Coal Services Pty Limited
ABN 98 099 078 234

Annual Report 2006–2007

Coal Services Pty Limited

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

Our Values

To act at all times with integrity, honesty and professionalism

Who We Are

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

Contents

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 Coal Services 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.

Year at a Glance

CSPL Group	$'000
Net earned premium	89,455
Net claims expenses	(55,074)
Underwriting profit	28,039
Gross investment incomes	78,077
Total operating expenses	(44,612)
Net profit after tax	44,725
Net outstanding claims	(342,384)
Net assets	132,16

Coal Mines Insurance

- 2,224 new claims were registered during 2006/2007
- 81% of all claims finalised during the year were resolved in the first 26 weeks
- Average scheme rate of 4.8% for 2006/2007
- The number of open active claims managed by CMI decreased by 22.3% from 1,707 to 1,326
- A revised claims structure and case management model was introduced focusing on early return to work

CS Health

- 25% increase in overall services provided during 2006/2007
- 35% increase of drug & alcohol testing across the industry
- 34% increase in occupational rehabilitation referrals during 2006/2007
- Environmental Monitoring Group introduced noise survey sampling

Mines Rescue

- Responded to emergency calls from 3 NSW underground coal mines during 2006/2007
- The total number of Brigadesmen increased by 11% to 417
- In-Seam Response Guidelines were developed by the Mines Rescue Working Group and implemented at Myuna Colliery
- 2nd generation of Virtual Reality training commenced at Newcastle Mines Rescue Station with the official opening by Premier Morris Iemma on 15 September 2006
- CMTS facility in Mackay was permanently manned during 2006/2007 providing gas detection services



Chairman's Report

I am pleased to report that 2006/2007 has been an outstanding year for Coal Services Pty Limited (CSPL) and its three divisions Coal Mines Insurance, Coal Services Health and Mines Rescue. The continuation of strong investment returns and a buoyant industry underpinned the concerted efforts of our staff in assisting CSPL achieving favourable outcomes in all of its divisions.

During the year CSPL continued its strong financial performance of recent years. The annual operating profit from all sources was $77.3 Million before tax. The Board of CSPL determined that it would allocate this revenue to improve the quality and scope of services provided by CSPL for the industry's employees and employers. Of particular note is the investment in the expansion of regional facilities at a cost of $60 Million enabling CSPL to provide world best practice in health, claims management, rescue and training services.

In September 2006, the Premier of N.S.W. The Hon. Morris Iemma, officially opened the Virtual Reality training facilities at the Newcastle Mines Rescue Station. CSPL has commenced construction of further facilities at Newcastle and has committed to constructing identical facilities at each of the Mines Rescue Stations at Wollongong, Singleton and Lithgow. All four Virtual Reality centres will be operational during 2008.

Within Coal Mines Insurance (CMI) the scheme performance continued to improve. This came about because of the improvement applied to the claims management process by CMI staff which led to a reduction in the number of open, or active claims, coupled with a reduction in the claim costs. This, together with strong investment returns enabled CSPL to reduce the targeted scheme rate from 5.5% in 2005/2006 to 4.96% in 2006/2007, whilst maintaining the fully funded status of the scheme. CMI's premium rates are equal to or better than all other insurance providers offering coverage in similar industries.

The project to identify best practice injury management practices at the state mining operations, funded by the Coal Services Health and Safety Trust, commenced. The results from this project are expected to be finalised in the 2007/2008 year. CSPL has provisioned $42.5 million as incentives to workers compensation policy holders who produce best practice injury prevention and injury management strategies to further encourage accident prevention.

Coal Services Health continued to deliver a wide range of quality accredited occupational health, rehabilitation and occupational hygiene services to the industry. There has been further investment made in resources for Coal Services Health to ensure that they deliver the best possible service to the industry. The number of services provided by this highly skilled group of professionals increased by 25% on the previous year to approximately 25,000 medicals, health assessments and environmental tests at our four regional centres once again proving the divisions critical importance to the industry and especially it's employees.

The Mines Rescue Service and the Coal Mines Technical Services group further cemented their position as world leaders in their respective fields during the reporting year. Induction and refresher training totalling 22,000 man days were conducted at Mines Rescue Stations at Newcastle, Singleton, Lithgow and Wollongong. N.S.W. Mines Rescue is without doubt the finest organisation of its type in the world.

Finally, in what has been an extremely busy and satisfying year, I wish to record my appreciation for the continued outstanding service provided by our Finance, IT and Statistics Departments who together with our central administration staff complete the diverse organisation that is CSPL Unreserved congratulations go to my fellow directors and especially the Managing Director and his team without whom the achievements of 2006/2007 would not have occurred.

Ron Land
Chairman

Managing Director's Report

As the Chairman has indicated, 2006/07 saw the continuation of the strong results for CSPL. The year saw CSPL reap the rewards from the commitment to continuous improvement, evident through release of liabilities for CMI, increased number of services proved by CS Health and the increased number of training man days provided by MRS.

The financial strength of the company continued to improve. This is attributed to a reduction in claims liabilities, strong investment returns, increased premium collections, through an increase in the number of workers within the industry, and further improvement in the claims management practices.

The strong returns from the investment portfolio, consistent with the past three years, further reduction in claims frequency and the number of active workers compensation claims in the insurance scheme continued to impact the outstanding insurance liabilities and premium rates. The actual premium rate for the year was 4.86%.

The team based structure for CMI and Coal Service Health, and the alignment of each business unit to five key performance indicators of customer service, profitability, continuous improvement, people development and communication, assisted in identifying further improvement opportunities and has played a significant part in the achievement of results.

In financial reporting requirements, the changes bought about by the Australian International Financial Reporting Standards (AIFRS) has had a significant impact on the structure of the CSPL finance function. This, coupled with a change in external auditors, KPMG replaced PricewaterhouseCoopers after 5 years of service, has resulted in stronger financial reports for all operations.

Within Coal Services Health we continued to grow. In the last year CS Health provided over 25, 500 services to the industry. Further investment has been made for the Lithgow, Corrimal, Singleton and Speers Point offices. CSPL will move to the new Speers Point and Woonona locations in the first half of next year. These facilities are first class for the provision of health services.

2006/07 saw a substantial commitment has been made to expand the Virtual Reality training systems for Mines Rescue. It is envisage that by the end of 2008 year Virtual Reality training centres will be operating at each Mines Rescue station.

Mines Rescue attend three emergencies at underground coal mines in the year and successfully withdrew technical support from the Newstand Colliery, where the Mine Shield Inertisation unit was deployed. The total number of Brigadesmen in NSW Coal Mines increased by 11%, the total of 417 nominated Brigadesmen with in the industry.

CSPL commenced construction of the Woonona site, which will co-locate the CMI, CS Health and Mines Rescue operation in the Illawarra. The sale of the Warners Bay premises was finalised. The purchase and renovation of the Speers Point sites were undertaken during the year. The CMI and CS Health operations relocated to the Speers Point site in July 2007. Development applications were lodged with the Lithgow and Singleton councils for further construction / refurbishment of existing operation. All building projects are expected to be finalised by the end of 2008.

I would like to thank all the staff of CSPL and Mines Rescue for their efforts during the year. They have accepted the challenges laid before them and shown through their efforts that what had been considered difficult can be achieved. Through ongoing commitment and ownership they will ensure that CSPL will continue to add value to its customers and achieve our corporate goals.

T Middlebrook
Managing Director/CEO

Coal Mines Insurance

Vision

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

Scheme Performance

The continuation of strong improvements in claims management during 2006/2007, combined with favourable financial conditions has resulted in the fourth straight year of improved scheme performance.

Of particular significance is the reduction in the central claims estimates from the Scheme actuary largely due to improvement in duration rates for long term claims and a reduction in the number of open claims.

Scheme Premium Rate

The average Scheme rate of 4.8% for 2006/2007 is a reflection of the Scheme's continued strong performance during the last twelve months.

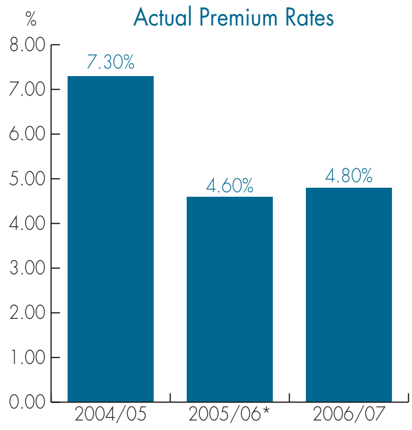
There has been an increase in the average scheme rate from 2005/2006 to 2006/2007, as a result of Coal Services Pty Ltd granting a 3 month "Premium Adjournment" for the final quarter of the 2005/2006 year, the premium rate was below the targeted premium rate of 4.96% for the year.

The following graph shows the average scheme rate for the past 3 years. While CMI continued to focus on strategies that are targeted to further reduce the scheme rate, external factors can also influence that which includes OH&S practices, Injury Management policies and the state of the industry.

Scheme Details

The scheme had a total of 537 policies open at the 30th June 2007 which is a slight increase from 508 as at 30 June 2006.

These policies covered an average of 16,691 employees and wages of $1.589 billion. The increase in wages and employees



* Including the 3 month premium adjournment in the last quarter for 2005–2006

is due to the continued improvement in the economic conditions of the industry.

Claims Management

A revised claims structure and case management model was introduced 1 June 2006. The model has been successful throughout the 2006/2007 focusing on achieving early return to work for injured workers and improving duration to resolve long term claims.

CMI continued with its internal audit practices of assessing key performance indicators each month with the aim of working towards best practice economic and social outcomes for the scheme.

The audit result for June 2007 was 97% against an expected benchmark of 95% in these areas. The average result for the year being 96%

Claim Numbers

The number of open active claims being managed by CMI fell a further 22.3% during the year from 1,707 to 1,326 which is a significant reduction.

Average case loads (open claims) per claims manager as at year end were:

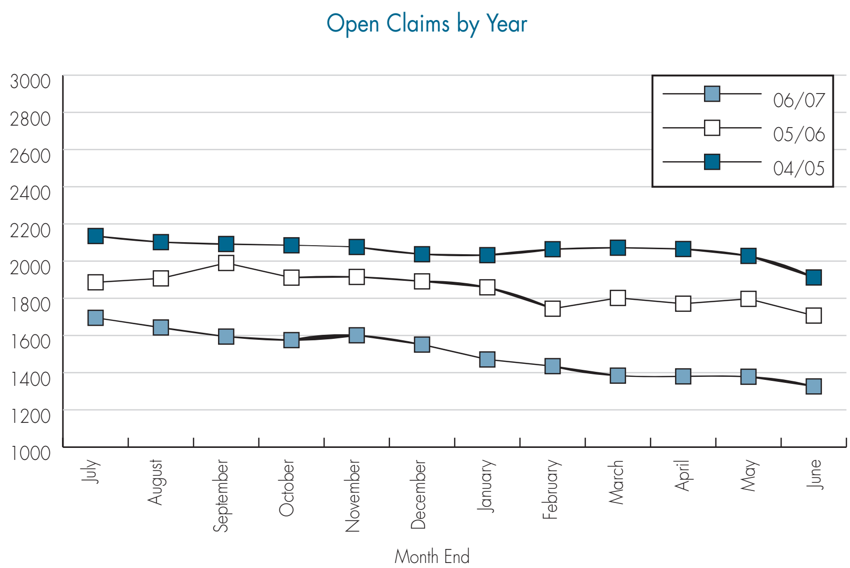
Claims	06/07	05/06	04/05
Non-significant	35	93	116
Significant Injury	59	58	80
Tail	73	85	143

Current claims as at 01/07/06	1,695
Claims reported during the year	2,224
Re-opened claims	194
Claims managed during 06/07	4,113

81% of all claims finalised during the year were resolved within the first 26 weeks of duration.

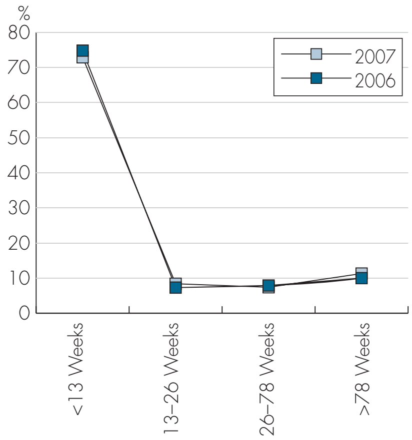
The finalisation rate within the first 26 weeks is comparable to the result achieved during 2005/2006 of 82%.

The result was particularly pleasing as there was an increase in newly reported significant injury claims during 2006/2007 period. There were 1,215 significant injury claims reported during 2006/2007 compared to 1,138 during the 2005/2006 period.



CMI's focus on the management of long tail claims continues and the closure rate for tail claims has improved from 10% to 11.3%. The instigation of the early settlement conferences has assisted in achieving this outcome.

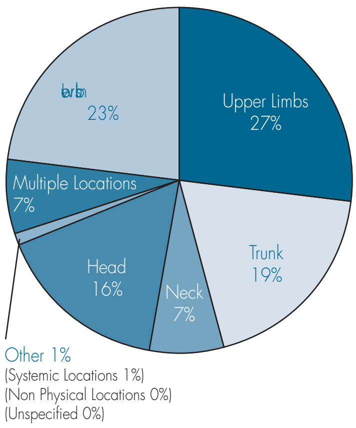
Finalised Claim Duration



Scheme Drivers

During the year 2,224 new claims were registered which is in increase from the 2005/2006 period of 2,126. The highest number of claims (50%) related to Lower Leg and Shoulder/Arm injuries which is consistent with the 2005/2006 statistics.

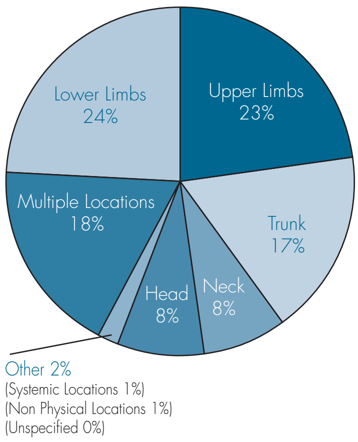
Number of Claims



Claim Costs

Net payment on claims for the year was $69 million with upper and lower limb injuries contributing to 47% of the payments.

Total Paid



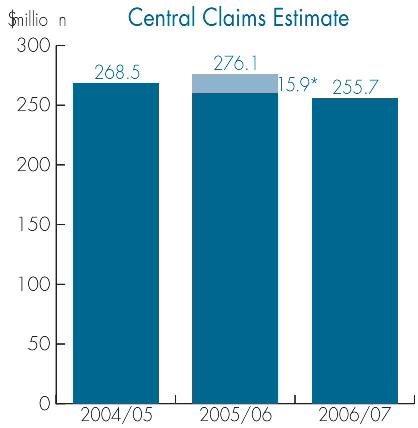
Actuarial Valuation

The outstanding Central Claims Estimate has reduced this year to $255.7 million at June 2007.

The actuarial valuation of the Central Claims Estimate as at 30 June 2007 was $255.7 million, reduced from the period $276.1 million in 2005. The continued improvement in duration rates for long term claims has contributed to the reduction from 2005.

Central Claims Estimate

Central Claims Estimate



** $15.9 million is directly related to the change in the Compulsory Retirement Age of Coal Miners for the 2006 period*

Audit & Compliance

The audit and compliance program continued in 2006/2007 with Commercial Audit Services continuing to support CMI's Underwriting Department. This service assesses the accuracy of declared wages, subsequent premium and the business description adequately reflects the employers activities.

In 2006/2007 financial year 40 audits were undertaken which is comparable to 39 audits undertaken during 2005/2006. The net result of wages audits undertaken provided a return to employers of $45,463.87 in premiums.

Coal Mines Insurance Annual Statistics

Item	Key Performance Indicator	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002
1	Number of employee insured	13,815	11,685	10,862	10,641	10,819
2	Assessable wages of insured employees	$917.0 m	$811.9 m	$757.3 m	$759.0 m	$831.7 m
3	Premium Income (a)	$54.0 m	$45.9 m	$52.0 m	$60.6 m	$84.6 m
4	Average premium rate (effective)	5.9%	5.7%	6.9%	8.0%	10.2%
5	Premium cost per employee insured	$3,911	$3,930	$4,783	$5,694	$7,823
6	Premium cost per tonne of raw coal produced	$0.40	$0.35	$0.39	$0.44	$0.58
7	Claims payments	$57.8 m	$73.0 m	$72.6 m	$80.7 m	$78.0 m
8	Provision for outstanding claims	$247.7 m	$261.7 m	$277.0 m	$304.4 m	$326.7 m
9	Number of claims lodged	4,647	3,608	3,346	2,959	2,661
10	Claim rate (per 100)	33.6	30.9	30.8	27.8	24.6

Item	Key Performance Indicator	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007
1	Number of employee insured	10,820	10,736	12,272	14,726	16,691
2	Assessable wages of insured employees	$926.6 M	$996.0 m	$1,112.0 m	$1,293.8 m	$1,589.0 m
3	Premium Income (a)	$99.2 m	$97.0 m	$81.4 m	$59.5 m	$77.5 m
4	Average scheme rate	10.7%	9.7%	7.3%	4.6%	4.8%
5	Premium cost per employee insured	$9,167	$9,036	$6,637	$5,694	$4,649
6	Premium cost per tonne of raw coal produced	$0.69	$0.66	$0.52	$0.37	$0.45
7	Claims payments	$84.2 m	$84.2 m	$74.2 m	$55.1 m	$69.0 m
8	Provision for outstanding claims	$340.8 m	$342.9 m	$356.7 m	$304.4 m	$342.3 m
9	Number of claims lodged	2,214	2,008	1,932	2,123	2,220
10	Claim rate (per 100)	20.5	18.7	15.7	14.4	13.3

Coal Services Health

Overview

CS Health has continued to provide a range of high quality occupational health, medical, rehabilitation and environmental monitoring services to the coal industry throughout NSW during 2006/2007.

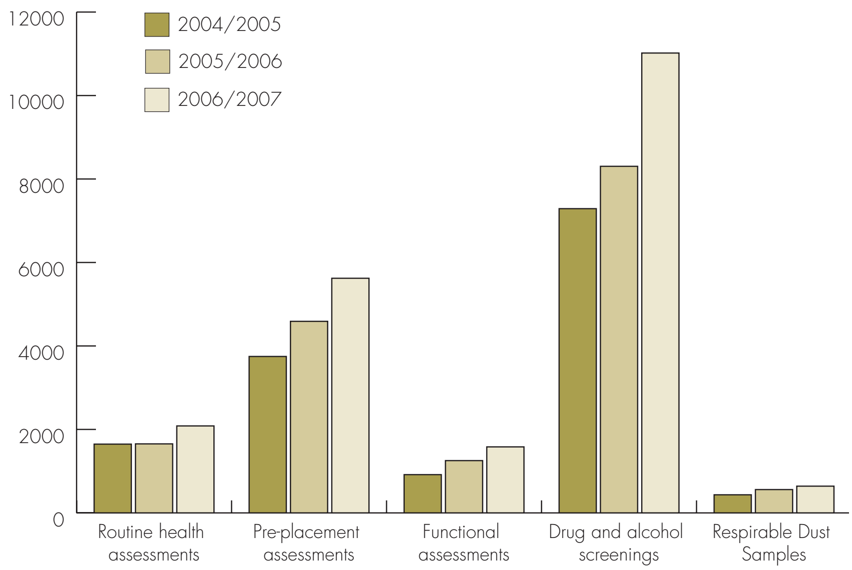
With the continued growth of the coal sector and the increased number of coal employees across NSW, CS Health provided over 25,000 individual services to coal employees, contributing to maintaining the health of those working in the industry. This has resulted in a 25% increase in the overall number of services provided during 2006/2007 across CS Health's 4 regional offices and the Environmental Monitoring Group compared to 2005/2006.

The level of performance achieved by CS Health is testimony to the quality and skills of the medical, allied health and support staff that are dedicated to looking after those in the coal industry.

While our focus remains on being able to provide services to the coal industry, CS Health has taken opportunities to expand our customer base to include other industries that directly benefit from the skills and expertise our medical and allied health professionals provide.

Service Provided	2005/2006	2006/2007	% Increase
Routine health assessments	1654	2084	26%
Pre-placement assessments	4590	5622	22%
Functional assessments	1253	1582	26%
Drug and alcohol screenings	8304	11018	33%
Respirable Dust Samples	559	641	15%

CSH Services Comparison



Occupational Health Services

One of the many statutory obligations of CSPL, through CS Health is monitoring the health of the coal workforce.

CS Health collects data relating to a range of health indicators from the many health assessments we conduct. This year the analysis of this data was segregated by age categories. From this, CS Health will focus on the ongoing development of services that are aimed at dealing with health issues and ageing of the workforce within the coal industry.

The Environmental Monitoring Group – EMG – continues to play an important role in the monitoring and management of environmental conditions that can impact on the health of the coal workforce. There was a further increase in the number of total services provided by the EMG during the year, with statutory dust sampling increasing by a further 15% over the previous year.

The EMG has continued to increase its service capabilities with the introduction of noise survey work. This increased capability allows our customers to analyse their results from hearing conservation programs, with all EMG technicians trained to provide this service.

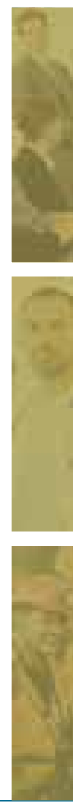
With the success in gaining NATA accreditation across all EMG sites, we are now able to continue to provide the coal industry with world-class services that ensures all their environmental monitoring requirements are not only met, but that the processes used and the results are backed by an internationally recognised certification.

CS Health has also seen an increase in the number of drug and alcohol tests being completed across the industry during the year, with a further 33% increase over 2005/2006 to record 11,018 tests during 2006/2007.

Occupational Rehabilitation Services

CS Health continued to provide occupational rehabilitation services to injured mine workers throughout 2006/2007.

CS Health received an additional 311 referrals during 2006/2007 – an increase of 34% over the previous year. This specialised service ensures that injured workers are able to return to work and continue to contribute to the industry. To achieve these outcomes, our teams of multidisciplinary health professionals work closely with injured workers, mines personnel, treating medical and health professionals and Coal Mines Insurance to deliver 'best practice' outcomes, with the results being that injured miners are back at work and productive, while assisting to reduce the premiums for policyholders – a fantastic outcome for all involved.



Mines Rescue Pty Limited

Emergency Preparedness

All Mines Rescue Stations completed the annual review of their emergency systems during 2006/07.

Simulated emergencies, trials and audits of both the Mine's and the Rescue Service's emergency and `self escape 'systems were conducted during the year. Simulations were conducted at Springvale, Clarence, Appin, Wambo North, Hunter Valley Open Cut Operations, Bengalla, Dendrobium, CSA Cobar, Mt Thorley and Warkworth mines. One employee was also assessor at the Queensland Level 1 simulated emergency.

The Service continues to conduct the 5 day `Underground Coal Mine Emergency Preparedness' course for mining industry candidates who are to sit for statutory tickets and current mining officials. This course complies with the Black Coal Competencies under the Australian Quality Framework (AQF) levels 5 and 6 – Undermanagers and Managers. Courses were conducted in February at Newcastle and in May at Southern stations for NSW candidates for mining tickets; two courses for the Centennial company's mine management and another in March for Queensland mine management.

The Service conducted technical conferences and had employees deliver technical papers at a number of forums throughout the year. These included quarterly internal Technical Transfer sessions, Brigadesmen Conference at Wollongong, NSW OH&S conferences and the Mine Managers Association OGM, AGM and their two day technical conference. The Rescue Service was also involved in the ACARP steering committee which is investigating `The Use of Diesel Vehicles in Hazardous Atmospheres'.

A full cross-section of industry representatives makes up the `Mines Rescue Working Group' which meets quarterly to discuss and communicate issues and solutions in relation to Mines Rescue and other emergency based issues. The first major project of the Group, being `In-seam Response', has been progressed to the point where the Guidelines have been recognised and the system is being fully implemented at Myuna colliery. The Group (using Mines Rescue employees) is also involved in the development / review of a number of industry `Management Design Guidelines (MDG's).

Emergency Response

Newstan Colliery
October 2005 until November 2006

Newcastle station was activated to Newstan mine with the Mine Shield Inertisation Plant due to a spontaneous heating in an old longwall goaf area. Inertisation operations continued for a thirteen month period. The Plant was running 24 hours a day at around 3 tonne / hour to keep the area inert whilst work was being carried out to seal surface cracks and to flyash the heating area.

Angus Place Colliery
26th July 2006

Western station employees were activated to Angus Place mine to assist in the recovery of a fatally injured person.

Awaba Mine
13th September 2006

Newcastle station employees were placed on standby at Awaba mine due to a major floor heave in a working panel. All underground employees were eventually accounted for and mine employees restored ventilation appliances prior to station employees being stood down.

Mines Rescue Brigadesmen

The total number of nominated Brigadesmen increased by 11% to a total of 417 due to continuing promotional activities from CFMEU Check Inspectors and Mines Rescue Service employees. Additionally, the number of Brigadesmen that are BA Current has increased by 7.7% to a total of 364. The minimum required across the State under the Service's current structure is 240. This indicates a healthy position especially with an increase in the number of younger mine workers who were among the 78 successful candidates completing the Mines Rescue 10 day intake course.

Mines Rescue competitions were conducted in all Districts with four (4) NSW teams competing at the Australian Mines Rescue titles at Broadmeadow colliery (Qld) on 21st October 2006. Moranbah North colliery team (Qld) won the competition with the team representing Southern station (Tahmoor) a very close second.

Service employees conducted and/or assessed at Mines Rescue competition exercises in Tasmania, at the Victorian Hard Rock competition, the Northern Territory Minerals Council and the Open Cut Coal Mine competitions in NSW.

Coal Mines Technical Services (CMTS)

A NATA reassessment under the AS3800, Approved Workshops, was conducted during 2006/07 for the Laboratory and continued accreditation was recommended.

A steady income and product growth was achieved during the year.

The CMTS workshop facility in Mackay, Queensland, was permanently manned during 2006/07. While the primary focus for the technician at this facility is in the gas detection related fields, the testing of diesel engine exhausts will also be targeted longer term.

CMTS successfully tendered for the supply, installation and ongoing maintenance of four SMARTGAS gas chromatographic systems. One system was supplied to Newstan colliery, two systems to Geogas Pty Ltd and one system to the NingXia coal group, China. A fully equipped mobile laboratory was also designed, built and supplied to the Chinese group during the same period. Ongoing negotiations are continuing to supply systems to other Chinese coal mines and also to a US based company.

CMTS also provided gas analysis and interpretation services as a result of a number of mine occurrences in NSW.

Diesel engine particulate analysis services continued to grow with a number of QLD customers now utilising this service.

Safety & Environment

There was one WorkCover reportable incident and one reported near hit during the year.

The WorkCover reportable incident occurred when a 22 year old male TAFE student who was attending the 2 day TAFE BA / Fire Fighting course at the Newcastle Mines Rescue Station, collapsed at the end of the lunch break. He was given immediate first aid treatment by station employees prior to being taken to hospital by ambulance. The investigation determined that the incident had been brought on due to a medical condition that the individual had, which required medications. The pre-course sign on sheets have been altered to identify any such future issues.

The reported near hit incident occurred at Hunter Valley station when there was an uncontrolled release of compressed air whilst a trades person was working on a hydro station panel. The investigation determined that proper isolation methods had not been implemented.

The isolation system was reviewed, all personnel trained / instructed in it and all contractors will be required to sign off on it prior to commencing work activities.

The OH&S Committee met four times during the year and conducted safety audits of all operations with all recommendations being implemented.

An Environmental specialist contract company continues to oversee the monthly compliance and record keeping system at every operation. This company is also assisting the Hunter Valley station in the ongoing issue of obtaining clearance for the disposal of fire fighting foams into the sewer systems.

Cadets

The first four (4) cadets finished their two year tenure with the Service (in December 2006) and all obtained full time employment in and about the underground coal mining industry. The next four (4) cadets commenced in January 2007 and it is planned to put four more on in 2008 so there will be a first and second year cadet at each station in the future.

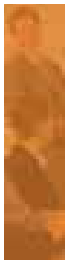
Virtual Reality

The second generation of the virtual reality system was officially open by Premier, Morris Iemma on 15th September 2006 at Newcastle station. This 160° curved screen introduces students to a three dimensional interactive mining environment. The development of additional VR modules is continuing to expand the number of Black Coal Competencies encompassed.

Commercial Activities

The main courses conducted for the coal industry during the year (other than Mines Rescue training – U/G and O/C) were Underground Coal Mine Induction, Self Escape training (on all types of equipment), whole of mine safety training days (various themes), Deputies training (on-line and face-to-face training) and a variety of fire fighting courses.

Activities in and for metal mines and general heavy industries included were mainly General Rescue, Vertical rope, Breathing Apparatus, Company based safety topics / days, `Safe Working in Confined Spaces', `First Response', fire fighting, Safe Working at Heights and safety audits.



CSPL Corporate Structure

Board

- Audit Committee
  - Victoria Catimbang — Internal Audit
- Investment Committee
- Tony Middlebrook — CEO
  - Paul Junee — Manager – Corporate Support & Property
  - Stephen White — General Manager

Corporate

- Chek Khing Huon — Financial Controller
- Catherine Bee — HR Manager
- Carol Mische — Statistics Manager
- Antony Gloss — IT Manager

CS Health

- Brendan Delaney — Coal Services Health Manager
  - Mark O'Neill — Northern District Health Manager
  - Helen Rowbotham — Regional Manager Singleton
  - Rebecca Hoggard — Regional Manager Speers Point
  - Tom Muzevic — Regional Manager Corrimal
  - Edwina Cowdery — Regional Manager Lithgow
  - Gary Mace — Environmental Monitoring Manager

CM Insurance

- Paul McIntyre — Coal Mines Insurance Manager
  - Julie Evans — CMI Claims Operations Manager
  - Tony Bezzina — Regional Manager Singleton
  - Melinda Scott — Regional Manager Speers Point
  - Tom Packovski — Regional Manager Corrimal
  - Chris Sparsis — Business Services Manager
  - Underwriting Department

Mines Rescue

- Murray Bird — General Manager Mines Rescue
  - Stephen Tonegato — Manager Southern Station
  - David Connell — Manager Hunter Valley
  - Seamus Devlin — Manager Newcastle
  - Brian Kelly — Manager Western Station
  - Peter Mason — Manager CMTS

Corporate Governance Statement

Board of Directors (Board)

The Board is responsible for the business of Coal Services Pty Limited and its controlled entities, Coal Mines Insurance Pty Limited and Mines Rescue Pty Limited. The Board sets direction and establishes goals for management and monitors achievement of those goals. The Board's Audit & Risk Management Committee manages risk through a system of internal control and 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 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.

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

The Chairperson is appointed on a rotational basis every two years between a CFMEU director and a NSW Minerals Council director. The current Chairman is Mr Ron Land.

Board Meetings 1 July 2006 to 30 June 2007

Director	Eligible to Attend	Attended
Ron Land	14	14
James Mackrill	14	14
Tony Middlebrook	14	14
Kieren Turner	14	13
Ross Taylor	14	13
Tony Haraldson	14	12
Wayne McAndrew	8	5
Peter Murray	6	0

Note: Mr McAndrew was appointed on 1 January 2007
Mr Murray resigned on 31 December 2006

Risk Management and Control

The Board is responsible for the overall internal control framework and, to assist in discharging their responsibility, the directors, through the Managing Director/CEO, 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 put in place to ensure that those risks are kept within acceptable limits, are monitored by the Board Audit & Risk Management Committee.

Financial Reporting

A comprehensive budgeting system is in place. Actual results are reported against budget each month to directors and variations examined.

Fraud Control

A fraud control plan is in place. Risk-based audits, with particular emphasis on fraud, are conducted by the internal auditor annually. The current assessment is that the potential for fraud is low.

Internal & External Audit

An internal auditor reports directly to the Chairman of the Board Audit & Risk Management 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 controlled entities are subject to external audit on a fee-for-service basis. KPMG were appointed auditors for the company for the year ending 30 June 2007.

Planning

The Board is required to submit an annual operating plan to the Minister 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. An annual operating plan for 2007/2008 was prepared and submitted to the Minister in May 2007.

Investment

The Board monitors investment on a monthly basis and regularly reviews its investment strategy. Approximately half of the Board's investments are managed by external fund managers who provide monthly performance reports which are considered by the Investment Committee, before being referred to the Board.

The company, as a long term insurance operation, maintains a balanced investment profile and a long term outlook.

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. Directors have a fiduciary duty of loyalty to Coal Services Pty Limited and its controlled entities and, in order to meet these requirements, the chairman and directors must, at all times:

- act honestly;
- exercise due care in the performance of their duties;
- be diligent, attend Board meetings and ensure they are knowledgeable about the operation of CSPL and its controlled entities;
- ensure that systems are established 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 the company 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

The Board is responsible to the stakeholders who comprise the NSW coal industry; the workers and the management of the coal mining companies to whom we provide a service. The Board constantly strives to reduce costs to ensure premiums are minimised and the services provided on a "user pays" basis are efficient, high quality and at reasonable costs. Suppliers of goods and services to the Board have an opportunity to compete for our business on a fair and equitable basis.

Advice to Ministers is provided in a timely manner.

The Board is also responsible to its employees and each are considered and treated as an individuals. It respects the dignity and recognises the merit of each employee. Remuneration is fair and adequate, and working conditions clean, orderly and safe. Employees are encouraged to communicate and suggest improvements. Equal opportunity for employment, development and advancement is available to all. The Board provides competent management and the actions of management are just and equitable.

Privacy

Coal Services Pty Limited (CSPL), and its controlled entities, 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.

Coal Services Statistics

Coal Services Statistics' comprehensive data collections underpin a unique and independent statistical service for the NSW coal industry. During the year ended 30 June 2007, the first stage of the upgrade of the Statistics system was completed. The rewrite of the system allowed for the incorporation of data previously recorded and stored separately and also provided additional data retrieval facilities.

Coal Services Statistics offers standard annual, quarterly and monthly statistical bulletins as well as customised reports based on an individual user's requirements. There are two interrelated collections that have developed in response to users' needs.

These two collections are accident statistics, based on the workers' compensation injury and disease claims submitted to CMI and industry statistics. Industry Statistics describe the NSW coal mining industry.

Collections for the NSW coal industry cover coal supply (production and imports) and coal demand (sales overseas, interstate and within NSW), the value of NSW coal exported overseas and coal stockpile levels at mines, ports and consumers. Workforce data collected includes the number of people working at mines, the types of employment, time worked and lost by workers, shift arrangements, wages paid and the age of mineworkers.

Coal Services Statistics is also able to provide a wide-range of information on the Australian coal industry. This is made possible through the cooperation and valued contribution of the Queensland Department of Mines and Energy, Australian coal mining companies and coal users.

For more information about our services and products visit the Coal Services website at www.coalservices.com.au .

The following table provides an overview of the NSW and Australian black coal industries from 2002–2003 to 2006–2007.

Coal Industry Statistics

			Financial Year		
NSW Coal Industry Statistics	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007
Number of coal mines at 30 June	56	52	55	58	60
Raw coal production, million tonnes	143.1	147.0	156.3	161.3	170.3
Saleable coal production, million tonnes	111.5	114.2	122.1	124.7	131.3
Coal sales within Australia, million tonnes	34.0	32.8	34.0	34.1	36.3
Coal exports overseas, million tonnes	79.3	85.0	86.6	89.8	91.5
FOB value of coal exports overseas, $A billion	3.9	3.7	5.5	6.7	6.2
Average FOB value of coal exports, $A per tonne	48.60	43.85	63.43	74.92	67.42
Number of production mineworkers at 30 June*	9,758	9,998	11,290	12,658	13,392
Average age of mineworkers at 31 December	43.5	43.5	43.4	42.7	42
Average weekly earnings of mineworkers, $	1,791	1,842	1,933	2,009	2,083
Saleable coal output per mineworker per year, tonnes	11,250	11,640	11,680	10,250	10,120
Saleable coal output per mineworker per hour, tonnes	5.80	5.82	5.73	4.95	4.85
Days worked per mineworker per year	277.0	285.7	291.1	295.6	298.1
Days lost per mineworker due to industrial disputes	0.7	0.2	0.3	0.1	0.1
Days lost per mineworker due to workers' compensation	3.0	2.4	2.1	1.4	2.0
Lost-time injuries per million tonnes raw coal produced	3	3	2	2	2
Lost-time injuries per million tonnes saleable coal produced	4	4	3	3	3
Lost-time injuries per million hours worked	23	22	18	15	16

** Based on quarterly surveys received from mine owners/operators*

Australian Coal Industry Statistics	2002	2003	Calendar Year 2004	2005	2006
Number of coal mines at 30 June	103	101	99	105	118
Raw coal production, million tonnes	349.6	352.1	377.8	398.9	405.1
Saleable coal production, million tonnes	273.6	279.0	296.7	307.9	317.1
Coal consumption within Australia, million tonnes	66.3	67.8	70.9	71.0	72.3
Coal exports overseas, million tonnes	204.2	216.2	224.6	233.7	238.0
FOB value of coal exports overseas, $A billion	12.8	10.8	13.4	22.2	23.6
Average FOB value of coal exports, $A per tonne	62.60	49.98	59.72	94.82	99.14
Number of production mineworkers at 31 December	20,919	21,729	24,959	29,765	30,365
Saleable coal output per mineworker per year, tonnes	12,610	12,830	12,340	10,870	10,060
Saleable coal output per mineworker per hour, tonnes	6.78	6.68	6.47	6.07	5.59
Days worked per mineworker per year	265.5	274.4	272.3	243.6	257.1
Days lost per mineworker due to industrial disputes	0.4	0.7	0.2	0.9	0.1
Days lost per mineworker due to workers' compensation	1.9	1.4	1.4	1.0	0.9

Standing Committee on Dust Research and Control

The Standing Committee on Dust Research and Control is an expert advisory body comprising representatives from the colliery proprietors, mining unions, government departments, industry consultants and Coal Services' medical and technical personnel. The main role of the Committee is to:

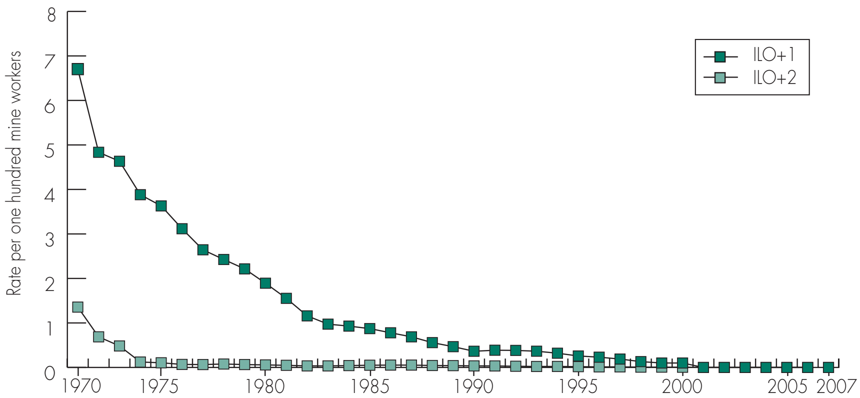
- Monitor the results of respirable dust sampling
- Evaluate dust hazards
- Research improved dust control methods
- Disseminate information
- Educate mine personnel in matters related to dust control

The Committee meets bi-monthly, usually at minesites and, during the year, visited Wambo, Austar, Appin and Newpac collieries. In September 2006 Committee members assisted in organizing, and attended, the jointly funded ACARP / Health & Safety Trust Seminar on Diesel Particulates and held discussions with Messrs Jon Volkwein and James Knoll, NIOSH, USA on the strategies being pursued in the USA to minimize respirable dust exposure.

In June 2007 the Committee inspected the Department of Primary Industries' Mine Safety Technology Centre at Thornton and held a meeting with representatives from the Queensland Department of Mines & Energy who were seeking advice and assistance to establish a similar Committee in Queensland.

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

Pneumoconiosis Prevalence NSW Coal Industry 1970–2007



The ILO classification f 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.

Board Audit and Risk Management Committee

The Board Audit and Risk Management Committee (BARMC) is a committee of the Board of Directors. The Committee is comprised of three non-executive Board members namely Tony Haraldson, James Mackrill and Ross Taylor – the latter two being the independent directors.

Currently chaired by Mr Mackrill, the Committee plays a key role in the overview of responsibilities of the Board. These responsibilities particularly relate to financial reporting, internal controls, corporate governance, risk management, statutory and policy compliance, and the internal and external audit processes.

The Committee held five meetings during the year to consider inter alia, the company's annual results and the independence, objectivity and re-appointment of the external auditors. The Committee received regular reports from the Internal Auditor regarding the audit program and internal control matters. The Committee also reviewed the risk analysis and risk management practices of the company.

Risk Management and Control

The Board is responsible for the overall internal control framework and, to assist in discharging their responsibility, the directors, through the Managing Director / CEO, 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 put in place to ensure that those risks are kept within acceptable limits, are monitored by the Board Audit & Risk Management Committee (BARMC).

Financial Reporting

A comprehensive budgeting system is in place. Actual results are reported against budget each month to directors and variations examined.

Fraud Control

A fraud control plan is in place. Risk-based audits, with particular emphasis on fraud, are conducted by the internal auditor annually and reported to the Board Audit & Risk Management Committee for the information of the Board of Directors.

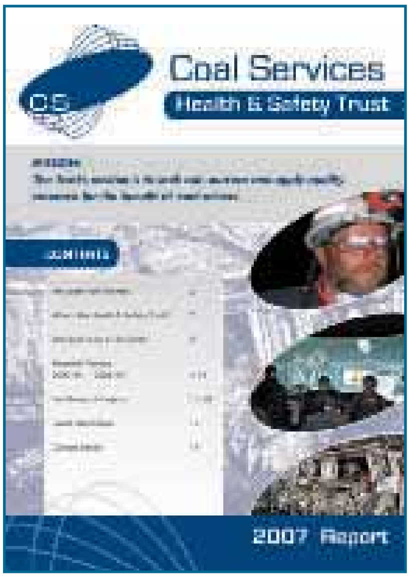
Internal & External Audit

An internal auditor (BDO Kendalls) reports directly to the Board Audit & Risk Management 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 controlled entities are subject to external audit on a fee-for-service basis. KPMG was appointed auditors for the company for the year ending 30 June 2007.



Coal Services Health and Safety Trust



The NSW coal industry has benefited from research funded by the Coal Services Health and Safety Trust (formerly the JCB Health & Safety Trust) since December 1991. The Trust's research and development funding has focused on injury, disease and human factors as research priority areas. The Health and Safety Trust has a renewed focus on aligning funding to more specific industry identified projects which provide tangible outcomes and proven operational impact.

In 1999 in conjunction with UNSW and ACARP Coal Services Health and Safety Trust undertook an initial research project looking developing an enhanced virtual reality simulation capacity for the coal mining industry. Over the past seven years this project have evolved significantly from a flat screen system to a curved screen that wraps around the users immersing them in a realistic representation of the underground and surface coal mining environments. This simulation technology allowing miners to be trained and assessed in safe work procedures, and gain knowledge and experienced of mining practices proper to exposure to the real mine environment. This technology has been implemented and is fully operational at Newcastle Mines Rescue Station, Argenton. This system currently includes three simulations including unaided underground self-escape, underground rib & roof stability and open cut truck and shovel operations. Current funding for this primary project is from mid 2005 through to late 2008.

During the 2006 the Trust approved a research project which aims to benchmark the effectiveness of injury management programs for employers in NSW coal industry against international standards for injury management.

The Trust also funded a research project developing on-line flexible training for contractor management. The project aimed to develop and produce a short duration on-line Occupational Health and Safety Management Systems (OHSMS) training program for principals and contractors in the mining and quarrying industries in Australia. The programme was to be at minimal cost to contractors to enable them to meet the requirements of general duties of care for national OHS legislation and NSW legislation and mining and quarrying companies in particular. This project was completed in 2007. The findings from this project suggested that this type of on-line course is successful in attracting time constrained and geographically dispersed people.

During the 2006, we saw the departure of two Trustees, David Grove and Peter Murray. We are appreciative of the support and input of both of these former Trustees during their time with the Trust. We welcomed Kieren Turner and Grahame Kelly as their replacements.

In May 2007 the Trust introduced an annual information booklet (see below). The 2007 Report provides an overview of the Trust's role and services, research objectives and a list of the current and past projects from 2003–2007. Copies can be obtained by contacting the Trust on the details below.

A new Trust website has been created which allows completed project reports to be down loaded directly from the website.

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

Ken Cram
Project Liaison Officer
Tel: (02) 4286 5425

or

Belinda Thomas
Trust Secretary
Tel: (02) 65719954
Email: trust@coalservices.com.au
Website: www.coalservices.com.au

COAL SERVICES PTY LIMITED ACN 099 078 234

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2007

Contents

Directors' Report

Your directors present their report on 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 2007.

Directors

The names of the directors of the company in office at any time during the financial period and until the date of this report were:

R P Land
J Mackrill
R M Taylor
A J Haraldson
K P Turner
P D Murray (resigned 31 December 2006)
A N Middlebrook
W McAndrew (appointed 1 January 2007)

All directors were in office from the beginning of the year until the date of this report, unless otherwise stated.

Principal Activities

The principal activities of the group during the year 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 year.

Review of Operations

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

	Segment revenues		*Segment results*	
	2007 $'000	*2006 $'000*	*2007 $'000*	*2006 $'000*
Workers' compensation insurance *	90,244	*117,088*	7,414	*23,777*
Mines rescue services	12,071	*11,532*	(994)	*135*
Occupational health and rehabilitations services, and other activities of Coal Services	82,893	*16,800*	70,929	*8,304*
	85,208	*145,420*		
Profit from ordinary activities before income tax expense			77,349	*32,216*
Income tax expense			(32,624)	*(4,875)*
Profit from ordinary activities after income tax expense			44,725	*27,341*

** = refer to note 6*

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

There was a strong performance in the investment portfolio held by Coal Services Pty Limited during the year, which generated net investment income of $78.1m.

a *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 worker's compensation insurance to the New South Wales Coal industry.

The segment result for the year was a profit before income tax of $7.41m The result for underwriting operations was a profit of $28.0m, before administration expenses of $3.0m, and a reduction in the indemnity provided to Coal Mines Insurance Pty Limited by Coal Services Pty Limited of $75.2m in line with the terms of the deed agreement.

b *Mines Rescue Services*

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

The segment result for the year was a loss before income tax of $1.0m. Total operating revenue of $12.1m included contributions from mine owners of $4.3m and training and services revenue of $7.8m.

c *Occupational Health and Rehabilitation Services*

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

Likely Developments and Expected Results of Operations

At 30 June 2007, the consolidated entity had net assets of $134.3m.

Coal Mines Insurance Pty Limited aims to ensure the continuity of the business through sound financial management and improved case handling which should allow for consistent premium levels for the foreseeable future.

The directors of Coal Mines Insurance Pty Limited have agreed to provide a risk margin on the provision for outstanding claims within the range of ensuring an 85% to 95% level of confidence, in line with industry best practice.

There have been no significant events since the balance sheet date that would materially affect the financials of the business.

Significant Events After the Balance Date

There have been no matters or circumstances other than those disclosed in the financial report that have arisen since the end of the financial year and have significantly affected or may significantly affect the company.

Auditors

KPMG were appointed auditors on 21 June 2007 in accordance with section 327 of the Corporations Act 2001.

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 20.

Environmental Regulation and Performance

The company is not subject to any significant environmental regulation in respect of its activities.

Indemnification and Insurance of Directors and Officers

During the period, the company paid premiums 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.

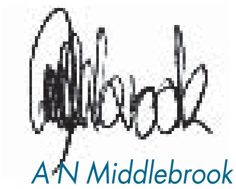
Lead Auditor's Independence Statement

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 20.

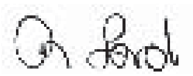
Rounding of Amounts

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.

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



A N Middlebrook
Managing Director



R P Land
Director & Chairman

Sydney
26 September 2007

Lead Auditor's Independence Declaration

Auditor's Independence Declaration

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the directors of Coal Services Pty Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2007 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

I R Moyser
Partner

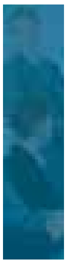
Sydney
26 September 2007

Income Statements

For the Year Ended 30 June 2007

	Notes	Parent Entity 2007 $'000	Parent Entity 2006 $'000 Restated	Consolidated 2007 $'000	Consolidated 2006 $'000 Restated
Premium revenue	8	–	–	90,245	64,782
Outwards reinsurance premium expense	8	–	–	(790)	(801)
Net premium revenue		–	–	89,455	63,981
Claims expense	9	–	–	(56,728)	(69,509)
Reinsurance and other recoveries revenue	9	–	–	1,654	722
Net claims incurred		–	–	(55,074)	(68,787)
Other underwriting expenses		–	–	(1,312)	(509)
Unexpired risk reserve movement	47			(5,030)	(5,690)
Underwriting result		–	–	28,039	(11,005)
Investment income	11	78,140	11,888	78,077	65,595
Other income	11	11,844	11,823	15,845	15,043
Employee benefits expense		(10,628)	(8,655)	(17,480)	(13,934)
Depreciation and amortization expenses	12a	(475)	(471)	(1,234)	(1,195)
Write-down of property, plant and equipment to recoverable amount		(1,487)	(221)	(1,487)	(221)
Impairment of goodwill	25	–	–	(12,201)	–
Net gain/(loss) from the sale of assets	12a	363	(57)	317	(57)
Impairment of debtors		3	–	(306)	(60)
Investment management expenses		(1,819)	(1,337)	(1,819)	(1,337)
Miners pension expense	35d	648	(641)	648	(641)
Mines Rescue materials expenses		–	–	(1,726)	(2,086)
Repairs and maintenance expenses		(179)	(194)	(762)	(577)
Consultants and contractors		(1,731)	(1,135)	(2,450)	(2,161)
Medical related expenses		(537)	(516)	(537)	(516)
Grant to Health & Safety Trust		–	(10,000)	–	(10,000)
Other expenses		(3,213)	(2,799)	(5,575)	(4,632)
Total expenses from operating expenses		(19,055)	(26,026)	(44,612)	(37,417)
Reduction in indemnity to controlled entity	34a	75,227	10,037	–	–
Profit from operating activities before tax		146,156	7,722	77,349	32,216
Income tax (expense)/credit	13a	(26,952)	(8,731)	(32,624)	(4,875)
Profit/(loss) for the year	38b	119,204	(1,009)	44,725	27,341

The above income statements should be read in conjunction with the accompanying notes.



Balance Sheets

At 30 June 2007

	Notes	Parent Entity 2007 $'000	Parent Entity 2006 $'000 Restated	Consolidated 2007 $'000	Consolidated 2006 $'000 Restated
Current Assets					
Cash and cash equivalents	*14*	18,076	18,626	18,759	19,128
Receivables	*15*	7,848	4,476	10,174	6,559
Financial assets held at fair value through profit or loss	*16*	406,704	273,270	406,704	273,270
Inventories	*17*	–	–	184	225
Other	*18*	1,239	1,903	1,483	2,045
Total Current Assets		433,867	298,275	437,304	301,227
Non-current Assets					
Receivables	*19*	–	–	1,709	1,552
Financial assets held at fair value through profit or loss	*20*	1,815	72,249	1,010	71,177
Other financial assets	*21*	90	90	–	–
Property, plant and equipment	*22*	16,471	16,225	38,059	32,951
Investment properties	*23*	72,200	74,700	72,200	74,700
Deferred tax assets	*24*	904	1,396	12,046	9,783
Intangible assets	*25*	–	–	–	12,201
Defined benefit superannuation scheme	*26*	342	194	958	805
Other	*27*	123	46	123	46
Total Non-current Assets		91,945	164,900	126,105	203,215
TOTAL ASSETS		525,812	463,175	563,409	504,442
Current Liabilities					
Payables	28	159,521	172,373	7,419	5,409
Bank overdraft	29	–	–	–	1,035
Current tax liabilities	30	26,939	1,037	26,939	1,037
Provision for outstanding claims	10	–	–	66,103	71,382
Unexpired risk reserve	47	–	–	10,720	5,690
Provisions	31	2,854	3,116	5,508	5,464
Other	32	196	116	196	187
Total Current Liabilities		189,510	176,642	116,885	90,204
Non-current Liabilities					
Deferred tax liabilities	33	23,116	14,926	24,456	16,087
Provision for outstanding claims	10	–	–	276,281	295,144
Provisions	34	194,021	271,607	13,620	15,812
Total Non-current Liabilities		217,137	286,533	314,357	327,043
TOTAL LIABILITIES		406,647	463,175	431,242	417,247
NET ASSETS		119,165	–	132,167	87,195
Equity					
Contributed equity	37	~	~	~	~
Reserves	38a	1,151	3,509	3,850	5,922
Retained profits	38b	118,014	(3,509)	128,317	81,273
Total Equity		119,165	–	132,167	87,195

The above balance sheets should be read in conjunction with the accompanying notes.

Statements of Changes in Equity

For the Year Ended 30 June 2007

	Notes	Parent Entity 2007 $'000	Parent Entity 2006 $'000	Consolidated 2007 $'000	Consolidated 2006 $'000
Share Capital					
Ordinary shares		~	~	~	~
Balance at the start of the year		~	~	~	~
Balance at the end of the year		~	~	~	~
Reserves					
Asset revaluation reserve					
Balance at the start of the year		2,931	2,500	5,173	4,741
Effect of restatement of prior year figures	*48*	578	–	749	–
Restated balance at the start of the year		3,509	2,500	5,922	4,741
Gain on property revaluation		(39)	431	247	432
Transfer to retained earnings		(2,319)	–	(2,319)	–
Balance at the end of the year		1,151	2,931	3,850	5,173
Retained Earnings					
Balance at the start of the year		(2,931)	(2,500)	86,884	53,932
Effect of restatement of prior year figures		(578)	–	(5,611)	–
Restated balance at the start of the year		(3,509)	(2,500)	81,273	53,932
Profit/(loss) for the period		119,204	(431)	44,725	32,952
Transfer from asset revaluation reserve		2,319	–	2,319	–
Balance at the end of the year		118,014	(2,931)	128,317	86,884
Total		119,165	–	132,167	92,057

The above statements of changes in equity should be read in conjunction with the accompanying notes.



Cash Flow Statements

For the Year Ended 30 June 2007

	Notes	Parent Entity 2007 $'000	Parent Entity 2006 $'000	Consolidated 2007 $'000	Consolidated 2006 $'000
Cash Flows From Operating Activities					
Underwriting Operations					
Premiums received (inclusive of GST)		93,488	71,984	93,488	71,764
Outwards reinsurance paid		(836)	(932)	(836)	(932)
Claims paid		(80,870)	(56,125)	(80,870)	(57,212)
Other underwriting expenses paid		(1,312)	33	(1,312)	33
Other Operations					
Investment income		55,128	21,118	55,128	21,152
Other income		4,853	4,755	23,962	17,879
Miners' pension fund payments		(2,297)	(2,316)	(2,297)	(2,316)
Income taxes paid		(635)	(4,395)	(635)	(4,395)
Grant to Health & Safety Trust		–	(10,000)	–	(10,000)
Other operating payments		(32,580)	(21,698)	(44,950)	(33,580)
Net cash inflow from operating activities	45	34,939	2,424	41,678	2,393
Cash Flows From Investing Activities					
Payments for property, plant and equipment		(10,057)	(1,227)	(15,560)	(2,250)
Payments for investment property		–	(1,894)	–	(1,894)
Payments for investments		(214,583)	(17,367)	(214,583)	(17,367)
Proceeds from sale of property, plant and equipment		8,136	615	8,383	829
Proceeds from sale of investment property		9,510	230	9,510	230
Proceeds from sale of investments		171,237	10,041	171,237	9,792
Repayment of loan by subsidiary		268	–	–	–
Net cash outflow from investing activities		(35,489)	(9,602)	(41,013)	(10,660)
Cash Flows From Financing Activities					
		–	–	–	–
Net cash inflow/(outflow) from financing activities		–	–	–	–
Net increase/(decrease) in cash and cash equivalents		(550)	(7,178)	665	(8,267)
Cash and cash equivalents at the start of the year		18,626	25,804	18,094	26,361
Cash and cash equivalents at the end of the year	14	18,076	18,626	18,759	18,094

The above cash flow statements should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the Year Ended 30 June 2007

Note 1 | Corporate Information

Coal Services Pty Limited is a company limited by shares that is incorporated and domiciled in Australia.

The registered office and principal place of business of Coal Services Pty Limited is:

Level 21
44 Market Street
Sydney NSW 2000

The principal activities of the group during the year 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.

This financial report covers Coal Services Pty Limited and all of its wholly owned subsidiaries, and represents the activities for the year ended 30 June 2007.

Note 2 | Summary of Significant Accounting Policies

The consolidated financial report of the Coal Services Pty Limited (the "Company") for the year ended 30 June 2007 comprises the Company and its subsidiaries (together referred to as the "consolidated entity"). The financial report was authorised for issue by the directors on 26 September 2007.

a – Statement of compliance

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ("AIFRS").

b – Basis of preparation

The financial report is presented in Australian Dollars. Figures are rounded to the nearest $'000 unless stated differently. The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The following standards and amendments to standards and interpretations are available for early adoption at 30 June 2007, but have not been applied in preparing these financial statements:

AASB 101 Presentation of Financial Statements (October 2006) has deleted the Australian specific illustrative Financial Report Structure and reinstated the current IASB 1 guidance on illustrative Financial Statement Structure. The revised AASB101 is applicable for annual reporting periods beginning on or after 1 January 2007.

AASB 7 Financial Instruments: Disclosure (August 2005) replacing the presentation requirement of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007 and will require extensive disclosures in respect to the Company's financial instruments and share capital.

AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 Financial Instruments: Disclosures and Presentation, AASB 101 Presentation of Financial Instruments, AASB 114 Segment Reporting, AASB 117 Leases. AASB 133 Earnings Per Share, AASB 139 Financial Instruments: Recognition and Measurement, AASB 1 First-time Adoption of Australian Equivalents to International Financial reporting Standards, AASB 4 Insurance Contracts, arising from release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the financial report

Note 2 | Summary of Significant Accounting Policies Continued

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value – outstanding claims, receivables, payables and investments backing insurance liabilities.

The preparation of a financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may vary from estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period, or in the period of the revision and future periods if the revision effects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been applied consistently to all periods presented and by each consolidated entity.

c – Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements less any impairment losses.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

d – Classification of insurance contracts

Contracts under which the Group accepts significant insurance risk from another party (the policy holder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts.

Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

e – Impairment

The carrying amount of the consolidated entity's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised in the income statement.

Impairment losses recognised are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then, to reduce the carrying amount of the other assets on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

f – Income Tax Payable

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances relating to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

Coal Services Pty Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003.

The head entity, Coal Services Pty Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone tax payer in its own right. In addition to its current and deferred tax amounts, Coal Services Pty Limited also recognised the current tax liabilities and assets arising from unused tax losses and credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from, or payable to, other entities in the group. Details about the tax funding agreements are disclosed in note 13. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

g – 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:

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. Premium is treated as earned from the date of attachment of risk over the period of the contract.

Mines rescue services

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. Revenue is recognised when it is invoiced.

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, and is recognised when it is invoiced.

Note 2 | Summary of Significant Accounting Policies Continued

Investment income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. Trust distributions are recognised on an entitlement basis as the entity is presently entitled to the distributable income of its investee trusts.

Previously, an allocation of the investment income was made to Coal Mines Insurance Pty Limited based on an agreement between the two companies. This allocation ceased during the year in accordance with the company's consideration of the application of the indemnity agreement between the two companies. Refer to note 34a for further details of the indemnity.

h – Outwards Reinsurance

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

i – 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 reported (IBNR), claims incurred but not expense 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 a risk free rate. The details of rates applied are included in Note 10. Claims expense includes claims discount expense, being the portion of the increase in the liability for outstanding claims arising from the passage of time as the claim payments discounted in prior periods come closer to settlement.

The prudential margin included in the liability for outstanding claims is at a 95% level of confidence.

j – Receivables

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

k – Inventories

Stocks of materials are held for re-sale and used in the operations of Mines Rescue Pty Limited to generate income. They 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 statement as incurred.

l – Revaluation 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.

When land and buildings have been constructed for a specific use, they are valued based on their existing use, using a 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 the income statement, the increment is recognised first in 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.

Deferred tax balances are recognised and applied to asset revaluations when there is a difference between the carrying values of an asset and its tax base.

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

m – Depreciation of property, plant and equipment

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

Buildings	2% per annum
Office Improvements	20% per annum
Computer Equipment	20 % per annum
Motor vehicles	10 to 25% per annum
Plant and Equipment	5 to 33.33% per annum

n – Intangible Assets – Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and is tested for impairment annually, or more frequently if events or changes in circumstances arise.

Goodwill on consolidation of the subsidiary company Coal Mines Insurance Pty Limited was created at 1 January 2002. Goodwill is allocated to cash-generating segments for the purposes of impairment testing.

o – Trade and Other Payables

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.

p – 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 2 (m). Other routine operating maintenance, repair and minor renewal costs are charged as expenses as incurred.

q – Employee Entitlements

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.

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 using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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 asset in respect of defined benefit superannuation plans is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Past service costs are recognised immediately in income, unless the changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Future taxes, such as taxes on investment income and employer contributions, are taken into account in the actuarial assumptions used to determine the relevant components of the employer's defined benefit liability or asset.

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.

r – Cash and Cash Equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. All cash flows for Coal Mines Insurance Pty Limited are managed through the Coal Services Pty Limited's bank account, and cash inflows and outflows occur through the inter-company account. Bank overdrafts are shown within current liabilities on the balance sheet.

s – Operating Leases

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

t – Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

u – Segment Information

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 2 and the segment reporting accounting standard, AASB 114 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.

v – Financial instruments

The group's investments are classified at fair value through profit or loss. They comprise:

- Financial instruments designated at fair value through profit or loss upon initial recognition.
- Financial assets that are not held for trading purposes and which may be sold. These are investments in exchange traded debt and equity instruments, unlisted trusts, unlisted equity instruments, land and buildings owned by Coal Services Pty Ltd that are not owner occupied and commercial paper.

Recognition:

The group recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement and recognises changes in fair value of the financial assets or financial liabilities from this date.

Measurement:

Financial assets and liabilities held at fair value through the profit and loss are measured initially at fair value excluding (where material) any transaction costs that are directly attributable to the acquisition of the financial asset or liability. Transaction costs on financial assets and financial liabilities at fair value through profit and loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through the profit or loss are measured at fair value, with changes in their fair value recognised in the income statement.

Fair value in an active market:

- The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

Fair value in an inactive or unquoted market

- The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.
- Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used in a market rate at the balance sheet date applicable for an instrument with similar terms and conditions.
- Fair values of land and buildings are determined using directors' valuation, based on existing use and valuations provided by independent registered valuers.
- Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such funds.

w – Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is measured at fair value with any change therein recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Note 3 | Accounting Estimates and Judgements

The Company makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key Sources of Estimation Uncertainty

The key areas of estimation uncertainty for the Company and its consolidated entity are described below.

Estimation of Outstanding Claims Liability

Provision is made at year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported (IBNR) to the Group.

The estimated cost of claims includes direct expenses to be incurred in settling claims net of the expected value of recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where more information about the claim event is generally available. IBNR Claims may often not be reported until many years after the events giving rise to the claims that have occurred. Long-tail classes of business will typically display greater variations between initial estimates and final outcomes because there is a greater degree of difficulty in estimating IBNR reserves. Short-tail claims are typically reported soon after the claim event, and hence, tend to display lower levels of volatility.

In calculating the estimated cost of unpaid claims the Group uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties that may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims.

Note 4 provides details on actuarial assumptions and method, and note 10 provides an analysis of the outstanding claims liability.

Defined benefit pension scheme

The Group participates in a number of defined benefit pension schemes. The present value of the Group's obligations under these arrangements are calculated by an actuary, and the principal assumptions used in these calculations are disclosed in note 26.

Note 4 | Actuarial Assumptions and Method

The general approach to actuarial estimation of insurance liabilities is to analyse all available past experience, including numbers of reported and finalised claims, amounts of claims payments, changes in case estimates and incurred loss ratios. This analysis allows patterns to be identified in the past experience. Based on this, development patterns associated with the run-off of outstanding claims and premium liabilities at the balance sheet date can be estimated.

The determination of the central estimate of outstanding claims at the balance date. The central estimate of outstanding claims includes an allowance for claims incurred but not reported (IBNR) and the further development of reported claims.

The central estimate has no deliberate bias towards over or under estimation. Generally speaking, this means that the central estimate is assessed to have a 50% chance of adequacy.

The determination of a risk margin and claims handling expense provision to be added to the central estimates of outstanding claims.

The actuarial techniques used to estimate the outstanding claims liabilities were:

To value claims occurring after 30 June 1994 by payment type using recognised Payments per Claim actuarial valuation models.

To value current claims occurring before 30 June 1994 having regard for whether or not weekly benefits are being paid and the expected term of those payments.

To value claims registered after 30 June 1994 as follows:

- Common law settlements: payments per common law claim settled
- Common law disbursements: payments per common law claim outstanding
- Redemptions: payments per claim redeemed
- Weeklies lump sums, Legal and Other Payments: payments per claim handled.

Process Used to Determine Actuarial Assumptions

Claim Numbers

The first analysis undertaken was an analysis of reported claims. Ratios of numbers of claims reported in succeeding years were calculated and the underlying pattern used to estimate the total numbers of claims in each accident year.

Claims Handled Each Year

The number of claims handled have for valuation purposes been defined as the number of claims current at the start of the year plus the number of IBNR claims reported during the year. The numbers of claims handled were expressed both as a proportion of the ultimate numbers of claims and as ratios in succeeding years. The patterns underlying these proportions and ratios were then used to estimate the numbers of claims expected to be handled in future years.

Redemptions

The number of past redemptions were expressed as a percentage of claims handled each year. The pattern underlying these percentages was then used to project the number of redemptions in future years.

Common Law Writs

The number of common law writs issued each year were expressed as a percentage of the number of claims handled. The pattern underlying these percentages at each stage of development was then used to estimate the ultimate number of such claims in each year. The cumulative numbers of settled claims at each stage of development were expressed as a percentage of the estimated total number of common law claims. The underlying settlement pattern was then used to spread the settlement of open common law claims over future years.

Payments

The payments per claim pattern for each payment type was used to estimate the payments expected in future years for each year of accident based on a calculated future average payment per claim.

Note 5 | Insurance Contracts – Risk Management

Risk Management Objectives and Policies for Mitigating Insurance Risk

The Company has established practices for accepting insurance risks which is based on a statutory obligation in the Coal Industry Act. The risk under any one insurance contract arises out of the uncertainty surrounding the timing and severity of claims under the contract.

The Company manages its insurance risk through approval procedures for transactions that involve new clients, centralised management of reinsurance and monitoring of emerging issues.

Methods of monitoring performance include internal risk measurement models, scenario and stress testing and regular review of performance.

The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year many vary from those estimated using established statistical techniques.

The Company has an objective to control insurance risk, thus reducing the volatility of operating profits. The inherent uncertainty of insurance risk, can lead to significant variability in the loss experience. Profits from insurance business are affected by market factors, and movements in asset values. Short-term variability is, to some extent, a feature of insurance business.

Objectives in Managing Risk Arising from Insurance and Policies for Mitigating those Risks

The Company's policies and procedures, processes and controls encompass its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Company. Annually, the Board certifies that adequate strategies have been put in place to monitor those risks, that the Company has systems in place to ensure compliance with legislative and prudential requirements and that the Board has satisfied itself as to compliance.

The return to shareholders arises from the total premiums charged to policyholders and the return on invested assets, less the amounts paid to cover claims and the expenses incurred by the Company.

Underwriting Strategy

The underwriting strategy is to ensure that the company is able to meet the insurance needs of its customers, whilst achieving the risk management and objectives of the company.

Reinsurance Strategy

The company adopts a conservative approach towards its reinsurance risk management. The Board determines the level of risk, which is appropriate for the Company having regard to its financial resources, premium volume and the concepts of prudence. The company has an Insurance Committee and Board Audit and Risk Management Committee that assesses the effectiveness of the reinsurance management process. The control mechanisms include annual review of reinsurance arrangements, reinsurance programs, and criteria for selection of re-insurers.

Terms and Conditions of Insurance Contracts

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are discussed below.

Product Features

The Company writes insurance risk only for the coal industry of New South Wales. Insurance Indemnifies the policyholder against all liability arising under Workers Compensation legislation.

Management of Risks

The key insurance risks are underwriting risk, and claims experience risk (including the variable incidence of natural disasters).

Underwriting risk is the risk that the company does not charge premiums appropriate for the different products it insures. The risk on any policy will vary according to many factors such as the assumptions of the insured and the policy limit.

Underwriting risk is partially managed by the company issuing contracts including policy limitations and exclusions. These are not terms and conditions that are expected to have material impact on the financial statements of the company.

Claims experience is monitored on an ongoing basis to ensure that any adverse performance is addressed. The potential incidence of natural disasters is managed through the reinsurance management process and is reviewed on an annual basis. The company is able to reduce the claims experience risk of natural disasters through the range of reinsurance products available.

Concentration of Insurance Risks

Concentration risk is managed primarily through sensible pricing, appropriate Investment strategy, and reinsurance.

Interest Rate Risk

The insurance or reinsurance contracts contain no clauses that expose the Company directly to interest rate risk. The insurance and reinsurance contracts are annually renewable.

Credit Risk

The Company is exposed to credit risk on insurance contracts as a result of exposure to individual reinsurers. The company does not have any material exposure to an individual reinsurer which would significantly impact the operating profit. The credit risk to reinsurers is managed through the company having a pre-determined policy on the appropriate rating a reinsurer must have to participate in the company's reinsurance programme.

Note 6 | Segment Information

a – Description of Segments

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 portfolios and statistical services.

Geographical segments

The consolidated entity operates in New South Wales, Australia.

b – Primary Reporting Format – Business Segments

Year ended 30 June 2007	Workers compensation Insurance $'000	Mines Rescue Services $'000	Occupational Health and Rehabilitation Services & Other Activities of Coal Services $'000	Inter-segment Eliminations $'000	Total $'000
Revenue from external customers	90,244	12,071	4,817	–	107,132
Inter-segment revenue	182	17	7,027	(7,226)	–
	90,426	12,088	11,844	(7,226)	107,132
Investment Income	–	–	78,140	(64)	78,076
	90,426	12,088	89,984	(7,290)	185,208
Total segment expenditure	(83,012)	(13,082)	(19,055)	7,290	(107,859)
Profit before income tax	7,414	(994)	70,929	–	77,349
Income tax (unallocated)					(32,624)
Profit after income tax					44,725
Total segment assets	353,492	27,523	182,394	–	563,409
Total segment liabilities	353,492	14,430	63,320	–	431,242

The investment income is generated from the assets derived from the workers compensation insurance business. These assets are held by Coal Services Pty Limited under the deed of indemnity between Coal Services Pty Limited and Coal Mines Insurance Pty Limited.

Year ended 30 June 2006	Workers compensation Insurance $'000	Mines Rescue Services $'000	Occupational Health and Rehabilitation Services & Other Activities of Coal Services $'000	Inter-segment Eliminations $'000	Total $'000
Revenue from external customers	64,782	11,513	5,398	(12,690)	69,003
Inter-segment revenue	187	19	1,175	(1,381)	–
	64,969	11,532	6,573	(14,071)	69,003
Other revenue	52,119	–	–	24,298	76,417
	117,088	11,532	6,573	10,227	145,420
Total segment expenditure	(93,311)	(11,397)	(7,744)	(752)	(113,204)
Profit before income tax	23,777	135	(1,171)	9,475	32,216
Income tax (unallocated)					(4,875)
Profit after income tax					**27,341**
Total segment assets	432,359	23,563	48,520	–	504,442
Total segment liabilities	376,271	9,977	30,999	–	417,247

c – Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an arm's length basis.

Note 7 | Underwriting Result

	Parent Entity 2007 $'000	*Parent Entity* 2006 $'000	*Consolidated* 2007 $'000	*Consolidated* 2006 $'000 *Restated*
a – Underwriting Revenues				
Gross earned premiums	–	–	90,245	64,782
Re-insurance and other recoveries revenue	–	–	1,654	722
	–	–	**91,899**	**65,504**
b – Underwriting Expenses				
Gross claims expense	–	–	56,728	69,509
Outwards reinsurance premium expense	–	–	790	801
Other underwriting expenses	–	–	1,312	509
Movement in unexpired risk reserve	–	–	5,030	5,690
	–	–	**63,860**	**76,509**
c – Underwriting Result				
Net earned premiums	–	–	89,455	63,981
Net incurred claims	–	–	(55,074)	(68,787)
Other underwriting expenses	–	–	(1,312)	(509)
Movement in unexpired risk reserve	–	–	(5,030)	(5,690)
	–	–	**28,039**	**(11,005)**

	Parent Entity		Consolidated	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000

Note 8 | Net Earned Premiums

Gross written premiums	–	–	90,245	64,374
Movement in unearned premiums	–	–	–	408
Gross earned premiums	–	–	90,245	64,782
Outwards reinsurance premium expense	–	–	(790)	(801)
Net earned premiums	–	–	89,455	63,981

Note 9 | Net Incurred Claims

Claims Expense

Direct				
Claims paid (including direct settlement costs)	–	–	80,871	59,652
Movement in provision for claims outstanding	–	–	(8,840)	14,890
Discount	–	–	(15,303)	(5,033)
	–	–	56,728	69,509
Reinsurance and other recoveries	–	–	(1,654)	(722)
Net incurred claims	–	–	55,074	68,787

Claims Development (consolidated)

Current period claims relate to risks borne in the financial year. Prior period claims relate to a reassessment of the risks borne in all previous financial years.

2007	Current Year $'000	Prior Years $'000	Total $'000
Gross Claims Incurred and Related Expenses			
Undiscounted			
Claims Paid (Including Indirect Settlement Costs)	12,108	68,763	80,871
Movement In Provision For Claims Outstanding	77,978	(86,818)	(8,840)
Discount	(4,609)	(10,694)	(15,303)
	85,477	(28,749)	56,728
Reinsurance and Other Recoveries			
Undiscounted	–	(1,654)	(1,654)
Discount	–	–	–
	–	(1,654)	(1,654)
Net Incurred Claims	85,477	(30,403)	55,074

The release of claims reserve for prior years was made due to both favourable experience compared to previous assumptions and the release of risk margin in respect of payments made during the year.

Note 9 | Net Incurred Claims Continued

2006	Current Year $'000	Prior Years $'000	Total $'000
Gross Claims Incurred and Related Expenses			
Undiscounted			
Claims Paid (Including Indirect Settlement Costs)	17,582	42,070	59,652
Movement in provision for claims outstanding	86,993	(72,103)	14,890
Discount	(11,206)	6,173	(5,033)
	93,369	(23,860)	69,509
Reinsurance and other recoveries			
Undiscounted	–	(722)	(722)
Discount			
	–	(722)	(722)
Net incurred claims	**93,369**	**(24,582)**	**68,787**

Note 10 | Outstanding Claims

	Parent Entity 2007 $'000	*Parent Entity* 2006 $'000	*Consolidated* 2007 $'000	*Consolidated* 2006 $'000
A – Undiscounted Expected Future Claim Payments				
Central estimate	–	–	307,596	314,519
Risk margin	–	–	84,916	90,411
Indirect claims settlement costs	–	–	22,285	18,706
	–	–	414,797	423,636
Discount to present value	–	–	(72,413)	(57,110)
			342,384	366,526
Current	–	–	66,103	71,382
Non-current	–	–	276,281	295,144
	–	–	**342,384**	**366,526**

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

	Parent Entity 2007	Parent Entity 2006	Consolidated 2007	Consolidated 2006
For the Succeeding Year				
Inflation rate – normal	–	–	4.5%	4.5%
Inflation rate – superimposed	–	–	2.0%	2.0%
Discount rate	–	–	6.0%	5.0%
For the Subsequent Years				
Inflation rate – normal	–	–	4.5%	4.5%
Inflation rate – superimposed	–	–	2.0%	2.0%
Discount rate	–	–	6.0%	5.0%

Note 10 | Outstanding Claims Continued

c – The weighted average expected term to settlement of the outstanding claims from the balance date is estimated to be 4.8 years (2006: 4.6 years).

d – The prudential margin, which represents 33.0% (2006: 32.7%) of the discounted central estimate, provides a 95% level of confidence.

e – Claims development tables –Workers compensation business

The following tables show the development of gross and net undiscounted outstanding claims relative to the ultimate expected claims for the five most recent accident years.

Accident Year	2003 $'000	2004 $'000	2005 $'000	2006 $'000	2007 $'000	Total $'000
Estimate of Ultimate Claims Cost:						
At end of accident year	69,114	53,267	52,450	65,029	63,523	
One year later	60,909	51,160	55,312	53,760		
Two years later	57,225	49,335	52,089			
Three years later	51,689	56,469				
Four years later	51,513					
Current estimate of cumulative claims cost	51,513	56,469	52,089	53,760	63,523	
Cumulative payments	(27,899)	(33,133)	(26,444)	(12,009)	(5,353)	
Outstanding claims – undiscounted	23,614	23,336	25,645	41,751	58,170	172,516
Outstanding claims 2001 and prior						135,080
Discount						(72,413)
Claims handling expenses						22,285
Net outstanding claims – central estimate						257,468
Prudential margin						84,916
Total discounted claims outstanding						342,384

f – Sensitivity Analysis – Insurance Contracts

Coal Mines Insurance Pty Limited conducts sensitivity analysis to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above. The movement in any key variable will impact the performance and equity of the company. The tables below describe how change in each assumption will affect the insurance liabilities and show an analysis of the sensitivity of the profit/loss and equity to changes in these assumptions both gross and net of reinsurance.

	Movement in Variable	Impact on Profit Gross of Reinsurance	Impact on Equity
Average claim size	+10%	(4,539)	(4,539)
	-10%	4,540	4,540
Expense rate	+1%	(2,220)	(2,220)
	-1%	2,220	2,220
Discount rate	+1%	8,177	8,177
	-1%	(8,824)	(8,824)
Inflation rate	+1%	(9,839)	(9,839)
	-1%	9,276	9,276

	Parent Entity		Consolidated	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
g – Reconciliation of Movements on Outstanding Claims Liabilities				
Gross outstanding claims liability at the beginning of the year	–	–	366,500	356,700
Risk margin at the beginning of the year	–	–	(90,400)	(88,200)
Net central estimate at the beginning of the year	–	–	276,100	268,500
Claim paid in the year	–	–	(59,400)	(51,700)
Associated expense allowance	–	–	(4,500)	(3,900)
Unwind of discount	–	–	12,200	11,200
Change in cost	–	–	(7,000)	(14,100)
Consequential changes	–	–	(2,500)	(3,100)
Movement in discounting	–	–	(9,700)	–
Claims incurred in the year	–	–	50,500	69,200
Net outstanding claims at the end of the year	–	–	255,700	276,100
Future recoveries	–	–	1,700	–
Risk margin at the end of the year	–	–	84,900	90,400
Gross outstanding claims liability at the end of the year	–	–	342,300	366,500

Note 11 | Other Revenue

	Parent Entity 2007 $'000	Parent Entity 2006 $'000	Consolidated 2007 $'000	Consolidated 2006 $'000
Revenue From Other Operating Activities				
Net investment income	78,140	11,888	78,077	65,595
Contributions from colliery proprietors	–	–	4,322	3,137
Training and services revenue	–	–	7,666	8,088
Occupational health and rehabilitation services	4,736	4,231	3,693	3,143
Other	81	510	164	675
	82,957	16,629	93,922	80,638
Revenue From Outside the Operating Activities				
Costs recovered from controlled entity	7,027	7,082	–	–
Revenue from other ordinary activities	89,984	23,711	93,922	80,638

Note 12 | Profit From Ordinary Activities

	Parent Entity 2007 $'000	Parent Entity 2006 $'000	Consolidated 2007 $'000	Consolidated 2006 $'000 *Restated*
a – Net Gains/Losses and Expenses				
Net gains/(losses) on disposal Property, plant and equipment	363	(57)	317	(57)
Expenses				
Depreciation of plant and equipment	(475)	(471)	(1,234)	(1,195)
Impairment of debts	3	–	(306)	(60)
Employee entitlement provisions	(962)	(906)	(962)	(906)
Rental expense relating to operating leases		(486)		(486)
Miners' pension expense under indemnity	648	(641)	648	(641)
Goodwill impairment	–	–	(12,201)	–
Write down of property, plant and equipment	(1,487)	(221)	(1,487)	(221)
b – Net Investment Income				
Revenues				
Dividends	3,809	3,648	3,809	3,648
Equity and property trust distributions	31,436	13,382	31,436	13,382
Fixed Interest trust distributions	8,044	1,963	8,044	1,963
Interest – short term investments	1,194	1,743	1,130	1,703
Interest – long term investments	1,012	4,126	1,012	4,126
Rental income	7,762	7,063	7,762	7,063
Unrealised gains on financial assets held at fair value through profit or loss				
Australian listed shares and equity trusts	20,656	15,148	20,656	15,148
Investment property	5,000	8,127	5,000	8,127
Property trust units	1,020	1,198	1,020	1,198
Overseas equity trust units	–	9,845	–	9,845
Realised gains on financial assets held at fair value through profit or loss				
Australian listed shares and equity trusts	7,007	2,937	7,007	2,937
Investment property	2,010	–	2,010	–
Property trust units	992	–	992	
Fixed interest investments	63	–	63	
Overseas equity trust units	1,113	–	1,113	
Other investment income	283	140	283	140
	91,401	69,320	91,337	69,280
Expenses				
Unrealised losses on financial assets held at fair value through profit or loss				
Fixed interest investments	(7,047)	(1,080)	(7,047)	(1,080)
Overseas equity trust units	(3,883)	–	(3,883)	–
Realised losses on financial assets held at fair value through profit or loss				
Fixed interest investments	–	(45)		(45)
Investment property operating and management expenses	(2,331)	(2,560)	(2,331)	(2,560)
	(13,261)	(3,685)	(13,261)	(3,685)
Net investment income before allocation	78,140	65,635	78,076	65,595
Income allocated to controlled entity	–	(53,747)	–	–
Net investment income	**78,140**	**11,888**	**78,076**	**65,595**

	Parent Entity		Consolidated	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Note 13 | Income Tax				
a – Income Tax Expense				
Current tax	18,255	(2,794)	26,682	1,611
Deferred tax	8,697	11,525	5,942	3,264
	26,952	8,731	32,624	4,875
Deferred income tax expense included in the income tax expense comprises:				
Decrease/(increase) in deferred tax assets	492	5,926	(2,263)	(2,461)
Increase in deferred tax liabilities	8,205	5,599	8,205	5,725
	8,697	11,525	5,942	3,264
b – Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable				
Profit before income tax expense	146,155	8,299	77,349	32,216
Income tax at 30% (2006: 30%)	43,847	2,490	23,205	9,665
Tax effect of amounts which are not deductible in calculating taxable income:				
Reduction in indemnity to controlled entity	(22,568)	(2,696)	–	–
Miners pension expense	(194)	192	(194)	192
Income allocated to controlled entity	–	16,124	–	–
Other permanent difference	9,105	(2,151)	12,851	301
Over provision in previous years	(2,419)	(4,258)	(2,419)	(4,313)
Tax credits	(819)	(970)	(819)	(970)
	26,952	8,731	32,624	4,875

c – Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss, but directly debited/(credited) to equity:

Deferred tax on revalued property, plant and equipment	(14)	–	164	–
	(14)	–	164	–

The entities within the tax consolidation group, including the company, have entered into a tax sharing agreement. Amounts receivable or payable under the tax sharing agreement have been recognised as tax-related amounts receivable from or payable to other entities in the group. The terms of the agreement also specify the methods of allocating any tax liability in the event of a default by the head entity in the tax consolidation group on its group payment obligations and the treatment whereby a controlled entity exits the group. As at 30 June 2007 there had been no default by the head entity.

	Parent Entity		Consolidated	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000

Note 14 | Current Assets – Cash and Cash Equivalents

Cash at bank and on hand	5,476	6,621	6,159	6,623
Short term deposits	12,600	12,005	12,600	12,505
	18,076	18,626	18,759	19,128

a – Reconciliation to cash at the end of the year

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

Balance as above	18,076	18,626	18,759	19,128
Overdrafts (note 29)	–	–	–	(1,035)
Balance per the cash flow statements	18,076	18,626	18,759	18,093

The parent entity has a bank overdraft facility of $600,000 which was unused as at 30 June 2007.

Note 15 | Current Assets – Receivables

Trade receivables	1,337	891	4,770	4,741
Less: Provision for impaired receivables	(7)	(10)	(752)	(424)
	1,330	881	4,018	4,317
Accrued premium income	–	–	6,086	–
Other debtors	70	1,967	70	2,242
Amounts owed from Mines Rescue Pty Limited	6,448	1,628	–	–
	7,848	4,476	10,174	6,559

Note 16 | Current Assets – Financial Assets Held at Fair Value Through Profit & Loss

Australian bond trust units	123,265	50,430	123,265	50,430
Australian listed shares	93,042	81,637	93,042	81,637
Australian equity trust units	73,571	56,487	73,571	56,487
Overseas equity trust units	80,364	70,781	80,364	70,781
Property trust units	16,933	13,935	16,933	13,935
Global infrastructure fund	19,529	–	19,529	–
	406,704	273,270	406,704	273,270

Note 17 | Current Assets – Inventories

Goods held for re-sale	–	–	184	225

Note 18 | Current Assets – Other

Deposit paid	–	–	–	40
Prepayments	1,239	1,903	1,483	2,005
	1,239	1,903	1,483	2,045

	Parent Entity 2007 $'000	Parent Entity 2006 $'000	Consolidated 2007 $'000	Consolidated 2006 $'000

Note 19 | Non-current Assets – Receivables

	Parent Entity 2007 $'000	Parent Entity 2006 $'000	Consolidated 2007 $'000	Consolidated 2006 $'000
Receivable from statutory corporation	–	–	1,709	1,552

Note 20 | Non-current Assets – Financial Assets Held At Fair Value Through Profit & Loss

	Parent Entity 2007 $'000	Parent Entity 2006 $'000	Consolidated 2007 $'000	Consolidated 2006 $'000
Corporate and semi-government stock	–	40,476	–	40,476
Corporate securities	–	29,691	–	29,691
Loan to third party	1,010	1,010	1,010	1,010
Commercial loan to a controlled entity *	805	1,072	–	–
	1,815	**72,249**	**1,010**	**71,177**

** In February 2004, the parent entity entered into a loan agreement with Mines Rescue Pty Limited to provide funds of $1,500,000. The loan is being re-paid over 5 years at a fixed interest rate of 6.75%.*

Note 21 | Non-current Assets – Other Financial Assets

	Parent Entity 2007 $'000	Parent Entity 2006 $'000	Consolidated 2007 $'000	Consolidated 2006 $'000
Shares in controlled entities	90	90	–	–

Note 22 | Non Current Assets – Property, Plant & Equipment

	Parent Entity 2007 $'000	Parent Entity 2006 $'000	Consolidated 2007 $'000	Consolidated 2006 $'000
Land & Buildings				
At valuation	14,597	14,549	29,144	27,566
Less: accumulated depreciation	–	–	–	(131)
	14,597	14,549	29,144	27,435
Office Improvements				
At cost	441	438	441	438
Less: accumulated depreciation	(369)	(332)	(369)	(332)
	72	106	72	106
Computer Equipment				
At cost	1,523	1,526	1,523	1,526
Less: accumulated depreciation	(1,195)	(1,154)	(1,195)	(1,154)
	328	372	328	372
Motor Vehicles				
At cost	1,127	857	2,208	2,186
Less: accumulated depreciation	(81)	(110)	(422)	(652)
	1,046	747	1,786	1,534
Plant & Equipment				
At cost	1,441	1,361	9,104	5,636
Less: accumulated depreciation	(1,013)	(910)	(2,375)	(2,132)
	428	451	6,729	3,504
	16,471	**16,225**	**38,059**	**32,951**

Note 22 | Non-current Assets – Property, Plant & Equipment Continued

	Parent Entity		Consolidated	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000

Valuations of Land & Buildings

The basis of valuation of the land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arms length transaction, based on current prices in an active market for similar properties in the same location and condition. All properties were re-valued at the year-end based upon independent assessments by a member of the Australian Property Institute. The revaluation surplus, net of applicable deferred taxes, is credited to the asset revaluation reserve in shareholders equity. This is except for two properties which are currently under construction, the carrying amounts of these properties are stated at capitalised construction costs.

Carrying amounts that would have been recognised if land and buildings were stated at cost

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	Parent Entity 2007 $'000	Parent Entity 2006 $'000	Consolidated 2007 $'000	Consolidated 2006 $'000
Cost	15,901	10,998	26,592	20,436
	15,901	10,998	26,592	20,436

Assets in the course of construction

The carrying amounts of the assets disclosed above include the following expenditure recognised in relation to property, plant and equipment which is in the course of construction:

	Parent Entity 2007 $'000	Parent Entity 2006 $'000	Consolidated 2007 $'000	Consolidated 2006 $'000
Land and buildings				
Carrying amount at the start of the year	3,400	1,251	3,400	1,251
Additions	8,423	1,894	8,423	1,894
Impairment	(1,597)	–	(1,597)	–
Revaluation of land	25	255	25	255
Carrying amount at the end of the year	10,251	3,400	10,251	3,400

At the year-end, management undertook an impairment review of the two building projects under construction based on the expected costs to complete and an independent valuation of the buildings performed on an as complete basis. As a result of this review, it was determined that one of the buildings was impaired, accordingly $1.597m has been charged to the income statement.

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 as follows:

	Land and Buildings $'000	Office Improvements $'000	Computer Equipment $'000	Motor Vehicles $'000	Plant and Equipment $'000	Total $'000
Parent						
Carrying amount at 1 July 2006 (Restated)	14,549	106	372	747	451	16,225
Additions	8,489	3	187	1,278	100	10,057
Disposals	(6,900)	–	(30)	(835)	(8)	(7,773)
Revaluation	56	–	–	–	–	56
Impairment	(1,597)	–	–	–	–	(1,597)
Depreciation/amortisation expense	–	(37)	(201)	(144)	(115)	(497)
Carrying amount at 30 June 2007	14,597	72	328	1,046	428	16,471

	Land and Buildings $'000	Office Improvements $'000	Computer Equipment $'000	Motor Vehicles $'000	Plant and Equipment $'000	Total $'000
Consolidated						
Carrying amount at 1 July 2006 (Restated)	27,435	106	372	1,535	3,503	32,951
Additions	9,906	3	187	1,610	3,854	15,560
Disposals	(6,900)	–	(30)	(1,090)	(42)	(8,062)
Revaluation	354	–	–	–	–	354
Impairment	(1,487)	–	–	–	–	(1,487)
Depreciation/amortisation expense	(164)	(37)	(201)	(269)	(586)	(1,257)
Carrying amount at 30 June 2007	29,144	72	328	1,786	6,729	38,059

	Parent Entity		*Consolidated*	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000

Note 23 | Non-current Assets – Investment Properties

At Fair Value

Opening balance at 1 July	74,700	66,700	74,700	66,700
Disposals	(7,500)	–	(7,500)	–
Net gain/(loss) from fair value adjustments	5,000	8,000	5,000	8,000
Closing balance at 30 June	72,200	74,700	72,200	74,700

a – Amounts recognised in profit and loss for investment properties

Rental income	7,762	7,063	7,762	7,063
Direct operating expenses	(2,331)	(2,560)	(2,331)	(2,560)
	5,431	4,503	5,431	4,503

b – Valuation basis

The basis of the valuation of investment properties is fair value, being the amounts for which the properties 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 and subject to similar leases. The range of yields and discount rates applied to the annual rents to determine the fair value of the investment properties range from 7.5% to 8.5% for yields and 8.25% to 9.0% for discount rates. The 2007 revaluations were based on independent assessments made by a member of the Australian Property Institute.

Note 24 | Non-current Assets – Deferred Tax Assets

The balance comprises temporary differences attributable to:

Amounts recognised in profit and loss:

Accrued expenses	197	773	314	905
Impaired debts	2	3	210	127
Indirect claims settlement costs	–	–	6,685	5,612
Employee entitlements	705	608	1,622	1,840
Unexpired risk reserve	–	–	3,215	1,707
Other	–	12	–	(408)
	904	1,396	12,046	9,783

Note 24 | Non-current Assets – Deferred Tax Assets Continued

	Accrued Expenses $'000	Provision for Doubtful Debts $'000	Indirect Claims Settlement Costs $'000	Employee Entitlements $'000	Unexpired Risk Reserve $'000	Other $'000	Total $'000
Movements – Consolidated							
Carrying amount at 1 July 2005	280	135	5,432	2,332	–	(857)	7.322
Credited to the income statement	625	(8)	180	(492)	1,707	449	2,461
Carrying amount at 30 June 2006	905	127	5,612	1,840	1,707	(408)	9,783
Charged to the income statement	(591)	83	1,073	(218)	1,508	408	2,263
Carrying amount at 30 June 2007	314	210	6,685	1,622	3,215	–	12,046

	Accrued Expenses $'000	Provision for Doubtful Debts $'000	Indirect Claims Settlement Costs $'000	Employee Entitlements $'000	Other $'000	Total $'000
Movements – Parent entity						
Carrying amount at 1 July 2005	280	135	5,432	2,332	(857)	7,322
Charged to the income statement	493	(132)	(5,432)	(1,724)	869	(5,926)
Carrying amount at 30 June 2006	773	3	–	608	12	1,396
Charged to the income statement	(576)	(1)	–	97	(12)	(492)
Carrying amount at 30 June 2007	197	2	–	705	–	904

Note 25 | Non-current Assets – Intangible Assets

	2007 $'000	2006 $'000
Consolidated		
Cost – Goodwill		
Balance at the beginning of the year	24,402	24,402
Additions	–	–
Balance at the end of the year	24,402	24,402
Amortisation/Impairment – Goodwill		
Balance at the beginning of the year	12,201	12,201
Impairment in the year	12,201	–
Balance at the end of the year	24,402	12,201
Carrying value		
Balance at the end of the year	–	12,201

The goodwill was created on the formation of the subsidiary company, Coal Mines Insurance Pty Limited, on 1 January 2002. Goodwill is allocated the workers' compensation insurance business for the New South Wales coal industry. The recoverable amount is determined based on value-in-use calculations. An assessment of the recoverable amount of this goodwill was undertaken by management at the balance sheet date taking into consideration the fact that the principal objective of Coal Mines Insurance Pty Limited is not to maximise profits, but instead to provide an efficient and fully-funded workers compensation insurance scheme for the New South Wales coal industry. As such it was determined that the goodwill should be written down to a carrying value of nil, and an impairment charge of $12.201m has been charged to the income statement for the year.

	Parent Entity		*Consolidated*	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000

Note 26 | Non-current Assets – Defined Benefit Superannuation Scheme

a – Superannuation Plans

The parent entity participated in the following Energy Industry Superannuation Schemes (EISS): the Defined Benefit Scheme, the Retirement Scheme and the Accumulation Scheme. At least a component of the final benefit is derived from a multiple of member salary and years of membership. All divisions are closed to new members.

The subsidiary company, Mines Rescue Pty Limited, participated in the Mines Rescue Stations Staff Superannuation Plan. The fund is a final average (3 years) lump sum benefit arrangement providing benefits on death, disability, resignation and retirement. The scheme is closed to new members.

b – Balance Sheet Amounts

Present value of the defined benefit obligation	(10,439)	(9,410)	(15,461)	(12,887)
Present value of the defined benefit plan assets	10,781	9,604	14,486	13,517
	342	194	(975)	630
Unrecognised actuarial losses	–	–	1,933	175
Net asset recognised in the balance sheet	**342**	**194**	**958**	**805**

The actuarial valuation of the parent entities defined benefit obligations recognise all actuarial gains and losses as incurred. The actuarial valuation of Mines Rescue Pty Limited defined benefit obligations, only recognise these when they exceed the 10% corridor. There has been no recognition in the year.

All scheme assets are invested by the Trustees at arm's length through independent managers.

c – Movement

Movement in net asset recognised in the balance sheet				
Net asset/(liability) at the beginning of the year	194	(1,796)	805	(1,227)
Net (expense)/ income recognised in the income statement	(115)	1,737	(325)	1,550
Contributions	263	253	478	482
Net asset/(liability) disclosed in the balance sheet	**342**	**194**	**958**	**805**

d – Amounts Recognised in the Income Statement

The amounts recognised in the income statement are as follows:				
Current service cost	322	107	633	413
Interest cost	570	540	728	683
Expected return on Scheme assets	(725)	(624)	(984)	(886)
Actuarial (gains)/losses	(52)	(1,760)	(52)	(1,760)
Expense/(income) recognised	**115**	**(1,737)**	**325**	**(1,550)**
Actual return on Scheme assets	**1,368**	**1,438**	**1,592**	**1,604**

Note 26 | Non-current Assets – Defined Benefit Superannuation Scheme Continued

	2007 $'000	2006 $'000
e – Principal Actuarial Assumptions		
The principal actuarial assumptions used were as follows:		
Parent entity scheme		
Salary increase rate	6% pa until June 2009; 4% pa thereafter	4.0%
Rate of CPI Increase	2.5%	2.5%
Expected rate of return on assets	7.6%	7.6%
Discount rate	5.9%	5.4%
Mines Rescue Pty Limited scheme		
Salary increase rate	5.0%	4.0%
Expected rate of return on assets	5.0%	7.0%
Discount rate	5.3%	4.8%

f – Employer Contributions

Parent entity

The method used to determine the employer contributions at the last actuarial review was the Aggregate Funding method. The method adopted affects the timing of the cost to the employer. Under the Aggregate Funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

The recommended contribution rates for the entity are:

EISS Division B	1.9 x member contributions
EISS Division C	2.5% x salaries
EISS Division D	1.63 x member contributions

The economic assumptions adopted for the last actuarial review of the Scheme were an expected rate of return on Scheme assets of 7.0% pa, expected salary increase rate of 6.0% pa until June 2009, and 4.0% pa thereafter, and an expected rate of CPI increase of 2.5% pa.

If a surplus exists in the employer's interest in the Scheme, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Scheme's actuary. Where a deficiency exists, the employer is responsible for any difference between the employer's share of Scheme assets and the defined benefit obligation.

Mines Rescue Pty Limited

The method used to determine the employer contributions is the balance of the cost of benefits after the member's contributions of 4% of salary.

	Parent Entity		Consolidated	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000

Note 27 | Non-current Assets – Other

Lease Incentives	123	46	123	46
	123	**46**	**123**	**46**

Note 28 | Current Liabilities – Payables

Trade and other creditors	4,551	1,007	5,516	2,392
Accrued expenses	1,222	2,577	1,903	3,017
Amounts owed to Coal Mines Insurance Pty Ltd	153,748	168,789	–	–
	159,521	**172,373**	**7,419**	**5,409**

	Parent Entity 2007 $'000	Parent Entity 2006 $'000	Consolidated 2007 $'000	Consolidated 2006 $'000

Note 29 | Current Liabilities – Bank Overdraft

Bank overdraft	–	–	–	1,035

Note 30 | Current Liabilities – Current Tax

Income tax payable	26,939	1,037	26,939	1,037

Note 31 | Current Liabilities – Provisions

Miners' pension fund indemnity	2,200	2,580	2,200	2,580
Employee entitlements	654	536	3,308	2,884
	2,854	3,116	5,508	5,464

a – Miners' pension fund indemnity

The provision for the miner's pension fund indemnity is described in more detail in note 35.

b – Movements in provisions

Movements in each class of provision during the financial year are set out below:

	Employee Entitlements $'000	Miners' Pension Fund – Indemnity $'000	Total $'000
Consolidated			
Carrying amount at 1 July 2006	536	2,580	3,116
Charged to the income statement	118	(380)	(262)
Carrying amount at 30 June 2007	654	2,200	2,854

	Parent Entity 2007 $'000	Parent Entity 2006 $'000	Consolidated 2007 $'000	Consolidated 2006 $'000

Note 32 | Current Liabilities – Other

Claims recovery received in advance	–	–	–	71
Rental bonds received	196	116	196	116
	196	116	196	187

Note 33 | Non-current Liabilities – Deferred Tax Liabilities

The balance comprises temporary differences attributable to:

Amounts recognized in profit and loss:

Unrealised gains on investments	22,941	13,559	22,941	13,633
Accrued income	72	572	72	572
Surplus on defined benefit superannuation schemes	103	58	287	185
Revaluation of land and buildings	–	737	1,156	1,697
	23,116	14,926	24,456	16,087

Note 33 | Non-current Liabilities – Deferred Tax Liabilities Continued

	Unrealised Gains on Investments $'000	Accrued Income $'000	Surplus on Defined Benefit Superannuation Schemes $'000	Revaluation of Land and Buildings $'000	Other $'000	Total $'000
Movements – Consolidated						
Carrying amount at 1 July 2005	8,609	–	–	1,578	550	10,737
Charged to the income statement	5,024	572	185	119	(550)	5,350
Carrying amount at 30 June 2006	13,633	572	185	1,697	–	16,087
Charged to the income statement	9,308	(500)	102	(184)	–	8,726
Charged directly to equity	–	–	–	(357)	–	(357)
Carrying amount at 30 June 2007	**22,941**	**72**	**287**	**1,156**	–	**24,456**
Movements – Parent entity						
Carrying amount at 1 July 2005	8,609	–	–	618	550	9,777
Charged to the income statement	4,950	572	58	119	(550)	5,149
Carrying amount at 30 June 2006	13,559	572	58	737	–	14,926
Charged to the income statement	9,382	(500)	45	(258)	–	8,669
Charged directly to equity	–	–	–	(479)	–	(479)
Carrying amount at 30 June 2007	**22,941**	**72**	**103**	–	–	**23,116**

Note 34 | Non-current Liabilities – Provisions

	Parent Entity 2007 $'000	*Parent Entity* 2006 $'000	*Consolidated* 2007 $'000	*Consolidated* 2006 $'000
Coal Mines Insurance Pty Ltd indemnity	182,327	257,554	–	–
Miners' pension fund indemnity	9,997	12,562	9,997	12,562
Employee entitlements	1,697	1,491	3,623	3,250
	194,021	**271,607**	**13,620**	**15,812**

a – Coal Mines Insurance Pty Limited indemnity

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. Previously, the indemnity was recognised to the value of the parent entity's gross assets, less total liabilities (excluding the value of the indemnity). This has resulted in a movement of $75.2m which has been credited to the income statement of Coal Services Pty Limited for the year. During 2007 the company has further considered the application of the indemnity and has determined that it should be recognised only to the value of the net liabilities of Coal Mines Insurance Pty Limited (before recognition of the indemnity).

b – Miners' pension fund indemnity

The provision for the miner's pension fund indemnity is described in more detail in note 35.

c – Movements in provisions

Movements in each class of provision during the financial year are set out below:

	Miner's Pension Fund – Indemnity $'000	Employee Entitlements $'000	Total $'000
Consolidated			
Carrying amount at 1 July 2006	12,562	3,250	15,812
Charged/(credited) to the income statement	(2,565)	373	(2,192)
Carrying amount at 30 June 2007	9,997	3,623	13,620

	Coal Mines Insurance Pty Limited – Indemnity $'000	Miner's Pension Fund – Indemnity $'000	Employee Entitlements $'000	Total $'000
Parent entity				
Carrying amount at 1 July 2006	257,554	12,562	1,491	271,607
Charged/(credited) to the income statement	(75,227)	(2,565)	206	(77,586)
Carrying amount at 30 June 2007	182,327	9,997	1,697	194,021

Note 35 | 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 Limited for it's liability to pre–1978 pensioners in the Statutory Superannuation Fund. This indemnity transferred to the parent entity on 1 January 2002. An independent actuarial valuation was undertaken at the balance sheet date to value this indemnity. The results are shown below:

	Parent Entity		*Consolidated*	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
a – Expected Future Payments				
Expected future pension payments – undiscounted	17,046	20,219	17,046	20,219
Discount to present value	(4,849)	(5,077)	(4,849)	(5,077)
	12,197	15,142	12,197	15,142
Current	2,200	2,580	2,200	2,580
Non-current	9,997	12,562	9,997	12,562
	12,197	15,142	12,197	15,142

b – The following average inflation rates and discount rates were used in the measurement of the indemnity:

	%	%	%	%
For the succeeding and subsequent years				
Inflation rate	3.0%	3.0%	3.0%	3.0%
Discount rate	6.0%	5.0%	6.0%	5.0%

c – The weighted average expected term to settlement of future pension payments from the balance date is estimated to be 4.95 years (2006: 5.22 years).

d – Miners' pension expense under indemnity:				
Pension payments	2,297	2,497	2,297	2,497
Movement in provision	(2,945)	(1,856)	(2,945)	(1,856)
	(648)	641	(648)	641

	Parent Entity		Consolidated	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000

Note 36 | Employee Entitlements

Employee entitlement liabilities

Long service leave entitlement				
Current	232	177	232	177
Non-current	1,249	1,099	1,249	1,099
	1,481	1,276	1,481	1,276
Coal industry long service leave				
Non-current liability	–	–	1,926	1,759
Annual leave entitlement				
Current	421	359	1,227	857
Non-current	449	392	449	392
	870	751	1,676	1,249
Sick leave entitlement				
Current liability	–	–	1,848	1,850
Total employee entitlements				
Current	654	536	3,308	2,884
Non-current	1,697	1,491	3,623	3,250
	2,351	2,027	6,931	6,134
Employee numbers				
Number of employees at the end of the period	149	139	198	185

Coal Industry Long Service Leave

Commonwealth legislation enacted in 1992 established a statutory corporation, Coal Mining Industry (Long Service Leave Funding) Corporation, to assume responsibility for funding of the payment of long service leave entitlements to persons employed in the black coal industry. A levy is raised on wages paid by employees and a reimbursement is made to employers when long service leave payments are made. 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.

Mines Rescue Pty Limited's obligation to employees is inclusive of associated on-costs and is recognised as a liability. The company's right to reimbursement from the statutory corporation excludes associated on-costs, as they are not recoverable from the statutory corporation. The right to reimbursement is recognised as an asset (see note 26).

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 benefit/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.

Refer to note 26 for further details on these schemes.

Note 37 | Contributed Equity

	Consolidated & Parent Entity		Consolidated & Parent Entity	
	2007	2006	2007	2006
	Number of Shares		$	$
Share capital				
Ordinary shares – Fully paid	2	2	2	2

Ordinary Shares entitle the holder to participate in dividends and proceeds of the winding up of the company in proportion to the number of 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	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
		Restated		Restated

Note 38 | Reserves and Retained Profits

a – Reserves

Property, Plant and Equipment revaluation reserve	1,151	3,509	3,850	5,922
Movements				
Balance at 1 July	3,509	2,500	5,922	4,740
Revaluation of land & buildings	(39)	1,009	247	1,182
Transfer to retained profits on disposal of revalued property, plant and equipment	(2,319)	–	(2,319)	–
	1,151	3,509	3,850	5,922

b – Retained profits

Balance at 1 July	(3,509)	(2,500)	81,273	53,932
Transfer from reserves on disposal of revalued property, plant and equipment	2,319	–	2,319	–
Net profit/(loss) for the year	119,204	(1,009)	44,725	27,341
	118,014	(3,509)	128,317	81,273

c – Nature and purpose of reserves

The property, plant and equipment reserve is used to record increments and decrements on the re-valuation of non-current assets, as described in note 2(l).

	Parent Entity		Consolidated	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
		Restated		*Restated*

Note 39 | Remuneration of Auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

Audit of financial reports				
Fees paid to KPMG	15	–	155	–
Fees paid to PricewaterhouseCoopers	–	15	–	155
Taxation services				
Fees paid to KPMG	–	–	–	–
Fees paid to PricewaterhouseCoopers	–	14	–	14
	15	29	155	169

	Parent Entity		Consolidated	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000

Note 40 | Related Party Disclosures

a – Directors

The following persons were directors of the company during the year, and unless otherwise indicated were key management personnel for the entire year.

R P Land
J Mackrill
R M Taylor
A J Haraldson
K P Turner
P D Murray (resigned 31 December 2006)
A N Middlebrook
W McAndrew (appointed 1 January 2007)

b – Key management personnel compensation included in employee benefits expense in the income statement

Short-term employee benefits	1,497	1,185	1,497	1,185
Post-employment benefits	–	–	–	–
Long-term benefits	–	–	–	–
Share-based payments	–	–	–	–
Termination payments	–	958	–	958
	1,497	2,143	1,497	2,143

	Parent Entity		Consolidated	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000

c – Transactions with Directors and Director Related Entities

A director, Mr A J Haraldson, is a director of Henry Walker Eltin Group Limited (in administration). During the previous financial year, the company provided workers' compensation insurance services to Henry Walker Eltin Contracting Services Pty Limited, a wholly owned subsidiary.

Aggregate amounts of each of the above income transactions with directors and director related entities are:

	Parent Entity 2007 $'000	Parent Entity 2006 $'000	Consolidated 2007 $'000	Consolidated 2006 $'000
Amounts recognised as income				
Workers compensation premium income	–	–	–	301
Investment property rental income	–	38	–	38
	–	38	–	339
Amounts recognised as an expense				
Sponsorship and advertising	–	(1)	–	(1)
Membership and professional services fees	–	1,325	–	1,325
Superannuation/long service leave payments	–	61	–	61
	–	1,385	–	1,385

d – 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 the balance sheet date, the amount outstanding on the loan was $1,010,000 (2006: $1,010,000). During the period, the parent entity received $75,749 (2006: $81,256) in interest on this loan.

The majority of directors of the parent entity are also trustees of the Coal Services Health & Safety Trust. During the previous financial year the parent entity made a grant of $10m to the Coal Services Health & Safety Trust to help fund its research to benefit the New South Wales coal industry. There was no such grant made this year.

e – 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 41 | Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2b.

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2007	Equity Holding 2006
Coal Mines Insurance Pty Limited	Australia	Ordinary	100%	100%
Mines Rescue Pty Limited	Australia	Ordinary	100%	100%

Note 42 | Events Occurring After the Balance Sheet Date

After the balance sheet date of 30 June 2007, the board approved the sale of two of the Group's properties.

Note 43 | Contingencies

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

	Parent Entity		Consolidated	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000

Note 44 | Commitments

a – Capital Commitments

Capital expenditure contracted for at the reporting date but not recognised as a liability is as follows:

	2007	2006	2007	2006
Property, Plant and Equipment				
Within one year	11,354	7,471	11,354	7,471

b – Lease Commitments

	2007	2006	2007	2006
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	285	547	499	731
Later than one year but no later than five years	260	567	575	1,146
	545	1,114	1,074	1,877
Representing:				
Cancellable operating leases	521	804	992	1,539
Non-cancellable operating leases	24	310	82	338
	545	1,114	1,074	1,877

c – Operating Leases

	2007	2006	2007	2006
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	24	286	82	314
Later than one year but not later than five years	–	24	–	24
	24	310	82	338

Note 45 | Reconciliation of Profit After Income Tax to Net Cash Inflow From Operating Activities

	2007	2006	2007	2006
Profit/(loss) for the year	119,204	(1,009)	44,725	25,634
Depreciation and amortisation	497	471	1,257	(144)
Impairment of property, plant and equipment	1,541	–	1,541	–
Impairment of goodwill	–	–	12,201	–
Realised (gains)/losses on investments	(11,185)	(2,891)	(11,185)	(2,891)
Unrealised gains on investments	(15,746)	(35,396)	(15,746)	(35,398)
Net (profit)/loss on disposal of property, plant and equipment(363)	54	(316)	–	
Decrease/(increase) in trade receivables	(449)	(286)	299	392
Decrease/(increase) in inventories	–	–	41	63
Decrease/(increase) in other receivables	(2,485)	(2,678)	(3,739)	(15,437)
Decrease/(increase) in deferred tax assets	492	5,926	(2,263)	–
(Decrease)/increase in trade creditors	3,538	(214)	3,124	(214)
(Decrease)/increase in accrued expenses	(16,349)	39,659	(1,091)	18,074
(Decrease)/increase in deferred tax liabilities	8,190	5,599	8,188	16,463
(Decrease)/increase in current tax liabilities	25,902	(2,982)	25,902	(2,982)
(Decrease)/increase in claims provision	–	–	(19,112)	(10,510)
(Decrease)/increase in other provisions	(77,848)	(3,829)	(2,148)	9,343
Net cash inflow from operating activities	34,939	2,424	41,678	2,393

Note 46 | Financial Instruments

a – Terms, conditions and accounting policies

Financial Instrument	Nature of underlying instrument
Financial Assets	
Deposits at call	Temporarily surplus funds are placed in call money market investments awaiting further investment opportunities.
Receivables	Credit terms are between 7 and 30 days, depending on the nature of the receivable.
Equity loan	The loan is secured by a bank guarantee. Interest is received monthly.
Government securities	These securities are guaranteed by the issuing government and traded in active markets. Interest is received half-yearly.
Corporate securities	These securities are traded in active markets. Interest is received half-yearly.
Mortgage bonds	These securities are guaranteed by the New South Wales government and traded in active markets. Interest and capital repayments are received half-yearly.
Short term deposits	Surplus funds are held in short term deposits.
Shares in listed companies	These investments are carried at market value. Movements in the market value are recognised in accordance with AASB 1023. Dividend income is recognised when declared by the investee.
Units in listed property trusts	The units held are ordinary units.
Managed funds	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 payables	Settlement is usually made in accordance with the supplier's trading terms.
Indemnity – Miners' Superannuation pension fund	Payments are made in monthly instalments. For further details refer to note 35.

b – Interest rate risk exposure – Consolidated entity

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

30 June 2007	Floating Interest Rate $'000	Fixed Interest Maturing in: Less Than 1 Year $'000	1–5 Years $'000	More Than 5 Years $'000	Non Interest Bearing $'000	Total $'000	Weighted Average Effective Interest Rate %
Financial Assets							
Cash at bank	6,159					6,159	4.8%
Short term deposits		12,600				12,600	6.5%
Receivables					10,174	10,174	N/A
Equity loan			1,010			1,010	7.5%
Government securities							
Corporate securities							
Shares in listed companies					93,042	93,042	N/A
Units in property trusts					16,933	16,933	N/A
Managed funds					296,729	296,729	N/A
	6,159	12,600	1,010	–	416,878	436,647	
Financial Liabilities							
Payables					7,418	7,418	N/A
Bank overdraft					–	–	N/A
Indemnity to Miners Pension Fund					12,197	12,197	N/A
	–	–	–	–	19,615	19,615	
Net Financial Assets	6,159	12,600	1,010	–	397,263	417,032	

Note 46 | Financial Instruments Continued

30 June 2006	Floating Interest Rate $'000	Fixed Interest Maturing in: Less Than 1 Year $'000	1–5 Years $'000	More Than 5 Years $'000	Non Interest Bearing $'000	Total $'000	Weighted Average Effective Interest Rate %
Financial Assets							
Cash at bank	6,623	–	–	–	–	6,623	4.67
Short term deposits	–	12,505	–	–	–	12,505	5.74
Receivables	–	–	–	–	8,111	8,111	N/A
Equity loan	–	–	1,010	–	–	1,010	7.50
Government securities	–	–	40,476	–	–	40,476	4.77
Corporate securities	–	–	29,691	–	–	29,691	6.31
Shares in listed companies	–	–	–	–	81,637	81,637	N/A
Units in property trusts	–	–	–	–	13,935	13,935	N/A
Managed funds	–	–	–	–	177,698	177,698	N/A
	6,623	12,505	71,177	–	281,381	371,686	
Financial Liabilities							
Payables	–	–	–	–	5,409	5,409	N/A
Bank overdraft	1,035	–	–	–	–	1,035	4.80
Superannuation pension fund	–	–	–	–	15,142	15,142	N/A
	1,035	–	–	–	20,551	21,586	
Net Financial Assets	**5,588**	**12,505**	**71,177**	**–**	**260,830**	**350,100**	

c – Credit risk exposure

The carrying amount of financial assets recorded in the balance sheet, net of any provision for losses, represents the consolidated 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 the consolidated entity

	2007 $'000	2006 $'000
Net financial assets as shown above	417,032	350,100
Non-financial assets and liabilities		
Inventories	184	225
Investment property	72,200	74,700
Property, plant and equipment	38,059	32,951
Tax assets	12,046	9,783
Intangible assets	–	12,201
Other assets	4,273	2,897
Tax liabilities	(51,395)	(17,124)
Provisions	(360,035)	(378,350)
Other liabilities	(197)	(188)
	132,167	87,195

	Parent Entity		*Consolidated*	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000 Restated

Note 47 | Unexpired Risk Reserve

Balance at the start of the year	–	–	5,690	–
Increase in provision recognized in the income statement	–	–	5,030	5,690
Balance at the end of the year	–	–	10,720	5,690

The liability adequacy test (LAT) has been conducted using the central estimate of premium liabilities together with the appropriate margin for uncertainty for each portfolio of contracts that are managed as a single portfolio and are subject to broadly similar risks. The test is based on prospective information and so is heavily dependent on assumptions and judgements.

The LAT undertaken as at the balance sheet date has identified a deficit of $10.7m (2006: a deficit of $5.7m).

For the purposes of the LAT test, the present value of expected future cash flows for future claims including the risk margin for the group of $65.86m (2006: $70.75m) comprises the discounted central estimate of $61.38m (2006: $66.12m), and a risk margin of $4.3m (2006: $4.63m).

The risk margin used as a percentage of the central estimate is 7% (2006: 7%). The probability of sufficiency represented by LAT is 66%. This differs from the ratio used for the outstanding claim liability as LAT is a test of the adequacy of the premium liability while the outstanding claim provision is subject to the requirement of the an accounting policy.

Note 48 | Restatement of Prior Period Figures

1. Due to a misclassification in splitting the property owned by Coal Services Pty Limited, between Investment Property and Land & Buildings as at 30 June 2006, Financial Assets Held at Fair Value were overstated by $4.490m, and Property, Plant & Equipment were understated by $4.490m. The misclassification also had the effect of overstating profit by $1.628m, and understating the revaluation gain recognised directly in reserves by $1.628m.

2. Due to an error in valuing the Woonona property co-owned by Coal Services Pty Limited and Mines Rescue Pty Limited as at 30 June 2006, property, plant and equipment was overstated by $1.5m by the parent entity and $1.25m by the consolidated entity. The error also had the effect of overstating the asset revaluation reserve by $1.05m for the parent entity and $0. 88m for the consolidated entity, and overstating the provision for deferred income tax by $0.45m for the parent entity and $0.376m for the consolidated entity. It also had the effect of overstating the Coal Mines Insurance Pty Limited indemnity by $1.05m and understating the reduction in the indemnity by $1.05m.

3. As practice associated with IFRS has evolved it has been determined that it would be appropriate to apply the LAT as at 30 June 2006, accordingly the risk reserve and claims expense were understated by $5.69m in the previous financial period. This also had the effect of understating the deferred tax asset by $1.707m and overstating the income tax charge by $1.707m.

The amounts noted above have been corrected by restating each of the financial statement line items for the prior year, as described above.

Note 48 | Restatement of Prior Period Figures Continued

Year Ended 30 June 2006	Ref	Previously Reported $'000	Adjustment $'000	Restated $'000
Parent entity				
Income Statement				
Investment Income	1	13,516	(1,628)	11,888
Balance Sheet				
Property, Plant and Equipment	1,2	13,236	2,990	16,226
Investment Property	1	79,190	(4,490)	74,700
Deferred Tax Liability	2	15,376	(450)	14,926
Provisions	2	272,657	(1,050)	271,607
Retained Losses	1,2	(2,931)	(578)	(3,509)
Asset Revaluation Reserve	1,2	2,931	578	3,509
Consolidated entity				
Income Statement				
Investment Income	1	67,223	(1,628)	65,595
Claims Expense	1	69,509	5,690	75,199
Income Tax Expense	3	6,582	(1,707)	4,875
Balance Sheet				
PPE	1,2	29,714	3,237	32,951
Investment Property	1	79,190	(4,490)	74,700
Deferred tax Asset	3	8,076	1,707	9,783
Claim provision - current	3	71,382	5,690	77,072
Deferred Tax Liability	2	16,463	(376)	16,087
Retained Profits	1,2,3	86,884	(5,611)	81,273
Asset Revaluation Reserve	1,2	5,173	749	5,922

Directors' Declaration

The directors of the company declare that:

(1) The financial statements, comprising the Income Statements, Balance Sheets, Statements of Changes in Equity, Cash Flow Statements, and accompanying notes, are in accordance with the Corporations Act 2001 and:

(a) comply with Accounting Standards and the Corporations Regulations 2001; and

(b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of its performance for the year ended on that date.

(2) In the directors' opinion 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 the resolution of the Board of Directors and is signed for and on behalf of the directors by:

A N Middlebrook	*R P Land*
Managing Director	Director & Chairman

Sydney
26 September 2007

Independent Audit Report

Independent auditor's report to the members of Coal Services Pty Limited

Report on the financial report

We have audited the accompanying financial report of Coal Services Pty Limited ("the Company"), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 48 and the directors' declaration. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the end of the year or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's financial position, and of its performance.

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

Auditor's opinion

In our opinion, the financial report of Coal Services Pty Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Consolidated entity's financial position as at 30 June 2007 and of their performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

KPMG

I R Moyser
Partner

Sydney

26 September 2007

Location of Offices

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