Coal Services

Protecting Miners.
Protecting Industry.

Annual Report 2011

Coal Services has continued to build strong relationships with our stakeholders, working in partnership with the coal industry to protect their workers.

We do this by providing services, information and expertise to help minimise and mitigate risks and ensure the miner's health and safety is protected for themselves, their employer, their families and communities.

Insurance

COAL MINES INSURANCE

- Lowered premiums from 3.6 per cent in 2010–11 to 3.5 per cent in 2011–12
- Reduced open active claims by 11 per cent in 2010–11, from 1,593 to 1,417

Health

CS HEALTH

- Provided more than 54,000 individual medical services
- Rolled out three new mobile health units to provide onsite health services to coal mines across NSW

Rescue

MINES RESCUE SERVICE

- 23,000 trainees attended commercial courses
- Trained 14,289 miners using theory, hands-on and VRT
- Hosted the 7th International Mines Rescue Competition

Safety

VIRTUAL REALITY TECHNOLOGIES

COAL SERVICES HEALTH AND SAFETY TRUST

- Provided 23,803 training sessions using curved screens, domes and 360° theatres
- 3,241 visitors took part in the VRT experience

Compliance

COAL MINES TECHNICAL SERVICES

OCCUPATIONAL HYGIENE SERVICES

AUDIT (ORDER 34 AND ORDER 40)

- Provided onsite help and advice to mines rescue staff at Pike River Mine, New Zealand
- 17 per cent reduction in dust results due to inhalable sampling program

Knowledge

STATISTICS

MINECHECK

- Developed the *Monthly Coal Mining Report*
- Published *MineCheck*, a report comparing a mine's data with industry averages and trends

Chairman's Report

I am proud to say that in 2010–11, Coal Services once again provided the New South Wales coal industry with industry expertise, exceptional products, committed people and trusted services to protect workers' health and safety.

The NSW coal industry performed strongly in 2010–11, producing a record 204.9 million tonnes of raw coal from 31 open-cut mines, 18 longwall underground mines and 12 non-longwall underground mines. Coal mining has remained the backbone of the NSW and Australian export economy. A growing need for this rich commodity generated a 10.6 per cent increase in workers, with the industry employing 21,126 production workers at 30 June 2011.

The industry exported a record 121.8 million tonnes of coal to 18 countries in 2010–11. Japan remained the largest export market, with Republic of Korea, Taiwan, China and India following. These five countries purchased more than 90 per cent of NSW's coal exports.

PROTECTING OUR INDUSTRY

To meet these high export demands, increasing production, and the need for more skilled workers, Coal Services remained dynamic and adaptable in providing key safety, health and wellbeing benefits to the industry.

Employees benefited directly from the expertise of Coal Services' business units, receiving high-quality services in workers compensation, occupational health and safety, mines rescue, occupational training, regulation and compliance. These services focus on protecting workers, with our world-leading skills, facilities, resources and technology ensuring we maintain our exceptional safety records and meet our obligations under the *NSW Coal Industry Act 2001*.

We also worked in partnership with industry stakeholders to ensure our statutory responsibilities remained aligned, relevant and critical to the needs of the NSW coal industry.

In February 2011, the NSW Government introduced Orders 41 and 42 to the *NSW Coal Industry Act 2001*. These Orders govern the health surveillance requirements of coal miners in NSW and the monitoring of airborne dust at NSW coal operations. The Orders are, and will continue to be, fundamental in protecting and improving the work environment of NSW coal mine workers. These Orders will also ensure critical health, safety and wellbeing information is captured and used to deliver health and safety services tailored to the current and future needs of coal workers.

In 2010–11, Coal Services' business units continued to ensure NSW coal mines were the safest in the world.

We worked closely with the coal mining industry to improve injury management practices and encourage a proactive safety culture. Coal Mines Insurance (CMI) decreased its industry workers compensation premium rate for 2011–12. Last year's frequency claims rate of 10.92 per cent is the lowest recorded by Coal Services for the NSW coal industry in the past decade. To put these exceptional results in context, in 2002 this rate was more than 25 per cent. The results are testament to CMI's injury management practices and initiatives, its delivery of workers compensation insurance products, and its engagement and collaboration with NSW mine operators. CMI provides lower rates than comparable NSW workers compensation premiums, while maintaining a fully funded compensation scheme that delivers unparalleled benefits to the industry's employers and employees.

During the year, CS Health provided more than 54,000 individual medical services from its modern regional facilities at Lithgow, Newcastle, Singleton and Wollongong. CS Health also delivered increased industry best practice occupational health and medical services throughout the year. In early 2011, CS Health began providing the NSW coal industry with health services from three mobile health units to meet the industry's changing needs. With the significant development of mining operations in remote areas such as Boggabri, Gunnedah and the Ulan basin, these custom-built mobile health units ensure all coal mine workers have access to high-quality facilities, services and exceptional health professionals, regardless of their location.

In 2010–11, Coal Services' business units continued to ensure NSW coal mines were the safest in the world. We worked closely with the coal mining industry to improve injury management practices and encourage a proactive safety culture.

LEADERS IN OUR INDUSTRY

The expertise of our mines rescue team was demonstrated in 2010–11. The Chilean Government consulted our team of technical experts in August 2010, when 33 miners were trapped underground and subsequently rescued. The team's expertise was again called on in November 2010, after the tragic explosion at Pike River Coal Mine, New Zealand.

Coal Services' NSW Mines Rescue Service (MRS) and Coal Mines Technical Services (CMTS) were immediately deployed to New Zealand at the request of the Pike River Mine's management. MRS provided advice on emergency response and rescue management protocols, with an additional three teams of six NSW brigade members sent over in case response efforts were required. The request for MRS and CMTS in response to the tragic mining event again highlighted the importance of both teams and the coal industry's acknowledgement of their technical expertise. Their reputation, proven protocols and procedures in mines rescue, emergency response and gas monitoring continue to position Coal Services' business units as world leaders in their fields.

This world leadership was validated further in August 2010, when Coal Services was invited to present to high-level US government and mining industry representatives at an event in Washington hosted by Australian ambassador the Honourable Kim Beazley AC. Coal Services' expertise and innovative virtual reality training solutions were also showcased to key mining industry representatives at the United Mine Workers of America Convention, and separate presentations were made to the President of the American Federation of Labor and Congress of Industrial Organizations, and the West Virginian Government. Coal Services' experts presented on vital health and safety issues, including the latest Australian methodologies in mines rescue, mine gas monitoring and analysis, and the virtual reality training and technologies used in our innovative training triangle.

Our unique approach to mines rescue and training was again showcased when Coal Services hosted the 7th International Mines Rescue Competition at our Southern Mines Rescue Station in November 2010. This was an extraordinary opportunity to demonstrate Australia's excellent coal mining industry and cement our people as world leaders in mine safety. The competition saw 16 of the world's best mines rescue teams, including teams from Australia, China, India, Poland, Russia, Ukraine and the US take part in a number of simulated mines safety exercises over two days. Congratulations to the Australian team Appin West for winning the 2010 title.

MAKING A DIFFERENCE IN PROTECTING OUR WORKERS

In August 2010, Coal Services donated $1 million to the Westpac Rescue Helicopter Services, as part of a five-year corporate sponsorship agreement. Coal Services was very proud to make such a substantial donation to this service, which provides frontline protection for mine workers and has been strongly supported by the coal industry for many years. The donation represented our long-term support of the Westpac Rescue Helicopter Service and embodies our commitment to give back to critical services that safeguard the health and safety of NSW coal mining industry workers, their families and their communities.

I am extremely proud of the skills, expertise, quality, resolve and commitment of our people. In the past year, outgoing Managing Director Mark Coyne and his General Management Team brought out the best in our business units, ensuring our products and services remained dynamic, and that the services we provide to our customers and the industry continued to make a difference.

Our team's history, reputation and understanding of the industry ensure that Coal Services continues to meet the needs of the NSW coal industry and remains integral in protecting the health, safety and wellbeing of the mining workforce. In the coming year, Coal Services will continue to ensure its business strategy and vision remains adaptive to the needs of shareholders, preserves the benefits it offers, and successfully makes a difference to the industry and our people.

Coal Services' management and employees are undoubtedly the most highly dedicated and professional people I have worked with during 40 years in the industry. I believe they are without parallel in the global mining industry, and I would like to thank them and my fellow Directors for their extensive help and support in 2010–11.

Ron Land
Chairman

Managing Director/ CEO's Report

In 2010–11, Coal Services worked harder than ever to support the New South Wales coal mining industry.

Our six business units continued to find new ways to benefit NSW mine operators and workers, and provide them with excellent value. We delivered a number of new health, safety and training services during the year, and continued to work towards the key strategies outlined in our 2010/15 Strategic Plan.

The NSW coal mining industry grew significantly in 2010–11. It now employs approximately 21,126 production workers, meaning more mine workers are using our services. Coal Services played a critical role in improving the safety of the coal mining workforce by ensuring all new entrants were fully trained and prepared with the right skills and mindsets.

Our Coal Mines Insurance (CMI) unit was also the only Australian workers compensation jurisdiction to publicly announce an across-the-board premium rate reduction to policy holders for the 2011–12 premium year.

To provide the best service to our stakeholders, it is important that we understand and experience their daily work environments. In the past year, Coal Services' managers and employees actively engaged with a greater number of coal industry members, paying visits to mines across NSW to meet with mine operators and CFMEU district officials.

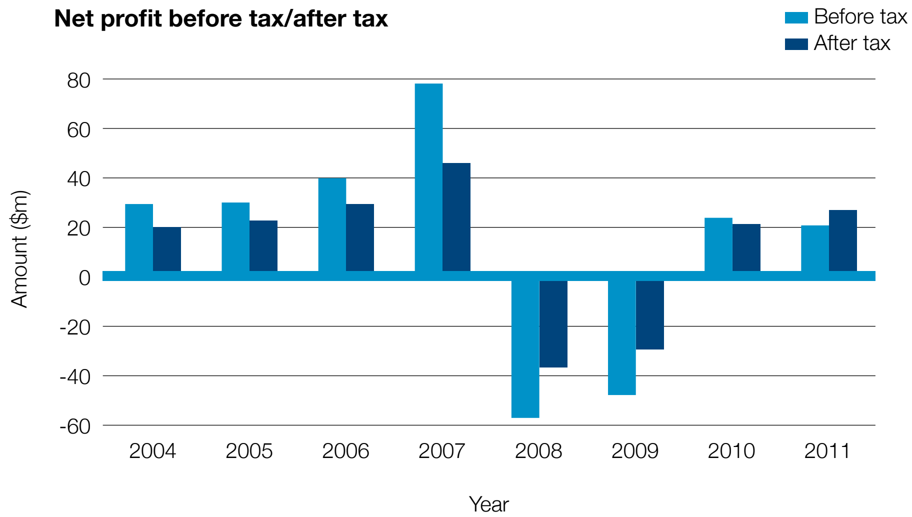
Coal Services returned strong profits in 2010–11. While the global financial market remained somewhat volatile, sound investment strategies enabled a 6.28 per cent return on funds invested. Coal Services also benefited financially from continuing industry growth. Our strong financial performance for 2010–11 is demonstrated by our profit of $25.8 million, a $5.7 million increase from 2009–10.

During the year, the Australian Taxation Office confirmed that Coal Services has regained its income tax exemption pursuant to section 50-1 of the *Income Tax Assessment Act 1997*. This is a retrospective exemption and applies to the years ended 30 June 2006 to 30 June 2011 inclusive. Coal Services also received further exemptions, backdated to 2002 and extending to 30 June 2015.

The graph below summarises net profits over the past eight years, highlighting the effects of the income tax exemption.

SUMMARY INCOME STATEMENT

Net profit before tax/after tax



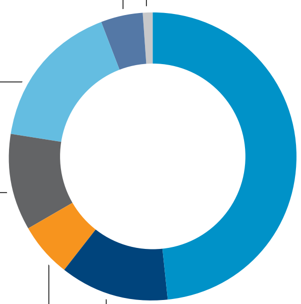
INVESTMENT PORTFOLIO

Investment markets remained unpredictable in 2010–11, with significant movements in all investment indices. Negative market sentiment, caution and illiquidity were mainly caused by the European market crisis and uncertainty over European debt. Despite the volatility, Coal Services' investment portfolio returned $22.9 million (6.28 per cent) in 2010–11. However, this is a decrease on our portfolio profit of $43.4 million (12.87 per cent) in 2009–10.

At 30 June 2011, Coal Services' investments were allocated as shown in the chart below:

Our strong financial performance for 2010–11 is demonstrated by our profit of $25.8 million, a $5.7 million increase from 2009–10.

Investment portfolio



COAL MINES INSURANCE

CMI reduced its insurance premiums from 3.6 per cent in 2010–11 to 3.5 per cent in 2011–12. This was officially recognised by NSW Finance Minister Greg Pearce in his parliamentary address on 18 October 2011. The reduction was in part driven by CMI's Premium Incentive Scheme, which enables participating policyholders to achieve financial incentives for performance relating to injury management, occupational health and safety, and early reporting of claims.

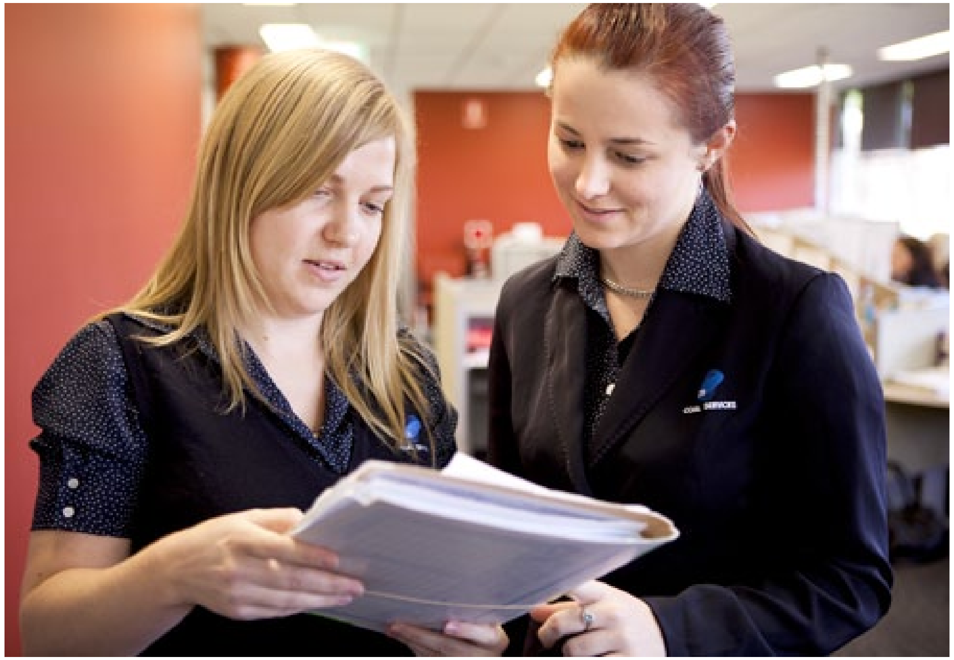
In 2010–11, the industry benchmark score for policyholders undertaking Benchmark Injury Management Audits as part of the Premium Incentive Scheme increased to 74.8 per cent from 73.37 per cent in 2009–10. We returned $6,229,496 back to policyholders by way of incentive payments in 2010–11, and a total of $19,948,242 over the past four years.

Coal Services also achieved a minimum capital requirement of 120 per cent as per Australian Prudential Regulation Authority (APRA) guidelines. Coal Services, although not required by law to meet these guidelines, uses this measure as a benchmark to ensure its financial health and viability.

MINES RESCUE SERVICE AND VIRTUAL REALITY TECHNOLOGIES

Mines Rescue Service (MRS) again proved its immense benefit to the coal industry by providing invaluable advice and assistance after the tragic Pike River Mine explosions in New Zealand in November 2010 and the ignition at Blakefield South in NSW in January 2011. By offering practical onsite help and support, the MRS teams demonstrated their ability to react quickly and effectively during a crisis and highlighted how well respected they are in Australia and overseas.

MRS and the Virtual Reality Technologies (VRT) team worked hard to meet the growth in industry employment in 2010–11. The teams increased the amount of induction and safety training they provided and proved their commitment to training coal mine workers to the highest standards. VRT continued to develop its state-of-the-art virtual reality equipment, completing Stage Five of its virtual reality software project. VRT also launched the world's first virtual reality helicopter simulation software to help improve training for Westpac helicopter rescues at open-cut mines across NSW.



Coal Services published the first suite of *MineCheck* Reports in June 2011. This bi-annual publication provides in-depth coal industry statistics and analysis from coal mines across NSW, and information from each of Coal Services' business units about their services.

CS HEALTH

Strong growth in the NSW coal mining industry led to an increase in the services we provide through Coal Services Health (CS Health). In 2010–11, CS Health provided 29 per cent more individual medical services to members of the NSW coal industry and other customers, and 3,296 more pre-placement health assessments than in 2009–10. The unit proved its value by meeting these significant increases without reducing the quality of its services.

The increase in pre-placement assessments was in part due to the introduction of Order 41, which stipulates that all coal mine workers must complete pre-placement assessments before starting work at a coal mine. Coal Services played a significant part in developing the Order and we are pleased with the industry's strong support and positive feedback. Not only will the Order help protect the health and safety of coal mine workers in NSW, it will also enable us to monitor health and safety trends across the NSW coal mining industry and provide feedback to industry stakeholders.

STRATEGY AND PEOPLE

Coal Services published the first suite of *MineCheck* reports in June 2011. This bi-annual publication provides in-depth coal industry statistics and analysis from coal mines across NSW, and information from each of Coal Services' business units about their services. *MineCheck* reports are tailored to each mine.

This free publication enables our stakeholders to track and benchmark performance, and monitor achievements and improvements. It will also deliver value to mine operators by providing critical mine-specific information and data, which they can use to help develop strategies to protect the health and safety of their workforces. *MineCheck* affirms Coal Services' position as an expert, with the knowledge to inform and educate the coal mining industry across NSW.

I believe Coal Services' growth and progress in 2010–11 shows that we are a valuable asset to the NSW coal mining industry, able to support and advise industry stakeholders and listen to feedback to improve the value of our services.

I would like to take this opportunity to thank Coal Services' employees, management teams, Board and Chairman, as well as our shareholders and members, for their hard work and support since my appointment as CEO in February 2010.

Mark Coyne
Managing Director/CEO (Outgoing)

29%

increase in the individual medical services provided to members since 2009–10.

Board of Directors

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

RON LAND Chairman

Ron Land was appointed a Director of Coal Services Pty Limited on 1 January 2002 and was the inaugural Chairman for the two-year period 02/03. He was also appointed Chairman for the two-year periods of 06/07 and 09/10. Ron was formerly a Board Member of the Joint Coal Board, having been appointed to that position in February 1998. He entered the coal industry in 1974 and became Secretary of the Miners' Federation in 1985. He holds a Third Class Certificate of Competency under the *Coal Mines Regulation Act*, received the Centenary of Federation Medal and was awarded the Royal Humane Society Award for Bravery in 1981. Simultaneous to being Secretary of the Miners' Federation, he was Trustee and then Chairman of the $5 billion industry Superannuation Scheme from 1985 to 2002. In 1994, he was made Superannuation Trustee of the Year by the Australian Superannuation Funds Association. Ron has direct responsibility for New Property and Capital Works Development, and Virtual Reality Commercialisation for Coal Services Pty Limited.

ANTHONY (TONY) HARALDSON AM

Tony Haraldson was appointed a Director of CSPL on 10 February 2004 and was appointed Chairman for the two-year periods of 04/05 and 08/09. Tony retired from his position as Executive Chairman of Billiton Coal Australia in June 2001. He helped set up Coal Operations Australia Ltd (known as COAL) in 1994 and it was this company which ultimately became Billiton's Australian coal vehicle. Before setting up COAL, Tony had 30 years experience in the Australian coal industry working in the R W Miller/Howard Smith/Coal & Allied group of companies. He was Chief Executive of Coal & Allied from 1988 to 1993, and left following a successful takeover bid by CRA. He is a former Chairman of the Australian Coal Association and the NSW Minerals Council, a former Director of Port Waratah Coal Services Limited and the State Rail Authority of NSW, and a former member of the State Minerals Advisory Council. Tony received an Order of Australia (AM) in the 2004 Australia Day Honours List for service to the Australian coal industry. He is a fellow of the Society of Certified Practicing Accountants and a Member of the Australian Institute of Company Directors. Tony is currently a non-executive Director of Henry Walker Eltin Limited (in administration), and Chairman of the Hunter Valley Coal Chain Coordinator Limited.

KIEREN TURNER

Kieren was appointed a Director of CSPL in January 2005. He was the Chief Operating Officer of the NSW Minerals Council (NSWMC), the organisation representing NSW mining in the areas of government advocacy, media affairs, environment management, occupational health and safety and employee relations. Kieren was also an industry nominee as alternate Director of Auscoal, the coal industry superannuation fund. Kieren has also held senior national human resource roles in public and private sector organisations. He holds legal qualifications and additional qualifications relating to superannuation. Kieren is a member of the Australian Institute of Company Directors and a member of the Association of Superannuation Funds of Australia.

WAYNE McANDREW

Wayne McAndrew was appointed a Director of Coal Services Pty Limited in January 2007. Wayne is currently the General Vice President of the CFMEU Mining and Energy Division and has held that position since 2009. Prior to that he was the NSW South Western District President of the CFMEU Mining & Energy Division from 2003 and was the District Vice President of the South Western District from 1998 and District Vice President of the old Western Districts from 1990. He has a wide range of industrial, safety, legal and commercial skills and has worked in the coal mining industry for more than 35 years. 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 local Lithgow City Council and a Graduate Member of the Australian Institute of Company Directors. He has a Diploma as a Company Director awarded by the AICD. Wayne has also represented the Union as a past member on the NSW Mine Safety Advisory Council.

JAMES MACKRILL

James Mackrill was appointed a Director of CSPL in January 2002. James is a business consultant and provides advice to a number of public and private companies. He is a former Director of CoalSuper. James has an extensive background in the coal industry, having been Company Secretary and Chief Financial Officer of Coal & Allied Industries. He is a Fellow of the Society of Certified Practicing Accountants and a Fellow of the Chartered Institute of Secretaries and Administrators.

ROSS TAYLOR

Ross Taylor was appointed a Director of CSPL in January 2002. He was formerly the General Manager/Fund Secretary of the CoalSuper Retirement Income Fund. Ross has an extensive background in the coal industry, having been Commercial Manager & Company Secretary of the Electricity Commission of NSW-owned collieries group. He is a Fellow of the Society of Certified Practicing Accountants, a Fellow of the Chartered Institute of Secretaries and Administrators, and a Member of the Australian Institute of Company Directors.

MARK COYNE

Mark Coyne was appointed Managing Director/CEO of Coal Services Pty Limited (CSPL) on 1 February 2010. Mark has been involved in the insurance industry for the past 10 years – the last seven years managing workers compensation claims and support teams. Prior to this role, Mark was Executive General Manager – Workers Compensation Claims for GIO Insurance which incorporated over 800 staff and 30,000 claims across underwritten and managed fund schemes. Mark has also worked extensively in financial services marketing, with over 15 years experience. Mark is also a Director of the NSW Police & Community Youth Clubs, a member of the WorkCover NSW OH&S and Workers Compensation Council, and Chairman of the NRL Education and Welfare Committee.

Coal Mines Insurance

Paul McIntyre
General Manager, Coal Mines Insurance

Coal Mines Insurance (CMI) operates a specialised, fully funded workers compensation insurance scheme for the NSW coal mining industry.

CMI's claims management performance remained strong during 2010–11, with the actuarially assessed outstanding claims liability decreasing by 1.6 per cent. This enabled CMI to reduce the target premium collection rate from 3.6 per cent to 3.5 per cent for the 2011–12 premium year at a time when other jurisdictions have maintained, or even raised, their premium rates.

Additionally, the introduction of the *MineCheck* reporting framework in late 2010–11 allowed CMI to provide operators, for the first time, with comparative performance data in relation to premiums and claims. *MineCheck* will form one of the cornerstones of CMI's future reporting framework.

INSURANCE COVERAGE

At 30 June 2011, the scheme provided workers compensation insurance coverage for 723 policyholders, an increase of 11.23 per cent when compared to 30 June 2010.

These 723 policies provided insurance protection for a declared average of 23,407 exposed-to-risk employees, an increase of 15.25 per cent compared to 30 June 2010.

This increase in exposed-to-risk employee numbers resulted in a 19.12 per cent increase in declared assessable wages, from $2.238 billion in 2009–10 to $2.666 billion in 2010–11.

SCHEME PREMIUMS

In 2010–11, CMI continued to focus on strategies to reduce its target premium collection rate. Combined with further improvements in the coal industry's injury prevention and management systems, these strategies enabled the scheme to further reduce its target premium collection rate from 3.6 per cent in 2010–11 to 3.5 per cent in 2011–12; a reduction of 2.78 per cent.

BIMA RESULTS

Throughout the year, CMI's Premium Incentive Scheme enabled policyholders to improve their injury management programs and systems using Benchmark Injury Management Audits (BIMA). BIMA evaluates 16 elements of an injury management program and benchmarks each element in terms of its effectiveness against international standards.

In 2010–11, the industry benchmark score achieved by policyholders participating in BIMA was 74.8 per cent representing a 1.95 per cent increase from 2009–10.

CLAIMS MANAGEMENT

In 2010–11, CMI's claims structure and case management model focused on achieving early return to work for injured workers and reducing the duration of claims. Pleasingly, CMI saw no material deterioration in average claim duration rates. Additionally, CMI's performance saw the scheme actuary alter the future weekly benefit payment assumptions in a positive manner.

CMI also continued to perform monthly key performance indicator assessments to ensure the scheme achieved the best possible economic and social outcomes.

CMI received an audit result of 95 per cent for 2010–11, achieving the benchmark for each area.

CLAIM NUMBERS

The number of open active claims decreased 11 per cent in 2010–11, from 1,593 at 30 June 2010 to 1,417 at 30 June 2011.

Current claims at 1 July 2010	1,593
Claims reported during the year	1,959
Re-opened claims	269
Total claims managed during 2010–11	3,821

CLAIM STATISTICS

In 2010–11, CMI registered 1,959 new claims. This represents a claim frequency rate of 8.37 per cent (1,959 claims per 23,407 employees), which is a significant reduction when compared to 2009–10 (11.73 per cent; 2,383 claims per 20,310 employees).

CMI uses injury data to assist in providing advice and services on injury prevention, as well as feedback to industry on injury trends. This enables us to better support operators by focusing on areas for improvement.

Using the injury data, during 2010–11 CMI released the first of the *MineCheck* suite of reports, which provide comparative performance data to policyholders with regard to premium and injury statistics. This information will further assist mine operators in identifying trends in individual and scheme performance, which, if used at an industry level, could see further inroads being made in reducing injury frequency and severity.

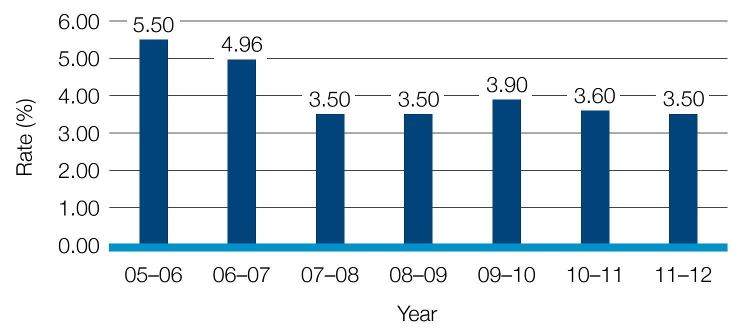
Overall, CMI managed a total of 3,821 claims, compared to 4,013 in 2009–10. This decrease is due to the lower number of new claims registered; which likely correlates to a reduction of injuries as a result of improved injury management systems and safety practices.

CMI resolved 83.1 per cent of all finalised time-lost claims within 26 weeks, an increase from 81.2 per cent of claims finalised within the same period in 2009–10.

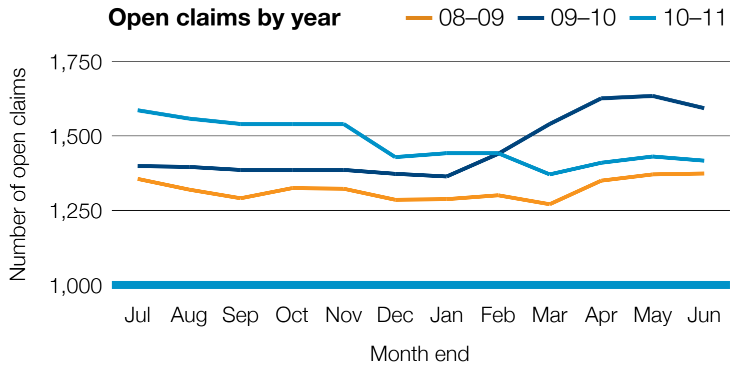
During 2010–11, mine workers reported 1,058 significant injury claims, representing no change from 2009–10.

The closure rate for tail claims decreased from 8.1 per cent in 2009–10 to 6.1 per cent in 2010. This is likely due to the earlier resolution of matters, which reduces the proportion of claims which become categorised as tail claims.

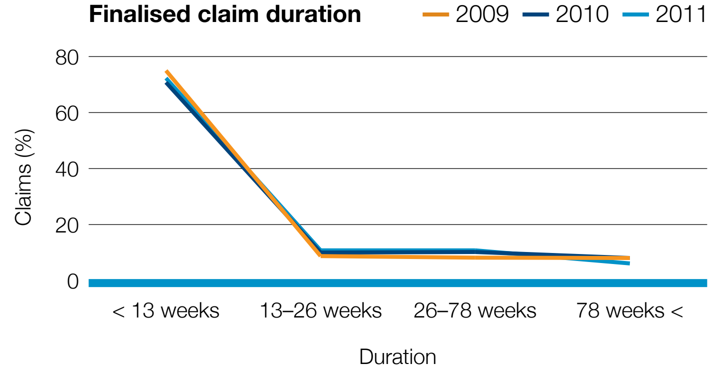
Scheme premiums at 30 June 2011



Open claims by year



Finalised claim duration



CLAIM COSTS

In 2010–11, the net total payment on CMI claims was $65.7 million. This represents a 4.23 per cent reduction in payments from 2009–10 (unadjusted). The makeup of claim payments by injury location, and indeed the number of claims by injury location, did not significantly change from 2009–10 to 2010–11.

ACTUARIAL VALUATION

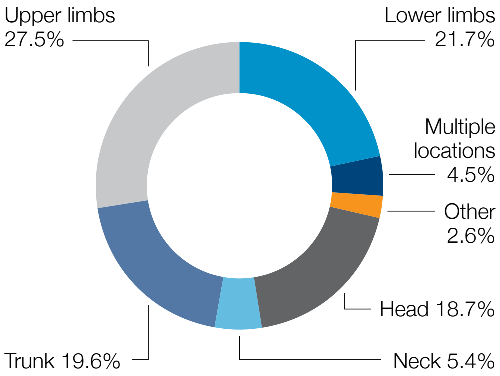
The actuarially assessed estimated outstanding claims liability at 30 June 2011 was $280.2 million. This represents a decrease of 1.58 per cent compared to 30 June 2010. The primary driver of the reduction stems from better-than-expected weekly benefit performance, which follows from the improvement in return-to-work rates.

AUDIT AND COMPLIANCE

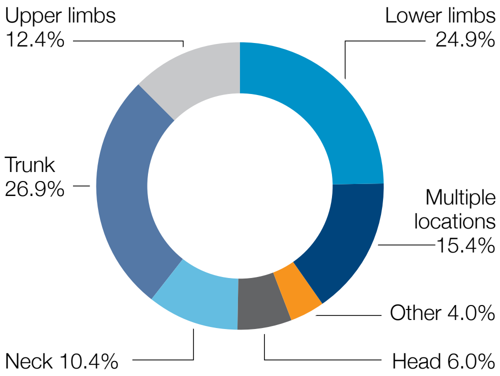
Coal Services' audit and compliance program continued to support the provision of policy services by CMI in 2010–11. The audit and compliance program assessed the accuracy of declared wages and subsequent premiums, and ensured an employer's business description adequately reflected its business activity.

In 2010–11, CMI initiated 57 wage audits, compared to 55 audits during 2009–10. The net result of these wage audits produced an overall reduction in premiums of $66,913.

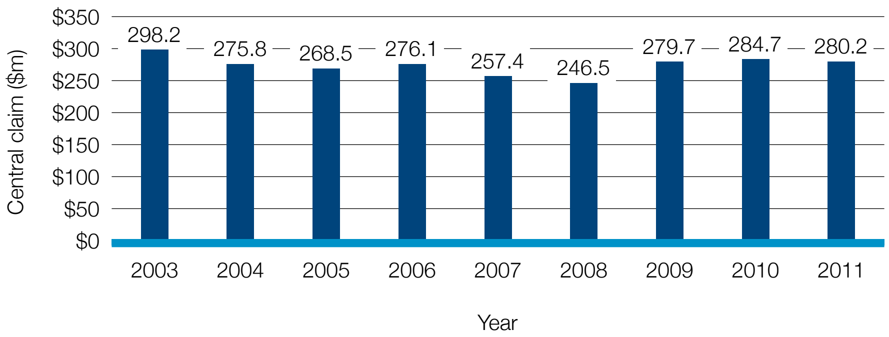
Number of claims by area of body affected



Total paid by area of body affected



Central claims estimate



The first in a suite of *MineCheck* reports delivered to mine operators focused on CMI. The reports provided, for the first time, industry comparative performance reporting. This reporting tool has the potential to provide the impetus to further reduce claim frequency.

3,821

The total number of claims managed in 2010–11

Statistics

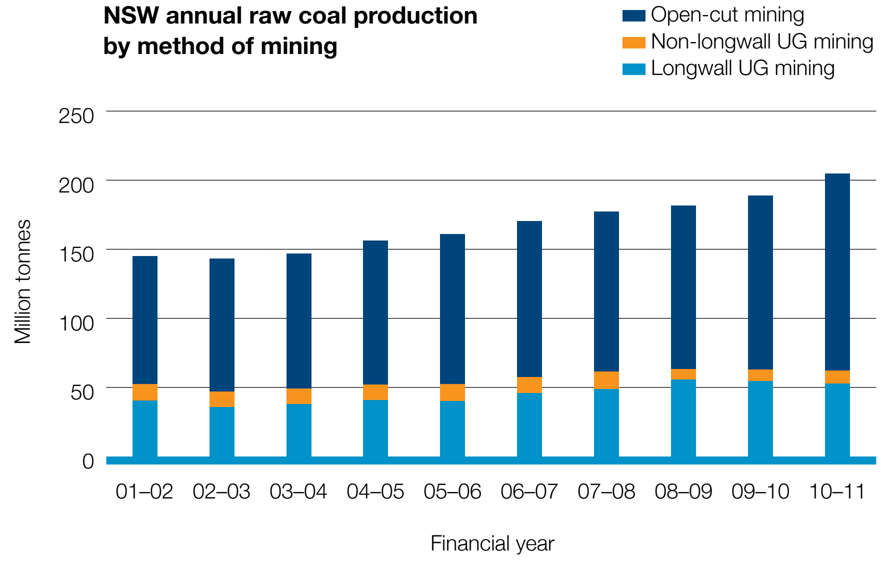
Coal Services Statistics is an independent and unique information service for the NSW coal industry. It offers a comprehensive range of current and historical descriptive statistics as standard subscription bulletins or as tailored reports based on an individual customer's requirements.

Statistics collections include supply and demand surveys for the NSW coal industry which cover coal production, preparation, domestic and export sales, the value of exports, stockpile levels at mines, ports and consumers, and overburden removed at open-cut mines. In addition, workforce surveys conducted by Statistics include the number of people working at mines, employment types, time worked and lost by coal miners, shift arrangements at mines, wages paid to coal miners, and the ages of workers.

Coal Services completed a re-write of the Statistics system during 2010–11 to capture Statistics' new collection, the *Monthly Coal Mining Report*. The report was developed by combining two existing surveys (one weekly, one quarterly) into a single simplified monthly report, surveying all NSW mine sites. The change provides benefits to the NSW coal mining industry by reducing the reporting burden. The increased automation of standard output and data quality auditing reports has also streamlined Statistics' workflow, improving delivery times to customers.

Coal Services Statistics can also provide a wide range of information on the Australian coal industry, made possible through the cooperation of Australian coal mining companies, coal users and the Queensland Department of Employment, Economic Development and Innovation.

NSW annual raw coal production by method of mining



INDUSTRY OVERVIEW

In 2010–11, the NSW coal industry continued to expand, producing a record 204.9 million tonnes of raw coal, equivalent to 157 million tonnes of saleable coal. During the year, two small open-cut mines closed and a large Hunter coalfield open-cut mine commenced production. At 30 June 2011, there were 31 open-cut mines, 18 longwall underground mines and 12 non-longwall underground mines operating, with a total production employment workforce of 21,126.

The rise in production employment numbers during the year was the result of widespread expansion; the 11 per cent increase from June 2010 to June 2011 followed on from a 13 per cent increase from June 2009 to June 2010. At 30 June 2011, more than half of the NSW coal industry's mine workers were employed at open-cut mines.

In 2010–11, a record 121.8 million tonnes of coal was exported from NSW to 18 countries. This tonnage exceeded the record set in the 2009–10 financial year by almost 11 per cent. The increase resulted from a 15.7 million tonne increase in metallurgical coal exports and a 3.8 million tonne fall in steaming coal exports.

Japan remains the largest export market for NSW coal. The record shipments to Japan in 2009–10 increased by over 3 million tonnes in 2010–11, to reach 61.3 million tonnes. NSW's next largest export market was the Republic of Korea, with shipments of 21.3 million tonnes, followed by Taiwan with 16.4 million tonnes, China with 11.3 million tonnes and India with 4.3 million tonnes. These five markets together represent 94 per cent of NSW's coal export shipments in 2010–11.

The record international coal prices negotiated in April 2008 produced the peak FOB (free-on-board) value of NSW coal exports of $17.14 billion in the 2008–09 financial year. However, weaker demand following the global financial crisis saw a fall in the coal prices negotiated in April 2009 and the appreciation of the Australian dollar saw the FOB value of NSW coal exports for financial year 2009–10 fall to $11.23 billion.

The FOB value of NSW coal exports for the financial year 2010–11 was $14.10 billion, an increase of $2.9 billion on the 2009–10 financial year but far from the peak of 2008–09.

NSW COAL INDUSTRY STATISTICS

	01–02	02–03	03–04	04–05	05–06	06–07	07–08	08–09	09–10	10–11
Number of coal mines at 30 June	56	56	52	55	58	60	60	60	62	61
Raw coal production (million tonnes)	145.2	143.1	147.0	156.3	161.3	170.3	177.2	182.0	188.8	204.9
Saleable coal production (million tonnes)	114.3	111.5	114.2	122.1	124.6	131.3	135.1	138.5	145.4	157.0
Coal sales within Australia (million tonnes)	33.9	34.0	32.8	34.0	34.1	36.3	36.8	34.9	34.0	33.9
Coal exports overseas (million tonnes)	77.5	79.3	85.0	86.6	89.8	91.5	100.5	103.3	109.9	121.8
FOB value of coal exports overseas ($ billion)	4.7	3.9	3.7	5.5	6.7	6.2	8.3	17.1	11.2	14.1
Average FOB value of coal exports ($ per tonne)	60.79	48.60	43.85	63.43	74.92	67.46	82.52	165.95	102.16	115.8
Average number of employees insured	10,819	10,820	10,736	12,272	14,726	16,691	17,628	19,312	20,383	23,407
Number of production employment at 30 June*	10,052	9,758	9,998	11,290	12,658	13,392	15,387	16,914	19,109	21,126
Average age of mine workers at 31 December	43.5	43.5	43.5	43.4	42.7	42.0	42.4	41.3	41.5	40.7
Average weekly earnings of mine workers ($)	1,718	1,791	1,842	1,933	2,009	2,083	2,157	2,267	2,346	2,468
Saleable coal output per mine worker per year (tonnes)	11,400	10,990	11,380	11,680	10,240	9,970	9,430	8,410	8,130	7,750
Saleable coal output per mine worker per hour (tonnes)	5.81	5.80	5.82	5.73	4.95	4.87	4.74	4.15	3.87	3.87
Days worked per mine worker per year	280.4	270.5	279.2	291.1	295.6	292.2	284.4	289.6	286.7	286.4
Days lost per mine worker due to industrial disputes	0.6	0.7	0.2	0.3	0.1	0.1	0.1	0.0	0.2	0.4
Days lost per mine worker due to workers compensation claims	3.1	3.0	2.4	2.1	1.4	1.2	1.0	1.1	1.2	1.1
Lost-time injuries per million tonnes raw coal produced	4	3	3	2	2	2	2	2	2	2
Lost-time injuries per million tonnes saleable coal produced	5	4	4	3	3	3	3	3	3	3
Lost-time injuries per million hours worked	27	23	22	18	15	16	14	13	10	11

* Production employment includes working proprietors; persons engaged as employees of the mine operator; 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. Production employment is a subset of exposed-to-risk numbers.

CS Health

Mark O'Neill
General Manager, CS Health

During 2010–11, Coal Services Health (CS Health) provided high-quality occupational health and medical services to the NSW coal mining industry.

CS Health's team of professional medical experts helped mine workers, mine operators and people in the wider mining community manage health risks, optimise workforce performance, and care for their health and wellbeing.

CS Health's medical staff are experienced in the mining industry and have a solid understanding of its specific medical needs. Their work is critical in helping the mining workforce maintain an optimal level of health and fitness.

Demand for CS Health's medical services continued to grow in 2010–11. The business unit increased the number of health and medical consultancy services it provided to members by 29 per cent. CS Health was also instrumental in introducing Order 41, which further helped ensure the health and safety of the NSW coal industry workforce.

HEALTH AND MEDICAL SERVICES

In 2010–11, CS Health provided more than 54,000 individual medical services to members of the NSW coal industry and other customers – a 29 per cent increase on 2009–10. The business unit received nearly 800 referrals for rehabilitation and treatment services, and administered 4,703 immunisations for influenza and hepatitis.

CS Health provided 3,296 more pre-placement health assessments than in 2009–10. This reflected increased employment in the mining industry, the strong support for measures initiated by Order 41, and the industry's confidence in the quality of CS Health's assessments. However, the number of periodic health assessments decreased by 470. Results from previous years indicate that health assessment numbers are subject to variation from year to year. CS Health hopes that Order 41 will encourage an increase in routine health assessments in 2011–12, and a steady rate thereafter.

In addition to its traditional health and rehabilitation services, CS Health provided 266 days of training to its customers, in areas such as occupational health and safety consultation, drug and alcohol awareness, and fatigue management.

ORDER 41

Coal Services developed Order 41 following consultation with the NSW coal industry. The Order, which came into effect on 11 February 2011, is intended to protect the continuing health and safety of NSW coal mine workers. It requires every worker to complete a pre-placement medical assessment before starting work at a coal operation, and to undergo periodic medical assessments every three years. These medicals will ensure workers entering the coal industry can safely perform their jobs, and will help the NSW coal industry address any developing health issues in its workforce.

Order 41 supports site-based health initiatives by providing regular opportunities for workers to be assessed. The Order is also aligned to the work already underway by the Mine Safety Advisory Council in NSW, focused on identifying emerging contemporary health issues in mining.

COMMUNITY EVENTS

CS Health supported several health and fitness initiatives in local mining communities in 2010–11. CS Health's Woonona office sponsored the Wollongong Trithegong Triathlon on 5 December 2010. It provided naming rights for the event, as well as race packs for the competitors, which contained supportive literature about health and wellbeing. On 20 March 2011, CS Health also sponsored the Sparke Helmore Triathlon, helping to raise awareness of health and fitness in the local community.

RESOURCES

At 30 June 2011, CS Health employed 92 permanent, part-time and casual staff in a range of professional health and support positions. CS Health's success in 2010–11 was due to the hard work, dedication and quality of these team members.

Number of people CS Health provided services to

Service provided	04–05	05–06	06–07	07–08	08–09	09–10	10–11
Routine health assessments	1,648	1,654	2,084	2,083	2,708	2,794	2,324
Pre-placement health assessments	3,748	4,590	5,622	5,831	8,226	7,566	10,862
Functional assessments	917	1,253	1,582	1,789	2,244	2,568	3,522
Drug and alcohol screening	7,289	8,304	11,018	13,393	17,701	20,029	28,384
Occupational rehabilitation referrals	426	404	715	528	286	151	154

CS Health rolled out three new mobile health units to provide onsite health services to coal mines across NSW.

MOBILE HEALTH UNITS

In early 2010–11, CS Health rolled out three new mobile health units to provide onsite health services to coal mines across NSW. Two smaller units provided periodic medical assessments and drug and alcohol testing, while staff in the larger unit carried out periodic and pre-employment medical assessments.

The mobile units enabled mine workers to conveniently complete necessary medical assessments without leaving their workplaces. This meant assessments were completed when due and enabled mine operators to maintain a full workforce with minimum disruption to productivity.

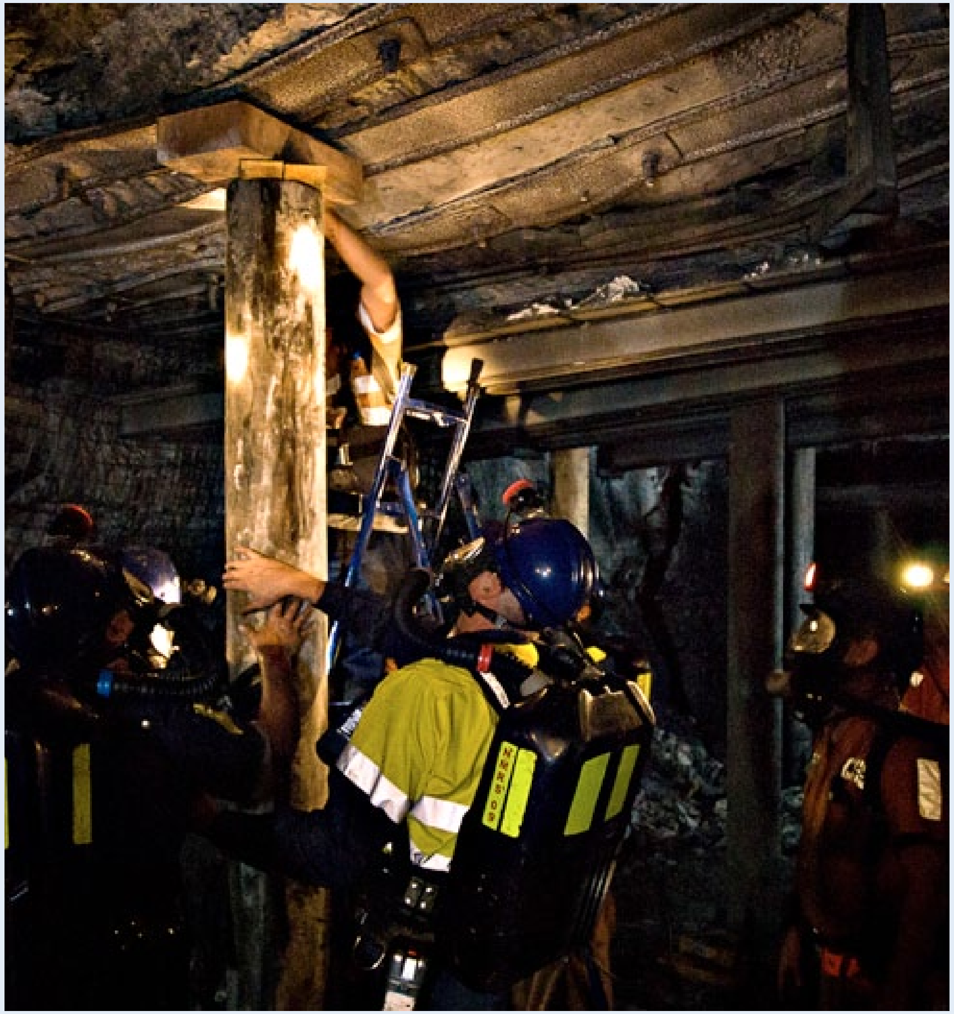
The mobile health units also reached more remote regions, such as Gunnedah, to ensure mine workers in these areas had easier access to health services and assessments.

PERIODIC HEALTH ASSESSMENT BOOKLETS

In 2010–11, CS Health issued periodic health assessment booklets to all NSW mine workers. These books will be used to record the results of their medical assessments, as well as general health information such as height, weight and blood pressure. The booklets will be updated at each attendance with new assessment results, providing workers with an ongoing record of their health and fitness. The booklets also contain general advice on diet, exercise and maintaining health, which will be updated if new medical research and information is published.

Mines Rescue Service

Paul Healey
General Manager, Mines Rescue Service and Regulation and Compliance



Coal Services requires 5 per cent of mine employees to be trained in mines rescue support. These brigadesmen must be assessed as fit, competent and capable of providing emergency services in the event of a mining emergency.

Mines Rescue Service (MRS) also provides expert advice and consulting to the mining industry in the event of an emergency.

MRS has 46 full-time employees across its four rescue stations. MRS staff test and make available equipment such as breathing apparatus, gas testing instruments, first aid equipment and the Mineshield nitrogen inertisation plant. They also ensure emergency response procedures and guidelines are in place, tested and ready to be deployed, 24 hours per day and 365 days per year. This gives mine employees and operators peace of mind that any emergency situation will be handled quickly, safely and efficiently.

MRS provides all contractors with a four-day induction course and annual refresher training. In addition, MRS provides annual refresher training to the majority of NSW mine workers through whole-of-mine training days. MRS is a major provider of statutory training for mine deputies and undermanagers through a range of certificate courses.

COURSE NUMBERS

MRS increased its maritime, fire fighting, confined spaces and breathing apparatus training. More than 23,000 trainees attended MRS's commercial courses in 2010–11, the revenue from which helped MRS keep the statutory levy increases for courses at a moderate level in line with the consumer price index.

VIRTUAL REALITY AND THE TRAINING TRIANGLE

In 2010–11, MRS focused on further developing Virtual Reality Technologies (VRT) and training. VRT uses realistic representations of underground and surface coal mining environments to help miners understand and experience mining practices before being exposed to a real mining environment.

Interactive VRT complements MRS's training triangle. In 2010–11, MRS trained 14,289 miners using its powerful three-pronged approach, comprising classroom activities, hands-on techniques in mining galleries and VRT. Combining the three methods provided a deeper, well-rounded training experience and helped produce better training results.

INDUSTRY PARTNERS

In 2010–11, MRS partnered with leading mining industry contractor UGM to deliver a program of enhanced training. The training program will provide miners with greater hands-on experience, including newly developed VRT modules containing specific simulated mining equipment and activities. It plans to train new miners at both MRS stations and at the contractor's site using a range of mine equipment for essential core skills.

INCIDENT RESPONSE

In November 2010, MRS and Coal Mines Technical Services (CMTS) flew to New Zealand to provide onsite help and advice to mines rescue staff at Pike River Mine. Staff and brigadesmen helped with emergency planning, data analysis and risk assessments. MRS also provided subsequent submissions to the Pike River Royal Commission.

CMTS and MRS also worked together to provide assistance after an ignition in January 2011 at Blakefield South Mine near Singleton, NSW. After Blakefield South emergency system teams evacuated the site, MRS and CMTS sealed the mine and provided expert analysis and advice on mine conditions. They also remained onsite to provide ongoing support and safety advice. MRS coordinated staged recovery work for the mine and longwall, including using brigadesmen to work in the mine's irrespirable atmosphere, which was inaccessible to normal mine workers.

INTERNATIONAL MINES RESCUE COMPETITION

From 8 to 12 November 2010, MRS hosted the seventh International Mines Rescue Competition at the Southern Mines Rescue Station in Woonona, NSW. The competition was designed to test the skills of 16 mines rescue teams from around the world, including China, Russia and the US. The Australian competition format differed to previously held international competitions as it employed simulated events in real mine conditions as well as simulated environments using world-leading VRT software. Appin West's mines rescue team won the competition and will seek to defend the title in the Ukraine in 2012.

NSW Mines Rescue Service ensures emergency response procedures and guidelines are in place, tested and ready to be deployed, 24 hours per day and 365 days per year.

Virtual Reality Technologies

Coal Services began developing Virtual Reality Technologies (VRT) facilities and software in mid-2005.

The VRT system uses curved screens, domes and 360-degree theatres to immerse trainees in realistic representations of underground and surface coal mining environments. VRT has revolutionised safety training in mines by enabling trainees to achieve an understanding of, and gain experience with, mining practices before being exposed to a real mining environment.

VRT simulation modules are tailored to address different aspects of the core competency standards required for mine worker accreditation. The modules allow mine workers to experience and repeat safety risk scenarios that would not be possible in real life, such as fires, explosions and floods. VRT forms part of a training triangle provided by Mines Rescue Service (MRS), which offers comprehensive training to rapidly improve performance and change miners' behaviour.

VRT is also a cost-effective training solution for the coal mining industry, as it provides an increased level of training without requiring mines to provide valuable resources or reduce productivity for training purposes.

VRT RESULTS

In 2010–11, 14,289 mine workers completed VRT courses at the unit's facilities, including 2,479 people in the Hunter Valley, 5,151 in Newcastle, 3,061 in western NSW and 3,598 in southern NSW. In total, the VRT unit provided 23,803 training sessions, including 5,063 using curved screens, 3,841 in domes and 14,899 in 360-degree theatres. A further 3,241 visitors took part in 5,349 VRT sessions to help them understand and experience the training the VRT unit offers.

VRT has revolutionised safety training in mines by enabling trainees to achieve an understanding of, and gain experience with, mining practices before being exposed to a real mining environment.

THIRD GENERATION SOFTWARE

In 2010–11, the VRT unit transferred existing VRT modules into new programs and developed new VRT software as part of its VRT Third Generation. The new software includes interactive open-cut and underground modules. The software also ensures students are introduced to new scenarios in each training session rather than repeating the same situations.

Original equipment manufacturers (OEMs) provided the VRT unit with computer-assisted drawings and technical specifications for each piece of mine equipment. This ensures simulated surroundings appear realistic and natural, and are technically as close as possible to the mines in which the miners will be working. The software also provides a 'mixed reality experience' with the option to introduce real props such as fire extinguishers, hoses and breathing apparatus.

MRS and VRT consulted a number of industry stakeholders – including NSW mine operators, coal miners, mining engineers, safety staff and safety inspectors – to ensure the new technology meets industry demands. VRT aims to complete the Third Generation in November 2011.

OTHER VRT DEVELOPMENTS

In 2010–11, VRT began Stage 10 of its simulated reality training project. This stage develops the use of virtual reality to improve safety and efficiency outcomes for trainee miner induction courses in NSW coal mines by including mine operating procedures and developing complementary hands-on practical training with a major contracting organisation. VRT aims to complete Stage 10 in early 2012.

VRT also began work on upgrading the 360-degree virtual reality system at Argenton. The upgrade will provide a more detailed presentation and a clearer display which adds to the realism and immersion of the virtual reality experience. It is due for completion in late 2011.

WESTPAC HELICOPTER TRAINING SOFTWARE

As of 2010–11, Coal Services owns the intellectual property rights to its virtual reality training software, which means it can provide the software to other sectors and organisations. In May 2011, VRT and MRS launched the world's first virtual reality helicopter simulation software to help improve training for helicopter rescues at open-cut mines across NSW. The helicopter training module is based on a scenario set at Coal & Allied's Hunter Valley mine operations, and allows Westpac Rescue Helicopter Service crews and MRS personnel to train together in a realistic virtual reality environment.

PACE ZENITH AWARDS

On 16 June 2011, VRT beat 13 other finalists to win the 2011 PACE Zenith Award in the Mining, Minerals and Exploration category. The annual PACE Zenith Awards acknowledge and reward excellence and innovation across nine Australian process and control engineering industries. Winning the award demonstrated VRT and MRS's training abilities and the positive contribution the business units have made to the NSW mining industry's emergency preparation and response.

VRT's software was also nominated in the Innovation category for the 2010 Mining Prospect Awards, and was a finalist in the 2011 SafeWork Awards.

PRESENTATIONS

VRT and MRS virtual reality training programs are considered by the coal industry to be the best in the world. In 2010–11, the VRT team visited a number of countries, including China and the US, to present on the benefits and results of VRT training. It also attended a number of conferences and exhibitions in Australia and overseas, including the Queensland Safety Conference, the SimTecT Conference in Victoria and the United Mine Workers of America Conference in Las Vegas.

Regulation and Compliance

Coal Mines Technical Services

Coal Mines Technical Services (CMTS) provides critical gas testing and detection equipment and personnel, workshop testing and repair facilities, gas and diesel analysis, and training and consultation services.

CMTS' important equipment and expertise help protect mine workers and the coal industry's major assets.

In 2010–11, CMTS supported the industry by conducting routine gas and diesel analysis to maintain healthy and safe working environments. It also worked alongside Mines Rescue Service (MRS) during emergency situations.

PIKE RIVER AND BLAKEFIELD SOUTH EMERGENCIES

In 2010–11, CMTS and MRS flew to New Zealand to provide onsite help and advice to mines rescue staff at Pike River Mine after a serious explosion. Two senior CMTS experts provided NZ Mines Rescue with advice and real-time analysis of gas levels from the mine site. The experts predicted that the site could experience multiple explosions and saved further loss of life by advising personnel not to enter the area.

CMTS also worked alongside MRS after an ignition in January 2011 at Blakefield South Mine near Singleton, NSW. CMTS and MRS confirmed the mine had been evacuated, then sealed the mine and remained onsite to provide training, gas analysis and additional support during the recovery of the mine.

NATIONAL ACCREDITATION

The National Association of Testing Authorities (NATA) renewed CMTS' ISO 9001.2008 Accreditation in 2010–11. This demonstrated that CMTS maintained best practice operating procedures and systems, and provided appropriate training and high-quality testing equipment. The business unit also received accreditation from the NSW Department of Trade and Investment for the repair and overhaul of explosion-protected electrical equipment.

MOBILE LABORATORIES

CMTS operates fully equipped, air-conditioned mobile laboratories containing gas chromatographs, which provide onsite gas detection and gas analysis services in Australia and globally. In early 2011, the West Virginia State Government commissioned CMTS to provide its mines rescue service team with a new mobile laboratory and training on gas analysis and risk detection. CMTS also returned to South Africa in mid-2011 to service the South African Mines Rescue Organisation's mobile unit and train rescue staff.

CMTS used its mobile laboratories for emergency support following the Blakefield South Mine ignition. The staffed laboratories have remained onsite to operate equipment, interpret analysis results, and provide long-term support and training for mining staff.

INTERNATIONAL PRESENTATIONS

CMTS staff are regarded within the coal industry as international experts in their field. In 2010–11, members of the business unit were invited to China, Poland, Russia, the UK and the US to give presentations to coal industry representatives on mine safety and gas analysis.

Occupational Hygiene Services

In 2010–11, Occupational Hygiene Services (OHyS) supported mine operators and workers, check inspectors and the NSW Department of Trade and Investment.

OHyS operates four NATA-accredited laboratories in NSW and a co-location laboratory with CMTS in Queensland. The business unit provides the NSW coal industry with a range of vital hygiene services – including monitoring dust and testing noise, vibration and lighting – and gives advice on protection in high-risk areas, based on workers' exposure to hazards. It also conducts tests at the request of mines to check mining workforces where similar exposure groups are following the same best practice procedures when completing hazardous tasks. Most OHyS staff come from a mining industry background, putting them in an excellent position to provide technical and operational advice.

HEALTH OUTCOMES

Coal Services Health released statistics in 2010–11 which showed that globally, NSW has the most positive predicted health outcomes for mine workers, mainly due to the elimination of pneumoconiosis in Australia. There have been no new recorded cases of pneumoconiosis or cardio-pulmonary diseases in the Australian coal industry in more than 20 years. This is due to operating standards designated by Order 42, the expertise and qualifications of OHyS technicians, and close oversight by the Coal Services Board.

The Coal Services Board relies on the Coal Services' Airborne Contaminants & Diesel Particulate Sub-Committee. This group brings together representatives from all sides of the coal industry to work towards the long-term common goal of mine workers' health.

ORDER 42

Order 42 legislation is designed to ensure effective monitoring of airborne dust at mining operations in NSW. The Order, which came into effect on 11 February 2011, preserves existing dust monitoring and environmental standards that are essential to achieving and maintaining optimal health standards in NSW coal mines. Under the Order, airborne dust samples will continue to be frequently collected and analysed from mine workers' onsite breathing zones to ensure their health is not affected. These measures could have been removed as part of the industry's occupational health and safety harmonisation process – which is combining coal mining safety laws across Australia – but Order 42 will ensure best practice processes are maintained and NSW's exceptional results in this area are not adversely affected.

OHyS has been performing inhalable dust sampling since January 2008. Since this time there has been an approximate 17 per cent drop in the total number of exceedances, with a corresponding reduction in airborne dust levels.

ORDER 40

Order 40 aims to improve the long-term health of mine workers by controlling dust on longwall faces. The order requires a mine to obtain Coal Services' approval of its dust mitigation plan for each area before starting a new longwall face.

The Order supports the activities conducted by the OHyS group by providing an additional focus on longwall mining, which creates a larger amount of dust compared to other types of mining.

OHyS received and approved 16 dust mitigation plans in 2010–11.

ORDER 34

Under Order 34, Coal Services must ensure that coal mines have training and competency management plans in place. Coal Services' Training and Competency Management Plan Guidelines ensure that these plans meet the requirements in the *Coal Mines Health and Safety Act 2002* to provide a properly trained workforce.

Coal Services checks that submitted training plans meet the standards specified in the guidelines, identifies and notifies the mines of any deficiencies, and makes recommendations to the Coal Services Board for approval. It then presents its results to the NSW Department of Trade and Investment and to the coal industry. In 2010–11, the Coal Services Board approved 21 training and competency management plans.

Order 34 teams also audit existing training programs or specific elements of these programs. In 2010–11, the team carried out 87 audits.

OTHER ACTIVITIES

Unlike many other sampling organisations, OHyS accompanies miners that are being monitored for dust exposure to ensure results are genuine and reliable. The technicians are also available to explain the dust exposure sampling process and offer advice on control strategies.

OHyS personnel visited the US in 2010–11 to provide advice based on occupational health and hygiene successes in NSW and Australia. The experts presented on how these exceptional outcomes were achieved and why Australia is considered the world leader in eliminating pneumoconiosis. The US, in particular, has a significant problem with dust exposure and subsequent adverse health issues. In July 2010, OHyS visited Washington and Las Vegas as part of a two-week visit by Coal Services to showcase health and safety methods and virtual reality technologies. The business unit aimed to help the US modify its coal mining methods and hopefully achieve similar results to those achieved in Australia, to improve the health of its mine workers.

OHyS aims to ensure that its commercial activities ameliorate the cost of providing its core activities, keeping mine operators' expenses at a minimum. In 2010–11, OHyS undertook a number of commercial activities to generate revenue, including sampling dust in metal mines and quarries. The OHyS team also provides a range of special request services to coal mines to monitor Similar Exposure Groups (SEGs). These services enable mine operators to identify potential problems and ensure controls are in place.

Strategy and People

Rachel Morrison
General Manager, Strategy and People

Coal Services continues to deliver on its 2010/15 Strategic Plan. The Strategic Plan aims to strengthen Coal Services' relationships with the NSW coal mining industry, and ensure continuous improvement in business practices and the services it provides.

The 2010/15 Strategic Plan focuses on ensuring that our shareholders acknowledge, support and promote the work Coal Services does in protecting the health and wellbeing of the NSW coal industry. There is also a focus on continuing to develop strategies which ensure that Coal Services' people are engaged, motivated, rewarded, empowered and equipped to do their jobs.

The Strategy and People (S&P) team is instrumental to Coal Services' ability to deliver on this plan. The team provides specialist consultative services and delivers integrated solutions which drive business planning, aid in the development of strategic initiatives that enhance service delivery, revenue generation and operational efficiency; facilitate successful change; and support the delivery of agreed business outcomes for Coal Services' business units. The S&P team is also pivotal in ensuring that Coal Services understand its customers and their needs, and that it has the right people with the right skills to deliver this plan.

SUMMARY

Along with its strategic overview, the S&P unit comprises five key support functions: Business Reporting, Customer Experience, Human Resources, Learning & Development (L&D) and Marketing. These functions provide the organisation with specialist consultancy and support services.

The S&P team works in partnership with the business to ensure Coal Services maintains a highly skilled, informed and productive workforce. The team also works closely with the business units to ensure they operate in an efficient and cost-effective manner. Industry stakeholders receive important information and insights on industry developments and trends through the reporting work conducted by S&P.

BUSINESS REPORTING

In 2010–11, S&P worked with other CSPL business units to develop the *MineCheck* reports. This unique industry publication provides in-depth coal industry statistics and analysis and is distributed bi-annually. *MineCheck* contains consolidated information and data from mines across the coal industry from each of Coal Services' business units. This information includes workers compensation claim rates, and will be developed to include workforce health and environmental study results. The information presented in *MineCheck* benefits industry stakeholders by enabling them to mitigate risks and improve workplace outcomes by providing analysis and identifying trends and opportunities that will assist in driving continuous improvement in their businesses.

INDUSTRY NEWSLETTER

In May 2011, the Customer Experience function published the first online integrated Coal Services Industry newsletter. This created another platform of open communication with Coal Services' customers, stakeholders and the NSW coal industry.

The newsletter provides data and information for the NSW coal industry, including relevant news stories, statistics, current industry trends, achievements and developments from within Coal Services' business units.

CUSTOMER EXPERIENCE AND SERVICE DELIVERY RESEARCH TOOL

Another key initiative fulfilled this year is the design and implementation of a customer satisfaction research tool to allow Coal Services' customers (policyholders and injured workers) to have a voice and the opportunity to influence strategic and operational activities that aim to enhance and/or improve the customer experience.

The use of the tool allows Coal Services to achieve greater effectiveness and efficiency in investments made to improve or enhance service delivery, training and products. Understanding what is important to Coal Services' customers assists in attracting and retaining customers and helps to increase business opportunities with existing customers. Coal Services also works collaboratively with customers to ensure its business units continue to provide a valuable service that benefits and supports the success of customers and stakeholders.

EMPLOYEE ENGAGEMENT

In 2010–11, the Human Resources (HR) team commenced negotiations with employees from 60 per cent of the business and relevant unions to develop a new Enterprise Agreement (EA). This replaces the CSPL Award of 1999 and the supporting EA of 2000. A key outcome of the new EA is to develop a rewarding, best practice and competitive employment instrument which will assist in attracting and retaining quality staff throughout the business. The EA project will be completed by the end of 2011.

In 2010–11, S&P worked with other CSPL business units to develop the *MineCheck* report. This unique industry publication provides in-depth coal industry statistics and analysis. *MineCheck* contains consolidated information and data from mines across the coal industry from each of Coal Services' business units.

HR conducted the Coal Services annual employee opinion survey in October 2010 to gauge the level of engagement and job satisfaction of Coal Services' employees based around the themes of passion and progress. This survey was also benchmarked against competitors and relevant industries, and compared to results from previous years. Coal Services achieved a 76 per cent employee satisfaction rating, which placed it in the upper quartile when benchmarked against other industries. The employee engagement survey helps Coal Services achieve its objective of improving communication and understanding employees views, by generating fair and transparent feedback methods across the organisation. Coal Services can then consider employee views when developing HR strategies and improving business practices.

In addition to the survey results, Coal Services uses retention as an indicator of engagement and employee satisfaction. The retention rate for 2010–11 was 86.4 per cent.

BUSINESS CAPABILITY

The 2010–11 financial year saw an increased output for L&D, with the recruitment of two additional specialists to focus on providing technical training. Management development modules continued to be rolled out, with several programs aimed at developing the essential management skills necessary for all levels to drive the business towards its 2015 strategic goals.

A new induction program was launched to enhance the experience of new starters in their first three months with the business.

To further develop core skills across the business, a range of foundational skill modules were designed and will be launched in the 2011–12 financial year.

Work on the CMI Technical Competency Framework commenced in 2010–11. This included consultation with CMI specialists and benchmarking against best practice processes and systems. The framework and accompanying training plan will provide a targeted development program to all CMI claims employees to assist in the delivery of improved customer service and claims outcomes.

L&D continues to work with the business to deliver customised business unit solutions to address specific learning and team development needs.

INDUSTRY AWARENESS

In 2010–11, Marketing created ongoing campaigns aimed at increasing awareness and recognition by key industry stakeholders. These campaigns endeavoured to highlight Coal Services' uniqueness, communicate the benefits offered to the industry through its suite of specialist skills and expertise across its business groups, and demonstrate how it collectively protects the health and wellbeing of NSW coal mine workers.

Part of this strategy also included ensuring a strong presence at NSW coal mining industry events through keynote speaker opportunities and trade exhibitions. The Marketing team also produced and distributed relevant, timely and efficient communications for the related industry and communities on the achievements of Coal Services' business groups.

Coal Services Health and Safety Trust

Coal Services Health and Safety Trust has funded research for the NSW coal industry since December 1991.

During the past 20 years, the Health and Safety Trust has primarily funded research into injury, occupational disease and human factors such as fatigue and stress.

In 2008, it expanded its focus to include new ways to help the coal industry and associated industries improve their occupational health and safety (OHS) measures. The Trust funds specific OHS projects that have been identified as important by the industry.

By funding research projects, the Health and Safety Trust benefits workers and the industry by identifying, measuring and reducing hazards associated with coal mining, with the particular aim of preventing illness, injuries and accidents. The research also focuses on how to resolve economic, engineering, geological, medical, general management and industrial relations issues that may affect health and safety issues in the coal mining industry.

Since 2007, the Health and Safety Trust has focused its funding on 10 large research projects. It funded eight virtual reality training research projects for the Virtual Reality Technologies (VRT) and Mines Rescue Service (MRS) business units, and two Benchmark Injury Management Assessment (BIMA) projects in conjunction with Employers Mutual Management.

VIRTUAL REALITY TECHNOLOGIES

The Health and Safety Trust began funding VRT projects in mid-2005. Coal Services' VRT system uses a variety of screens that immerse trainees in realistic representations of underground and surface coal mining environments. Research into VRT development has revolutionised safety training and how safe work procedures are assessed, by enabling users to understand and experience mining practices before being exposed to a real mining environment. The simulation training modules are tailored to address different aspects of the core competency standards required for mine worker accreditation.

In 2010–11, VRT and MRS concentrated on the Stage 5 extension and Stage 10 virtual reality projects. These included developing interactive technology and using virtual reality training to improve safety and efficiency outcomes for trainee miner inductions. VRT also began work on upgrading the 360-degree virtual reality system at Argenton.

BENCHMARK INDUSTRY MANAGEMENT AUDITS

In 2006, the Health and Safety Trust approved the BIMA research project in conjunction with the Coal Mines Insurance (CMI) Premium Incentive Scheme. BIMA evaluates 16 areas of injury management to benchmark the effectiveness of NSW coal industry injury management programs against international standards. In 2010–11, CMI completed its report on the first BIMA project, and the Trust finalised its approval of a BIMA extension project. The extension project uses BIMA to identify key elements in injury management programs that affect the current industry benchmark position. It also looks at how to improve industry performance and apply best practice to achieve optimal outcomes for injured employees. In 2010–11, the industry benchmark score for policyholders increased to 74.8 per cent.

RESEARCH GRANTS

In 2010–11, the Health and Safety Trust approved research grants for the following projects:

– the preparation phase for detailed VRT research

– developing virtual reality software for the Westpac Rescue helicopter Service operating on coal mining sites

– the virtual reality Stage 5 extension – developing interactive technology

– a scoping study for the virtual reality trainee miner program

– upgrading the Argenton 360-degree virtual reality system

– virtual reality Stage 10 – using virtual reality to improve safety and efficiency outcomes for trainee miner inductions in NSW coal mines.

Corporate Governance

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

The Board is responsible for CSPL's business and that of its controlled entities, Coal Mines Insurance Pty Limited and Mines Rescue Pty Limited. It establishes goals and sets the strategic direction for managing CSPL and its entities, as well as monitoring how managers achieve these goals. The Board operates its monitoring role through the following Board committees:

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

The Board is responsible to Coal Services' stakeholders: members of the NSW coal industry, and the workers and management of the coal mining companies to which CSPL provides a service.

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

The Managing Director/CEO is the seventh Director and is appointed from among persons nominated by the other Directors.

Directors can be appointed for terms of up to five years. A Director is eligible for reappointment when their appointment term expires.

The Chairperson is appointed every two years, rotating between a CFMEU-nominated Director and a NSW Minerals Council-nominated Director. The current Chairman is Mr Ron Land, nominated by CFMEU.

The Board holds six formal board meetings a year, but also meets whenever necessary to carry out its responsibilities. During 2010–11, the Board held 10 meetings.

CONFLICT OF INTEREST

Directors are required to continually monitor and disclose any potential conflict of interest that may arise. Directors must:

- disclose any actual or potential conflicts of interest as soon as they arise
- take reasonable steps to resolve any conflict of interest within a period that is deemed appropriate by the Directors
- comply with the requirements of the *Corporations Act 2001*, regarding the disclosure of interests and restrictions on voting
- declare conflicts of interest before Board meetings begin.

RISK MANAGEMENT AND CONTROL

The Board is responsible for CSPL's overall control framework. To help discharge this responsibility, the Directors, through the Managing Director/CEO, have established an internal control framework. The framework includes the following elements.

Risk management and internal control system

The Board Audit and Risk Management Committee monitors the risks involved in achieving the Directors' objectives, as well as the internal control system, to ensure that those risks are kept within acceptable limits.

Financial reporting

CSPL has a comprehensive financial reporting and budgeting system. CSPL reports to the Directors each month on actual results against budget, and examines any variations.

Fraud control

In accordance with CSPL's fraud control plan, an internal auditor conducts risk-based audits, with particular emphasis on fraud. The auditor has assessed the current potential for fraud across the CSPL group as low.

Internal and external audit

The Internal Audit team reports to the Chief Financial Officer, Managing Director/Chief Executive Officer, and the Chairman of the Board Audit and Risk Management Committee on matters of risk and governance. Internal Audit is responsible for monitoring, investigating and reporting on the internal controls system and mitigated risks. Internal Audit and CSPL management maintain and regularly refer to an internal audit charter.

Under the *Corporations Act 2001*, CSPL and its controlled entities are subject to external audit on a fee-for-service basis. CSPL appointed KPMG as company auditor for the year ending 30 June 2011.

OPERATIONAL PLAN

The Board is required to submit an annual operating plan to the Minister each year. The plan must contain CSPL's proposed strategy for exercising its functions during the year, and must include any other matters required by regulations made under the *Coal Industry Act 2011*. The Board prepared an annual operating plan for 2011–12 and submitted it to the Minister in May 2011.

INVESTMENTS

The Board monitors investments on a monthly basis and regularly reviews its investment strategy. External fund managers manage approximately half of the Board's investments and provide monthly performance reports. The Board Finance and Investment Committee then considers these reports before referring them to the Board. As a long-term insurance operation, CSPL maintains a balanced investment profile and a long-term financial outlook.

Board meetings attended by Directors in 2010–11

DIRECTOR	ELIGIBLE TO ATTEND	ATTENDED
Ron Land	10	10
Tony Haraldson	10	10
James Mackrill	10	9
Wayne McAndrew	10	9
Ross Taylor	10	9
Kieren Turner	10	10
Mark Coyne	10	10

CODE OF CONDUCT

The Board has established a Code of Conduct for Directors to ensure they act in good faith and with appropriate skill, care and diligence. Directors have a fiduciary duty of loyalty to CSPL and its controlled entities. To meet these requirements, the Directors must, at all times:

- act honestly
- exercise due care in performing their duties
- be diligent, attend Board meetings and ensure they are knowledgeable about the operation of CSPL and its controlled entities
- ensure that systems are established to provide sufficient and accurate data on a regular and timely basis, so the Directors can discharge their duty of care and diligence
- act in the interests of the company as a whole
- avoid conflicts of interest
- be independent in their judgements and actions
- comply with the terms of the *Corporations Act 2001*
- not release information outside the boardroom unless the Directors have agreed to do so.

ETHICAL STANDARDS

The Board is responsible to CSPL's stakeholders: members of the NSW coal industry, and the workers and management of the coal mining companies to which CSPL provides a service. The Board consistently strives to reduce costs to ensure premiums are kept to a minimum and 'user pays' services are efficient, of a high quality and cost-effective. It also ensures suppliers of goods and services have an opportunity to compete for CSPL business on a fair and equitable basis.

PRIVACY

CSPL and its controlled entities have a firm commitment to privacy, in accordance with and subject to the principles outlined in the *Privacy and Personal Information Protection Act 1998*.

Annual Financial Report for the year ended 30 June 2011

Directors' Report

Your Directors present their report on the consolidated entity consisting of Coal Services Pty Limited, and the entities it controlled at the end of, and during, the year ended 30 June 2011.

DIRECTORS

The names of the Directors of the Company in office during the financial year were:

R P Land

M Coyne

A J Haraldson

J Mackrill

W McAndrew

R M Taylor

K P Turner

All Directors were in office from the beginning of the year until the date of this report.

PRINCIPAL ACTIVITIES

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

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

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

c) occupational health and rehabilitation services to the New South Wales coal industry, under the registered trade mark "CS Health".

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

DIVIDENDS

The Directors do not recommend the payment of a dividend as it is not the Company's policy to pay dividends.

REVIEW OF OPERATIONS

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

	SEGMENT REVENUES		SEGMENT RESULTS	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Workers compensation insurance	**112,233**	103,554	**13,113**	(6,481)
Mines rescue services	**22,885**	17,950	**1,564**	(608)
Occupational health and rehabilitation services	**10,260**	9,030	**(656)**	(1,228)
Investment activities of Coal Services	**25,794**	45,030	**24,586**	44,021
Others	**861**	966	**(17,973)**	(11,997)
	172,033	176,530		
Profit from ordinary activities before income tax expense			**20,634**	23,707
Income tax benefit/(expense)			**5,140**	(3,606)
Net profit			**25,774**	20,101

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

a) Workers Compensation Insurance

Coal Mines Insurance Pty Limited is the approved workers compensation insurance company pursuant to the *Coal Industry Act 2001*. Its principal activity is to provide worker's compensation insurance to the New South Wales coal industry.

The segment result for the year was a profit before income tax of $nil (2010: $nil), the result for underwriting operations was a profit of $19.14m (2010: loss of $1.23m), before administration expenses of $6.03m (2010: $5.25m), and a reduction in the indemnity provided to Coal Mines Insurance Pty Limited by Coal Services Pty Limited of $13.11m (2010: $6.48m) in line with the terms of the deed agreement.

b) Mines Rescue Services

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

The segment result for the year was a profit before income tax of $1.56m (2010: loss of $0.61m). Total operating revenue of $22.89m (2010: $17.95m) included contributions from mine owners of $7.32m (2010: $6.96m) and training and other services revenue of $15.57m (2010: $10.99m).

c) Occupational Health and Rehabilitation Services

Coal Services Health is the registered trading name for the division of Coal Services Pty Limited that provides occupational health and rehabilitation services to the New South Wales coal industry. The segment result for the year was a loss before income tax of $0.66m (2010: loss of $1.2m). This segment generated revenue of $10.26m (2010: $9.03m).

d) Investment Activities

During the year the investment portfolio held by Coal Services Pty Limited generated a net investment profit of $24.59m (2010: profit of $44.02m), including unrealised loss of $0.02m (2010: generated unrealised profit of $8.75m).

On 3 June 2011, the Company received confirmation from the Australian Taxation Office that it is exempt from income tax pursuant to section 50-1 of the *Income Tax Assessment Act 1997*. The exemption is retrospective and applies to the years ended 30 June 2006 through to 30 June 2011 inclusive.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 3 August 2011, the Company received confirmation from the Australian Taxation Office ("Tax Office") for the grant of a further tax exemption for the years ended 30 June 2004 and 30 June 2005. The tax recoverable for these financial years of approximately $5,565,617 (for 2004 and 2005) which have been subsequently received from the Tax Office will be recorded in the 30 June 2012 financial statements.

In addition, on 15 August 2011, the Tax Office also notified the Company that the Tax Office would reimburse the Company for interest for previous tax paid in relation to the years ended 30 June 2004 through to 30 June 2008. The interest income received from the Tax Office on 23 August 2011 in relation to this reimbursement is approximately $7,046,237 and this amount will be recorded in the 30 June 2012 financial statements.

There have been no other matters or circumstances other than those disclosed above that have arisen since the end of the financial year and 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 Company is not subject to any significant environmental regulation in respect of its activities.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the period, the 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, or illegal acts, or claims, litigation, or demands occurring outside specified dates.

LEAD AUDITOR'S INDEPENDENCE STATEMENT

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 32.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

R P Land
Director & Chairman

M Coyne
Managing Director/CEO

Sydney

28 September 2011

KPMG

Lead 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 2011 there have been:

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

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

KPMG

KPMG

Ian Moyser
Partner

Sydney

28 September 2011

Statement of Financial Position for the year ended 30 June 2011

	NOTES	PARENT ENTITY 2011 $'000	PARENT ENTITY 2010 $'000	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000
Current assets					
Cash and cash equivalents	13	**5,291**	2,550	**6,951**	4,627
Receivables	14	**4,144**	9,960	**17,753**	11,295
Current tax assets	15	**31,377**	1,475	**31,377**	1,475
Financial assets held at fair value through profit or loss	16	**303,383**	279,828	**303,383**	279,828
Inventories	17	**–**	–	**202**	189
Other	18	**887**	700	**913**	704
Total current assets		**345,082**	294,513	**360,579**	298,118
Non-current assets					
Receivables	19	**4,347**	4,053	**2,182**	1,992
Financial assets held at fair value through profit and loss	20	**1,010**	1,010	**1,010**	1,010
Investment in subsidiaries	21	**26,566**	26,566	**–**	–
Property, plant and equipment	22	**15,582**	15,732	**64,050**	62,827
Investment properties	23	**61,400**	63,350	**61,400**	66,150
Deferred taxes	24	**–**	18,362	**–**	31,168
Lease incentives		**112**	84	**112**	84
Total non-current assets		**109,017**	129,157	**128,754**	163,231
Total assets		**454,099**	423,670	**489,333**	461,349
Current liabilities					
Bank overdraft	25	**–**	2,575	**–**	2,575
Payables	26	**149,676**	129,762	**10,891**	2,592
Unearned revenue	31	**–**	–	**2,520**	1,559
Borrowings	27	**16,933**	10,085	**16,933**	10,085
Current tax liabilities	28	**–**	–	**–**	126
Provision for outstanding claims	9	**–**	–	**76,150**	76,119
Unexpired risk reserve	48	**–**	–	**–**	–
Provisions	29	**4,115**	5,427	**6,508**	7,688
Other	30	**39**	38	**2,696**	2,654
Total current liabilities		**170,763**	147,887	**115,698**	103,398
Non-current liabilities					
Unearned revenue	31	**–**	–	**3,932**	3,117
Deferred tax liabilities	32	**–**	5,291	**–**	5,482
Defined benefit superannuation scheme	38	**4,609**	5,494	**6,275**	6,887
Provision for outstanding claims	9	**–**	–	**237,629**	242,722
Provisions	33	**173,545**	187,461	**14,140**	14,677
Total non-current liabilities		**178,154**	198,246	**261,976**	272,885
Total liabilities		**348,917**	346,133	**377,674**	376,283
Net assets		**105,182**	77,537	**111,659**	85,066
Equity					
Contributed equity	36	**–**	–	**–**	–
Reserves	37a	**–**	–	**2,240**	1,421
Retained profits	37b	**105,182**	77,537	**109,419**	83,645
Total equity		**105,182**	77,537	**111,659**	85,066

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

Statement of Comprehensive Income for the year ended 30 June 2011

	NOTES	PARENT ENTITY 2011 $'000	PARENT ENTITY 2010 $'000	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000
Premium revenue	7	**–**	–	**112,233**	103,554
Outwards reinsurance premium expense	7	**–**	–	**(2,553)**	(2,448)
Net premium revenue		**–**	–	**109,680**	101,106
Claims expense	8	**–**	–	**(59,838)**	(74,383)
Reinsurance and other recoveries revenue	8	**–**	–	**815**	1,070
Net claims incurred		**–**	–	**(59,023)**	(73,313)
Other underwriting expenses		**–**	–	**(24,799)**	(23,575)
Underwriting result	6c	**–**	–	**25,858**	4,218
Investment income	11b	**26,088**	45,310	**25,795**	45,030
Other revenue	10	**22,350**	19,974	**33,150**	26,912
Employee benefits expense		**(19,160)**	(18,960)	**(29,029)**	(27,650)
Depreciation and amortisation expenses		**(966)**	(879)	**(3,737)**	(3,358)
Write-down of property, plant and equipment to recoverable amount	11a	**(293)**	(510)	**(499)**	(812)
Impairment of goodwill		**–**	–	**–**	–
Net (loss)/gain from the sale of assets	11a	**(232)**	(170)	**(58)**	(272)
Impairment of debtors	11a	**(6)**	(21)	**13**	(133)
Investment management expenses		**(1,208)**	(1,010)	**(1,208)**	(1,010)
Miners' pension expense	34d	**(336)**	(82)	**(336)**	(82)
Mines Rescue Service materials expenses		**–**	–	**(3,344)**	(2,833)
Repairs and maintenance expenses		**(109)**	(64)	**(588)**	(603)
Consultants and contractors		**(2,851)**	(2,426)	**(3,786)**	(3,562)
Medical related expenses		**(506)**	(353)	**(345)**	(182)
Other expenses		**(16,814)**	(10,014)	**(21,252)**	(11,956)
Total expenses from operating activities		**(42,481)**	(34,489)	**(64,169)**	(52,453)
Reduction/(Increase) in indemnity to controlled entity	33a	**13,114**	(6,481)	**–**	–
Profit from operating activities before tax		**19,071**	24,314	**20,634**	23,707
Income tax benefit/(expense)	12a	**8,574**	(5,809)	**5,140**	(3,606)
Profit for the year	37b	**27,645**	18,505	**25,774**	20,101
Other comprehensive income					
Revaluation of property, plant and equipment		**–**	–	**268**	118
Income tax on other comprehensive income		**–**	–	**551**	(35)
Other comprehensive income for the period net of income tax		**–**	–	**819**	83
Total comprehensive income for the period		**27,645**	18,505	**26,593**	20,184
Profit attributable to:					
Owners of the Company		**27,645**	18,505	**25,774**	20,101
Profit for the period		**27,645**	18,505	**25,774**	20,101
Total comprehensive income attributable to:					
Owners of the Company		**27,645**	18,505	**26,593**	20,184
Total comprehensive income for the period		**27,645**	18,505	**26,593**	20,184

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

Statement of Changes in Equity for the year ended 30 June 2011

	SHARE CAPITAL $'000	REVALUATION RESERVE $'000	RETAINED EARNINGS $'000	TOTAL $'000
Parent 2011				
Balance at 1 July 2010	**–**	**–**	**77,537**	**77,537**
Total comprehensive income for the period	**–**	**–**	**–**	**–**
Profit and loss	**–**	**–**	**27,645**	**27,645**
Total other comprehensive income	**–**	**–**	**–**	**–**
Total comprehensive income for the period	**–**	**–**	**27,645**	**27,645**
Balance at 30 June 2011	**–**	**–**	**105,182**	**105,182**
Parent 2010				
Balance at 1 July 2009	–	–	59,032	59,032
Total comprehensive income for the period	–	–	–	–
Profit and loss	–	–	18,505	18,505
Total other comprehensive income	–	–	–	–
Total comprehensive income for the period	–	–	18,505	18,505
Balance at 30 June 2010	–	–	77,537	77,537
Consolidated 2011				
Balance at 1 July 2010	**–**	**1,421**	**83,645**	**85,066**
Total comprehensive income for the period	**–**	**–**	**–**	**–**
Profit and loss	**–**	**–**	**25,774**	**25,774**
Revaluation of property, plant and equipment	**–**	**819**	**–**	**819**
Total other comprehensive income	**–**	**819**	**–**	**819**
Total comprehensive income for the period	**–**	**819**	**25,774**	**26,593**
Balance at 30 June 2011	**–**	**2,240**	**109,419**	**111,659**
Consolidated 2010				
Balance at 1 July 2009	–	1,338	63,544	64,882
Total comprehensive income for the period	–	–	–	–
Profit and loss	–	–	20,101	20,101
Revaluation of property, plant and equipment	–	83	–	83
Total other comprehensive income	–	83	–	83
Total comprehensive income for the period	–	83	20,101	20,184
Balance at 30 June 2010	–	1,421	83,645	85,066

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

Statement of Cash Flows for the year ended 30 June 2011

	NOTES	PARENT ENTITY 2011 $'000	PARENT ENTITY 2010 $'000	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000
Cash flows from operating activities					
Underwriting operations					
Premiums received (inclusive of GST)		**109,747**	106,585	**109,747**	106,585
Outwards reinsurance paid		**(2,553)**	(2,448)	**(2,553)**	(2,448)
Claims paid		**(64,900)**	(68,854)	**(64,900)**	(68,854)
Other underwriting expenses paid		**(24,799)**	(23,575)	**(24,799)**	(23,575)
Other operations					
Investment income		**28,178**	21,708	**27,384**	21,311
Other income		**22,504**	20,007	**31,130**	25,092
Miners' pension fund payments		**(2,450)**	(2,517)	**(2,450)**	(2,517)
Income taxes recovered		**1,475**	2,738	**1,475**	3,090
Other operating payments		**(53,285)**	(48,377)	**(51,044)**	(52,729)
Net cash inflow from operating activities	46	**13,917**	5,267	**23,990**	5,955
Cash flows from investing activities					
Payments for property, plant and equipment		**(2,639)**	(2,406)	**(7,175)**	(4,639)
Payments for investment property		**(218)**	(1,338)	**(218)**	(1,338)
Payments for investments		**(89,604)**	(209,276)	**(89,605)**	(209,276)
Proceeds from sale of property, plant and equipment		**1,296**	1,220	**2,159**	1,606
Proceeds from sale of investment property		**–**	–	**2,800**	–
Proceeds from sale of investments		**66,100**	196,892	**66,100**	196,892
Receipts from (Payment for) loan to subsidiary		**9,616**	(1,434)	**–**	–
Net cash (outflow) from investing activities		**(15,449)**	(16,342)	**(25,939)**	(16,755)
Cash flows from financing activities					
Proceeds of borrowings		**6,848**	5,085	**6,848**	5,085
Net cash inflow from financing activities		**6,848**	5,085	**6,848**	5,085
Net increase/(decrease) in cash and cash equivalents		**5,316**	(5,990)	**4,899**	(5,715)
Cash and cash equivalents at the start of the year		**(25)**	5,965	**2,052**	7,767
Cash and cash equivalents at the end of the year	13 and 25	**5,291**	(25)	**6,951**	2,052

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

Notes to the Financial Statements for the year ended 30 June 2011

NOTE 1: CORPORATE INFORMATION

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

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

Level 21
44 Market Street
Sydney NSW 2000

The principal activities of the group during the year consisted of:

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

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

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

This financial report covers Coal Services Pty Limited and all of its wholly owned subsidiaries, and represents the activities for the year ended 30 June 2011.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial report of the Coal Services Pty Limited (the "Company") for the year ended 30 June 2011 comprises the Company and its subsidiaries (together referred to as the "consolidated entity"). The financial report was authorised for issue by the directors on 28 September 2011.

(a) Statement of Compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (AAS) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial report of the Company complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 28 September 2011.

(b) Basis of Preparation

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

Amendments to the *Corporations Act 2001* remove the requirements to include full parent entity financial statements in preparing consolidated financial statements. Class Order (CO 10/654) was issued on 30 July 2010 to allow for the inclusion of full parent entity financial statements. This class order has been adopted by the consolidated entity.

At the date of this report, there are a number of new and revised accounting standards published by the AASB for which the mandatory application dates fall after the end of this period.

None of these standards have been early adopted and applied at the current reporting period. These accounting standards will be adopted in the year commencing 1 July after the effective date and are not expected to have a significant effect over the consolidated financial statements of the Group except for AASB 9.

AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the Company's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Company has not yet determined the potential effect of the standard.

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: (i) outstanding claims and (ii) investments backing insurance liabilities.

The preparation of a financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of Preparation (continued)

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

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

Presentation of Financial Statements

The Group applies AASB101 *Presentation of Financial Statements (2007)*, which became effective as of 1 January 2009. As a result, the Group presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

Comparative information has been represented so that it also conforms to the revised standards.

(c) Basis of Consolidation

Subsidiaries

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

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

Transactions Eliminated on Consolidation

Inter-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(d) Classification of Insurance Contracts

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

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

(e) Impairment

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

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

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

Calculation of recoverable amount

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

Reversal of impairment

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Income Tax Payable

2011

The Group/Company received confirmation from the Australian Taxation Office on 3 June 2011 that it is exempt from income tax pursuant to section 50-1 of the *Income Tax Assessment Act 1997*. An application for a private ruling was made on 3 February 2011 and the private ruling was issued on 3 June 2011 to grant the tax exemption. The exemption is retrospective and applies to the years ended 30 June 2006 through to 30 June 2011 inclusive.

The Group/Company has applied for a further ruling on tax exemption over prospective period and accordingly no deferred tax balance has been recognised at 30 June 2011.

Amounts receivable from the Australian Taxation Office relating to prior period tax payments as a result of the tax exemption will be recognised as a current tax asset and a current tax benefit in the income statement.

2010

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

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

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

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

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

Tax consolidation legislation

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from, or payable to, other entities in the Group. Details about the tax funding agreements are disclosed in note 12. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(g) Revenue Recognition

Amounts disclosed as revenue are net of returns, and goods and services tax (GST), if applicable.

Revenue is recognised for the major business activities as follows:

Workers compensation insurance

Direct premium comprises amounts charged to the policyholders, excluding GST collected on behalf of the government. The earned portion of premiums received and receivable is recognised as revenue. Premium is treated as earned from the date of attachment of risk over the period of the contract.

Mines rescue services

The *Coal Industry Act 2001* requires colliery proprietors to contribute to a fund administered by Mines Rescue Pty Limited. Contributions are recognised at fair value of the consideration received. Training revenue is derived from the provision of safety training to the coal and other commercial industries. Services revenue is derived from the repair and maintenance of technical and safety equipment. Revenue is recognised when it is invoiced.

Occupational health and rehabilitation services

Revenue is derived from the provision of occupational health and rehabilitation, occupational hygiene, and dust sampling services to the coal industry, and is recognised when it is invoiced.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Revenue Recognition (continued)

Investment income

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

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

Grant income

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

(h) Outwards Reinsurance

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

(i) Workers Compensation Insurance Claims

Claims expense and a liability for outstanding claims are recognised in respect of direct workers' compensation insurance business. The liability covers claims which have been reported but not yet paid, claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER), and the anticipated direct and indirect costs of settling those claims. Outstanding claims are subject to independent actuarial assessment.

The liability for outstanding claims is measured as the present value of the expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and superimposed inflation. The expected future payments are discounted to present value at the balance date using a risk free rate. The details of rates applied are included in Note 9. Claims expense includes claims discount expense, being the portion of the increase in the liability for outstanding claims arising from the passage of time as the claim payments discounted in prior periods come closer to settlement.

The prudential margin included in the liability for outstanding claims is at a 75% (2010: 75%) level of confidence.

(j) Receivables

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

(k) Inventories

Stocks of materials are held for resale and used in the operations of Mines Rescue Pty Limited to generate income. They are stated at the lower of cost and net realisable value. Costs are assigned to individual items of stock on the basis of weighted average costs. Consumables are expensed to the statement of comprehensive income as incurred.

(l) Revaluation of Non-current Assets

Subsequent to initial recognition as assets, land and buildings, including those classified as investments, but excluding those noted below, are measured at fair value, being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arms length transaction. Revaluations are made with sufficient regularity to ensure the carrying amount of each piece of land and each building does not differ materially from its fair value at the reporting date. Annual assessments are made by independent valuers.

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

Revaluation increments, for assets not classified as investments, are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the statement of comprehensive income, the increment is recognised first in profit or loss.

Revaluation decrements, for assets not classified as investments, are recognised as expenses in net profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of that same class of assets, they are debited directly to the asset revaluation reserve.

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Depreciation of Property, Plant and Equipment

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

Buildings	2% per annum
Office Improvements	20% per annum
Computer Equipment	20% to 33.3% per annum
Motor Vehicles	10% to 25% per annum
Plant and Equipment	5% to 33.33% per annum

(n) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Maintenance and Repairs

Plant of the consolidated entity is required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with note 2(m). Other routine operating maintenance, repair and minor renewal costs are charged as expenses as incurred.

(p) Employee Entitlements

Wages and salaries, annual and sick leave

Liabilities for wages and salaries, and annual leave, in respect of employees' services up to the reporting date, are recognised and measured at the reporting date, as the amounts expected to be paid when the liabilities are settled. A liability for sick leave is recognised and measured for certain employees of Mines Rescue Pty Limited at the reporting date as the amounts expected to be paid when the liability is settled. Sick leave vests under clause 12 of the New South Wales Coal Mining Industry (Permanent Mine Rescue Corp) Award.

Long service leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Commonwealth legislation enacted in 1992 established a statutory corporation, Coal Mining Industry (Long Service Leave Funding) Corporation, to assume responsibility for funding of the payment of long service leave entitlements to persons employed in the black coal industry. A levy is raised on wages paid by employers and a reimbursement is made to employers when long service leave payments are made. Mines Rescue Pty Limited contributed to this fund. Mines Rescue Pty Limited's obligation to employees is inclusive of associated on-costs and is recognised as a liability. The Company's right to reimbursement from the statutory corporation excludes associated on-costs, as these are not recoverable from the statutory corporation. The right to reimbursement is recognised as an asset.

Superannuation

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

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Cash and Cash Equivalents

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

(r) Operating Leases

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

(s) Provisions

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

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

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

(t) Financial Instruments

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

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

Recognition

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

Measurement

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

Fair value in an active market

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

Fair value in an inactive or unquoted market

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Investment Property

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

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

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

NOTE 3: ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

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

Estimation of Outstanding Claims Liability

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

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, 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 Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties that may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims.

Note 4 provides details on actuarial assumptions and methodology, and note 9 provides an analysis of the outstanding claims liability.

Defined Benefit Pension Scheme

The Group participates in a number of defined benefit pension schemes. The present values of the Group's obligations under these arrangements are calculated by an actuary, and the principal assumptions used in these calculations are disclosed in note 38(e).

NOTE 4: ACTUARIAL ASSUMPTIONS AND METHOD

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

The determination of the central estimate for outstanding claims at the balance date involved:

- Estimating an allowance for claims incurred but not reported (IBNR) and the further development of 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% (2010: 75%) level of confidence.

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

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

- To value current claims occurring before 30 June 1985 having regard for whether or not weekly benefits are being paid and the expected term of those payments.
- To value claims occurring after 30 June 1985 by payment type using recognised Payments per Claim actuarial valuation models as follows:
  - Common law: payments per common law claim settled
  - Redemptions: payments per claim finalised via a redemption
  - Lump sums: payments per claim incurred with a lump sum payment
  - Weekly compensation, legal, medical and other payments: payments per active claim
- To value industrial deafness/disease, lung disease (excluding asbestos related diseases) and asbestos related disease claims separately giving consideration to the nature of these claims and the types of benefits they attract.

NOTE 4: ACTUARIAL ASSUMPTIONS AND METHOD (continued)

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

- Estimating an allowance for claims to be incurred in the year to 30 June 2012.
- The determination of a risk margin claims handling expense and policy administration expense provisions to be added to the central estimate of the claims liability for the year to 30 June 2012 to achieve an estimated 75% level of confidence.

The methods used to estimate the allowance for claims incurred in the year to 30 June 2012 were the same as those adopted to estimate the outstanding claims liability. This analysis was supplemented with a projection of the underlying exposure to estimate the incurred claim costs.

The claims incurred estimate for the year to 30 June 2012 at the 75% level of confidence was compared to the estimated unearned premium in respect of this year at 30 June 2011. No deficiency was recognised at 30 June 2011.

Process Used to Determine Actuarial Assumptions

Claim Numbers

The first analysis undertaken was an analysis of reported claims. Ratios of 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 and reopenings.

Active Claims

The number of active claims in a given period has, for valuation purposes, been defined as the number of active claims at the start of the period plus the number of claims reported in the period plus half the number of claims reopened in the period plus half the number of claims reopened in the previous period less half the number of claims finalized in the period less half the number of claims finalized in the previous period. As such the numbers of active claims in the future are a function of the estimated claim reporting, reopening and finalisation rates.

Redemptions

The number of past redemptions was expressed as a percentage of claims finalised each half year. The pattern underlying these percentages was then used to project the number of redemptions in future half years based on the projected numbers of claim finalisations in those future half years.

Lump Sums

The numbers of past lump sums were expressed as a percentage of the estimated claims finalised in each half year. The pattern underlying these percentages was then used to project the number of lump sums in future half years based on the projected numbers of claim finalisation in those future half years.

Common Law

The numbers of past common law settlements were expressed as a percentage of claims finalised each half year. The pattern underlying these percentages was then used to project the number of common law settlements in future half years based on the projected numbers of claim finalisations 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 5: INSURANCE CONTRACTS – RISK MANAGEMENT

The Company has established practices for accepting insurance risks which is based on a statutory obligation in the *Coal Industry Act 2001*. The risk under any one insurance contract arises out of the uncertainty surrounding the timing and severity of claims under the contract.

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

The Company 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.

NOTE 5: INSURANCE CONTRACTS – RISK MANAGEMENT (continued)

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

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

Underwriting Strategy

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

Reinsurance Strategy

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

Product Features

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

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

Management of Risks

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

Underwriting risk is the risk that the Company does not charge premiums appropriate for the different products it insures. The risk on any policy will vary according to many factors such as the assumptions of the insured and the policy limit. Underwriting risk is partially managed by the Company issuing contracts including policy limitations and exclusions. These are not terms and conditions that are expected to have material impact on the financial statements of the company.

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

Concentration of Insurance Risks

Concentration risk is managed primarily through sensible pricing and reinsurance.

Interest Rate Risk

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

Credit Risk

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

	PARENT ENTITY 2011 $'000	PARENT ENTITY 2010 $'000	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000
NOTE 6: UNDERWRITING RESULT				
a) Underwriting revenues				
Gross earned premiums	–	–	**112,233**	103,554
Reinsurance and other recoveries revenue	–	–	**815**	1,070
	–	–	**113,048**	104,624
b) Underwriting expenses				
Gross claims expense	–	–	**59,838**	74,382
Outwards reinsurance premium expense	–	–	**2,553**	2,448
Other underwriting expenses	–	–	**24,799**	23,575
	–	–	**87,190**	100,405
c) Underwriting result				
Net earned premiums	–	–	**109,680**	101,106
Net incurred claims	–	–	**(59,023)**	(73,313)
Other underwriting expenses	–	–	**(24,799)**	(23,575)
	–	–	**25,858**	4,218

NOTE 7: NET EARNED PREMIUMS

Gross written premiums	–	–	**112,233**	103,554
Outwards reinsurance premium expense	–	–	**(2,553)**	(2,448)
Net earned premiums	–	–	**109,680**	101,106

NOTE 8: NET INCURRED CLAIMS

Claims expense				
Undiscounted				
– Claims paid (including direct settlement costs)	–	–	**64,900**	68,855
– Movement in provision for claims outstanding	–	–	**(18,330)**	(24,546)
– Discount	–	–	**13,268**	30,074
	–	–	**59,838**	74,383
Reinsurance and other recoveries	–	–	**(815)**	(1,070)
Net incurred claims	–	–	**59,023**	73,313

NOTE 8: NET INCURRED CLAIMS (continued)

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.

	CURRENT YEAR $'000	PRIOR YEARS $'000	TOTAL $'000
2011			
Gross claims incurred and related expenses			
– Undiscounted			
Claims paid (including direct settlement costs)	**6,082**	**58,818**	**64,900**
Movement in provision for claims outstanding	**68,581**	**(86,911)**	**(18,330)**
Discount	**(13,242)**	**26,510**	**13,268**
	61,421	**(1,583)**	**59,838**
Reinsurance and other recoveries			
– Discounted	**(754)**	**(61)**	**(815)**
Net incurred claims	**60,667**	**(1,644)**	**59,023**
2010			
Gross claims incurred and related expenses			
– Undiscounted			
Claims paid (including direct settlement costs)	6,634	62,221	68,855
Movement in provision for claims outstanding	77,243	(101,789)	(24,546)
Discount	(15,542)	45,616	30,074
	68,335	6,048	74,383
Reinsurance and other recoveries			
– Discounted	–	(1,070)	(1,070)
Net incurred claims	68,335	4,978	73,313

	PARENT ENTITY		CONSOLIDATED	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
NOTE 9: OUTSTANDING CLAIMS				
a) Undiscounted expected future claim payments				
Central estimate	**–**	–	**361,399**	374,635
Risk margin	**–**	–	**47,488**	49,452
Indirect claims settlement costs	**–**	–	**34,333**	37,463
	–	–	**443,220**	461,550
Discount to present value	**–**	–	**(129,441)**	(142,709)
	–	–	**313,779**	318,841
Current	**–**	–	**76,150**	76,119
Non-current	**–**	–	**237,629**	242,722
	–	–	**313,779**	318,841

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

For the succeeding year	**2011**	2010
Inflation rate – normal	**4.00%**	3.00%
Inflation rate – superimposed (full weekly compensation)	**4.00%**	5.00%
– superimposed (medical – retrenched)	**2.00%**	2.00%
– superimposed (medical – non-retrenched)	**5.00%**	6.00%
– superimposed (other)	**2.00%**	2.00%
– superimposed (asbestos)	**3.00%**	3.00%
– superimposed (lung)	**2.00%**	2.00%
Discount rate	**4.80%**	4.50%
For the subsequent years		
Inflation rate – normal	**2.95% to 4.80%**	3.35% to 4.00%
Inflation rate – superimposed (full weekly compensation)	**4.00%**	5.00%
– superimposed (medical – retrenched)	**2.00%**	2.00%
– superimposed (medical – non-retrenched)	**5.00%**	6.00%
– superimposed (other)	**2.00%**	2.00%
– superimposed (asbestos)	**3.00%**	3.00%
– superimposed (lung)	**2.00%**	2.00%
Discount rate	**4.80% to 5.90%**	4.50% to 6.00%

NOTE 9: OUTSTANDING CLAIMS (continued)

c) The weighted average expected term to settlement of the outstanding claims from the balance date is estimated to be 5.1 years (2010: 5.2 years).

d) The prudential margin, which represents 12.0% (2010: 12.0%) of the discounted central estimate, provides a 75% (2010: 75%) level of confidence.

e) Claims development tables – workers compensation business. The following tables show the development of gross and the central estimate of net undiscounted outstanding claims relative to the ultimate expected claims for the ten most recent accident years.

ACCIDENT YEAR	2002 $'000	2003 $'000	2004 $'000	2005 $'000	2006 $'000	2007 $'000	2008 $'000	2009 $'000	2010 $'000	2011 $'000	TOTAL $'000
Estimate of ultimate claims cost:											
At end of accident year	N/A	69,114	53,267	52,450	65,029	63,523	60,603	71,165	67,439	62,136	–
One year later	69,517	60,909	51,160	55,312	53,760	59,552	61,901	68,501	62,752	–	–
Two years later	69,350	57,225	49,335	52,089	51,206	59,778	64,980	68,708	–	–	–
Three years later	79,552	51,689	56,469	58,529	51,197	61,153	59,162	–	–	–	–
Four years later	72,828	51,513	56,590	56,800	48,579	57,075	–	–	–	–	–
Five years later	65,780	52,240	59,963	58,188	47,124	–	–	–	–	–	–
Six years later	66,474	53,178	60,000	58,501	–	–	–	–	–	–	–
Seven years later	69,194	51,683	61,088	–	–	–	–	–	–	–	–
Eight years later	67,774	51,894	–	–	–	–	–	–	–	–	–
Nine years later	68,236	–	–	–	–	–	–	–	–	–	–
Current estimate of cumulative claims cost	68,236	51,894	61,088	58,501	47,124	57,075	59,162	68,708	62,752	62,136	596,676
Cumulative payments	(59,536)	(43,749)	(51,344)	(47,857)	(34,003)	(39,092)	(34,472)	(32,928)	(15,667)	(7,517)	(366,165)
Outstanding claims-undiscounted	8,700	8,145	9,744	10,644	13,121	17,983	24,690	35,780	47,085	54,619	230,511
Outstanding claims 2001 and prior	–	–	–	–	–	–	–	–	–	–	130,889
Discount	–	–	–	–	–	–	–	–	–	–	(105,545)
Claims handling expenses	–	–	–	–	–	–	–	–	–	–	24,306
Outstanding claims – central estimate	–	–	–	–	–	–	–	–	–	–	280,161
Risk margin	–	–	–	–	–	–	–	–	–	–	33,618
Total discounted claims outstanding	–	–	–	–	–	–	–	–	–	–	313,779

NOTE 9: OUTSTANDING CLAIMS (continued)

f) Sensitivity analysis – insurance contracts

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

	MOVEMENT IN VARIABLE %	IMPACT ON PROFIT NET OF REINSURANCE $'000	IMPACT ON EQUITY $'000
Average claim size	+10%	31,378	31,378
	-10%	(31,378)	(31,378)
Expense rate	+1%	2,866	2,866
	-1%	(2,866)	(2,866)
Discount rate	+1%	(12,302)	(12,302)
	-1%	13,904	13,904
Inflation rate – normal	+1%	13,516	13,516
	-1%	(12,149)	(12,149)
Inflation rate – superimposed	+1% to classes with SI	6,144	6,144
	-1% to classes with SI	(5,289)	(5,289)
Claim finalisation rate	Multiply by 110%	(11,996)	(11,996)
	Multiply by 90%	14,702	14,702
Claim reopening rate	Multiply by 110%	19,826	19,826
	Multiply by 90%	(19,659)	(19,659)

NOTE 9: OUTSTANDING CLAIMS (continued)

g) Reconciliation of movements on outstanding claims liabilities

	PARENT ENTITY		CONSOLIDATED	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Gross outstanding claims liability at the beginning of the year	**–**	–	**323,255**	317,670
Gross risk margin at the beginning of the year	**–**	–	**(34,634)**	(34,036)
Gross central estimate at the beginning of the year	**–**	–	**288,621**	283,634
Claims paid in the year	**–**	–	**(66,327)**	(68,902)
Associated expense allowance	**–**	–	**(6,573)**	(6,546)
Unwinding of discount	**–**	–	**11,366**	7,632
Change in cost	**–**	–	**4,038**	16,551
Movement in discount	**–**	–	**3,953**	1,162
Claims incurred in the year	**–**	–	**48,920**	55,090
Gross outstanding claims at the end of the year	**–**	–	**283,998**	288,621
Gross risk margin at the end of the year	**–**	–	**34,080**	34,634
Gross outstanding claims provision at the end of the year	**–**	–	**318,078**	323,255
Future recoveries (including risk margin)	**–**	–	**(4,299)**	(4,414)
Net outstanding claims liability at the end of the year	**–**	–	**313,779**	318,841

	PARENT ENTITY		CONSOLIDATED	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
NOTE 10: OTHER REVENUE				
Revenue from other operating activities:				
Contributions from colliery proprietors for Mines Rescue Levy		–	**7,315**	6,960
Training and services revenue		–	**12,355**	8,912
Occupational health and rehabilitation services	**10,260**	9,030	**9,487**	8,091
Other	**861**	966	**3,993**	2,949
Revenue from outside the operating activities:	**11,121**	9,996	**33,150**	26,912
Costs recovered from controlled entity	**11,229**	9,978	**–**	–
Revenue from other ordinary activities	**22,350**	19,974	**33,150**	26,912

	PARENT ENTITY 2011 $'000	PARENT ENTITY 2010 $'000	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000
NOTE 11: PROFIT FROM ORDINARY ACTIVITIES				
a) Net gains/(losses) and expenses				
Net loss on disposal				
Property, plant and equipment	**(232)**	(170)	**(58)**	(272)
Expenses				
Depreciation of plant and equipment	**(975)**	(879)	**(3,746)**	(3,358)
Impairment of debts	**(6)**	(21)	**13**	(133)
Employee entitlement provisions	**4**	(427)	**(411)**	(786)
Miners' pension expense under indemnity	**(336)**	(82)	**(336)**	(82)
Write-down of property, plant and equipment to recoverable amount	**(293)**	(510)	**(499)**	(812)

NOTE 11: PROFIT FROM ORDINARY ACTIVITIES (continued)

(b) Investment income/(loss)

	PARENT ENTITY		CONSOLIDATED	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Dividends	**–**	10	**–**	10
Equity and property trust distributions	**5,508**	5,249	**5,508**	5,249
Fixed interest trust distributions	**14,490**	8,652	**14,490**	8,652
Interest – short term investments	**119**	183	**119**	(97)
Interest – long term investments	**376**	363	**83**	363
Rental income	**6,592**	6,775	**6,592**	6,775
Investment property operating and management expenses	**(735)**	(610)	**(735)**	(610)
	26,350	20,622	**26,057**	20,342
Realised gains/(losses) on financial assets held at fair value through profit or loss				
Australian listed shares and equity trusts	**–**	11,246	**–**	11,246
Investment property	**–**	–	**–**	–
Property trust units	**–**	293	**–**	293
Fixed interest investments	**53**	–	**53**	–
Overseas equity trust units	**(334)**	4,399	**(334)**	4,399
Other investment income	**–**	–	**–**	–
	(281)	15,938	**(281)**	15,938
Unrealised gains/(losses) on financial assets held at fair value through profit or loss				
Australian listed shares and equity trusts	**3,811**	2,905	**3,811**	2,905
Investment property	**(2,168)**	(588)	**(2,168)**	(588)
Property trust units	**1,957**	1,870	**1,957**	1,870
Fixed interest investments	**(2,768)**	4,311	**(2,768)**	4,311
Overseas equity trust units	**(813)**	252	**(813)**	252
	19	8,750	**19**	8,750
Net investment income	**26,088**	45,310	**25,795**	45,030

	PARENT ENTITY 2011 $'000	PARENT ENTITY 2010 $'000	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000
NOTE 12: INCOME TAX				
a) Income tax expense				
Current tax	**(21,645)**	115	**(31,377)**	(429)
Deferred tax	**13,071**	5,694	**26,237**	4,035
	(8,574)	5,809	**(5,140)**	3,606
Deferred income tax expense included in the income tax expense comprises:				
Decrease in deferred tax assets	**18,362**	4,979	**31,168**	3,195
(Decrease)/Increase in deferred tax liabilities	**(5,291)**	715	**(4,931)**	840
	13,071	5,694	**26,237**	4,035
b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit (loss) before income tax expense	**19,071**	24,314	**20,634**	23,707
Income tax at 30% (2010: 30%)	**5,721**	7,294	**6,190**	7,112
Tax exempt income	**(5,721)**	–	**(6,190)**	–
Current tax adjustment for prior periods*	**(21,645)**	–	**(31,377)**	–
Reversal of net deferred tax assets	**13,071**	–	**26,237**	–
Miners pension expense	**–**	25	**–**	25
Other difference	**–**	1,373	**–**	(636)
Over provision in previous years	**–**	(1,854)	**–**	(1,866)
Tax credits	**–**	(1,029)	**–**	(1,029)
	(8,574)	5,809	**(5,140)**	3,606

* Following the tax exemption granted by the Australia Taxation Office as disclosed in Note 2(f), the Group and the Company has recorded current tax recoverable amounting to $31,377,000 and $21,645,000 respectively for the years ended 30 June 2006 through to 30 June 2011 inclusive. The Company applied for a further private ruling for tax exemption covering prospective periods and accordingly all deferred tax assets and liabilities of the Group have been reversed.

NOTE 12: INCOME TAX (continued)

c) Amounts recognised directly in equity

	PARENT ENTITY		CONSOLIDATED	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss, but directly debited/(credited) to equity:				
Deferred tax on re-valued property, plant and equipment	**–**	–	**551**	(35)
	–	–	**551**	(35)

The entities within the tax consolidation group, including the Company, have entered into a tax sharing agreement. Amounts receivable or payable under the tax sharing agreement have been recognised as tax-related amounts receivable from or payable to other entities in the group. The terms of the agreement also specify the methods of allocating any tax liability in the event of a default by the head entity in the tax consolidation group on its group payment obligations and the treatment whereby a controlled entity exits the group. As at 30 June 2011 there had been no default by the head entity.

NOTE 13: CURRENT ASSETS – CASH AND CASH EQUIVALENTS

Cash at bank and on hand	**5,291**	2,550	**6,951**	4,627
	5,291	2,550	**6,951**	4,627

The parent entity has a bank overdraft facility of $5.0m (2010: $5.0m) as at 30 June 2011.

NOTE 14: CURRENT ASSETS – RECEIVABLES

Trade receivables	**1,123**	1,020	**5,326**	2,214
Less: Provision for impaired receivables	**(6)**	–	**(38)**	(28)
	1,117	1,020	**5,288**	2,186
Others	**(929)**	(689)	**12,465**	9,109
Amounts owed from Mines Rescue Pty Limited	**3,956**	9,629	**–**	–
	4,144	9,960	**17,753**	11,295

NOTE 15: CURRENT ASSETS – CURRENT TAX ASSETS

Current taxation assets	**31,377**	1,475	**31,377**	1,475
	31,377	1,475	**31,377**	1,475

	PARENT ENTITY		CONSOLIDATED	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
NOTE 16: CURRENT ASSETS – FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS				
Australian bond trust units	**176,852**	165,975	**176,852**	165,975
Australian listed shares	**44,571**	39,891	**44,571**	39,891
Australian equity trust units	**22,270**	21,157	**22,270**	21,157
Overseas equity trust units	**39,413**	39,460	**39,413**	39,460
Global infrastructure fund	**16,675**	13,230	**16,675**	13,230
Australian cash fund	**3,602**	115	**3,602**	115
	303,383	279,828	**303,383**	279,828

NOTE 17: CURRENT ASSETS – INVENTORIES

Goods held for resale	**–**	–	**202**	189

NOTE 18: CURRENT ASSETS – OTHER

Prepayments	**887**	700	**913**	704

NOTE 19: NON-CURRENT ASSETS – RECEIVABLES

Amounts owed from Mines Rescue Pty Limited	**4,347**	4,053	**–**	–
Receivable from statutory corporation	**–**	–	**2,182**	1,992
	4,347	4,053	**2,182**	1,992

NOTE 20: NON-CURRENT ASSETS – FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

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

NOTE 21: NON-CURRENT ASSETS – INVESTMENT IN SUBSIDIARIES

Shares in controlled entities	**25,090**	25,090	**–**	–
Equity component on interest free loan	**1,476**	1,476	**–**	–
	26,566	26,566	**–**	–

In October 2007, the Coal Services Pty Limited (CSPL) Board approved a funding agreement. The funding comprises a secured interest free loan of $5.00m with a 5 year repayment term and subscription of $25.00m B Class ordinary shares in Mines Rescue Pty Ltd. As at 30 June 2011, $5.00m of the secured loan has been drawn with corresponding fair value adjustment of $1.476m, which is classified as an equity component on interest free loan.

	PARENT ENTITY		CONSOLIDATED	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
NOTE 22: NON CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT				
Land and buildings				
At valuation	**11,560**	11,780	**50,890**	51,300
Less: accumulated depreciation	**–**	–	**(24)**	–
	11,560	11,780	**50,866**	51,300
Office improvements				
At cost	**734**	728	**734**	727
Less: accumulated depreciation	**(496)**	(366)	**(496)**	(366)
	238	362	**238**	361
Computer equipment				
At cost	**2,046**	1,761	**2,104**	1,761
Less: accumulated depreciation	**(1,193)**	(978)	**(1,200)**	(978)
	853	783	**904**	783
Motor vehicles				
At cost	**2,160**	1,904	**3,493**	3,030
Less: accumulated depreciation	**(241)**	(178)	**(857)**	(717)
	1,919	1,726	**2,636**	2,313
Plant and equipment				
At cost	**1,904**	1,834	**18,597**	14,610
Less: accumulated depreciation	**(892)**	(753)	**(9,191)**	(6,540)
	1,012	1,081	**9,406**	8,070
	15,582	15,732	**64,050**	62,827

Valuations of land and buildings

The basis of valuation of the land and buildings is existing use value. All properties were revalued at the year-end based upon independent assessments by a member of the Australian Property Institute. The revaluation surplus, net of applicable deferred taxes, is credited to the asset revaluation reserve in shareholders' equity.

NOTE 22: NON CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

	PARENT ENTITY		CONSOLIDATED	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Cost	**16,458**	16,385	**64,147**	66,767

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial period are as follows:

	LAND AND BUILDINGS $'000	OFFICE IMPROVEMENTS $'000	COMPUTER EQUIPMENT $'000	MOTOR VEHICLES $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000
Parent						
Carrying amount at 1 July 2010	11,780	362	782	1,726	1,082	15,732
Additions	73	6	400	2,005	164	2,648
Disposals	–	–	(20)	(1,491)	(19)	(1,530)
Revaluation	(293)	–	–	–	–	(293)
Depreciation/amortisation expense	–	(130)	(309)	(321)	(215)	(975)
Carrying amount at 30 June 2011	11,560	238	853	1,919	1,012	15,582
Consolidated						
Carrying amount at 1 July 2010	51,300	361	783	2,313	8,070	62,827
Additions	95	7	458	2442	4,182	7,184
Disposals	(520)	–	(21)	(1,639)	(36)	(2,216)
Revaluation	1	–	–	–	–	1
Depreciation/amortisation expense	(10)	(130)	(316)	(480)	(2,810)	(3,746)
Carrying amount at 30 June 2011	50,866	238	904	2,636	9,406	64,050

	PARENT ENTITY		CONSOLIDATED	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
NOTE 23: NON-CURRENT ASSETS – INVESTMENT PROPERTIES				
At fair value				
Opening balance at 1 July	**63,350**	62,600	**66,150**	65,200
Capitalised subsequent expenditure	**218**	1,338	**218**	1,338
Reclassified from owner occupied	**–**	–	**–**	–
Disposals	**–**	–	**(2,800)**	–
Net loss from fair value adjustments	**(2,168)**	(588)	**(2,168)**	(388)
Closing balance at 30 June	**61,400**	63,350	**61,400**	66,150

a) Amounts recognised in profit and loss for investment properties

Rental income	**7,014**	7,129	**7,014**	7,129
Direct operating expenses	**(2,171)**	(2,090)	**(2,171)**	(2,090)
	4,843	5,039	**4,843**	5,039

b) Valuation basis

The basis of the valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The range of yields and discount rates applied to the annual rents to determine the fair value of the investment properties range from 8.75% to 10.25% for yields and 9.75% to 10.75% for discount rates. The 2011 revaluations were based on independent assessments made by a member of the Australian Property Institute.

	PARENT ENTITY 2011 $'000	PARENT ENTITY 2010 $'000	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000
NOTE 24: NON-CURRENT ASSETS – DEFERRED TAX ASSETS				
The balance comprises temporary differences attributable to:				
Amounts recognised in profit and loss:				
Investment	**(767)**	18,498	**(767)**	18,498
Accrued expenses	**1,791**	249	**2,045**	252
Impaired debts	**–**	5	**(7)**	117
Indirect claims settlement costs	**–**	–	**7,765**	(483)
Employee entitlements	**1,019**	(115)	**2,522**	(620)
Defined benefit super	**1,647**	(235)	**1,647**	(235)
Unexpired risk reserve	**–**	–	**(1)**	–
Property	**–**	–	**2,302**	(1,701)
Unearned revenue	**–**	–	**935**	823
Tax losses/other	**14,672**	(13,423)	**14,727**	(13,456)
	18,362	4,979	**31,168**	3,195

	UNREALISED LOSS FROM INVESTMENTS $'000	ACCRUED EXPENSES $'000	PROVISION FOR DOUBTFUL DEBTS $'000	INDIRECT CLAIMS SETTLEMENT COSTS $'000	EMPLOYEE ENTITLE-MENTS $'000	DEFINED BENEFIT $'000	UNEXPIRED RISK RESERVE $'000	PROPERTY $'000	UNEARNED REVENUE $'000	TAX LOSSES/ OTHER $'000	TOTAL $'000
Movements – Consolidated											
Carrying amount at 30 June 2009	17,731	2,297	110	7,282	1,902	1,412	(1)	601	1,758	1,271	34,363
Credited to the statement of comprehensive income	(18,498)	(252)	(117)	483	620	235	–	1,701	(823)	13,456	(3,195)
Carrying amount at 30 June 2010	(767)	2,045	(7)	7,765	2,522	1,647	(1)	2,302	935	14,727	31,168
(Debited)/Credited to the statement of comprehensive income	767	(2,045)	7	(7,765)	(2,522)	(1,647)	1	(2,302)	(935)	(14,727)	(31,168)
Carrying amount at 30 June 2011	–	–	–	–	–	–	–	–	–	–	–

NOTE 24: NON-CURRENT ASSETS – DEFERRED TAX ASSETS (continued)

	UNREALISED LOSS FROM INVESTMENTS $'000	ACCRUED EXPENSES $'000	PROVISION FOR DOUBTFUL DEBTS $'000	INDIRECT CLAIMS SETTLEMENT COSTS $'000	EMPLOYEE ENTITLE-MENTS $'000	DEFINED BENEFIT $'000	UNEXPIRED RISK RESERVE $'000	PROPERTY $'000	UNEARNED REVENUE $'000	TAX LOSSES/ OTHER $'000	TOTAL $'000
Movements – Parent Entity											
Carrying amount at 30 June 2009	17,731	2,040	5	–	904	1,412	–	–	–	1,249	23,341
Credited to the statement of comprehensive income	(18,498)	(249)	(5)	–	115	235	–	–	–	13,423	(4,979)
Carrying amount at 30 June 2010	(767)	1,791	–	–	1,019	1,647	–	–	–	14,672	18,362
(Debited)/Credited to the statement of comprehensive income	767	(1,791)	–	–	(1,019)	(1,647)	–	–	–	(14,672)	(18,362)
Carrying amount at 30 June 2011	–	–	–	–	–	–	–	–	–	–	–

As disclosed in note 2(f), the Company has applied for a further private ruling for tax exemption covering prospective periods and accordingly all deferred tax assets and liabilities of the Group and the parent entity have been reversed.

	PARENT ENTITY		CONSOLIDATED	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
NOTE 25: CURRENT LIABILITIES – BANK OVERDRAFT				
Bank overdraft	**–**	2,575	**–**	2,575

The parent entity has a bank overdraft facility of $5.0m (2010: $5.0m) as at 30 June 2011. The Commonwealth Bank of Australia has registered a fixed charge in respect of this facility.

NOTE 26: CURRENT LIABILITIES – PAYABLES

Trade and other creditors	**698**	543	**2,834**	2,218
Accrued expenses	**6,115**	335	**8,057**	374
Amounts owed to Coal Mines Insurance Pty Limited	**142,863**	128,884	**–**	–
	149,676	129,762	**10,891**	2,592

	PARENT ENTITY		CONSOLIDATED	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
NOTE 27: CURRENT LIABILITIES – BORROWINGS				
Loan facility (Credit Suisse AG)	**16,933**	10,085	**16,933**	10,085

The parent company has a $30m revolving credit facility as at 30 June 2011. Credit Suisse AG has registered a fixed and a floating charge in respect of this facility.

	PARENT ENTITY		CONSOLIDATED	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
NOTE 28: CURRENT LIABILITIES – CURRENT TAX				
Income tax payable	**–**	–	**–**	126
NOTE 29: CURRENT LIABILITIES – PROVISIONS				
Miners' pension fund indemnity	**950**	1,469	**950**	1,469
Miners' pension fund Part 3 liability	**1,098**	1,098	**1,098**	1,098
Employee entitlements	**2,067**	2,860	**4,460**	5,121
	4,115	5,427	**6,508**	7,688

a) Miners' pension fund indemnity

The provision for the miner's pension fund indemnity is described in more detail in note 34.

b) Movements in provisions

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

	EMPLOYEE ENTITLEMENTS $'000	MINERS' PENSION FUND $'000	PART 3 LIABILITY $'000	TOTAL $'000
Parent				
Carrying amount at 1 July 2010	2,860	1,469	1,098	5,427
Charged to the statement of comprehensive income	(793)	(519)	(1,098)	(2,410)
Transferred from Non-current	–	–	1,098	1,098
Carrying amount at 30 June 2011	2,067	950	1,098	4,115
Consolidated				
Carrying amount at 1 July 2010	5,121	1,469	1,098	7,688
Charged to the statement of comprehensive income	(661)	(519)	(1,098)	(2,278)
Transferred from Non-current	–	–	1,098	1,098
Carrying amount at 30 June 2011	4,460	950	1,098	6,508

	PARENT ENTITY		CONSOLIDATED	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
NOTE 30: CURRENT LIABILITIES – OTHER				
Premium received in advance	**–**	–	**2,656**	2,616
Rental bonds received	**39**	38	**40**	38
	39	38	**2,696**	2,654

NOTE 31: LIABILITIES – UNEARNED REVENUE

	PARENT ENTITY 2011 $'000	PARENT ENTITY 2010 $'000	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000
Unearned Revenue – Current	**–**	–	**2,520**	1,559
Unearned Revenue – Non Current	**–**	–	**3,932**	3,117
	–	–	**6,452**	4,676
Carrying amount at 1 July, 2010	**–**	–	**4,676**	5,861
Add: Health and Safety Trust Grant	**–**	–	**3,839**	622
	–	–	**8,515**	6,483
Less: Recognised in the period	**–**	–	**(2,063)**	(1,807)
Balance 30 June 2011	**–**	–	**6,452**	4,676

During the year, Mines Rescue Pty Limited received a grant of $3.8m (2010: $0.6m) 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 deferred and will be recognised as revenue in line with the effective life of the equipment, being 4 years from financial year 2011.

NOTE 32: NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	PARENT ENTITY 2011 $'000	PARENT ENTITY 2010 $'000	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit and loss:				
Unrealised gains/(losses) on investments	**(5,628)**	643	**(5,628)**	643
Accrued income	**8**	–	**8**	–
Surplus on defined benefit superannuation schemes	**–**	–	**418**	125
Revaluation of land and buildings	**390**	11	**332**	11
Other liabilities	**(61)**	61	**(61)**	61
	(5,291)	715	**(4,931)**	840

NOTE 32: NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES (continued)

	UNREALISED GAINS ON INVESTMENTS $'000	ACCRUED INCOME $'000	SURPLUS ON DEFINED BENEFIT SUPERANNUATION SCHEMES $'000	REVALUATION OF LAND AND BUILDINGS $'000	OTHER LIABILITIES $'000	TOTAL $'000
Movements – Consolidated						
Carrying amount at 30 June 2009	4,985	(8)	(543)	172	–	4,606
Charged to the statement of comprehensive income	643	–	125	11	61	840
Charged directly to equity	–	–	–	36	–	36
Carrying amount at 30 June 2010	5,628	(8)	(418)	219	61	5,482
Debited/(Credited) to the statement of comprehensive income	(5,628)	8	418	332	(61)	(4,931)
Credited directly to equity	–	–	–	(551)	–	(551)
Carrying amount at 30 June 2011	–	–	–	–	–	–
Movements – Parent Entity						
Carrying amount at 30 June 2009	4,985	(8)	–	(401)	–	4,576
Charged to the statement of comprehensive income	643	–	–	11	61	715
Charged directly to equity	–	–	–	–	–	–
Carrying amount at 30 June 2010	5,628	(8)	–	(390)	61	5,291
Debited/(Credited) to the statement of comprehensive income	(5,628)	8	–	390	(61)	(5,291)
Charged directly to equity	–	–	–	–	–	–
Carrying amount at 30 June 2011	–	–	–	–	–	–

As disclosed in Note 2(f), the Company has applied for a further private ruling for tax exemption covering prospective periods and accordingly all deferred tax assets and liabilities of the Group and the parent entity have been reversed.

	PARENT ENTITY		CONSOLIDATED	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
NOTE 33: NON-CURRENT LIABILITIES – PROVISIONS				
Coal Mines Insurance Pty Limited indemnity	**162,669**	175,781	**–**	–
Miners' pension fund indemnity	**6,253**	6,750	**6,253**	6,750
Miners' pension fund indemnity Part 3 liability	**3,294**	4,392	**3,294**	4,392
Employee entitlements	**1,329**	538	**4,593**	3,535
	173,545	187,461	**14,140**	14,677

a) Coal Mines Insurance Pty Limited indemnity

The parent entity has indemnified Coal Mines Insurance Pty Limited, against all claims, payments, damages, costs, outgoings and liabilities arising from the workers compensation insurance scheme. This has resulted in a net movement of $13.1m (2010-$6.5m) which has been credited to the statement of comprehensive income of Coal Services Pty Limited for the year.

b) Miners' pension fund indemnity

The provision for the miner's pension fund indemnity is described in more detail in note 34.

c) Movements in provisions

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

	MINERS' PENSION FUND – INDEMNITY $'000	PART 3 LIABILITY $'000	EMPLOYEE ENTITLEMENTS $'000	TOTAL $'000
Consolidated				
Carrying amount at 1 July 2010	6,750	4,392	3,535	14,677
Credited/(debited) to the statement of comprehensive income	(497)	–	1,058	561
Reclassified from current provisions	–	(1,098)	–	(1,098)
Carrying amount at 30 June 2011	6,253	3,294	4,593	14,140

NOTE 33: NON-CURRENT LIABILITIES – PROVISIONS (continued)

c) Movements in provisions (continued)

	COAL MINES INSURANCE PTY LIMITED – INDEMNITY	MINERS' PENSION FUND – INDEMNITY	PART 3 PENSION	EMPLOYEE ENTITLEMENTS	TOTAL
Parent entity					
Carrying amount at 1 July 2010	175,781	6,750	4,392	538	187,461
Credited/(debited) to the statement of comprehensive income and reclassified from current provisions	(13,112)	(497)	(1,098)	791	(13,916)
Carrying amount at 30 June 2011	162,669	6,253	3,294	1,329	173,545

NOTE 34: INDEMNITY – MINERS' SUPERANNUATION PENSION FUND

In 1992, with the agreement of the Commonwealth and New South Wales Governments, the Joint Coal Board indemnified COALSUPER Pty Limited for its liability to pre-1978 pensioners in the Statutory Superannuation Fund. This indemnity transferred to the parent entity on 1 January 2002. An independent actuarial valuation was undertaken at the statement of financial position date to value this indemnity. The results are shown below:

	PARENT ENTITY		CONSOLIDATED	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
a) Expected future payment				
Expected future pension payments – undiscounted	**10,939**	12,678	**10,939**	12,678
Discount to present value	**656**	1,031	**656**	1,031
	11,595	13,709	**11,595**	13,709
Current – indemnity	**2,048**	2,567	**2,048**	2,567
Non-current – indemnity	**9,547**	11,142	**9,547**	11,142
	11,595	13,709	**11,595**	13,709

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

For the succeeding and subsequent years

Inflation rate	3.0%
Discount rate	6.0%

c) The weighted average expected term to settlement of future pension payments from the balance date is estimated to be 4.96 years (2010: 5.02 years).

NOTE 34: INDEMNITY – MINERS' SUPERANNUATION PENSION FUND (continued)

d) Miners' pension expense under indemnity:

	PARENT ENTITY		CONSOLIDATED	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Pension payments	**288**	2,637	**288**	2,637
Movement in indemnity provision	**48**	(2,555)	**48**	(2,555)
Provision for pension Part 3 payment	**–**	–	**–**	–
	336	82	**336**	82

NOTE 35: EMPLOYEE ENTITLEMENTS

Employee entitlement liabilities

	PARENT ENTITY 2011 $'000	PARENT ENTITY 2010 $'000	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000
Long service leave entitlement				
Current	**323**	1,349	**1,074**	2,041
Non-current	**1,329**	538	**3,082**	2,152
	1,652	1,887	**4,156**	4,193
Annual leave entitlement				
Current	**1,744**	1,511	**2,755**	2,488
Non-current	**–**	–	**–**	–
	1,744	1,511	**2,755**	2,488
Sick leave entitlement				
Current	**–**	–	**644**	592
Non-current	**–**	–	**1,511**	1,383
	–	–	**2,155**	1,975
Total employee entitlements				
Current	**2,067**	2,860	**4,473**	5,121
Non-current	**1,329**	538	**4,593**	3,535
	3,396	3,398	**9,066**	8,656

Employee numbers

	PARENT ENTITY 2011	PARENT ENTITY 2010	CONSOLIDATED 2011	CONSOLIDATED 2010
Number of employees at the end of the period	**268**	226	**332**	284

NOTE 35: EMPLOYEE ENTITLEMENTS (continued)

Coal Industry Long Service Leave

Commonwealth legislation enacted in 1992 established a statutory corporation, the Coal Mining Industry (Long Service Leave Funding) Corporation, to assume responsibility for funding of the payment of long service leave entitlements to persons employed in the black coal industry. A levy is raised on wages paid by employees and a reimbursement is made to employers when long service leave payments are made. The obligation for long service leave entitlements rests with the employer as part of the conditions of employment. The centralised method of financing the payment of long service leave is consistent with the entitlement to be paid, long service leave being based on continuous employment within the coal industry rather than service with a single employer.

Mines Rescue Pty Limited's obligation to employees is inclusive of associated on-costs and is recognised as a liability. The Company's right to reimbursement from the statutory corporation excludes associated on-costs, as they are not recoverable from the statutory corporation. The right to reimbursement is recognised as an asset (see note 19).

Sick leave entitlements

The sick leave entitlements shown above reflect the outstanding entitlements due to employees of Mines Rescue Pty Limited.

Superannuation entitlements

During the period, the consolidated entity participated in various superannuation schemes that offered either defined benefit/and or accumulated benefits to employees on retirement, disability or death.

The parent entity participated in the following Energy Industry Superannuation Schemes (EISS): the Defined Benefit Scheme, the Retirement Scheme and the Accumulation Scheme; as well as various personal superannuation schemes administered by financial institutions.

Mines Rescue Pty Limited, a controlled entity, participated in the Mines Rescue Stations Staff Superannuation Plan and the Auscoal Superannuation Plan (incorporating the Coal and Oil Shale Workers Superannuation Fund).

Refer to note 38 for further details on these schemes.

	PARENT ENTITY		CONSOLIDATED	
	2011 NUMBER OF SHARES	2010 NUMBER OF SHARES	**2011 $**	2010 $
NOTE 36: CONTRIBUTED EQUITY				
Share capital				
Ordinary shares – Fully paid @ $1 each	**2**	2	**2**	2

Ordinary shares entitle the holder to participate in dividends and proceeds of the winding up of the company in proportion to the number of shares held. On a show of hands, every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote and upon a poll each share is entitled to one vote.

	PARENT ENTITY		CONSOLIDATED	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
NOTE 37: RESERVES AND RETAINED PROFITS				
a) Reserves				
Property, plant and equipment revaluation reserve	**–**	–	**2,240**	1,421
Movements				
Balance at 1 July	**–**	–	**1,421**	1,338
Revaluation of land and buildings	**–**	–	**819**	83
Transfer to current year profit on disposal	**–**	–	**–**	–
Transfer to retained profits on disposal of revalued property, plant and equipment	**–**	–	**–**	–
	–	–	**2,240**	1,421
b) Retained profits				
Balance at 1 July	**77,537**	59,032	**83,645**	63,544
Net Profit	**27,645**	18,505	**25,774**	20,101
	105,182	77,537	**109,419**	83,645

c) Nature and purpose of reserves

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

NOTE 38: NON-CURRENT LIABILITIES – EMPLOYEE ENTITLEMENTS

a) Superannuation plans

The parent entity participated in the following Energy Industry Superannuation Schemes (EISS): the Defined Benefit Scheme, the Retirement Scheme and the Accumulation Scheme. At least a component of the final benefit is derived from a multiple of member salary and years of membership. 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 Shales Workers (Superannuation) Act 1941*. 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.

NOTE 38: NON-CURRENT LIABILITIES – EMPLOYEE ENTITLEMENTS (continued)

b) Statement of financial position amounts

	PARENT ENTITY		CONSOLIDATED	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Present value of the defined benefit obligation	**(14,869)**	(14,331)	**(19,680)**	(18,249)
Present value of the defined benefit plan assets	**10,260**	8,837	**13,405**	11,362
	(4,609)	(5,494)	**(6,275)**	(6,887)
Unrecognised actuarial losses	**–**	–	**–**	–
Net liability recognised in the statement of financial position	**(4,609)**	(5,494)	**(6,275)**	(6,887)

As at 30 June 2011, the asset sector percentages for the defined benefit funds are as follows:

PARTICULARS	PARENT ENTITY	PARTICULARS	SUBSIDIARY
Listed equities	63.5%	Australian equities	29.6%
Unlisted property	2.4%	Overseas equities	12.4%
Private equity	1.7%	Australian fixed interest securities	30.5%
Semi-liquids and absolute return(growth)	15.9%	Overseas fixed interest securities	6.7%
Fixed income	13.4%	Australian inflation linked bonds	
Cash	3.1%	Property	2.4%
		Cash	14.3%
		Other	4.1%
	100.0%		100.0%

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

NOTE 38: NON-CURRENT LIABILITIES – EMPLOYEE ENTITLEMENTS (continued)

c) Movement

Movement in net assets recognised in the statement of financial position

	PARENT ENTITY		CONSOLIDATED	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Net liability at the beginning of the year	**(5,493)**	(4,706)	**(6,887)**	(6,515)
Net expense recognised in the statement of comprehensive income	**(337)**	(457)	**(1,234)**	(725)
Experience adjustments	**236**	(964)	**237**	(964)
Contributions	**985**	633	**1,609**	1,317
Net liability disclosed in the statement of financial position	**(4,609)**	(5,494)	**(6,275)**	(6,887)

d) Amounts recognised in the statement of comprehensive income

The amounts recognised in the statement of comprehensive income are as follows:

	PARENT ENTITY 2011	PARENT ENTITY 2010	CONSOLIDATED 2011	CONSOLIDATED 2010
Current service cost	**319**	405	**692**	752
Interest cost	**750**	681	**912**	856
Expected return on scheme assets	**(732)**	(629)	**(910)**	(734)
Actuarial losses/(gains)	**–**	–	**540**	(149)
Expense/(Income) recognised	**337**	457	**1,234**	725
Actual return on scheme assets	**996**	868	**1,262**	1,073

NOTE 38: NON-CURRENT LIABILITIES – EMPLOYEE ENTITLEMENTS (continued)

e) Principal actuarial assumptions

The principal actuarial assumptions used were as follows:

	2011	2010
Parent entity scheme		
Salary increase rate	**4%**	4%
Rate of CPI increase	**2.5%**	2.5%
Expected rate of return on assets	**8.1%**	8.1%
Discount rate after tax	**5.3%**	5.2%
Mines Rescue Pty Limited scheme		
Salary increase rate	**4.0%**	4.0%
Expected rate of return on assets	**6.6%**	6.6%
Discount rate after tax	**4.2%**	4.1%

f) Employer contributions

Parent entity

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

The recommended contribution rates for the entity are:

EISS Division B – 1.9 x member contributions

EISS Division C – 2.5% x salaries

EISS Division D – 1.64 x member contributions

Plus additional contributions of $683,000.

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

Mines Rescue Pty Limited

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

	PARENT ENTITY		CONSOLIDATED	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
NOTE 39: REMUNERATION OF AUDITORS				
During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:				
Audit of financial reports				
Fees paid to KPMG	**18**	18	**175**	175
Taxation and other consulting services				
Fees paid to KPMG	**138**	87	**138**	87
	156	105	**313**	262

NOTE 40: KEY PERSONNEL COMPENSATION

a) Directors

The following persons were Directors of the Company during the year and were key personnel for the entire year.

R P Land

M Coyne

A J Haraldson

J Mackrill

W McAndrew

R M Taylor

K P Turner

b) Key personnel compensation included in employee benefits expense in the statement of comprehensive income

	Parent 2011 $'000	Parent 2010 $'000	Consolidated 2011 $'000	Consolidated 2010 $'000
Short–term employee benefits	**727**	729	**727**	729
Post–employment benefits	**–**	–	**–**	–
Long–term benefits	**–**	–	**–**	–
Share–based payments	**–**	–	**–**	–
Termination payments	**–**	–	**–**	–
	727	729	**727**	729

	PARENT ENTITY		CONSOLIDATED	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000

NOTE 41: RELATED PARTY DISCLOSURE

a) Transactions with Directors and director related entities

A director, M Coyne, is a director of Employers Mutual Limited. During 2010 and 2011 financial years, Employers Mutual Limited provided management services and workers compensation insurance to the parent entity.

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

	PARENT ENTITY 2011 $'000	PARENT ENTITY 2010 $'000	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000
Amounts recognised as an expense				
Workers compensation insurance	**106**	110	**106**	110
Management services	**965**	1,930	**965**	1,930
	1,071	2,040	**1,071**	2,040

b) Other related parties

The parent entity holds a nominee directorship in Mount Thorley Coal Loading Limited. The parent entity has made a loan to Mount Thorley Coal Loading Limited which is secured by a bank guarantee. As at the statement of financial position date, the amount outstanding on the loan was $1,010,000 (2010: $1,010,000). During the period, the parent entity received $75,749 (2010: $75,749) in interest on this loan. Also administrative income of $9,000 (2010: $9,000) have been received from Mount Thorley Coal Loading Limited.

The majority of directors of the parent entity are also trustees of the Coal Services Health & Safety Trust. During the previous financial year the parent entity has not made any grant to the Coal Services Health and Safety Trust to help fund its research to benefit the New South Wales coal industry. There was no grant made to the Trust this year. A grant of $3.84m had been approved by the Coal Services Health and Safety Trust and paid to Mines Rescue Pty Limited for the development of Virtual Reality facilities to provide better safety and other training capabilities.

c) Controlling entities

The ultimate parent entity in the wholly-owned group is Coal Services Pty Limited. The parent entity is owned 50% by NSW Minerals Subsidiary Company Pty Limited, and 50% by the Construction Forestry Mining and Energy Union. NSW Minerals Subsidiary Company Pty Limited is a company owned by the NSW Minerals Council, an association representing employers in the New South Wales coal industry. The Construction Forestry Mining and Energy Union is an association representing employees in the New South Wales coal industry.

	PARENT ENTITY 2011 $'000	PARENT ENTITY 2010 $'000	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000
Amounts recognised as expenses				
Director fees	**60**	57	**60**	57
Other services	**15**	43	**15**	43
	75	100	**75**	100
Transaction with other related parties				
Mount Thorley Coal Loading Limited				
Loan outstanding	**1,010**	1,010	**1,010**	1,010
Interest received	**76**	76	**76**	76

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING 2011	2010
NOTE 42: SUBSIDIARIES				
Coal Mines Insurance Pty Limited	Australia	Ordinary	**100%**	100%
Mines Rescue Pty Limited	Australia	Ordinary	**100%**	100%

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

In October 2007, Coal Services Pty Limited (CSPL) Board approved a funding agreement. In accordance with the funding agreement, Coal Services Pty Limited (CSPL) funds the development and construction costs of Mines Rescue Pty Limited (MRS). The funding comprises of a secured interest free loan of $5.00m with a 5 year repayment term and subscription of B Class ordinary shares in Mines Rescue Pty Ltd for the total consideration of $25.00m.

As at 30 June 2011, $5.0m of the secured loan has been drawn down and $25.0m of Mines Rescue Pty Limited's (MRS) Class B shares have been issued.

NOTE 43: EVENTS OCCURRING AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 3 August 2011, the Company received confirmation from the Australian Taxation Office ("Tax Office") for the grant of a further tax exemption for the years ended 30 June 2004 and 30 June 2005. The tax recoverable for these financial years of $5,565,617 (for 2004 and 2005) which have been subsequently received from the Tax Office will be recorded in the 30 June 2012 financial statements.

In addition, on 15 August 2011, the Tax Office also notified the Company that the Tax Office would reimburse the Company for interest for previous tax paid in relation to the years ended 30 June 2004 through to 30 June 2008. The interest income received from the Tax Office on 3 August 2011 in relation to this reimbursement is $7,046,237 and this amount will be recorded in the 30 June 2012 financial statements.

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

NOTE 44: CONTINGENCIES

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

	PARENT ENTITY		CONSOLIDATED	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
NOTE 45: COMMITMENTS				
a) Capital commitments				
Capital expenditure contracted for at the reporting date but not recognised as a liability is as follows:				
Property, plant and equipment	**–**	–	**–**	–
Within one year	**–**	–	**–**	–
b) Lease commitments				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	**769**	700	**879**	756
Later than one year but no later than five years	**3,102**	2,509	**3,148**	2,591
Later than 5 years	**1,332**	1,572	**1,332**	1,572
	5,203	4,781	**5,359**	4,919
Representing:				
Cancellable operating leases	**–**	–	**–**	–
Non–cancellable operating leases	**5,203**	4,781	**5,359**	4,919
	5,203	4,781	**5,359**	4,919
c) Operating leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**769**	700	**879**	756
Later than one year but not later than five years	**3,102**	2,509	**3,148**	2,591
Later than five years	**1,332**	1,572	**1,332**	1,572
	5,203	4,781	**5,359**	4,919

	PARENT ENTITY		CONSOLIDATED	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
NOTE 46: RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES				
Profit/(loss) for the year	**27,645**	18,505	**25,774**	20,101
Depreciation and amortisation	**975**	879	**3,746**	3,360
Impairment of property, plant and equipment and investment property	**2,461**	1,099	**2,167**	1,200
Impairment of goodwill	**–**	–	**–**	–
Realised (gains)/losses on investments	**281**	(15,937)	**281**	(15,937)
Unrealised (gains)/losses on investments	**(19)**	(8,750)	**(19)**	(8,750)
Net loss on disposal of property, plant and equipment	**232**	170	**57**	272
Decrease/(Increase) in trade receivables	**(97)**	25	**(3,102)**	1,898
Decrease/(Increase) in investment income due	**(312)**	–	**(312)**	–
Decrease/(Increase) in inventories	**–**	–	**(13)**	6
Decrease/(Increase) in other receivables	**(234)**	795	**(4,006)**	(2,318)
Decrease/(Increase) in deferred tax assets	**18,362**	4,979	**31,167**	3,195
(Decrease)/Increase in trade creditors	**155**	(4,853)	**615**	(5,853)
Increase in unearned revenue	**–**	–	**1,776**	(1,185)
(Decrease)/Increase in other operating liabilities	**4,885**	742	**7,501**	3,290
(Decrease)/Increase in deferred tax liabilities	**(5,291)**	715	**(5,482)**	875
(Decrease)/Increase in current tax liabilities	**(29,643)**	2,853	**(29,805)**	2,625
(Decrease)/Increase in claims provision	**–**	–	**(4,242)**	5,610
(Decrease)/Increase in other provisions	**(2,114)**	(2,435)	**(2,113)**	(2,435)
Increase/(Decrease) in loan to controlled entity	**(3,369)**	6,481	**–**	–
Net cash inflow/(outflow) from operating activities	**13,917**	5,268	**23,990**	5,954

On behalf of Coal Mines Insurance Pty Limited, a wholly owned subsidiary, the company received cash for premiums and made payments for claims.

NOTE 47: FINANCIAL INSTRUMENTS

The activities of the Company expose it to a variety of financial risks such as market risk, credit risk and liquidity risk. The Company'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 Company's asset and liability management strategy are to ensure sufficient liquidity is maintained at all times to meet the Company's obligations, including its settlement of insurance liabilities and, within these parameters, to optimise investment returns for policyholders and shareholders.

(a) Market risk

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

(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 Company is exposed to price or market value risk on its investment in equities and managed funds. To manage its price risk arising from these investments, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company. The potential impact of movements in the market value of securities on the Company's statement of comprehensive income and statement of financial position is shown in the table on the following page.

(ii) Currency risk

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

The Company does not have direct exposure to investments, receivables and payables denominated in a currency other than Australian dollars. Therefore the Company does not have any material exposure to currency risk which would significantly impact the Company operating result or the Company's equity position.

(iii) Interest rate risk

Financial instruments with floating rate interest expose the Company to cash flow interest rate risk, whereas fixed interest rate instruments expose the Company to fair value interest rate risk.

The Company does not hold any interest bearing asset directly. Therefore the Company does not have any material exposure to interest risk which would significantly impact the Company's operating result or the Company's equity position.

NOTE 47: FINANCIAL INSTRUMENTS (continued)

(a) Market risk (continued)

(iv) Summarised sensitivity analysis

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

		INTEREST RATE RISK		OTHER PRICE RISK	
	CARRYING AMOUNT $'000	-1% PROFIT/EQUITY $'000	+1% PROFIT/EQUITY $'000	-5% PROFIT/EQUITY $'000	+5% PROFIT/EQUITY $'000
2011 Parent entity					
Financial assets:					
Cash	**5,291**	**(53)**	**53**	**–**	**–**
Trade and other receivables	**8,491**	**(85)**	**85**	**–**	**–**
Short term deposit	**–**	**–**	**–**	**–**	**–**
Commercial loan to controlled entity	**–**	**–**	**–**	**–**	**–**
Loan	**1,010**	**(10)**	**10**	**–**	**–**
Equity component of interest free loan	**1,476**	**(15)**	**15**	**–**	**–**
Shares in listed companies	**44,571**	**–**	**–**	**(2,229)**	**2,229**
Managed fund	**258,812**	**–**	**–**	**(12,941)**	**12,941**
	319,651	**(163)**	**163**	**(15,170)**	**15,170**
2010 Parent entity					
Financial assets:					
Cash	2,550	(18)	18	–	–
Trade and other receivables	14,012	(98)	98	–	–
Short term deposit	–	–	–	–	–
Commercial loan to controlled entity	–	–	–	–	–
Loan	1,010	(7)	7	–	–
Equity component of interest free loan	1,476	(10)	10	–	–
Shares in listed companies	39,891	–	–	(1,396)	1,396
Managed fund	239,937	–	–	(8,398)	8,398
	298,876	(133)	133	(9,794)	9,794

NOTE 47: FINANCIAL INSTRUMENTS (continued)

(a) Market risk (continued)

(iv) Summarised sensitivity analysis (continued)

		INTEREST RATE RISK		OTHER PRICE RISK	
	CARRYING AMOUNT $'000	-1% PROFIT/EQUITY $'000	+1% PROFIT/EQUITY $'000	-5% PROFIT/EQUITY $'000	+5% PROFIT/EQUITY $'000
2011 Consolidated					
Financial assets:					
Cash	**6,951**	**(70)**	**70**	**–**	**–**
Trade and other receivables	**19,935**	**(199)**	**199**	**–**	**–**
Short term deposit	**–**	**–**	**–**	**–**	**–**
Loan	**1,010**	**(10)**	**10**	**–**	**–**
Shares in listed companies	**44,571**	**–**	**–**	**(2,229)**	**2,229**
Managed fund	**258,812**	**–**	**–**	**(12,941)**	**12,941**
	331,279	**(279)**	**279**	**(15,170)**	**15,170**
2010 Consolidated					
Financial assets:					
Cash	4,627	(32)	32	–	–
Trade and other receivables	13,287	(93)	93	–	–
Short term deposit	–	–	–	–	–
Loan	1,010	(7)	7	–	–
Shares in listed companies	39,891	–	–	(1,396)	1,396
Managed fund	239,937	–	–	(8,398)	8,398
	298,752	(132)	132	(9,794)	9,794

NOTE 47: FINANCIAL INSTRUMENTS (continued)

b) Credit risk exposures

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

The Company 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 Company having a pre-determined policy on the appropriate rating a reinsurer must have to participate in the Company's reinsurance program.

The Company'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.

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

	NOT YET DUE $'000	31–90 DAYS $'000	90+ DAYS $'000	TOTAL PAST DUE BUT NOT IMPAIRED $'000	PAST DUE AND IMPAIRED $'000	TOTAL $'000
2011 Parent entity						
Trade and other receivables	**8,063**	**259**	**92**	**77**	**–**	**8,491**
2010 Parent entity						
Trade and other receivables	13,731	280	1	–	–	14,012
2011 Consolidated						
Trade and other receivables	**18,084**	**1,109**	**304**	**438**	**–**	**19,935**
2010 Consolidated						
Trade and other receivables	12,530	656	101	–	–	13,287

NOTE 47: FINANCIAL INSTRUMENTS (continued)

b) Credit risk exposures (continued)

The following tables provide information regarding the Company's aggregated credit risk exposure by classifying assets according to Standard and Poor'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 its credit worthiness. These "Not Rated" assets are primarily units in unlisted trust funds which have limits governing the allowable credit quality of the underlying investments in the funds.

	AAA $'000	AA $'000	A $'000	BBB $'000	NOT RATED $'000	TOTAL $'000
2011 Parent entity						
Cash	**–**	**5,291**	**–**	**–**	**–**	**5,291**
Trade and other receivables	**–**	**–**	**–**	**–**	**8,491**	**8,491**
Short term deposit	**–**	**–**	**–**	**–**	**–**	**–**
Commercial loan to controlled entity	**–**	**–**	**–**	**–**	**–**	**–**
Loan	**–**	**–**	**–**	**–**	**1,010**	**1,010**
Equity component of interest free loan	**–**	**–**	**–**	**–**	**1,476**	**1,476**
Shares in listed companies	**–**	**–**	**–**	**–**	**44,571**	**44,571**
Managed fund	**14,944**	**134,990**	**88,597**	**20,281**	**–**	**258,812**
	14,944	**140,281**	**88,597**	**20,281**	**55,548**	**319,651**
2010 Parent entity						
Cash	–	2,550	–	–	–	2,550
Trade and other receivables	–	–	–	–	14,012	14,012
Short term deposit	–	–	–	–	–	–
Commercial loan to controlled entity	–	–	–	–	–	–
Loan	–	–	–	–	1,010	1,010
Equity component of interest free loan	–	–	–	–	1,476	1,476
Shares in listed companies	–	–	–	–	39,891	39,891
Managed fund	13,854	125,146	82,136	18,801	–	239,937
	13,854	127,696	82,136	18,801	56,389	298,876

NOTE 47: FINANCIAL INSTRUMENTS (continued)

b) Credit risk exposures (continued)

	AAA $'000	AA $'000	A $'000	BBB $'000	NOT RATED $'000	TOTAL $'000
2011 Consolidated						
Cash	**–**	**6,951**	**–**	**–**	**–**	**6,951**
Trade and other receivables	**–**	**–**	**–**	**–**	**19,935**	**19,935**
Short term deposit	**–**	**–**	**–**	**–**	**–**	**–**
Loan	**–**	**–**	**–**	**–**	**1,010**	**1,010**
Shares in listed companies	**–**	**–**	**–**	**–**	**44,571**	**44,571**
Managed fund	**14,944**	**134,990**	**88,597**	**20,281**	**–**	**258,812**
	14,944	**141,941**	**88,597**	**20,281**	**65,516**	**331,279**
2010 Consolidated						
Cash	–	4,627	–	–	–	4,627
Trade and other receivables	–	–	–	–	13,287	13,287
Short term deposit	–	–	–	–	–	–
Loan	–	–	–	–	1,010	1,010
Shares in listed companies	–	–	–	–	39,891	39,891
Managed fund	13,854	125,146	82,136	18,801	–	239,937
	13,854	129,773	82,136	18,801	54,188	298,752

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 Company.

In accordance with the Company liquidity policy, a minimum of $6.5m (2010: $6.5m) of consolidated investment and cash must be held in liquid, short term money market securities and available bank overdraft facilities to ensure that there are sufficient liquid funds available to meet the Company's cash flow obligations.

The assets held to back insurance liabilities consist of equities and managed funds which can generally be readily sold or exchanged for cash.

NOTE 47: FINANCIAL INSTRUMENTS (continued)

c) Liquidity risk (continued)

Maturity profiles

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

	UP TO A YEAR $'000	1–3 YEARS $'000	3–5 YEARS $'000	NO TERM $'000	TOTAL $'000
2011 Parent					
Financial liabilities:					
Bank overdraft	**–**	**–**	**–**	**–**	**–**
Trade and other payables	**6,813**	**–**	**–**	**–**	**6,813**
Amount due to controlled entity	**–**	**–**	**–**	**142,863**	**142,863**
Current tax liabilities	**–**	**–**	**–**	**–**	**–**
Indemnity to the Trustees of Auscoal Superannuation Fund	**950**	**1,251**	**5,002**	**–**	**7,203**
Borrowings	**16,933**	**–**	**–**	**–**	**16,933**
Miners Pension Fund Part 3 liability	**1,098**	**1,318**	**1,976**	**–**	**4,392**
Defined benefit superannuation scheme	**–**	**–**	**–**	**4,609**	**4,609**
Employee benefits	**2,067**	**1,329**	**–**	**–**	**3,396**
	27,861	**3,898**	**6,978**	**147,472**	**186,209**
2010 Parent					
Financial liabilities:					
Bank overdraft	2,575	–	–	–	2,575
Trade and other payables	878	–	–	–	878
Amount due to controlled entity	–	–	–	128,884	128,884
Current tax liabilities	–	–	–	–	–
Indemnity to the Trustees of Auscoal Superannuation Fund	1,469	1,350	5,400	–	8,219
Borrowings	10,085	–	–	–	10,085
Miners Pension Fund Part 3 liability	1,098	1,757	2,635	–	5,490
Defined benefit superannuation scheme	–	–	–	5,494	5,494
Employee benefits	2,860	539	–	–	3,399
	18,965	3,646	8,035	134,378	165,024

NOTE 47: FINANCIAL INSTRUMENTS (continued)

c) Liquidity risk (continued)

Maturity profiles (continued)

	UP TO A YEAR $'000	1–3 YEARS $'000	3–5 YEARS $'000	NO TERM $'000	TOTAL $'000
2011 Consolidated					
Financial liabilities:					
Bank overdraft	**–**	**–**	**–**	**–**	**–**
Trade and other payables	**10,891**	**–**	**–**	**–**	**10,891**
Current tax liabilities	**–**	**–**	**–**	**–**	**–**
Miners' Pension Fund Part 3 liability	**1,098**	**1,318**	**1,976**	**–**	**4,392**
Indemnity to the Trustees of Auscoal Superannuation Fund	**950**	**1,251**	**5,002**	**–**	**7,203**
Borrowings	**16,933**	**–**	**–**	**–**	**16,933**
Defined benefit superannuation scheme	**–**	**–**	**–**	**6,275**	**6,275**
Employee benefits	**4,463**	**4,590**			**9,053**
	34,335	**7,159**	**6,978**	**6,275**	**54,747**
2010 Consolidated					
Financial liabilities:					
Bank overdraft	2,575	–	–	–	2,575
Trade and other payables	2,592	–	–	–	2,592
Current tax liabilities	127	–	–	–	127
Miners' Pension Fund Part 3 liability	1,098	1,757	2,635	–	5,490
Indemnity to the Trustees of Auscoal Superannuation Fund	1,469	1,350	5,400	–	8,219
Borrowings	10,085	–	–	–	10,085
Defined benefit superannuation scheme	–	–	–	6,887	6,887
Employee benefits	5,121	3,535	–	–	8,656
	23,067	6,642	8,035	6,887	44,631

NOTE 47: FINANCIAL INSTRUMENTS (continued)

c) Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Parent

	CARRYING AMOUNT $'000	CONTRACTUAL CASH FLOWS $'000	6 MTHS OR LESS $'000	6–12 MTHS $'000	1–2 YEARS $'000	2–5 YEARS $'000	MORE THAN 5 YEARS $'000
30 June 2011							
Non-derivative financial liabilities							
Bank overdraft	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Trade and other payables	**6,813**	**(6,813)**	**(6,813)**	**–**	**–**	**–**	**–**
Amount due to controlled entity	**142,863**	**(142,863)**	**–**	**–**	**–**	**–**	**(142,863)**
Current tax liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Indemnity to the Trustees of Auscoal Superannuation Fund	**7,203**	**(7,203)**	**–**	**–**	**–**	**–**	**(7,203)**
Borrowings	**16,933**	**(16,933)**	**(16,933)**	**–**	**–**	**–**	**–**
Miners' Pension Fund Part 3 liability	**4,392**	**(4,392)**	**(1,318)**	**–**	**(3,074)**	**–**	**–**
Defined benefit superannuation scheme	**4,609**	**(4,609)**	**(1,383)**	**–**	**(3,226)**	**–**	**–**
Employee benefits	**3,396**	**(3,396)**	**(1,019)**	**–**	**(2,377)**	**–**	**–**
	186,209	**(186,209)**	**(27,466)**	**–**	**(8,677)**	**–**	**(150,066)**
30 June 2010							
Non-derivative financial liabilities							
Bank overdraft	2,575	(2,575)	(2,575)	–	–	–	–
Trade and other payables	878	(878)	(878)	–	–	–	–
Amount due to controlled entity	128,884	(128,884)	–	–	–	–	(128,884)
Current tax liabilities	–	–	–	–	–	–	–
Indemnity to the Trustees of Auscoal Superannuation Fund	8,219	(8,219)	–	–	–	–	(8,219)
Borrowings	10,085	(10,085)	(10,085)	–	–	–	–
Miners' Pension Fund Part 3 liability	5,490	(5,490)	(1,647)	–	(3,843)	–	–
Defined benefit superannuation scheme	5,494	(5,494)	(1,648)	–	(3,846)	–	–
Employee benefits	3,399	(3,399)	(1,020)	–	(2,379)	–	–
	165,024	(165,024)	(17,853)	–	(10,068)	–	(137,103)

NOTE 47: FINANCIAL INSTRUMENTS (continued)

c) Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Consolidated

	CARRYING AMOUNT $'000	CONTRACTUAL CASH FLOWS $'000	6 MTHS OR LESS $'000	6–12 MTHS $'000	1–2 YEARS $'000	2–5 YEARS $'000	MORE THAN 5 YEARS $'000
30 June 2011							
Non-derivative financial liabilities							
Bank overdraft	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Trade and other payables	**10,891**	**(10,891)**	**(10,891)**	**–**	**–**	**–**	**–**
Current tax liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Miners' Pension Fund Part 3 liability	**4,392**	**(4,392)**	**(1,318)**	**–**	**(3,074)**	**–**	**–**
Indemnity to the Trustees of Auscoal Superannuation Fund	**7,203**	**(7,203)**	**–**	**–**	**–**	**–**	**(7,203)**
Borrowings	**16,933**	**(16,933)**	**(16,933)**	**–**	**–**	**–**	**–**
Defined benefit superannuation scheme	**6,275**	**(6,275)**	**(1,883)**	**–**	**(4,392)**	**–**	**–**
Employee benefits	**9,053**	**(9,053)**	**(2,713)**	**–**	**(6,340)**	**–**	**–**
	54,747	**(54,747)**	**(33,738)**	**–**	**(13,806)**	**–**	**(7,203)**
30 June 2010							
Non-derivative financial liabilities							
Bank overdraft	2,575	(2,575)	(2,575)	–	–	–	–
Trade and other payables	2,591	(2,591)	(2,591)	–	–	–	–
Current tax liabilities	127	(127)	(127)	–	–	–	–
Miners' Pension Fund Part 3 liability	5,490	(5,490)	(1,647)	–	(3,843)	–	–
Indemnity to the Trustees of Auscoal Superannuation Fund	8,219	(8,219)	–	–	–	–	(8,219)
Borrowings	10,085	(10,085)	(10,085)	–	–	–	–
Defined benefit superannuation scheme	6,887	(6,887)	(2,066)	–	(4,821)	–	–
Employee benefits	8,656	(8,656)	(2,597)	–	(6,059)	–	–
	44,630	(44,630)	(21,688)	–	(14,723)	–	(8,219)

NOTE 47: FINANCIAL INSTRUMENTS (continued)

d) Fair values

Fair values versus carrying amounts.

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

	30 JUNE 2011 CARRYING AMOUNT $'000	30 JUNE 2011 FAIR VALUE $'000	30 JUNE 2010 CARRYING AMOUNT $'000	30 JUNE 2010 FAIR VALUE $'000
Parent				
Assets carried at fair value				
Loan	**1,010**	**1,010**	1,010	1,010
Shares in listed entities	**44,571**	**44,571**	39,891	39,891
Managed fund	**258,812**	**258,812**	239,937	239,937
	304,393	**304,393**	280,838	280,838
Assets carried at amortised cost				
Cash	**5,291**	**5,291**	2,550	2,550
Trade and other receivables	**8,491**	**8,491**	14,012	14,012
Short term deposit	**–**	**–**	–	–
Commercial loan to controlled entity	**–**	**–**	–	–
Equity component of interest free loan	**1,476**	**1,476**	1,476	1,476
	15,258	**15,258**	18,038	18,038
Liabilities carried at amortised cost				
Bank overdraft	**–**	**–**	2,575	2,575
Trade and other payables	**6,813**	**6,813**	878	878
Amount due to controlled entity	**142,863**	**142,863**	128,884	128,884
Current tax liabilities	**–**	**–**	–	–
Indemnity to the Trustees of Auscoal Superannuation Fund	**7,203**	**7,203**	8,219	8,219
Borrowings	**16,933**	**16,933**	10,085	10,085
Miners' Pension Fund Part 3 liability	**4,392**	**4,392**	5,490	5,490
Defined benefit superannuation scheme	**4,609**	**4,609**	5,494	5,494
Employee benefits	**3,396**	**3,396**	3,399	3,399
	186,209	**186,209**	165,024	165,024

NOTE 47: FINANCIAL INSTRUMENTS (continued)

d) Fair values (continued)

	30 JUNE 2011		30 JUNE 2010	
	CARRYING AMOUNT $'000	FAIR VALUE $'000	CARRYING AMOUNT $'000	FAIR VALUE $'000
Consolidated				
Assets carried at fair value				
Loan	**1,010**	**1,010**	1,010	1,010
Shares in listed entities	**44,571**	**44,571**	39,891	39,891
Managed fund	**258,812**	**258,812**	239,937	239,937
	304,393	**303,393**	280,838	280,838
Assets carried at amortised cost				
Cash	**6,951**	**6,951**	4,627	4,627
Trade and other receivables	**19,935**	**19,935**	13,287	13,287
Short term deposit	**–**	**–**		
	26,886	**26,886**	17,914	17,914
Liabilities carried at amortised cost				
Bank overdraft	**–**	**–**	2,575	2,575
Trade and other payables	**10,891**	**10,891**	2,592	2,592
Current tax liabilities	**–**	**–**	127	127
Miners' Pension Fund Part 3 liability	**4,392**	**4,392**	5,490	5,490
Indemnity to the Trustees of Auscoal Superannuation Fund	**7,203**	**7,203**	8,219	8,219
Borrowings	**16,933**	**16,933**	10,085	10,085
Defined benefit superannuation scheme	**6,275**	**6,275**	6,887	6,887
Employee benefits	**9,053**	**9,053**	8,656	8,656
	54,747	**54,747**	44,631	44,631

NOTE 47: FINANCIAL INSTRUMENTS (continued)

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread, and were as follows:

	2011	2010
Derivatives	**2.5%-4.5%**	2.5%-4.5%
Loan and borrowings	**4.0%-7.5%**	4.0%-7.5%
Leases	**6.0%-10.0%**	6.0%-10.0%

Fair value hierarchy

The investments carried at fair value have been classified under the three levels of the IFRS 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, wither 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 in quoted prices for the similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between instruments. Inputs for the asset or liability that are not based on the observable market data (unobservable inputs).

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
Parent				
30 June 2011				
Loan	–	**1,010**	–	**1,010**
Managed fund	**258,812**	–	–	**258,812**
Shares in listed entities	**44,571**	–	–	**44,571**
Total	**303,383**	**1,010**	–	**304,393**

NOTE 47: FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Consolidated				
30 June 2011				
Loan	**–**	**1,010**	**–**	**1,010**
Managed fund	**258,812**	**–**	**–**	**258,812**
Shares in listed entities	**44,571**	**–**	**–**	**44,571**
Total	**303,383**	**1,010**	**–**	**304,393**

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

NOTE 48: UNEXPIRED RISK RESERVE

	PARENT ENTITY		CONSOLIDATED	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Balance at the start of the year	**–**	–	**–**	–
(Decrease)/Increase in provision recognised in the statement of comprehensive income	**–**	–	**–**	–
Balance at the end of the year	**–**	–	**–**	–

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

The LAT test undertaken as at the balance sheet date has identified a surplus of $24.4m (2010: $3.5m).

For the purposes of the LAT test, the present value of expected future cash flows for future claims (including the risk margin) of $85.2m (2010: $79.9m) comprises the discounted central estimate (including allowances for claims handling and policy administration expenses) of $74.0m (2010: $69.5m), and a risk margin of $11.1m (2010: $10.4m).

The risk margin used as a percentage of the central estimate is 15% (2010: 15%). The probability of sufficiency represented by LAT is 75%.

Directors' Declaration

In the opinion of the directors of Coal Services Pty Ltd ("the Company"):

(a) the Company is not a reporting entity;

(b) the financial statements and notes, set out on pages [37] to [95], are in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the financial position of the Company and Consolidated entity as at 30 June 2011 and of its performance for the financial year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(c) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a); and

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

Signed in accordance with a resolution of directors.

R P Land
Director & Chairman

M Coyne
Managing Director/CEO

Sydney

28 September 2011

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

KPMG

Report on the financial report
We have audited the accompanying financial report of Coal Services Pty Limited (the Company), which comprises the statements of financial position as at 30 June 2011, and statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, notes 1 to 48 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company and the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report
The directors of the Company are responsible for the preparation of the fmancial 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 fmancial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

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 Company's and the Group's fmancial position and of their performance.

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

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

Auditor's opinion
In our opinion:

(a) the financial report of Coal Services Pty Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

KPMG

KPMG

Ian Moyser
Partner

Sydney, 28 September 2011

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