

Partnering with  
Industry as



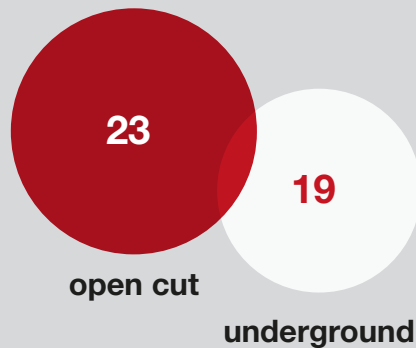
# Prevention Specialists





# Performance highlights

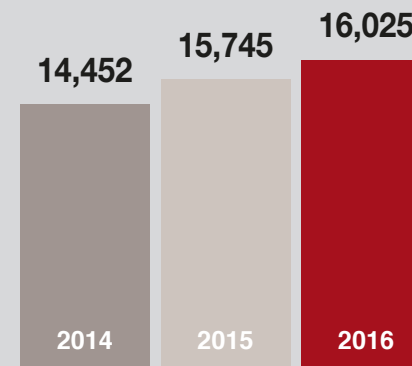
## Operating coal mines in NSW



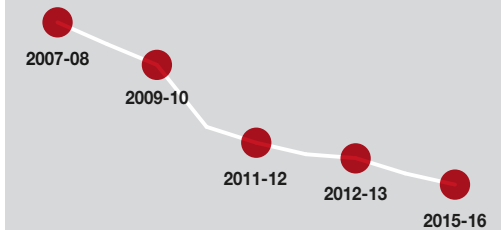
**5,984**

periodic health  
surveillance medicals  
to monitor and  
protect against  
occupational disease

## Attendance at Mines Rescue courses



## Claims frequency rate



**5.6%**

**4,058**

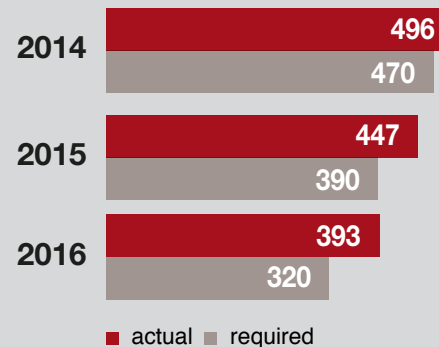
workers' breathing zones  
sampled for respirable and  
inhalable dust

**22**

dust suppression plans were  
approved under Order 40

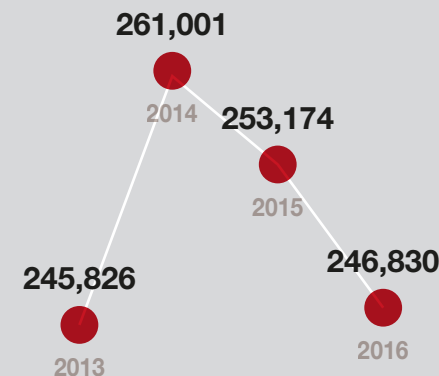
**1.3%**

reduction in respirable dust  
exceedances



Trained volunteer mines  
rescue brigadesmen

## Raw coal production '000 tonnes



**792**

EAR-fit tests performed  
in 2015–16. EAR-fit  
validation helps to  
ensure that PPE is  
correctly fitted to protect  
against noise exposure

# To protect workers and mining

Coal Services is an industry-owned organisation committed to providing critical services and expertise to the NSW coal mining industry.

We are a Specialised Health and Safety Scheme that provides an integrated suite of services aimed at preventing injury and illness in the workplace. These include occupational health and safety, workers compensation, mines rescue and training.

We work in collaboration with workers, employers, Government departments and other industry partners to help identify, assess, monitor and control many risks inherent in the NSW coal mining industry. Together, we work to protect the health and safety of those working in the industry through prevention, detection, enforcement and education.

We are jointly owned by two shareholders, the NSW Minerals Council and the Construction, Forestry, Mining and Energy Union (CFMEU). Our purpose, vision and values are aligned to focus on the safety and health of our industry and its workers.

Our purpose

**To protect**

Our vision

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





# Message from the Chairman and Managing Director/CEO

David Moulton and Lucy Flemming



**These results are a testament to the unwavering commitment of our industry.**

## Our industry

The Australian coal mining industry continued its journey of change in 2015-16. In NSW, the industry's fourth year of contraction closed with 42 coal mines operating throughout the state after three mines closed due to unfavourable market conditions. By 30 June 2016, workforce numbers had reduced by 6.7 per cent to 22,784.

For the first time in many years, both raw coal production and export tonnages of NSW coal declined. Raw coal production fell 2.5 per cent to 246.8 million tonnes. Demand for NSW coal remained strong, however; export shipments fell 1.9 per cent following 15 years of record growth.

2015-16 saw the re-emergence of coal workers pneumoconiosis within the Australian coal mining industry with several cases confirmed in Queensland. The return of this preventable disease has proven to be a potent reminder of the need to remain vigilant when it comes to health and safety. It has also given weight to investing in critical prevention strategies and activities designed to protect the workforce and ensure a productive industry.

This is at the heart of our unique collaborative industry model that is in place in NSW. The model unites all industry stakeholders to prevent, detect, enforce and educate about occupational disease and other issues and is the NSW coal industry's key to achieving health and safety success. Its stakeholder groups – workers, employers, community and government – can be proud of the results they have delivered.

## Our strategy

Our 2020 Strategy was launched in November 2014 as a long-term approach to building an organisation that is sustainable and fulfils our vision: to partner with industry for a safe workplace and a healthy workforce.

The implementation of our strategy is well underway. Over the last twelve months we have invested in initiatives designed to facilitate a more customer-focused and efficient business. We have also fostered new relationships with experts from within and outside of our industry to address key emerging issues in health and safety such as preventing dust disease and tackling obesity and its related health risks.

The performance of our industry Specialised Health and Safety Scheme, incorporating the collaborative industry model, is proof that our model works. The combination of strong legislation and regulation, appropriate ongoing measurement, and a focus on prevention, education and training, has delivered an exceptional safety record to the NSW coal mining industry.

This is validated by the industry's claims frequency rate which has improved year on year since Coal Services was formed in 2002. At 30 June 2016, the claims frequency rate sat at an industry low of 5.6 per cent. These results are a testament to the unwavering commitment of our industry, working together towards a common goal of zero harm.

# Message from the Chairman and Managing Director/CEO *continued*

David Moulton and Lucy Flemming

## Our business

We continued to feel the effects of the contracting industry with a reduction in service provision across many business units. Insurance premium reduced as a result of the decline in employment numbers. Claims payments have continued at higher levels due to increases in litigation and associated legal costs, as well as difficult employment conditions adding impediments to returning injured workers back to health and back to work. Despite these challenges, we have held the Scheme's target collection rate stable at 3.2 per cent for the fifth consecutive year.

The year also saw lower attendance numbers at statutory induction training and for periodic health surveillance medicals. In contrast, attendance at pre-placement medicals increased 13.8 per cent.

The program of works to support our 2020 Strategy is progressing well with several major projects either implemented or commenced during the year.

Our new enterprise resource management system, Unit 4, became operational in October 2015 and is now embedded as business as usual activity. It is the culmination of extensive process re-engineering and consolidation of multiple financial management programs. By reducing paperwork and improving back office productivity we are better equipped to reinvest focus on our customers.

Implementation of Coal Mines Insurance's premium system reforms was completed in June 2016 and followed widespread consultation and communication with key stakeholders from across the industry. The reforms will help to ensure the Scheme remains financially viable and sustainable so we are able to support employers and their workers if and when they need it.

Work on a number of customer-focused initiatives will continue over the coming year, including transformation of case management practice, systems to support CMTS and CS Health reporting, and a model for effective customer and stakeholder engagement. Through these we aim to deliver improved support for employers and injured workers, working to provide more sustainable return to work outcomes for injured workers and data and education on preventative opportunities to minimise injury across the workforce.

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**The program of works to support our 2020 Strategy is progressing well.**

# Message from the Chairman and Managing Director/CEO *continued*

David Moulton and Lucy Flemming

## Our relationships

Protecting the health and safety of the NSW coal industry is our core function. Yet we cannot successfully fulfil our purpose without the support of workers, employers and our relationships with other industry and community groups. We have been working hard to strengthen these relationships and while we have seen positive progress we acknowledge we still have some work to do.

The re-emergence of coal workers pneumoconiosis has allowed us to strengthen our direct relationships and reassure our customers and stakeholders. It has also reinforced our position as leaders in health and safety. Throughout the latter half of the year Coal Services was invited to contribute to numerous information sessions, lectures and industry conferences across NSW and Qld. These were designed to help industry understand the measures and risk mitigation strategies that are in place across NSW to protect workers and operators against dust disease.

We would like to thank the Hon. Anthony Roberts, Minister for Industry, Resources and Energy; Stephen Galilee, CEO of the NSW Minerals Council and Tony Maher, National President of the Construction, Forestry, Mining and Energy Union (CFMEU) for their support throughout the year.

## Our people

We welcomed two new Directors to the Board this year. Andrew Honeysett and Greg Sullivan were appointed as nominees from the CFMEU and the NSW Minerals Council; replacing Wayne McAndrew and Andrew McMahon who both retired at the end of last year. On behalf of the Board, we take this opportunity to thank and recognise Wayne's decades of service to the industry and his dedication to Coal Services.

At Coal Services we have a singular purpose, 'to protect'. This drives the passion and commitment of our people every day to ensure that everything we do helps to keep workers in our industry safe from harm. This commitment extends to providing support if they sustain an injury.

Thank you to our employees, management teams and the Board of Directors for your hard work and dedication throughout the year. Working together with our industry, we are continuing to make a difference.

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**Protecting the health and safety of the NSW coal industry is our core function.**

# People and Customers

## Our people

Our people are critical to achieving our vision. By ensuring our complementary talents and skills are aligned with our common purpose we can work together to create a top quality service for our customers.

Coal Services employees are committed to building a culture that can adapt to ongoing changes in our industry. We recognise that change must be led from above, and that our people feel supported throughout the process.

## Our diversity policy

Our 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.

We seek to add value to 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.

We also seek to build a safe work environment by taking action against inappropriate workplace behaviour that does not value diversity including discrimination, harassment, bullying, victimisation and vilification.

Coal Services values and 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 zero tolerance towards 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 that supports employees at all levels of the organisation who may have domestic responsibilities
- career development 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 our overall diversity policy, ensuring that women are represented in senior roles and on the Board.



**By ensuring our complementary talents and skills are aligned with our common purpose we can work together to create a top quality service for our customers.**



# People and Customers *continued*

## Workplace profile 2015-16 (as submitted to the Workplace Gender Equality Agency for the period to 31 March 2016)

WOMEN						MEN					TOTAL		
	Full time	Full time contract	Part time permanent	Part time contract	Casual	Full time	Full time contract	Part time permanent	Part time contract	Casual	Total	Women %	Men %
Managing Director/CEO	1										1	100	0
Key management personnel	1					4					5	20	80
Senior managers	9	1				10					20	50.00	50.00
Other managers	4					4		1	1		10	40.00	60.00
Professionals	65	3	38	4	5	61	3	3	2	1	185	62.16	37.84
Technicians and trade	1					23					24	4.17	95.83
Clerical and administrative	29	12	16	2	4	1					64	98.44	1.56
<b>Total</b>	<b>110</b>	<b>16</b>	<b>54</b>	<b>6</b>	<b>9</b>	<b>103</b>	<b>3</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>309</b>	<b>63.11</b>	<b>36.89</b>
Female Representation						Male Representation					Total	Women %	Men %
Board					1					6	7	14.29	85.71

Coal Services is required to report its workplace profile annually under the *Workplace Gender Equality Act (2012)*.  
Figures correct as at 31 March 2016. Total employment at 30 June is 314.

# People and Customers *continued*

## Work Health and Safety (WHS)

Our purpose 'to protect' is integral to all that we do. Coal Services is committed to safeguarding the health and safety of our employees and strives to improve WHS performance. This is achieved by consulting and communicating with all employees and gaining their involvement in the ownership of the Safety Management System.

We have five regional WHS committees and a central WHS committee to promote safety and health in the workplace. These consultation committees also assist in the review of WHS systems and incident trends, development and monitoring of safe work practices and systems, and discussion of issues that affect the health and safety of all employees. Health Safety Representative (HSR) training is provided to all committee members on an ongoing basis.

There were 11 elected HSRs for the period to 30 June 2016, 46 First Aiders and 52 Fire Wardens.

**235** employees  
attended WHS  
courses in 2015-16

## Positive WHS indicators

Our lead WHS indicators are the preventative measures that help to minimise the risk of injury or incident in the workplace. These include:

### Workplace inspections

The five regional committees conducted 29 workplace inspections across the business in 2015-16.

### WHS communications

14 WHS safety awareness messages were distributed to all employees throughout the year.

### WHS committee meetings

A total of 34 meetings were held across all six WHS committees.

### Employee WHS training

A total of 235 employees attended WHS courses during the year. WHS training is compulsory for all employees when they join Coal Services and they must attend a refresher course every two years thereafter. One of the largest risks to Coal Services employees is the high level of travel done on roads. Coal Services partners with the NRMA to deliver a low risk driver training course designed to provide a greater awareness of, and skills to reduce, driving risk. This training received a 100 per cent endorsement from the 91 participants who completed the course during the year.



Coal Services also offers employees the opportunity to complete an accredited First Aid course and Health Safety Representative course through Mines Rescue.

### Lost time injury frequency rate

Coal Services' lost time injury frequency rate for 2015-16 was 5.6. This was due to three lost-time injuries recorded during the year. In each case, all worked through a rehabilitation program and successfully returned to work in a short timeframe.

# People and Customers *continued*

## Optimising capability and performance

Coal Services provides a suite of learning and development programs to equip employees with increased skills and knowledge to perform their duties.

### On-boarding and compliance modules

42 new employees attended the induction welcome day in 2015-16. Upon joining the Coal Services team, new employees attend the welcome day as part of the 'New Starter Program' designed to articulate company culture and introduce basic company information, policies and procedures.

Other modules in the compliance suite include privacy, WHS, zero tolerance, drug and alcohol awareness, complaints handling and customer feedback. These modules must be completed by all new employees and refresher modules are undertaken by the broader business as required.

### Leadership capability

The Leadership Capability Program is designed to improve leadership and management capability. It provides leaders with the skills and knowledge to carry out effective leadership throughout all stages of the employment life cycle. In 2016 Coal Services introduced a 360 degree feedback process for 30 leaders across the business. The feedback is used to drive succession planning and to design a bespoke leadership development plan for 2016-17 to ensure the senior leadership of Coal Services has the skillset required to deliver our 2020 strategic goals.

## Stakeholder engagement framework

Our primary focus is to protect the health and wellbeing of the NSW coal industry: its workers and employers. Through these relationships we are also intrinsically linked to the wider communities in which we operate and our relationships with NSW Government agencies and other third parties.

We work together with workers and employers to achieve healthy, safe and productive workplaces. Regular consultation on key initiatives, attending industry conferences and trade exhibits, conducting information sessions and training days, and regular communications are just some of the ways in which we engage our stakeholders. Engagement is monitored through direct contact, customer satisfaction surveys and other research and also provides the means to identify emerging industry issues and areas for improvement.

We have also developed strong working relationships, and liaise regularly, with relevant levels of government to help influence and drive initiatives that promote the health and welfare of workers. Our ongoing relationship with 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, enables us to be a voice for the industry and its workers.

During the year, Coal Services adopted a Stakeholder Engagement Framework. This framework represents our ongoing commitment to work effectively with our stakeholders, learning from past stakeholder engagement experiences and continue to improve performance. The framework is under development and currently focuses on implementation at the Board and Executive level. Reporting measures for the framework will develop over time.

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**Our relationships enable us to be a voice for the industry and its workers.**

# Community Events and Sponsorships

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

These sponsorships and community partnerships aim to:

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

Our purpose, vision and values have the central theme of protecting the health and wellbeing of the NSW coal mining industry and its workers. This includes giving back to mining communities and extending support to local initiatives and events.

## Sparke Helmore NBN Triathlon 2016

In 2016, Coal Services continued its proud sponsorship of Newcastle's Sparke Helmore NBN Triathlon, with eight Coal Services employees participating in the March event.

The triathlon is one of the largest held in NSW and raises much-needed funds for the Hunter Medical Research Institute (HMRI), which delivers community health outcomes in the Hunter region and beyond.

The mining industry shows strong support for this event every year. The perpetual 'Coal Services Cup' for the best performing mining team in the corporate event was awarded to Moly-Corp Team 1.

## Westpac Rescue Helicopter Service

In October, Coal Services formally renewed our agreement with the Westpac Rescue Helicopter Service (the Service) extending our long-term support for the Service for another five years. Our corporate sponsorship embodies our commitment to giving back to the industry, families and communities in which we operate where safeguarding their health, wellbeing and welfare is important. Now in its 40th year, the Service performs around 1,000 life-saving missions each year and relies on corporate sponsorships and community fundraising to do this. Our renewed agreement is even more important as in 2017 the Service will become one of only two aeromedical providers in NSW to assist the people of northern NSW.





## Community Events and Sponsorships *continued*



### Newcastle Knights 'Voice for Mining Family Day'

Coal Services participated in the fourth annual 'Voice for Mining Family Day'; held on Saturday, 10 April 2016 at the Newcastle Knights home game. The Hunter's coal miners share a strong connection with the Knights, with many past players and relatives of current players working in the region's mining industry. The event is a joint initiative between the NSW Minerals Council and the Knights to recognise the contribution that coal mining makes to the Hunter region. It also provides a chance for miners, their families and the local community to show their support for the women and men that make up our local mining industry.

### Community Open Days

Open days provide the opportunity for us to work together with our customers to demonstrate a range of mining-related activities for the community and other local businesses. Coal Services participated at Glencore Bulga's community day event in November 2015. The event provided a platform to showcase the health and rescue services we deliver to protect the NSW coal industry and its workers.

### Hunter Coal Festival

The second annual Hunter Coal Festival was staged in Singleton in April 2016. The week-long event, owned and managed by the Singleton Business Chamber working in conjunction with the Muswellbrook and Newcastle Business Chambers, Singleton Council and Muswellbrook Council, aims to promote co-existence between the mining industry and local community.

The Festival demonstrated the strong connection between mining and community in our regional areas. Over 5,000 people participated in events that included a trade show, community day and street parade and industry-focused seminars.

Coal Services was proud to sponsor and contribute to the many Hunter Coal Festival events to reinforce the role of health and safety in industry.

Coal Services engaged former St George Dragons champion footballer turned mental health ambassador, Dan Hunt, to deliver a series of talks on mental health at local mine sites between Newcastle and Mudgee.

An emergency simulation showcased how Mines Rescue, brigadesmen and local emergency response functions coordinate their efforts to provide assistance in the event of a serious incident.

### Roof bolting and coal shovelling titles

The roof bolting and coal shovelling challenge has been a major attraction to the Blackheath Rhododendron Festival for many years. Coal Services has long supported this annual event in support of showcasing mining-related tasks to the community. Teams from across NSW, Queensland and Tasmania competed at the 2015 Australian Roof Bolting and Coal Shovelling Titles in November.

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**Coal Services was proud to sponsor and contribute to the many Hunter Coal Festival events to reinforce the role of health and safety in industry.**

## Community Events and Sponsorships *continued*



### Westpac Rescue Helicopter Service Cycle Classic

In March, Coal Services signed up as a major sponsor of the Westpac Rescue Helicopter Service 2016 Cycle Classic. The gruelling mountain bike ride saw participants travel 350km through national parks and scenic terrain spanning Bulahdelah, Gloucester and Dungog to raise funds for the vital service. We look forward to continuing our support of this event in years to come, as part of our sponsorship agreement with the Service.

### Making a Difference

In addition to the corporate-funded events that Coal Services supports throughout the year, at a regional level Coal Services employees have helped to make a difference through a number of initiatives. These include:

- Raising funds to support 'Birthday in a Bag' and 'Homeless Packs'
- Participating in Australia's biggest morning tea in aid of cancer research

- Combating high stress levels and raising funds to support Lifeline's suicide prevention services through 'Stress Down Day'
- The MS Sydney to the Gong Ride to raise money to support people with multiple sclerosis (MS).

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**In addition to the corporate-funded events that Coal Services supports throughout the year, at a regional level Coal Services employees have helped to make a difference through a number of initiatives.**

# Caring for the Environment

Coal Services is committed to minimising our environmental footprint and reducing energy use across our ten sites.

Our environmental policy includes a commitment to the following goals:

- Targeting zero environmental incidents (achieving nil reportable incidents in 2015-16)
- Compliance with AS/NZS ISO 14001 Environmental Management Systems
- Consulting and communicating with all workers (employees, contractors and visitors) in Coal Services environmental standards
- Work closely with our clients, suppliers and other stakeholders to ensure they are aligned to the Coal Services Environmental Policy
- A commitment to continuously improving the areas of energy efficiency and recycling.

Coal Services has developed several policies and programs to help us meet or exceed regulatory and community standards. We have also implemented practices that help us to conduct our business in an environmentally-friendly manner such as:

- Use of energy-efficient lighting, including electronic sensors, wherever possible across Coal Services premises
- Reducing paper usage through limiting printer usage, applying electronic document scanning and storage and increased use of online materials. For example, during the year Coal Mines Insurance moved to electronic documentation for policyholders and in June all renewals for the 2016-17 policy year were distributed via email. The renewal packs included an interactive annual wages declaration enabling policyholders to complete and return the documents using desktop applications
- Utilising fuel and environmentally efficient motor vehicles and encouraging car-pooling where possible
- Utilising video conferencing and teleconferencing to reduce the need to travel for meetings
- Provision of recycling bins for plastics, paper and printer cartridges

- Recycling of obsolete I.T. equipment
- Having a Smoke Free Workplace Policy across all Coal Services sites to eliminate cigarette smoke and rubbish pollution
- Turning off computers at end-of-day
- Implementing and monitoring an Environmental Management System (EMS) at each Mines Rescue Station
- Monitoring, storing and treating trade wastewater at each Mines Rescue Station
- Employees displaying environmental awareness when out on worksites.

Coal Services will continue to monitor these initiatives and implement strategies to reduce our environmental footprint.

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**We have also implemented practices that help us to conduct our business in an environmentally-friendly manner.**



# Specialised Health and Safety Scheme





# Workers Compensation



Coal Mines Insurance (CMI) is responsible for providing workers compensation insurance to the NSW coal mining industry and administers the Coal Mines Insurance Workers Compensation Scheme (the Scheme).

## Workers exposed to risk vs. claims frequency rate

Workers exposed to risk

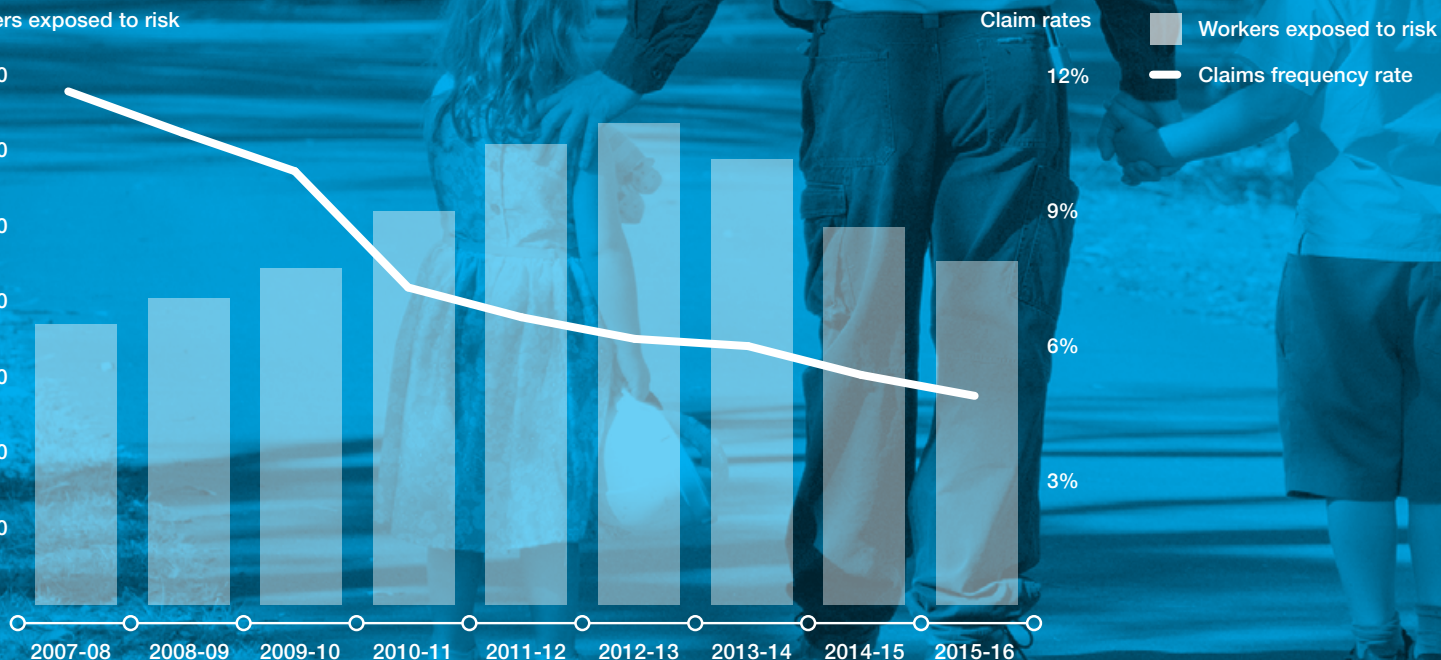
35,000  
30,000  
25,000  
20,000  
15,000  
10,000  
5,000

2007-08 2008-09 2009-10 2010-11 2011-12 2012-13 2013-14 2014-15 2015-16

Claim rates

12%  
9%  
6%  
3%

Workers exposed to risk  
Claims frequency rate



# Workers Compensation



## The Coal Mines Insurance Scheme

The Scheme provides protection to workers and their employers in the event of a work-related injury or disease. The Scheme is funded by the insurance premiums paid by employers. In the unfortunate event where workers are injured we ensure workers receive the assistance, support and treatment they need to return to work.

Premiums fund financial and medical support to injured workers to return them to work and also cover the costs of dispute management and administration. While financial compensation is an important part of our workers compensation scheme, the primary aim is to enhance workplace health and safety by preventing incidents and fatalities. Under the Scheme, insurance premiums also subsidise industry-specific preventative measures such as Orders 34, 40, 41 and 42.

### Premium profile

During the reporting period CMI provided workers compensation insurance for 753 policyholders; including 101 new policies. At 30 June 2016, the Scheme protected 22,784 exposed to risk employees; down 6.7 per cent from 24,437 in 2014-15.

In line with the contracting workforce, assessable wages for 2015-16 fell to \$3.1 billion compared to the previous year of \$3.4 billion. The fall in wages resulted in a reduced premium pool for the year of \$101 million.

### Target premium performance

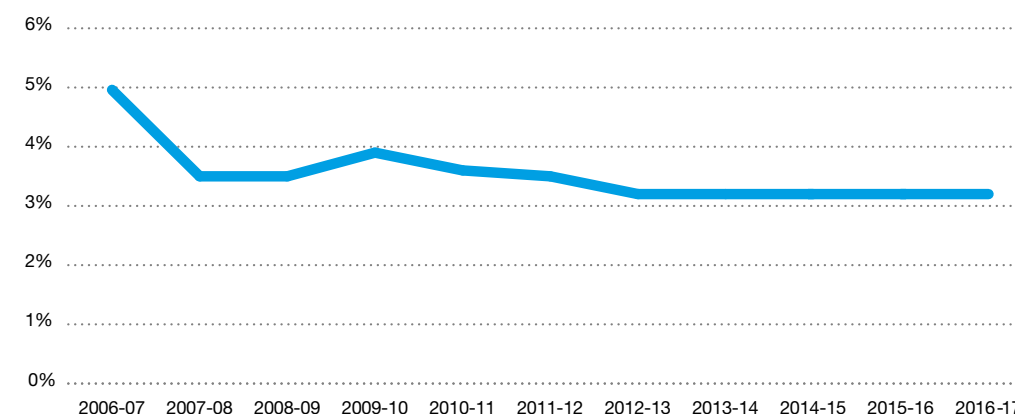
CMI obtains independent actuarial advice each year on outstanding claims liabilities and the premium pool required for the coming financial year. It is based on collecting the necessary funds to pay for policy and claims services for employers and workers as well as necessary statutory services.

The premium pool is determined by a number of factors, including the Target Premium Collection Rate (TPCR). Premium collected is the key source of funding, together with investment earnings, to provide for claims costs and associated expenses emerging from each year of employer coverage provided by the Scheme.

The TPCR for a policy year represents the proposed premium to be collected over all insured employers, expressed as a percentage of covered wages. Despite the reduced assessable wages pool the target premium collection rate was maintained at 3.2 per cent for the fourth consecutive year and will remain unchanged for the 2016-17 policy year.

Working with our coal partners to improve injury prevention and injury management practices has contributed towards the stable premium level in recent years.

### Target premium collection rates



When Coal Services commenced in 2001, the Target Premium Collection Rate was 11.52 per cent. Since then there has been 72.2 per cent reduction in the target premium collection rate.

# Workers Compensation *continued*



## New premium system

CMI is committed to continuous improvement to deliver best practice workers compensation insurance and claim and injury management services that provide an overall benefit to the NSW coal industry.

As part of this commitment, CMI implemented a new premium system during 2015-16 for the 2016-17 policy year. This followed an extensive review and consultation process with policyholder groups and other stakeholders.

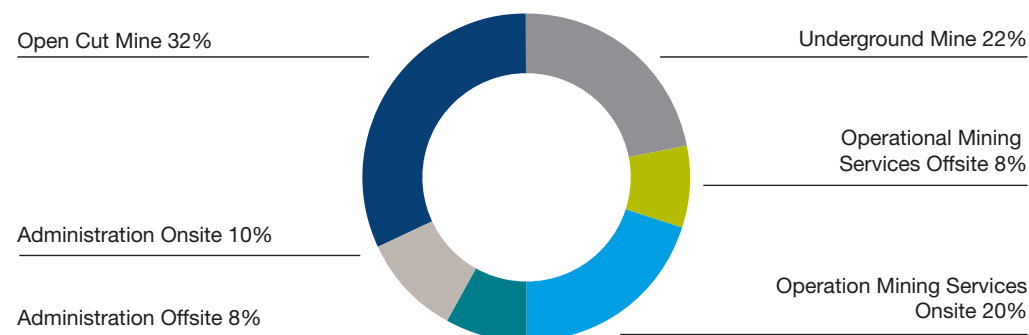
The objective is to ensure the CMI Scheme's premium system is fair, equitable, and responsive to different levels of risk and claims experience across the industry. The new premium system will also help ensure the Scheme remains financially viable and sustainable.

Four new policy risk categories were introduced as part of the new premium system to better reflect the specific risk exposures associated with different activities undertaken across the industry. The primary categories of risk are Open Cut, Underground, Operational Mining Services and Administration. There are also two sub-categories for Operational Mining Services and Administration; being for Offsite and Onsite services.

The new premium system no longer provides separate risk category rates for contractors, labour hire and consultants as most insured persons are likely to be working in one of the aforementioned categories.

Information concerning the changes was distributed to policyholders prior to the commencement of the 2016-17 policy year. This included explanations on how the new system would affect premium, new premium rate calculations and annual renewal packs.

## Distribution of CMI policies according to the new policy risk categories



**New risk categories were introduced as part of the new premium system to better reflect specific risk exposures.**

# Workers Compensation *continued*

## Wages pool and premium pool

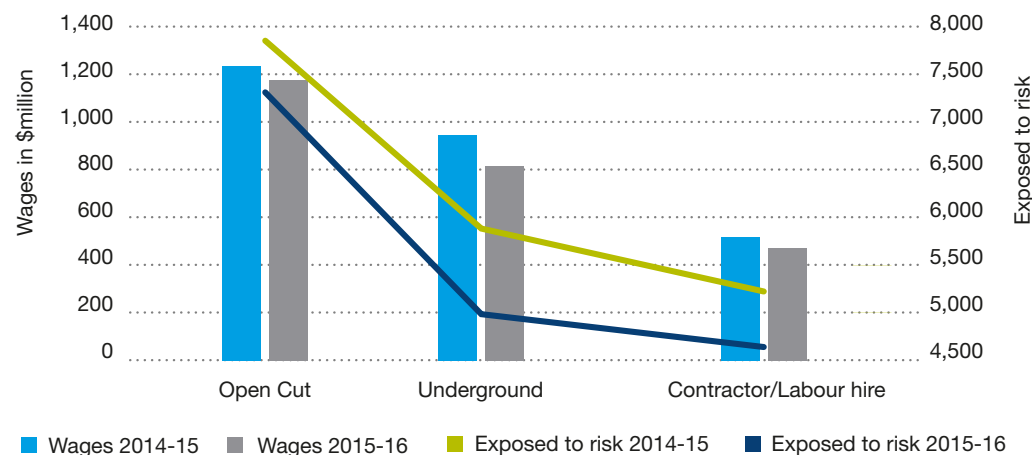
The introduction of the new premium system, and in particular the new policy risk categories, will ensure better classification of policies' assessable wages based on their predominant activity. This resulted in movement across policy risk categories between the actual assessable wages for 2015-16 and the projected 2016-17 assessable wages.

The forecast wages for the 2016-17 year of \$2.8 billion compared to the \$3.1 billion actual wages for the 2015-16 period suggest a further 10 per cent reduction in wages across the coal mining sector which is reflected in the projected premium pool.

## Wages analysis

Full-time employment continued to decline from the peak of previous years with the majority of job losses coming from underground production. In 2014-15 there was a 19 per cent reduction in the number of underground workers and a further 16 per cent reduction in 2015-16. There was also a change in Contractor and Labour Hire employment where the exposed to risk number decreased by 10 per cent from the previous year.

### Wages analysis 2014-15 vs. 2015-16



## Claims services

CMI aims to ensure all notifications and claims are managed to an appropriate outcome through a focus on early initial assessment, case management, relevant return to work initiatives and meeting the requirements of applicable legislation.

The claims frequency rate for the year ended 30 June 2016 was 5.6 per cent. Just over a decade ago, 1 in 4 workers sustained a workplace injury. The claims frequency rate has consistently declined since that time to less than 1 in 17 workers – a reduction of 78 per cent.

There was an 11.2 per cent reduction in the number of new claims received by CMI in 2015-16 compared to the previous financial year. Significant injury claims accounted for 58.7 per cent of the 1,279 new claims received during the year; an increase of 5.3 per cent. Significant injury claims are where the worker is likely to be incapacitated for a period of seven days or more.



# Workers Compensation *continued*



## Claims management

The complexity or seriousness of the claims also increased, presenting greater strategic challenges for the CMI Case Manager in restoring the injured worker to health and work readiness. For example, the number of new claims where psychological factors have been identified as secondary to the primary injury has been increasing over the last 18 months and may be a contributor to weekly benefits extending beyond traditional return to work timeframes.

This is shown by the deterioration in the number of claims that have been finalised within the first 26 weeks.

Injury Management Specialists (IMS) are located in each office to work closely with Case Managers to assist in the management of these claims. IMS have particular skills in working with doctors and psychologists and, with their industry experience, are able to guide discussions and decisions around return to work in and around a coal mine.

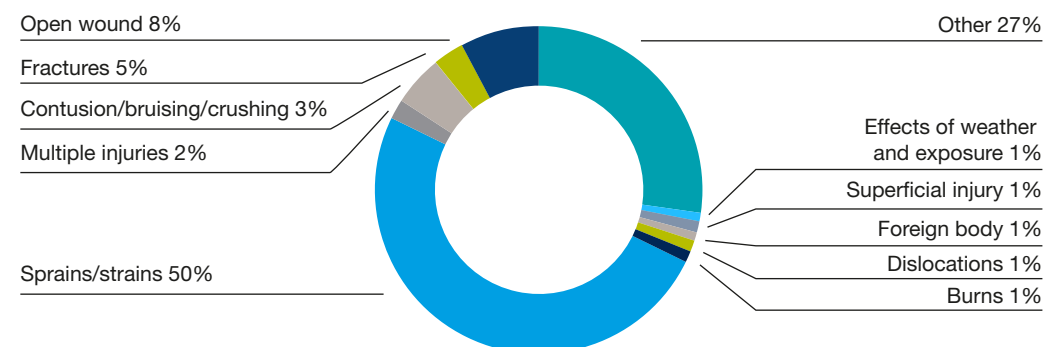
	2011-12	2012-13	2013-14	2014-15	2015-16
All claims reported during the year	2,068	2,029	1,823	1,441	1,279
Significant injury claims reported	1,211	1,104	1,022	714	748
Current, open claims at start of each year	1,417	1,758	2,133	2,207	1,682
Claims finalised within 26 weeks – Significant Injury	81%	84%	81%	80%	77%

## Injury trends and profiles

### Nature of injury

Sprains and strains remained the most commonly-incurred injury in 2015-16, accounting for 635 claims of all claims received. Of these, 471 (74 per cent) were significant injury claims; an increase of 25.6 per cent compared to the previous year.

### Nature of injury (all claims received in 2015-16)



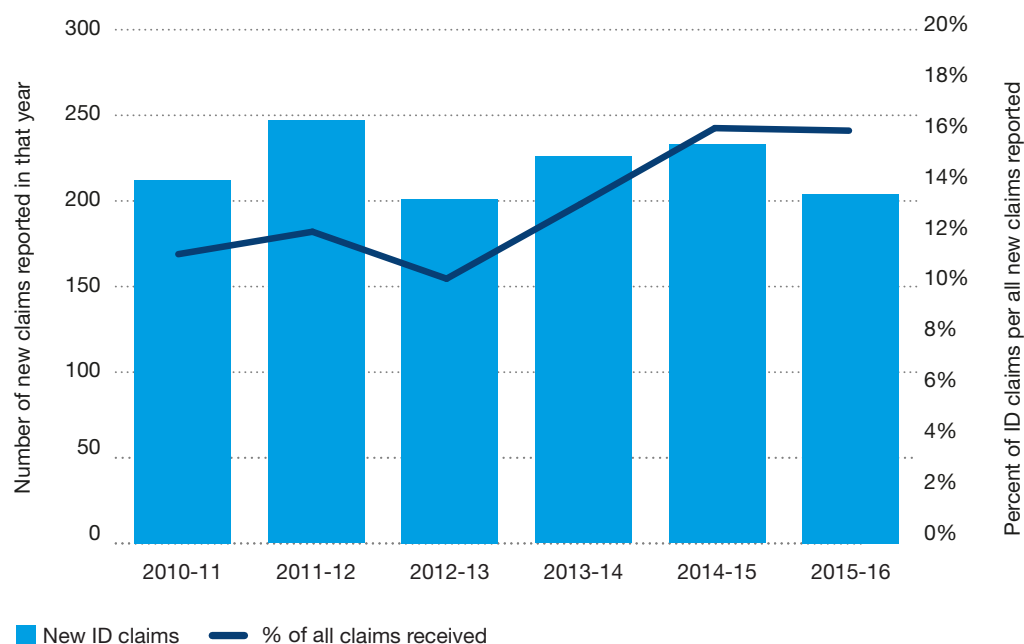
# Workers Compensation *continued*



## Industrial deafness claims

Industrial deafness (ID) claims have remained steady for the last two years and represented 16 per cent of all new claims received in 2015-16. The average cost per ID claim has increased 39 per cent since 2010-11 to \$8,930. Factors contributing to this increase include technological advances and development of digital devices and the rising costs of hearing appliances over time.

### Industrial deafness claims reported



Not all industrial deafness claims received by CMI will reach the required 6 per cent binaural hearing loss threshold that would lead to a compensable payment. On average, only 40 per cent of the ID claims have achieved the required loss threshold.

## Psychological injury claims

Claims for psychological injury during 2015-16 accounted for approximately 2.3 per cent of all new claims in the Scheme yet, on average, incurred a considerably higher claims cost. This growing cohort of claims continues to be a priority area for CMI.

Year that the claim was reported	Average incurred cost per psychological injury claim	Average incurred cost per all other significant injury claims
2015-16	\$75,932	\$23,288
2014-15	\$124,612	\$43,604
2013-14	\$126,997	\$49,137

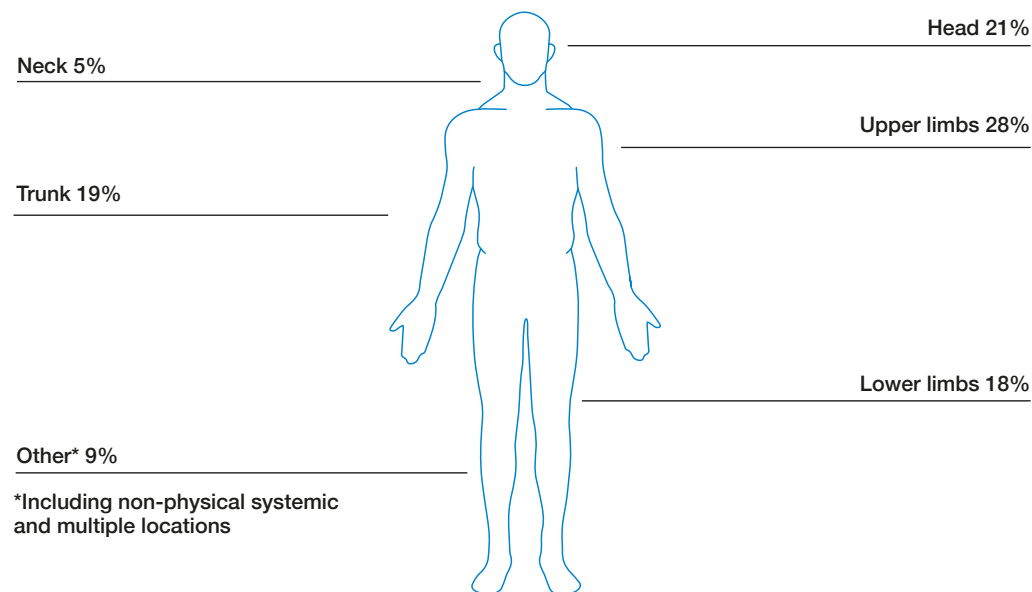
This table presents a comparison of the cost to manage a psychological injury claim compared to the average cost of all other significant injury claim types. These costs are developed (in terms of their total cost since their date of injury) and have been measured as at 30 June 2016.

# Workers Compensation *continued*



## Location of injury

The body map shows the parts of the body affected for all claims received during 2015-16.



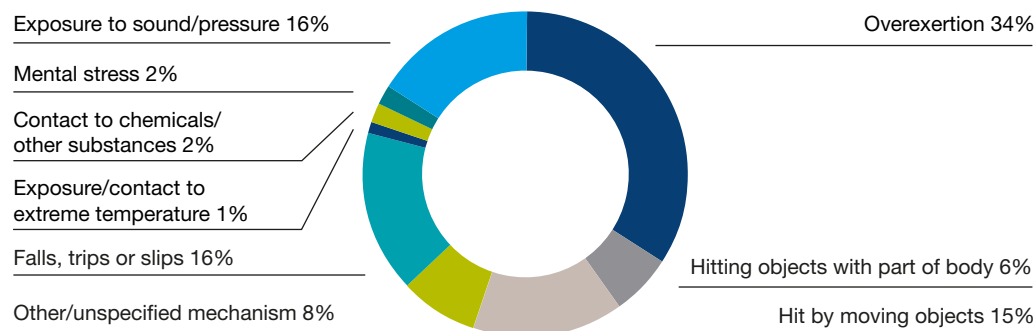
\*Including non-physical systemic and multiple locations

## Mechanism of injury

The mechanism of injury is best described as the circumstance in which an injury occurs, for example, sudden deceleration, wounding by a projectile, or crushing by a heavy object. The mechanism of injury helps the doctor and/or the allied health professional to understand what mechanical forces may have been in play to cause the injury and therefore assist in the diagnosis of the injury. This information gives an indication as to the potential injury recovery timeframes and also guides the most appropriate treatment. This information also assists the employer to better understand risks within their workplace that need to be addressed or mitigated.

In reviewing the range of potential mechanisms of injury it was found that overexertion, slips/trips/falls, and being hit by moving objects are three of the largest risks in the workplace to cause injury. These factors can all be managed through safe, effective work practices.

### Mechanism of injury (all claims received in 2015-16)



# Workers Compensation *continued*



## Claims costs and payments

In 2015-16, the net total payment for all CMI claims was \$79.5 million. This represents a 0.9 per cent increase over the \$78.8 million paid in 2014-15 which was due, in part, to increased medical costs, legal costs and industrial deafness payments. The future claims liability was negatively affected by the economic factors. As a consequence, the Scheme actuaries have strengthened the outstanding claims provision by \$8 million to \$384 million.

## Other CMI Initiatives

### Helping industry engage apprentices

A Skills Incentive Scheme was launched during the 2015-16 policy year. This scheme is designed to encourage employers in the NSW coal mining industry to take on apprentices by providing an incentive payment of \$2,000 per eligible apprentice at the end of a policy period and on receipt of actual wage declarations. The first payments will be made after 30 June 2016 for the 2015-16 policy year for an estimated 400 apprentices.

### One Vision, One Team

CMI commenced an initiative called 'One Vision, One Team' which aims to provide customers with consistent, quality customer service. By increasing collaboration between the insurance services and claims offices, the teams are better equipped to understand and respond to customer enquiries in an informed and timely manner.

## Improving systems and processes

- From mid-2015, customers were encouraged to complete and return their monthly wages declarations as soon as data was available, rather than waiting until the 15th of each month (the deadline for submissions). Processing the monthly returns prior to the 15th of the month enabled premiums to be allocated in a timely manner and alleviate any delays with reconciliations. For the first time, all monthly wages were submitted prior to the end of the financial year due date.
- In June 2016, all policy renewals for the 2016-17 policy year were emailed to policyholders, providing savings in time and production costs. The renewal packs included an interactive annual wages declaration enabling policyholders to complete and return the documents using desktop applications.

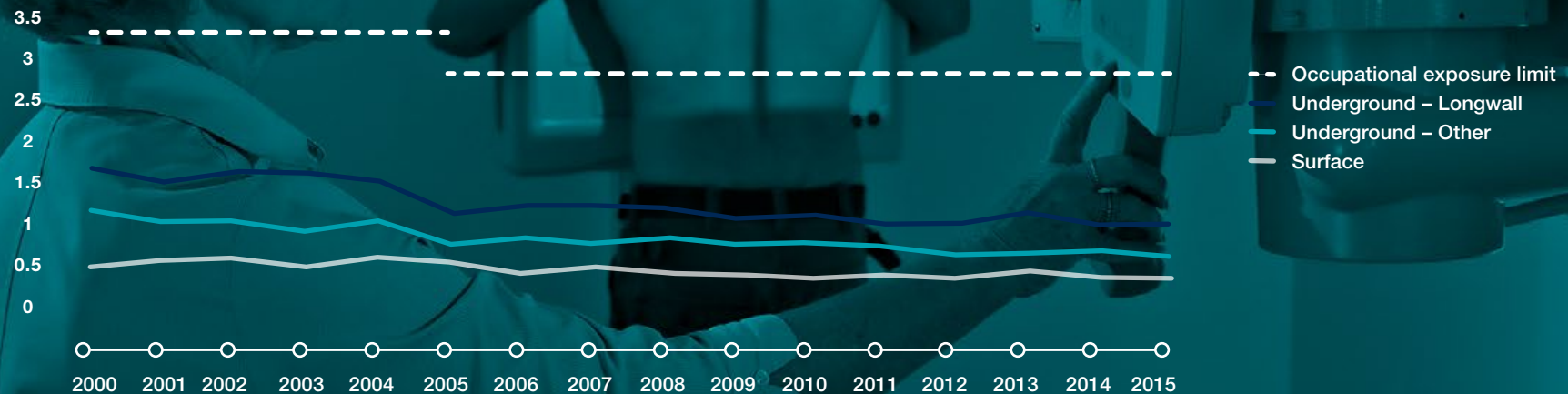


# Health and Hygiene



Coal Services is in a unique position to collect, analyse and report on workplace health risk data across the NSW coal industry. This information is reviewed on a regular basis to monitor and identify emerging trends and areas requiring focus, enabling Coal Services to partner with industry to help minimise health and safety risks.

Respirable dust exposure profile (mean) trends NSW coal



# CS Health



CS Health provides a range of workplace health services to protect workers in the NSW coal industry. These essential services focus on prevention, monitoring and early detection of occupational illness.

When injury or illness does occur, our treatment and rehabilitation services can help workers to recover and have a safe and durable return to work in the best possible timeframe.

## NSW Coal Order 41: monitoring health

Order 41 requires employers of coal mine workers and operators of coal operations in NSW to ensure their workers undergo pre-placement medicals and periodic health surveillance medicals.

Pre-placement medical results are used by employers to ensure that applicants for roles are able to perform the inherent physical requirements of the proposed role safely, as well as ensuring that no underlying medical conditions exist that may impact on a worker's safety in the workplace. Pre-placement medical assessments are also vital to provide baseline health measures for ongoing health surveillance.

Despite the coal industry experiencing its fourth consecutive year of contraction, attendance at CS Health pre-placement medicals increased 13.8 per cent to 3,790 in 2015-16.

Periodic health surveillance is used to monitor workers for any adverse health effects as a result of hazardous exposure in the workplace. As some occupational illnesses take many years to develop, regular health surveillance allows for early detection and intervention with the goal of ensuring that a worker can continue to work safely and maintain their wellbeing.

# 13.8%

## Increase in attendance at pre-placement medicals

In contrast to the rise in pre-placement medicals, periodic health surveillance attendance numbers dropped 9.5 per cent to 5,984. This decrease reflects the cyclical nature of periodic medical assessments, as well as lower total workforce numbers.

Under Order 41, coal workers must also attend a periodic chest x-ray to assist in detecting any abnormalities of the lungs or heart that may require further assessment. X-ray facilities are located at our CS Health offices in Singleton and Lithgow where 2,355 chest x-rays were performed in 2015-16. A further 969 chest x-rays were carried out by external Radiology Practices for the Mudgee, Speers Point and Woonona offices.

# CS Health *continued*



## Industry health and wellbeing

Data collected through pre-placement and periodic health surveillance medicals shows the industry's workforce increasingly displays the physical characteristics associated with obesity and related lifestyle diseases. Age, fatigue and stress are also factors demanding focus due to their health and safety implications.

CS Health's data has been the foundation for a number of projects and initiatives designed to reduce the impact of these issues and demonstrate effective collaboration with industry.

### Obesity Blueprint

More than 80 per cent of the NSW coal mining workforce is classified as overweight or obese. Medical studies show that being overweight can lead to high cholesterol and blood pressure, cardiovascular disease, diabetes and some cancers. There is also increased risk of musculoskeletal injury.

An initiative of the NSW Minerals Council, the *Blueprint for the Management of Overweight and Obesity in the NSW Mining Industry* is the result of collaboration between industry and health professionals, including CS Health, to provide an industry-wide framework to promote effective weight management. This Blueprint identifies key directions for the industry and recommends evidence-based strategies to reduce and prevent obesity by promoting good health and wellbeing, improving the capacity of the industry response, encouraging a

culture that challenges the normalisation of obesity, and providing support systems and strategies to reduce levels of obesity.

### Working with industry to reduce injuries

Work-related musculoskeletal disorders (WMDs) are the most common injury across the industry, and these are generally associated with manual handling issues. CS Health reviewed injury trends and health data and determined that possible risk factors for WMDs included biological, psychosocial and environmental and workplace organisational factors.

In 2015, CS Health commenced a study with the aim of using this information to identify trends and risk factors as predictors of musculoskeletal injury by adding musculoskeletal screening to the standard periodic health surveillance medical. It was intended that the findings would allow for a targeted intervention to be designed to reduce the occurrence of WMD injury.

A sample of 138 workers from a single mine site were assessed during the study. Early results arising from the musculoskeletal screening and other assessments showed reduced performance relating to leg and upper limb restrictions. This may indicate that interventions designed to improve upper and lower limb strength and balance could contribute to injury prevention in the future.

Results are being collated and are due to be released late 2016.

### University of Newcastle task rotation study

CS Health and Centennial Coal entered into a pilot study by the University of Newcastle to investigate whether task rotation in underground mines can help to reduce injuries. This was based on evidence that task rotation had been found to be an effective intervention in the reduction of musculoskeletal injuries and fatigue; however there was no research into its application in coal mining.

The pilot study found that task rotation improved psychological and environmental domains of quality of life and qualitative results indicated that the intervention was viewed positively by crew and management. The pilot also demonstrated that a three-segment rotation schedule is feasible and practical within the confines of a dynamic coal mining environment.

A further twelve-month study was commissioned on completion of the pilot to provide data and insights that align daily work tasks with appropriate interventions; one of which may be task rotation to minimise the risk of injury. The study commenced in May 2016 with results expected to be released mid-2017.

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**Interventions designed to improve limb strength and balance could contribute to injury prevention in the future.**

# CS Health *continued*



## Other workplace health services

### Other medicals

In addition to statutory health surveillance, CS Health performs a number of workplace medicals to support the health and safety of workers in coal mining and other industries.

Site access medicals are usually requested for contractors to meet specific site requirements. CS Health performed 2,474 site access medicals during the year.

1,061 pre-placement medicals were performed during the year for workers not directly employed within the coal industry.

Mines Rescue and Emergency Response Team medicals are used to determine whether or not rescue personnel have the required level of fitness to perform these specialist activities. CS Health completed 296 Mines Rescue medicals in 2015-16.



### Personal Protective Equipment FIT-testing

Testing of personal protective equipment (PPE) is an essential component to protect against exposure to workplace hazards such as noise, dust, gas and fumes.

Noise-induced hearing loss continues to be an issue for the NSW coal mining industry, with industrial deafness claims accounting for 16 per cent of all new claims received by Coal Mines Insurance in 2015-16. E-A-Rfit validation helps to ensure that PPE is correctly fitted to protect against excessive noise exposure. During the year CS Health performed 792 E-A-Rfit validations of hearing protection.

85 respiratory fit tests were also conducted during the year to safeguard against exposure to airborne dust, gas and fumes.

### Functional capacity evaluations

Functional capacity evaluations are generally conducted as part of the recruitment process or as part of a structured return to work program following injury to assess a worker's physical ability to perform tasks typical to their role. They may also help to identify focus areas for preventative strategies and education to reduce workplace injuries.

The number of functional capacity evaluations performed by CS Health increased 7 per cent to 1,856 in 2015-16.

### Drug and alcohol screening

The mining industry has an instilled safety focus with sites having strict drug and alcohol policies and procedures in place that prohibit the use of illegal substances. In 2015-16, CS Health collected 12,528 drug and alcohol screening samples.

These screening services assist employers in meeting their obligations under the Coal Mines Health and Safety Regulation to implement measures to eliminate or control risks from the consumption of alcohol or drugs in the workplace and ensure workers are fit for duty.

### Immunisations

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. 5,071 vaccines were administered throughout the year.



## CS Health *continued*



### 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.

NSW State Insurance Regulatory Authority (SIRA) audits for CS Health's rehabilitation services were completed across all regions returning a 98 per cent (Level 1) compliance rating.

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### The re-emergence in Queensland of black lung disease was a sobering reminder that vigilance must be maintained.

### Managing business improvement and risk

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.

In 2015-16 the Quality team was renamed the Business Improvement and Risk team in acknowledgement of their wider focus outside of ISO systems certification. They work in conjunction with the medical team to develop and audit all medical processes, and to drive continuous improvement. The team works with Coal Services' Internal Audit team to conduct annual audits of CS Health to examine both administrative and clinical processes.

Although our existing practices have successfully safeguarded against occupational disease, CS Health is committed to continuous improvement and ensuring best practice. The re-emergence in Queensland of coal workers pneumoconiosis (black lung disease) in late 2015 was a sobering reminder that vigilance must be maintained.

Earlier this year, CS Health commissioned two independent reviews to ensure the rigour of our health surveillance systems and processes. These reviews verified the quality and strengths of our systems. As part of these reviews approximately 340 chest x-rays were sent to an independent body for review against the ILO standard. The random sample was taken from around 5 per cent of periodic health assessments conducted since 2012. A further 60 chest x-rays from the last 20 years were included.

CS Health also commenced discussions with a leading professor from The Thoracic Society of Australia and New Zealand to gain their expert view on what would constitute the most effective evidence-based health surveillance program for the NSW coal industry in the 21st century. Discussions focused on the optimum frequency of chest x-rays for coal workers, and enhancements to respiratory testing such as including lung function rather than simple spirometry alone. An industry discussion paper outlining proposed changes to these aspects of Order 41 was developed following advice from this expert body.



# Occupational Exposure Monitoring



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 our fully trained and certified team with all assessments conducted to the appropriate Australian or international standards.

## Risk profiling using similar exposure groups (SEGs)

CMTS continues to collate, analyse and report on contaminant exposure data using NSW Coal Similar Exposure Groups (SEGs). A SEG is a group of workers with the same general exposure to health risk due to:

- the similarity and frequency of the tasks that they perform
- the similarity of the materials and processes with which they work
- similarity in the way that they perform tasks.

Categorising workers into SEGs allows more detailed risk profiling and benchmarking to be undertaken and reported back to operations and industry.

## Order 40 – longwall dust suppression plans

NSW coal mines operating by longwall mining methods are required to prepare and submit to Coal Services an Order 40 application, detailing all dust abatement controls that they intend to have operational on the proposed longwall block to limit dust creation and personnel exposure. The manager or owner of the coal mine must obtain the consent in writing of the Coal Services Board prior to the commencement of production in any longwall block. Once production commences, an audit of these plans must be submitted to ensure that all provisions of the application, and any conditions within the approval, are in place and operational. Compliance with Order 40 and other dust control measures is an essential component of protecting workers from occupational disease.

Twenty-two dust suppression plans were received and approved by Coal Services during the year.

# Occupational Exposure Monitoring *continued*



## Order 42 – airborne dust exposure assessments

A comprehensive, targeted monitoring program is conducted in NSW to determine whether dust levels at coal mines are maintained below the approved airborne dust exposure limits. Regular onsite dust monitoring and analysis provides essential data for mines to review the effectiveness of dust control measures and identify areas or tasks that potentially present a respiratory health risk for workers.

Order 42 allows Coal Services to enter coal mine operations for the purposes of statutory dust monitoring and other functions relating to airborne dust exposure assessments.

Statutory respirable and inhalable dust samples were taken from the breathing zones of 4,058 NSW mine workers in 2015-16, down from 4,516 in 2014-15.

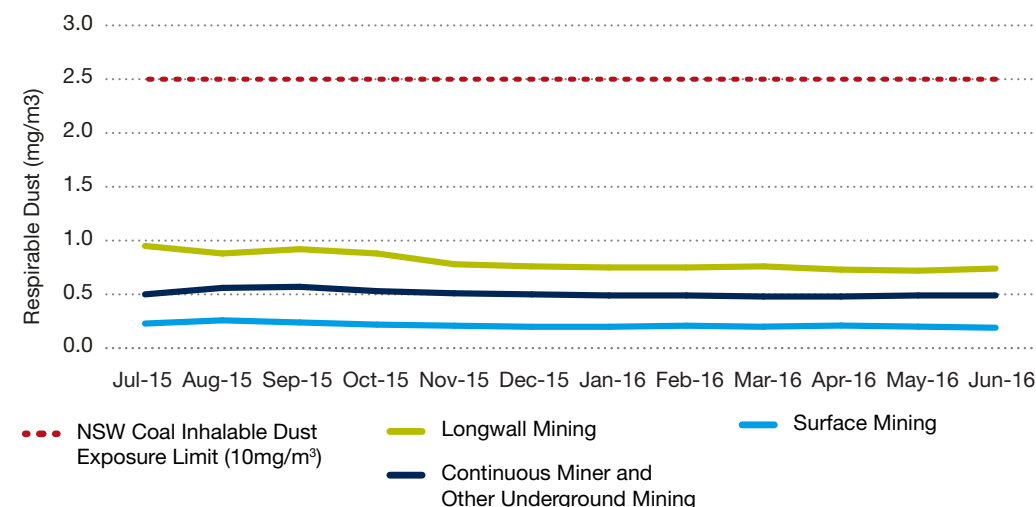
2,542 workers were sampled for respirable dust, with 2.4 per cent exceeding the specified respirable dust limit. This is an improvement on the previous year's results that returned an exceedance rate of 3.7 per cent.

Increased monitoring and analysis of respirable crystalline silica is a major focus in the respirable dust area. This monitoring assists operators to identify areas and activities of higher risk and to continue to drive further improvements.

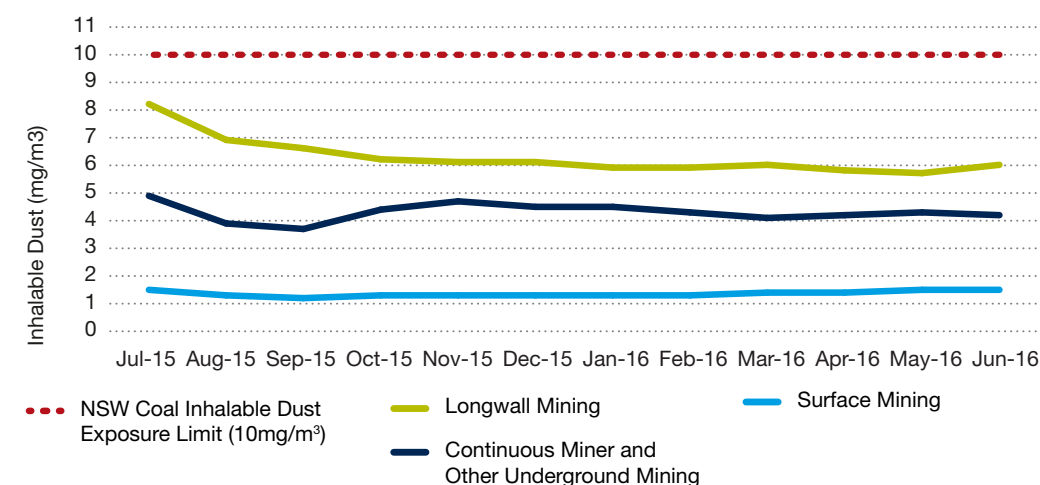
1,516 workers were sampled for inhalable dust, with 5.9 per cent exceeding the specified inhalable dust limit. This is an improvement on the previous year's results that returned an exceedance rate of 12.6 per cent.

All exceedances, particularly those relating to respirable crystalline silica, were reviewed to identify contributing factors and opportunities for improvement. Operator positioning appeared to be a significant contributing factor to results exceeding the airborne dust exposure limits.

Average Respirable Dust Exposure Levels July 2015 – June 2016



Average Inhalable Dust Exposure Levels July 2015 – June 2016



# Occupational Exposure Monitoring *continued*



CMTS worked closely with mine operators to review the effectiveness of their dust controls and work procedures and provided guidance on dust abatement strategies using additional tools such as real-time monitoring to identify dust sources and best practice operator positioning. Dust education programs continued at mine sites across all regions to ensure workers are educated and informed to be better placed to make smart choices. In many mines, these education sessions have had immediate positive results with mineworkers, particularly in the areas of maintenance standards, operator positioning and respiratory protection compliance.

Mines that have undertaken such reviews and implemented effective controls and training saw significant improvements in their exposure results.

Independent, accompanied monitoring continues to be the cornerstone allowing CMTS to work closely with customers to identify risk and go 'beyond compliance' by providing practical solutions that keep our mineworkers out of the dust.

## Diesel particulate matter (DPM)

Sampling numbers for DPM remained steady in relation to 2014-15 despite lower industry workforce numbers.

The exhaust fumes from diesel-powered equipment pose a potential risk for workers. The Work Health and Safety (Mines) Regulation 2014 states that if diesel engines are used underground, that the general body of air in which persons work or travel has a concentration of diesel emissions that is as low as reasonably practicable.

Mine Design Guideline 29 (MDG 29), 'Management of Diesel Engine Pollutants in Underground Environments', further specifies that workers should not be exposed to levels of DPM in the form of Elemental Carbon (EC) at greater than  $0.1\text{mg/m}^3$ . A revised MDG 29 is expected to be released in 2016.

Operators can better understand the risk profile of their workers by using personal monitors to measure DPM exposures. The data can then be used to identify areas of risk and implement effective controls.

- CMTS conducted 559 individual personal samples for DPM during the year
- A further 167 static samples were taken that can provide useful insight into the potential exposure risk in various areas of a mine or when conducting specific tasks e.g. belt moves, longwall relocations.

CMTS also provided customers with assistance to develop diesel emission management plans to help minimise worker exposure to DPM.

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**559** individual samples  
for DPM during the  
year were taken

# Occupational Exposure Monitoring *continued*



## Industry working groups

The Standing Committee on Airborne Contaminants and Occupational Hygiene (known as the Standing Dust Committee or SDC) is a sub-committee of the Coal Services Board and has operated in some form since 1954. The purpose of the SDC is to ensure reduced exposure to airborne contaminants and improvements in occupational hygiene.

Membership is comprised of representatives from Coal Services with hygiene, health and technical expertise, persons nominated by the Chief Inspector with mining and engineering expertise, as well as representatives from the CFMEU, NSW Minerals Council and Mine Managers Association.

The functions of the SDC are to:

- monitor the results of nominated hazard sampling
- evaluate results and discuss improvement strategies
- identify hazards which may present emerging health issues
- research improved control strategies and methods for nominated hazards
- educate mine personnel in control of nominated hazards
- report back to industry stakeholders.

The SDC met five times during the year at North Wambo Underground, Bloomfield Open Cut, CMTS (Nth Wollongong), Newcastle Mines Rescue Station and Clarence Colliery. The purpose of the mine visits was to promote the work of the SDC and to investigate and inspect issues that had been identified through routine statutory monitoring.

With the recent increased industry focus on occupational lung disease, the SDC has been identified as having made a significant contribution to improved overall outcomes in this area. Over the last 12 months, the SDC has continued to work with industry to provide guidance and assistance through Information Bulletins and improved presentation of data to industry stakeholders. Bi-monthly meetings continued to see the SDC host a wide variety of guests from manufacturers to government and regulatory officials, all keen to observe what is widely considered to be a valuable and integral part of the collaborative model that keeps occupational lung disease under control in the NSW coal industry.

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**The SDC has been identified as having made a significant contribution to improved overall outcomes.**



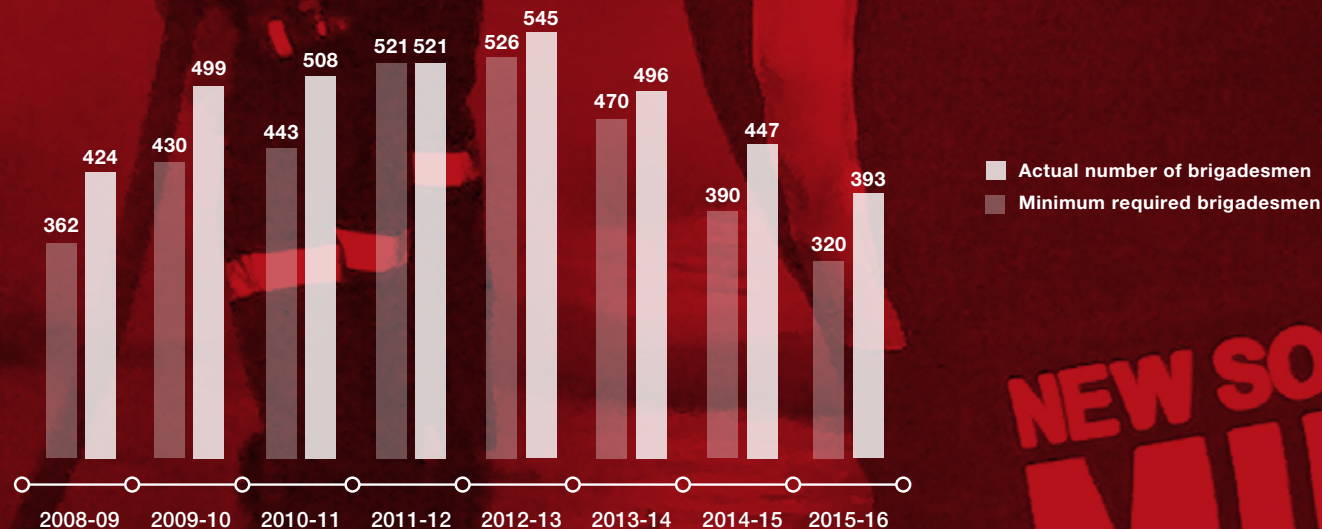
# Emergency Response



NSW Mines Rescue (Mines Rescue) is responsible for training brigadesmen in rescue techniques and to provide expert advice and control in the event of an incident. They are also charged with ensuring emergency response procedures and guidelines are in place, tested and ready to be deployed.

They are supported by Coal Mines Technical Services (CMTS) who provide critical technical expertise when rapid real-time data and analysis is required for mines rescue deployment.

Mines Rescue brigadesmen



NEW SOUTH WALES  
MINES

# Emergency Response



## Incident response

It is pleasing to report that in the last 12 months there were no incidents requiring Mines Rescue response. This result is testament to the safety focus being maintained in the NSW coal industry.

Mines Rescue is responsible for activating personnel, equipment and systems to respond to any emergency situation arising at NSW coal mines. They are supported by volunteer brigadesmen from underground coal mines across the state who are highly skilled in an array of specialised tasks and rescue techniques.

The specialist training provided by Mines Rescue is instrumental in bestowing brigadesmen and surface emergency responders with safety leadership skills that they can apply in the workplace. Whilst being ever prepared and ready to respond, the knowledge of mining hazards embedded in the brigadesmen ensures they continuously and silently play an important role in preventing incidents from occurring; helping to support a proactive safety culture onsite.

**Nearly 10% of brigadesmen have been recognised for 20 years or more active service.**

## Brigadesmen numbers

To maintain response capability, a minimum five per cent of the underground workforce (plus full-time equivalent contractors) must be trained to provide mines rescue support. At the end of June 2016 there were 393 colliery-nominated brigadesmen in NSW. Although this number is down on previous years and can be attributed to changing workforce numbers, it remains above the Mines Rescue Board's minimum requirement. Nearly 10 per cent of brigadesmen have been recognised for 20 years or more active service.

It is essential that brigadesmen be assessed as fit, competent and capable of providing emergency services in the event of a mining emergency or incident. New recruits are required to complete a ten-day induction at Mines Rescue stations. Eleven new recruits completed this training during the year. Attendance at six rounds of training each year is also a necessity to maintain skills and active status.



# Emergency Response *continued*



## Response skills tested in emergency simulations

March 2016 marked the 90th anniversary of the first mines rescue station and the birth of a formal emergency response function for the NSW coal mining industry. This followed the Bellbird mining disaster of 1923 and subsequent Mines Rescue Act of 1925.

Fortunately, in today's safety focussed operations major incidents requiring emergency response are limited. Mines Rescue competitions are held regularly across NSW to assess skills and systems ahead of possible real-life challenges. Competitions such as these provide an opportunity for brigadesmen, surface emergency responders and first-aid personnel to practice their skills in a realistic, high-pressure environment. New trainees are encouraged to participate to learn from more experienced team members.

More than 330 brigadesmen competed at five regional competitions during the year. For the first time, the Western competition was held in the Mudgee-Ulan region where the format was expanded to include teams from open cut mines.

The winning teams of the underground competitions gained entry into the 53rd Australian Mines Rescue competition held on 22 October 2015. The annual event was held at Centennial Coal's Newstan Colliery and was co-hosted by NSW Mines Rescue and Queensland Mines Rescue. Peabody Energy's Wambo Mine were named overall winners of the event and will go on to represent Australia at the biennial International Mines Rescue competition in Canada in August 2016.

In addition to traditional mines rescue competitions, Coal Services' 3rd annual first aid competition was held in September 2015 at the Newcastle Mines Rescue Station. Twelve teams (51 first aiders) from mine sites across NSW competed at the event.

## Competition details outlined below:

Competition	Date	Venue	No. Teams	Winners
Northern	26 June 2015	Newcastle Mines Rescue Station	8	Composite team
Hunter Valley (Underground)	17 July 2015	Glencore Ravensworth	6	Peabody Wambo
Southern	21 August 2015	South 32 Appin East	6	Appin Pink
Western	28 August 2015	Glencore Ulan West	9	Angus Place
Hunter Valley (Open Cut)	13 November 2015	Glencore Mt Owen	10	Glencore Bulga
NSW First Aid Competition	25 September 2015	Newcastle Mines Rescue Station	12	Glencore West Wallsend
Australian Mines Rescue Competition	22 October 2015	Centennial Newstan	8	1. Peabody Wambo 2. Oaky No.1 3. Appin

# Emergency Response *continued*



## Building relationships for emergency management

### Emergency planning information sessions

In NSW, an Incident Command and Control System (ICCS) is used by all agencies who may be involved in an emergency response (including a coal mining emergency). These include the Police Force, Ambulance Service, Fire and Rescue, Rural Fire Service and Mines Rescue.

An ICCS helps to clearly define roles and a hierarchy of authority which then allows everyone to contribute to an effective and coordinated response. As an extension of the ICCS Operating Guidelines, the Department of Industry (Mines Safety) and Mines Rescue convened a series of Emergency Planning Information Sessions for local emergency services and local mining operations. These sessions enabled all parties to gain a better understanding of the mining environment as well as practical application of each group's roles and responsibilities in an emergency.

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**An ICCS helps to clearly define roles and a hierarchy of authority.**

## Critical controls for risk management

In June, Mines Rescue invited Dr Maureen Hassall, Associate Professor – Risk (University of Queensland) to conduct a workshop for Mines Rescue personnel on identifying critical controls. By understanding the methodology of this enhanced risk management technique, Mines Rescue is better placed to assist the industry to manage risk. Lessons learnt have been embedded in our risk management training courses and used where required during internal and external risk assessments.

## Mines Rescue Working Group

The Mines Rescue Working Group is a collaborative forum facilitated by Mines Rescue to ensure all stakeholders within the industry keep abreast of and participate in determining the capabilities and capacity of the Mines Rescue service. The group meets four times a year and includes representation from the mining companies, the Mine Managers Association, the mines inspectorate and the unions.

Major enhancements this past year include communication and deployment systems and incorporating the requirements of the Mine Sub Plan into mines' upgraded ICCS. Mines Rescue also supported the Coal Services Health & Safety Trust-funded research and development of an Unmanned Aerial Vehicle (drone) that can enter a post incident mining environment for exploration purposes.

## Standing out in a crowd

Instant recognition of authority is vital in an emergency. A distinctive red shirt was rolled out across all regions to distinguish Mines Rescue personnel from other, similarly clothed 'hi-vis' mine workers. This followed post-incident learnings where other emergency service providers, including the Police Force, had difficulty identifying Mines Rescue employees.

This simple initiative achieved immediate success. It is now a goal for the red shirt concept to progress to all underground brigadesmen such that in a time of need, mine workers will instantly recognise those who possess the advanced skills inherent in all mines rescuers. In times of emergency, this may make a significant difference.

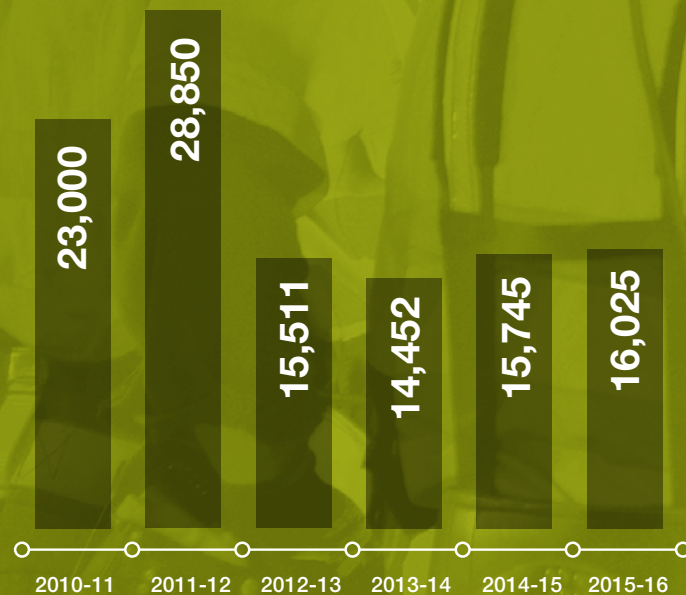


# Training



The NSW coal mining industry maintains one of the highest safety records in the world. As a Registered Training Organisation (RTO) and provider of specialist industry training, Mines Rescue plays a critical role in assisting workers and employers to manage risk and operate safely.

Attendance at Mines Rescue training courses





# Industry education and training



## Order 34

Order 34 requires each coal operation in NSW to have in place a Training and Competency Management Scheme (TCMS) that is approved by Coal Services and complies with the 'Guideline for Training and Competency Management Scheme.' Coal Services may periodically audit a coal operation's TCMS, or parts thereof. The aim of these audits is to ensure that employers conduct training as outlined in their approved TCMS and to improve the training and competency aspects of their Health and Safety Management System.

Coal Services' audit team assisted 13 mine sites to gain approval of their revised TCMS during the year. There was a temporary change of focus away from conducting routine audits of TCMS and instead, the team's attention turned to provision of individual advice, development of systems and audit tools and closer consultation with industry stakeholders. This was due to recent changes to relevant legislation and impending major changes to continuing professional development (CPD) requirements for mine officials.

A series of workshops was held to assist mines' training officers align their TCMS to the new requirements. The workshops, now in their second year, continued to grow in attendance and received positive feedback. Workshops were conducted in five regional areas (Mudgee, Singleton, Gunnedah, Wollongong and Newcastle) during May and June. A further combined workshop is planned for November 2016.

In the coming year, the audit team will return to performing normal site audits but with a closer examination on the effectiveness of training systems rather than simply meeting compliance requirements. This is an indication of the growing maturity of site systems and training staff.

## Mines Rescue – a registered training organisation (RTO)

Mines Rescue is registered with the Australian Skills Quality Authority (ASQA) to operate as an RTO. Compliance with ASQA requirements ensure all training is developed and delivered to a national standard.

Mines Rescue also offer a range of courses which fall outside of the national training framework. These courses are tailored to specific safety outcomes required to meet unique industry and site needs.

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**13** mine sites gained approval of their revised TCMS during the year

# Industry education and training *continued*



## Meeting industry demand

To continue to meet industry training needs, Mines Rescue introduced several new courses throughout the year. This is in addition to an ongoing continuous improvement initiative whereby each existing course is reviewed annually and modified based on best practice and customer feedback.

Courses under development or released during the year included:

### **Incident Command and Control System (ICCS) course**

An Incident Command and Control System (ICCS) course was delivered for the first time in 2015-16. The two-day course was developed to help mine operations manage an emergency and incorporate the widely accepted Australasian emergency response principles into their existing Emergency Management Systems (EMS). This followed the earlier release of a mine-specific 'ICCS Guide' by Mines Rescue.

To date, eleven coal mine sites and projects across NSW have completed the course since it was introduced.

Beyond the coal sector, work also commenced on a version of the ICCS course to meet the specific requirements of the metalliferous mining industry.

### **First aid suite of courses**

'Advanced resuscitation' was added to Mines Rescue's suite of first aid courses in June. The course was introduced following industry requests to further develop the skills of their emergency responders and first aid officers. The course is relevant for all industries and complements the nationally-accredited courses of 'Provide first aid' and 'Provide cardiopulmonary resuscitation' (CPR).

The NSW Department of Education (DET) requires teachers in NSW schools to complete an annual anaphylaxis course and CPR refresher. Mines Rescue, who are listed on an approved provider panel, were engaged by the DET to deliver this training.

1,534 participants completed a first aid-related course during the year, including Coal Services employees.

### **Pain management**

ASQA granted approval for Mines Rescue to deliver a pain management course through their RTO to complement first aid training. The course is targeted towards first aid officers and emergency responders who would be responsible for administering pain relief to casualties until medical assistance arrives. 108 participants have completed the course since it was introduced in May.

### **Improving the scope of fire-fighting qualifications**

Mines Rescue developed an accredited Fire Warden course during the year. A non-accredited course has been offered for many years, however; customer interest from across all regions drove the team to design a new course to suit all industries. The course will be rolled out in 2016.

The existing three-day Fire Team Operations course was also reviewed and redesigned to incorporate additional competency units. The redesign also balanced the requirements for underground and surface operations. A one-day Fire Team Operations course was developed to suit the specific requirements of the non-mining sector. Using the three-day course as its base, the course includes just one fire-fighting unit of competency and can be delivered to any industry needing fire-fighting skills training.

### **Other training solutions**

A new site access induction course was developed to cater to the needs of all Yancoal sites across NSW. 753 participants have completed the training since it was launched in September 2015.

# Industry education and training *continued*



## Overall training numbers

Overall attendances at Mines Rescue training courses increased 1.7 per cent on the previous year. This was mainly attributed to the introduction of new courses and take-up from non-mining sectors.

Of the 16,025 attendances (including brigadesmen training days), 2,972 were for accredited training. Training participant numbers for the Generic Underground Induction (GUI) continued to decline in line with the industry contraction, with just 133 attendances compared to 231 in 2014-15. There were 11,889 attendances at other training courses.

## Beyond coal

The principal market for Mines Rescue's training courses is the NSW coal mining industry, however; a number of courses are available on a commercial basis. This work assists supplement income required to maintain services. During the year, Mines Rescue entered into relationships with WaterNSW and AGL power stations at Liddell and Bayswater. These relationships draw upon Mines Rescue's expertise to provide specialist assistance in incident response, training and complex confined space management.

There are numerous high-hazard industries now enjoying the first class training facilities available at each of the four regional Mines Rescue stations. These include fire training grounds, confined space and heights towers, simulated underground galleries, simulated marine facilities, lecture rooms and world leading virtual reality safety training platforms. In combination with our experience and expertise, we offer a superior blended learning experience.

## Innovations to enhance the learning experience

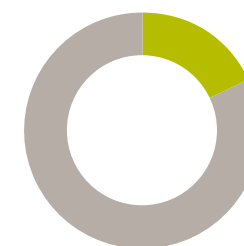
Virtual reality (VR) continued to enhance the quality and flexibility of Mines Rescue training solutions.

The focus during the year was to further develop tools that allowed trainers to build their own scenarios, removing the need for specialist programmers and thus reducing the time and cost associated with development. The ROCK2 software was widely implemented to become the standard method used to create or adapt scenarios. The simple user-functionality enables trainers to edit scenarios in the classroom; allowing them to quickly demonstrate actions and consequences for improved training outcomes.

The DesktopVR system was developed as a new platform to run on a network of desktops or laptops. The portability of this system enables trainers to conduct VR training solutions at mine sites. Individual workstations provide trainees with a personal VR experience. DesktopVR was integrated into the annual Mines Rescue competition scenario agenda and debuted at the Australian Mines Rescue Competition in October 2015.

VR also featured at industry and community events. The portability of DesktopVR enabled many people to explore the mining environment on a laptop or through the new suite of Head-Mounted Displays such as the Oculus Rift.

## Overall attendances at Mines Rescue training courses increased 1.7%



# 18.5%

Of the 16,025 attendances (including brigadesmen training days), 2,972 were for accredited training.



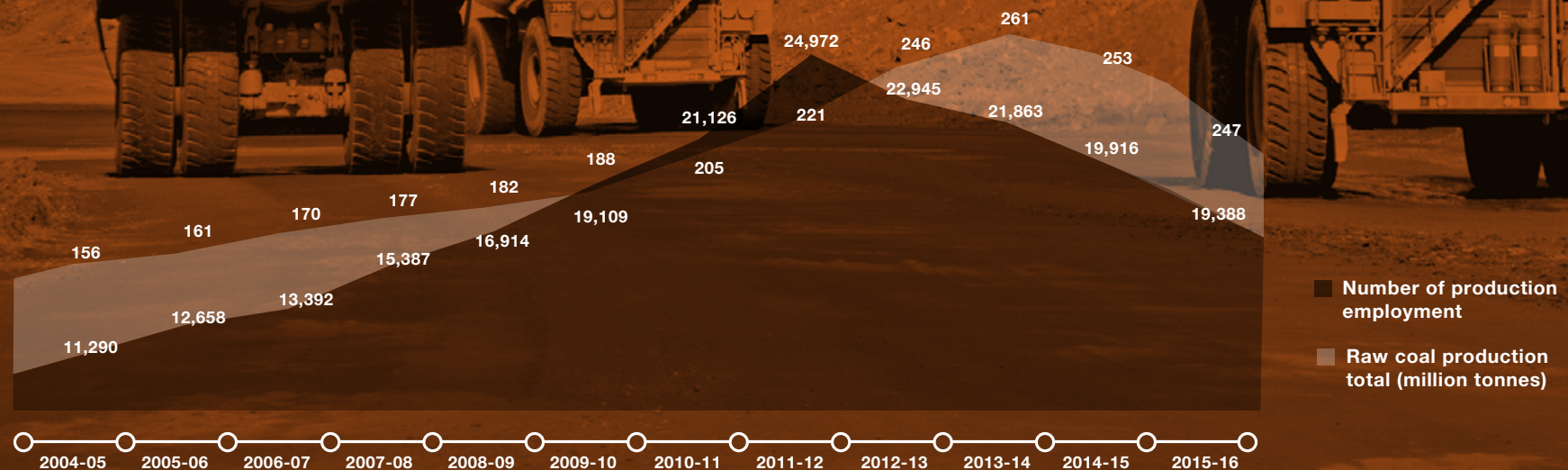
# Industry statistics



Coal Services Statistics' comprehensive current and historical data series describing the NSW coal industry provides a unique resource for the NSW coal mining industry and Government.

With the cooperation of NSW coal producers, shippers and coal consumers, the Coal Services' Statistics team is able to collect data on key aspects of the NSW coal industry.

Raw coal production vs. production employment





# Industry statistics



## Industry overview

After fifteen consecutive years of growth the twelve months to 30 June 2016 saw the tonnage of NSW coal shipped overseas fall. The value\* of NSW coal exports continue to decline and the average value\* per tonne was just \$3 above the result achieved a decade ago.

The year also saw the downward trend of domestic coal sales reversed, as increased tonnages were delivered to NSW power stations and the Australian iron and steel industry to meet demand.

Overall raw and saleable coal production decreased for the second consecutive year and was accompanied by a further fall in the average number of production employees for the year. Annual productivity increased, measured as both output per employee and output per hour.

\*Value, refers to the FOB value. Free on board value of exports includes the cost of transport to the port and loading for shipment.

## NSW mining operations

At 30 June 2016, there was a production workforce of 19,388 at the 42 operating coal mines in NSW. During the twelve months to 30 June 2016, one new mine opened, two mines resumed production from their care and maintenance status (albeit on a short-term basis), three mines closed due to unfavourable market conditions and two closed due to exhausted reserves.

There were 19 underground mines (13 were longwall operations) and 23 open cut mines in operation at 30 June 2016.

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**42** coal mines  
operating in NSW  
as at 30 June 2016

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**19,388**  
production workforce in NSW

Industry statistics *continued*

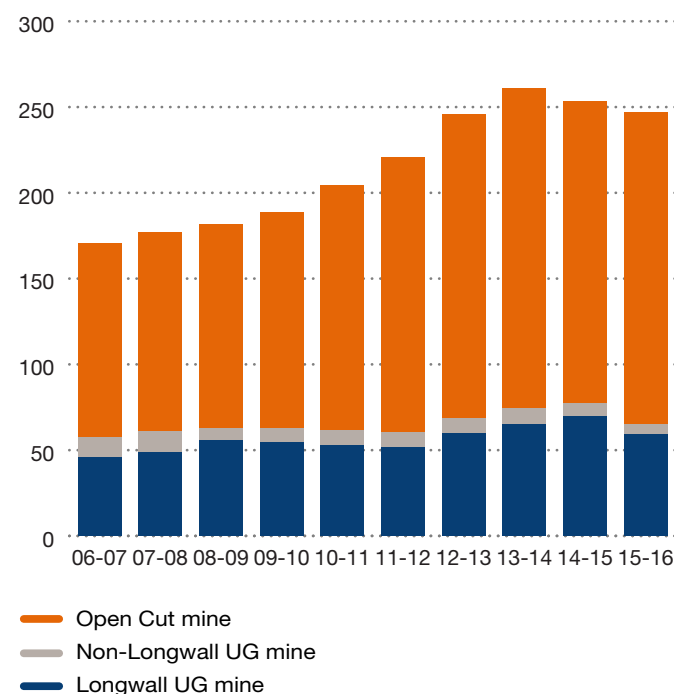
NSW Coal Industry Statistics	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16
Number of coal mines at 30 June	52	55	58	60	60	60	62	61	61	55	51	44	42
Raw coal production underground mines (million tonnes)	49.3	51.9	52.2	57.2	61.3	63.1	62.8	62.2	60.5	69.0	74.4	77.4	65.5
Raw 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	175.8	181.4
Raw coal production total (million tonnes)	147.0	156.3	161.1	170.3	177.2	182.0	188.8	204.9	221.0	245.8	261.0	253.2	246.8
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	196.4	191.0
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	21.9	22.5
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	3.9	4.0
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	25.8	26.5
Metallurgical coal exports overseas (million tonnes)	21.0	18.6	17.9	20.4	25.4	21.2	28.8	25.1	23.3	25.5	25.1	24.1	25.6
Steaming coal exports overseas (million tonnes)	64.0	68.0	71.9	71.1	75.1	82.1	81.1	96.7	113.0	129.8	142.2	148.8	144.0
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	172.9	169.6
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	2.6	2.5
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	11.8	10.7
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	14.4	13.2
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	107.73	98.38
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	79.57	74.29
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	83.5	77.92
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	25,324	23,528
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	19,916	19,388
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	9,260	9,460
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	4.98	4.99
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	265.7	270.8
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	0.0	0.0
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	1.0	0.9
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	2.3	2.1	1.6	1.5
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	3.0	2.8	2.0	2.0
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	10.0	9.8

\* 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 statistics *continued*



## NSW annual raw coal production by method of mining



**246** million tonnes of  
raw coal produced  
from NSW mines

## Production

Raw coal production from NSW coal mines fell by 6.3 million tonnes, or 2.5 per cent to 246.8 million tonnes in the twelve months to 30 June 2016 (year 2015-16). This followed a 3 per cent fall for the previous twelve months, after eleven years of growth at an annual average rate of 5.6 per cent. The year 2015-16 saw overall production fall across all coalfields except the Gunnedah coalfield and production from NSW underground mines fell 15.4 per cent while production at open cuts rose 3.2 per cent.

Raw coal production from the Gunnedah coalfield increased by 5.6 million tonnes or 24.6 per cent to a record 28.3 million tonnes; accounting for 11.5 per cent of the total raw coal production for the year. NSW underground coal mines produced 65.4 million tonnes of raw coal in the year 2015-16, down 15.4 per cent or 12 million tonnes compared to the previous year. Underground mines produced 26.5 per cent of total raw coal production. Open cuts mines produced 181.4 million tonnes of raw coal in the year 2015-16, up 3.2 per cent or 5.6 million tonnes compared to the previous year. Open cut mines produced 73.5 per cent of total raw coal production.

## Employment and productivity

NSW coal industry production employment is defined as all persons working in or about the coal mine or coal preparation plant, pertaining to its operation, whether employed directly by the mine owner or the mine operator or by a contractor.

Production employment at NSW coal mines reached a peak of 24,972 workers at 30 June 2012 and has steadily declined since, falling to 19,388 at 30 June 2016.

The NSW coal industry average annual production employment and the total hours worked by those employees, fell for the fourth consecutive year. The average number of workers at NSW coal mines fell by 4.8 per cent, down 1,019 to 20,195 for the year 2015-16 while the total number of hours worked during the year fell by 3 per cent.

Overall productivity at NSW coal mines rose for the fourth successive year. Productivity calculated as raw coal production tonnes won per employee for the year 2015-16, rose by 2.4 per cent to 12,220 tonnes, up from 11,930 tonnes for the previous year. Productivity calculated as raw coal production tonnes won per hour worked, for the year 2015-16 rose to 6.45 tonnes, up marginally from 6.42 tonnes for the previous year.

# Industry statistics *continued*



## Exports

For fifteen years to 30 June 2015 NSW coal export shipments had been increasing year on year, reaching a record 172.9 million tonnes for the year 2014-15. The year 2015-16 saw NSW coal exports fall 1.9 per cent, or 3.4 million tonnes to 169.6 million tonnes. The value\* of coal exports for the year 2015-16 fell 8.5 per cent to 13.21 billion Australian dollars with an average value\* of \$74.29 per tonne. The average value\* was down 6.7 per cent or \$5.58 on the previous year 2014-15.

NSW metallurgical coal exports increased by 6.2 per cent or 1.5 million tonnes to 25.6 million tonnes for the year 2015-16, accounting for 15 per cent of the total tonnage exported and 19 per cent of the value\* for the year 2015-16. The value\* of metallurgical coal exports fell 3 per cent to 2.52 billion Australian dollars with an average value\* of \$98.38 per tonne, down 8.7 per cent or \$9.35 on the previous year.

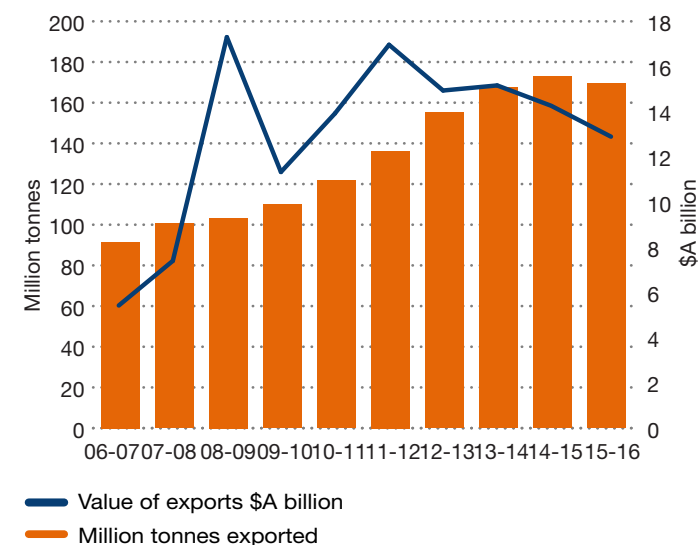
Metallurgical coal exports are made up of hard coking coal and other coking coal, which covers the semi-soft coking and non-coking metallurgical PCI (pulverised coal injection) coals. Hard coking coal exports which had increased to a record 8.2 million tonnes in the year 2014-15, fell by 9 per cent to 7.5 million tonnes in the year 2015-16, while other coking coal shipments rose 14 per cent to 18.1 million tonnes. Hard coking coal exports accounted for 4.4 per cent of the total NSW coal exports in the year 2015-16 with other coking coal exports accounting for 10.7 per cent.

Steaming coal exports fell 3.3 per cent to 144 million tonnes, accounting for 84.9 per cent of all NSW coal shipments in the year 2015-16. The value\* of steaming coal exports fell 9.7 per cent to 10.7 billion Australian dollars with an average value\* of \$74.29 per tonne, down 6.6 per cent or \$5.28 on the previous year.

NSW coal was shipped to 24 countries during the year 2015-16. The top four markets of Japan, the Republic of Korea, China and Taiwan accounted for 84.5 per cent of the total tonnage exported. Japan remained the largest market for NSW coal with 74.8 million tonnes shipped during the year 2015-16. Exports to Japan were up 4.6 million tonnes from the previous year.

In the year 2015-16, the Republic of Korea was the second largest market for NSW coal exports, relegating China to third place. NSW exported 28.4 million tonnes to the Republic of Korea in the year 2015-16, down 1.1 million tonnes from the previous year. After four successive years as NSW's second largest export market, coal exports to China fell 9.9 million tonnes to 20.5 million tonnes. NSW coal shipments to China peaked at 37.8 million tonnes for the year 2013-14.

NSW Coal exports as at 30 June 2016



**1.9%** NSW coal exports fell in 2016



## Industry statistics *continued*



Taiwan remained NSW's fourth largest market with shipments up 0.6 million tonnes to a record 19.6 million tonnes. After reaching a record 9.1 million tonnes for year 2014-15, NSW coal shipments to India fell 1.4 million tonnes to 7.7 million tonnes and exports to Malaysia fell 1.6 million tonnes to 5.2 million tonnes for the year 2015-16.

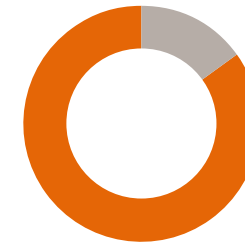
NSW coal exports to Mexico rose 3 million tonnes to 4.1 million tonnes for the year 2015-16. Record tonnages were also shipped to the smaller markets of Thailand (3.1 million tonnes), Chile (1.8 million tonnes), Philippines (1 million tonnes), New Caledonia (0.9 million tonnes) and Indonesia (0.5 million tonnes).

### Domestic market

Deliveries of NSW coal within Australia had been decreasing steadily since 2007-08 with coal-powered electricity generation becoming more efficient or replaced by natural gas and renewable energy sources. However; to meet market demand, 2015-16 saw coal sales to domestic markets rise by 2.7 per cent or 0.7 million tonnes to 26.5 million tonnes.

The largest market for NSW coal within Australia is power generation. NSW power stations account for 85 per cent of all domestic sales of NSW coal. NSW coal mines delivered 22.5 million tonnes to power stations during 2015-16, up 2.5 per cent on the previous year.

The iron and steel industry is the second largest domestic market for NSW coal with a 13 per cent market share. Sales to the steelworks in NSW and South Australia totalled 3.5 million tonnes for the year 2015-16, up 7 per cent on the previous year.



# 85%

of all domestic sales of NSW coal went to NSW power stations.

# 13%

**of NSW coal is used by the iron and steel industry.**

# Board of Directors



## David Moulton

### Non-Executive Chairperson

Nominee for NSW Minerals Council

Term of appointment (1 January 2015 – Current)

David Moulton was appointed as a Director of Coal Services in January 2015. He was also appointed Chairman for the two-year period of 2016/17. David is Centennial Coal Company Limited's Managing Director & CEO, with over 37 years' world coal mining experience.

After qualifying in 1979 as a mining engineer, followed by an MBA from Nottingham University, UK, he spent nine years as a mine manager with British Coal and RJB Mining PLC (more recently UK Coal PLC).

In 1995, David moved to Pittsburgh, USA, as Global Business Development Manager for Joy Mining Machinery with responsibility for the USA, UK, Republic of South Africa and Australia.

In July 1997, he moved to Australia with Joy Mining Machinery as the Regional Vice President with responsibility for Queensland. In January 1998, David joined Centennial Coal as the General Manager, Operations, and subsequently assumed the role of Chief Operating Officer before being appointed to his current position in July 2011.

In September 2015, David was elected Chairman of the Australian Coal Association Low Emissions Technologies Limited Board (ACALET) and Chairman of Minerals Council of Australia Coal Forum. He is also currently a Director (and past Chairman) of the NSW Minerals Council; a Director of the Board with Minerals Council of Australia; a Member of the University of NSW Education Trust Advisory Committee; a Member of the NSW Freight Advisory Council; a previous Member of Coal Innovation NSW (CINSW); and a previous Director of the Australian Coal Association (ACA).

In May 2014, through to project end in February 2015, David was a member of the Minerals Industry Taskforce, tasked with providing a roadmap for the growth in the minerals sector within NSW.

## Board of Directors *continued*



### Lucy Flemming

#### Managing Director/CEO

Term of appointment (19 December 2011 – Current)

Lucy Flemming joined Coal Services in August 2010 as Chief Financial Officer. She was appointed as the Managing Director/CEO of Coal Services in December 2011, becoming the first female Director in the 90-year history of Coal Services and its predecessors.

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. Her career has spanned more than 30 years, during which time she has held executive positions in accounting, business, finance, investment and retail areas across the public and private sectors.

Lucy's experience has built on her strengths as a leader and business strategist to influence change in a challenging industry landscape. Under her leadership, Coal Services has worked closely with industry to build a robust specialist health and safety scheme that has seen injury rates and premiums at their lowest levels. These results are a testament to her commitment towards increased focus driving continuous improvement in product, service and performance.

Lucy is an advocate for the NSW coal mining industry and actively participates in forums, events and committees to support the health and safety of its workers. Lucy has been instrumental in raising the profile of Coal Services and its role in protecting workers and the NSW coal industry.

She is a Trustee of the Coal Services Health & Safety Trust and sits on the NSW Mines Rescue Working Group. She also acts as an advisor to key industry health and safety groups and mining bodies.

Lucy holds a Bachelor of Business degree with a major in Accounting and sub-major in Law and is a qualified CPA. She is a Graduate Member of the Australian Institute of Company Directors, and has been a Director of Hospitality Employers Mutual Limited since February 2015.

## Board of Directors *continued*



### **The Hon. John Hannaford**

#### **Independent Non-Executive Director**

Term of appointment (1 January 2013 – Current)

The Hon. John Hannaford was appointed as a Director of Coal Services on 1 January 2013. John is the former Chair of the NSW Mine Safety Advisory Council, Chair of the Wentworth Institute of Higher Education Pty Ltd 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.



### **Peter Jordan**

#### **Non-Executive Director**

Nominee for Construction, Forestry,  
Mining and Energy Union  
Term of appointment (1 January 2012 – Current)

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 30 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 NSW 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 and the Musculoskeletal Disorders Project Steering Group. 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.



## Board of Directors *continued*



### Greg Sullivan

#### Non-Executive Director

Nominee for NSW Minerals Council

Term of appointment (1 January 2016 – Current)

Greg Sullivan was appointed a Director in January 2016. Greg is the Policy Director at the NSW Minerals Council.

Following four years at Brisbane City Council, finishing as the Acting Divisional Manager for Families and Community Services, he held the position of Deputy Director General with the Department of Environment Climate Change and Water (later the Office of Environment and Heritage) in NSW and instrumental in the re-establishment of the independent NSW EPA.

After leaving the public sector in late 2011, Greg took on the role of Deputy CEO Australian Coal Association, following which he was appointed Interim CEO of the ACA Low Emissions Technology Ltd (ACALET).

Greg commenced his current role in October 2014 and has been responsible for leading the development of industry positions on planning, bio-diversity and indigenous employment policy. His current portfolio includes Health and Safety and Community Engagement. Greg represents the mining industry on a range of boards, committees and working groups, including chairing the Steering Committee which oversees the Minerals Industry Agreement on Aboriginal Employment and Enterprise Development.

Greg holds Bachelor and Master of Laws degrees from the Queensland University of Technology (QUT) and also holds a Masters of Public Administration from Griffith University.



### Mark Genovese

#### Independent Non-Executive Director

Term of appointment (1 January 2013 – Current)

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.

## Board of Directors *continued*



### Andy Honeysett

#### Non-Executive Director

Nominee for Construction, Forestry,  
Mining and Energy Union

Term of appointment (1 January 2016 – Current)

Andy Honeysett was appointed a Director in January 2016. Andy is the President of the South-Western District Branch of the CFMEU (Mining and Energy Division). He has held that position since December 2009 representing miners from Mudgee, Lithgow, Wollongong and Broken Hill regions.

Andy has held positions on the District Board of Management and the Mining and Energy Division's Central Council, the divisions governing body. He is a member of the National CFMEU Executive, a Trustee of the Mineworkers Trust and holds an executive position with the State Branch of the CFMEU.

Andy has 24 years of experience as an underground coal miner. He was appointed to the NSW Mine Safety Advisory Council in 2011, appointed to the Mining Competence Board in 2012 and a member of the NSW Resources Advisory Forum.

### Wayne McAndrew

#### Appointment expired

Wayne McAndrew was appointed as a Director of Coal Services in 2007 and was appointed Chairman for the two-year period of 2014/15. Wayne held the position of General Vice President of the Construction, Forestry, Mining and Energy Union (CFMEU) (Mining & Energy Division) from 2009 until his retirement in July 2015. 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 worked in the coal mining industry for more than 40 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.

### Andrew McMahon

#### Appointment expired

Andrew McMahon was appointed a Director in November 2014. Andrew has spent the last decade working on a wide range of health and safety initiatives and continues to coordinate the industry's response to the health and safety challenges facing the mining industry. Andrew was instrumental in commissioning the NSWMC paper on Mental Health in the NSW Mining industry. Prior to joining the NSWMC in 2009 he was the Health and Safety Manager on a gas plant near the Twelve Apostles in Victoria, and prior to this he was with the Minerals Council of Australia as their Policy Manager for Safety. He studied geology at University of Canberra, has worked on international development projects in Namibia and Papua New Guinea and is passionate about health, safety, mental health, communication and effecting change.

# General Management Team



**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.



**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).

## General Management Team *continued*



**Rachel Smith**

**General Manager, Strategy & People**

Rachel Smith 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. Since relocating to Australia, Rachel has gained 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, planning and execution, the team is responsible for Marketing, Customer Experience, Project and Change Management and end to end Human Resources and Learning and Development functions.



**Matthew Fellowes**

**General Manager, Mines Rescue and Regulation & Compliance**

Matthew Fellowes joined Coal Services in January 2015 as the General Manager of Mines Rescue and Regulation & Compliance.

Prior to joining the company Matt spent six years as a consultant working directly with sites to optimise mine design and safety. With his engineering background, Matt's principal functions in these roles included assessment and control design for Principal Hazard Management Plans, continuous improvement initiatives, mine design and feasibility and project management.

Matt also has over 20 years' experience in operations management roles across NSW where he has been responsible for site safety, production and financial performance. Matt is a former brigadesman and his qualifications include a BE (Mining) with Honours, Ventilation Officer and OH&S and Mine Manager Certificate of Competence.



## General Management Team *continued*



**Mark O'Neill**

**General Manager, CS Health**

Mark O'Neill joined what was then Joint Coal Board (JCB) Health in 2000. 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 where he led 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 Graduate Member of the Australian Institute of Company Directors and an Associate Fellow of the Australasian College of Health Service Management. Mark is also a member of the NSW Mining and Extractives Industry Health Management Advisory Committee.



**Narelle Caldwell**

**General Manager, Insurance**

Appointed to the position of General Manager Insurance in April 2016, Narelle leads the Coal Mines Insurance business providing customer-focused workers compensation services to the NSW coal mining industry.

Narelle has held senior leadership roles in finance, health, primary industry and environment with a strong track record in business transformation, strategic planning, change strategy, and stakeholder engagement.

Narelle has over ten years' experience in workers compensation insurance, including administering the NSW workers compensation scheme between 2007 and 2011. During this time she negotiated a \$3 billion contract aimed at improving workers compensation services to employers and workers in NSW. Narelle also directed WorkCover's policy, planning and research agendas and recently implemented the first tranche of the NSW Government's benefit reform agenda.

Establishing her consultancy in 2012 to help organisations execute agile and adaptive business strategy, Narelle has successfully completed contracts with the National Disability Insurance Scheme; Coal Services; Xchanging Integrated Services; Safety, Return to Work and Support and the NSW Department of Finance, Services and Innovation.

Narelle holds a Bachelor of Business from the University of Newcastle and is a guest lecturer at the University of Sydney's Faculty of Medicine and ADAPT pain management program.

# Governance

Coal Services maintains an important set of values that recognise its responsibilities to its stakeholders, including the Minister for Energy and Resources, shareholders, customers, employees and suppliers.

The Coal Services Board places great importance on maintaining the highest standards of governance and continually reviews its governance practices.

Coal Services has adopted the Australian Stock Exchange (ASX) Corporate Governance Council's 'Corporate Governance Principles and Recommendations' (3rd Edition) and AS 8000 – 2003: Good Governance Principles. This has been adopted by Coal Services to comply with Clause 1, Schedule 2 of the Company's Notices of Approval and provides a structure for implementing good governance. Full disclosure is made to the Minister for Resources and Energy as well as the Construction, Forestry, Mining and Energy Union and NSW Minerals Council as shareholders of Coal Services in accordance with the above.

## Governance framework

The separation of responsibilities between the Minister for Resources and Energy, Managing Director/CEO, the Board and the General Management Team is governed by the *Coal Industry Act 2001* (NSW) and the *Corporations Act 2001* (Cth).

### Board nominations and appointments

The Minister for Resources and Energy is responsible for overseeing Coal Services' operations in respect of its statutory functions including the appointment of Directors to the Coal Services Board. Specific details on Board nominations and appointments can be referred to Schedule 5 of the *Coal Industry Act 2001* (NSW).

### Board independence

Board members have a range of relevant general financial knowledge, as well as specific skills and expertise in the coal industry and financial services sector. Specific details for each individual Director are set out in the Board of Directors section.

Four of the six Non-executive Directors are directly connected with Coal Services' shareholders, as required by the *Coal Industry Act 2001* (NSW).

In relation to independent Non-executive Directors, independence is assessed prior to nomination to the Minister for Resources and Energy.

If a conflict of interest arises through the course of the directorship, all Directors must comply with Coal Services' Code of Conduct and Conflict of Interest Procedure. Further details are provided in the *Ethical Framework* section.

At the time of appointment and every two years, all Directors must complete a Fit and Proper Responsible Person Assessment as per the Coal Services Fit and Proper Policy.

### Board induction and continued professional development

On appointment, all Directors are offered an induction program that is provided by the Company Secretary/Legal Counsel. During the induction program, each Director is provided with a Board Information Pack which includes relevant information for the Director to familiarise themselves with the governance framework that Coal Services operates within, the 2020 strategy and any current issues relevant to the proper functioning of a Board.

### Company Secretary/Legal Counsel

The Company Secretary/Legal Counsel is appointed and can be removed by the Board of Directors. The Company Secretary/Legal Counsel reports to the Chairperson and to the Managing Director/CEO (from a day-to-day operational perspective).

# Governance *continued*

## Performance evaluation

### Board performance

The Board performance evaluation process is conducted by an external facilitator and will be performed every two years. The first evaluation occurred in late 2014 and focused on the performance of individual Directors. During the evaluation a number of insights were provided in respect of policy matters, which are the primary responsibility of the Board.

The Board will conduct an evaluation of the performance of the full Board and Board Committees in late 2016.

## The code of conduct highlights the seven key principles that align with our mission and values.

## Ethical framework

### Code of Conduct

Coal Services is committed to conducting business with integrity and accountability in accordance with the highest ethical standards and in compliance with all applicable laws, rules and regulations. It is the responsibility of all employees, including Board of Directors, to remain aware of, and comply with, the Code of Conduct.

The Code of Conduct describes the expectations from Coal Services in relation to the desired level of professionalism and excellence that supports Coal Services' business reputation and corporate image within the community.

Coal Services updated and launched a revised version of the Code of Conduct in September 2015. The Code of Conduct highlights the seven key principles that align with Coal Services' mission and values:

1. We act honestly, ethically and with integrity.
2. We value our Customers and Community.
3. We treat each other with respect.
4. We are accountable and transparent.
5. We respect and maintain Privacy and Confidentiality.
6. We recognise and declare any Conflicts of Interest.
7. We obey the law and comply with all company policies.

### Conflict of interest

All Directors are required to disclose any conflict of interest upon appointment and are required to keep these disclosures to the Board up to date. Any Director with a material personal interest in a matter being considered by the Board must declare their interest and, unless the Board resolves otherwise, may not be present during the boardroom discussion or vote on the relevant matter.

All employees are expected to disclose all conflicts of interest and have appropriate controls in place around the particular conflict.

The Conflict of Interest Procedure is supported by the Acceptance of Business Courtesies Procedure (referred to as the Conflict of Interest framework). This particular procedure provides Coal Services' employees with guidance to manage their obligations relating to the acceptance of gifts.

### Protected disclosures

Coal Services re-launched the previous Whistleblower Policy as the Protected Disclosure Policy with an outsourced Protected Disclosure Management Provider in September 2015.

# Governance *continued*

## Financial reporting and risk management

### Financial reporting

The Coal Services Board receives regular reports from management about the financial performance of Coal Services and all controlled entities. The Coal Services Board delegates the responsibility of the review of the various policies and procedures associated with financial reporting to the various Board Committees. During the January 2016 Board meeting, the Board considered and approved the separation of the former Board Audit and Risk Management Committee (BARMC) effective immediately. The result of the separation of BARMC resulted in a restructure of the Board Finance and Investment Committee to assume the responsibilities of overseeing the audit function. The objectives of the re-established committees are:

- Board Finance Investment and Audit Committee (FIAC): monitors the financial and investment performance against strategies and targets, oversees the internal and external audit process, as well as financial reporting.
- Board Risk Management Committee (RMC): oversees Coal Services compliance with corporate policies, corporate governance and risk management policies, by monitoring implemented internal controls.

The Board is also supported by the:

- Board Remuneration Committee: oversees Directors' remuneration and the remuneration and employment conditions of all Coal Services' employees.
- Board Insurance Committee: oversees the operation and effectiveness of Coal Services' NSW coal workers compensation scheme, including reviewing actuarial valuation methods.

### Risk management

The recognition and management of risks is a critical function within Coal Services. Coal Services' Risk Management Strategy describes our approach to managing risk, including key risks such as:

- Capital, earnings and review targets
- Reputational, political and regulatory risk
- Insurance risk
- Operational risk
- Investment risk
- People risk
- Information technology and security risk

Given Coal Services is not regulated by the *Insurance Act 1973* (Cth), the organisation is not required to comply with the Australian Prudential Regulation Authority's (APRA) Prudential Standards.

The Coal Services Board is ultimately accountable for ensuring Coal Services has a Risk Management Framework that is appropriate to the size, mix and complexity of the business. The Board directs and influences risk management activities through a variety of mechanisms including a Board-approved Risk Management Strategy, Risk Appetite Statement and Strategy Plan.



## Governance *continued*

### Internal audit

The Internal Audit Function is overseen by the Head of Risk Management and Internal Audit who has a direct reporting line to the chairperson of the Board Finance, Investment and Audit Committee and the Board Risk Management Committee. The Internal Audit Function is governed by the Internal Audit Charter which is reviewed and approved by the Board Finance, Investment and Audit Committee.

The Internal Audit Function is authorised to:

- Have unrestricted access to the Board Finance, Investment and Audit Committee.
- Have unrestricted access to all functions, property, records and employees of Coal Services.
- Allocate resources and apply such techniques as may be required to fulfil the requirements of the annual audit plan and any additional audit activities that may be agreed.

The annual audit plan is resourced internally by the Internal Audit Function and by an outsourced audit partner, Protiviti.

### External audit

Coal Services' external auditor is KPMG and has been appointed by the Coal Services Board. The role of the external auditor is to provide an independent opinion that Coal Services' financial reports are true and fair, and comply with applicable accounting standards and the *Corporations Act 2001* (Cth).

KPMG receives all Board Finance, Investment and Audit Committee papers and attend, at a minimum, the Board Finance, Investment and Audit Committee meeting held in September annually to discuss the financial report. KPMG also attends the related annual report finalisation Board meeting to present their final external audit report. KPMG is invited to attend all Board Finance, Investment and Audit Committee meetings and have access to all Directors and Coal Services employees.

### Remuneration

As Coal Services is not a listed public company, no equity based remuneration payments are made to any Director or employee of Coal Services.

# Governance *continued*

Director	Position	Board Meetings		Board Finance and Investment Committee		Board Audit and Risk Management Committee		Remuneration Committee		Insurance Committee		Board Finance, Investment and Audit Committee		Board Risk Management Committee	
		Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Wayne McAndrew <sup>1</sup>	Non-Executive Chairperson	7	7	0	0	0	0	0	0	2	2	0	0	0	0
David Moulton	Non-Executive Chairperson (incumbent)	14	14	2	2	3	3	0	0	2	2	2	2	2	2
Peter Jordan	Non-Executive Director	14	14	0	0	0	0	0	0	2	2	0	0	0	0
Andrew McMahon <sup>2</sup>	Non-Executive Director	7	7	0	0	0	0	0	0	2	2	0	0	0	0
Andy Honeysett <sup>3</sup>	Non-Executive Director	7	7	0	0	0	0	2	2	0	0	0	0	0	0
Greg Sullivan <sup>4</sup>	Non-Executive Director	7	7	0	0	0	0	2	2	0	0	0	0	0	0
Mark Genovese	Independent Non-Executive Director	14	14	2	2	3	3	0	0	0	0	2	2	2	2
John Hannaford	Independent Non-Executive Director	14	14	0	0	3	3	2	2	0	0	2	2	2	2
Lucy Flemming	Executive Director	14	14	2	2	0	0	2	2	4	4	0	0	0	0

In January 2016, the Board considered and approved the separation of the Board Audit and Risk Management Committee (BARMC) to form two new Committees:

Board Finance and Investment Audit Committee (FIAC) and the Board Risk Management Committee (RMC).

<sup>1</sup> Appointment expired 31 December 2015

<sup>2</sup> Appointment expired 31 December 2015

<sup>3</sup> Appointed 1 January 2016

<sup>4</sup> Appointed 1 January 2016

# Annual Financial Report

for the year ended 30 June 2016

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# Directors' report

for the year ended 30 June 2016

Your Directors present their report together with the consolidated financial report of Coal Services Pty Limited ('the Company') and the entities it controlled ('the Group') at the end of, or during, the year ended 30 June 2016.

## 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:

D J Moulton – Chairman

L A Flemming

P M Jordan

M S Genovese

The Hon. J P Hannaford

G S Sullivan (appointed 1 January 2016)

A W Honeysett (appointed 1 January 2016)

A P McMahon (resigned 31 December 2015)

W McAndrew (resigned 31 December 2015)

## 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 Ltd
- b) mines rescue services principally for the New South Wales coal industry through its controlled entity, Mines Rescue Pty Limited
- c) workplace health and rehabilitation services for the New South Wales coal mining industry, under the registered trademark 'CS Health' and
- d) occupational environmental monitoring services, including dust monitoring, for the New South Wales coal mining industry.

## Changes in the state of affairs

There were no significant changes in the state of the Group's affairs during the reporting period.



## Directors' report *continued*

### Review of operations

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

	SEGMENT REVENUES		SEGMENT RESULTS	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Workers compensation insurance	126,219	132,057	(7,906)	(9,293)
Investment activities of Coal Services	25,143	47,651	22,408	45,234
Mines rescue, training, regulation and compliance services	19,981	19,702	(504)	(268)
Health and rehabilitation services	6,389	6,956	(3,014)	(2,856)
Other	2,416	2,357	1,143	(137)
Less: intersegment eliminations	(3,685)	(3,200)		
	176,463	205,523		
<b>Profit from operating activities</b>			12,127	32,680
<b>Other comprehensive income</b>				
Defined benefit superannuation actuarial liability gains			1,199	751
<b>Total comprehensive income</b>			13,326	33,431

### Application of current year's profit

It is neither the Company's policy nor the expectation of shareholders of 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 Ltd 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 \$7.9m (2015: loss \$9.3m). The result for underwriting operations was a loss of \$2.1m (2015: loss of \$0.7m), before administration expenses of \$5.8m (2015: \$8.6m). The indemnity provided to Coal Mines Insurance Pty Ltd by Coal Services Pty Limited was increased by \$7.9m (2015: \$9.3m) in line with the terms of the deed of indemnity.

#### b) Investment activities

During the year the investment portfolio generated a net investment profit of \$22.4m (2015: \$45.2m), including unrealised loss of \$14.3m (2015: profit of \$16.9m).

## Directors' report *continued*

### 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 \$0.5m (2015: loss \$0.3m). Total operating revenue of \$20.0m (2015: \$19.7m) included contributions from mine owners of \$8.6m (2015: \$8.6m), training services of \$4.0m (2015: \$4.0m), and revenue for the provision of regulation services and calibration of technical and safety equipment of \$7.4m (2015: \$7.1m).

### d) Health and rehabilitation services

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

The segment result for the year was a loss of \$3.0m (2015: loss \$2.9m). This segment generated revenue of \$6.4m (2015: \$7.0m).

### Likely developments and expected results of operations

The Company aims to ensure the continuity of the business through sound financial management, maintaining statutory services including dust monitoring, prevention, health monitoring and improved claims 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.

### Indemnification and insurance of Directors and officers

During the period, the Group paid premiums to insure the Directors and officers of the holding company and its subsidiaries. The insurance policy provides coverage in respect of losses resulting from a wrongful act which a Director or officer becomes legally obliged to pay on account of any claim made against them during the policy period. It does not provide cover for losses in certain circumstances, including fraud, dishonesty, illegal acts, claims, litigation, or demands occurring outside specified dates.

### Lead auditor's independence statement

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 114.

### Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

**D J Moul**

Director and Chairman

**L A Flemming**

Managing Director/CEO

Sydney, 14 October 2016

## Auditor's independence declaration

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 2016 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, 14 October 2016

# Statement of consolidated financial position

as at 30 June 2016

	NOTES	2016 \$'000	2015 \$'000
<b>Current assets</b>			
Cash and cash equivalents	9	7,710	8,006
Receivables	10	15,681	13,112
Financial assets held at fair value through profit or loss	7	479,445	476,279
Inventories	15	120	158
Prepayments		709	821
<b>Total current assets</b>		<b>503,665</b>	498,376
<b>Non-current assets</b>			
Receivables	10	17,072	17,374
Property, plant and equipment	14	52,154	53,438
Investment properties	8	55,900	49,800
<b>Total non-current assets</b>		<b>125,126</b>	120,612
<b>Total assets</b>		<b>628,791</b>	618,988
<b>Current liabilities</b>			
Payables	11	9,419	12,413
Unearned revenue	12	–	735
Provision for outstanding claims	6	69,327	74,391
Provisions	13	11,911	13,146
<b>Total current liabilities</b>		<b>90,657</b>	100,685
<b>Non-current liabilities</b>			
Unearned revenue	12	–	372
Defined benefit superannuation scheme	25	4,559	6,105
Provision for outstanding claims	6	314,627	307,801
Provisions	13	5,652	4,055
<b>Total non-current liabilities</b>		<b>324,838</b>	318,333
<b>Total liabilities</b>		<b>415,495</b>	419,018
<b>Net assets</b>		<b>213,296</b>	199,970
<b>Equity</b>			
Contributed equity	22	–	–
Reserves	23	2,958	2,958
Retained profits	23	210,338	197,012
<b>Total equity</b>		<b>213,296</b>	199,970

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



# Statement of consolidated comprehensive income

for the year ended 2016

	NOTES	2016 \$'000	2015 \$'000
Workers compensation premium revenue	3	100,021	106,340
Outwards reinsurance premium expense	4	(1,950)	(2,454)
<b>Net earned premiums</b>		<b>98,071</b>	103,886
Claims expense	4	(82,806)	(87,671)
District court expenses	4	(1,026)	(1,029)
Reinsurance and other recoveries received	4	1,261	2,520
<b>Net claims incurred</b>	4	<b>(82,571)</b>	(86,180)
Other scheme expenses	4	(1,391)	(645)
Mines safety levy cost recovery	3	25,938	25,717
Mines safety levy expense	4	(23,923)	(25,923)
<b>Underwriting result</b>		<b>16,124</b>	16,855
Investment income	3	25,143	47,651
Other income	3	25,361	25,815
<b>Total investment and other income</b>		<b>50,504</b>	73,466
<b>Expenses from operating activities</b>	4	<b>(54,501)</b>	(57,641)
<b>Net profit for the year</b>		<b>12,127</b>	32,680
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit and loss			
Defined benefit superannuation liability actuarial (losses)/gains	25e	1,199	751
<b>Total comprehensive income for the year</b>		<b>13,326</b>	33,431

The above statement of consolidated comprehensive income should be read in conjunction with the accompanying notes.

# Statement of consolidated changes in equity

for the year ended 30 June 2016

	SHARE CAPITAL \$'000	RESERVES \$'000	RETAINED EARNINGS \$'000	TOTAL \$'000
<b>Balance at 1 July 2015</b>	<b>–</b>	<b>2,958</b>	<b>197,012</b>	<b>199,970</b>
Profit for the year	–	–	<b>12,127</b>	<b>12,127</b>
Other comprehensive income	–	–	<b>1,199</b>	<b>1,199</b>
Total comprehensive income for the year	–	–	<b>13,326</b>	<b>13,326</b>
<b>Balance at 30 June 2016</b>	<b>–</b>	<b>2,958</b>	<b>210,338</b>	<b>213,296</b>

	SHARE CAPITAL \$'000	RESERVES \$'000	RETAINED EARNINGS \$'000	TOTAL \$'000
Balance at 1 July 2014	–	2,958	163,581	166,539
Profit for the year	–	–	32,680	32,680
Other comprehensive income	–	–	751	751
Total comprehensive income for the year	–	–	33,431	33,431
Balance at 30 June 2015	–	2,958	197,012	199,970

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 2016

	NOTES	2016 \$'000	2015 \$'000
<b>Cash flow from operating activities</b>			
Underwriting operations		126,547	132,313
Outwards reinsurance paid		(1,950)	(2,454)
Claims paid		(81,020)	(81,405)
Other underwriting expenses paid		(32,821)	(25,077)
<b>Other operations</b>			
Investment income		24,833	36,580
Other income received		25,631	24,848
Miners' pension and defined benefit fund payments		(1,752)	(1,831)
Other operating payments		(49,092)	(52,970)
<b>Net cash inflow from operating activities</b>	31	10,376	30,004
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(2,031)	(1,327)
Payments for improvements to investment properties		(2,013)	(539)
Payments for purchase of investments		(189,345)	(52,551)
Proceeds from sale of property, plant and equipment		315	708
Proceeds from sale of investment property		–	1,722
Proceeds from sale of investments		182,402	21,539
<b>Net cash outflow from investing activities</b>		(10,672)	(30,448)
<b>Net cash outflow from financing activities</b>		–	–
<b>Net decrease in cash and cash equivalents</b>		(296)	(444)
Cash and cash equivalents at the start of the year		8,006	8,450
<b>Cash and cash equivalents at the end of the year</b>	9	7,710	8,006

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

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# Notes to the consolidated financial statements – Basis of preparation

## Note 1: Corporate information

Coal Services Pty Limited is a not-for-profit 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 Ltd;
- b) mines rescue services principally for the New South Wales coal industry through its controlled entity, Mines Rescue Pty Limited; and
- c) workplace health and rehabilitation services for the New South Wales coal mining industry, under the registered trademark 'CS Health' and
- d) occupational environmental monitoring services, including dust monitoring, for the New South Wales coal mining industry.

The consolidated financial report of Coal Services Pty Limited (the 'Company' or 'parent') for the year ended 30 June 2016 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 14 October 2016.

## Note 2: Basis of preparation

### (a) Statement of compliance

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

### (b) Basis of preparation

The consolidated financial report is presented in Australian dollars, which is the Company's functional and presentation currency. The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and, in accordance with that instrument, amounts in 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) assets backing insurance liabilities (iii) Investment properties (iv) general purpose land and buildings. 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 16.

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

# Notes to the consolidated financial statements – Group operating performance

## Note 3: Analysis of income

	2016 \$'000	2015 \$'000
<b>Insurance revenue</b>		
Workers compensation premium revenue	100,021	106,340
Mines safety levy cost recovery	25,938	25,717
<b>Total insurance revenue</b>	<b>125,959</b>	<b>132,057</b>
<b>Investment income</b>		
Equity and property trust distributions	7,533	11,918
Fixed interest trust distributions	9,902	8,052
Interest- fixed interest investments	3,698	4,654
Rental income	5,148	5,854
Investment property operating and management expenses	(1,448)	(1,494)
	<b>24,833</b>	<b>28,984</b>
<i>Realised gains/(losses) on financial assets held at FVTPL</i>		
Australian listed shares and equity trusts	(831)	592
Fixed interest investments	7,718	–
Global infrastructure and alternative funds	191	–
Overseas equity trust units	7,514	–
	<b>14,592</b>	<b>592</b>
<i>Unrealised gains/(losses) on financial assets held at FVTPL</i>		
Australian listed shares and equity trusts	(2,412)	71
Investment property	4,087	3,931
Global infrastructure and alternative funds	(199)	6,550
Fixed interest trust investments	(6,136)	288
Overseas equity trust units	(9,622)	6,072
	<b>(14,282)</b>	<b>16,912</b>
Profit on sale of investment properties	–	1,163
<b>Net investment income</b>	<b>25,143</b>	<b>47,651</b>
<b>Other income</b>		
Contributions from owners of coal mines for Mines Rescue Levy	8,558	8,558
Training and services revenue	10,842	10,729
Health and rehabilitation services	3,545	4,171
Interest charged on investment property deferred receivable	964	499
Other	1,452	1,858
	<b>25,361</b>	<b>25,815</b>
<b>Total income</b>	<b>176,463</b>	<b>205,523</b>

### Revenue recognition

Amounts disclosed as revenue are net of refunds, 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.

#### 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.

#### Contributions for Mines Rescue Levy

The *Coal Industry Act 2001* requires coal mine owners to contribute to a fund administered by Mines Rescue Pty Limited. Contributions are recognised at the fair value of the consideration received.

#### Training and services revenue

Training revenue is derived from the provision of safety training to the coal and other commercial industries. Services revenue is derived from the provision of regulation services and calibration of technical and safety equipment, and from the provision of occupational health and rehabilitation services. Revenue is recognised in the accounting period in which the services are rendered.

# Notes to the consolidated financial statements – Group operating performance *continued*

## Note 4: Analysis of expenditure

	Note	2016 \$'000	2015 \$'000
<b>Insurance expenses</b>			
Gross claims paid (including indirect settlement costs)	5	81,020	81,405
Movement in gross provision for claims outstanding	5	(23,858)	(4,500)
Movement in discounting	5	25,644	10,902
Gross claims incurred	5	82,806	87,807
District court expenses	5	1,026	1,029
Reinsurance and other recoveries received	5	(1,237)	(2,520)
Movement in reinsurance and other recovery provision	5	(24)	(136)
Net claims incurred	5	82,571	86,180
Outward reinsurance expense		1,950	2,454
Mine safety levy expense		23,923	25,923
Other scheme expenses		1,391	645
		109,835	115,202
<b>Expenses from operating activities</b>			
Employee benefits expense		37,065	37,328
Depreciation and amortisation expenses		2,815	3,131
Impairment of property, plant and equipment		–	31
Net loss from the sale of assets		185	87
(Reversal of impairment)/impairment of receivables	10	(2,970)	412
Investment management expenses		2,735	2,417
Miners' pension expenses		982	94
Mines Rescue materials expenses		2,635	2,144
Consultants and contractors		2,701	4,267
Medical related expenses		623	746
Travel and motor vehicle		1,224	1,524
Occupancy		2,310	2,139
General overheads		4,196	3,321
<b>Total operating expenses</b>		54,501	57,641
<b>Total expenses</b>		164,336	172,843

### Expense recognition

Expenses are recognised as incurred.

### Outwards reinsurance expense

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

# Notes to the consolidated financial statements – Group operating performance *continued*

## Note 5: Net claims incurred

	Current year \$'000	Prior years \$'000	Total \$'000
<b>2016</b>			
<b>Gross claims incurred and related expenses</b>			
Gross claims paid (including indirect settlement costs)	7,673	73,347	81,020
Movement in gross provision for claims outstanding	60,324	(84,182)	(23,858)
Movement in discounting	(6,588)	32,232	25,644
Gross claims incurred	61,409	21,397	82,806
District court expenses	1,026	–	1,026
Reinsurance and other recoveries received	(12)	(1,225)	(1,237)
Movement in reinsurance and other recoverables	(794)	770	(24)
Net claims incurred	61,629	20,942	82,571
<b>2015</b>			
<b>Gross claims incurred and related expenses</b>			
Gross claims paid (including indirect settlement costs)	8,510	72,895	81,405
Movement in gross provision for claims outstanding	65,602	(70,102)	(4,500)
Movement in discounting	(9,567)	20,469	10,902
Gross claims incurred	64,545	23,262	87,807
District court expenses	1,029	–	1,029
Reinsurance and other recoveries received	(112)	(2,408)	(2,520)
Movement in reinsurance and other recoverables	(828)	692	(136)
Net claims incurred	64,634	21,546	86,180

### 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.



# Notes to the consolidated financial statements – Group financial position

## Note 6: Provision for outstanding claims

	2016 \$'000	2015 \$'000
<b>a) Expected future claim payments</b>		
Central estimate	372,738	392,281
Risk margin	48,083	50,604
Indirect claims settlement costs	27,956	29,421
	448,777	472,306
Discount to present value	(64,823)	(90,114)
	383,954	382,192
Current	69,327	74,391
Non-current	314,627	307,801
	383,954	382,192
<b>Inflation rate – normal (economic)</b>		
– succeeding year	3.00%	2.95%
– second and third year	3.00%	3.00%
– subsequent years	3.00%	3.50%
<b>Inflation rate – superimposed</b>		
– full weekly	2.50%	2.50%
– medical	5.50%	5.50%
– other	1.50%	1.50%
– asbestos	3.00%	3.00%
– lung	2.00%	2.00%
<b>Discount rate</b>		
– succeeding year	1.63%	1.97%
– subsequent year	1.49% – 5.00%	1.95% – 5.46%

b) The weighted average expected term to settlement of the outstanding claims from the balance date is estimated to be 6.17 years (2015: 5.66 years).

c) The prudential margin, which represents 12.0% (2015: 12.0%) of the discounted central estimate, provides a 75% (2015: 75%) level of confidence that the reserve will be sufficient.

# Notes to the consolidated financial statements – Group financial position *continued*

## Note 6: Provision for outstanding claims *continued*

### d) Claims development tables – workers compensation business

The following tables show the development of net discounted outstanding claims relative to the ultimate expected claims for the ten most recent accident years.

ACCIDENT YEAR	2007 \$'000	2008 \$'000	2009 \$'000	2010 \$'000	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	TOTAL \$'000
Estimate of ultimate claims cost:											
At end of accident year	63,523	60,603	71,166	67,439	62,136	64,103	74,192	68,733	62,080	56,816	
One year later	59,552	61,901	68,501	62,752	59,537	69,889	79,618	73,025	60,916		
Two years later	59,778	64,980	68,708	56,551	61,073	73,582	80,192	71,180			
Three years later	61,153	59,162	67,037	59,247	59,347	75,413	79,061				
Four years later	57,075	55,570	68,767	61,920	63,104	75,045					
Five years later	55,722	57,690	68,662	61,341	63,508						
Six years later	57,391	58,043	67,280	61,274							
Seven years later	56,099	58,864	70,481								
Eight years later	57,313	58,071									
Nine years later	58,493										
Current estimate of cumulative claims cost	58,493	58,071	70,481	61,274	63,508	75,045	79,061	71,180	60,916	56,816	<b>654,845</b>
Cumulative payments	(48,652)	(47,446)	(56,036)	(45,515)	(45,951)	(49,242)	(44,249)	(31,349)	(19,754)	(7,453)	<b>(395,647)</b>
Outstanding claims – undiscounted	9,841	10,625	14,445	15,759	17,557	25,803	34,812	39,831	41,162	49,363	<b>259,198</b>
Outstanding claims 2006 and prior – undiscounted*											<b>113,541</b>
Discount											<b>(53,840)</b>
Net discounted outstanding claims											<b>318,899</b>
Discounted claims handling expenses											<b>23,917</b>
Discounted risk margin											<b>41,138</b>
Net discounted provision for claims outstanding											<b>383,954</b>

\* Includes Pre-1985, asbestos, lung disease and catastrophic claims

## Notes to the consolidated financial statements – Group financial position *continued*

### Note 6: Provision for outstanding claims *continued*

#### e) Sensitivity analysis – insurance contracts

Coal Mines Insurance Pty Ltd 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 insurance liability assumption will affect the profit/loss and equity of the Company.

	MOVEMENT IN VARIABLE %	IMPACT ON EQUITY AND PROFIT NET OF REINSURANCE 2016 \$'000	IMPACT ON EQUITY AND PROFIT NET OF REINSURANCE 2015 \$'000
Active claims tail continuance rate	+2%	27,384	22,277
	-2%	(14,778)	(12,426)
Common law and redemption utilisation rate	+10%	12,854	13,686
	-10%	(12,854)	(13,686)
Expense rate	+1%	3,572	3,558
	-1%	(3,572)	(3,558)
Discount rate	+1%	(20,311)	(18,780)
	-1%	23,325	21,462
Inflation rate – normal	+1%	23,043	21,392
	-1%	(20,500)	(19,107)
Inflation rate – superimposed	+1% to classes with SI	10,827	10,046
	-1% to classes with SI	(9,552)	(8,900)

## Notes to the consolidated financial statements – Group financial position *continued*

### Note 6: Provision for outstanding claims *continued*

#### f) Movement in outstanding claims liability

	2016 \$'000	2015 \$'000
Gross central estimate at beginning of year	346,004	340,289
Gross risk margin at the beginning of year	41,521	40,835
Expected future recoveries (including risk margin)	(5,333)	(5,197)
<b>Net outstanding claims at beginning of year</b>	<b>382,192</b>	<b>375,927</b>
Gross claims paid during the year	(73,347)	(72,895)
Associated expense allowance	(5,502)	(5,467)
Discount unwinding	6,113	7,513
Movement due to experience and valuation assumption	13,781	20,252
Movement due to economic assumptions	12,571	6,281
Claims incurred in the year	47,979	50,031
Movement in risk margin	191	686
Movement in expected future recoveries (including risk margin)	(24)	(136)
<b>Movement for the year</b>	<b>1,762</b>	<b>6,265</b>
Gross central estimate at end of year	347,599	346,004
Gross risk margin at end of year	41,712	41,521
Expected future recoveries (including risk margin)	(5,357)	(5,333)
<b>Net outstanding claims at the end of year</b>	<b>383,954</b>	<b>382,192</b>

#### g) Workers compensation insurance claims

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

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



## Notes to the consolidated financial statements – Group financial position *continued*

### Note 7: Financial assets held at fair value through profit and loss

	2016 \$'000	2015 \$'000
<b>Current</b>		
Australian cash funds	14,757	34,099
Australian bond trust units	277,319	264,932
Australian listed shares	62,621	56,831
Global fixed income and absolute return funds	27,645	11,321
Overseas equity trust units	31,945	43,554
Global infrastructure funds	27,987	30,626
Hedge funds	37,171	34,916
	<b>479,445</b>	<b>476,279</b>

#### Accounting for financial assets held at fair value through profit and loss

The Group's investments portfolio, excluding investment properties, is designated at fair value through profit and loss. Investments are recognised at fair value on the date the Group becomes party to the contractual agreement. Transaction costs on financial assets held 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 is a market rate at the statement of financial position date applicable for an instrument with similar terms and conditions.
- Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such funds.

# Notes to the consolidated financial statements – Group financial position *continued*

## Note 8: Investment properties

	2016 \$'000	2015 \$'000
<b>At fair value</b>		
Opening balance at 1 July	49,800	62,500
Capitalised subsequent expenditure	2,013	539
Net gain from fair value adjustments	4,087	3,931
Disposals	–	(17,170)
<b>Closing balance at 30 June</b>	<b>55,900</b>	49,800

On 18 December 2014, Coal Services entered into a put and call agreement to dispose its investment property located at 20 George Street, Hornsby. The purchaser has the option to acquire the property for \$17.7m or \$18.2m depending if the option is exercised before 30 September 2016 or after 30 September 2016 but before 30 September 2017, respectively. An option fee payable by the purchaser for this exclusive arrangement consists of an upfront payment of \$0.91m and seven quarterly instalments of \$0.14m payable until 1 September 2016. Coal Services retains the rights to rental income from the property until such time as the purchaser exercises the call option. The investment property was derecognised at the date of the put and call agreement and a receivable for the future discounted cash flows was recognised. The transactions resulted in a gain on disposal of \$1.2m, being the difference between the expected future discounted cash flows and the fair value of the property on the date of the transaction. Interest income of \$1.0m (2015: \$0.5m) on the receivable has been recognised in income. Refer to Note 3. At 30 June 2016 the carrying value of the receivable amounted to \$16.4m (2015: \$17.1m). Refer to Note 10.

### Amounts recognised in profit and loss for investment properties

	2016 \$'000	2015 \$'000
Rental income	5,148	5,854
Direct operating expenses	(1,448)	(1,494)
	<b>3,700</b>	4,360

## Notes to the consolidated financial statements – Group financial position *continued*

### Note 8: Investment properties *continued*

#### Accounting for investment properties

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment properties are carried at fair value, which is based on active market prices, adjusted for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. The Group obtains independent valuations by a member of the Australian Property Institute annually. At the end of each reporting period, the Directors update their assessment, taking into account the most recent independent valuations. The Directors determine a property's value within a range of reasonable fair value estimates. Changes in fair values are presented in the statement of comprehensive income. Valuations are categorised as level 3. Refer to Note 16 for an explanation of fair values.

The key assumptions used in the 30 June 2016 independent valuations were in the following ranges for the Group's portfolio of properties:

	2016	2015
Discount rate	8.25% – 10.25%	8.75% – 10.50%
Terminal yield	7.50% – 10.25%	8.00% – 10.25%
Capitalisation rate	7.25% – 10.00%	8.00% – 10.00%
Weighted rental growth rate	3.04% – 3.65%	3.17% – 3.65%

### Note 9: Cash and cash equivalents

	2016 \$'000	2015 \$'000
Cash at bank and on hand	7,710	8,006
	7,710	8,006

The parent company has a \$30m revolving credit facility with Credit Suisse AG as at 30 June 2016 (2015: \$30m). Credit Suisse AG has registered a fixed and a floating charge in respect of this facility. Neither facility was drawn down during the year.

For cash flow statement presentation purposes, cash and cash equivalents include cash on hand and deposits held at call with financial institutions. Other short term and highly liquid investments have been classified as Australian Cash Funds under 'Financial Assets Held at Fair Value through Profit and Loss' as per Note 7. All cash flows for Coal Mines Insurance Pty Ltd are managed through Coal Services Pty Limited's bank account, and cash inflows and outflows occur through the inter-company account.

# Notes to the consolidated financial statements – Group financial position *continued*

## Note 10: Receivables

	2016 \$'000	2015 \$'000
<b>Current</b>		
Trade receivables	4,532	8,168
Less: provision for impaired receivables	(1,038)	(4,327)
	3,494	3,841
Other receivables	12,187	9,271
	15,681	13,112
Movement in the provision for impairment of receivables is as follows:		
Balance at 1 July	4,327	3,915
Provision for impairment recognised during the year (Note 4)	534	412
Receivables written off during the year as uncollectable	(319)	–
Unused amount reversed	(3,504)	–
Balance at 30 June	1,038	4,327

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

	2016 \$'000	2015 \$'000
<b>Non-current</b>		
Receivable from Coal Mining Industry (Long Service Leave Funding) Corporation for long service leave	245	260
Lease incentives	401	4
Deferred settlement on sale of investment property	16,426	17,110
	17,072	17,374

On 18 December 2014, Coal Services entered into a put and call agreement to dispose its investment property located at 20 George Street, Hornsby as disclosed in Note 8. The anticipated gross proceeds have been discounted to present value at 5% and will unwind using the effective interest rate method over the life of the option. A gain on disposal of \$1.2m was recognised during the 30 June 2015 year. Interest income of \$1.0m (2015: \$0.5m) was charged on the receivable being the unwinding of the discount rate. Refer to Note 3.



## Notes to the consolidated financial statements – Group financial position *continued*

### Note 11: Payables

	2016 \$'000	2015 \$'000
Trade and other creditors	2,549	10,327
Accrued expenses	6,870	2,086
	9,419	12,413

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

### Note 12: Unearned revenue

	2016 \$'000	2015 \$'000
Unearned revenue	–	1,107
Carrying amount at beginning of the year	1,107	2,600
	1,107	2,600
Less: recognised in the period	(1,107)	(1,493)
Carrying amount at the end of the year	–	1,107

Unearned revenue relates to a grant received 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.

## Notes to the consolidated financial statements – Group financial position *continued*

### Note 13: Provisions

	NOTE	2016 \$'000	2016 \$'000
<b>Current</b>			
Employee entitlements	13a	<b>11,186</b>	11,248
Industry assumed liabilities – Mine Wealth + Wellbeing Superannuation Fund (Pension indemnity)	13b	<b>485</b>	800
Industry assumed liabilities – Mine Wealth + Wellbeing Superannuation Fund (CPI liability)	13c	<b>240</b>	1,098
		<b>11,911</b>	13,146
<b>Non-current</b>			
Employee entitlements	13a	<b>872</b>	842
Industry assumed liabilities – Mine Wealth + Wellbeing Superannuation Fund (Pension indemnity)	13b	<b>4,540</b>	3,213
Industry assumed liabilities – Mine Wealth + Wellbeing Superannuation Fund (CPI liability)	13c	<b>240</b>	–
		<b>5,652</b>	4,055

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.

# Notes to the consolidated financial statements – Group financial position *continued*

## Note 13: Provisions *continued*

### a) Employee entitlements

	LONG SERVICE LEAVE \$'000	ANNUAL LEAVE \$'000	SICK LEAVE \$'000	TOTAL \$'000
Current	5,616	2,950	2,620	11,186
Non-current	872	–	–	872
Total entitlement	6,488	2,950	2,620	12,058

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 Limited 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 Limited 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.

#### Long service leave

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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss. The obligations are presented as current liabilities in the 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. Mines Rescue Pty Limited and Occupational Hygiene Services employees are considered to be employed in the black coal industry. A levy is raised on wages paid by employers and a reimbursement is made to employers when long service leave payments are made. The obligation for long service leave entitlements rests with the employer as part of the conditions of employment. The centralised method of financing the payment of long service leave is consistent with the entitlement to be paid, long service leave being based on continuous employment within the coal industry rather than service with a single employer.

Mines Rescue Pty Limited's and the Occupational Hygiene Services'

obligation to employees is inclusive of associated on-costs and is recognised as a liability. The Company's right to reimbursement from the statutory corporation excludes associated on-costs, as they are not recoverable from the statutory corporation. The right to reimbursement is recognised as an asset (see Note 10).

#### 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.

#### Employee 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. Coal Services' defined superannuation benefit liability was \$4.6m at 30 June 2016 (2015: \$6.1m) (see Note 25).

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 Mine Wealth + Wellbeing Superannuation Plan (incorporating the Coal and Oil Shale Workers Superannuation Fund).

# Notes to the consolidated financial statements – Group financial position *continued*

## Note 13: Provisions *continued*

### b) Industry assumed liabilities – Mine Wealth + Wellbeing (MWW) Superannuation Fund (Pension payments)

In 1992, with the agreement of the Commonwealth and New South Wales Governments, the Joint Coal Board indemnified Coalsuper Pty Limited (now Mine Wealth + Wellbeing) for its liability to pre-1978 pensioners in the Statutory Superannuation Fund. The current indemnity includes the benefits and payments that existed at 1 January 2000. This indemnity was 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:

	2016 \$'000	2015 \$'000
<b>Expected future payment</b>		
Expected future pension payments – undiscounted	6,680	5,254
Discount to present value	(1,655)	(1,241)
	5,025	4,013
Current – indemnity	485	800
Non-current – indemnity	4,540	3,213
	5,025	4,013
	2016	2015
<b>The following average inflation rates and discount rates were used in the measurement of the indemnity:</b>		
For the succeeding and subsequent years		
Inflation rate	3.5%	3.0%
Discount rate	3.6%	5.0%

The weighted average expected term to settlement of future pension payments from the balance date is estimated to be 8.00 years (2015: 4.88 years).

	2016 \$'000	2015 \$'000
<b>Miners' pension expense under indemnity:</b>		
Pension payments	588	1,831
Movement in indemnity provision	394	(1,737)
	982	94

## Notes to the consolidated financial statements – Group financial position *continued*

### Note 13: Provisions *continued*

#### c) Industry assumed liabilities – Mine Wealth + Wellbeing Superannuation Fund (CPI increases on pension payments)

Coal Services are also obliged to fund the CPI increases on the pension benefits post 1 January 2000 formerly known as the Part 3 liability. These liabilities are funded on a pay-as-you-go basis upon request from the fund administrators. At 30 June 2016, Coal Services agreed to fund \$60k per quarter for eight quarters ending 30 June 2018 (2015: four quarterly instalments of \$275k).

##### *Movements in current provisions*

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

	EMPLOYEE ENTITLEMENTS \$'000	MWW PENSION INDEMNITY \$'000	MWW CPI LIABILITY \$'000	TOTAL \$'000
Carrying amount at 1 July 2015	11,248	800	1,098	13,146
Charged to the statement of comprehensive income/used during the year	(214)	–	(858)	(1,072)
Transferred from/(to) non-current provision	152	(315)	–	(163)
Carrying amount at 30 June 2016	11,186	485	240	11,911

##### *Movements in non-current provisions*

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

	EMPLOYEE ENTITLEMENTS \$'000	MWW PENSION INDEMNITY \$'000	MWW CPI LIABILITY \$'000	TOTAL \$'000
Carrying amount at 1 July 2015	842	3,213	–	4,055
Charged to the statement of comprehensive income	182	1,012	240	1,434
Reclassified (to)/from current provision	(152)	315	–	163
Carrying amount at 30 June 2016	872	4,540	240	5,652



# Notes to the consolidated financial statements – Group financial position *continued*

## Note 14: Property, plant and equipment

	LAND AND BUILDINGS \$'000	OFFICE IMPROVEMENTS \$'000	COMPUTER EQUIPMENT \$'000	MOTOR VEHICLES \$'000	PLANT AND EQUIPMENT \$'000	TOTAL \$'000
<b>30 June 2016</b>						
At cost	–	1,461	1,921	3,469	22,436	<b>29,287</b>
At valuation	46,804	–	–	–	–	<b>46,804</b>
Accumulated depreciation	–	(1,216)	(1,310)	(1,598)	(19,813)	<b>(23,937)</b>
Carrying amount	46,804	245	611	1,871	2,623	<b>52,154</b>

	LAND AND BUILDINGS \$'000	OFFICE IMPROVEMENTS \$'000	COMPUTER EQUIPMENT \$'000	MOTOR VEHICLES \$'000	PLANT AND EQUIPMENT \$'000	TOTAL \$'000
<b>30 June 2015</b>						
At cost	–	1,417	2,606	3,437	21,789	29,249
At valuation	46,555	–	–	–	–	46,555
Accumulated depreciation	–	(1,116)	(1,960)	(1,433)	(17,857)	(22,366)
Carrying amount	46,555	301	646	2,004	3,932	53,438

## Reconciliations

	LAND AND BUILDINGS \$'000	OFFICE IMPROVEMENTS \$'000	COMPUTER EQUIPMENT \$'000	MOTOR VEHICLES \$'000	PLANT AND EQUIPMENT \$'000	Total \$'000
Carrying amount at 1 July 2015	46,555	301	646	2,004	3,932	53,438
Additions	249	43	398	694	647	2,031
Disposals	–	–	(149)	(351)	–	(500)
Depreciation/amortisation expense	–	(99)	(284)	(476)	(1,956)	(2,815)
Carrying amount at 30 June 2016	46,804	245	611	1,871	2,623	52,154

## Notes to the consolidated financial statements – Group financial position *continued*

### Note 14: Property, plant and equipment *continued*

#### Accounting for property plant and equipment

General purpose land and buildings are recognised at fair value based on valuations from an independent member of the Australian Property Institute at least once every three years. At the balance sheet date the Directors determine a property's value within a range of reasonable fair value estimates. Fair value is determined as the amount for which properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. If an asset's carrying amount 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. Valuations are categorised as level 3.

No revaluation increment (2015: \$0m revaluation increment) has been credited to the asset revaluation reserve in shareholders' equity and no revaluation decrement (2015: \$0m) has been debited to the profit or loss.

Specialised own use land and buildings are valued based on their existing use, using a depreciated replacement cost method. It involves estimation of replacement value of land 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 various factors.

Impairment losses are recognised where the carrying amount of land and buildings exceeds the recoverable amount. The recoverable amount of assets is the greater of their net selling price or 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.

All other property, plant and equipment is recognised at historical cost less depreciation. 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	10% per annum
Computer equipment	20% to 50% per annum
Motor vehicles	10% to 15% per annum
Plant and equipment	6.67% to 25% per annum

	2016 \$'000	2015 \$'000
<b>a) Carrying amounts:</b>		
Land and specific use buildings stated at existing use value	37,590	37,525
Land and general use buildings stated at fair value	9,214	9,030
Total land and buildings	46,804	46,555

## Notes to the consolidated financial statements – Group financial position *continued*

### Note 14: Property, plant and equipment *continued*

#### b) Carrying amounts that would have been recognised if land and buildings were stated at historical cost:

	2016 \$'000	2015 \$'000
<b>Freehold land</b>		
Cost	8,746	8,746
<b>Buildings</b>		
Cost	58,410	58,161
Accumulated depreciation (2.5% pa)	(10,840)	(9,383)
Net book amount	47,570	48,778
Total land and buildings	56,316	57,524
<b>c) Carrying amounts that would have been recognised if all land and buildings were stated at fair value:</b>		
Total land and building	21,865	22,440

### Note 15: Inventories

	2016 \$'000	2015 \$'000
Goods for resale	120	158

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.

# Notes to the consolidated financial statements – Risk management

## Note 16: 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.

### Estimation of outstanding claims provision

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 provision 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 17 provides details on actuarial assumptions and methodology, and Note 6 provides an analysis of the outstanding claims provision.

### 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 25(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 annually for investment properties and at least once every three years for owner occupied properties. 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 8 and Note 14.

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 every three years by the directors of the company considering independent valuations.

## Note 17: 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 provision 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.

## Notes to the consolidated financial statements – Risk management *continued*

### Note 17: Actuarial assumptions and method *continued*

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

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

- To value current claims occurring before 30 June 1985 having regard for whether or not weekly benefits are being paid and the expected term of those payments. Claims occurring before 30 June 1985 are entitled to receive weekly benefits until such time as the claimant is deceased.
- To value claims occurring after 30 June 1985 by payment type using recognised payments based 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 2016.

The methods used to estimate the allowance for claims incurred in the year to 30 June 2016 were consistent with those adopted to estimate the outstanding claims provision. 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 2016 at the 75% level of confidence was compared to the estimated unearned premium in respect of this year at 30 June 2016. No deficiency was recognised at 30 June 2016.

The determination of a risk margin, claims handling expense and policy administration expense provisions to achieve an estimated 75% level of confidence has been added to the central estimate of the claims provision for the year to 30 June 2016.

#### 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.

### Note 18: Insurance contracts

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 may vary from those estimated using established statistical techniques.



## Notes to the consolidated financial statements – Risk management *continued*

### Note 18: Insurance contracts *continued*

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.

#### 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 a 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 ongoing basis to ensure that any adverse performance is addressed. The potential incidence of catastrophic events are managed through the reinsurance management process and is reviewed on an annual basis. The Group is able to reduce the claims experience risk of catastrophic events through the use of reinsurance.

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

### Note 19: Liability adequacy test

A liability adequacy test is not required as the Company has no unearned premium at balance sheet date.

# Notes to the consolidated financial statements – Risk management *continued*

## Note 20: Capital management

### Capital management strategy

The capital management strategy plays a central role in managing risk so as to ensure that the organisation exists in the long term to meet its crucial objective of providing an appropriate level of capital to protect the New South Wales coal mining industry, and specifically, policyholders' and mine industry employees' interests.

Coal Services actively considers its risk appetite through the holistic implementation of strategies around identified key risk levers of underwriting, reinsurance, capital, asset allocation and risk management. The target level of capitalisation for Coal Services is assessed by consideration of factors including:

- The relative access to additional capital
- Sustainability of the organisation
- The probability of financial ruin over the next one to three years and
- The obligation of the organisation to provide services to the industry as outlined in the *Coal Industry Act 2001*.

The amount of capital required that fulfils these risk appetite factors varies according to the business underwritten, extent of reinsurance and asset allocation and is estimated using dynamic financial analysis modelling. For ease of communication, internally and externally, Coal Services has translated the outcome to a target capital position with reference to a multiple of the prescribed capital amount by applying the Australian Prudential Regulation Authority's (APRA) prescribed methodology.

Internal policies are in place to ensure significant deviations from this benchmark are considered at the Board level as to how any shortfall should be made good, or any surplus utilised.

### Economic capital

Coal Services' subsidiary, Coal Mines Insurance, operates a workers compensation insurance business for the coal mining industry of New South Wales. Established by operation of the *Coal Industry Act 2001*, Coal Mines Insurance is not regulated by APRA, however, from a good governance perspective, operates, where possible, in accordance with the APRA prudential framework, including the adoption of a target capital amount.

Coal Services has a risk appetite and a long term target capital range of 1.8-2.0 times the APRA prescribed capital amount.

In conjunction with the above, consideration is given to the operational capital needs of the business. Targeting a capital multiple above the minimum regulatory requirement aims to ensure the ongoing strength and security of Coal Services, whilst suitably protecting policyholders and coal industry employees.

## Note 21: Financial risk management

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

### a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk comprises three types 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 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 the balance sheet date.

#### iii) Interest rate risk

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

# Notes to the consolidated financial statements – Risk management *continued*

## Note 21: Financial risk management *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	-1% PROFIT/ EQUITY \$'000	+1% PROFIT/ EQUITY \$'000	-10% PROFIT/ EQUITY \$'000	+10% PROFIT/ EQUITY \$'000
<b>INTEREST RATE RISK</b>					
<b>OTHER PRICE RISK</b>					
2016					
<i>Financial assets:</i>					
Cash	7,710	(77)	77	–	–
Trade and other receivables	16,327	–	–	–	–
Deferred settlement on sale of property	16,426	–	–	(1,643)	1,643
Australian bond trust units	277,319	(964)	964	(27,732)	27,732
Australian listed shares	62,621	–	–	(6,262)	6,262
Overseas equity trust units	31,945	–	–	(3,195)	3,195
Global infrastructure funds	27,987	–	–	(2,799)	2,799
Global fixed income and absolute return funds	27,645	(276)	276	(2,765)	2,765
Hedge funds	37,171	–	–	(3,717)	3,717
Australian cash funds	14,757	(148)	148	–	–
	<b>519,908</b>	<b>(1,465)</b>	<b>1,465</b>	<b>(48,113)</b>	<b>48,113</b>
2015					
<i>Financial assets:</i>					
Cash	8,006	(80)	80	–	–
Trade and other receivables	13,376	–	–	–	–
Deferred settlement on sale of property	17,110	(171)	171	(1,711)	1,711
Australian bond trust units	264,932	(2,649)	2,649	(26,493)	26,493
Australian listed shares	56,831	–	–	(5,683)	5,683
Overseas equity trust units	43,554	–	–	(4,355)	4,355
Global infrastructure funds	30,626	–	–	(3,062)	3,062
Global fixed income and absolute return funds	11,321	(113)	113	(1,132)	1,132
Hedge funds	34,916	–	–	(3,491)	3,491
Australian cash funds	34,099	(341)	341	–	–
	<b>514,771</b>	<b>(3,354)</b>	<b>3,354</b>	<b>(45,927)</b>	<b>45,927</b>

# Notes to the consolidated financial statements – Risk management *continued*

## Note 21: Financial risk management *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:

	TOTAL PAST DUE BUT NOT IMPAIRED			PAST DUE AND IMPAIRED	TOTAL
	NOT YET DUE \$'000	31-90 DAYS \$'000	90+DAYS \$'000	\$'000	\$'000
<b>2016</b>					
Trade and other receivables	<b>14,807</b>	<b>266</b>	<b>608</b>	<b>1,038</b>	<b>16,719</b>
<b>2015</b>					
Trade and other receivables	11,425	1,568	119	4,327	17,439

## Notes to the consolidated financial statements – Risk management *continued*

### Note 21: Financial risk management *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 or below \$'000	NOT RATED \$'000	TOTAL \$'000
<b>2016</b>						
Cash and cash equivalents	–	7,710	–	–	–	7,710
Trade and other receivables	–	–	–	–	32,753	32,753
Australian bond trust units	115,387	50,779	88,109	23,044	–	277,319
Australian listed shares	–	–	–	–	62,621	62,621
Overseas equity trust units	–	–	–	–	31,945	31,945
Global infrastructure funds	–	–	–	–	27,987	27,987
Global fixed income and absolute return funds	5,928	3,971	6,396	11,350	–	27,645
Hedge funds	–	–	–	–	37,171	37,171
Australian cash funds	–	–	14,757	–	–	14,757
	121,315	62,460	109,262	34,394	192,477	519,908
<b>2015</b>						
Cash and cash equivalents	–	8,006	–	–	–	8,006
Trade and other receivables	–	–	–	–	30,486	30,486
Australian bond trust units	95,141	72,816	78,421	18,554	–	264,932
Australian listed shares	–	–	–	–	56,831	56,831
Overseas equity trust units	–	–	–	–	43,554	43,554
Global infrastructure funds	–	–	–	–	30,626	30,626
Global fixed income and absolute return funds	352	1,411	3,892	5,355	311	11,321
Hedge funds	–	–	–	–	34,916	34,916
Australian cash funds	–	34,099	–	–	–	34,099
	95,493	116,332	82,313	23,909	196,724	514,771



# Notes to the consolidated financial statements – Risk management *continued*

## Note 21: Financial risk management *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 contractual obligations.

	UP TO A YEAR \$'000	2-3 YEARS \$'000	4-5 YEARS \$'000	THEREAFTER \$'000	TOTAL CONTRACTUAL CASH FLOWS \$'000	CARRYING AMOUNT \$'000
<b>2016</b>						
<b>Financial liabilities:</b>						
Mine Wealth + Wellbeing Superannuation Fund (Pension indemnity)	665	1,189	912	3,914	6,680	5,025
Mine Wealth + Wellbeing Superannuation Fund (CPI liability)	240	240	–	–	480	480
Payable and accruals	9,419	–	–	–	9,419	9,419
Discounted claims liability*	69,327	95,968	59,859	158,800	383,954	383,954
	79,651	97,397	60,771	162,714	400,533	398,878
<b>2015</b>						
<b>Financial liabilities:</b>						
Mine Wealth + Wellbeing Superannuation Fund (Pension indemnity)	800	1,300	900	2,254	5,254	4,013
Mine Wealth + Wellbeing Superannuation Fund (CPI liability)	1,098	–	–	–	1,098	1,098
Payable and accruals	12,413	–	–	–	12,413	12,413
Discounted claims liability*	74,391	140,236	53,905	113,660	382,192	382,192
	88,702	141,536	54,805	115,914	400,957	399,716

\* Timing of future payments is inherently uncertain. The claims liability above presents the estimated discounted cash flows based on the remaining term to payment. Actual cash flows may differ from expected maturities.

# Notes to the consolidated financial statements – Risk management *continued*

## Note 21: Financial risk management *continued*

### d) Operational risk

Operational risk is the risk of loss to the Group resulting from deficiencies in processes, personnel, technology and infrastructure, and from external factors other than 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 their 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.

### e) 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:

	CARRYING AMOUNT \$'000	30 JUNE 2016 FAIR VALUE \$'000	CARRYING AMOUNT \$'000	30 JUNE 2015 FAIR VALUE \$'000
<b>Assets carried at fair value</b>				
Australian bond trust units	277,319	277,319	264,932	264,932
Australian listed shares	62,621	62,621	56,831	56,831
Overseas equity trust units	31,945	31,945	43,554	43,554
Global infrastructure funds	27,987	27,987	30,626	30,626
Global fixed income and absolute return funds	27,645	27,645	11,321	11,321
Australian cash funds	14,757	14,757	34,099	34,099
Hedge funds	37,171	37,171	34,916	34,916
	<b>479,445</b>	<b>479,445</b>	476,279	476,279

# Notes to the consolidated financial statements – Risk management *continued*

## Note 21: Financial risk management *continued*

	CARRYING AMOUNT \$'000	30 JUNE 2016 FAIR VALUE \$'000	CARRYING AMOUNT \$'000	30 JUNE 2015 FAIR VALUE \$'000
<b>Assets carried at amortised cost</b>				
Cash	7,710	7,710	8,006	8,006
Trade and other receivables	32,753	32,753	30,486	30,486
	40,463	40,463	38,492	38,492
<b>Liabilities</b>				
Trade and other payables	9,419	9,419	12,413	12,413
Mine Wealth + Wellbeing Superannuation Fund (Pension indemnity)	5,025	5,025	4,013	4,013
Mine Wealth + Wellbeing Superannuation Fund (CPI liability)	480	480	1,098	1,098
Defined benefit superannuation scheme	4,559	4,559	6,105	6,105
Employee benefits	12,058	12,058	12,090	12,090
	31,541	31,541	35,719	35,719

### f) Fair value hierarchy

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

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

## Notes to the consolidated financial statements – Risk management *continued*

### Note 21: Financial risk management *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.

	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL \$'000
<b>30 June 2016</b>				
Australian bond trust units	277,319	–	–	277,319
Australian listed shares	62,621	–	–	62,621
Overseas equity trust units	31,945	–	–	31,945
Global infrastructure funds	27,987	–	–	27,987
Global fixed income and absolute return funds	27,645	–	–	27,645
Australian cash funds	14,757	–	–	14,757
Hedge funds	–	37,171	–	37,171
<b>Total</b>	<b>442,274</b>	<b>37,171</b>	<b>–</b>	<b>479,445</b>
<b>30 June 2015</b>				
Australian bond trust units	264,932	–	–	264,932
Australian listed shares	56,831	–	–	56,831
Overseas equity trust units	43,554	–	–	43,554
Global infrastructure funds	30,626	–	–	30,626
Global fixed income and absolute return funds	11,321	–	–	11,321
Australian cash funds	34,099	–	–	34,099
Hedge funds	–	34,916	–	34,916
<b>Total</b>	<b>441,363</b>	<b>34,916</b>	<b>–</b>	<b>476,279</b>

## Notes to the consolidated financial statements – Equity

### Note 22: Contributed equity

	2016 \$'000	2015 \$'000
Contributed equity		
Fully paid: 2 shares at \$1 each	–	–

It is not the Company's policy, nor the expectation of shareholders, for the Company to pay dividends. On a show of hands, every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote and upon a poll each share is entitled to one vote.

### Note 23: Reserves and retained profits

	2016 \$'000	2015 \$'000
<b>a) Reserves</b>		
Property, plant and equipment revaluation reserve	2,958	2,958
<b>Movements</b>		
Balance at 1 July	2,958	2,958
Revaluation of land and buildings	–	–
	2,958	2,958
<b>b) Retained profits</b>		
Balance at 1 July	197,012	163,581
Net profit for the year	12,127	32,680
Defined benefit superannuation scheme actuarial (losses)/gains	1,199	751
	210,338	197,012

### 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 14.



## Notes to the consolidated financial statements – Other notes

### Note 24: Income tax

#### Income tax expense/(benefit)

The Group's tax exempt status under the Australian Tax Office letter dated 28 September 2011 covered the year-ends until 30 June 2015. The Group received confirmation from the Australian Tax Office on 15 April 2015 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 2016 through to 30 June 2019 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*.

### Note 25: 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.

	2016 \$'000	2015 \$'000
<b>b) Statement of financial position amounts</b>		
Present value of the defined benefit obligation	(20,636)	(23,377)
Present value of the defined benefit plan assets	16,077	17,272
Net liabilities recognised in the statement of financial position	(4,559)	(6,105)

## Notes to the consolidated financial statements – Other notes *continued*

### Note 25: Defined benefit superannuation schemes *continued*

As at 30 June 2016, the asset sector percentages for the defined benefit funds are as follows:

	%	30 JUNE 2016 TOTAL \$'000
<b>Energy Industry Superannuation Schemes investment fund</b>		
Australian equities	17.00%	2,533
International equities	23.00%	3,425
Property	10.00%	1,489
Private equity	2.00%	298
Infrastructure	8.00%	1,191
Alternatives	28.00%	4,170
Cash	12.00%	1,787
	100.00%	14,893
<b>Mines Rescue Stations Staff Superannuation Plan</b>		
Australian equities	23.00%	271
International equities	15.00%	178
Australian fixed interest	26.00%	308
Property	3.00%	36
Cash	25.00%	296
Other	8.00%	95
	100.00%	1,184
<b>Total</b>		<b>16,077</b>

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

Notes to the consolidated financial statements – Other notes *continued*Note 25: Defined benefit superannuation schemes *continued*

	2016 \$'000	2015 \$'000
<b>c) Movement</b>		
Movement in net liabilities recognised in the statement of financial position:		
Net liabilities at the beginning of the year	(6,105)	(7,141)
Net expense recognized in profit and loss	(818)	(957)
Gains recognized in OCI	1,199	751
Contributions	1,165	1,242
Net liabilities disclosed in the statement of financial position	(4,559)	(6,105)
Reconciliation of the present value of defined benefit obligation:		
Opening defined benefit obligation	23,377	23,353
Current service cost	654	753
Interest cost	655	760
Contributions by fund participants	94	89
Actuarial (gains)/losses	(1,220)	(121)
Benefits paid	(2,516)	(1,299)
Liabilities extinguished on settlements	–	–
Taxes, premiums and expenses paid	(408)	(158)
Closing defined benefit obligation	20,636	23,377
Reconciliation of the fair value of fund assets:		
Opening fair value of fund assets	17,272	16,212
Expected return	–	–
Interest Income	491	556
Return on plan assets	(20)	630
Employer contributions	1,164	1,243
Contributions by fund participants	94	88
Benefits paid	(2,516)	(1,299)
Taxes, premiums and expenses paid	(408)	(158)
Assets distributed on settlements	–	–
Closing fair value of fund assets	16,077	17,272

Notes to the consolidated financial statements – Other notes *continued*Note 25: Defined benefit superannuation schemes *continued*

	2016 \$'000	2015 \$'000
<b>d) Amounts recognised in profit or loss</b>		
Current service cost	654	753
Interest cost	164	204
<b>e) Amounts recognised in other comprehensive income</b>		
Actuarial gains	1,199	751
<b>f) Principal actuarial assumptions</b>		
The principal actuarial assumptions used were as follows		
<b>Energy Industries Superannuation Scheme</b>		
Salary increase rate	2.5%	2.5%
Rate of CPI increase	2.5%	2.5%
Expected rate of return on assets	6.3%	7.0%
Discount rate after tax	3.49%	3.03%
<b>Mines Rescue Stations Staff Superannuation Plan</b>		
Salary increase rate	2.5%	2.5%
Discount rate after tax	3.1%	2.1%

## Notes to the consolidated financial statements – Other notes *continued*

### Note 25: Defined benefit superannuation schemes *continued*

#### 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 2016	BASE \$'000	DECREASE \$'000	INCREASE \$'000
<b>Energy Industries Superannuation Scheme (EISS)</b>			
Discount rate (1% movement)	18,512	2,851	(2,289)
Future salary growth (0.5% movement)	18,512	(232)	246
Rate of CPI increase (0.5% movement)	18,512	(975)	1,081
Future mortality (5% movement)	18,512	278	(175)
<b>Mines Rescue Staff Superannuation Plan</b>			
Discount rate (0.5% movement)	2,124	81	(79)
Future salary growth (0.5% movement)	2,124	(68)	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.

#### 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 were:

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 nil (2015:\$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.

## Notes to the consolidated financial statements – Other notes *continued*

### Note 26: 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:

D J Moulton – Chairman  
L A Flemming  
P M Jordan  
M S Genovese  
The Hon. J P Hannaford  
G S Sullivan (appointed 1 January 2016)  
A W Honeysett (appointed 1 January 2016)  
A P McMahon (resigned 31 December 2015)  
W McAndrew (resigned 31 December 2015)

	2016 \$	2015 \$
<b>b) Key management personnel compensation</b>		
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 : 1 Director (2015: 2)	472,636	565,434
Less than \$100k: 6 Directors (2015: 5)	473,712	354,739
	946,348	920,173
Short-term employee benefits – other key personnel		
Greater or equal to \$300k: 3 key personnel (2015: 1)	1,036,117	303,578
Less than \$300k: 4 key personnel (2015: 5)	787,266	1,391,969
	1,823,383	1,695,547
	2,769,731	2,615,720

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



## Notes to the consolidated financial statements – Other notes *continued*

### Note 27: 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.

### Note 28: Commitments

#### a) Capital commitments

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

	2016 \$'000	2015 \$'000
Investment and owner occupied properties		
Within one year	1,265	267
<b>b) Lease commitments</b>		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	1,048	1,016
Later than one year but no later than five years	1,041	1,942
Later than five years	–	–
	2,089	2,958
Representing:		
Non-cancellable operating leases	2,089	2,958

### Note 29: Contingent assets and liabilities

The Company had no contingent assets or liabilities as at 30 June 2016.

### Note 30: Remuneration of auditors

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

	2016 \$	2015 \$
<b>Audit of financial reports</b>		
Fees paid	182,240	196,050
<b>External peer review, taxation and other assurance services</b>		
Fees paid	51,885	46,055
	234,125	242,105

## Notes to the consolidated financial statements – Other notes *continued*

### Note 31: Reconciliation of profit after income tax to net cash flow from operating activities

	2016 \$'000	2015 \$'000
Net profit for the year	12,127	32,680
Depreciation and amortisation	2,815	3,131
Fair value gain on investment property	(4,087)	(3,931)
Impairment of plant and equipment	–	31
Realised gains on investments	(14,592)	(592)
Unrealised loss/(gains) on investments	18,369	(12,981)
Net loss on disposal of property, plant and equipment	185	87
Impairment of receivables	(2,970)	412
Interest charged on investment property receivable	(964)	(499)
Profit on sale of investment property	–	(1,163)
Change in defined benefit superannuation scheme	(347)	(285)
Change in receivables	1,667	7,811
Change in inventories	38	19
Change in prepayments	112	487
Change in payables	(2,994)	1,195
Change in unearned revenue	(1,107)	(1,493)
Change in claims provision	1,762	6,265
Change in other provisions	362	(815)
Change in premiums received in advance	–	(355)
Net cash inflow from operating activities	10,376	30,004

## Notes to the consolidated financial statements – Group structure

### Note 32: Related party disclosures

#### a) Other related parties

L Flemming Managing Director/CEO of the parent entity is also a trustee of the Coal Services Health & Safety Trust.

#### b) 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.

	2016 \$	2015 \$
<b>Amounts recognised as expenses</b>		
Directors' fees	320,577	320,007
Other services	15,864	12,000
	<b>336,441</b>	332,007
<b>Transaction with other related parties</b>		
Interest received	–	63,124

### Note 33: Subsidiaries

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

Name of entity	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING	
			2016	2015
Coal Mines Insurance Pty Ltd	Australia	Ordinary	100%	100%
Mines Rescue Pty Limited	Australia	Ordinary	100%	100%

In October 2007, the Coal Services Pty Limited (CSPL) Board approved a funding agreement. In accordance with the funding agreement, CSPL funds the development and construction costs of Mines Rescue Pty Limited. The funding comprises 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 2016, \$5m of the secured loan has been drawn down and \$25m of Mines Rescue Pty Limited's Class B shares have been issued.

## Notes to the consolidated financial statements – Group structure *continued*

### Note 34: Parent entity disclosures

As at and throughout the financial year ending 30 June 2016 the parent entity of the Group was Coal Services Pty Limited.

	2016 \$'000	2015 \$'000
<b>Result of parent entity</b>		
Profit for the year	15,216	29,566
Other comprehensive income	1,142	514
<b>Total comprehensive income for the year</b>	<b>16,358</b>	30,080
<b>Financial position of parent entity at year end</b>		
Current assets	483,035	516,914
Non-current assets	109,365	86,593
Total assets	592,400	603,507
Current liabilities	383,482	411,285
Non-current liabilities	9,317	8,979
Total liabilities	392,799	420,264
<b>Total equity of parent entity comprising of:</b>		
Share capital	–	–
Revaluation reserve	–	–
Retained earnings	199,601	183,243
<b>Total equity</b>	<b>199,601</b>	183,243

#### Coal Mines Insurance Pty Ltd indemnity

The parent entity has indemnified Coal Mines Insurance Pty Ltd a wholly owned subsidiary against all claims, payments, damages, costs, outgoings and liabilities arising from the workers compensation insurance scheme. There has been a net increase of \$7.9m (2015: increase of \$9.3m) 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 \$209m (2015: \$200m) has been classified as a current liability, it is not expected to be settled within the next 12 months.

## Notes to the consolidated financial statements – Group structure *continued*

### Note 35: Accounting standards issued but not yet effective

The following was available for early adoption at 30 June 2016 but has not been applied by the Company in these financial statements:

- AASB 9 *Financial Instruments* was issued and will eventually replace AASB 139 *Financial Instruments Recognition and Measurement*. It introduced changes in classification and measurement of financial assets and liabilities. This standard becomes mandatory for the Group's 30 June 2019 financial statements. The Group has not yet determined the potential impact of the new standard.
- AASB 15 *Revenue from Contracts with Customers* was issued and will eventually replace AASB 118 *Revenue* and AASB 111 *Construction Contracts*. It introduces changes to the recognition and measurement of revenue based on when control passes to a customer, rather than the existing notion of the transfer of risks and rewards. The standard becomes mandatory for the Group's 30 June 2019 financial statements. The Group has not yet determined the potential impact of the new standard.
- AASB 16 *Leases* introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. The standard becomes mandatory for the Group's 30 June 2020 financial statements. The Group has not yet determined the potential impact of the new standard.

## Directors' declaration

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

a) the consolidated financial statements and notes, set out on pages 65 to 112, 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 2016 and of its performance for the financial year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Interpretations) and the *Corporations Regulations 2001*; and

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

Signed in accordance with a resolution of Directors.



**D Moulton**  
Director and Chairman



**L Flemming**  
Managing Director/CEO

Sydney, 14 October 2016



# Independent auditor's report



## 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 2016, and statement of consolidated comprehensive income, statement of consolidated changes in equity and statement of consolidated cash flows for the year ended on that date, notes 1 to 35 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 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 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 Group's financial position and of its performance.

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

### 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 the Group 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 2016 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

KPMG

**Andrew Reeves,**

Partner,

Sydney

14 October 2016

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