Coal Services

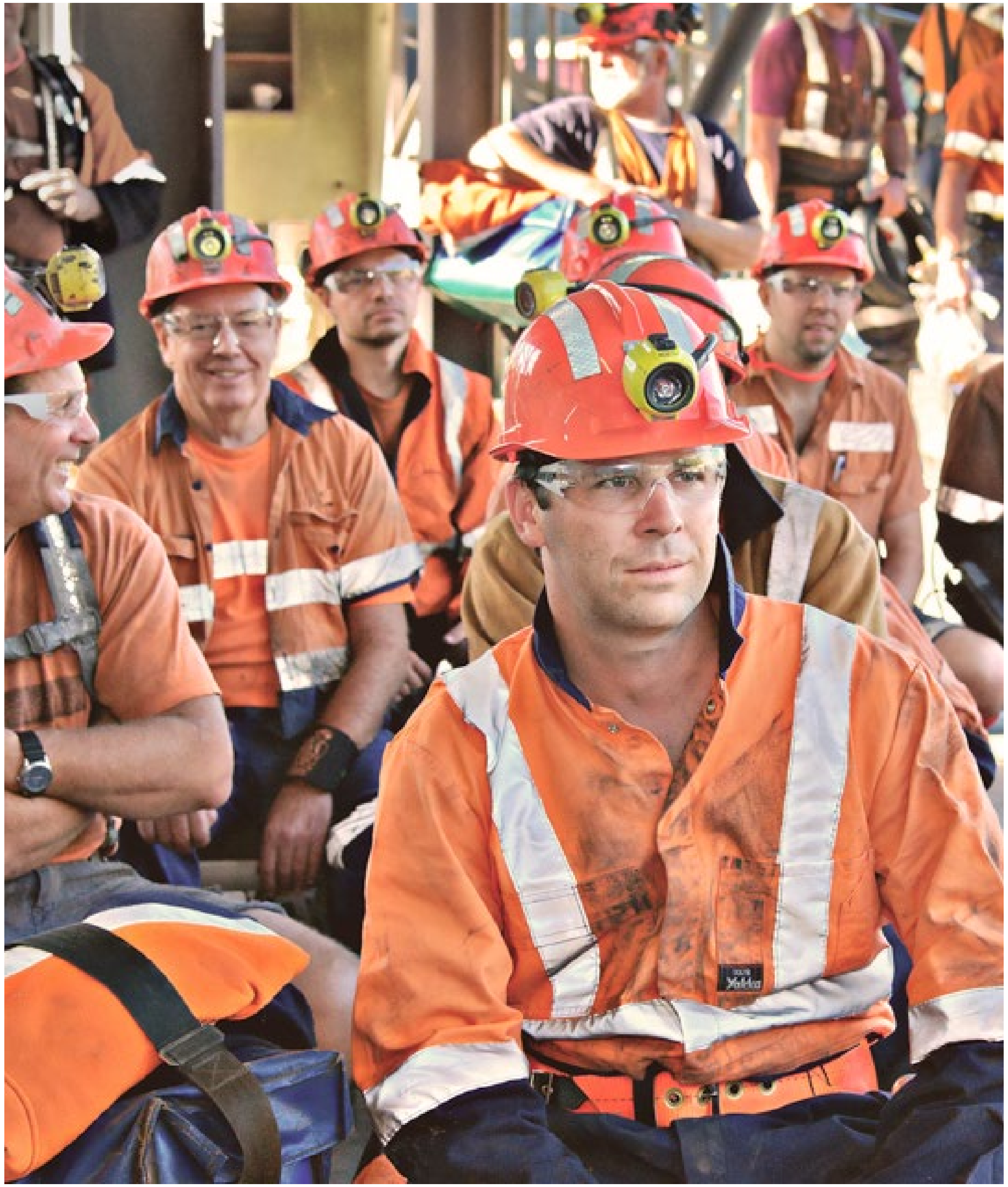
Every step of the way.

ANNUAL REPORT 2014

Coal Services.
Every step of the way.

Every step of the way recognises the important role that Coal Services plays to help protect the health and safety of coal mine workers, at every stage of their work life.

Our preventative and responsive services in the areas of occupational health and safety, workers compensation, mines rescue and training are connected through a common purpose: *to look after workers, and in turn the industry.*



We work together with industry and our shareholders, the NSW Minerals Council and the Construction, Forestry, Mining and Energy Union, to deliver on our vision to partner with industry for a safe workplace and a healthy workforce.

Our services help employers to mitigate risk and ensure that their workforce return home, healthy and safe every day. Whether it's a pre-placement medical or induction training upon entering the industry, or treatment and financial assistance in the event of a workplace injury, Coal Services provides these and other critical services throughout a miner's career.

Our purpose: *To protect*

Our vision: *To partner with industry for a safe workplace and a healthy workforce*

43

New volunteers inducted into the Mines Rescue brigade

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4,660

Workers' breathing zones sampled for respirable and inhalable dust with 294 exceedences

CLICK TO READ MORE

27,740

Exposed-to-risk employees insured

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35

Training and competency management plans approved under Order 34 to maintain the high training standards for the industry

CLICK TO READ MORE

6.57%

Claims frequency rate, up from 6.34% in 2012-13

CLICK TO READ MORE

85%

Average customer satisfaction score

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4,144

Pre-placement medicals performed

CLICK TO READ MORE

6,915

Periodic health surveillance medicals to monitor and protect against occupational disease

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Message from the Chairman and Managing Director/CEO

Wayne McAndrew and Lucy Flemming

Our industry

The New South Wales coal industry suffered at the hands of a challenging economic environment during the 2013-14 financial year. A strong Australian dollar coupled with high operational costs pressured mine owners to review their operations that led to a focus on cost efficiencies and productivity improvements. Four mines closed and over 1,000 jobs were lost.

Despite this, coal production in New South Wales has continued to increase at an average annual rate of six per cent for the last ten years. In 2013-14, New South Wales coal mines produced a record 261 million tonnes.

In line with this, productivity measured as raw coal production per mineworker increased by 13 per cent on the previous year to 11,725 tonnes at 30 June 2014.

Whilst there has been an improvement in productivity over the last two years, levels have only reached those experienced in 2008-09. This is still below the productivity levels achieved between 1998-99 and 2007-08.

Employment levels reduced to an average production workforce of 22,261, a drop of over 1,400 from the previous twelve months. Actual exposed to risk workers insured at 30 June was 27,740.

Our relationships

Coal Services has developed strong working relationships and liaises with government, industry bodies and community partners to help influence and drive initiatives that promote the health and welfare of workers.

Our ongoing relationship with the Minister's office, government agencies such as the Department of Trade and Investment, advisory bodies such as the Mine Safety Advisory Council, local government and tri-partite committees such as the Standing Committee on Airborne Contaminants, Diesel Particulates, Noise Research and Control, have enabled us to be a voice for the industry and its workers.

Likewise, we maintain a strong belief in giving back to mining communities and extending support to local initiatives and events. This is even more important in tough times and during the year we supported a number of industry and community events through Coal Services' Mining Community Welfare Grants and sponsorships.

Our strategy

What didn't change throughout the year was our commitment to our purpose 'to protect' which lies at the heart of our business model and is reinforced in our vision, to partner with industry for a safe workplace and a healthy workforce. Coal Services though has continued to review and modify our business strategy in response to the changing needs of our industry and its workers.

Central to this strategy has been developing key initiatives focused on ensuring our long term sustainability. Our specialised health and safety scheme can, and will, continue to deliver on this requirement by supporting a high performance culture and efficient systems. Our dedicated team of employees are committed to delivering on our purpose and meeting the needs of our industry, especially in tougher times. Our people are united by a strong set of values – we care, we work together and we make a difference.

Message from the Chairman and Managing Director/CEO

Wayne McAndrew and Lucy Flemming

Our business

Our business has not been immune to the impact of the slowdown in the industry. The changing market has affected Coal Services' operating environment. Demand for our statutory services such as pre-placement medicals and generic underground induction training has dropped in line with reduced employment figures.

Other non-statutory services offered across most of our business units have also been affected as employers seek to minimise non-essential expenses.

Yet in the face of such strong financial pressures and the industry's contracting workforce, the services we continue to provide are well received. In 2013-14 our customer satisfaction scores increased two points to an 85 per cent overall average satisfaction score. In a difficult operating market, these results are a testament to the quality of our people, products and services.

Our overall financial results are in line with the budget as a result of strong investment returns for the year.

However the results from our operations continue to be under significant pressure with all business units, other than Coal Mines Technical Services, reporting a loss. All business units have reduced their operating structure to the current demand for their services.

In previous years where employment has declined, we expected and received an increase in workers compensation claims numbers. In 2013-14 we actually saw a reduction in the number of new claims received; 1,823 new claims compared with 2,029 new claims during 2012-13. However; we have also seen an increase in duration rates for those on weekly benefits due to the return to work challenges in a shrinking labour market; and an increase in significant injuries in open cut mining operations. Sadly, our industry experienced three fatalities on NSW coal mine sites and more on the road.

Maintaining our long-term viability and strengthening our customer relationships was our focus during 2013-14. A continuous review of business unit operations took place throughout the year to assess structures and processes, products and services and their delivery. Work progressed on two key areas in particular; being the reviews of our insurance premium model and case management model.

Despite the challenges presented to us throughout the year, we have worked hard to ensure that Coal Services continues to provide services that benefit the NSW coal industry, and to protect the health and safety of our workers.

We would like to acknowledge and thank the Coal Services Board, General Management Team and our employees for their efforts throughout what has again been a demanding year for our business.

Together, we are committed to delivering projects and initiatives in response to the needs of the industry, and partnering with you for a safe workplace and a healthy workforce.

W McAndrew
Director and Chairman

L Flemming
Managing Director/CEO

Sydney, 25 September 2014

Our People

Our people are our strength. Our employees care about what they do, and work together with industry to make a difference to the health and safety of the people working in our industry.

Diversity policy

Diversity is important to Coal Services' business. The Coal Services Diversity Policy seeks to encourage cohesive decision making, in addition to trust and common values that seek to leverage diversity in order to:

- drive business results
- enhance our reputation
- attract, recruit, engage and retain a diverse team of talented people.

Coal Services seeks to leverage the organisation with a Board membership and General Management Team who have an appropriate mix of skills, experience (in a variety of specified fields), expertise and diversity.

Coal Services manages diversity through a variety of programs, practices and policies which cover:

- recruitment, selection and promotion of employees with the appropriate skills, talent and experience for the position
- equal employment opportunity and discrimination including but not limited to differences that relate to gender, age, ethnicity and cultural backgrounds
- talent and succession planning
- employee assistance programs
- flexible work hours and parental leave supports employees at all levels of the organisation who may have domestic responsibilities
- career development and performance through programs that assist employees to develop skills and experience for career enhancement
- a defined grievance and dispute process
- work health and safety programs and training
- study assistance.

Gender diversity is a key part of Coal Services' overall diversity policy. Ensuring that women are represented in senior roles and on the Board is one of the organisation's priorities.

Our People

WORKPLACE PROFILE 2013-14 (AS SUBMITTED TO THE WORKPLACE GENDER EQUALITY AGENCY AT 28 MAY 2014)

	WOMEN					MEN					TOTAL		
	Full time	Full time contract	Part time	Part time contract	Casual	Full time	Full time contract	Part time	Part time contract	Casual	Total	Women %	Men %
Board	1					6					7	14.29	85.71
Key management personnel	1					5					6	16.67	83.33
Senior managers	13	1				11				1	26	53.85	46.15
Other managers	4					4		1			9	44.44	55.56
Professionals	64	7	35	1	13	59		1	1	2	183	65.57	34.43
Technicians and trade	1		1			22				1	25	8	92
Clerical and administrative	43	7	17	1	10	4	3		1		86	90.70	9.30
Others						1					1	0	100
TOTAL	**127**	**15**	**53**	**2**	**23**	**112**	**3**	**2**	**2**	**4**	**343**	**64.14**	**35.86**

Coal Services is required to report its workplace profile annually under the Workplace Gender Equality Act (2012). Figures correct at 28 May 2014. Total employment at 30 June is 333.

Our Customers

The annual Customer Satisfaction Survey was conducted in November and December 2013. This survey is part of our 'Voice of Customer' program that provides our customers and injured workers an opportunity to give feedback on our services and to communicate their needs.

The survey results enable us to measure our performance and endeavours to drive service improvements across the business.

In the face of strong financial pressures and a contracting workforce, our customers' satisfaction scores increased two points to an 85 per cent overall average satisfaction score. Our 'highly satisfied' rating remained strong across all customer groups.

This year, senior managers increased their 'highly satisfied' rating of Coal Services by 14 per cent. There was also an increase in the number of 'adequate' scores from this group, being driven by higher expectations of suppliers in the current operating conditions.

We care what our customers have to say. Understanding their changing needs and expectations is critical in continuing to deliver supportive and valuable services. This was particularly important in 2013-14 in light of changing demands on the industry.

CUSTOMER SATISFACTION

	Senior managers	Business managers	Mine workers	Weighted average
Total satisfied	56	87	87	85
Total dissatisfied	9	5	3	5

Welfare and Community

Coal Services establishes strong ties with NSW coal mining communities through support of local sporting organisations, not-for-profit organisations and industry and community events.

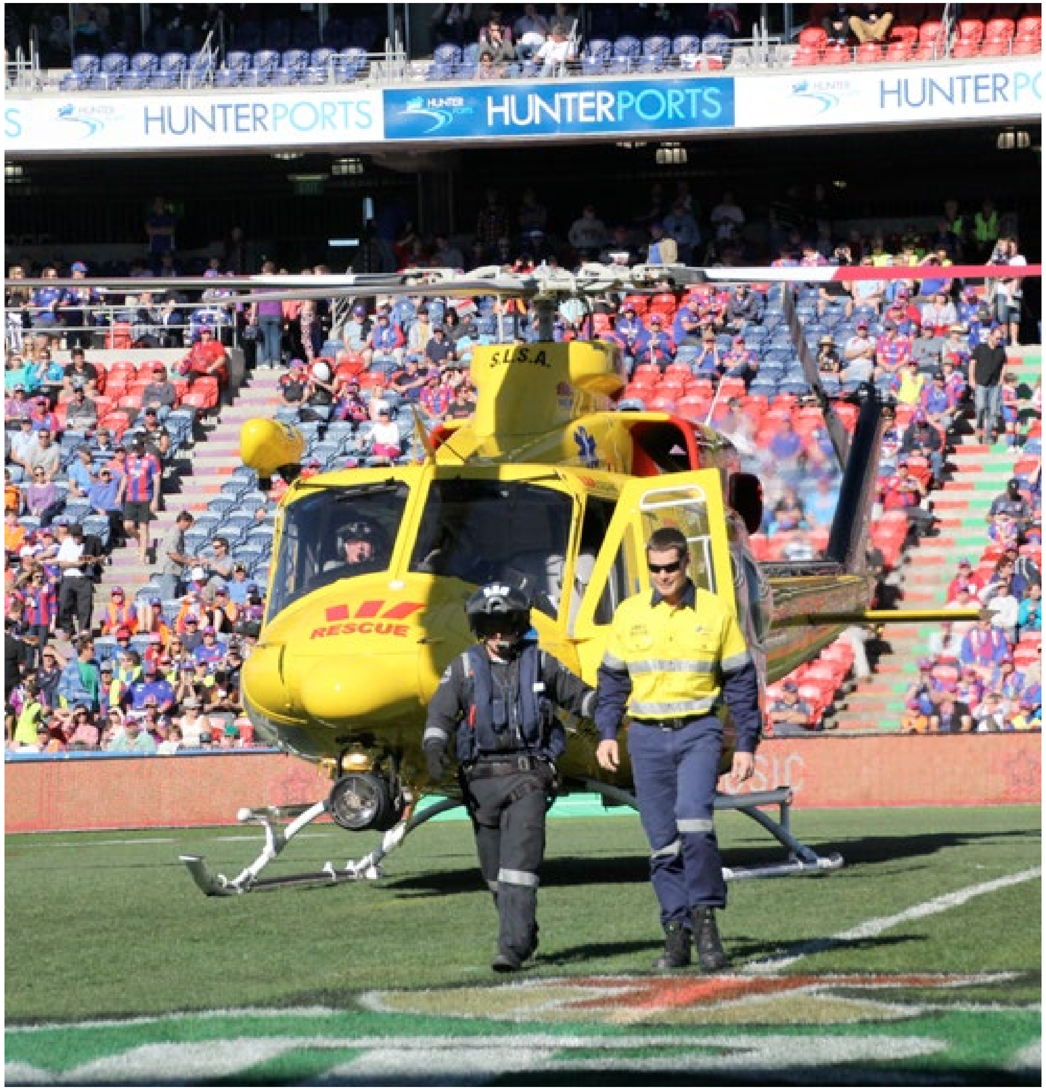
Coal Services' sponsorships and community partnerships aim to:

- increase awareness of Coal Services and its business units
- change or influence behaviours leading to better health, safety and wellbeing outcomes
- communicate health, safety and wellbeing messages and associated support programs to the NSW coal industry and its communities.

Our purpose, vision and values contain the central theme of protecting the health and wellbeing of the NSW coal mining industry and its workers. We also maintain a strong belief in giving back to mining communities and extending support to local initiatives and events.

Newcastle Knights Voice for Mining Family Day

Coal Services was invited by the NSW Minerals Council to be part of the 'Voice for Mining Family Day', held on Sunday, 18 August 2013 at the Newcastle Knights home game. The event aimed to highlight the vital contribution coal mining makes to the Hunter region and to support the voice of local miners and their families. The event included an appearance by the Westpac Rescue Helicopter Service and mining companies such as BHP Billiton and Centennial Coal. Coal Services was proud to be involved in this day as part of our commitment to our shareholders, customers and industry workers.



Welfare and Community

Sparke Helmore NBN Triathlon 2014

Coal Services has a long association with the Sparke Helmore NBN Triathlon, one of the largest triathlons in NSW. Coal Services registered ten employees in the March 2014 event held in Newcastle.

The event is attended by many teams from the mining industry. Each year as part of the Triathlon the 'Coal Services Cup' is awarded to the best performing coal mining team in the corporate event. This year, the perpetual cup was presented to the 'Glencore Underground Team'.

Over 2,000 competitors participated in events across the weekend, raising in excess of $30,000 in the process. The Hunter Medical Research Institute (HMRI) is the main beneficiary; helping people across the coal mining community by researching a variety of medical areas including asthma, cancer and mental health.

Hunter Valley Research Foundation

The Hunter Valley Research Foundation (HVRF) provides a range of innovative, independent economic and social research programs for the Hunter and Central Coast regions. As a major partner with the HVRF, Coal Services helps to support key programs including extensive research around community wellbeing.

Westpac Rescue Helicopter Service

Coal Services and the Westpac Rescue Helicopter Service entered into a five-year corporate sponsorship agreement in August 2010. No person who is assisted by the Service has ever had to pay for that service due to the generosity of corporate partnerships, community fundraising and the Ambulance Service of NSW.

Celebrate Lithgow

CS Health and Mines Rescue joined forces in November 2013 to participate in 'Celebrate Lithgow'. This is an annual street carnival organised by the Lithgow Business Association. This year's event featured a mini mining expo representing various mining companies, contracting companies and industry bodies. The event provided an opportunity to showcase our services to the local community and support the industry in which we operate.

Lithgow Flash Carnival

Coal Services supported the Lithgow Flash Carnival in November 2013 by sponsoring the 'Coal Services Valley Challenge' for a second year. The 5-kilometre run was open to individuals and teams and was held in the roads surrounding the Lithgow Showground. The event demonstrated Coal Services' commitment to promoting healthy and active lifestyles in the Lithgow mining community.

Live for Kids

Coal Services was proud to be a major sponsor of the Live for Kids Charity for a third year. Thirty-seven riders, including seven Coal Services employees, took part in the annual Live for Kids Cycle Classic in September 2013. The 850-kilometre ride between the Gold Coast and Newcastle is the charity's main fundraiser. This year, Live for Kids raised a total of $130,000. Money from the ride is used to purchase medical equipment to support children with severe respiratory diseases. The charity also donates custom-built bicycles to children with special needs.

By supporting this charity, Coal Services continues to protect and improve the health of coal industry workers' children and grandchildren.

Where on Earth is Speers Point?

Coal Services employees joined with Lake Macquarie City Council, fire brigade and local businesses to appear in 'Where on Earth is Speers Point?'. The community video project, produced by Speers Point Public School, showcases the beauty of Speers Point and its people. The project further demonstrates our company values of how we work together with the community.

Special Olympics Asia Pacific Games

The Special Olympics Asia Pacific Games took place in Newcastle in December 2013. An estimated 2,000 Special Olympics athletes, 600 coaches and officials, and over 4,000 volunteers from over 32 countries in the Asia Pacific region were in town for the inaugural event. Coal Services contributed to the Games 'Business Club' that raised funds to help pay for athlete accommodation, sporting events, catering and transport. Our support helped to promote healthy lifestyles in the wider coal mining community.

Hunter Prostate Cancer Alliance

Coal Services and the Hunter Prostate Cancer Alliance (HPCA) announced a three-year partnership in March 2012. The partnership is aimed at raising awareness of prostate cancer among workers in the NSW coal mining industry through education sessions and toolbox talks. As 1 in 7 men in NSW will develop prostate cancer by the age of 75, these sessions play an important role for men's health that extends into the community.

Environment

Caring for our environment

Coal Services is committed to minimising environmental impacts and aims to lead by example. To this end, our environmental policy includes a commitment to:

- comply with all applicable environmental laws, regulations and agreements
- develop and implement measures to prevent or minimise pollution, waste and other human impacts on the environment
- develop and deliver environmental education, training and guidance
- systematically manage our activities to achieve and promote continual improvement by setting environmental objectives and targets and assessing our achievements.

Coal Services has developed several policies and programs to help us meet or exceed regulatory and community standards and reduce our environmental footprint.

Implementing an environmental management system (EMS) at each Mines Rescue Station, including:

- a requirement to monitor, store and treat trade wastewater generated by the training facilities at each mines rescue station
- a ban on using firefighting foam or chemicals which are classified as dangerous goods
- installation of an air treatment system in the training gallery to control particulate emissions in the exhaust
- an 'Air Treatment System Operation and Maintenance Plan', to monitor the operation of the air treatment system, and to make sure the operating conditions remain within the required limitations
- supply of Universal and Chemical Response Kits for hazardous spill control
- annual audits (internal and external) of the EMS and corrective action where necessary.

Utilising advances in technology to minimise any impact arising from CS Health radiography facilities at Singleton and Lithgow, for example:

- digital imaging has eliminated the need to store, use and discard chemicals used to develop x-ray films
- automatic exposure machines are used and lead aprons are provided (where applicable) to minimise potential risk
- x-ray machines are housed in purpose-built, lead-lined rooms to confine radiation
- x-ray machines and premises are registered with and undergo periodic compliance inspections by the Environment Protection Authority (EPA)
- occupationally-exposed persons (e.g. radiographers) wear film badges to monitor personal exposure.

Occupational Hygiene Services monitoring and analysis of airborne particulates.

- Personal monitoring is focused on individuals in the workplace. However, the control of dust exposure from the coal mines at a personal level also helps to manage the environmental impact of dust emissions.

Implementing other practices that help us to conduct our business in an environmentally-friendly manner such as:

- reducing paper usage through double-sided printing, electronic document scanning and storage, and for the second year in a row producing the annual report in electronic format rather than printing hard copies. All paper and other products that can be recycled are routinely collected for recycling
- reviewing our motor vehicle fleet to ensure that vehicles are, where possible, environmentally efficient as well as safe and fit-for-purpose. We also encourage car-pooling when travelling for work purposes
- reducing the amount of energy we use as much as possible. For example, updating office lighting to be more efficient and introducing electronic sensors. Lighting in our investment properties has also been replaced to meet the Building Sustainability Index (BASIX) laws aimed at reducing energy consumption.


Support
Insurance
Training
Rescue
Health

Insurance

Coal Mines Insurance

The claims frequency rate for 2013-14 was 6.57 per cent, up slightly from 6.34 per cent in 2012-13.

During the year the Scheme received fewer claims, however with the reduction in exposed-to-risk employee numbers, the claims frequency rate is consistent.

The actuarial net outstanding claims provision for the Scheme increased by 1.98 per cent during the financial year from $368.6 million at 30 June 2013 to $375.9 million at 30 June 2014; resulting from an increase in total weekly continuance rates.

Insurance coverage

Coal Mines Insurance (CMI) provided workers compensation insurance to 837 policyholders in 2013-14, providing protection for an average of 27,740 exposed-to-risk employees*. This is a significant decrease compared to 2012-13 where 893 policies covered 31,984 employees.

The contraction in employment numbers lead to a significant reduction in the level of premium collected. The assessable wages pool reduced from $3.81 billion in 2012-13 to $3.67 billion in 2013-14; directly impacting the premium pool for the Scheme which reduced from $113.9 million in 2012-13 to $107.9 million in 2013-14.

* as declared to CMI on the audited wages returns received to date. Where employers' audited wages returns for the 2013-14 financial year were not received by 30 June, their last received estimate was used.

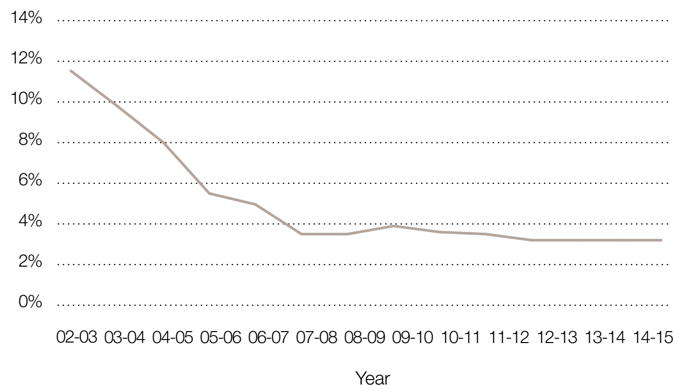
Target premium collection rate

In 2013-14, CMI maintained the target premium collection rate to 3.2 per cent of assessable wages. The target premium collection rate will remain unchanged for the 2014-15 year, holding at 3.2 per cent of assessable wages.

Coal Services works together with industry and shareholders to focus on safe work practices and injury prevention. A reduction in the number of claims received by CMI coupled with improved durable return to work practices, have also contributed to a sustainable premium level for the past five years. Some contributing factors include:

- a continued focus on risk mitigation through injury prevention and injury management strategies (such as health and occupational hygiene monitoring, early intervention practices, safe work practices)
- taking a strategic position in establishing capital targets and timeframes for achievement

TARGET PREMIUM COLLECTION RATES



Insurance

Claim numbers

In 2013-14, the number of open claims increased by 3.5 per cent from 2,133 to 2,207. This was largely attributed to a trend of increasing claim duration rates during a period of reduced employment opportunities.

CMI received 1,823 new claims during 2013-14, compared with 2,029 new claims during 2012-13. This represents a claims frequency rate of 6.57 per cent (1,823 claims per 27,740 employees).

Of the new claims received during 2013-14, 57 per cent (989) were significant injury claims (an injury that is likely to result in the worker being incapacitated for a continuous period of seven or more days). The graph on page 20 shows the number of claims by area of body affected. There has been little movement in the type of injury since 2013-14.

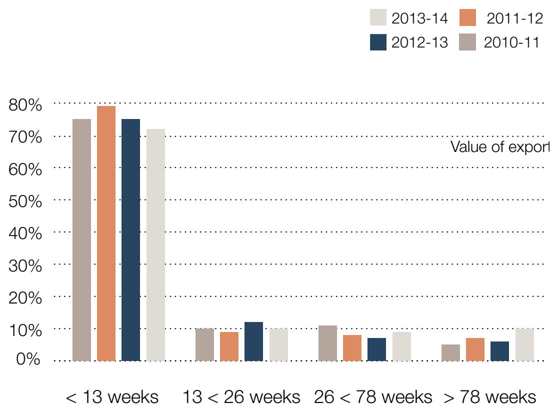
Sadly, there were five fatalities during the year: three onsite and two on the road while travelling to and from work.

Despite the decline in the number of new claims received, 2013-14 saw an increase in the number of industrial deafness claims (226) while psychological injury claims also rose slightly to 28.The proportion of these claims is small compared to significant injury claims but remain a growing focus for education and preventative strategies.

CLAIMS	2009-10	2010-11	2011-12	2012-13	2013-14
Current claims at start of the year	1,373	1,593	1,417	1,758	2,133
Claims reported during the year	2,383	1,959	2,068	2029	1,823
Re-opened claims	256	269	306	502	378
Claims managed during the year	4,012	3,821	3,791	4,289	4,334
Significant injury claims reported	1,058	1,058	1,174	1,068	989
Closure rate for tail claims	8%	5.8%	7.2%	6.8%	8.4%
Time-lost claims finalised within 26 weeks	81.4%	83.8%	84.9%	85.6%	82.2%

From 30 June 2012 CMI modified its claims re-open and finalisation process reducing the volume of claims that were being periodically opened and closed during each month. This change assisted in reducing claims administration. These claims are kept active as maintenance claims, to which there were 466 at 30 June 2014.

FINALISED CLAIM DURATION



During 2013-14, 72 per cent of time-lost claims were finalised within the first 13 weeks. There was also an increase in active weekly claim duration for claims >52 weeks of age. This may be attributed to the contraction of the industry and the impact on return to work opportunities.

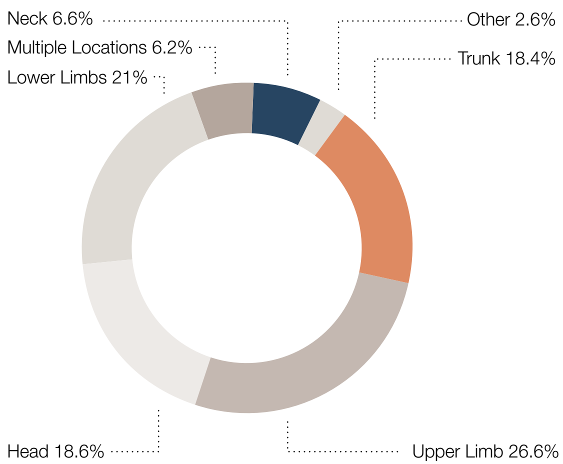
Insurance

Claim costs

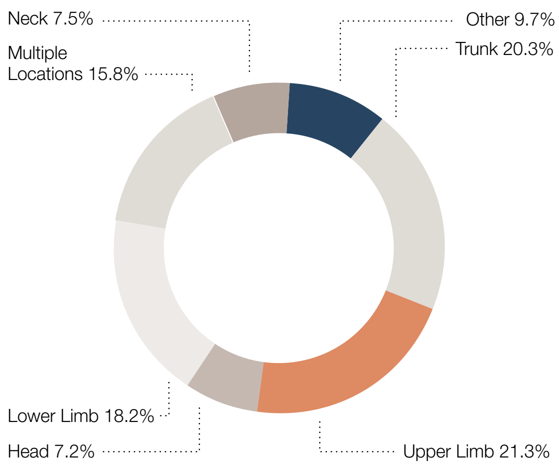
In 2013-14, the net total payment for CMI claims was $71.7 million. This represents an increase of 3.8 per cent compared to $69 million paid in 2012-13. The graphs to the right show the breakdown of claims and amounts paid by area of body affected. There has been little movement since 2012-13.

CMI provides an integrated claims and injury management service out of the Hunter Valley, Newcastle-Central Coast and the Illawarra.

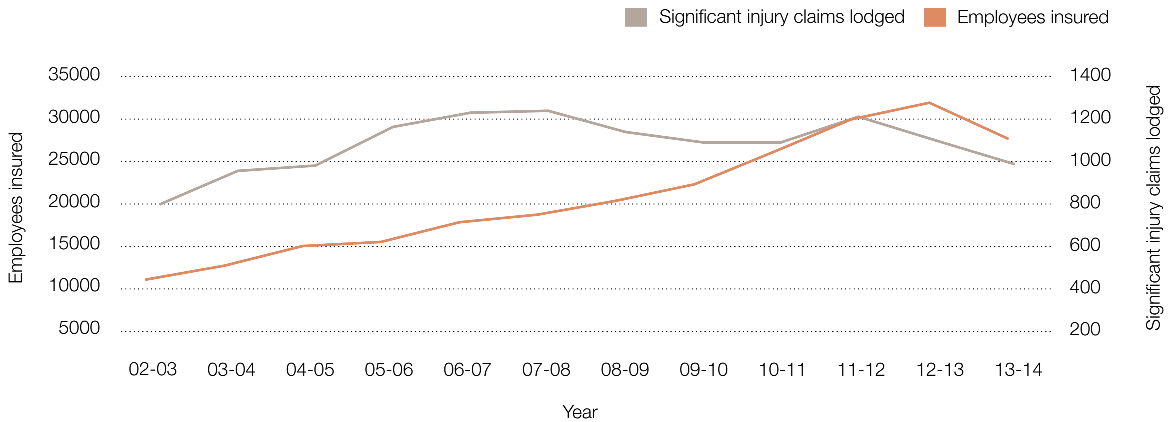
NUMBER OF CLAIMS



TOTAL COMPENSATION PAID



CLAIMS FREQUENCY



Of the new claims recieved in 2013-24, 989 were significant injury claims. This represents a claims frequency rate of 3.56 per cent (989 claims per 27,740 employees).

Insurance

Claims management

CMI provides an integrated claims and injury management service out of the Hunter Valley, Newcastle-Central Coast and the Illawarra. Policyholders and injured workers receive support within each region from case managers and claims assistants, injury management specialists and regional managers.

Claims are assigned to individual case managers and our team members focus on providing the best possible services to help injured coal mine workers quickly recover and return to work. Claims review meetings, doctor case conferencing and education sessions continue to play an important role in the case management process.

Claims review meetings were held with policyholders throughout the regions to review the status of claims and ensure effective injury and claims management were progressing. These meetings provided the opportunity to identify and resolve issues and assist in achieving timely return to work outcomes for injured workers.

Independent Medical Examiners (IME) visited each regional office to share their knowledge and experience to improve case managers' understanding of various injuries. Doctor case conferencing such as this helped case managers develop appropriate strategies for their claims cases, assess liability and deal with complex injury management issues.

This in turn leads to better outcomes for the injured worker, including support while recovering from injury and through the return to work process. For employers, the outcome of these sessions leads to better claims strategies with the aim of reducing claim costs for the scheme.

Continuous improvement

CMI is committed to continually looking at ways to improve our services to workers and employers within the NSW coal industry. As part of good governance practice and in response to the changing industry environment, CMI completed a review of its case management model and premium system during 2013-14.

The case management review provided recommendations to further support workers in their recovery from injury and return to sustainable employment following a workplace injury.

Changes to the existing case management model are due to be implemented from the 2014-15 financial year after industry consultation is completed. The CMI premium system aims to ensure the Scheme continues to be fully-funded, ensuring premiums are fair and consistent and provide sufficient incentive for policyholders to reduce claims costs through effective injury prevention and injury management. The premium system review considers four main categories of premium system design; Pricing, Calculation, Collection and Compliance.

The first reform to be implemented as a result of this review is the exclusion of claims costs associated with industrial deafness and lung disease claims from employers' individual experience premiums. These gradual onset claims are an issue for the coal industry rather than for individual employers. This change will be implemented from 1 July 2014.

Other changes to the premium formulae are due to be implemented from 2015-16. This will follow further industry consultation and include, but are not limited to, revised category groups that better reflect risk exposure.

Claims review meetings were held with policyholders to review the status of claims and ensure effective injury and claims management were progressing.

Health and Hygiene

Health

CS Health

CS Health provides services to meet the needs of industry and to fulfil the legislative requirements placed on Coal Services by the *NSW Coal Industry Act 2001.*

This includes providing preventative medical services, monitoring workers' health and investigating related health matters. Other services include occupational rehabilitation, allied health treatment services and health education.

Together, these services assist organisations in managing their workplace health and safety requirements and mitigating their risk by ensuring that workers remain healthy and fit for work.

Over the last 12 months, demand for CS Health services declined dramatically in line with the industry downturn.

Continuous improvement

CS Health completed a review of services and how these can better align to customers' needs as they too adapt to the changing environment. The delivery of *Your Guide to CS Health* was a key initiative for the year in response to customer feedback. The feedback highlighted the importance of ensuring our customers are kept aware of our range of services to help them to mitigate potential health risks and assist with injury management and the return to work process.

A quality management system project to align systems to ISO9001 commenced and will be maintained as part of business as usual activity.

Continuous improvements in systems and processes help to enable a consistent customer experience and allow CS Health to remain at the forefront of work health and safety.

Health and Hygiene

Order 41: monitoring health

Pre-placement medicals and periodic health surveillance are the statutory services provided under the Act. These services are part of Order 41 and assist in ensuring coal workers' health and safety.

With fewer workers entering the industry for the first time, the demand for pre-placement medicals reduced significantly. During the year CS Health completed 4,144 pre-placement medicals in comparison to 5,734 last year.

Attendance for periodic health surveillance saw positive results in monitoring workers' health with 6,915 medicals completed during the year in comparison to 6,090 last year. Of these periodic assessments, over 2,000 were completed on contractors, a group that in years past have been under-represented in those attending for health assessments. Some contractors reported that it had been over ten years since they had undergone a medical assessment.

Since Coal Services was established there has been continuous growth in the number of workers undergoing periodic health surveillance medicals. This is both a reflection of workforce numbers and recognition of the value that regular health surveillance plays in monitoring for exposure-related disease and helping employers to manage the occupational health of their workers.

Order 41 was introduced in 2011 and has also contributed to the ongoing improvement in attendance figures, particularly amongst contractors.

Mental health initiative: Partners in Mining

During the year, the Hunter Institute of Mental Health (HIMH) joined with CS Health to pilot a group education and support program titled *Partners in Mining.* The pilot is aimed at Hunter Valley miners or family members who support a person with depression. This new program is based on the successful 'Partners in Depression' program that the Institute has run for many years.

One in every five adult Australians experience the symptoms for one or more of the common mental illnesses each year. During their lifetime around 47 per cent of Australian adults will experience one or more of the common mental illnesses, and yet only around a third of people access treatment.

This is significant for the NSW coal industry because the lifestyle associated with mine work can pose specific challenges for mental health and family relationships. Miners need to navigate shift work, a male dominated work culture and the boom-bust cycle – which we have seen over the past year. All of these issues are significant factors in mental health issues.

HIMH have trained CS Health professionals to deliver the program and will support CS Health in providing the program from August 2014.

With fewer workers entering the industry for the first time, the demand for pre-placement medicals reduced significantly.

Health and Hygiene

Other workplace health services

Immunisations

CS Health's Immunisation Nurses are accredited by NSW Health to administer vaccines. Workplace immunisation programs are an important aid to help protect workers against illness and diseases such as hepatitis A and B and tetanus. CS Health also conducts flu immunisation clinics between March and June each year.

5,428 vaccines were administered by CS Health throughout the year.

Functional capacity evaluations

A functional capacity evaluation assesses an individual's physical ability to perform the inherent tasks associated with their role without risk to health or safety. This critical 'fitness for work' assessment is often conducted as part of the recruitment process. This year, CS Health performed 2,345 pre-placement functional capacity evaluations. This is an 11.5 per cent decrease on the number performed in 2012-13 and corresponds to reduced demand for pre-placement medical assessments given fewer new entrants to the employment market.

Drug and alcohol screening

CS Health is an independent, NATA-accredited provider of drug and alcohol screening services.

Employers have a duty of care to ensure the health and safety of their workers and to minimise workplace risks. The Coal Mines Health and Safety Regulation requires coal operations to have a fitness for work program that includes measures to eliminate or control risks from the consumption of drugs at the coal operation.

In 2013-14, CS Health collected 26,389 samples for drug and alcohol screening.

Mines Rescue medical assessments and functional capacity evaluations

In accordance with Mines Rescue guidelines, brigadesmen must undergo a medical every two years up until the age of 40, and annually thereafter, to ensure that they are fit to undertake rescue training and service.

Throughout the year CS Health and Mines Rescue worked together to review the Mines Rescue medical. This was to ensure the medical maintained alignment to national and international emergency response benchmarks.

As part of the review, a CS Health Occupational Therapist completed the ten-day Mines Rescue Brigadesmen Induction course to document and analyse the duties required of brigadesmen. A task analysis report was compiled following this course to provide recommendations towards a revised Mines Rescue functional capacity evaluation which will be implemented in collaboration with Mines Rescue in 2014-15.

Occupational rehabilitation and treatment services

During the year CS Health continued to provide allied health treatment services, injury management and occupational rehabilitation to injured mine workers and other clients. CS Health's average same employer return to work rate consistently exceeds the minimum rate set by WorkCover NSW.

5,428 vaccines were administered by CS Health throughout the year.

Health and Hygiene

Occupational Hygiene

Coal Mines Technical Services (CMTS) offers a range of vital occupational hygiene services including the monitoring of airborne dust and testing of noise, vibration, lighting, welding fume and diesel particulate levels. All services are performed by a fully trained, certified and competent team and all assessments are conducted to the appropriate Australian or international standards.

Order 40

Longwall mining produces significantly more coal than normal continuous miner operations. Additional dust is created as a consequence of the production increase.

The introduction of Order 40, which established site dust control plans in 1990, ensured focus on managing the increase in dust caused by the introduction of longwall mining. Mines are required to prepare plans to limit dust creation and personnel exposure for each operating longwall.

The Order requires the Coal Services Board to continue to review and approve these plans to ensure worker health and safety. Thirty dust mitigation plans were received and approved during the year.

The temporary increase in dust, following the introduction of longwall mining methods in NSW, has returned to the normal trend. This has been a significant factor in the continued eradication of lung diseases in the industry.

4,660 workers were sampled for respirable and inhalable dust, with 294 exceedances.

Order 42

Order 42 was introduced during the harmonisation of workplace safety legislation across Australia in 2011. The NSW mining industry risked having lower dust exposure standards applied as a result of harmonisation. This Order protects the existing framework with statutory monitoring to help maintain a 'black lung'-free industry.

The team have measured respirable dust exposure since 1948 and inhalable dust exposure since 2008. During the year, the breathing zones of 4,660 NSW mineworkers were sampled for respirable and inhalable dust, with 294 exceedances.

The testing found that 1.9 per cent of the 2,876 workers sampled exceeded the specified respirable dust limit of 2.5mg/m^3; and 13.5 per cent of the 1,784 workers sampled exceeded the specified inhalable dust limit of 10mg/m^3. Many of these dust exceedances resulted in CMTS working with mine operators to review the effectiveness of their existing dust controls and offer guidance on appropriate dust abatement strategies.

CMTS continued to deliver 'easy to understand' dust education programs to numerous mine sites across all regions, resulting in workers making more informed choices and reducing their exposure to dust.

Health and Hygiene

Diesel particulate matter (DPM)

The International Agency for Research on Cancer, which is part of the World Health Organisation, reclassified diesel engine exhaust as a Group 1 known carcinogen to humans in June 2012.

The Department of Trade and Investment (Mine Safety) formed a Technical Reference Group (TRG) to investigate and recommend controls for diesel particulate matter (DPM). The Airborne Contaminant and Diesel Particulate Sub-committee recommended expert CMTS occupational hygienist represent Coal Services in these discussions. The TRG is expected to release a revised guideline for diesel engines (MDG 29) in 2014-2015.

Throughout the year, Coal Services provided customers with expert assistance to develop diesel exhaust management plans, which help to minimise worker exposure to DPM. Coal Services also provided baseline and risk-based exposure monitoring to allow customers to better understand their exposure levels across their sites, and conducted 699 individual samples for DPM.

Industry working groups

The Standing Committee on Dust Research and Control was established in 1954 by the Joint Coal Board and continues to be coordinated today by Coal Services. It is an expert advisory body comprising representatives from colliery proprietors, mining unions, industry specialists, government departments, Coal Services medical specialists and engineering personnel.

In March 2010 a new committee structure resulted in the formation of two sub-committees including the Airborne Contaminants and Diesel Particulate (ACDP) Sub-committee and the Noise Induced Hearing Loss (NIHL) Sub-committee.

The ACDP Sub-committee met six times during the year at North Wambo, Narrabri, Austar, Ravensworth Underground, Springvale and Ulan mines. The purpose of the mine visits was to promote the work of the committee and to investigate and inspect issues which were identified through routine statutory monitoring.

The NIHL Sub-committee was responsible for the publication of the industry booklet 'Managing noise in the coal industry to protect hearing'. 10,000 copies were printed for distribution to industry workers to promote education into the health effects noise in the mining environment and control measures available.

699 individual samples were taken for diesel particulate matter.

Rescue

The first Mines Rescue station in NSW began operations on 20 March 1926 at Abermain. Stations in Newcastle, Wollongong and Lithgow opened shortly thereafter. This was in response to a number of mine disasters in various regions in NSW.

Emergency response

The initial role of Mines Rescue employees was to train for and respond to mine incidents. The current role continues to include the provision of emergency response for underground coal mines, training of brigadesmen, supply of appropriate equipment and availability of technical expertise to mine owners.

Mines Rescue employees responded to two incidents during the year. The first involved a fatal vehicle accident at an open cut mine in the Hunter Valley. The second involved a strata failure in a Newcastle underground mine that resulted in two fatalities.

Mines Rescue provided assistance to Pike River in November 2010 following an explosion that resulted in the death of 29 men. Ongoing assistance has been requested and provided, on a regular basis since this time. In May 2014, a Mines Rescue manager was asked to assist in the peer review of a risk assessment for initial re-entry into the mine. This is testament to the international reputation of the expert Mines Rescue team.

Coal Mines Technical Services (CMTS) was formed principally to support the Southern Mines Rescue station by providing expert gas analysis and equipment maintenance. Over time the group has expanded to provide this support to all Mines Rescue regions across NSW. This technical expertise is critical in an emergency where rapid real-time data and analysis is required for active rescue teams.

No callouts were required during the year.

Rescue

Brigadesmen training

Mines Rescue's primary focus is to ensure industry is 'response ready' in case of an incident, as outlined in the *Coal Industry Act 2001*. Emergency response is provided by volunteer brigadesmen employed at coal mines throughout the state.

During the year, 43 new volunteers were inducted into the brigade. Total brigadesmen numbers at the end of the year were 514. This is well in excess of the Mines Rescue Board requisite (five per cent of the underground workforce) and the minimum number of brigadesmen required to support a multi-day event (60 per region).

In the absence of regular emergency callouts, simulated emergency scenarios are an effective way for brigadesmen to hone their skills and maintain proficiency. Mines rescue competitions also provide an opportunity to apply practical skills to a range of scenarios. There were four regional competitions held during 2013-14. The key purpose of these competitions is to test brigadesmen and employee actions to ensure that responses are at an acceptable standard.

Coal Services also held the second annual First Aid Competition in Singleton. Teams comprised both mines rescue brigadesmen and general first aid officers from local mines, enabling Mines Rescue and CS Health to join forces to deliver a competition that caters for both areas of specialisation. Just as rescue competitions hone incident response and rescue skills, the First Aid competition plays an important role in maintaining the essential first aid skills required in the event of an emergency.

Coal Services was behind the Northern Districts First Aid Competition which ran from 1921-2003; making it the longest running competition of its type in Australia. The competition was restarted in 2013 to support industry and provide opportunities to apply the skills learnt in first aid training.

Emergency preparedness

Emergency simulations, comprised of full evacuations and desktop exercises, were conducted at approximately 20 locations, both open cut and underground, across NSW during the year. These simulations assisted mines to assess their procedures and training, and tested the callout response from Mines Rescue.

Emergency preparedness is also about working with other groups. Mines Rescue participated in an inter-agency working party with NSW Police, Department of Trade and Investment (Mine Safety) and other emergency services to develop a draft Memorandum of Understanding (MOU) for mine emergencies. This was also in response to recommendations from the Pike River Royal Commission. Note that draft MOU was not completed due to government inter-agency considerations. Work is well advanced on developing sub-plans.

As a result of the MOU and related discussion, Mines Rescue developed an Incident Command and Control System (ICCS) for industry. This system is based on national and international guidelines for inter-agency cooperation at emergency sites. Plans are well underway to install this system at all coal mines throughout NSW to ensure a consistent and effective response from the site emergency response personnel and external agencies involved. The ICCS Guide is available for download from the Mines Rescue website.

CMTS provides specialist training for Mines Rescue employees at Technical Transfer days. The expert training in gas awareness and detection gives the team valuable insight into understanding atmospheric risks and control strategies. This results in an enhanced emergency response capability.

Mines Rescue's primary focus is ensure industry is 'response ready'. 43 new mines rescue brigadesmen were inducted during the year.

Training

Training scheme guidelines help ensure workers are appropriately trained to work safely.

A function of Coal Services under the *Coal Industry Act 2001* is to approve and audit site training plans. A 'Guideline for Training and Competency Management Scheme' has been developed in collaboration with the NSW coal mining industry. The guideline is based on relevant Australian Standards and legislative requirements. The guideline assists operations to implement a training scheme as part of their health and safety management system.

Audit topics vary according to industry needs, outcomes of risk evaluations, as well as recent incidents and investigations. The 2013-14 audit focused on mines' safety management system training which was identified as a factor in a fatal accident during the year.

The Order 34 team carried out Health and Safety Management System Training audits across all NSW coal operations. The Coal Services Board also approved 35 Training Competency Management Systems which focus on maintaining the high training standards for industry and the workforce.

Feedback from the audits conducted this year will be discussed at industry meetings to initiate continuous improvement. A revision to the current guideline, incorporating best practice observations and changes to mine safety legislation, will be developed in the coming year.

Training

Training and education

In 2013-14 Mines Rescue focused on two key areas in developing training and education.

The first area was to prepare for a Registered Training Organisation (RTO) audit which included consolidating existing courses and upgrading supporting documentation to comply with changes in national standards. This ensures that training is targeted to recognised competencies and measured to confirm attainment.

The second area of focus was to innovate; developing new courses to support industry needs, as validated in customer research. Courses under development or released during the year include:

- Maintenance of Competence (MOC) for mine deputies
- First Aid, tailored to provide emphasis on industrial/coal mine injuries
- Incident Command and Control System (ICCS)

The industry downturn continued to have an effect on training this year with Mines Rescue training participants down 29 per cent from last year's 14,452 participants.

Mines Rescue Working Group

The Mines Rescue Working Group (MRWG) was established in 2003 to deal with the specific issue of training mine employees to respond to emergencies using compressed air breathing apparatus (CABA). Membership was drawn from all industry stakeholders with the purpose of full consultation and development of appropriate procedures and risk controls.

The project was successful in promoting a problem-solving approach independent of normal stakeholder positions. The MRWG has continued and has been especially beneficial in developing Industry Guidelines at the request of the Department of Trade and Investment (DTI).

Examples of guidelines reviewed include:

- MDG 1032: Guideline for the prevention, early detection and suppression of fires in coal mines
- MDG 1020: Guidelines for underground emergency escape systems and the provision of self rescuers
- MDG 1032: Guideline for the prevention, early detection and suppression of fires in coal mines
- Draft MDG 1009: Managing road and vehicle operating areas in underground coal mines

The MRWG meets three times per year with subgroups meeting as necessary when working on particular projects. The next proposed project will be the Coal Industry First Aid Guideline.

Guidelines and presentations

During the year, Mines Rescue developed and published formal industry guidelines on Crush Injury Management and the Incident Command and Control System (ICCS).

Mines Rescue employees were invited to present these topics to the global industry at the International Mines Rescue Body (IMRB) Conference held in Canada in September 2013. Domestically, employees were invited to present at the annual NSW Minerals Council Health and Safety Conference. The ICCS guideline was also presented to the Mine Managers Association of Australia (MMAA).

Mines Rescue was called on throughout the year to provide expert assistance in developing the NSW Department of Trade and Investment Code of Practice: Emergency Planning in Mines. This code was developed under the 'Inter-Governmental Agreement for Consistency or Uniformity of Mine Safety Legislation and Regulations in NSW, Queensland and Western Australia' in response to recommendations from the Pike River Royal Commission.

New Handbook: Mines Rescue, Gas Detection and Emergency Preparedness

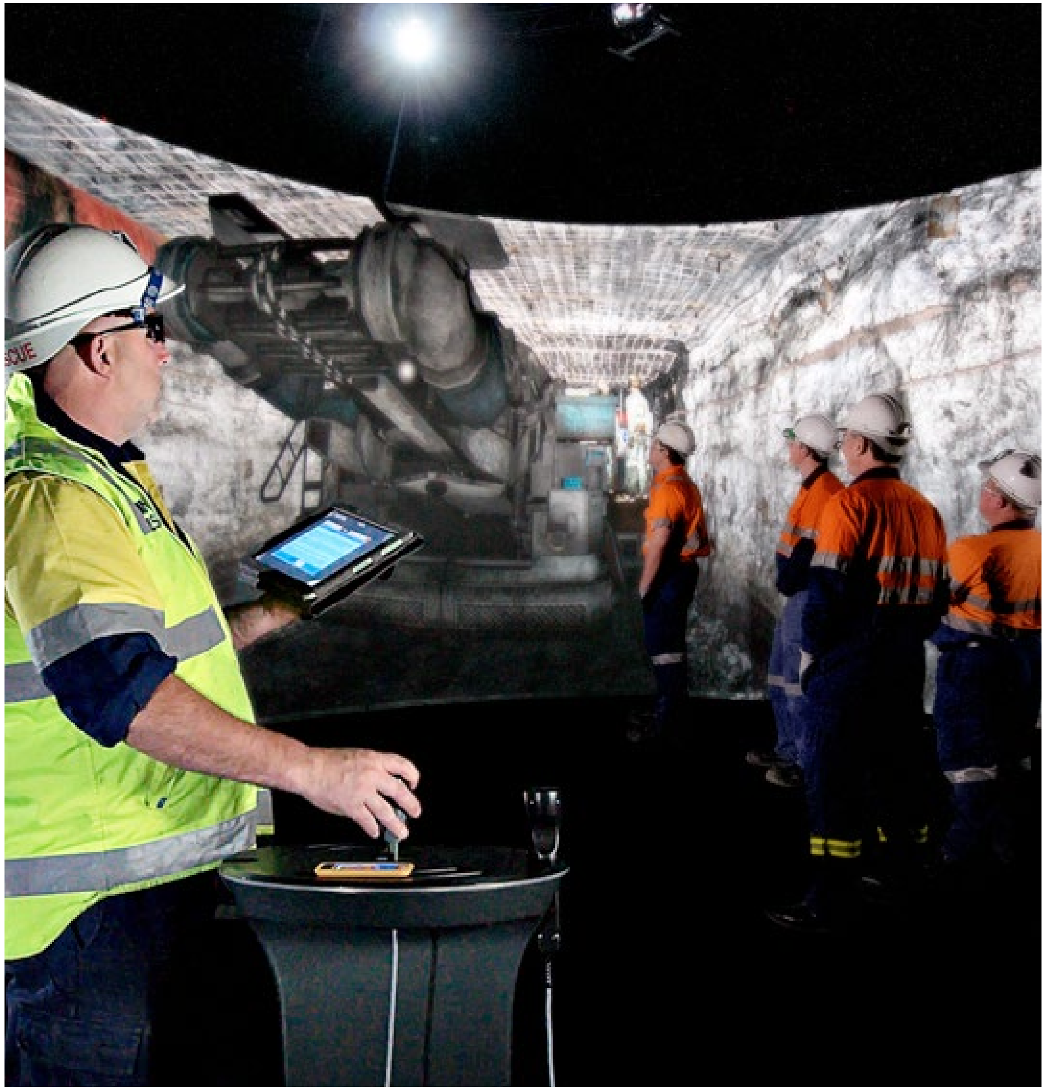
Mines Rescue released an updated manual on 'Mines Rescue, Gas Detection and Emergency Preparedness'. The manual updates the 1998 publication 'A manual on Mines Rescue, Safety and Gas Detection' with modern technology and processes.

The manual is now the most comprehensive mine emergency manual available internationally. It is a single volume compendium of safety critical information for those dealing with gases, fires, explosions and other emergencies. The manual will serve as key reference material for both the mining industry at an operational level and also for academics at a theoretical level.

Copies of the handbook were distributed to all Mines Rescue brigadesmen, mine inspectors, mine managers, union check inspectors, the International Mines Rescue Body (IMRB) and others with responsibility for mine emergencies.

The manual is available for sale in both hardback and electronic format from the Mines Rescue website.

Training



Virtual reality

The virtual reality (VR) team provides training solutions and support to Mines Rescue. A key focus for 2013-14 was to increase utilisation of the VR technology as a training tool and improve the quality and flexibility of the VR environment. The IT platform underpinning the VR facilities was refreshed and the associated infrastructure was consolidated. This resulted in a 75 per cent reduction in capital and a similar reduction in overall operating expenses.

The in-house development of hardware and software has improved the participant experience with minimal outlay. The improvements have also enabled the team to drive continuous development of new types of training and scope for VR simulations across different industries.

Virtual reality is integrated within Mines Rescue training courses to enhance the learning experience.

Support and Information

Coal Services holds a comprehensive range of historical and current statistics that describe the NSW coal mining industry. Coal Services draws on this unique resource to provide an independent information service for the NSW coal mining industry.

The Statistics team at Coal Services offer an objective, accurate and consistent source of NSW coal mining industry information. Information that both supports Coal Services' business units and is used and valued by the Australian Government, the NSW Government, other state and local governments, coal industry groups, coal industry consultants, research groups, equipment manufacturers and the media.

The Statistics team is the curator of the historical data collections and also conducts ongoing surveys on NSW coal supply, coal demand and the coal production workforce. The Statistics team analyse the data collected, compile information and disseminate relevant information on the NSW coal mining industry through sales of standard subscription reports and reports tailored to an individual customer's needs.

Support and Information

NSW COAL INDUSTRY STATISTICS	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14
Number of coal mines at 30 June	52	55	58	60	60	60	62	61	61	55	51
Raw coal production underground mines (million tonnes)	49.3	51.9	52.2	57.2	61.3	63.1	62.8	62.2	60.5	69.0	74.4
Raw coal production open cut mines (million tonnes)	97.7	104.4	108.9	113.1	115.9	118.9	126.0	142.7	160.5	176.8	186.6
Raw coal production tota (million tonnes)	147.0	156.3	161.1	170.3	177.2	182.0	188.8	204.9	221.0	245.8	261.0
Saleable coal production (million tonnes)	114.2	122.1	124.6	131.3	135.1	138.5	145.4	157.0	167.2	185.6	196.6
Coal sales to power stations within Australia (million tonnes)	26.6	27.8	28.5	30.4	30.8	30.6	28.5	27.8	23.6	24.2	23.1
Coal sales to others within Australia (million tonnes)	6.2	6.1	5.6	5.9	6.0	4.3	5.5	5.7	4.8	4.5	4.3
Coal sales within Australia (million tonnes)	32.8	33.9	34.1	36.3	36.8	34.9	34.0	33.5	28.4	28.7	27.4
Coal exports overseas (million tonnes)	85.0	86.6	89.8	91.5	100.5	103.3	109.9	121.8	136.3	155.3	167.3
FOB value of metallurgical coal exports overseas ($A billion)	1.1	1.3	2.0	1.8	2.6	5.7	3.7	4.5	12.4	3.3	2.9
FOB value of steaming coal exports overseas ($A billion)	2.6	4.2	4.7	4.4	5.7	11.4	7.5	9.6	12.3	11.7	12.3
FOB value of coal exports overseas ($A billion)	3.7	5.5	6.7	6.2	8.3	17.1	11.2	14.1	16.8	15.0	15.2
Average FOB value of metallurgical coal exports ($A per tonne)	50.77	71.81	110.89	88.37	103.15	272.48	129.85	178.85	190.49	129.01	114.49
Average FOB value of steaming coal exports ($A per tonne)	41.57	61.15	65.98	61.47	75.56	138.49	92.31	99.47	109.24	90.01	86.68
Average FOB value coal exports ($A per tonne)	43.85	63.43	74.92	67.46	82.52	165.95	102.16	115.80	123.11	96.41	90.86
Average number of employees insured (exposed to risk) at 30 June	10,736	12,272	14,726	16,691	17,628	19,312	20,383	23,407	30,595	30,065	27,740
Number of production employment at 30 June*	9,998	11,290	12,658	13,392	15,387	16,914	19,109	21,126	24,972	22,945	21,863
Average age of mineworkers at 31 December	43.5	43.4	42.7	42.0	42.4	41.3	41.5	40.7	40.5	40.2	40.2
Average weekly earnings of mineworkers ($)	1,842	1,933	2,009	2,083	2,157	2,267	2,346	2,468	2,595	2,700	2,780
Saleable coal output per mineworker per year (tonnes)	11,380	11,680	10,240	9,970	9,430	8,410	8,130	7,750	7,000	7,830	8,830
Saleable coal output per mineworker per hour (tonnes)	5.82	5.73	4.95	4.87	4.74	4.15	3.87	3.87	3.49	3.91	4.46
Days worked per mineworker per year	279.2	291.1	295.6	292.2	284.4	289.6	286.7	286.4	286.6	286.0	283.2
Days lost per mineworker due to industrial disputes	0.2	0.3	0.1	0.1	0.1	0.0	0.2	0.4	0.1	0.0	0.3
Days lost per mineworker due to workers compensation	2.4	2.1	1.4	1.2	1.0	1.1	1.2	1.1	1.0	1.0	1.3
Lost-time injuries per million tonnes raw coal produced	2.9	2.4	2.6	2.6	2.3	2.5	2.0	1.9	2.1	2.0	2.1
Lost-time injuries per million tonnes saleable coal produced	3.7	3.1	3.4	3.3	3.0	3.2	2.6	2.5	2.8	2.7	2.8
Lost-time injuries per million hours worked	21.5	17.7	16.6	16.2	14.2	13.5	10.5	9.7	9.6	10.4	12.4

* Production employment includes working proprietors, persons engaged as employees of the operator of the mine or as employees of a contractor undertaking work relating to coal production, coal preparation, overburden removal, drivers transporting coal from the mine to a preparation plant or in administration/clerical work at the mine site and is a subset of exposed to risk numbers.

Industry overview

With well supplied world coal markets, the downward pressure on coal prices continued during the twelve months to 30 June 2014. Lower coal prices, high operational costs and a strong Australian dollar tested the profitability of some coal producers and resulted in mine closures. More mine closures are expected over the next twelve months.

Despite the challenging economic environment, the NSW coal mining industry achieved record levels of production and exports and a modest increase in the total Free on Board (FOB) value of exports in the financial year 2013-14. The FOB value is the value of coal transported to the port and loaded for shipment.

Support and Information

To meet overseas market demand, NSW coal production has been increasing at an average annual rate of 6 per cent for the last ten years.

NSW mining operations

Five NSW coal mines closed, one reopened and over 1,000 jobs were lost during the twelve months to 30 June 2014. The mine that reopened did so to maintain the group production level, when another mine in the group closed due to depleted reserves. The other four mine closures were due to unfavourable market conditions.

At 30 June 2014, there were 51 coal mines operating in NSW with a production workforce of 21,863. There were 20 underground mines with longwall operations, 5 bord and pillar underground mines and 26 open cut mines.

Production

To meet overseas market demand, NSW coal production has been increasing at an average annual rate of 6 per cent for the last ten years.

NSW coal mines produced a record 261 million tonnes of raw coal in the financial year 2013-14, an increase of just over 6 per cent on the previous twelve months. Open cut coal mines produced 187 million tonnes of raw coal, or 72 per cent of total production. Underground mines with longwalls produced 65 million tonnes of raw coal, or 25 per cent of the total production won and the remaining 9 million tonnes, or 3 per cent was produced by bord and pillar underground mines. Saleable coal production reached a record 197 million tonnes for the twelve months to 30 June 2014.

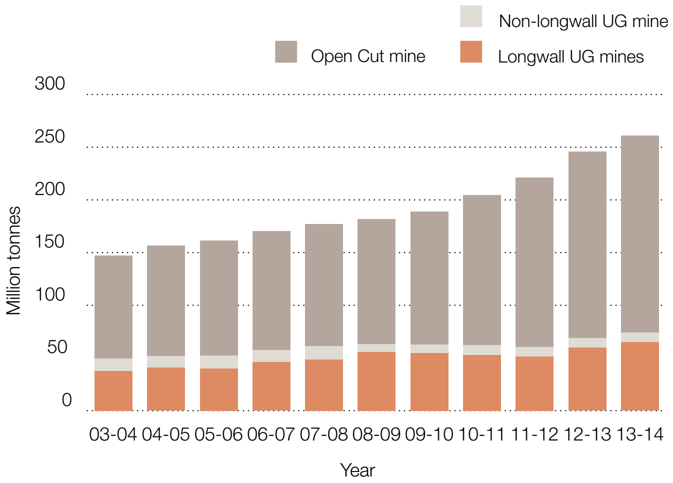
The production workforce fell from a peak of 24,972 at 30 June 2012, to 22,945 at 30 June 2013 and then further to 21,863 at 30 June 2014. The average production workforce for the financial year 2013-14 was 22,261 a drop of over 1,400 from the previous twelve months. The financial year 2013-14 was the second consecutive year that the average workforce decreased. The reduction in the number of workers and subsequently the hours worked, when combined with the record production tonnages, yielded an increase in productivity.

Productivity measured as raw coal production per mineworker discounts time lost through industrial, non-industrial stoppages and absenteeism. For the twelve months to 30 June 2014, raw coal production per mineworker increased to 11,725 tonnes up 13 per cent from the 10,376 tonnes for the previous twelve months to 30 June 2013.

Productivity data, measured as raw coal production per hour worked calculates the production tonnes won per hour worked. For the twelve months to 30 June 2014, productivity increased to 5.91 tonnes of raw coal per hour, up 14 per cent from the 5.18 tonnes per hour for the previous twelve months to 30 June 2013.

While there has been an improvement in productivity in the NSW coal industry for the last two years, productivity has only reached the levels experienced in financial year 2008-09 and is still below productivity levels achieved between 1998-99 and 2007-08.

NSW ANNUAL RAW COAL PRODUCTION BY MINING METHOD



Support and Information

Exports

Following the record international coal prices negotiated in April 2008, NSW coal prices peaked in the financial year 2008-09 with an average FOB value per tonne of $165.95 and a total FOB value of $17.1 billion.

Coal exports increased from 155 million tonnes in financial year 2012-13 up almost 8 per cent, to a record of 167 million tonnes in 2013-14. The increased volume of exports saw the FOB value of shipments for financial year 2013-14 increase marginally from $15 billion to $15.2 billion. The average FOB value per tonne for the financial year 2013-14 was $90.86, down $5.55 from the 2012-13 average FOB value per tonne of $96.41.

With shipments of 73 million tonnes in financial year 2013-14, Japan remains the largest export market for NSW coal. NSW's second largest market was China with shipments of 38 million tonnes, followed by the Republic of Korea with 27 million tonnes and then Taiwan with 17 million tonnes. Although NSW coal was shipped to 18 countries during 2013-14, the top four markets accounted for over 92 per cent of the total tonnage exported.

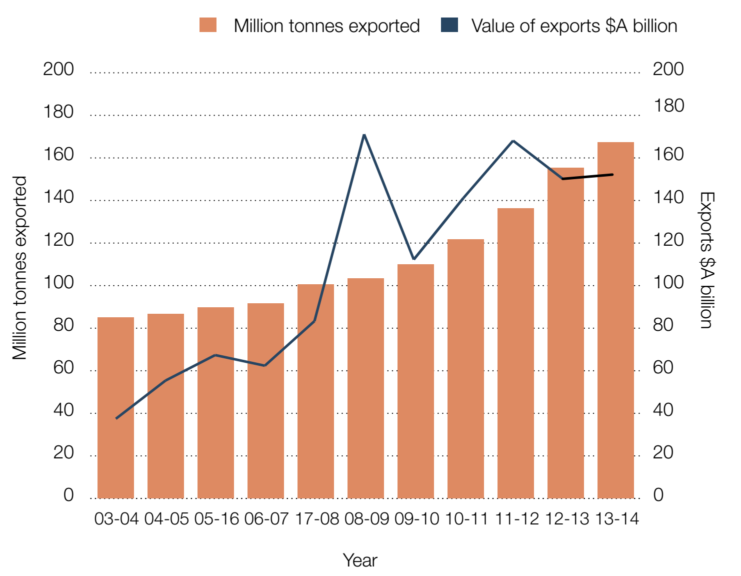
Steaming coal shipments reached a record of over 142 million tonnes in 2013-14, up almost 10 per cent on the previous year. NSW metallurgical coal exports however, fell by 1 per cent to just over 25 million tonnes in the financial year 2013-14.

Domestic market

Coal usage within Australia is being offset by natural gas and renewable energy sources. Deliveries of NSW coal to domestic markets has been decreasing at an average annual rate of 4 per cent for the last five years.

Deliveries of NSW coal to all domestic markets in the financial year 2013-14 fell by almost 5 per cent from the previous twelve months, reflecting the 5 per cent fall in coal deliveries to NSW power stations. With an 84 per cent share of the domestic market, NSW power stations are by far the largest market for NSW coal within Australia. NSW coal mines delivered just over 23 million tonnes of coal to NSW power stations during the financial year 2013-14.

NSW COAL EXPORTS



Board of Directors

The Board is responsible for the business of Coal Services Pty Limited and that of its controlled entities, Coal Mines Insurance Pty Limited and Mines Rescue Pty Limited. It establishes goals and sets the strategic direction for managing Coal Services and its entities.

Wayne McAndrew

Wayne McAndrew was appointed as a Director of Coal Services in 2007. He was also appointed Chairman for the two-year period of 2014-15. Wayne is currently the General Vice President of the Construction, Forestry, Mining and Energy Union (CFMEU) (Mining & Energy Division), a position he has held since 2009. He was the NSW South Western District President of the CFMEU (Mining & Energy Division) from 2003; the District Vice President of the South Western District from 1998; and District Vice President of the old Western Districts from 1990. He has worked in the coal mining industry for more than 37 years and has a wide range of industrial, safety, legal and commercial skills.

Wayne has been a Director and Board Chair of both the Lithgow Community Private Hospital and Three Tree Lodge Aged Care Facility. He is also a past Director, Deputy Chair and Acting Chair of the Mid-Western Area Health Service. He is a current Councillor on the Lithgow City Council and a Graduate Member of the Australian Institute of Company Directors. Wayne has also represented the CFMEU as a past member of the NSW Mine Safety Advisory Council.

Lucy Flemming

Lucy Flemming was appointed as the Managing Director/CEO of Coal Services in December 2011. Lucy joined Coal Services in August 2010 as Chief Financial Officer. She has more than 29 years' experience in executive positions in accounting, business, finance, investment and retail areas, across the public and private sectors.

Prior to joining Coal Services, Lucy spent seven years at WorkCover NSW where she managed various facets of workers compensation insurance in NSW. In Lucy's last three years at WorkCover NSW she was the Director of Regulatory and Financial Services. This role included the financial governance of extensive insurance scheme assets, fraud prevention and detection, insurer licensing and private rulings.

Lucy's strengths include leadership, finance and business strategy, and continually looking for new ways to make improvements. She holds a Bachelor of Business degree with a major in Accounting and sub-major in Law. Lucy is a qualified CPA and a Graduate Member of the Australian Institute of Company Directors.

Board of Directors

Mark Genovese

Mark Genovese was appointed as a Director of Coal Services on 1 January 2013. Mark has over 30 years' experience within the Australian Credit Union Movement, including periods as Chief Executive Officer of Esso Employees Credit Union and the public service-based Comtax Credit Union. He is now Chief Executive Officer of the Maritime Mining and Power Credit Union (MMPCU).

Prior to taking up the role at MMPCU, Mark worked at Australia's peak Credit Union body, Credit Union Services Corporation Australia, where his specific responsibility included managing the retail banking products provided to credit unions. He also represented the industry on the Australian Payments Council and VISA Australia Boards.

Mark managed the Australian Credit Union Movement's international development activities, which are primarily focused within the South Pacific and South East Asian regions, and domestic development activities including the development of new credit unions and the expansion of existing credit union services within rural and regional Australia.

In recent years Mark has played a pivotal role in the development of the first cooperative raising of capital, where credit unions pooled their balance sheets to secure 'mutual friendly', affordable capital. He is also a Director of Cuscal.

David Gunzburg

David Gunzburg was appointed as a Director of Coal Services in September 2012 and is currently the Industrial Relations Advisor for the NSW Minerals Council.

David has worked in the field of Human Resources for more than 30 years; primarily in the resources sector in Australia and South East Asia. He has undertaken senior roles with the Australian Mines and Metals Association, BHP, the Inner and Eastern Health Care Network and Orica. David established his consulting practice in 2001 and now works mainly in the fields of HR and IR Strategy, Organisation Effectiveness and Leadership Development.

The Hon. John Hannaford

The Hon. John Hannaford was appointed as a Director of Coal Services on 1 January 2013. John is the current Chair of the NSW Mine Safety Advisory Council, a Director of the Wentworth Institute and has been appointed an Examiner with the Australian Crime Commission until 2017.

John is a lawyer and was a full-time Examiner with the Australian Crime Commission from 2003 to 2011. Between 2000 and 2003 he held various appointments including Adjunct Professor with University of Technology Sydney; Corporate Facilitator, Mediator and Arbitrator with part-time appointments to the NSW Workers Compensation Commission and District Court; member of the Commonwealth Government's National Alternative Disputes Advisory Council; Special Inquiry Steward with NSW Harness Racing; Chair of the Panel to review the Aboriginal and Torres Strait Islander Commission for the Commonwealth Government; and, has an appointment to the Professional Standards Review Panel of the Catholic Church in Australia.

From 1984 to 2000 he was a Member of the Legislative Council in the NSW Parliament where he held appointments as the Minister for State Development; Minister for Health; Minister for Community Services; Minister for Industrial Relations; Minister for Justice and Attorney-General. He was also Leader of the Government and of the Opposition in the Legislative Council.

Board of Directors

Anthony (Tony) Haraldson AM

Tony Haraldson was appointed as a Director of Coal Services on 10 February 2004. He was also appointed Chairman for the two-year periods of 04/05, 08/09 and 12/13. Tony retired from his position as Executive Chairman of Billiton Coal Australia in June 2001. He helped set up Coal Operations Australia Ltd (known as COAL) in 1994, which ultimately became Billiton's Australian coal vehicle. Before COAL, Tony had 30 years' experience in the Australian coal industry working in the R W Miller/Howard Smith/ Coal & Allied group of companies. He was Chief Executive of Coal & Allied from 1988 to 1993, and left following a successful takeover bid by CRA.

Tony is a former Chairman of the Australian Coal Association and the NSW Minerals Council, a former Director of Port Waratah Coal Services Limited and the State Rail Authority of NSW, and a former member of the State Minerals Advisory Council. He received an Order of Australia (AM) in the 2004 Australia Day Honours List for service to the Australian coal industry. He is a Fellow of the Australian Society of Certified Practising Accountants and a Member of the Australian Institute of Company Directors. Tony is currently Chairman of the Hunter Valley Coal Chain Coordinator Limited.

Peter Jordan

Peter Jordan was appointed as a Director of Coal Services on 1 January 2012. Peter has represented mine workers in the NSW coal mining industry for more than 28 years. He is President of the Northern Mining & NSW Energy District Branch of the Construction, Forestry, Mining and Energy Union (CFMEU) (Mining & Energy Division), a position he has held since October 2009, and is a Central Executive member of the CFMEU National (Mining & Energy Division). He is also President of the NSW Branch of the CFMEU. He was also Vice President of the Northern District Branch of the union from April 1993.

Peter was previously the Mining Official of the Federated Engine Drivers and Firemen's Association (FEDFA), a position he held from 1986 until its amalgamation with the United Mineworkers Federation of Australia. Peter is also a Trustee of the Mineworkers Trust and represents the CFMEU as a Director of Unite Organising Pty Ltd. Peter was appointed by Minister for Primary Industries, the Hon. Steve Whan, as a member of the NSW Mine Safety Advisory Council on 8 February 2011.

Peter is also involved in the Health Management Advisory Committee, the Musculoskeletal Disorders Project Steering Group and the Noise-Induced Hearing Loss Sub committee, established under the auspices of Coal Services. He has been a Non-Executive Director of the Hunter Region Westpac Rescue Helicopter Service Limited since 2007 and is also a member of its finance committee.

Peter was appointed by Minister for Resources and Energy, the Hon. Anthony Roberts, as a member of the NSW Minerals Taskforce on 20 May 2014.

General Management Team

Bruce Grimshaw

Company Secretary/Legal Counsel

Bruce Grimshaw joined Coal Services in February 2008 as Chief Operating Officer and has now moved to the position of Company Secretary/Legal Counsel. Immediately prior to joining Coal Services Bruce was employed by Home Wilkinson Lowry (HWL) Lawyers as Special Counsel in the Litigation and Corporate Division of the Firm since 2006. Bruce has worked with Energy Australia as the Manager, Industrial Relations; NSW Premiers Department, as the Director Change Management; Industrial and Employment Law Section, as an Associate Partner with Turner Freeman Solicitors. He also worked as Senior Policy Adviser to the Hon. Jeff Shaw, QC, NSW Attorney General and Minister for Industrial Relations and was the Secretary of the Australian Services Union (NSW Branch).

Paul Healey

General Manager, Mines Rescue and Regulation & Compliance

Paul Healey joined Coal Services in April 2008 as the General Manager of Regulation & Compliance, and in October 2008 his role expanded to include Mines Rescue. Prior to joining the company Paul spent ten years with the Department of Primary Industry as an Area Manager/Senior Inspector and was responsible for coal, extractive and metalliferous mines. His principal functions included general inspections, safety audits, accident investigation, legislation review and education campaigns. Paul also has 25 years' experience in mine and operations manager roles in both underground and open cut coal mines in Northern, Western and Hunter Valley districts where he was responsible for safety, production and financial performance of operations. His qualifications include a BE (Mining), MBA and Mine Manager Certificate of Competence.

Martin Linz

Chief Financial Officer

Martin Linz joined Coal Services as Chief Financial Officer in June 2012. Martin is responsible for all corporate support services within Coal Services including, Finance, Investments, Property, IT, Risk Management, Business Improvement Projects, Records Management, Policies and Procedures and Statistics.

Martin developed his broad range of financial and commercial skills as a Partner of 23 years with PricewaterhouseCoopers. He worked in a diversity of industries across mining, energy, aluminium, engineering, construction and health services in both NSW and Qld. He also carried out work internationally in India, China, South East Asia, West Africa and the UK.

Martin has strong leadership, mentoring and staff development skills. He holds a Bachelor of Commerce Degree, is a Fellow of the Institute of Chartered Accountants, and is a Member of the Australian Institute of Company Directors.

General Management Team

Rachel Morrison

General Manager, Strategy & People

Rachel Morrison joined Coal Services in 2008 as Human Resources Manager and moved into the role of General Manager, Strategy & People in 2010. She was educated in the UK gaining a BSc (Hons) in Accountancy and Law and an MA in Personnel and Development along with her Chartered Membership of the Institute of Personal Development (CIPD). Rachel has had a number of Human Resource roles in UK companies, including the National Museums of Science and Industry and Entertainment UK, a subsidiary of Woolworths Group Plc. She holds a Postgraduate Diploma in Management and is now in the final stages of gaining an MBA from Macquarie Graduate School of Management.

Rachel leads a group that provides a broad range of services to the business. Along with managing strategy development and business planning, the team is responsible for Marketing, Customer Experience, the Project Management Office and end to end Human Resources and Learning and Development functions.

Paul McIntyre

General Manager, Coal Mines Insurance

Paul McIntyre joined Coal Mines Insurance (CMI) during 2007 and was appointed to the position of General Manager in 2010. Paul leads the CMI team who have responsibility for all facets of the workers compensation scheme, including claims and injury management and premium and policy management.

Paul's experience derives from 26 years in the insurance industry in positions across various workers compensation schemes and managing a general insurance operation. His responsibilities have covered Sydney and regional areas of NSW, ACT and Vic. He has also participated in industry committees and working groups to shape WorkCover reforms.

Prior to joining Coal Services, Paul held a management position within Gallagher Bassett Services Pty Ltd where he had been involved with their start-up operation to design and implement processes and supporting IT systems. As part of his management roles at QBE Insurance Limited, Paul had responsibility for project-managing a change process following QBE's merger with Mercantile Mutual. This involved the review and recommendations of systems and processes across all NSW and Vic country offices.

Mark O'Neill

General Manager, CS Health

Mark O'Neill joined what was then Joint Coal Board (JCB) Health in 2000 as Information Technology Coordinator. Since that time Mark has held various roles within CS Health including Regional Manager and Operations Manager. Mark was appointed to the position of General Manager, CS Health in 2008. Prior to joining CS Health Mark spent nearly ten years with Email Australia Metals Division in the roles of Customer Service Consultant and Project Coordinator where he was responsible for a team that focused on delivering service and supply solutions to mining and industrial clients in the Hunter Valley. Mark's qualifications include a Degree in Business Administration & Leadership from the University of New England, as well as Diplomas in Business, Human Resources and Information Technology. Mark is a Member of the Australian Institute of Company Directors.

Governance

Coal Services maintains an important set of values that recognise its responsibilities to its stakeholders, customers and employees. The Coal Services Board of Directors (the Board) places great importance on maintaining the highest standards of governance, and continually reviews its governance practices.

Coal Services is also subject to regulation by the NSW Government, represented by the Minister for Resources and Energy who is responsible for overseeing Coal Services' operations in respect to its statutory functions.

Coal Services has also implemented the 17 Principles of Governance which are based on the ASX 'Corporate Principles and Recommendations' and the Audit Office of New South Wales 'On Board: Guide to Better Practice for Public Sector Governing and Advisory Boards'. This has been implemented by Coal Services as the criteria by which Coal Services complies with Clause 1 Schedule 2 of the Company's Notices of Approval for good governance purposes.

The Coal Industry Act 2001 provides for a Board comprising seven Directors appointed with the approval of the Minister for Resources and Energy. The Directors are charged with administering the *Coal Industry Act 2001* and generally overseeing Coal Services' commercial operations. Two Directors are nominated by the Construction, Forestry, Mining and Energy Union (CFMEU), two are nominated by the NSW Minerals Council, and two are independent Directors with relevant expertise who are nominated jointly by the CFMEU and the NSW Minerals Council.

The Managing Director/CEO is the seventh Director and is appointed from among persons nominated by the other Directors. Directors can be appointed for terms of up to five years. A Director is eligible for reappointment when their appointment term expires. The Chairperson is appointed every two years, rotating between a CFMEU-nominated Director and a NSW Minerals Council nominated Director. The current Chairman is Mr Wayne McAndrew.

The Board holds formal board meetings throughout the year, but also meets whenever necessary to carry out its responsibilities. During 2013–14, the Board held 22 meetings.

Conflict of interest

In accordance with the *Corporations Act 2001* and the Board Charter, Directors must keep the Board informed of any potential conflict with the interests of Coal Services. The Board has developed guidelines to assist Directors in disclosing potential conflicts of interest. Directors' disclosures are formally updated at each Board meeting.

Board performance assessment

The Board is committed to continuous improvement and has established an evaluation process for each individual Director and the Board as a whole. The Board has identified a number of required and desired skills that it believes the Board as a whole should possess. The skills of individual Directors have been assessed against these criteria, which will continue to be addressed though a measured approach to Director renewal.

Risk management

The recognition and management of risk is a critical function within Coal Services. During the course of the year the Board further developed and enhanced its comprehensive Risk Management Framework (RMF). The RMF consists of committee structures, policies, risk tolerances, processes, internal controls, external review and training to manage:

- capital, earnings and review targets
- reputational, political and regulatory risk
- insurance risk
- operational risk
- investment risk
- people risk
- information technology and security risk

Governance

The RMF will be further enhanced and maintained on an ongoing basis.

The Board is responsible for Coal Services' business and that of its subsidiaries, Coal Mines Insurance and Mines Rescue. It establishes goals and sets the strategic direction for managing the subsidiaries, as well as monitoring how managers achieve these goals.

The Board operates its monitoring role as the full Board and through the following Board committees:

- *Board Audit and Risk Management Committee:* oversees Coal Services' risk management framework by monitoring internal controls and establishing appropriate ethical standards.
- *Board Finance and Investment Committee:* oversees financial reporting and accounting for Coal Services' activities and the allocation of strategic assets in its investment portfolio.
- *Insurance Committee:* oversees the operation and effectiveness of Coal Services' NSW coal workers compensation scheme, including reviewing actuarial valuation methods.
- *Remuneration Committee:* oversees Directors' remuneration and the remuneration and employment conditions of all Coal Services staff.

Governance

Coal Services and its subsidiaries operate as private companies, subject to the *Federal Corporations Act 2001*, but are also created by statute *(the Coal Industry Act 2001)* and therefore have statutory responsibilities which are overseen by the Minister for Resources and Energy.

As a consequence of this combination there are in effect two regulatory regimes that Coal Services is required to adhere to.

Coal Services, Coal Mines Insurance and Mines Rescue are Pty Limited companies appropriately registered with the Australian Securities and Investments Commission (ASIC). These companies are, therefore, registered under the *Corporations Act 2001 (Cth)* and subject to all of the regulatory provisions of that Act.

Compliance with ASIC's regulations and directions is therefore mandatory regarding the operation of Coal Services, Coal Mines Insurance and Mines Rescue.

In order to properly comply with the regulations Coal Services engages both internal (co-sourced arrangement with Protiviti) and external (KPMG) auditors to ensure rigorous analysis and investigation of Coal Services' operations both in relation to governance and prudential standards. There are three statutory instruments to regulate the legislated approval for Coal Services, Coal Mines Insurance and Mines Rescue.

- The *Coal Industry Act 2001* which through its operation gives the Minister power to regulate and direct Coal Services operations.
- The *Coal Industry Regulation 2011* which operates to direct Coal Services, Coal Mines Insurance and Mines Rescue regarding the provision of information and the material to be included in the operating plan.
- The conditions attached to the notices of approval for Coal Services, Coal Mines Insurance and Mines Rescue, through Schedule 2 of those notices. The notices direct the behaviour of the companies in respect of expenditure and adherence to prudential standards largely administered by the Australian Prudential Regulatory Authority (APRA).

The Coal Services, Coal Mines Insurance and Mines Rescue Boards ensure that the governance regime is strictly adhered to as administered by the Managing Director, Company Secretary and the senior management team of the company.

	BOARD MEETINGS		COMMITTEE MEETINGS		
	Eligible	Attended	Eligible	Attended	Total
Wayne McAndrew	22	22	1	1	23
Tony Haraldson	22	22	11	11	33
Peter Jordan	22	21	1	1	22
David Gunzburg	22	22	2	2	24
Mark Genovese	22	22	10	10	32
John Hannaford	22	22	7	7	29
Lucy Flemming	22	22	6	6	28

Annual Financial Report

For the year ended 30 June 2014

Contents

Directors' report

for the year ended 30 June 2014

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 2014.

Directors

The names of the Directors of the Company in office and their period of service, if not for the full financial year and up to the date of this report were:

W McAndrew – Chairman
L Flemming
A J Haraldson
P Jordan
D Gunzburg
M Genovese
The Hon. J Hannaford

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 principally to the New South Wales coal industry through its controlled entity, Mines Rescue Pty Limited and

c) occupational health and rehabilitation services principally to the New South Wales coal industry, under the registered trademark 'CS Health'.

There were no significant changes in the nature of the Group's activities during the reporting period.

Directors' report

Review of operations

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

	Segment Revenues 2014 $'000	Segment Revenues 2013 $'000	Segment Results 2014 $'000	Segment Results 2013 $'000
Workers compensation insurance	**130,057**	128,724	**(4,401)**	(22,208)
Investment activities of Coal Services	**39,697**	45,554	**37,460**	43,814
Mines rescue services	**19,333**	22,171	**(2,017)**	(3,629)
Health and rehabilitation services	**8,738**	8,645	**(1,846)**	(2,088)
Other	**3,226**	3,289	**(119)**	(15,358)
Less: intersegment eliminations	**(4,093)**	(3,391)		
	196,958	204,992		
Profit from operating activities			**29,077**	531
Net profit			**29,077**	531
Other comprehensive income				
Revaluation of property, plant and equipment			**211**	591
Defined benefit superannuation actuarial liability gains/(losses)			**731**	1,896
Total comprehensive income			**30,019**	3,018

Application of current year's profit

It is neither the Company's policy nor the expectation of shareholders for the Company to pay dividends. The current year's net profit can be attributed to the investment activities of the Company and will be invested to meet future claims and operating expenses.

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

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 workers compensation insurance to the New South Wales coal industry.

The segment result for the year was a loss of $4.40m (2013: loss $22.21m). The result for underwriting operations was a profit of $4.16m (2013: loss $22.21m), before administration expenses of $8.56m (2013: $9.54m). This underwriting operating loss included a provision for doubtful debts in respect of one mining company of $1.07m. The indemnity provided to Coal Mines Insurance Pty Limited by Coal Services Pty Limited was $4.40m (2013: $22.21m) in line with the terms of the deed of indemnity.

b) Investment activities

During the year the investment portfolio held by Coal Services Pty Limited generated a net investment profit of $37.46m (2013: $43.81m), including unrealised profit of $12.26m (2013: $5.41m).

Directors' report

c) Mines rescue services

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

The segment result for the year was a loss of $2.02m (2013: loss $3.63m). Total operating revenue of $19.33m (2013: $22.17m) included contributions from mine owners of $8.29m (2013: $7.94m) and training and other services revenue of $11.04m (2013: $14.23m).

d) 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 services to the New South Wales coal industry. The segment result for the year was a loss of $1.84m (2013: loss $2.09m). This segment generated revenue of $8.74m (2013: $8.645m).

Likely developments and expected results of operations

The Company aims to ensure the continuity of the business through sound financial management and improved claim handling which should allow for consistent premium levels for the foreseeable future.

Significant events after the balance 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. There are no legislative breaches and all audit recommendations are complete.

Indemnificiation 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 set out on page 47.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, 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 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.

W. McAndrew

W McAndrew
Director and Chairman

L Flemming
Managing Director/CEO

Sydney, 25 September 2014

Auditor’s independence declaration

for the year ended 30 June 2014

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 year ended 30 June 2014 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.

Andrew Reeves
Partner
KPMG

Sydney, 25 September 2014

Statement of consolidated financial position as at 30 June 2014

	NOTES	**2014 $'000**	2013 $'000
Current assets			
Cash and cash equivalents	13	**8,450**	59,404
Receivables	14	**20,334**	70,856
Financial assets held at fair value through profit or loss	15	**431,694**	289,925
Inventories	16	**177**	189
Other	17	**1,308**	1,240
Total current assets		**461,963**	421,614
Non-current assets			
Receivables	18	**1,257**	2,270
Financial assets held at fair value through profit or loss	19	**1,010**	1,010
Property, plant and equipment	20	**56,068**	60,377
Investment properties	21	**62,500**	61,900
Lease incentives		**8**	13
Total non-current assets		**120,843**	125,570
Total assets		**582,806**	547,184
Current liabilities			
Payables	22	**11,209**	7,758
Unearned revenue	25	**1,597**	1,826
Provision for outstanding claims	9	**70,283**	78,183
Provisions	23	**11,712**	9,415
Other	24	**364**	1,931
Total current liabilities		**95,165**	99,113
Non-current liabilities			
Unearned revenue	25	**1,003**	2,511
Defined benefit superannuation scheme	29	**7,141**	8,309
Provision for outstanding claims	9	**305,644**	290,386
Provisions	26	**7,314**	10,345
Total non-current liabilities		**321,102**	311,551
Total liabilities		**416,267**	410,664
Net assets		**166,539**	136,520
Equity			
Contributed equity	30	**–**	–
Reserves	31	**2,958**	2,747
Retained profits	31	**163,581**	133,773
Total equity		**166,539**	136,520

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

Statement of consolidated profit or loss and other comprehensive income for the year ended 30 June 2014

	NOTES	**2014 $'000**	2013 $'000
Workers compensation premium revenue	7	**107,255**	106,790
Mines safety cost recovery levy	6	**22,802**	21,934
Outwards reinsurance premium expense	7	**(2,879)**	(3,018)
Net earned premiums		**127,178**	125,706
Claims expense	8	**(80,382)**	(106,302)
District court expenses	8	**(971)**	(957)
Reinsurance and other recoveries revenue	8	**1,789**	728
Net claims incurred		**(79,564)**	(106,531)
Other scheme expenses		**(362)**	(6,006)
Mines safety levy expense		**(24,676)**	(21,934)
Underwriting result	6b	**22,576**	(8,765)
Investment income	11a	**39,697**	45,554
Other income	10	**27,204**	30,714
Total investment and other income		**66,901**	76,268
Expenses from operating activities	11b	**(60,400)**	(66,972)
Net profit for the year		**29,077**	531
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment		**211**	591
Defined benefit superannuation liability actuarial gains/(losses)	29e	**731**	1,896
Total items that will not be reclassified to profit or loss		**942**	2,487
Other comprehensive income for the year		**942**	2,487
Total comprehensive income for the year		**30,019**	3,018

The above statement of consolidated profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of consolidated changes in equity for the year ended 30 June 2014

	SHARE CAPITAL $'000	RESERVES $'000	RETAINED EARNINGS $'000	TOTAL $'000
Balance at 1 July 2013	**–**	**2,747**	**133,773**	**136,520**
Profit for the year	**–**	**–**	**29,077**	**29,077**
Other comprehensive income	**–**	**211**	**731**	**942**
Total comprehensive income for the year	**–**	**211**	**29,808**	**30,019**
Balance at 30 June 2014	**–**	**2,958**	**163,581**	**166,539**

	SHARE CAPITAL $'000	RESERVES $'000	RETAINED EARNINGS $'000	TOTAL $'000
Balance at 1 July 2012	–	2,156	131,346	133,502
Profit for the year	–	–	531	531
Other comprehensive income	–	591	1,896	2,487
Total comprehensive income for the year	–	591	2,427	3,018
Balance at 30 June 2013	–	2,747	133,773	136,520

The above 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 2014

	NOTES	**2014 $'000**	2013 $'000
Cash flow from operating activities			
Underwriting operations		**132,981**	150,855
Outwards reinsurance paid		**(2,879)**	(3,320)
Claims paid		**(73,024)**	(75,570)
Other underwriting expenses paid		**(26,006)**	(31,787)
Other operations			
Investment income		**20,061**	26,836
Other income received		**25,467**	33,034
Miners' pension fund payments		**(1,963)**	(2,085)
Income taxes recovered		**–**	–
Other operating payments		**(49,539)**	(66,166)
Net cash inflow from operating activities	38	**25,098**	31,797
Cash flows from investing activities			
Payments for property, plant and equipment		**(1,924)**	(6,281)
Payments for improvements to investment properties		**(780)**	(642)
Payments for purchase of investments		**(107,801)**	(132,521)
Proceeds from sale of property, plant and equipment		**234**	1,709
Proceeds from sale of investments		**34,219**	112,043
Net cash outflow from investing activities		**(76,052)**	(25,692)
Cash flows from financing activities			
Repayment of borrowings		**–**	–
Net cash outflow from financing activities		**–**	–
Net increase/(decrease) in cash and cash equivalents		**(50,954)**	6,105
Cash and cash equivalents at the start of the year		**59,404**	53,299
Cash and cash equivalents at the end of the year	13	**8,450**	59,404

The above statement of consolidated cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the consolidated financial statements

Notes to the Financial Statements for the year ended 30 June 2014

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 principally to the New South Wales coal industry through its controlled entity, Mines Rescue Pty Limited and

c) occupational health and rehabilitation services principally to the New South Wales coal industry, under the registered trading name, CS Health.

The consolidated financial report of the Coal Services Pty Limited (the 'Company' or 'parent') for the year ended 30 June 2014 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity' or 'Group').

The financial report was authorised for issue by the Directors on 25 September 2014.

Note 2: Summary of significant accounting policies

a) Statement of compliance

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

The financial report was approved by the Board of Directors on 25 September 2014.

b) Basis of preparation

The financial report is presented in Australian dollars. 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 financial report is prepared on a historical cost basis except that the following assets and liabilities are stated at their fair value (i) outstanding claims, (ii) asset backing insurance liabilities. All land and buildings used in carrying on the business are valued by using 'value in use' method.

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 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 except as stated under change in accounting policy as below.

Adoption of new accounting standards

Certain new accounting standards and interpretations have been published are mandatory for the 30 June 2014 reporting period. The Company's assessment is that initial adoption of these standards and interpretations will not affect any amounts recognised in the financial statements, but may change the disclosures presently made in the financial statements.

Pronouncements mandatory for the first time in annual June 2014 accounts

Pronouncement	Level of Impact	How Changes Affect the Entity
AASB 10 Consolidated financial statements	Low	Changes definition of control. No impact on the Group.
AASB 13 Fair value measurement	Moderate	Replaces and expands the disclosures requirements. Changes to classification.
AASB 119 Employee benefits	Moderate	Changes the definition of short-term and long-term employee benefits.

Pronouncements issued but not yet effective for annual June 2014 accounts

Pronouncement	Level of Impact	How Changes Affect the Entity
AASB 9 Financial instruments	Low	Minor changes to some note disclosures.

The nature and effects of the changes are explained below.

Subsidiaries

As a result of AASB 10, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of AASB 10 (2011), the Group reassessed the control conclusion for its investees however this hasn't impacted its control conclusion in respect of any of its investment.

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 2: Summary of significant accounting policies (continued)

Fair value measurement

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other AASBs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7. As a result, the Group has included additional disclosures in this regard.

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

Post-employment defined benefit plans

As a result of AASB 119, the Group has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit plans.

Under AASB 119, the Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) now comprises: interest cost on the defined benefit obligation, interest income on plan assets, and interest on the effect on the asset ceiling. Previously, the Group determined interest income on plan assets based on their long-term rate of expected return.

c) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which 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

Inter-group balances and any unrealised gains and losses or income and expenses arising from intra-group 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 policyholder) 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 consolidated entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, 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 statement of comprehensive income, unless an asset has previously been re-valued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised in the statement of comprehensive income.

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 the value in use. In assessing the value in use for assets not held principally for cash generating purposes, the consolidated entity has used the depreciated replacement cost approach. This approach involves the summation of the land value along with the depreciated replacement cost of improvements. Value in use for all other assets is the present value of the future cash flows expected to be obtained from an asset or cash generating unit.

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 Group received confirmation from the Australian Tax Office on 3 June 2011 that it was exempt from income tax, pursuant to section 50-1 of *Income Tax Assessment Act 1997*, for the year ended 30 June 2006 through to 30 June 2011 inclusive.

The Group received further confirmation from the Australian Tax Office on 28 September 2011 that it is exempt from income tax, pursuant to section 50-1 of *Income Tax Assessment Act 1997* for the years ending 30 June 2012 through to 30 June 2015 inclusive. Accordingly, no current or deferred tax balances have been recognised at 30 June 2014.

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.

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 2: Summary of significant accounting policies (continued)

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 coal mine owners 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 and other 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.

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.

Grant income
Grants received from industry-related trusts are deferred and recognised as revenue over periods in line with the costs associated with the activities that the grants are provided for.

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 enough reported (IBNER), and the anticipated direct and indirect costs of settling those claims. Outstanding claims are subject to independent actuarial assessment.

The liability for outstanding claims is measured as the present value of the expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and superimposed inflation. The expected future payments are discounted to present value at the balance date using a risk free rate. The details of rates applied are included in Note 9. 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 75% (2013: 75%) level of confidence that the reserve will be sufficient.

j) Receivables

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 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 statement of profit or loss and other comprehensive income 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 arm's length transaction. At the end of each reporting period, the Directors update their assessment of the fair value of each property taking into account the most recent independent valuations. 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. The Directors determine a property's value within a range of reasonable fair value estimates.

When land and buildings have been constructed for the group's specific use, they are valued based on their existing use, using a depreciated replacement cost method.

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

Impairment losses are recognised where the land and buildings carrying amount exceeds the recoverable amount.

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 2: Summary of significant accounting policies (continued)

m) Depreciation of property, plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost of each item of 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:

Office Improvements	20% per annum
Computer Equipment	20% to 33.3% per annum
Motor vehicles	10% to 25% per annum
Plant and Equipment	5% to 33.33% per annum

Owner occupied buildings are revalued every year and any adjustments are treated according to Note 2 (l).

n) 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.

Maintenance and repairs

Plant of the consolidated entity is required to be overhauled on a regular basis. This is managed as part of an on-going 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.

o) Employee entitlements

a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The obligations are presented as current liabilities in the balance sheet 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 and Occupational Hygiene Services (OHyS) division of Coal Services Pty Ltd at the reporting date as the amounts expected to be paid when the liability is settled. Sick leave payment and rollover provisions for Mines Rescue employees are governed by clause 3.2 of the Mines Rescue Pty Ltd Certified Agreement 2006 and clause 15 of the Mines Rescue (Training Officers) Enterprise Agreement 2012.

For OHyS employees sick leave provisions are covered under clause 11 of the Coal Services OHYS Enterprise Agreement 2012.

b) Other long-term employee benefit obligations

The liabilities for long service leave are not expected to be settled wholly within 12 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 national government 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 balance sheet 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. A levy is raised on wages paid by employers and a reimbursement is made to employers when long service leave payments are made. Mines Rescue Pty Limited contributed to this fund. 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 these are not recoverable from the statutory corporation. The right to reimbursement is recognised as an asset.

Retirement benefit obligation

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.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income.

Past service costs are recognised immediately in profit or loss, 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 are recognised and included in employee benefit provisions when the employee benefits to which they relate are recognised as liabilities.

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 2: Summary of significant accounting policies (continued)

p) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, and other short term and 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. All cash flows for Coal Mines Insurance Pty Limited are managed through Coal Services Pty Limited's bank account, and cash inflows and outflows occur through the inter-company account.

q) Operating leases

Operating lease payments are charged to the statement of profit or loss and other comprehensive income in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

r) 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 statement of financial position 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.

s) 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 and
- 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 Limited 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 statement of comprehensive income.

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 statement of financial position 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 statement of financial position 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.

t) 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 the statement of comprehensive income.

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.

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.

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 3: Accounting estimates and judgements

The key areas of estimation uncertainty for the Group are described below.

Estimation of accrued premium income and premiums invoiced in advance

Estimation of the amount of accrued premiums and premiums invoiced in advance are made using information from prior periods adjusted for the impact of recent trends and information that has become available after the reporting period and before the financial statements are authorised for issue.

Key sources of estimation uncertainty

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 and is 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 event(s) giving rise to the claims 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 methodology, and Note 9 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 values 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 29(f).

Estimated fair values of investment & owner occupied properties

The Group carries its investment properties and owner occupied general use properties at fair value with changes in the fair values recognised in profit or loss. It obtains independent valuations at least annually. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The key assumptions used in this determination are set out in Note 20 and Note 21.

When measuring the fair value of the buildings the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group's owner occupied specific use properties are valued based on existing use, using a depreciated replacement cost method. It involves estimation of replacement value of lands and buildings. It firstly involves an analysis of the existing underlying value of the land having regard to shape, size, zoning, highest and best use after comparison with alternative properties exchanged within the marketplace. Then, the depreciated value of the existing improvements upon the land is then analysed according to the functionality, size, configuration and standard of repair. Assessments are made annually by the directors of the company considering independent valuations.

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

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 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 liability estimate for outstanding claims at the balance date involved:

- Estimating an allowance for claims incurred but not reported (IBNR) and the further development on reported claims
- The determination of 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 were:

- 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 actuarial valuation models as follows:
  - Common law and redemptions: payments per claim finalised via a common law or redemption claim settlement
  - Lump sums: payments per claim settled involving a lump sum payment
  - Weekly compensation: payments per active weekly claim
  - Legal, medical and other payments: payments per non deafness claim incurred
  - Industrial deafness/disease: payments per industrial deafness claim incurred

  Claims occurring after 30 June 1985 are entitled to receive weekly benefits until one year post Commonwealth retirement age.
- To value lung disease and asbestos related disease claims having regard to observed historical average claim size and industry pattern of claims reporting

The determination of the liability estimate for the premium liability at the balance date involved:

- Estimating an allowance for claims incurred in the year to 30 June 2015.

The methods used to estimate the allowance for claims incurred in the year to 30 June 2015 were consistent with those adopted to estimate the outstanding claims liability. This analysis was supplemented with a projection of the underlying exposure to estimate the incurred claim costs.

The claims incurred estimate for the year to 30 June 2015 at the 75% level of confidence was compared to the estimated unearned premium in respect of this year at 30 June 2014. No deficiency was recognised at 30 June 2014.

- The determination of a risk margin, claims handling expense and policy administration expense provisions to be added to the central estimate of the claims liability for the year to 30 June 2014 to achieve an estimated 75% level of confidence.

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 numbers of claims reported in succeeding half years were calculated and the underlying pattern used to estimate the total numbers of claims 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.

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.

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 5: Insurance contracts – risk management

The Group 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 Group manages its insurance risk through review procedures for transactions, centralised management of reinsurance and monitoring of emerging issues.

Methods of monitoring performance include internal risk measurement models, scenario and stress testing and regular reviews 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 Group has an objective to control insurance risk, thus reducing the volatility of operating profits. Due to the inherent uncertainty of insurance risk, which 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 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. Annually, the Board certifies that adequate strategies have been put in place to monitor those risks, that the Group has systems in place to ensure compliance with legislative and prudential requirements and that the Board has satisfied itself as to compliance.

Underwriting strategy

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

Reinsurance strategy

The Group adopts a conservative approach towards its reinsurance risk management. The Board determines the level of risk, which is appropriate for the Group having regard to its financial resources, premium volume and the concepts of prudence. The Group 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 reinsurers.

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 as follows:

Product features

The Group 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 Group 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 Group issuing contracts including policy limitations and exclusions. These are not terms and conditions that are expected to have a material impact on the financial statements of the Group.

Underwriting risk also exists as a result of workers compensation being a statutory product. An employer in the NSW coal mining industry is required to incept and maintain a policy of insurance with the Group. The Group cannot refuse insurance coverage. Additionally, the Group must continue to provide coverage regardless of whether the employer has maintained payment of premiums.

Claims experience is monitored on an on-going 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 Group 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 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 renewable annually.

Credit risk

The Group is exposed to credit risk on insurance contracts as a result of exposure to individual reinsurers. The Group does not have any material exposure to an individual reinsurer which would significantly impact the operating profit. The credit risk to re-insurers is managed through the Group having a pre-determined policy on the appropriate rating a reinsurer must have to participate in the Group's reinsurance programme. Credit risk also exists through the requirement to provide coverage regardless of receipt of premium payment. This risk is managed through the adoption of robust debt collection processes to minimise exposure.

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 6: Underwriting result

	2014 $'000	2013 $'000
a) Gross written premiums		
Workers compensation premium revenue	**107,255**	106,790
Mines safety cost recovery levy[1]	**22,802**	21,934
Total gross written premiums	**130,057**	128,724
b) Underwriting result		
Net earned premiums	**104,376**	103,772
Mines safety cost recovery levy[1]	**22,802**	21,934
Net incurred claims	**(79,564)**	(105,574)
Other underwriting expenses	**(362)**	(6,963)
Mines safety levy expense[1]	**(24,676)**	(21,934)
Underwriting result	**22,576**	(8,765)

1. Mines safety cost recovery levy and levy expense

The *Mine Safety Cost Recovery Act 2005* allows Coal Mines Insurance to adjust the premiums in order to recover contributions payable by it to the NSW Mine Safety Fund.

Note 7: Net earned premiums

Workers compensation premium revenue	**107,255**	106,790
Net earned premiums	**127,178**	125,706

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 8: Net claims incurred

2014	CURRENT YEAR $'000	PRIOR YEARS $'000	TOTAL $'000
Gross claims incurred and related expense			
Gross claims paid (including indirect settlement costs)	8,159	64,866	73,025
Movement in gross provision for claims outstanding	74,733	(80,040)	(5,307)
Movement in discounting	(11,619)	24,385	12,766
Gross claims incurred	71,273	9,211	80,484
Reinsurance and other recoveries revenue	(11)	(1,778)	(1,789)
Movement in reinsurance and other recoverables	(933)	831	(102)
District court expenses	971	–	971
Net claims incurred	71,300	8,264	79,564

Claims development

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.

2013			
Gross claims incurred and related expenses			
Gross claims paid (including indirect settlement costs)	10,995	58,416	69,411
Movement in gross provision for claims outstanding	79,160	1,225	80,385
Movement in discounting	(13,150)	(29,834)	(42,984)
Gross claims incurred	77,005	29,807	106,812
Reinsurance and other recoveries paid	(47)	(681)	(728)
Movement in reinsurance and other recoverables	(976)	465	(511)
District court expenses	957		957
Net claims incurred	76,939	29,591	106,530

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 9: Provision for outstanding claims

	2014 $'000	2013 $'000
a) Undiscounted expected future claim payments		
Central estimate	**392,369**	396,676
Risk margin	**51,086**	51,647
Indirect claims settlement costs	**33,351**	33,717
	476,806	482,040
Discount to present value	**(100,879)**	(113,471)
	375,927	368,569
Current	**70,283**	78,183
Non-current	**305,644**	290,386
	375,927	368,569
Inflation rate – normal (economic)		
– succeeding year	3.75%	3.75%
– subsequent years	3.75%	3.75%
Inflation rate – superimposed		
– full weekly	2.00%	2.00%
– medical	5.50%	5.50%
– other	1.50%	1.50%
– asbestos	3.00%	3.00%
– lung	2.00%	2.00%
Discount rate	3.70%	4.30%

b) The weighted average expected term to settlement of the outstanding claims from the balance date is estimated to be 5.35 years (2013: 5.35 years).

c) The prudential margin, which represents 12.0% (2013: 12.0%) of the discounted central estimate, provides a 75% level of confidence.

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 9: Provision for outstanding claims (continued)

d) 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 ten most recent accident years.

ACCIDENT YEAR	2005 $'000	2006 $'000	2007 $'000	2008 $'000	2009 $'000	2010 $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000	TOTAL $'000
Estimate of ultimate claims cost:											
At end of accident year	52,450	65,029	63,523	60,603	71,166	67,439	62,136	64,103	74,192	68,733	
One year later	55,312	53,760	59,552	61,901	68,501	62,752	59,537	69,889	79,618		
Two years later	52,089	51,206	59,778	64,980	68,708	56,551	61,073	73,582			
Three years later	58,529	51,197	61,153	59,162	67,037	59,247	59,347				
Four years later	56,800	48,579	57,075	55,570	68,767	61,920					
Five years later	58,188	47,124	55,722	57,690	68,662						
Six years later	58,501	47,139	57,391	58,043							
Seven years later	58,791	49,433	56,099								
Eight years later	58,925	49,379									
Nine years later	58,594										
Current estimate of cumulative claims cost	58,594	49,379	56,099	58,043	68,662	61,920	59,347	73,582	79,618	68,733	633,978
Cumulative payments	(51,208)	(37,858)	(44,952)	(43,506)	(50,712)	(38,902)	(31,591)	(32,068)	(24,471)	(8,143)	363,410
Outstanding claims-undiscounted	7,386	11,521	11,147	14,537	17,950	23,018	27,756	41,515	55,147	60,590	270,567
Outstanding claims 2004 and prior											121,801
Discount											(83,014)
Net discounted outstanding claims											309,354
Discounted claims handling expenses											26,295
Discounted risk margin											40,278
Net discounted provision for claims outstanding											375,927

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 9: Provision for outstanding claims (continued)

e) Sensitivity analysis – insurance contracts

Coal Mines Insurance Pty Limited conducts sensitivity analyses 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 variables will impact the performance and equity of the Company. The tables below describe how a 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 NET OF REINSURANCE $'000	IMPACT ON EQUITY $'000
Active claims tail continuance rate	+2%	(18,290)	(18,290)
	-2%	18,290	18,290
Common law and redemption utilisation rate	+10%	(14,186)	(14,186)
	-10%	14,186	14,186
Expense rate	+1%	(3,465)	(3,465)
	-1%	3,465	3,465
Discount rate	+1%	(17,234)	(17,234)
	-1%	17,234	17,234
Inflation rate – normal	+1%	(19,548)	(19,548)
	-1%	19,548	19,548
Inflation rate – superimposed	+1% to classes with SI	9,084	9,084
	-1% to classes with SI	(9,084)	(9,084)

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 9: Provision for outstanding claims (continued)

f) Reconciliation of movements in outstanding claims liabilities

	2014 $'000	2013 $'000
Gross outstanding claims provision at the beginning of the year	**373,665**	336,264
Gross risk margin at the beginning of the year	**(40,036)**	(36,028)
Gross central estimate at the beginning of the year	**333,629**	300,236
Claims paid in the year	**(65,149)**	(58,899)
Associated expense allowance	**(5,538)**	(5,006)
Unwinding of discount	**8,018**	9,215
Change due to experience and valuation assumptions	**6,685**	17,203
Change due to catastrophic claims	**–**	7,571
Movement in economic assumptions	**6,292**	4,372
Claims incurred in the year	**56,352**	58,937
Gross central estimate at the end of the year	**340,289**	333,629
Gross risk margin at the end of the year	**40,835**	40,036
Gross outstanding claims provision at the end of the year	**381,124**	373,665
Future recoveries (including risk margin)	**(5,197)**	(5,096)
Net outstanding claims liability at the end of the year	**375,927**	368,569

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 10: Revenues

	2014 $'000	2013 $'000
Workers compensation insurance	**130,057**	128,724
Investment activities	**39,697**	45,554
	169,754	174,278
Other income:		
Contributions from owners of coal mines for Mines Rescue Levy	**8,292**	7,935
Training and services revenue	**8,965**	11,692
Health and rehabilitation services	**4,965**	5,838
Other	**4,982**	5,249
	27,204	30,714
Total Revenue	**196,958**	204,992

The above amounts are after elimination of intercompany charges.

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 11: Profit from ordinary activities

	2014 $'000	2013 $'000
a) Investment income/(loss)		
Equity and property trust distributions	**6,404**	2,850
Fixed Interest trust distributions	**14,054**	7,416
Interest – short term investments	**1,043**	3,278
Interest – long term investments	**89**	84
Rental income	**7,564**	7,106
Investment property operating and management expenses	**(2,048)**	(2,117)
	27,106	18,617
Realised gains/(losses) on financial assets held at fair value through profit or loss:		
Australian listed shares and equity trusts	**624**	12,511
Fixed interest investments	**(19)**	1,239
Overseas equity trust units	**–**	7,779
	605	21,529
Unrealised gains/(losses) on financial assets held at fair value through profit or loss:		
Australian listed shares and equity trusts	**4,201**	(907)
Investment property	**(180)**	(484)
Global infrastructure units	**3,973**	4,535
Fixed interest investments	**(369)**	(837)
Overseas equity trust units	**4,361**	3,101
	11,986	5,408
Net investment income	**39,697**	45,554

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 11: Profit from ordinary activities (continued)

	2014 $'000	2013 $'000
b) Expenses from operating activities		
Employee benefits expense	**(35,954)**	(37,393)
Depreciation and amortisation expenses	**(3,543)**	(3,704)
Revaluation decrement of property, plant and equipment to recoverable amount (Note 20)	**(1,160)**	(5,903)
Impairment of property, plant and equipment	**(1,305)**	–
Net loss from the sale of assets	**(202)**	(9)
Impairment of receivables (Note 14)	**(1,113)**	(2,792)
Investment management expenses	**(2,237)**	(1,738)
Miners' pension expense	**(990)**	(387)
Mines Rescue materials expenses	**(1,877)**	(2,847)
Repairs and maintenance expenses	**(549)**	(833)
Consultants and contractors	**(2,598)**	(1,619)
Medical related expenses	**(769)**	(905)
Travel and motor vehicle	**(1,309)**	(1,350)
Occupancy	**(3,046)**	(3,272)
General overheads	**(2,058)**	(2,226)
Other	**(1,690)**	(1,994)
	(60,400)	(66,972)

Note 12: Income tax

Income tax expense/(benefit)

The Group received confirmation from the Australian Tax Office on 28 September 2011 that it is exempt from income tax pursuant to section 50-1 of the *Income Tax Assessment Act 1997*. The exemption applies to the years ending 30 June 2012 through to 30 June 2015 inclusive and accordingly no current or deferred tax assets and liabilities of the Group have been recognised.

No tax reconciliation has been presented as the Group is a tax exempt entity pursuant to Section 50-1 of the *Income Tax Assessment Act 1997*.

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 13: Current assets – cash and cash equivalents

	2014 $'000	2013 $'000
Cash at bank and on hand	**8,450**	6,385
Short term deposits	**–**	53,019
	8,450	59,404

The parent entity has a bank overdraft facility of $5m (2013: $5m) as at 30 June 2014. The Commonwealth Bank of Australia has registered a fixed charge in respect of this facility. The parent company has a $30m revolving credit facility as at 30 June 2014 (2013: $30m) with Credit Suisse AG, which has registered a fixed and a floating charge in respect of this facility. Neither facility was drawn down during the year.

In addition to cash at bank of $8.45m at 30 June 2014, the Group holds $10m of deposits at call which have been classified as investments fair valued through profit or loss (Note 15).

Note 14: Current assets – receivables

Trade receivables	**8,302**	10,134
Less: Provision for impaired receivables*	**(3,915)**	(2,804)
	4,387	7,330
Others	**7,854**	7,895
Investment settlement receivable**	**8,093**	36,631
Outstanding settlements***	**–**	19,000
	20,334	70,856

* Included in the provision for impaired receivables in the current year is $1.1m relating to one mining company (2013: $2.48m).
** Includes receivables for accrued dividends and interest income.
*** Includes advance payment for the acquisition of international equities.

Movement in the provision for impairment of receivables is as follows:		
Balance at 1 July	**2,804**	12
Provision for impairment recognised during the year	**1,113**	2,816
Receivables written off during the year as uncollectible	**–**	–
Unused amount reversed	**(2)**	(24)
Balance at 30 June	**3,915**	2,804

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 15: Current assets – financial assets held at fair value through profit or loss

	2014 $'000	2013 $'000
Australian bond trust units	**275,426**	185,851
Australian listed shares	**52,334**	45,707
Overseas equity trust units	**43,910**	6,623
Global infrastructure funds	**24,619**	20,599
Australian cash funds	**8,732**	31,145
Hedge funds	**26,673**	–
	431,694	289,925

Interest income and dividend income receivable of $8,093 (2013: $36,631) receivables and investment pre-payments of $19m in 2013 for overseas equities are included under receivables in Note 14 above.

Note 16: Current assets – inventories

Goods for resale	**177**	189

Note 17: Current assets – other

Prepayments	**1,308**	1,240

Note 18: Non-current assets – receivables

Receivable from Coal Mining Industry (Long Service Leave Funding) Corporation for long service leave	**1,257**	2,270

Note 19: Current assets – financial assets held at fair value through profit or loss

Loan to third party	**1,010**	1,010

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.

This loan will be repaid on 31 December 2014.

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 20: Non-current assets – property, plant and equipment

	2014 $'000	2013 $'000
Land and buildings		
At valuation	**46,586**	45,380
	46,586	45,380
Office improvements		
At cost	**1,277**	1,061
Less: accumulated depreciation	**(904)**	(813)
	373	248
Computer equipment		
At cost	**2,528**	2,463
Less: accumulated depreciation	**(1,761)**	(1,384)
	767	1,079
Motor vehicles		
At cost	**3,893**	3,722
Less: accumulated depreciation	**(1,571)**	(1,043)
	2,322	2,679
Plant and equipment		
At cost	**23,237**	24,501
Less: accumulated depreciation	**(16,057)**	(13,510)
Less: impairment	**(1,160)**	–
	6,020	10,991
TOTAL	**56,068**	60,377

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 20: Non-current assets – property, plant and equipment (continued)

	LAND AND BUILDINGS $'000	OFFICE IMPROVEMENTS $'000	COMPUTER EQUIPMENT $'000	MOTOR VEHICLES $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000
Carrying amount at 1 July 2013	45,380	248	1,079	2,679	10,991	60,377
Additions	1,190	86	75	416	157	1,924
Disposals	–	–	(10)	(245)	(181)	(436)
Reclassification	1,110	130	–	–	(1,240)	–
Revaluation	(1,094)	–	–	–		(1,094)
Impairment					(1,160)	(1,160)
Depreciation/amortisation expense	–	(91)	(377)	(528)	(2,547)	(3,543)
Carrying amount at 30 June 2014	46,586	373	767	2,322	6,020	56,068

Valuations of land and buildings – revaluation methods

The basis of valuation of properties which comprise land and specific use buildings is existing use value. This approach involves the summation of land value along with the depreciated replacement cost of improvements.

The basis of valuation of properties which comprise land and general use buildings is fair value being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction (Note 2(l)).

All properties were revalued at year end based upon independent assessments by a member of the Australian Property Institute. For the current year, $0.2m of the revaluation increment (2013: $0.59m revaluation increment) has been credited to the asset revaluation reserve in shareholders' equity and $1.3m of revaluation decrement (2013: $5.90m revaluation decrement) has been debited to the profit or loss

	2014 $'000	2013 $'000
a) Carrying amounts:		
Land and specific use buildings stated at existing use value	**37,514**	36,350
Land and general use buildings stated at fair value	**9,030**	9,030
Total land and buildings	**46,544**	45,380

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 20: Non-current assets – property, plant and equipment (continued)

	2014 $'000	2013 $'000
b) Carrying amounts that would have been recognised if land and buildings were stated at historical cost:		
Freehold land		
Cost	**8,746**	8,746
Buildings		
Cost	**58,161**	55,894
Accumulated depreciation (2.5% pa)	**(7,929)**	(6,616)
Net book amount	**50,232**	49,278
Total land and buildings	**58,978**	58,024
c) Carrying amounts that would have been recognised if land and buildings were stated at fair value:		
Total land and building	**22,440**	21,580

Note 21: Non-current assets – investment properties

a) Valuation basis

The group obtains independent valuations for its investment properties at least annually. At the end of each reporting period, the Directors update their assessment of the fair value of each property, taking into consideration the most recent independent valuations. The Directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar investment properties. Where such information is not available the Directors consider information from a variety of sources including:

(i) current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences

(ii) discounted cash flow projections based on reliable estimates of future cash flows

(iii) capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 21: Non-current assets – investment properties (continued)

b) Level 3 fair value

The fair value measurement for investment property of $62.5m has been categorised as Level 3 fair value based on the inputs to the valuation technique used. The following table shows the reconciliation from the opening balances to the closing balances for Level 3 fair values.

	2014 $'000	2013 $'000
At fair value		
Opening balance at 1 July	**61,900**	61,800
Capitalised subsequent expenditure	**780**	584
Net (loss)/gain from fair value adjustments	**(180)**	(484)
Closing balance at 30 June	**62,500**	61,900
c) Amounts recognised in profit and loss for investment properties		
Rental income	**7,564**	7,105
Direct operating expenses	**(2,048)**	(2,117)
	5,516	4,988

At the end of the reporting period the key assumptions used in independent valuations reports to determine fair value were in the following ranges for the Group's portfolio of properties:

	2014	2013
Discount rate	**9.50% – 11.25%**	9.75% – 11.25%
Terminal yield	**8.5% – 10.75%**	9.00% – 10.75%
Capitalisation rate	**8.50% – 10.50%**	8.75% – 10.75%
Weighted rental growth rate	**2.99% – 3.65%**	3.02% – 3.81%

The 2014 revaluations were based on independent assessments made by a member of the Australian Property Institute.

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 22: Current liabilities – payables

	2014 $'000	2013 $'000
Trade and other creditors	**8,872**	2,481
Accrued expenses	**2,337**	5,277
Closing balance at 30 June	**11,209**	7,758

Note 23: Current liabilities – provisions

Miners' pension fund indemnity	**707**	792
Miners' pension fund Part 3 liability	**1,098**	1,098
Employee entitlements	**9,907**	7,525
	11,712	9,415

a) Miners' pension fund indemnity

The provision for the miners' pension fund indemnity is described in more detail in Note 27.

b) Movements in provisions

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

	EMPLOYEE ENTITLEMENTS $'000	MINERS' SUPERANNUATION PENSION FUND INDEMNITY $'000	PART 3 LIABILITY $'000	TOTAL $'000
Carrying amount at 1 July 2013	5,973	792	1,098	7,863
Charged to the statement of comprehensive income/used during the year	554	(860)	(1,098)	(1,404)
Transferred from non-current (Note 26)	3,380	775	1,098	5,253
Carrying amount at 30 June 2014	9,907	707	1,098	11,712

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 24: Current liabilities – other

	2014 $'000	2013 $'000
Premiums invoiced in advance	**355**	1,903
Rental bonds received	**9**	28
	364	1,931

Note 25: Liabilities – unearned revenue

Unearned Revenue – current	**1,597**	1,826
Unearned Revenue – non-current	**1,003**	2,511
	2,600	4,337
Carrying amount at 1 July 2013	**4,337**	4,921
Add: Coal Services Health and Safety Trust Grant	**–**	1,302
	4,337	6,223
Less: recognised in the period	**(1,737)**	(1,886)
Balance 30 June 2014	**2,600**	4,337

During the 2013 financial year, Mines Rescue Pty Limited received grants $1.3m from the Coal Services Health and Safety Trust to fund the development of Virtual Reality facilities to provide better safety and other training capabilities to the coal industry. The grant is to cover the cost of depreciation over its effective life. No grant was received during the 2014 financial year.

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 26: Non-current liabilities – provisions

	2014 $'000	2013 $'000
Miners' pension fund indemnity	**3,945**	4,833
Miners' pension fund indemnity Part 3 liability	**1,098**	1,098
Employee entitlements	**2,271**	4,414
	7,314	10,345

a) Miners' pension fund indemnity

The provision for miners' pension fund indemnity is described in more detail in Note 27.

b) Movements in provisions

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

	EMPLOYEE ENTITLEMENTS $'000	MINER'S SUPERANNUATION PENSION FUND INDEMNITY $'000	PART 3 LIABILITY $'000	TOTAL $'000
Carrying amount at 1 July 2013	5,966	4,833	1,098	11,897
Charged to the statement of comprehensive income	(315)	(113)	1,098	670
Reclassified to current provision-note 23(b)	(3,380)	(775)	(1,098)	(5,253)
Carrying amount at 30 June 2014	2,271	3,945	1,098	7,314

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 27: 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 its 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 statement of financial position date to value this indemnity. The results are shown below:

	2014 $'000	2013 $'000
a) Expected future payment		
Expected future pension payments – undiscounted	**6,522**	7,520
Discount to present value	**326**	301
	6,848	7,821
Current – indemnity	**1,805**	1,890
Non-current – indemnity	**5,043**	5,931
	6,848	7,821

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%
Discount rate	**5.0%**	4.0%

c) The weighted average expected term to settlement of future pension payments from the balance date is estimated to be 4.85 years (2013: 5.14 years).

d) Miners' pension expense under indemnity:

Pension payments	**1,963**	1,811
Movement in indemnity provision	**(973)**	(1,424)
	990	387

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 28: Employee entitlements

	2014 $'000	2013 $'000
Employee entitlement liabilities		
Long service leave entitlement		
Current	**3,924**	1,370
Non-current	**2,271**	4,306
	6,195	5,676
Annual leave entitlement		
Current	**3,301**	3,379
Non-current	**–**	–
	3,301	3,379
Sick leave entitlement		
Current	**2,682**	2,776
Non-current	**–**	–
	2,682	2,776
Total employee entitlements		
Current	**9,907**	7,525
Non-current	**2,271**	4,306
	12,178	11,831

	2014	2013
Employee numbers		
Number of employees at the end of the period	**333**	338

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 28: Employee entitlements (continued)

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 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.

Mines Rescue Pty Limited's and the Occupational Hygiene Services division of Coal Services 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 18).

Sick leave entitlements

The sick leave entitlements shown above reflect the outstanding entitlements due to employees of Mines Rescue Pty Limited and the Occupational Hygiene Services division of Coal Services 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 Mines Rescue Stations Staff Superannuation Plan and the Auscoal Superannuation Plan (incorporating the Coal and Oil Shale Workers Superannuation Fund).

Refer to Note 29 for further details on these schemes.

Note 29: Non-current liabilities – defined benefit superannuation schemes

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. In the Defined Benefit Scheme and the Retirement Scheme a component of the final benefit is derived from a multiple of a member's salary and years of membership. The Defined Benefit and the Retirement Scheme are now closed to new members. Only the Accumulation Scheme is open to new members. The subsidiary company, Mines Rescue Pty Limited, participated in the Mines Rescue Stations Staff Superannuation Plan and the Auscoal Superannuation Plan under the provision of the NSW Coal and Oil Shale Workers Superannuation Act. The Mines Rescue Stations Staff Superannuation Plan is a final average (3 years) lump sum defined benefit arrangement providing benefits on death, disability, resignation and retirement. The Plan is closed to new members.

	2014 $'000	2013 $'000
b) Statement of financial position amounts		
Present value of the defined benefit obligation	**(23,353)**	(22,778)
Present value of the defined benefit plan assets	**16,211**	14,469
Net liabilities recognised in the statement of financial position	**(7,141)**	(8,309)

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 29: Non-current liabilities – defined benefit superannuation schemes (continued)

As at 30 June 2014, the asset sector percentages for the defined benefit funds are as follows:

	%	30 JUNE 2014 TOTAL $'000
Energy investment fund		
Australian equities	17.00%	2,380
International equities	23.00%	3,220
Emerging market equities	4.00%	560
Property	7.00%	980
Private equity	1.00%	140
Infrastructure	10.00%	1,400
Alternatives	25.00%	3,500
Fixed income	12.00%	1,680
Cash	1.00%	141
	100.00%	14,001
Mines Rescue Stations Staff Superannuation Plan		
Australian equities	24.60%	544
International equities	14.10%	312
Australian fixed interest	29.40%	650
International fixed interest	1.00%	22
Property	2.30%	51
Cash	23.80%	526
Other	4.80%	105
	100.00%	2,210
Total		**16,211**

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

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 29: Non-current liabilities – defined benefit superannuation schemes (continued)

	2014 $'000	2013 $'000
c) Movement		
Movement in net liabilities recognized in the statement of financial position:		
Net liabilities at the beginning of the year	**(8,309)**	(11,106)
Net expense recognized in profit and loss	**(1,018)**	(551)
Actuarial gains/(losses)	**731**	1,896
Contributions	**1,455**	1,452
Net liabilities disclosed in the statement of financial position	**(7,141)**	(8,309)
Reconciliation of the present value of defined benefit obligation:		
Opening defined benefit obligation	**22,778**	22,763
Current service cost	**771**	749
Interest cost	**774**	717
Contributions by fund participants	**108**	112
Actuarial (gains)/losses	**464**	(938)
Benefits paid	**(1,384)**	(318)
Liabilities extinguished on settlements	**–**	(307)
Taxes, premiums and expenses paid	**(158)**	–
Closing defined benefit obligation	**23,353**	22,778
Reconciliation of the fair value of fund assets:		
Opening fair value of fund assets	**14,469**	11,657
Expected return	**–**	915
Interest income	**527**	–
Actuarial gains/(losses)	**1,195**	958
Employer contributions	**1,455**	1,452
Contributions by fund participants	**108**	112
Benefits paid	**(1,384)**	(318)
Taxes, premiums and expenses paid	**(158)**	–
Assets distributed on settlements	**–**	(307)
Closing fair value of fund assets	**16,212**	14,469

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 29: Non-current liabilities – defined benefit superannuation schemes (continued)

	2014 $'000	2013 $'000
d) Amounts recognised in profit or loss		
Current service cost	**771**	749
Interest cost	**247**	717
Expected return on scheme assets	**–**	(915)
Expense recognised	**1,018**	551
Actual return on scheme assets	**1,194**	1,873
e) Amounts recognised in other comprehensive income		
Actuarial gains/(losses)	**731**	1,896

Application of AASB119 revised

The Group has applied the revised accounting standard for employee benefits from 1 July 2013. This has affected some of the amounts recognised and disclosed in the financial statements. The information shown in this Note has been restated based on the new rules. The adjustments made are explained in Note 2(o). The Group has elected to recognise re-measurement gains and losses directly in retained earnings.

	Financial Year to 30 June 2014	
	Previous Previous AASB119	New Current AASB119
Amount recognised in other profit and loss	**394**	1,018
Amount recognised in other comprehensive income	**(107)**	(731)
Service cost	**695**	771
Interest expense	**862**	–
Expected return on assets	**(1,163)**	–
Net interest	**–**	247
Superannuation expense (income)	**394**	1,018
Amount recognised in other comprehensive income	**(107)**	(731)
Recognised in profit and loss and OCI	**287**	287

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 29: Non-current liabilities – defined benefit superannuation schemes (continued)

f) Principal actuarial assumptions

The principal actuarial assumptions used were as follows:

	2014 $'000	2013 $'000
Energy Industries Superannuation Scheme		
Salary increase rate	**2.5%**	2.5%
Rate of CPI increase	**2.5%**	2.5%
Expected rate of return on assets	**7.0%**	8.1%
Discount rate after tax	**3.57%**	3.8%
Mines Rescue Stations Staff Superannuation Plan		
Salary increase rate	**3.0%**	4.0%
Expected rate of return on assets	**8.0%**	6.0%
Discount rate after tax	**2.8%**	2.7%

g) 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.

30 June 2014	BASE $'000	DECREASE $'000	INCREASE $'000
Energy Industries Superannuation Scheme (EISS)			
Discount rate (1% movement)	20,032	3,187	(2,569)
Future salary growth (0.5% movement)	20,032	(383)	408
Rate of CPI increase (0.5% movement)	20,032	(1,064)	1,172
Future mortality (5% movement)	20,032	175	(166)
Mines Rescue Staff Superannuation Plan			
Discount rate (0.5% movement)	3,330	99	(94)
Future salary growth (0.5% movement)	3,330	(69)	71

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.

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 29: Non-current liabilities – defined benefit superannuation schemes (continued)

h) 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 – 1.64 x member contributions
Plus additional contributions of $683,000.

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.

These recommended contribution rates are consistent with the previous year.

Mines Rescue Pty Limited

Employer contributions are 17.39% whilst members are contributing 4.71% of gross salary. The method used to determine the employer contributions is the balance of the cost of benefits after the members' contributions of 4.71% of salary. These contribution rates are consistent with the previous year.

Note 30: Contributed equity

	2014 NUMBER OF SHARES	2013 NUMBER OF SHARES
	2	2

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.

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 31: Reserves and retained profits

	2014 $'000	2013 $'000
a) Reserves		
Property, plant and equipment revaluation reserve	**2,958**	2,747
Movements		
Balance at 1 July	**2,747**	2,156
Revaluation of land and buildings	**211**	591
	2,958	2,747
b) Retained profits		
Balance at 1 July	**133,773**	131,346
Net profit for the year	**29,077**	531
Defined benefit superannuation scheme actuarial gains/(losses)	**731**	1,896
	163,581	133,773

c) Nature and purpose of reserves

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

Note 32: 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:

	2014 $	2013 $
Audit of financial reports		
Fees paid to KPMG	**188,550**	184,000
External peer review, taxation and other assurance services		
Fees paid to KPMG	**24,900**	33,000
	204,450	217,000

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 33: Key management personnel compensation

a) Key management personnel

Key management personnel comprise the Directors and senior officers of the Company or other companies within the Group. The names of the Directors of the Company in office and their period of service, if not for the full financial year and up to the date of this report were:

W McAndrew – Chairman
L Flemming
A J Haraldson
P Jordan
D Gunzburg
M Genovese
The Hon. J Hannaford

	2014 $'000	2013 $'000
b) Key management personnel compensation		
Directors and other key personnel of the Company or other group companies received remuneration as follows:		
Short-term employee benefits – Directors*		
Greater or equal to $100k (2 Directors)	**556**	627
Less than $100k (5 Directors)	**357**	295
	913	922
Short-term employee benefits – other key personnel		
Greater or equal to $300k (2 key personnel)	**724**	409
Less than $300k (4 key personnel)	**962**	1,295
	1,686	1,704
	2,599	2,626

* Managing Director/CEO's remuneration is included with Director's remuneration above.

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 34: Related party disclosures

	2014 $'000	2013 $'000
a) Transactions with Directors and director related entities		
Aggregate amounts of each of the above income transactions with Directors and director related entities are:		
Amounts recognised as an expense		
Workers compensation insurance	**137**	249
	137	249

b) 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 statement of financial position date, the amount outstanding on the loan was $1,010,000 (2013: $1,010,000). During the period, the parent entity received $77,710 (2013: $75,773) in interest on this loan. Administrative income of $4,500 (2013: $9,000) has also been received from Mount Thorley.

Two Directors (A J Haraldson and L Flemming) of the parent entity are also trustees of the Coal Services Health & Safety Trust. During the financial year the parent entity has not made any grant to the Coal Services Health & Safety Trust to help fund its research to benefit the New South Wales coal industry. No grant was (2013:$1.30m) approved by the Coal Services Health & Safety Trust and paid to Mines Rescue Pty Limited for the development of Virtual Reality facilities to provide better safety and other training capabilities.

c) 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.

	2014 $'000	2013 $'000
Amounts recognised as expenses		
Director's fees	**138**	148
Other services	**13**	27
	151	175
Transaction with other related parties		
Mount Thorley Coal Loading Limited		
Loan outstanding	**1,010**	1,010
Interest received	**76**	76
Administrative Income	**5**	9

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 35: Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2(c).

	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING 2013	EQUITY HOLDING **2014**
Name of entity				
Coal Mines Insurance Pty Limited	Australia	Ordinary	100%	**100%**
Mines Rescue Pty Limited	Australia	Ordinary	100%	**100%**

In October 2007, Coal Services Pty Limited (CSPL) Board approved a funding agreement. In accordance with the funding agreement, CSPL funded the development and construction costs of Mines Rescue Pty Limited. The funding comprised a secured interest free loan of $5m with a 5 year repayment term and subscription of B Class ordinary shares in Mines Rescue Pty Limited for the total consideration of $25m. As at 30 June 2014, $5m of the secured loan has been drawn down and $25m of Mines Rescue Pty Limited's Class B shares have been issued.

Note 36: Events occurring after the statement of financial position date

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

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 37: Commitments

a) Capital commitments

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

	2014 $'000	2013 $'000
Investment properties	**775**	–
Within one year	**–**	–
	775	–

b) Lease commitments

	2014 $'000	2013 $'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	**1,220**	1,094
Later than one year but no later than five years	**3,040**	3,461
Later than five years	**–**	112
	4,260	4,667
Representing:		
Non-cancellable operating leases	**4,260**	4,667

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

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

	2014 $'000	2013 $'000
Net profit for the year	**29,077**	531
Depreciation and amortisation	**3,543**	3,704
Fair value gain/(loss) of property, plant and equipment and investment property	**1,305**	6,387
Impairment of plant and equipment	**1,160**	
Realised (gains)/losses on investments	**(606)**	(21,529)
Unrealised (gains)/loss on investments	**(11,986)**	(5,408)
Net loss on disposal of property, plant and equipment	**202**	9
Decrease/(increase) in trade receivables	**2,950**	732
Decrease/(increase) in inventories	**12**	91
Decrease/(increase) in other receivables	**(7,098)**	17,570
(Decrease)/increase in trade creditors	**6,391**	(858)
(Increase) in unearned revenue	**(1,736)**	(584)
(Decrease)/increase in other operating liabilities	**(4,506)**	(4,040)
Increase in claims provision	**7,363**	36,890
(Decrease)/increase in other provisions	**(973)**	(1,698)
Net cash inflow from operating activities	**25,098**	31,797

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 39: Financial instruments

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 or future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk comprises three types of risk; price risk (due to fluctuations in market prices), currency risk (due to fluctuations in foreign exchange rates) and interest risk (due to fluctuations in market interest rates).

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 the limits set by the Group. The potential impact of movements in the market value of securities on the Group's statement of comprehensive income and statement of financial position is shown in the table below.

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 at balance sheet date.

iii) Interest rate risk

Financial instruments with floating rate interest 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 and also it has an interest bearing loan to Mount Thorley Coal Loading Limited. At the reporting date the interest rate profile of the Group's interest bearing financial instruments was as follows:

	CARRYING AMOUNT	
	30 JUNE 2014 $'000	30 JUNE 2013 $'000
Financial assets		
Fixed rate instruments	**1,010**	54,029
Variable rate instruments	**284,158**	216,996

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 39: Financial instruments (continued)

a) Market risk (continued)

iv) Summarised sensitivity analysis

The following table summarises the sensitivity of the group's financial assets and financial liabilities to interest rate risk and other price risk.

	CARRYING AMOUNT $'000	INTEREST RATE RISK -1% PROFIT/EQUITY $'000	INTEREST RATE RISK +1% PROFIT/EQUITY $'000	OTHER PRICE RISK -10% PROFIT/EQUITY $'000	OTHER PRICE RISK +10% PROFIT/EQUITY $'000
2014					
Financial assets:					
Cash	**8,450**	**(85)**	**85**	**–**	**–**
Short term deposit	**–**	**–**	**–**	**–**	**–**
Trade and other receivables	**21,591**	**–**	**–**	**–**	**–**
Loan receivable	**1,010**	**–**	**–**	**–**	**–**
Australian bond trust units	**275,426**	**(2,754)**	**2,754**	**(27,543)**	**27,543**
Australian listed shares	**52,334**	**–**	**–**	**(5,233)**	**5,233**
Overseas equity trust units	**43,910**	**–**	**–**	**(4,391)**	**4,391**
Global infrastructure funds	**24,619**	**–**	**–**	**(2,462)**	**2,462**
Hedge funds	**26,673**	**–**	**–**	**(2,667)**	**2,667**
Australian cash funds	**8,732**	**(87)**	**87**	**–**	**–**
	462,745	**(2,926)**	**2,926**	**(42,290)**	**42,296**

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 39: Financial instruments (continued)

a) Market risk (continued)

iv) Summarised sensitivity analysis (continued)

	CARRYING AMOUNT $'000	INTEREST RATE RISK -1% PROFIT/EQUITY $'000	INTEREST RATE RISK +1% PROFIT/EQUITY $'000	OTHER PRICE RISK -10% PROFIT/EQUITY $'000	OTHER PRICE RISK +10% PROFIT/EQUITY $'000
2013					
Financial assets:					
Cash	6,385	(64)	64	–	–
Short term deposit	53,019	–	–	–	–
Trade and other receivables	73,126	–	–	–	–
Loan receivable	1,010	–	–	–	–
Australian bond trust units	185,851	(1,859)	1,859	(18,585)	18,585
Australian listed shares	45,707	–	–	(4,571)	4,571
Overseas equity trust units	6,623	–	–	(662)	662
Global infrastructure funds	20,599	–	–	(2,059)	2,059
Australian cash funds	31,145	(311)	311	–	–
	423,465	(2,234)	2,234	(25,877)	25,877

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 39: Financial instruments (continued)

b) Credit risk exposures

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.

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

The Group does not have any material exposure to an individual customer which would significantly impact the operating result other than those which have been identified in the current year as past due and have been impaired. The credit risk to trade customers is managed through the Group having a pre-determined credit policy on the granting of credit terms to an individual customer.

The Group's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial positions.

Ageing of the Company's trade and other receivables are:

	NOT YET DUE $'000	31-90 DAYS $'000	90+ DAYS $'000	TOTAL PAST DUE BUT NOT IMPAIRED $'000	PAST DUE AND IMPAIRED $'000	TOTAL $'000
2014						
Trade and other receivables	**17,175**	**954**	**3,462**	**4,416**	**3,912**	**25,503**
2013						
Trade and other receivables	70,904	1,806	415	2,221	2,804	75,929

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 39: Financial instruments (continued)

b) Credit risk exposures (continued)

The following tables provide information regarding the Group's aggregated credit risk exposure by classifying assets according to the S&P's credit rating for each counterparty. AAA is the highest possible rating. The company regularly reviews its credit risk exposure on the 'Not Rated' assets to ensure their credit worthiness. These 'Not Rated' assets are primarily units in unlisted trust/funds which have limits governing the allowable credit quality of the underlying investments in the funds.

	AAA $'000	AA $'000	A $'000	BBB $'000	NOT RATED $'000	TOTAL $'000
2014						
Cash and cash equivalent	**–**	**8,450**	**–**	**–**	**–**	**8,450**
Trade and other receivables	**–**	**–**	**–**	**–**	**21,591**	**21,591**
Short term deposit	**–**	**–**	**–**	**–**	**–**	**–**
Loan receivables	**–**	**–**	**–**	**–**	**1,010**	**1,010**
Australian bond trust units	**4,930**	**174,923**	**95,573**	**–**	**–**	**275,426**
Australian listed shares	**–**	**–**	**–**	**–**	**52,334**	**52,334**
Overseas equity trust units	**–**	**–**	**–**	**–**	**43,910**	**43,910**
Global infrastructure funds	**–**	**–**	**–**	**–**	**24,619**	**24,619**
Hedge funds					**26,673**	**26,673**
Australian cash funds	**–**	**8,732**	**–**	**–**	**–**	**8,732**
	4,930	**192,105**	**95,573**	**–**	**170,137**	**462,745**
2013						
Cash and cash equivalent	–	6,385	–	–	–	6,385
Trade and other receivables	–	–	–	–	73,126	73,126
Short term deposit	–	53,019	–	–	–	53,019
Loan receivables	–	–	–	–	1,010	1,010
Australian bond trust units	–	130,572	55,279	–	–	185,851
Australian listed shares	–	–	–	–	45,707	45,707
Overseas equity trust units	–	–	–	–	6,623	6,623
Global infrastructure funds	–	–	–	–	20,599	20,599
Australian cash funds	–	31,145	–	–	–	31,145
	–	221,121	55,279	–	147,065	423,465

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 39: Financial instruments (continued)

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.

Maturity profiles

The tables below summarise the maturity profile of the financial liabilities of the Company based on remaining undiscounted contractual obligations.

	UP TO A YEAR $'000	1-3 YEARS $'000	3-5 YEARS $'000	NO TERM $'000	TOTAL CONTRACTUAL CASH FLOWS $'000	CARRYING AMOUNT $'000
2014						
Financial liabilities:						
Miners Pension Fund Part 3 liability	**1,098**	**1,098**	**–**	**–**	**2,196**	**2,196**
Payable and accruals	**11,209**	**–**	**–**	**–**	**11,209**	**11,209**
Claims liability	**70,283**	**214,002**	**91,642**	**–**	**375,927**	**375,927**

Company based on remaining undiscounted contractual obligations.

	UP TO A YEAR $'000	1-3 YEARS $'000	3-5 YEARS $'000	NO TERM $'000	TOTAL CONTRACTUAL CASH FLOWS $'000	CARRYING AMOUNT $'000
2013						
Financial liabilities:						
Miners Pension Fund Part 3 liability	1,098	1,098	–	–	2,196	2,196
Payable and accruals	7,758	–	–	–	7,758	7,758
Claims liability	78,183	210,849	79,537	–	368,569	368,569

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 39: Financial instruments (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 credit market and liquidity risks. Operational risks in the Group relate mainly to those risks arising from a number of sources including legal compliance, business continuity, data infrastructure, outsourced services failures, fraud and employee errors.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses through implementation of controls, whilst avoiding procedures which inhibit innovation and creatively. These risks are managed through the implementation of policies and systems to monitor the likelihood of the events and minimise the impact. Systems of internal control are enhanced through the implementation of polices and systems to monitor the likelihood of the events and minimize the impact. Systems of internal control are enhanced through:

- the segregation of duties between employee duties and functions, including approval and processing duties
- documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behaviour
- implementation of the whistle blowing policies to promote a compliant culture and awareness of the duty to report exceptions by staff
- effective dispute resolution procedures to respond to employees complaints
- effective insurance arrangements to reduce the impact of losses and
- contingency plans for dealing with the loss of functionality of systems or premises or staff.

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

		30 JUNE 2014		30 JUNE 2013
	CARRYING AMOUNT $'000	FAIR VALUE $'000	CARRYING AMOUNT $'000	FAIR VALUE $'000
Assets carried at fair value				
Loan receivable	**1,010**	**1,010**	1,010	1,010
Australian bond trust units	**275,426**	**275,426**	185,851	185,851
Australian listed shares	**52,334**	**52,334**	45,707	45,707
Overseas equity trust units	**43,910**	**43,910**	6,623	6,623
Global infrastructure funds	**24,619**	**24,619**	20,599	20,599
Australian cash funds	**8,732**	**8,732**	31,145	31,145
Hedge funds	**26,673**	**26,673**	–	–
	432,704	**432,704**	290,935	290,935

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 39: Financial instruments (continued)

d) Operational risk (continued)

	30 JUNE 2014 CARRYING AMOUNT $'000	30 JUNE 2014 FAIR VALUE $'000	30 JUNE 2013 CARRYING AMOUNT $'000	30 JUNE 2013 FAIR VALUE $'000
Assets carried at amortised cost				
Cash	**8,450**	**8,450**	6,385	6,385
Trade and other receivables	**21,591**	**21,591**	73,126	73,126
Short term deposit	**–**	**–**	53,019	53,019
	30,041	**30,041**	132,529	132,529
Liabilities				
Trade and other payables	**11,209**	**11,209**	7,758	7,758
Miners Pension Fund Part 3 liability	**2,196**	**2,196**	2,196	2,196
Indemnity to the Trustees of Auscoal Superannuation Fund	**4,652**	**4,652**	5,625	5,625
Defined benefit superannuation scheme	**7,141**	**7,141**	8,309	8,309
Employee benefits	**12,178**	**12,178**	11,939	11,939
	37,376	**37,376**	35,828	35,828

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 39: Financial instruments (continued)

d) Operational risk (continued)

The table below analyses financial instruments, measured at the fair value at the end of the reporting period, by level in the fair value hierarchy into which the fair value measurement is categorised.

Fair value hierarchy

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

a) Level 1: quoted prices (unadjusted) in active markets for an identical instrument.

b) 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.

c) 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.

	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
30 June 2014				
Australian bond trust units	**275,426**	**–**	**–**	**275,426**
Australian listed shares	**52,334**	**–**	**–**	**52,334**
Overseas equity trust units	**43,910**	**–**	**–**	**43,910**
Global infrastructure funds	**24,619**	**–**	**–**	**24,619**
Australian cash funds	**8,732**	**–**	**–**	**8,732**
Hedge funds	**–**	**26,673**		**26,673**
Total	**405,021**	**26,673**	**–**	**431,694**
30 June 2013				
Australian bond trust units	185,851	–	–	185,851
Australian listed shares	45,707	–	–	45,707
Overseas equity trust units	6,623	–	–	6,623
Global infrastructure funds	20,599	–	–	20,599
Australian cash funds	31,145	–	–	31,145
Total	289,925	–		289,925

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 39: Financial instruments (continued)

d) Operational risk (continued)

There have been no reclassifications of financial assets throughout the year.

The following table shows the reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	2014 $'000	2013 $'000
Loan to Mount Thorley		
Balance at 1 July	**1,010**	1,010
Movement	**–**	–
Balance at 30 June	**1,010**	1,010

Note 40: Liability adequacy test

The Liability Adequacy Test (LAT) involves comparison of the unexpired risk reserve (i.e. the 2015 unclosed policies) with a prospective estimate of the future claims expense.

The compulsory nature of the cover provided by Coal Mines Insurance Pty Limited, to participants on the NSW coal mining industry, means that Coal Mines Insurance Pty Limited has no deferred acquisition costs.

A risk margin of 15% has been adopted to provide a 75% probability of adequacy for the premium liabilities. This is unchanged from the valuation conducted at 30 June 2014.

The 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 test undertaken as at the balance sheet date has identified a surplus.

Notes to the Financial Statements for the year ended 30 June 2014 (continued)

Note 41: Parent entity disclosures

As at and throughout the financial year ending 30 June 2014 the parent entity of the Group was Coal Services Pty Limited.

	2014 $'000	2013 $'000
Result of parent entity		
Profit for the year	21,091	4,161
Other comprehensive income	576	1,647
Total comprehensive income for the year	21,667	5,808
Financial position of parent entity at year end		
Current assets	448,929	415,567
Non-current assets	101,473	101,722
Total assets	550,402	517,289
Current liabilities	385,026	370,523
Non-current liabilities	12,213	15,270
Total liabilities	397,239	385,793
Total equity of parent entity comprising of:		
Share capital	–	–
Revaluation reserve	–	–
Retained earnings	153,163	131,496
Total equity	153,163	131,496

Coal Mines Insurance Pty Limited indemnity

The parent entity has indemnified Coal Mines Insurance Pty Limited a wholly owned subsidiary against all claims, payments, damages, costs, outgoings and liabilities arising from the workers compensation insurance scheme. There has been a net increase of $4.40m (2013: increase of $22.21m) for the year which has been debited to the statement of comprehensive income of Coal Services Pty Limited for the year. Notwithstanding that the provision for Coal Mines Insurance Pty Limited indemnity of $191m has been classified as a current liability, it is not expected to be settled within the next 12 months.

Note 42: Contingent liabilities

The Company had no contingent liabilities as at 30 June 2014.

Directors' declaration

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

the financial statements and notes, set out on pages 48 to 103, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of the Consolidated entity as at 30 June 2014 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*; and

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

Signed in accordance with a resolution of Directors.

W McAndrew
Director and Chairman

L Flemming
Managing Director/CEO

Sydney, 25 September 2014

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 statement of consolidated financial position as at 30 June 2014, and statement of consolidated profit and loss and other comprehensive income, statement of consolidated changes in equity and statement of consolidated cash flows for the year ended on that date, notes 1 to 41 comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the Group comprising the Company and the entities it controlled at the year's end 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 of the financial report that gives a true and fair view in accordance with *Australian Accounting Standards and the Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have 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 of the financial report that gives a true and fair view 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, a true and fair view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

Auditor's opinion

In our opinion:

(a) 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 Group's financial position as at 30 June 2014 and of their performance for the year ended on that date; and

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

KPMG

KPMG

Andrew Reeves

Partner

Sydney
25 September 2014

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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Coal Services

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