Coal Services Pty Limited

ACN: 099 078 234

Annual Financial Report

for the year ended

30 June 2018

Contents

For the year ended 30 June 2018

Directors' Report
For the year ended 30 June 2018

Your Directors present their report together with the consolidated financial report of Coal Services Pty Limited ('the Company') and its controlled entities ('the Group') for the year ended 30 June 2018.

DIRECTORS
The names of the Directors of the Company in office during the financial year and up to the date of this report are:

P M Jordan (Chairman)
L A Flemming (Managing Director)
D J Moult
M S Genovese
The Hon. J P Hannaford
A W Honeysett
G S Sullivan (resigned 20 September 2017)
J M Frankcombe (appointed 20 September 2017)

PRINCIPAL ACTIVITIES
The principal activities of the Group during the year consisted of:

a) workers compensation insurance, pursuant to the *Coal Industry Act 2001*, for the New South Wales coal industry through its controlled entity, Coal Mines Insurance Pty Ltd;

b) mines rescue services, pursuant to the *Coal Industry Act 2001*, principally for the New South Wales coal industry through its controlled entity, Mines Rescue Pty Limited;

c) testing, repair and calibration of gas detection equipment, environmental contaminant analysis and related product sales through its Coal Mines Technical Services division;

d) occupational environmental monitoring services, including dust monitoring, for the New South Wales coal mining industry through its Occupational Hygiene Services division; and

e) workplace health and rehabilitation services for the New South Wales coal mining industry through its CS Health division.

CHANGES IN THE STATE OF AFFAIRS
There were no significant changes in the state of the Group’s affairs during the reporting period.

REVIEW OF OPERATIONS

		Segment Revenues (i)		Segment Results (ii)	
		2018	2017	2018	2017
	Consolidated revenues and results by segment	$'000	$'000	$'000	$'000
a)	Workers compensation insurance	138,916	124,257	(2,775)	(48,128)
b)	Investment activities	27,828	30,588	25,113	27,771
c)	Mines rescue services and training	14,310	13,476	(979)	936
	Gas detection equipment services and sales	4,531	3,814	(284)	61
	Occupational health and safety services	3,178	2,619	(820)	(1,093)
	Virtual reality technology sales	392	317	(921)	(742)
	Health and rehabilitation services	10,525	7,052	(2,606)	(2,457)
	Corporate and other	1,571	1,641	2,108	(3,185)
	Less: intersegment eliminations	(9,125)	(4,155)		
	Group total	192,126	179,609	18,836	(26,837)
	Other comprehensive income				
	Revaluation of property, plant & equipment			-	(2,958)
	Defined benefit fund gains			43	2,910
	Total other comprehensive income/(loss)			43	(48)
	Total comprehensive income/(loss) for the year			18,879	(26,885)

i) Segment revenues include intra-group transactions which are eliminated via the intersegment elimination line.
ii) Segment results include intra-group transactions. No elimination is required as both income and expenses are recognised in the segment results.

REVIEW OF OPERATIONS continued

Comments on the operating results

a) **Workers compensation insurance**
The underwriting operations result is $8.9m profit (2017: $36.6m loss) before other operating expenses of $11.7m (2017: $11.5m). The indemnity provided to Coal Mines Insurance Pty Ltd by Coal Services Pty Limited increased by $2.8m (2017: $48.1m) in line with the terms of the indemnity deed.

b) **Investment activities**
The investment profit includes $11.6m unrealised profit (2017: $10.1m unrealised profit).

c) **Mines rescue services and training**
Operating revenue of $14.3m (2017: $13.5m) comprises mines rescue levies from mine owners of $9m (2017: $8.7m) and training services and other revenue of $5.3m (2017: $4.8m). The Mines Rescue Pty Limited operating result (including Coal Mines Technical Services, Occupational Hygiene Services and Virtual Reality Technologies) is a $2.2m loss (2017: $3.3m loss).

DIVIDENDS

It is neither the Company's policy nor the expectation of shareholders for the Company to pay dividends.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group expects to continue operating profitably for the foreseeable future. The Group aims to collect adequate premium to cover all costs and contribute to Group capital accumulation.

The Group plans to implement new business and operating models in 2019. This includes, among other things, a new business structure and new case and account management models for the workers compensation insurance division and a new management system for the health division.

The *Coal Industry Amendment Bill 2018* was passed in May 2018. The Bill inserted a definition of an employer in the coal industry to the *Coal Industry Act 2001*. This is expected to increase the number of policyholders and workers insured by the Group.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

There have been no matters or circumstances that have arisen since the end of the financial year which have significantly affected or may significantly affect the Company.

AUDITORS

KPMG continues in office in accordance with section 327B of the *Corporations Act 2001*.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group conducts regular environmental audits at each of its facilities in order to ensure control of chemicals used and discharge of water or other contaminants. The Group continues to respond to audit findings.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the period, the Group paid premiums to insure the Directors and officers of the holding company and its subsidiaries. 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, illegal acts, 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 included.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 issued by the Australian Securities and 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 instrument 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.

P M Jordan
Chairman
24 October 2018

L A Flemming
Managing Director
24 October 2018

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 of Coal Services Pty Limited for the financial year ended 30 June 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

A.R

Andrew Reeves
Partner

Sydney
24 October 2018

Statement of Consolidated Financial Position at 30 June 2018

	Note	2018 $'000	2017 $'000
Current assets			
Cash and cash equivalents	9	15,215	11,402
Receivables	10	14,548	30,943
Financial assets held at fair value through profit and loss	7	92,854	53,208
Inventories	11	194	182
Prepayments		1,054	583
Total current assets		123,865	96,318
Non-current assets			
Receivables	10	220	177
Financial assets held at fair value through profit and loss	7	428,924	443,325
Property, plant and equipment	14	46,751	46,476
Investment properties	8	41,300	39,700
Total non-current assets		517,195	529,678
Total assets		641,060	625,996
Current liabilities			
Payables	12	19,117	15,805
Provision for outstanding claims	6	71,605	85,663
Provisions	13	12,150	11,699
Total current liabilities		102,872	113,167
Non-current liabilities			
Provision for oustanding claims	6	326,486	319,803
Provisions	13	4,561	4,821
Defined benefit superannuation scheme	23	1,851	1,794
Total non-current liabilities		332,898	326,418
Total liabilities		435,770	439,585
Net assets		205,290	186,411
Equity			
Contributed equity	20	-	-
Reserves	21a	-	-
Retained profit	21b	205,290	186,411
Total equity		205,290	186,411

This Statement of Consolidated Financial Position should be read in conjunction with the accompanying notes.

Statement of Consolidated Comprehensive Income for the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Workers compensation premium revenue	3	112,521	98,928
Outwards reinsurance premium expense	4	(2,435)	(2,474)
Net earned premiums		110,086	96,454
Claims expenses		(75,415)	(115,184)
District court expenses		(1,148)	(951)
Reinsurance and other recoveries received		963	1,406
Net claims incurred	5	(75,600)	(114,729)
Other scheme expenses	4	(692)	113
Mines safety levy cost recovery	3	26,154	25,329
Mines safety levy expense	4	(26,154)	(25,329)
Underwriting result		33,794	(18,162)
Investment income	3	27,828	30,588
Other income	3	25,623	24,764
Total investment and other income		53,451	55,352
Expenses from operating activities	4	(68,409)	(64,027)
Net profit/(loss) from ordinary activities		18,836	(26,837)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property, plant & equipment	21a	-	(2,958)
Defined benefit fund gains	23g	43	2,910
Total other comprehensive income/(loss)		43	(48)
Total comprehensive income/(loss) for the year		18,879	(26,885)

This Statement of Consolidated Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Consolidated Changes in Equity for the year ended 30 June 2018

	2018 $'000	2017 $'000
Balance at beginning of year		
Share capital	-	-
Reserves	-	2,958
Retained earnings	186,411	210,338
	186,411	213,296
Reserves		
Impairment of properties	-	(2,958)
Retained Earnings		
Net profit/(loss) from ordinary activities	18,836	(26,837)
Other comprehensive income	43	2,910
	18,879	(23,927)
Balance at end of year		
Share capital	-	-
Reserves	-	-
Retained earnings	205,290	186,411
	205,290	186,411

This Statement of Consolidated Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Consolidated Cash Flows for the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Underwriting operations		140,701	126,121
Outwards reinsurance paid		(2,435)	(2,474)
Claims paid		(82,790)	(93,672)
Other underwriting expenses paid		(27,994)	(26,167)
Other operations			
Investment Income		16,163	13,183
Other income received		24,261	25,020
Miners' pension and defined benefit fund payments		(853)	(1,171)
Other operating payments		(61,389)	(51,427)
Net cash in/(out) flow from operating activities	30	5,664	(10,587)
Cash flows from investing activities			
Payments for property, plant and equipment		(3,834)	(2,589)
Payments for improvements to investment properties		(86)	(917)
Net purchase of investments		(14,772)	(3,195)
Proceeds from sale of property, plant and equipment		564	381
Proceeds from sale of investment property		16,277	20,599
Net cash (out)/in flow from investing activities		(1,851)	14,279
Net increase in cash and cash equivalents		3,813	3,692
Cash and cash equivalents at beginning of year		11,402	7,710
Cash and cash equivalents at end of year	9	15,215	11,402

This Statement of Consolidated Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements at 30 June 2018

1 CORPORATE INFORMATION

Coal Services Pty Limited ('the Company') 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 Company and its subsidiaries ('the Group') are:

a) workers compensation insurance for the New South Wales coal industry through its controlled entity, Coal Mines Insurance Pty Ltd;

b) mines rescue services principally for the New South Wales coal industry through its controlled entity, Mines Rescue Pty Limited;

c) testing, repair and calibration of gas detection equipment, environmental contaminant analysis and related product sales through its Coal Mines Technical Services division;

d) occupational environmental monitoring services, including dust monitoring, for the New South Wales coal mining industry through its Occupational Hygiene Services division; and

e) workplace health and rehabilitation services for the New South Wales coal mining industry through its CS Health division.

2 GENERAL INFORMATION

The consolidated financial report of the Company for the year ended 30 June 2018 comprises the Company and its wholly owned subsidiaries:

i) Coal Mines Insurance Pty Ltd
ii) Mines Rescue Pty Limited

This financial report was authorised for issue by the Directors on 24 October 2018.

a) Statement of compliance

This financial report is a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* .

b) Basis of preparation

The Company is a 'not-for-profit entity' as defined by the Australian Accounting Standards and accordingly the accounting principles applicable to such an entity have been applied in this financial report.

This financial report is presented in Australian dollars which is the Company's functional and presentation currency. The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and, in accordance with that instrument, amounts in this financial report have been rounded off to the nearest thousand dollars unless otherwise stated.

2 GENERAL INFORMATION continued

b) Basis of preparation continued

This financial report is prepared on the historical cost basis except for the following assets and liabilities which are stated at fair value (see referenced notes):

i)	Provision for outstanding claims	6
ii)	Financial assets held at fair value through profit and loss	7
iii)	Investment properties	8
iv)	Provisions	13
v)	General purpose land and buildings	14
vi)	Defined benefit superannuation scheme	23

Special purpose land and buildings used by the Group are stated at existing use value which is determined on the depreciated current replacement cost method.

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

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 differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment are discussed in the following notes:

i)	Provision for Outstanding Claims	6 & 15
ii)	Investment Properties	8
iii)	Trade receivables and provision for doubtful debts	10
iv)	Miners pension fund indemnity	13b
v)	Miners’ pension fund indemnity part 3 CPI liability	13c
vi)	Land and buildings	14
vii)	Defined Benefit Superannuation Scheme	23

As a result of the reorganisation of the financial report, certain comparative items have been reclassified from the entity's prior year financial report to conform to the current period's presentation.

This financial report has been prepared on a going concern basis which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of the business.

Financial assets held at fair value through profit and loss have been split into current and non-current classifications to comply with Australian Accounting Standards. This results in a net current asset position of $21.0m (2017: net current liability position of $16.8m). Although the prior year presentation reflects a net current liability position in terms of Australian Accounting Standards definitions, the assets could have been realised to meet operating payment obligations had this been required.

c) New standards and interpretations not yet adopted

The following new accounting standards and interpretations have been introduced by the AASB replacing existing standards. These standards have not been applied in preparing these financial statements and the Company does not plan to adopt these standards early.

i) AASB 9 Financial Instruments

AASB 9 was issued in December 2014. It addresses recognition and measurement requirements for financial assets and financial liabilities, impairment requirements that introduce an expected credit loss impairment model and general hedge accounting requirements.

The Group is predominately connected with insurance and meets the requirements in AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts. It is applying the temporary exemption to continue AASB 139 Financial Instruments: Recognition and Measurement (AASB 139) rather than AASB 9 until initial application of AASB 17 Insurance Contracts (AASB 17).

ii) AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers, which becomes mandatory for the Company's 30 June 2019 financial statements, requires that companies should identify performance obligations and allocate the price over the performance obligations as and when these obligations are fulfilled.

In management's estimation, there are not likely to be material variances between performance obligations due from the Company to its customers at the reporting date that would likely lead to significant deferral of revenues.

iii) AASB 16 Leases

AASB 16 Leases, which becomes mandatory for the Company's 30 June 2020 financial statements, requires that future lease payments be moved onto the Statement of Financial Position. This is likely to result in an increased asset as well as liability base.

The Company holds significant leases for rental premises. Management have assessed the impact of AASB 16 and noted that it is likely to have the following material impacts to the financial statements:

- Lease payments will be discounted and recognised as liabilities with a corresponding asset.
- Discount unwind from the discounted lease payments is likely to cause an increase in both debits as well as credits through the Statement of Comprehensive Income.

iv) AASB 17 Insurance Contracts

AASB 17 Insurance Contracts was issued in July 2017 and under the AASB 17 model, insurance contract liabilities will be calculated as the present value of future insurance cash flows with a provision for risk. It replaces AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts. This standard will become mandatory for the Company's 30 June 2022 financial statements. The potential effects on adoption of the standard are currently being assessed.

Notes to the Consolidated Financial Statements at 30 June 2018

3 ANALYSIS OF INCOME

	2018 $'000	2017 $'000
Insurance revenue		
Workers compensation premium revenue	112,521	98,928
Mines safety levy cost recovery	26,154	25,329
Total insurance revenue	138,675	124,257
Investment income		
Investment income received		
Equity and property trust distributions	3,731	5,064
Fixed interest trust distributions	3,742	2,532
Interest - fixed interest distributions	6,628	3,427
Rental income	3,035	3,563
Investment property operating and management expenses	(973)	(1,403)
	16,163	13,183
Realised gains/(losses)		
Australian listed shares and equity trusts	(1,282)	671
Fixed interest investments	(616)	-
Global infrastructure and alternative funds	847	3,688
Overseas equity trust units	658	282
	(393)	4,641
Unrealised gains/(losses)		
Australian listed shares and equity trusts	7,551	1,199
Fixed interest trust investments	1,075	380
Global infrastructure and alternative funds	(2,131)	3,590
Overseas equity trust units	3,583	4,113
Investment property	1,514	777
	11,592	10,059
Profit on sale of investment properties	466	2,705
Total investment income	27,828	30,588
Service and sales income		
Mines rescue levy	8,964	8,703
Training services	5,113	4,762
Gas detection equipment services and sales	4,515	3,799
Occupational health and safety services	2,378	2,498
Virtual reality technology sales	138	75
Health and rehabilitation services	3,644	3,545
Corporate and other	871	1,382
Total service and sales income	25,623	24,764
Total income	192,126	179,609

Revenue recognition
Revenue is net of refunds and goods and services tax.

Workers compensation premium revenue
Premium revenue comprises amounts charged to policyholders. Premium is earned from the date of attachment of risk over the period of the contract. Insurance contract terms align with the financial year and all premiums are fully recognised at year end.

Investment income
Interest income is recognised as it accrues. Equity and trust distributions are recognised on entitlement.

Mines rescue levy
The *Coal Industry Act 2001* requires coal mine owners to contribute to the operating costs of Mines Rescue Pty Limited. The mines rescue levy is recognised in full during the financial year to which it applies.

Service and sales income
Services revenue is derived from safety training, gas detection equipment testing, repairs and calibration, occupational environment monitoring and occupational health and rehabilitation services. Sales revenue is derived from gas detection related product sales and virtual reality software licence and development sales. Revenue is recognised in the accounting period in which services are rendered or products are sold.

4 ANALYSIS OF EXPENDITURE

	Note	2018 $'000	2017 $'000
Insurance expenses			
Gross claims paid (including indirect settlement costs)		82,789	93,672
Movement in gross provision for claims outstanding		(5,156)	34,832
Movement in discounting		(2,327)	(12,953)
Gross claims incurred		75,306	115,551
District court expenses		1,148	951
Reinsurance and other recoveries received		(963)	(1,405)
Movement in reinsurance and other recovery provision		109	(368)
Net claims incurred	5	75,600	114,729
Outward reinsurance expense		2,435	2,474
Mine safety levy expense		26,154	25,329
Other scheme expenses		692	(113)
Total insurance expenses		104,881	142,419
Operating expenses			
Employee benefits expense		44,374	38,509
Depreciation and amortisation expenses		3,112	1,713
Impairment of property, plant and equipment		-	3,250
Profit on sale of assets		(117)	(36)
(Recovery)/impairment of receivables	10	(357)	889
Investment management expenses		2,714	2,756
Miners' pension (income)/expenses		(151)	11
Mines rescue materials expenses		2,895	2,383
Consultants and contractors		4,949	5,178
Medical related expenses		1,760	985
Travel and motor vehicle		1,699	1,772
Occupancy		3,050	2,604
General overheads		4,481	4,013
Total operating expenses		68,409	64,027
Total expenses		173,290	206,446

Expense recognition
Expenses are recognised as incurred.

Outward reinsurance expense
Premium ceded to reinsurers is based on the average number of industry 'exposed to risk' workers during the year at the reinsurance policy rate per worker.

5 NET INCURRED CLAIMS

	2018 $'000	2017 $'000
Current accident year claims		
Gross claims paid (including indirect settlement costs)	8,415	7,850
Movement in gross outstanding claims	70,765	67,598
Movement in discounting	(8,655)	(8,625)
Gross incurred claims	70,525	66,823
Reinsurance and other recoveries received	(7)	(27)
Movement in outstanding recoveries	(918)	(872)
Net incurred claims	69,600	65,924
Prior accident years claims		
Gross claims paid (including indirect settlement costs)	74,374	85,822
Movement in gross outstanding claims	(75,921)	(32,766)
Movement in discounting	6,328	(4,328)
Gross incurred claims	4,781	48,728
District court expenses	1,148	951
Reinsurance and other recoveries received	(956)	(1,378)
Movement in outstanding recoveries	1,027	504
Net incurred claims	6,000	48,805
All accident years claims		
Gross claims paid (including indirect settlement costs)	82,789	93,672
Movement in gross outstanding claims	(5,156)	34,832
Movement in discounting	(2,327)	(12,953)
Gross incurred claims	75,306	115,551
District court expenses	1,148	951
Reinsurance and other recoveries received	(963)	(1,405)
Movement in outstanding recoveries	109	(368)
Net incurred claims	75,600	114,729

Net incurred claims

Net incurred claims represents claim payments made in the current year in respect of current and prior accident year claims adjusted for the movement in the outstanding claims liability net of reinsurance and other recoveries.

Notes to the Consolidated Financial Statements at 30 June 2018

6 PROVISION FOR OUTSTANDING CLAIMS

	2018 $'000	2017 $'000
a) Expected future claim payments		
Central estimate	398,876	403,120
Risk margin	51,216	51,761
Indirect claims settlement costs	27,921	28,218
	478,013	483,099
Discount to present value	(79,922)	(77,633)
Provision for outstanding claims	398,091	405,466
Carrying value		
Current	71,605	85,663
Non-current	326,486	319,803
Provision for outstanding claims	398,091	405,466
Inflation rate — normal (economic)		
Succeeding year	3.0%	3.0%
Second and third year	3.0%	3.0%
Subsequent years	3.0%	3.0%
Inflation rate — superimposed		
Full weekly	2.5%	3.0%
Medical	6.0%	5.5%
Other	1.5%	1.5%
Asbestos	3.0%	3.0%
Lung	2.0%	2.0%
Discount rate		
Succeeding year	1.89%	1.62%
Subsequent year	2.04%-4.50%	1.72%-5.50%
b) Weighted average expected term to settlement from the reporting date	5.99 years	5.47 years
c) Prudential margin		
Confidence in sufficiency of the reserve	75.0%	75.0%
Proportion of discounted central estimate	12.0%	12.0%
d) Claims handling expenses		
Amount included in the provision for outstanding claims	23,252	23,684
Proportion of discounted central estimate	7.0%	7.0%

6 PROVISION FOR OUTSTANDING CLAIMS continued

e) Claims development table

Accident year	2008 (i)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Estimate of ultimate claims cost:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At end of accident year	-	71,166	67,439	62,136	64,103	74,192	68,733	62,080	56,816	63,397	**66,585**	
One year later	-	68,501	62,752	59,537	69,889	79,618	73,025	60,916	65,218	**59,631**	-	
Two years later	-	68,708	56,551	61,073	73,582	80,192	71,180	71,371	**66,254**	-	-	
Three years later	-	67,037	59,247	59,347	75,413	79,061	81,055	**70,551**	-	-	-	
Four years later	-	68,767	61,920	63,104	75,045	84,024	**85,697**	-	-	-	-	
Five years later	-	68,662	61,341	63,508	79,976	**84,965**	-	-	-	-	-	
Six years later	-	67,280	61,274	68,541	**80,709**	-	-	-	-	-	-	
Seven years later	-	70,481	64,034	**70,733**	-	-	-	-	-	-	-	
Eight years later	-	72,492	**64,778**	-	-	-	-	-	-	-	-	
Nine years later	-	**72,212**	-	-	-	-	-	-	-	-	-	
Cumulative claims cost - current estimate	1,515,530	72,212	64,778	70,733	80,709	84,965	85,697	70,551	66,254	59,631	66,585	2,237,645
Cumulative payments	(1,397,725)	(60,967)	(49,144)	(54,821)	(62,450)	(60,350)	(56,018)	(40,460)	(28,852)	(17,474)	(8,408)	(1,836,669)
Outstanding claims - undiscounted	117,805	11,245	15,634	15,912	18,259	24,615	29,679	30,091	37,402	42,157	58,177	400,976
Discount	(23,034)	(1,955)	(3,014)	(3,021)	(3,420)	(4,648)	(5,193)	(4,615)	(5,294)	(5,381)	(7,115)	(66,690)
Net discounted central estimate	94,771	9,290	12,620	12,891	14,839	19,967	24,486	25,476	32,108	36,776	51,062	334,286
Lump sum payment accruals (ii)	(146)	-	-	(32)	(550)	(357)	(814)	(69)	(132)	-	-	(2,100)
Discounted claims handling expenses	6,624	650	883	900	1,000	1,373	1,657	1,779	2,238	2,574	3,574	23,252
Discounted risk margin	12,150	1,193	1,620	1,651	1,835	2,518	3,040	3,262	4,106	4,722	6,556	42,653
Net discounted outstanding claims	113,399	11,133	15,123	15,410	17,124	23,501	28,369	30,448	38,320	44,072	61,192	398,091

i) 2008 & prior years including pre-1985, asbestos, lung disease and catastrophic claims

ii) claims finalised in June 2018 paid in July 2018

	2018 $'000	2017 $'000

6 PROVISION FOR OUTSTANDING CLAIMS continued

f) Sensitivity analysis - insurance contracts

The following sensitivity analysis quantifies changes in the key assumptions used in the calculation of the provision for outstanding claims. This will impact the profit/(loss) and equity of the Company as follows:

	2018	2017	2018 $'000	2017 $'000
Active claims tail continuance rate	+2%	+2%	(31,895)	(30,076)
	-2%	-2%	17,313	16,545
Common law and redemption utilisation rate	+10%	+10%	(11,543)	(14,163)
	-10%	-10%	11,543	14,163
Expense rate	+1%	+1%	(3,720)	(3,789)
	-1%	-1%	3,720	3,789
Discount rate	+1%	+1%	20,345	19,304
	-1%	-1%	(23,286)	(21,973)
Inflation rate – normal	+1%	+1%	(22,970)	(21,890)
	-1%	-1%	20,491	19,647
Inflation rate – superimposed	+1%	+1%	(11,347)	(10,653)
	-1%	-1%	9,999	9,330

g) Movement in outstanding claims liability

	2018 $'000	2017 $'000
Gross central estimate at beginning of year	367,135	347,599
Gross risk margin at the beginning of year	44,056	41,712
Expected future recoveries (including risk margin)	(5,725)	(5,357)
Net outstanding claims at beginning of year	405,466	383,954
Gross claims paid during the year	(74,374)	(85,822)
Associated expense allowance	(5,205)	(6,006)
Discount unwinding	5,357	4,983
Movement due to experience and valuation assumption	6,827	60,813
Movement due to economic assumptions	5,258	(7,087)
Claims incurred in the year	55,455	52,655
Movement in risk margin	(802)	2,344
Movement in expected future recoveries (including risk margin)	109	(368)
Movement for the year	(7,375)	21,512
Gross central estimate at end of year	360,453	367,135
Gross risk margin at end of year	43,254	44,056
Expected future recoveries (including risk margin)	(5,616)	(5,725)
Net outstanding claims at the end of year	398,091	405,466

h) Workers compensation insurance claims

A claims expense and a provision for outstanding claims are recognised in respect of the workers compensation insurance business. The provision covers claims which have been reported but not yet paid, claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER), and the anticipated direct and indirect costs of settling those claims. The outstanding claims liability is estimated by independent actuaries.

The provision for outstanding claims is measured as the present value of the expected future payments. These payments are estimated as the ultimate cost of settling claims. The expected future payments are discounted to present value at the reporting date using a risk free rate. The claims expense includes the cost of discounting, being the portion of the increase in the provision for outstanding claims arising from the passage of time as the claim payments discounted in prior periods come closer to settlement.

7 FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

	2018 $'000	2017 $'000
Carrying value		
Current	92,854	53,208
Non-current	428,924	443,325
Total carrying value	521,778	496,533
By Class		
Australian cash holdings	44,140	19,418
Australian bond trust units	273,746	267,880
Australian listed shares	30,025	59,425
Absolute return funds	75,144	26,508
Global fixed income	6,954	21,961
Overseas equity trust units	39,426	41,636
Global infrastructure funds	5,449	19,822
Hedge funds	41,682	39,883
Private equity	5,212	-
Total carrying value	521,778	496,533

Accounting for financial assets held at fair value through profit and loss
Financial assets held at fair value through profit and loss are carried at fair value. Changes in fair value are recognised in profit and loss when they occur. Transaction costs are recognised as expenses when incurred.

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 reporting 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

i) 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.

ii) Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the reporting date applicable for an instrument with similar terms and conditions.

iii) Unlisted investments, including managed funds, private equities and hedge funds are recorded at the redemption value per unit as reported by the managers of such funds.

8 INVESTMENT PROPERTIES

	2018 $'000	2017 $'000
At fair value		
Opening balance	39,700	55,900
Capitalised expenditure	86	917
Net gain from fair value adjustments	1,514	777
Disposals	-	(17,894)
Closing balance	41,300	39,700
Amounts recognised in profit and loss		
Rental income	3,035	3,563
Direct operating expenses	(973)	(1,403)
Profit on sale of investment properties	466	2,705
	2,528	4,865
Assumption ranges used in property valuations		
Discount rate	7.50-8.00%	8.00-10.25%
Terminal yield	7.00%	7.00-10.25%
Capitalisation rate	6.75%	6.75-10.00%
Weighted rental growth rate	3.51-3.53%	3.04-3.57%

Accounting for investment properties

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment properties are carried at fair value, which is based on active market prices, adjusted for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. The Group obtains independent valuations by a member of the Australian Property Institute annually. At the end of each reporting period, the Directors update their assessment, taking into account the most recent independent valuations. The Directors determine a property's value within a range of reasonable fair value estimates. Changes in fair values are presented in the Statement of Comprehensive Income. Valuations are categorised as level 3.

Sale of Hornsby property

On 18 December 2014, Coal Services Pty Limited entered into a put and call agreement to dispose of its investment property located at 20 George Street, Hornsby. The investment property was derecognised at the date of the put and call agreement and a receivable for the future discounted cash flows was recognised. The purchaser paid the balance of $16.3m on 31 October 2017 to settle the transaction.

	2018 $'000	2017 $'000
Interest income on receivable	374	919
Carrying value of receivable	-	15,825

	2018 $'000	2017 $'000

9 CASH AND CASH EQUIVALENTS

	2018 $'000	2017 $'000
Cash at bank and on hand	15,215	11,402

Some cash holdings used for managing the investment portfolio are included in financial assets held at fair value through profit and loss.

All cash flows for Coal Mines Insurance Pty Ltd are managed through the Company's bank account and cash inflows and outflows occur through the inter-company account.

	2018 $'000	2017 $'000
Credit facility	30,000	30,000

The Company has a revolving credit facility with Credit Suisse AG. The facility has not been drawn upon.

	2018 $'000	2017 $'000
Financial guarantee	319	319

The Company has provided a financial guarantee to Australia and New Zealand Banking Group Limited (ANZ) in respect of a bank guarantee given by ANZ to Perpetual Trustee Company Limited for rental premises occupied by the Company.

10 RECEIVABLES

	2018 $'000	2017 $'000
Current		
Trade receivables	4,270	4,876
Less: provision for doubtful debts	(897)	(1,927)
	3,373	2,949
Other receivables	8,456	9,625
Receivable from Coal Mining Industry Corporation for long service leave	2,719	2,544
Sold investment property deferred receivable (see note 8)	-	15,825
	14,548	30,943
Non-current		
Receivable from Coal Mining Industry Corporation for long service leave	220	177
Movement in receivables impairment provision:		
Balance at beginning of year	1,927	1,038
Provision for impairment recognised during the year	52	950
Doubtful debt recoveries during the year	(409)	(61)
Receivables written off during the year as uncollectible	(673)	-
Balance at end of year	897	1,927

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

Premium is estimated and accrued where actual wage declarations have not been received before the reporting cut-off. Estimations are based on prior period information adjusted for recent trends and other available information.

	2018 $'000	2017 $'000
11 INVENTORY		
Goods for resale	194	182

Stocks of materials are held for resale 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.

12 PAYABLES

	2018 $'000	2017 $'000
Trade and other creditors	2,952	1,541
Accrued expenses	16,165	14,264
	19,117	15,805

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade payables are assumed to be the same as their fair values, due to their short-term nature.

13 PROVISIONS

	2018 ($'000)				2017 ($'000)			
		Industry Obligations Miner's Pension Fund				Industry Obligations Miner's Pension Fund		
	Employee Entitlements 13e	Indemnity 13f	Part 3 CPI Liability 13g	Total Provision	Employee Entitlements 13e	Indemnity 13f	Part 3 CPI Liability 13g	Total Provision
a) Carrying amount								
Current	11,846	304	-	12,150	11,050	409	240	11,699
Non-current	772	3,789	-	4,561	695	4,126	-	4,821
Total carrying amount	12,618	4,093	-	16,711	11,745	4,535	240	16,520
b) Current provision movement								
Carrying amount at beginning of year	11,050	409	240	11,699	11,186	485	240	11,911
Comprehensive income charge	628	3	(120)	511	(453)	16	-	(437)
Payments	-	(411)	(120)	(531)	-	(501)	(240)	(741)
Transferred from non-current provision	168	303	-	471	317	409	240	966
Carrying amount at end of year	11,846	304	-	12,150	11,050	409	240	11,699
c) Non-current provision movement								
Carrying amount at beginning of year	695	4,126	-	4,821	872	4,540	240	5,652
Comprehensive income charge	245	(34)		211	140	(5)	-	135
Transferred to current provision	(168)	(303)	-	(471)	(317)	(409)	(240)	(966)
Carrying amount at end of year	772	3,789	-	4,561	695	4,126	-	4,821
d) Total provision movement								
Carrying amount at beginning of year	11,745	4,535	240	16,520	12,058	5,025	480	17,563
Comprehensive income charge	873	(31)	(120)	722	(313)	11	-	(302)
Payments	-	(411)	(120)	(531)	-	(501)	(240)	(741)
Carrying amount at end of year	12,618	4,093	-	16,711	11,745	4,535	240	16,520

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 measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting 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.

13 PROVISIONS

e) Employee entitlements

	2018 ($'000)				2017 ($'000)			
	Long service leave	Annual leave	Sick leave	Total entitlements	Long service leave	Annual leave	Sick leave	Total entitlements
Current	6,106	3,380	2,360	11,846	5,624	3,063	2,363	11,050
Non-current	772			772	695	-	-	695
Total carrying amount	6,878	3,380	2,360	12,618	6,319	3,063	2,363	11,745

Employee entitlements that are expected to be wholly settled within twelve months after the reporting date are recognised as current liabilities and measured at the amounts expected to be paid when the liabilities are settled.

The obligations are presented as current liabilities in the Statement of Financial Position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur. A liability for sick leave is recognised and measured for employees of Mines Rescue Pty Limited (MRPL) and Occupational Hygiene Services (OHyS) at the reporting date at the amounts expected to be paid when the liability is settled. Sick leave payments and transfers to superannuation funds for these employees are governed by their respective enterprise agreements.

Long service leave

The liabilities for long service leave are not expected to be settled wholly within twelve months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to the 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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss. The obligations are presented as current liabilities in the Statement of Financial Position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

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. MRPL and OHyS employees are considered to be employed in the black coal industry. A levy is raised on wages paid by employers 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.

The MRPL and OHyS 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 10).

13 PROVISIONS

f) Industry obligations: miner's pension fund indemnity

	2018 $'000	2017 $'000
Expected future payments		
Expected future pension payments – undiscounted	5,344	5,504
Discount to present value	(1,251)	(969)
Carrying amount	4,093	4,535
Average inflation and discount rates used to measure the indemnity		
For the succeeding and subsequent years		
Inflation rate	3.50%	3.50%
Discount rate	3.60%	3.60%
Weighted average expected term to settlement from the reporting date	8 years	8 years

g) Industry obligations: miners' pension fund indemnity part 3 CPI liability

The Company is obliged to fund the CPI increases on the pension benefits post 1 January 2000 formerly known as the Part 3 liability. These liabilities are expected to be funded as follows:

	2018 $'000	2017 $'000
Expected future payments		
Number of quarters	-	4
Quarterly payment	-	60

14 PROPERTY, PLANT AND EQUIPMENT

a) Accounting policies

General purpose land and buildings are carried at fair value. Fair value is determined as the amount for which properties could be exchanged between knowledgeable 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.

Special purpose land and buildings are carried at existing use value which is depreciated current replacement cost. Land value is determined having regard to shape, size, zoning, highest and best use after comparison with alternative properties exchanged within the marketplace. Building values are determined as current replacement costs with regard to functionality, size, configuration and current condition. Depreciation is calculated annually over the expected remaining useful life of the buildings. Depreciation is recognised in profit or loss.

Valuations are obtained at least once every three years from an independent member of the Australian Property Institute. The Directors assess property values annually.

Increases in value are recognised in other comprehensive income and accumulated in equity as revaluation surpluses. Decreases in value first offset any prior revaluation surpluses with any excess recognised in profit or loss.

All other property, plant and equipment is carried at depreciated historical cost. Depreciation is calculated on a straight line basis to write off the net cost of each asset over its expected useful life.

	2018 ($'000)						2017 ($'000)					
b) Carrying value	**Fair Value**	**Land Value**	**Replacement Cost**	**Historical Cost**	**Accumulated Depreciation**	**Carrying Value**	**Fair Value**	**Land Value**	**Replacement Cost**	**Historical Cost**	**Accumulated Depreciation**	**Carrying Value**
Land and buildings												
General Purpose	10,880	-	-	-	-	10,880	10,880	-	-	-	-	10,880
Special Purpose	-	5,297	42,745	-	(19,722)	28,320	-	5,297	42,745	-	(18,322)	29,720
Total land and buildings	10,880	5,297	42,745	-	(19,722)	39,200	10,880	5,297	42,745	-	(18,322)	40,600
Office Improvement	-	-	-	2,727	(1,457)	1,270	-	-	-	1,746	(1,324)	422
Computer Equipment	-	-	-	3,112	(2,164)	948	-	-	-	2,807	(1,762)	1,045
Motor vehicles	-	-	-	4,445	(1,343)	3,102	-	-	-	3,460	(1,570)	1,890
Plant and equipment	-	-	-	9,996	(7,765)	2,231	-	-	-	9,557	(7,038)	2,519
Total carrying value	10,880	5,297	42,745	20,280	(32,451)	46,751	10,880	5,297	42,745	17,570	(30,016)	46,476

c) Movements	**Opening Balance**	**Revaluation**	**Additions**	**Disposals**	**Depreciation**	**Closing Balance**	**Opening Balance**	**Revaluation**	**Additions**	**Disposals**	**Depreciation**	**Closing Balance**
Land and buildings	40,600	-	-	-	(1,400)	39,200	46,804	(6,209)	5	-	-	40,600
Office Improvement	422	-	982	-	(134)	1,270	245	-	285	-	(108)	422
Computer Equipment	1,045	-	307	-	(404)	948	611	-	926	(2)	(490)	1,045
Motor vehicles	1,890	-	2,106	(447)	(447)	3,102	1,871	-	798	(343)	(436)	1,890
Plant and equipment	2,519	-	439	-	(727)	2,231	2,623	-	575	-	(679)	2,519
Total movements	46,476	-	3,834	(447)	(3,112)	46,751	52,154	(6,209)	2,589	(345)	(1,713)	46,476

Notes to the Consolidated Financial Statements at 30 June 2018

14 PROPERTY, PLANT AND EQUIPMENT continued

d) Depreciation

Remaining useful lives are assessed annually.

	2018 $'000	2017 $'000
Depreciation rates by asset class		
Office improvements	10%	10%
Computer equipment	20% - 50%	20% - 50%
Motor vehicles	10% - 15%	10% - 15%
Plant and equipment	6.7% - 25%	6.7% - 25%

e) Land and buildings alternative valuations

	2018 $'000	2017 $'000
i) Depreciated historical cost		
Freehold land at cost	8,746	8,746
Buildings at cost	58,415	58,415
Accumulated depreciation	(13,761)	(12,300)
Depreciated historical cost	53,400	54,861
ii) Market value	23,100	23,100

15 OUTSTANDING CLAIMS: ACTUARIAL ASSUMPTIONS AND METHODOLOGY

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 past experience. Based on this, development patterns associated with the run-off of outstanding claims and premium liabilities at the reporting date can be estimated.

The determination of the provision estimate for outstanding claims at the reporting date involves:

i) Estimating an allowance for claims incurred but not reported (IBNR) and the further development on reported claims.

ii) Determination a risk margin and claims handling expense provision to be added to the central estimate of outstanding claims to achieve an estimated 75% level of confidence.

The central estimate has no deliberate bias towards over or under estimation.

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

To value current claims occurring before 30 June 1985 having regard for whether or not weekly benefits are being paid and the expected term of those payments. Claims occurring before 30 June 1985 are entitled to receive weekly benefits until such time as the claimant is deceased.

To value claims occurring after 30 June 1985 by payment type using recognised payments based valuation models as follows:

i) Common law and redemptions: payments per claim finalised via a common law or redemption claim settlement

ii) Lump sums: payments per claim settled involving a lump sum payment

iii) Weekly compensation: payments per active weekly claim (until one year post Commonwealth retirement age)

iv) Legal, medical and other payments: payments per non deafness claim incurred

v) Industrial deafness/disease: payments per industrial deafness claim incurred

To value lung disease and asbestos related disease claims having regard to observed historical average claim size and industry pattern of claims reporting.

The methods used to estimate the allowance for claims incurred in the year were consistent with those adopted to estimate the outstanding claims provision.

The determination of a risk margin, claims handling expense and policy administration expense provisions to achieve an estimated 75% level of confidence has been added to the central estimate of the claims provision.

Process used to determine actuarial assumptions

Claim numbers

The first analysis undertaken was an analysis of reported claims for the scheme. Ratios of the cumulative claims numbers reported in succeeding half years were calculated and the underlying pattern used to estimate the total claims numbers in each accident half year. Similar methods were used to estimate future numbers of claim finalisations for the scheme.

Active claims

The number of active claims in a given period has, for valuation purposes, been defined as the number of claims which have received a weekly benefit during the last six months.

15 OUTSTANDING CLAIMS: ACTUARIAL ASSUMPTIONS AND METHODOLOGY continued

Common law redemptions

The numbers of past common law and redemption settlements were expressed as a percentage of estimated ultimate non deafness claims for each half year. The pattern underlying these percentages was then used to project the number of common law and redemption settlements in future half years based on the projected numbers of ultimate non deafness claims in those future half years.

Lump sums

The numbers of past lump sum settlements were expressed as a percentage of the estimated ultimate non deafness claims for each half year. The pattern underlying these percentages was then used to project the number of lump sum settlements in future half years based on the projected numbers of ultimate non deafness claims in those future half 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.

16 INSURANCE CONTRACTS

Pursuant to the *Coal Industry Act 2001*, the Group writes workers compensation insurance for the New South Wales coal mining industry. These contracts indemnify policyholders against liability arising under workers compensation legislation.

All insurance contracts are written to terminate annually coinciding with the financial year end. From a financial reporting perspective, all written premium is earned in the year in which it is written and the Group has no unearned premium at year end. Consequently the Group has no premium liabilities and a liability adequacy test is not required.

The Group's reinsurance expense is matched to the pattern of incidence of risk of its issued insurance contracts by recognising an amount based on the average number of industry 'exposed to risk' workers during the reporting period.

The Group has established practices for accepting insurance risks.

The principal risks are:

i) the number and magnitude of claims is greater than expected. Insurance events are inherently random and the number and size of events during any year may vary from those estimated using established statistical techniques.

ii) premiums and associated investment income are insufficent to cover claims costs, Group statutory obligations and other necessary expenses.

iii) the Group cannot refuse insurance coverage to employers in the NSW coal mining industry. The Group is obliged to provide insurance regardless of a policyholders creditworthiness or account status with the Company.

Risk management

The Group’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 Group.

The Group manages insurance risk predominantly through premium pricing, investment strategy, claim management practices and reinsurance. Underwriting risk is also partially managed through policy limitations and exclusions.

16 INSURANCE CONTRACTS continued

The insurance result is impacted by the loss experience, market factors and movements in asset values. Performance is monitored through internal risk measurement models, scenario and stress testing and regular reviews.

Underwriting strategy

The underwriting strategy aims to ensure that the Group continues to meet the insurance needs of its policyholders and the risk management objectives of the Group.

Reinsurance strategy

The reinsurance strategy focuses on minimising significant losses from catastrophic events. Retention and 'excess of loss' limits are set accordingly.

The Group's Board oversees the reinsurance programme. This includes the annual review and approval of reinsurance arrangements and participating reinsurers.

17 LIABILITY ADEQUACY TEST

A liability adequacy test is not required as the Group has no unearned premium at the reporting date.

18 CAPITAL MANAGEMENT

Capital management strategy

Capital is managed at a Group level.

The Group is not regulated by the Australian Prudential Regulation Authority (APRA). However, the Group calculates a capital adequacy ratio in accordance with APRA General Insurance prudential standards using the standardised method.

The Group has a target capital range of 1.9 to 2.1 times the APRA prescribed capital amount. This is defined in the Group Risk Appetite Statement. The target range is set with reference to:

i) Competing group companies' capital requirements and financial efficiency
ii) Access to capital and other capital management levers
iii) Simulation of stress scenarios on the Group's business
iv) The Group's statutory service obligations to the industry as outlined in the *Coal Industry Act 2001* .
v) APRA General Insurance Prudential Standards

Group target capital deviations are considered at the Board level with response directives executed by management.

19 FINANCIAL RISK MANAGEMENT

The activities of the Group expose it to a variety of financial risks such as market risk, credit risk and liquidity risk. The Group's risk management framework recognises the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The key objectives of the Group's asset and liability management strategy are to ensure sufficient liquidity is maintained at all times to meet the Group's obligations, including its settlement of insurance liabilities and, within these parameters, to optimise investment returns.

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk comprises:

i) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, whether these changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded on the market.

The Group is exposed to price or market value risk on its investment in equities and managed funds. To manage its price risk arising from these investments, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the Group.

ii) Currency risk

Currency risk is the risk of loss arising from an unfavourable movement in market foreign exchange rates.

The Group has some direct exposure to investments, denominated in a currency other than Australian dollars. The Group considers this exposure limited and as such no hedge instruments have been entered into for these investments at the reporting date.

iii) Interest rate risk

Financial instruments with floating interest rate expose the Group to cash flow interest rate risk, whereas fixed interest rate instruments expose the Group to fair value interest rate risk. The Group holds interest bearing short term deposits with various banks.

19 FINANCIAL RISK MANAGEMENT continued

a) Market risk continued

iv) Sensitivity analysis	2018 ($'000) Carrying amount	2018 Interest risk +1%	2018 Interest risk -1%	2018 Price risk +-10%	2018 Currency risk +-10%	2017 ($'000) Carrying amount	2017 Interest risk +1%	2017 Interest risk -1%	2017 Price risk +-10%	2017 Currency risk +-10%
Cash	15,215	152	(152)	-	-	11,402	114	(114)	-	-
Sold property deferred receivable	-	-	-	-	-	15,825	-	-	1,583	-
Australian bond trust units	273,746	(7,627)	8,113	-	-	267,880	(8,138)	8,648	-	-
Australian listed shares	30,025	-	-	3,003	-	59,425	-	-	5,943	-
Overseas equity trust units	39,426	-	-	3,943	3,943	41,636	-	-	4,164	4,164
Global infrastructure funds	5,449	-	-	545	-	19,822	-	-	1,982	-
Absolute return funds	75,144	751	(751)	7,514	-	26,508	265	(265)	2,651	-
Global fixed income	6,954	(325)	343	-	-	21,961	(1,026)	1,084	-	-
Hedge funds	41,682	-	-	4,168	-	39,883	-	-	3,988	-
Private equity	5,212	-	-	521	-	-	-	-	-	-
Australian cash holdings	44,140	441	(441)	-	-	19,418	194	(194)	-	-
	536,993	(6,608)	7,112	19,694	3,943	523,760	(8,591)	9,159	20,311	4,164

b) Credit risk

Credit risk is the risk of loss from a counterparty failing to meet their financial obligations. The Group's credit risk arises predominantly from investment activities, future claims on the reinsurance contracts and trade receivables.

There is no material exposure to individual reinsurers that could significantly impact the operating result. Reinsurer credit risk is managed through reinsurer rating compliance for participation in the reinsurance programme.

There is no material exposure to individual customers that could significantly impact the operating result. Doubtful debts have been impaired. Coal Mines Insurance Pty Ltd is obligated to provide workers compensation insurance to all operators in the NSW coal industry. For all other business trade credit risk is managed through policy application on the granting of credit.

The Group's maximum exposure to credit risk at the reporting date is the carrying amount of those assets as indicated in the Statement of Financial Position.

	2018 ($'000) Not yet due	2018 Past due not impaired 31 - 90 days	2018 Past due not impaired 90+ days	2018 Past due impaired	2018 Total	2017 ($'000) Not yet due	2017 Past due not impaired 31 - 90 days	2017 Past due not impaired 90+ days	2017 Past due impaired	2017 Total
Trade and Other Receivables	14,157	504	107	897	15,665	30,651	212	257	1,927	33,047

19 FINANCIAL RISK MANAGEMENT continued

b) Credit risk continued

The following table provides information regarding the Group's aggregated credit risk exposure by classifying assets according to the Standard & Poor's credit rating for each counterparty.

	2018 ($'000)						2017 ($'000)					
	AAA	AA	A	BBB (i)	Not Rated	Total	AAA	AA	A	BBB (i)	Not Rated	Total
Cash and cash equivalents	-	15,215	-	-	-	15,215	-	11,402	-	-	-	11,402
Trade and other receivables	-	-	-	-	14,768	14,768	-	-	-	-	31,120	31,120
Australian bond trust units	160,250	50,334	49,152	13,867	143	273,746	129,958	52,386	55,358	30,178	-	267,880
Australian listed shares	-	-	-	-	30,025	30,025	-	-	-	-	59,425	59,425
Overseas equity trust units	-	-	-	-	39,426	39,426	-	-	-	-	41,636	41,636
Global infrastructure funds	-	-	-	-	5,449	5,449	-	-	-	-	19,822	19,822
Absolute return funds	31,341	3,147	9,976	30,305	375	75,144	4,113	852	2,817	16,605	2,121	26,508
Global fixed income	3,004	202	904	2,844	-	6,954	-	-	21,961	-	-	21,961
Hedge funds	-	-	-	-	41,682	41,682	-	-	-	-	39,883	39,883
Private equity	-	-	-	-	5,212	5,212	-	-	-	-	-	-
Australian cash holdings	-	-	44,140	-	-	44,140	-	-	19,418	-	-	19,418
Total	194,595	68,898	104,172	47,016	137,080	551,761	134,071	64,640	99,554	46,783	194,007	539,055

i. BBB and below: the amount rated below BBB is $14.1m (2017: $12.9m).

c) Liquidity risk

Liquidity risk is concerned with the risk of there being insufficient cash resources to meet payment obligations without affecting the daily operations or the financial condition of the Group. The assets held to back insurance liabilities consist of equities and managed funds which can generally be readily sold or exchanged for cash. In addition the Group also has strong cash reserves. The following table shows the maturity profile of the Group's financial liabilities based on remaining contractual obligations:

	2018 ($'000)						2017 ($'000)					
	1 year	2 - 3 years	4 - 5 years	After 5 years	Total	Carrying amount	1 year	2 - 3 years	4 - 5 years	After 5 years	Total	Carrying amount
Miners pension fund indemnity (ii)	474	822	686	3,362	5,344	4,093	562	906	746	3,290	5,504	4,535
Miners pension fund indemnity part 3	-	-	-	-	-	-	240	-	-	-	240	240
Payable and accruals	19,117	-	-	-	19,117	19,117	15,805	-	-	-	15,805	15,805
Discounted claims liability (iii)	71,605	100,404	61,849	164,233	398,091	398,091	85,663	103,842	64,669	151,292	405,466	405,466
Total	91,196	101,226	62,535	167,595	422,552	421,301	102,270	104,748	65,415	154,582	427,015	426,046

ii. These are undiscounted payments. The difference between the total payments and book value represents the discount to present value.
iii. The claims liability above presents the estimated discounted cash flows based on the remaining term to payment. Actual cash flows may differ from expected maturities.

19 FINANCIAL RISK MANAGEMENT continued

d) Operational risk

Operational risk is the risk of loss to the Group resulting from deficiencies in processes, personnel, technology and infrastructure, and from external factors other than insurance, credit, market and liquidity risks. Operational risks in the Group include legal compliance, business continuity, data infrastructure, outsourced services failures, fraud and employee error.

The Group's objective is to manage operational risk to avoid financial loss. These risks are managed through the implementation of policies, controls and systems to monitor, detect and mitigate risk events and minimise their impact. Systems of internal control are enhanced through:

i) The segregation of duties between employee duties and functions, including approval and processing duties.
ii) Documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behaviour.
iii) Implementation of whistle blowing policies to promote a compliant culture and awareness of the duty to report exceptions by staff.
iv) Effective insurance arrangements to reduce the impact of losses.
v) Contingency plans for dealing with the loss of functionality of systems or premises or staff.

e) Fair value hierarchy

The financial assets carried at fair value have been classified under the three levels of the fair value hierarchy as follows:

i) Level 1: Quoted prices (unadjusted) in active markets for an identical instrument.

ii) Level 2: Valuation techniques based on observable inputs, whether directly (i.e., as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market process in active markets for the similar instruments; quoted prices for identical or similar instruments in the markets that are considered less than active: or other valuation techniques where all the significant inputs are directly or indirectly observable from the market data.

iii) Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation techniques include inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments. Significant unobservable adjustments or assumptions are required to reflect differences between instruments.

	2018 ($'000)				2017 ($'000)			
Financial assets by fair hierarchy	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Australian bond trust units	273,746	-	-	273,746	267,880	-	-	267,880
Australian listed shares	30,025	-	-	30,025	59,425	-	-	59,425
Overseas equity trust units	39,426	-	-	39,426	41,636	-	-	41,636
Global infrastructure funds	-	5,449	-	5,449	-	19,822	-	19,822
Absolute return funds	75,144	-	-	75,144	26,508	-	-	26,508
Global fixed income	6,954	-	-	6,954	21,961	-	-	21,961
Hedge funds	-	41,682	-	41,682	-	39,883	-	39,883
Private equity	-	5,212	-	5,212	-	-	-	-
Australian cash holdings	44,140	-	-	44,140	19,418	-	-	19,418
Total	469,435	52,343	-	521,778	436,828	59,705	-	496,533

	2018 $'000	2017 $'000
20 CONTRIBUTED EQUITY		
Fully paid: 2 shares at $1 each	-	-

It is not the Company’s policy, nor the expectation of shareholders, for the Company to pay dividends. 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.

21 RETAINED PROFIT

	2018 $'000	2017 $'000
a) Property, plant and equipment revaluation reserve		
Balance at beginning of year	-	2,958
Revaluation of land and buildings	-	(2,958)
Balance at end of year	-	-
b) Retained Profit		
Balance at beginning of year	186,411	210,338
Net profit/(loss) from ordinary activities	18,836	(26,837)
Defined benefit fund gains	43	2,910
Balance at end of year	205,290	186,411

22 INCOME TAX

The Group is exempt from income tax pursuant to section 50-1 of the *Income Tax Assessment Act 1997* on the basis that it qualifies as a 'public authority constituted under Australian law' under item 5.2 of the table in section 50-25. The exemption applies to the years ending 30 June 2016 through to 30 June 2019 inclusive. Accordingly no current or deferred tax assets and liabilities are recognised nor is a tax reconciliation presented.

23 DEFINED BENEFIT SUPERANNUATION SCHEME

a) Superannuation plans

i) Energy Industry Superannuation Scheme

The parent entity participated in this scheme comprising the Defined Benefit Scheme, Retirement Scheme and Accumulation Scheme. In the Defined Benefit and Retirement schemes a component of the final benefit is derived from a multiple of a member’s salary and years of membership. The Defined Benefit and Retirement schemes are closed to new members. The Accumulation Scheme is open to new members.

ii) Mines Rescue Stations Staff Superannuation Plan

Mines Rescue Pty Limited, a subsidiary, participated in this plan under the provision of the *NSW Coal and Oil Shale Workers Superannuation Act*. The Mines Rescue Stations Staff Superannuation Plan is a final 3 year average lump sum defined benefit arrangement providing benefits on death, disability, resignation and retirement. The plan is closed to new members.

23 DEFINED BENEFIT SUPERANNUATION SCHEME continued

	2018 $'000	2017 $'000
b) Number of members		
Energy Industry Superannuation Scheme	11	11
Mines Rescue Stations Staff Super Plan	3	3
	14	14
c) Carrying amount		
Present value of the defined benefit obligation		
Energy Industry Superannuation Scheme	(15,597)	(15,085)
Mines Rescue Stations Staff Super Plan	(2,293)	(2,140)
	(17,890)	(17,225)
Present value of the defined benefit plan assets		
Energy Industry Superannuation Scheme	14,520	13,985
Mines Rescue Stations Staff Super Plan	1,519	1,446
	16,039	15,431
Net liability		
Energy Industry Superannuation Scheme	(1,077)	(1,100)
Mines Rescue Stations Staff Super Plan	(774)	(694)
	(1,851)	(1,794)

d) Asset allocations	2018	2017	2018 $'000	2017 $'000
Energy Industry Superannuation Scheme				
Australian equities	18%	16%	2,614	2,238
International equities	28%	26%	4,066	3,636
Property	8%	4%	1,162	559
Private equity	1%	1%	145	140
Infrastructure	7%	11%	1,016	1,538
Alternatives	5%	10%	726	1,399
Fixed income	28%	27%	4,066	3,776
Cash	5%	5%	726	699
	100%	100%	14,520	13,985
Mines Rescue Stations Staff Super Plan				
Australian equities	25%	24%	380	347
International equities	16%	16%	243	231
Property	2%	2%	30	29
Other	9%	9%	137	130
Australian fixed interest	28%	30%	425	434
Cash	20%	19%	304	275
	100%	100%	1,519	1,446
Total			16,039	15,431

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

e) Movement	2018 $'000	2017 $'000
Net liability at the beginning of the year	(1,794)	(4,559)
Net expense recognized in profit and loss	(422)	(575)
Gains recognized in Other Comprehensive Income	43	2,910
Contributions	322	430
Net liability at the end of the year	(1,851)	(1,794)

Notes to the Consolidated Financial Statements at 30 June 2018

23 DEFINED BENEFIT SUPERANNUATION SCHEME continued

e) Movement continued

	2018 $'000	2017 $'000
Reconciliation of the present value of defined benefit obligations		
Opening defined benefit obligation	17,225	20,636
Current service cost	361	430
Interest cost	699	671
Contributions by fund participants	76	93
Actuarial (gains)/losses	352	(2,376)
Benefits paid	(676)	(2,063)
Taxes, premiums and expenses paid	(147)	(166)
Closing defined benefit obligation	17,890	17,225
Reconciliation of the fair value of fund assets		
Opening fair value of fund assets	15,431	16,077
Interest Income	638	526
Return on plan assets	395	534
Employer contributions	322	430
Contributions by fund participants	76	93
Benefits paid	(676)	(2,063)
Taxes, premiums and expenses paid	(147)	(166)
Closing fair value of fund assets	16,039	15,431

f) Amounts recognised in profit and loss

	2018 $'000	2017 $'000
Current service cost	361	430
Interest cost	61	145
	422	575

g) Amounts recognised in other comprehensive income

	2018 $'000	2017 $'000
Actuarial gains	43	2,910

h) Principal actuarial assumptions

	2018	2017
Energy Industries Superannuation Scheme		
Salary increase rate	2.5%	2.5%
Rate of CPI increase	2.3%	2.2%
Expected rate of return on assets	5.5%	5.9%
Discount rate after tax	4.2%	4.3%
Mines Rescue Stations Staff Superannuation Plan		
Salary increase rate	2.0%	2.0%
Discount rate after tax	3.4%	3.4%

23 DEFINED BENEFIT SUPERANNUATION SCHEME continued

i) Employer contributions

Energy Industry Superannuation Scheme

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 were:

	2018 $'000	2017 $'000
EISS Division B – member contributions (x salary)	1.9	1.9
EISS Division C – % of salary	2.5%	2.5%
EISS Division D – member contributions (x salary)	1.6	1.6
Required additional contributions	-	-

If a surplus exists in the employer's interest in the Scheme, the employer may be able to reduce its 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. The recommended contribution rates are consistent with the previous year.

Mines Rescue Stations Staff Super Plan

	2018 $'000	2017 $'000
Employer contributions	13.99%	13.99%
Member contributions	4.71%	4.71%
	18.70%	18.70%

The method used to determine the employer contributions is the balance of the cost of benefits after members' contributions.

23 DEFINED BENEFIT SUPERANNUATION SCHEME continued

j) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would affect the defined benefit obligation by the amounts shown below:

	2018 ($'000)				2017 ($'000)			
	Value	Change	Decrease	Increase	Value	Change	Decrease	Increase
Energy Industries Superannuation Scheme								
Defined benefit obligation	15,597				15,085			
Discount rate		1.0%	2,241	(1,849)		1.0%	2,318	(1,884)
Future salary growth		0.5%	(182)	193		0.5%	(230)	244
Rate of CPI increase		0.5%	(804)	880		0.5%	(793)	874
Future mortality		5.0%	218	(141)		5.0%	219	(138)
Mines Rescue Staff Superannuation Plan								
Defined benefit obligation	2,293				2,140			
Discount rate		0.5%	66	(62)		0.5%	71	(69)
Future salary growth		0.5%	(41)	42		0.5%	(48)	48

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

24 KEY MANAGEMENT PERSONNEL

Key management personnel are considered to be the directors of the Company and senior officers, also referred to as the General Management Team, of the parent entity, Coal Services Pty Limited.

Directors of the company during the financial year:

P M Jordan (Chairman)
L A Flemming (Managing Director)
D J Moult
M S Genovese
The Hon. J P Hannaford
A W Honeysett
G S Sullivan (resigned 20 September 2017)
J M Frankcombe (appointed 20 September 2017)

Key management remuneration

Amounts reported here represent the full remuneration paid to key management personnel by the parent entity, Coal Services Pty Limited.

The Managing Director, who is also the Chief Executive Officer, is included as a Director for purposes of reporting.

	2018 $	2017 $
Number of Directors		
Who earned more than $100k	2	2
Who earned less than $100k	6	5
	8	7
Directors' remuneration packages		
More than $100k	644,343	610,256
Less than $100k	380,001	353,460
	1,024,344	963,716
Number of senior officers		
Who earned more than $300k	3	2
Who earned less than $300k	3	4
	6	6
Senior officers' remuneration packages		
More than $300k	1,021,689	698,960
Less than $300k	787,246	1,029,498
	1,808,935	1,728,458
Total key management remuneration	2,833,279	2,692,174

25 AUDITOR'S REMUNERATION

	2018 $	2017 $
KPMG		
Audit of financial report	185,882	182,240
Other regulatory audit services	17,318	9,135
	203,200	191,375

	2018 $	2017 $

26 RELATED PARTIES

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 (CFMEU) is an association representing employees in the NSW coal industry.

	2018 $	2017 $
Amounts recognised as expenses		
i) Directors fees (NSW Minerals Council and CFMEU representatives)	329,238	327,855
ii) Other services	28,682	28,100
	357,920	355,955

The Coal Services group comprises Coal Services Pty Limited and its wholly owned entities Coal Mines Insurance Pty Ltd and Mines Rescue Pty Limited.

	2018 $	2017 $
Total due from Mines Rescue Pty Limited	12,730,221	10,038,158
Total due to Coal Mines Insurance Pty Ltd	(403,571,436)	(408,205,541)

L A Flemming, a director, is also a trustee of the Coal Services Health and Safety Trust.

27 EVENTS OCCURING AFTER THE STATEMENT OF FINANCIAL POSITION DATE

No other matters or circumstances have arisen since the end of the financial year that significantly impact the Company.

28 CONTINGENT ASSETS AND LIABILITIES

Mines Rescue Stations Staff Super Plan
When a member reaches age 55 a top-up contribution is required. There is only one remaining member for whom the top-up contribution has not yet been provided. The member turns 55 in 2023.

29 COMMITMENTS

a) Capital commitments
Capital expenditure contracted at the reporting date, not recognised as liabilities:

	2018 $	2017 $
Within one year	328	1,581

b) Lease commmitments
Rental property leases contracted at the reporting date, not recognised as liabilities:

	2018 $	2017 $
Within one year	1,012	1,139
One to five years	4,048	624
	5,060	1,763

30 RECONCILIATION OF 'NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES' TO 'NET OPERATING CASH FLOW'

	2018 $'000	2017 $'000
Net profit/(loss) from ordinary activities	18,836	(26,837)
Depreciation and amortisation	3,112	1,713
Fair value gain on investment property	(1,514)	(777)
Impairment of plant and equipment	-	3,250
Realised loss/(gain) on investments	393	(4,641)
Unrealised gain on investments	(10,078)	(9,282)
Net loss on disposal of property, plant and equipment	(117)	(36)
Impairment of receivables	52	950
Interest charged on investment property receivable	(374)	(919)
Profit on sale of investment property	(466)	(2,705)
Change in defined benefit superannuation scheme	100	145
Reduction in receivables from settlement of Hornsby property	(16,277)	-
Change in receivables	16,352	1,633
Change in inventories	(12)	(62)
Change in prepayments	(471)	126
Change in payables	3,312	6,386
Change in claims provision	(7,375)	21,512
Change in other provisions	191	(1,043)
Net cash in/(out) flow from operating activities	5,664	(10,587)

31 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries.

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

In October 2007 the Coal Services Pty Limited (CSPL) Board approved a funding agreement for the development and construction costs of MRPL. The funding comprises a secured interest free loan with a 5 year repayment term and subscription of B Class ordinary shares in MRPL. The loan was extended for a further 5 years in September 2013.

In October 2017 the CSPL Board passed a resolution to renew the MRPL funding agreement indefinitely with an undertaking not to call upon any repayments unless the financial position of MRPL improves sufficiently to have the capability to make repayments or a change of ownership of MRPL occurs.

	2018 $'000	2017 $'000
Equity investment in Mines Rescue Pty Limited		
Mines Rescue Pty Limited Class B shares issued	25,000	25,000
Equity component of interest free loan	1,476	1,476
	26,476	26,476
Loans receivable from Mines Rescue Pty Limited		
Interest free loan	4,786	4,786
Other intercompany receivables	7,944	5,252
	12,730	10,038

32 PARENT ENTITY DISCLOSURE

As at and throughout the year ending 30 June 2018 the parent entity of the Group was Coal Services Pty Limited.

	2018 $'000	2017 $'000
a) Parent entity result		
Profit/(loss) for the year	18,324	(23,318)
Other comprehensive income	52	2,657
Total comprehensive income/(loss) for the year	18,376	(20,661)
b) Parent entity financial position		
Assets		
Current assets	109,232	525,158
Non-current assets	507,443	77,044
Total assets	616,675	602,202
Liabilities		
Current liabilities	(413,561)	(416,907)
Non-current liabilities	(5,798)	(6,355)
Total liabilities	(419,359)	(423,262)
Equity		
Share capital	-	-
Retained earnings	197,316	178,940
Total equity	197,316	178,940

Coal Mines Insurance Pty Ltd indemnity

The parent entity has indemnified Coal Mines Insurance Pty Ltd, a wholly owned subsidiary, against all claims, payments, damages, costs, outgoings and liabilities arising under, or in administration of, the workers compensation insurance scheme.

The indemnity is limited to the value of the gross assets of Coal Services Pty Limited (excepting the value of the share which Coal Services Pty Limited holds in its subsidiary, Mines Rescue Pty Limited) less the value of the total liabilities of Coal Services Pty Limited (except for the value of the indemnity given under the Deed of Indemnity).

Although the provision for the indemnity has been classified as a current liability, it is not expected to be settled within the next 12 months.

	2018 $'000	2017 $'000
Increase in indemnity debited to the Statement of Comprehensive Income	2,775	48,128
Provision for indemnity at year end	259,504	256,729
Mines Rescue Pty Limited (MRPL) loan	12,730	10,038

The full loan receivable from MRPL has been impaired in the Parent entity financial position above.

The directors of Coal Services Pty Limited have provided an undertaking not to call upon the loan unless the financial position of MRPL improves sufficiently or a change of ownership of MRPL occurs.

Directors’ Declaration

In the opinion of the Directors of Coal Services Pty Limited ('the Group'):

(a) the financial statements and notes are in accordance with the *Corporations Act 2001* , including:

  (i) giving a true and fair view of the financial position of the Group as at 30 June 2018 and of its performance for the financial year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001* ; and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors:

P M Jordan (Chairman)	**L A Flemming (Managing Director)**
Sydney	Sydney
24 October 2018	24 October 2018

Independent Auditor's Report

To the shareholders of Coal Services Pty Limited

Opinion

We have audited the ***Financial Report*** of Coal Services Pty Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Statement of consolidated financial position as at 30 June 2018;
- Statement of consolidated comprehensive income, Statement of consolidated changes in equity, and Statement of consolidated cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in Coal Services Pty Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:
http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Andrew Reeves
Partner

Sydney
24 October 2018