. Related parties - continued

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 33. There were no retirement benefits paid in the period.

Transactions with directors and director-related entities

The following directors are trustees of the Joint Coal Board Health & Safety Trust: Mr U Cario, Mr I L Farrar, Mr R P Land, and Mr J Tucker. During the year 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 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 year 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.

A director, Mr R P Land, ceased to be a director and Chairman of Coalsuper Services Pty Ltd on 31 March 2003. A director, Mr R Taylor, was appointed General Manager and Secretary of Coalsuper Services Pty Ltd on 5 February 2003. During the year, 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, ceased to be a director and Chairman of Coalsuper Pty Ltd on 31 March 2003. A director, Mr R Taylor, was appointed Secretary of Coalsuper Pty Ltd on 5 February 2003. 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 27.

A director, Mr R Taylor, is the Secretary of the Coal Mining Industry (Long Service Leave Funding) Corporation. During the year, Mines Rescue Pty Limited made levy payments to the Long Service Leave fund on behalf of its eligible employees. All transactions were conducted under normal terms and conditions.

A director, Mr A Maher, is the General President, Mining and Energy Division, Construction Forestry Mining and Energy Union. During the year 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 year 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		Consolidated	
	12 mths ended 30 June 2003	6 mths ended 30 June 2002	12 mths ended 30 June 2003	6 mths ended 30 June 2002
	\$	\$	\$	\$
Workers compensation insurance premium income	-	-	3,735,273	3,725,316
Investment property rental income	129,558	63,772	129,558	63,772
Mine owners levy income	-	-	70,678	57,103
Membership and professional services fees	-	-	(7,370)	(5,115)
Long service leave levy payments	-	-	(91,564)	(45,967)

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 year ended 30 June 2003 consisted of:

- rehabilitation services provided by the parent entity to Coal Mines Insurance Pty Limited
- occupational health assessments and statistical services provided by the parent entity to Mines Rescue Pty Limited
- claims management services provided by the parent entity to Coal Mines Insurance Pty Limited
- workers compensation insurance services provided by Coal Mines Insurance Pty Limited to the parent entity
- induction training and equipment services provided by Mines Rescue Pty Limited to the parent entity

Parent Entity	
12 mths ended 30 June 2003	6 mths ended 30 June 2002
\$	\$

Note 33. Related parties - continued

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	490,201	242,144
Occupational health assessments/statistics income	54,526	30,132
Claims management services/administration costs (recoverable)	5,461,532	2,552,584
Workers compensation insurance services	(35,367)	-
Induction training/equipment services	(3,166)	-

Aggregate amounts receivable from (payable to) entities in the wholly-owned group at balance date:

Current receivables	13,371	5,290,239
Current payables	(24,273,084)	(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 2003 the amount outstanding on the loan was \$1,010,000. During the period, the company received \$75,750 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	Parent entity	
			Equity holding	Cost
			%	\$
Coal Mines Insurance Pty Limited	Australia	Ordinary	100	90,090
Mines Rescue Pty Limited	Australia	Ordinary	100	2

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 2003 was \$291,187,439.

	Parent Entity	
	12 mths ended 30 June 2003	6 mths ended 30 June 2002
	\$'000	\$'000
Value of indemnity at beginning of year	298,612	299,697
Movement in period	(7,425)	(1,085)
Value of indemnity at end of year	291,187	298,612

Note 36. Contingent liabilities

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

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Parent entity		Consolidated	
12 mths ended 30 June 2003	6 mths ended 30 June 2002	12 mths ended 30 June 2003	6 mths ended 30 June 2002
\$'000	\$'000	\$'000	\$'000

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	38	-	38	21
	38	-	38	21

Lease commitments

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

Within one year	430	347	469	366
Later than one year but not later than 5 years	347	379	430	394
	777	726	899	760

Representing:

Cancellable operating leases	412	-	534	22
Non-cancellable operating leases	365	726	365	738
	777	726	899	760

Operating leases

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

Within one year	337	347	337	359
Later than one year but not later than 5 years	28	379	28	379
Commitments not recognised in the financial statements	365	726	365	738

Parent entity		Consolidated	
12 mths ended 30 June 2003	6 mths ended 30 June 2002	12 mths ended 30 June 2003	6 mths ended 30 June 2002
\$'000	\$'000	\$'000	\$'000

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	-	-	1,194	14,223
Depreciation and amortisation	393	172	5,678	2,786
Losses on realisation of investments	3,887	242	3,887	242
Unrealised (profits) losses on investments	(682)	17,984	(682)	17,984
Net loss on disposal of plant and equipment	33	3	55	13
Increase in provision for doubtful debts	19	~	195	239
Bad debt written off	6	~	221	17
Transfer of business	-	-	-	(8,356)
Decrease in trade debtors	55	131	1,009	306
(Increase) decrease in inventories	-	-	(46)	10
Decrease (increase) in other receivables	78	(78)	(3,723)	(9,997)
Decrease (increase) in accrued income	1,793	(7,179)	1,793	(118)
Decrease in prepayments and deposits	141	622	66	811
Decrease (increase) in future tax benefits	1,453	(5,414)	1,190	(9,841)
(Decrease) increase in trade creditors	(132)	(505)	(1,202)	7,112
Increase in accrued expenses	24,280	151	111	36
Increase (decrease) in other operating liabilities	15	36	15	(512)
Increase (decrease) in claims provision	-	-	14,044	(4,173)
(Decrease) increase in taxation provision	(2,480)	2,277	(3,562)	604
Decrease in other provisions	(7,896)	(1,428)	(268)	(1,766)
Net cash inflow from operating activities	20,963	7,014	19,975	9,620

FINANCIAL

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 at cost.	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 2003.
Shares in listed companies	These shares are carried at market value. Movements in these values are recognised in accordance with AASB1023 '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 AASB1023 '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 AASB1023 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 - Miners' superannuation pension fund	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.

FINANCIAL

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 2003	Fixed interest maturing in:					Total	Weighted average effective interest rate
	Floating Interest Rate	1 year or less	Over 1 to 5 years	More than 5 years	Non Interest Bearing		
	\$	\$	\$	\$	\$		
Financial Assets							
Cash at Bank/Deposits at Call	21,321					21,321	4.59
Short Term Deposits		16,736				16,736	4.75
Receivables					13,602	13,602	n/a
Equity Loan			1,010			1,010	7.50
Government Securities			38,075	5,266		43,341	4.65
Corporate Securities		5,016	5,126			10,142	4.75
Units in Property Trusts					11,557	11,557	n/a
Managed Funds					159,166	159,166	n/a
	21,321	21,752	44,211	5,266	184,324	276,874	
Financial Liabilities							
Creditors					2,694	2,694	n/a
Indemnity					19,209	19,209	n/a
					21,903	21,903	
Net financial assets	21,321	21,752	44,211	5,266	162,422	254,972	

30 June 2003	Fixed interest maturing in:					Total	Weighted average effective interest rate
	Floating Interest Rate	1 year or less	Over 1 to 5 years	More than 5 years	Non Interest Bearing		
	\$	\$	\$	\$	\$		
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	20,879	1,907	36,507	15,836	166,448	241,577	

FINANCIAL

Note 39. Financial instruments - continued

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 2003	30 June 2002
	\$	\$
Net financial assets as shown above at b):	254,972	241,577
<i>Non-financial assets and liabilities:</i>		
Inventories	176	130
Investment property	68,619	62,672
Property, plant and equipment	12,513	12,125
Deferred tax assets	9,954	10,529
Intangible assets	17,097	21,962
Other assets	538	508
Tax liabilities	-	(2,539)
Provisions (excluding Miners' pension indemnity)	(346,743)	(332,063)
Other liabilities	(1,010)	(689)
Net assets as per statement of financial position	16,116	14,212

DIRECTOR'S

The directors declare that the financial statements and notes set out on pages 23 to 47:

- (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 2003 and of their performance, as represented by the results of their operations and their cash flows, for the financial year 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
23 October 2003

INDEPENDENT

PRICEWATERHOUSECOOPERS

Independent audit report to the members of Coal Services Pty Limited

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of Coal Services Pty Limited (the Company) for the financial year ended 30 June 2003 included on Coal Services Pty Limited web site. The Company's directors are responsible for the integrity of the Coal Services Pty Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Audit opinion

In our opinion, the financial report of Coal Services Pty Limited:

- gives 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 2003 and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Coal Services Pty Limited (the company) and the Coal Services Group (the consolidated entity), for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Independent Audit Report
Coal Services Pty Limited

PRICEWATERHOUSECOOPERS

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When this audit report is included in a document containing the directors' report, our procedures include reading the directors' report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.


RS Punia
Partner

Sydney
23 October 2003

Independent Audit Report
Coal Services Pty Limited

LOCATION

SYDNEY

Coal Services Pty Ltd
21/44 Market St Sydney NSW
GPO Box 3842 Sydney NSW 2001
Telephone: (02) 8270 3200
Facsimile: (02) 9262 6090

COAL MINES INSURANCE

21/44 Market St Sydney NSW
GPO Box 5319 Sydney NSW 2001
Telephone: (02) 8270 3200
Facsimile: (02) 9262 6090

SINGLETON

Coal Services Health
1 Civic Ave Singleton NSW
PO Box 317 Singleton NSW 2330
Telephone: (02) 6571 9900
Facsimile: (02) 6572 2667

COAL MINES INSURANCE

1 Civic Ave Singleton NSW
PO Box 566 Singleton NSW 2330
Telephone: (02) 6571 9999
Facsimile: (02) 6571 1258

HUNTER VALLEY MINES RESCUE STATION

6 Lachlan Avenue
Singleton Heights NSW 2330
Telephone: (02) 6573 1222
Facsimile: (02) 6573 2007

ARGENTON

Coal Services Health
Environmental Monitoring Service
533 Lake Road
Argenton NSW 2284
Telephone: (02) 4958 8930
Facsimile: (02) 4958 8932

MINES RESCUE PTY LIMITED

533 Lake Road
Argenton NSW 2284
PO Box 12, Boolaroo, 2284
Telephone: (02) 4958 2835
Facsimile: (02) 4958 6629

NEWCASTLE MINES RESCUE STATION

533 Lake Road
Argenton NSW 2284
PO Box 12, Boolaroo, 2284
Telephone: (02) 4958 1566
Facsimile: (02) 4958 3504

WARNERS BAY

Coal Services Health
472 The Esplanade Warners Bay NSW
PO Box 516 Warners Bay NSW 2282
Telephone: (02) 4948 3100
Facsimile: (02) 4948 9198

COAL MINES INSURANCE

472 The Esplanade Warners Bay NSW
PO Box 276 Warners Bay NSW 2282
Telephone: (02) 4948 3150
Facsimile: (02) 4948 6158

CORRIMAL

Coal Services Health
Princes Hwy Corrimal NSW
PO Box 42 Corrimal NSW 2518
Telephone: (02) 4286 5400
Facsimile: (02) 4285 4144

COAL MINES INSURANCE

Princes Highway Corrimal NSW
PO Box 212 Corrimal NSW 2518
Telephone: (02) 4286 5430
Facsimile: (02) 4283 7163

RUSSELL VALE

Southern Mines Rescue Station
653 Princes Highway
Russell Vale NSW 2517
PO Box 41, Corrimal, 2518
Telephone: (02) 4283 4133
Facsimile: (02) 4285 1397

NORTH WOLLONGONG

Coal Mines Technical Services
1/30 Ralph Black Drive
North Wollongong NSW 2550
Telephone: (02) 4229 7133
Facsimile: (02) 4229 3133

LITHGOW

Coal Services Health
52 Eskbank St Lithgow NSW
PO Box 72 Lithgow NSW 2790
Telephone: (02) 6351 2331
Facsimile: (02) 6352 3170

WESTERN MINES RESCUE STATION

Lithgow St & Pronto Ave
Lithgow NSW 2790
PO Box 338, Lithgow, 2790
Telephone: (02) 6353 1099
Facsimile: (02) 6352 3684

