Coal Services

To Protect

Annual Report 2012

To Protect Industry

Coal Services is a fully funded, industry owned, integrated service provider that delivers workers compensation coverage, mines rescue training and emergency response and other safety and health services to the NSW coal mining industry.

Jointly owned by two shareholders, the Construction Forestry Mining and Energy Union (CFMEU) and the NSW Minerals Council, Coal Services has aligned its purpose, vision and values to focus on the safety and health of the NSW coal mining industry and its workers.

REDUCING PREMIUMS

— Lowered scheme rate from 3.6% in 2010-11 to 3.5% in 2011-12

— Training and competency management plans approved under Order 34

27,082

Average number of employees insured

Miners

Over

28,800

attendances at Mines Rescue courses using theory, hands-on and virtual reality training

REDUCING BLACK LUNG

— Inhalable dust exceedences have dropped by 19% since the introduction of Order 42

INCREASING HEALTH

— More than 68,000 medical services provided

CONTINUING PAY

— 75.5% of time-lost claims were finalised within 13 weeks

Families

WORKPLACE SAFETY

— 70% reduction in the number of injuries since 2002

Communities

$240,000

Partnership with the Hunter Prostate Cancer Alliance

EMPLOYED WORKFORCE

— 24,936 production workers employed across the NSW coal mining industry

— 84% of Coal Services employees work at regional offices

Chairman's Report

In 2011–12, the NSW coal industry continued its extraordinary growth, increasing activity across all areas.

Over the past twelve months, raw coal production grew by 8 per cent year-on-year to 221 million tonnes and exports grew by 12 per cent to 136 million tonnes. Most importantly from Coal Services' perspective, production employee numbers increased by 18 per cent to 24,936. The average number of employees insured for workers compensation also increased by 16 per cent to 27,082. All these figures are now at an all-time high.

The growth in the industry has truly tested Coal Services' primary responsibilities to provide workers with compensation coverage; pre-employment and periodic medical assessments; comprehensive training; and mines rescue, occupational hygiene and technical services. I am pleased and proud to report that all areas of the organisation rose to the challenge, a tribute to the effort and dedication of its management and staff.

This annual report highlights some of the effects of this growth, the contributions Coal Services has made and the benefits we have provided to the industry as a result. The target premium rate for workers compensation coverage was again reduced, to 3.5 per cent for 2011–12, and to 3.2 per cent for 2012–13. This is an impressive achievement at a time when many insurance industry peers are increasing premiums. There were around 28,800 attendances at Mines Rescue training courses, reflecting increased demand for skilled workers. In addition, CS Health provided 24 per cent more medical services than in 2010–11.

Our experience shows that results like these reflect the economic health of the industry. However, Coal Services has still been working to improve its services during these positive times, to ensure its strength and capabilities continue should a slowdown in the industry occur. As part of this strategy, we have moved our focus from expansion to consolidation and natural growth.

During 2011–12, Coal Services continued to work with the NSW coal mining industry on injury prevention. Our main emphasis has been on safety training initiatives, but we have also worked on dust and diesel particulate monitoring, gas detection, drug and alcohol testing, and providing information to coal mine operators about their performance through regular *MineCheck* reports.

The past year also saw major changes in senior management and Board membership. In December 2011, then Managing Director (MD)/CEO Mark Coyne accepted the position of MD/CEO in the Employers Mutual organisation. This represented a significant increase in responsibility and scope, and recognised Mark's excellent performance at Coal Services over the preceding two years. As well as his insurance skills, Mark brought a new, hands-on and approachable management style to Coal Services, which was appreciated by all our staff.

Coal Services was extremely fortunate that former Chief Financial Officer Lucy Flemming was able to step seamlessly into the MD/CEO position. Lucy has an excellent and relevant background in workers compensation insurance and general management, and the necessary skills and management style to bring out the best in people. This is much appreciated by Coal Services' Board, fellow managers and staff.

There were further major changes in Board membership in December 2011. As well as the change in MD/CEO, three longstanding directors retired from the Board at the expiry of their terms. They were previous Chairman Ron Land, and independent Directors Ross Taylor and James Mackrill. All three had been on the Board since Coal Services was incorporated at the end of 2001, and all made major contributions to the successful development of the organisation.

I extend the Board's sincere thanks to those Directors for their efforts and dedication to Coal Services' advancement.

Lucy Flemming and Peter Jordan filled two of the Board vacancies, and two independent Directors are yet to be appointed. I was appointed as Chairman by Minister for Resources and Energy, the Hon. Chris Hartcher MP for the two-year period commencing January 2012.

Coal Services' Board and senior management continued to aim for diversity in 2011–12. Lucy Flemming's appointment represented the first female MD/CEO in the history of Coal Services and its predecessors. Female employees are also very well represented throughout the organisation's management.

In keeping with best practice management principles, the changes to the Board have been accompanied by a renewed emphasis on governance. As well as being subject to the *Commonwealth Corporations Act 2001*, Coal Services was established by a NSW statute, the *Coal Industry Act 2001*. The organisation is also managed in accordance with ASX standards and, while not subject to Australian Prudential Regulation Authority (APRA) Guidelines, voluntarily aspires to meet measures such as the Minimum Capital Requirement.

During 2011–12, Coal Services has shown it is in good shape and ready to continue the vital role it plays in the NSW coal mining industry. The organisation's structure, people and values stand it in good stead to meet the future health and safety needs of this vibrant and growing industry, providing enormous value to the NSW and national economies.

Our most important asset is our capable people, from the Board to our managers and staff. I extend to all of them our sincere thanks for their continued dedication and professionalism on behalf of the organisation.

Tony Haraldson
Chairman

Managing Director/ CEO's Report

There has been a significant improvement in health and safety practices, resulting in outstanding reductions of more than 70 per cent in the number of injuries.

Since Coal Services Pty Limited's inception ten years ago, the number of employees in the NSW coal mining industry has grown by 156 per cent.

There has also been a significant improvement in health and safety practices, resulting in outstanding reductions of more than 70 per cent in the number of injuries and over 72 per cent in average premium rates.

During 2011–12, Coal Services' business units continued to deliver a high level of expert services to ensure we met our statutory responsibilities and core services commitments.

GOVERNMENT RELATIONSHIPS

Over the past twelve months, Coal Services has forged new relationships with the NSW Government. Minister for Resources and Energy, the Hon. Chris Hartcher MP presided over several events, including the formal opening of Coal Services' new regional office in Mudgee and the launch of Mines Rescue's advanced underground coal mine induction program 'CoalStart'. We also appreciate the comments the Minister made in his opening address at the NSW Minerals Council Occupational Health and Safety Conference in April 2012, and his various acknowledgements throughout the year of the significant value Coal Services provides to the NSW coal mining industry in protecting workers' safety and health.

FINANCIAL SUSTAINABILITY

Coal Services returned a strong financial performance again in 2011–12, reporting total comprehensive income for the year of $21.8 million. The fall in return from workers compensation insurance was offset by an improvement in training, occupational health and rehabilitation services and the final refund of income tax. Overall the return from investment activities remained stable.

INVESTMENT PORTFOLIO

Coal Services regularly reviews its strategic asset allocation and tests its investment strategies to ensure they meet the organisation's current and long-term requirements. Including:

- maintaining sufficient assets to support the outstanding claims liabilities
- the duration and cash flow requirements of Coal Services' claims and expenses (i.e. asset-liability matching principle)
- a strong and consistent growth in net assets
- the efficient use of the available capital of the company.

At 30 June 2012, Coal Services' investments were allocated as shown in the graph on page 4.

COAL MINES INSURANCE

The Coal Mines Insurance Scheme has now been in operation for 90 years, and was proud to deliver a reduction to the target premium rate for 2012–13. The rate has been set at 3.2 per cent of wages for the next financial year, compared to 3.5 per cent in 2011–12. The total premium rate has now reduced by over 72 per cent since 2002–03. Minister Hartcher welcomed this news as a positive sign for the NSW coal mining industry at a time when other workers compensation jurisdictions are increasing rates.

These results have been driven by the ongoing reduction in the injury rates, and members of the NSW coal mining industry should be proud that through their commitment to improving the health and safety of coal mine workers, the injury rate has fallen to seven in 100. In 2001–02, one in four employees in the industry sustained a workplace injury. This represents a reduction of more than 70 per cent in injury rates in the past decade.

MINES RESCUE AND VIRTUAL REALITY TECHNOLOGIES

In 2011–12, attendances at Mines Rescue courses increased more than 25 per cent from the previous year to approximately 28,850. This figure includes statutory training and commercial courses such as whole of mine training, generic underground induction and refresher training. This growth reflects the continued demand for skilled coal mine workers and operators as a result of the coal mining boom, as well as the industry's focus on improving workers' health and safety.

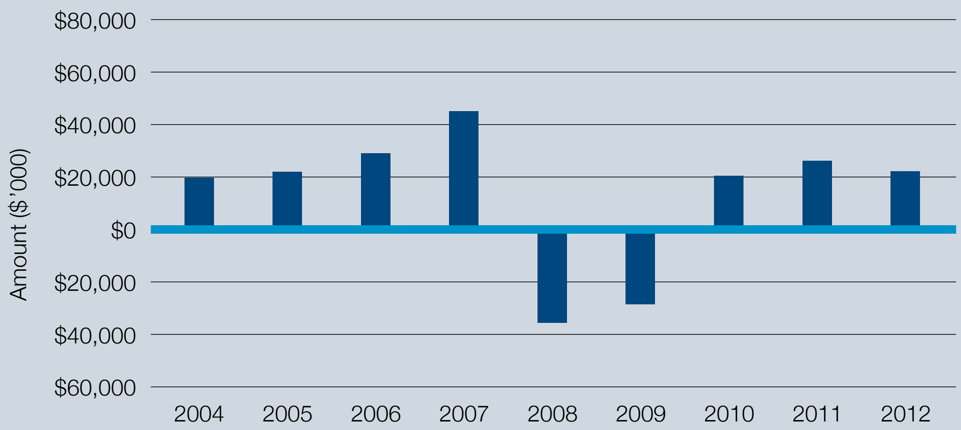
Mines Rescue continued to provide valuable advice during the Blakefield South mine's recovery process, which was completed in December 2011. Mines Rescue sent 131 teams of Brigadesmen over four months to inspect environmental conditions in the mine following an underground fire that ignited behind the longwall in January 2011.

The Brigadesmen have gained invaluable hands-on experience that they can use to serve the coal mining industry and respond to emergency situations in the future.

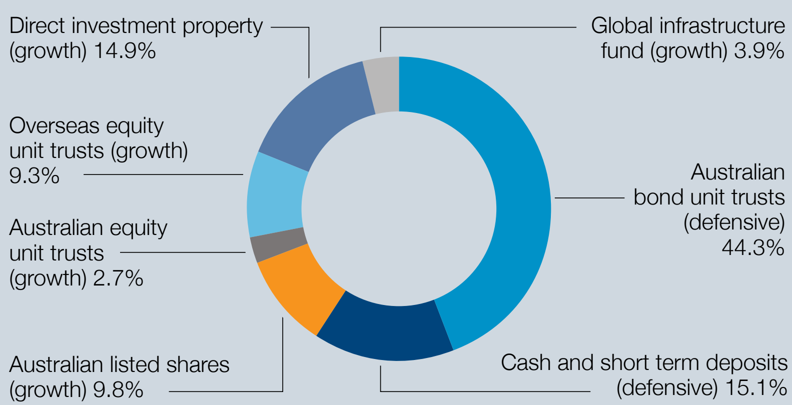
During the year Virtual Reality Technologies (VRT) joined with QinetiQ to provide a 360-degree virtual reality platform at Rio Tinto's NorthParkes copper-gold mine. VRT also joined Mines Rescue in partnering with UGM to provide operator training modules as part of the 'CoalStart' induction training program. These opportunities for collaboration allow VRT's revolutionary safety training systems to be experienced by those not only within the NSW coal mining industry, but also in other types of mining activities, further cementing Coal Services' reputation as a leading provider of innovative training solutions.

SUMMARY COMPREHENSIVE INCOME STATEMENT

Total comprehensive income for the year



Investment portfolio $414m



REGULATION AND COMPLIANCE

In 2011–12, Coal Mines Technical Services' (CMTS) SMARTGAS-connect system was customised to suit underground mines across NSW and Queensland following an initial systems trial at the Metropolitan Mine near Wollongong.

Occupational Hygiene Services (OHyS) increased its engagement across most regions of NSW in 2011–12. This reflects a higher level of awareness in the coal mining industry of the range of services OHyS offers, as well as the industry's willingness to use OHyS' considerable skills base to help them meet and exceed their statutory dust and other particulate monitoring obligations.

CS HEALTH

CS Health's total medical services increased by 24 per cent in 2011–12, reflecting the industry's employment growth, strong support for measures initiated by Order 41 and CS Health's reputation for delivering quality health assessments.

In June 2012, CS Health and OHyS opened an office in Mudgee as part of Coal Services' commitment to providing vital health services to the growing NSW coal mining industry. CS Health also entered into a three-year partnership with the Hunter Prostate Cancer Alliance (HPCA) to raise awareness of prostate cancer and highlight the importance of regular health checks.

The NSW Coal Industry Standing Health Committee was established in December 2011 to support a collaborative management approach for workplace health and safety. The Committee brings together representatives from CS Health, mine operators, members of the Construction, Forestry, Mining and Energy Union (CFMEU) and independent medical practitioners to focus on emerging health issues that concern the industry.

STRATEGY AND PEOPLE

It is essential to maintain open communication in any organisation. As such, Coal Services endeavours to engage our customers on a regular basis to elicit feedback about our services and encourage input into new health and safety initiatives.

In 2011–12, we continued to apply lessons learned from the Customer Satisfaction Survey to our business planning process to ensure that we better meet the needs of our customers, as well as adhering to our strategic plan to protect the coal mine worker and the industry.

Coal Services expanded its MineCheck reports during the year to include CS Health and OHyS information. The reports continue to be well received by members of the coal mining industry. Coal Services' Industry Newsletter also provided a means of keeping members of the industry up to date with business activities and events.

I would like to take this opportunity to acknowledge the hard work of our employees, management teams, the Board and the Chairman. The contribution that we each make to protect the health and safety of the workers in the NSW Coal Industry has delivered the great results we have seen across the business.

These results confirm that through our sustained commitment to working with the coal mining industry, we continue to achieve our purpose to protect and reassure workers, their families and the communities in which we operate that their health and safety is our priority.

Lucy Flemming
Managing Director/CEO

Board of Directors

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

ANTHONY (TONY) HARALDSON AM

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

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

LUCY FLEMMING

Lucy Flemming was appointed Managing Director/CEO of CSPL on 19 December 2011. Lucy joined Coal Services on 2 August 2010 as Chief Financial Officer. She has more than 28 years experience in executive positions in accounting, business, finance, investment and retail across the public and private sectors.

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

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

PETER JORDAN

Peter Jordan was appointed as a Director of CSPL on 1 January 2012. Peter has represented mine workers in the NSW coal mining industry for more than 26 years. He is President of the Northern District Branch of the Construction, Forestry, Mining and Energy Union (CFMEU) (Mining & Energy Division), a position he has held since October 2009, and is a Central Executive member of the CFMEU National (Mining & Energy Division). He was also Vice President of the Northern District Branch of the union from April 1993.

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

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

SUE-ERN TAN

Sue-Ern Tan was appointed as a Director of CSPL on 1 January 2012. She is the Deputy CEO of the NSW Minerals Council, the peak industry association for the state's $23 billion minerals industry. Sue-Ern was previously a senior policy adviser to a Minister for Minerals and Forest Resources. She holds a Bachelor of Laws and Bachelor of Commerce (First Class Honours) and practised employment law for a number of years.

Sue-Ern is an alternate Director of the Australian Coal Association and Australian Coal Research Limited, which manages the Australian Coal Industry's Research Program (ACARP). She is also a Member of the Australian Institute of Company Directors.

WAYNE MCANDREW

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

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

Strategy and People

Rachel Morrison
General Manager, Strategy and People

The Strategy and People (S&P) team consists of specialists from five key groups within the organisation: Business Analytics, Customer Experience, Human Resources, Learning and Development, and Marketing and Communications.

S&P works in partnership with the business to ensure a highly skilled, informed and productive workforce is maintained. The team provides consultative services and integrated solutions to drive business planning processes and help develop strategic initiatives that will enhance service delivery, generate revenue and improve operational efficiency.

DEVELOPING RELATIONSHIPS WITH STAKEHOLDERS

In 2010, Coal Services developed a five year Strategic Plan which continues to guide company activity. The plan outlines targets that move to strengthen Coal Services' relationships with the NSW coal mining industry, and guarantees continuous improvement in its business practices and services. These are articulated as aspirational statements that would be made by key stakeholders:

CFMEU

Construction, Forestry, Mining and Energy Union (CFMEU) members trust Coal Services to respect and protect them. They support and promote Coal Services' work and see the organisation as protecting their health and wellbeing fairly and impartially.

NSW Minerals Council

NSW Minerals Council members see Coal Services as their service supplier of choice. They understand that Coal Services works to minimise their operational risks and to provide cost-effective services for their organisations. The members support Coal Services in protecting the health and safety of their workforces and support and promote the organisation internally and across the industry.

Coal Services' employees

Coal Services' employees are motivated, rewarded, empowered and equipped to do their jobs well. They feel they can personally contribute to the organisation's overall success.

IMPROVING BUSINESS CAPABILITY

Coal Services recognises the importance of supporting its people so they can deliver a high level of service to its customers.

In 2011–12, the Learning and Development (L&D) team continued to design, develop and implement a number of training courses to enhance employees' skills, knowledge and abilities in key areas. By developing new courses that address customer service, business writing, communication skills and time management, L&D ensured employees across the organisation continued to develop their core skills and enhance their service provision.

L&D also developed essential management skills training modules to enhance the abilities of managers and leaders. The modules include skills in conflict resolution, negotiation, and developing and coaching high-performing teams that meet operational goals.

During the year, L&D completed and implemented the Coal Mines Insurance (CMI) Technical Competency Framework. The framework, together with the accompanying technical training plan, provides a targeted development program for CMI employees, maintaining a focus on customer service and claims outcomes. It will support CMI's ongoing commitment to maintaining excellent results and delivering proactive claims and injury management.

In addition, L&D implemented the final phase of Coal Services' new corporate induction program. The new-look program supports improved employee engagement and aligns all new employees with the company purpose, vision and values.

INCREASING BUSINESS OPPORTUNITY

At the launch of our new customer reporting tool *MineCheck* in 2010–11, the reports initially contained information concerning workers compensation claims and premium rates. In 2011–12 the *MineCheck* reports were expanded to include Occupational Hygiene Services (OHyS) and CS Health information, providing customers and stakeholders with a broader view of their business performance.

MineCheck is increasingly being referred to by customers as an invaluable business tool that provides tailored, relevant and timely information to help improve the health and safety of their workforces, mitigate workplace risks and identify relevant trends and opportunities that they can act on. This valuable feedback in turn provides Coal Services with the opportunity to develop its products and services to meet its customers' needs.

68 CEO reports and 172 Mine Manager reports were produced during the year. These were distributed to senior executives, mine managers and 300 other managers, including OH&S and HR managers, and return to work coordinators.

DRIVING BUSINESS PERFORMANCE

Coal Services regularly engages with customers to capture their feedback to assess service delivery performance and shape business strategies.

The Customer Experience team continued to measure Coal Services' service delivery performance through the Customer Satisfaction Survey in November 2011. This survey is used to give policyholders and injured workers a ‘voice’, allowing them to provide feedback as to how Coal Services can more efficiently meet its customers’ expectations and deliver quality service.

The 2011 study was consistent with the 2010 results, reaffirming a strong, positive perception of Coal Services and its service delivery by those who interact with Coal Services on a regular basis. This is based on a continuing strong rating of performance in the delivery of its services and, as a result, customers have high levels of satisfaction, commitment and a high propensity to recommend Coal Services to others.

To continue to satisfy customers and maintain strong results, the 2011 survey was used to identify and influence service delivery improvements during business planning sessions in February 2012. By continually engaging with its customers, Coal Services can further enhance its services in areas where it is performing well, as well as identifying areas for ongoing improvement.

POSITIONING COAL SERVICES AS A PREFERRED EMPLOYER

In 2011–12, Human Resources (HR) continued to review Coal Services’ employee recruitment, growth and retention needs to enable continuity of expertise and service delivery across all business units. This process was in response to the growing mining industry and the need to provide more services; as well as to position the company as a preferred employer in regions where we are competing with other large organisations (such as the mines) to attract and retain employees.

HR also successfully negotiated the Coal Services Enterprise Agreement 2011 (EA) with employees from most parts of the organisation with relevant unions. This EA covers employees who were historically covered by the Coal Services Pty Limited Award 1999 and the Joint Coal Board Enterprise Agreement 2000. The EA provides rewarding and competitive employment terms aimed at attracting and retaining quality employees throughout the business.

BUILDING ON AND REINFORCING OUR BRAND

In 2011–12, the Marketing team created ongoing campaigns aimed at increasing awareness and recognition of Coal Services’ products and services. The campaigns reinforce the solutions Coal Services provides to the NSW coal mining industry and its workers, focusing on how the organisation works with the industry to protect its workers’ health, safety and wellbeing.

As well as targeted marketing and public relations communications, the team’s activities included maintaining a strong presence at industry events through keynote speeches, attending trade exhibitions, and helping Coal Services’ business units write and submit applications for industry-specific awards.

S&P continued to produce and distribute relevant, timely and effective communications for the NSW coal mining industry and its communities throughout the year, including producing and distributing the quarterly Industry Newsletter.

DIVERSITY POLICY

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

- Drive business results;
- Enhance our reputation; and
- Attract, recruit, engage and retain a diverse team of talented people.

Coal Services seeks to add value to its organisation with a Board membership and General Management Team which have an appropriate mix of skills, experience (in a variety of specified fields), expertise and diversity. The business also seeks to build a safe work environment by taking action against inappropriate workplace behaviour that does not value diversity including discrimination, harassment, bullying, victimisation and vilification.

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

- Recruitment, selection and promotion of employees with the appropriate skills, talent and experience for the position;
- Equal Employment Opportunity and Discrimination including but not limited to differences that relate to gender, age, ethnicity and cultural backgrounds;
- Talent and succession planning;
- Employee assistance programs;
- Flexible work hours and parental leave supports employees at all levels of the organisation who may have domestic responsibilities;
- Encourage career development and performance through programs that assist employees to develop skills and experience for career enhancement;
- A defined grievance and dispute process;
- Work Health and Safety programs and training; and
- Study assistance.

Applicants of both genders are encouraged in non-traditional roles and managers consider all candidates based on their qualifications and experiences removing any gender bias or preference.

There continues to be roles within Coal Services which are heavily dominated by one gender, however; early in 2012 Mines Rescue successfully recruited and welcomed its first female cadet.

Female representation 2011–2012 (as at 30 June 2012)

Female employees	63%
Female representatives at Board level	40%
Female representatives on the General Management Team	29%

Welfare and Community

Coal Services' purpose, vision and values contain the central theme of protecting the health and wellbeing of the NSW coal mining industry and its workers. The organisation also maintains a strong belief in giving back to mining communities and extending support to local initiatives and events.

In 2011–12, Coal Services continued to deliver on its statutory responsibilities to promote the welfare of current and former coal mine workers, their families and their communities in coal mining areas in NSW.

MINING COMMUNITY WELFARE GRANTS

Welfare grants were first provided to coal mine workers after the Federal and NSW Governments established Coal Services' predecessor, the Joint Coal Board, in 1947. The grants were inspired by the Miners' Welfare Commission in the United Kingdom, where funds were granted 'for the benefit of mine workers and the communities in which they live'. The Joint Coal Board established a welfare fund, a welfare policy and guidelines to administer welfare payments. Coal Services has continued this important initiative since the organisation's inception in 2002.

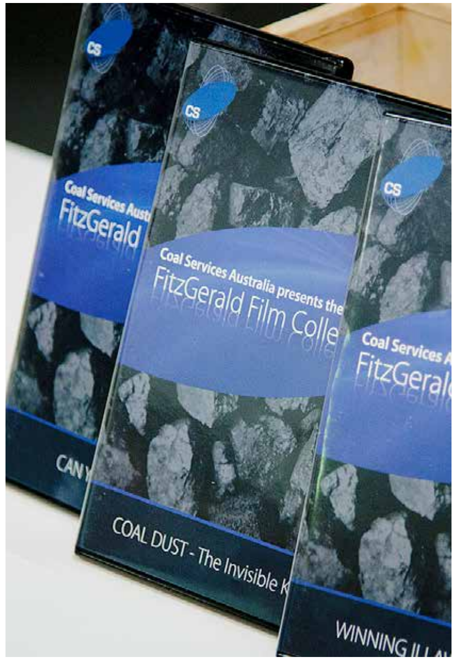
For a community to be eligible for a grant, it must be a predominantly coal mining community. This means that a significant number of beneficiaries will be mine workers, retired or retrenched mine workers or their dependants. Grants have been awarded to purchase school equipment, sports equipment, as well as historical mining equipment restoration and relocation.

In 2011–12, two products were delivered as the result of welfare grants: *The Coal Mines of NSW Index* and *The Fitzgerald Film Collection 1968-1988* (*The Preserved Collection of Australian Mining Industry Historical DVDs*).

The Coal Mines of NSW Index is a single-source reference of the coal mines that have operated in NSW. This book was prepared and researched by Brian John Andrews, OAM, of the Coalfield Heritage Group.

The Fitzgerald Film Collection consists of 15 films that were produced between 1968 and 1988. Coal Services was proud to restore, preserve and deliver these as a set of historical DVDs, documenting an important part of NSW's coal mining history, operations and people.

Coal Services recognises the importance of making well-preserved historical material available to the coal mining industry. It ensures that as the industry evolves and technology changes the history of mining isn't forgotten. It is important that these DVDs are shared with, and are accessible to, all members of the industry, historians, researchers and the wider community.



The *Fitzgerald Film Collection* historical DVDs document an important part of NSW's coal mining history.

The Joint Coal Board established a welfare fund, a welfare policy and guidelines to administer welfare payments. Coal Services has continued this important initiative since the organisation's inception in 2002.

COMMUNITY CORPORATE SPONSORSHIP

Westpac Rescue Helicopter Service

The 2011–12 financial year marked the second year of Coal Services' five-year corporate sponsorship of the Westpac Rescue Helicopter. In August 2010, Coal Services donated $1 million as contribution towards bringing another helicopter into service. Coal Services was pleased to make such a substantial donation to this service, which provides frontline protection for mine workers, their families and their communities.

Live For Kids

Coal Services was a proud platinum sponsor of the Live for Kids Cycle Classic in September 2011. The Live for Kids group is a reputable, Newcastle-based charity, focused on raising funds to support children's health in the Hunter and Newcastle region. The charity actively promotes a healthy lifestyle to children in the area. Proceeds from its fundraising go primarily to the respiratory unit at the John Hunter Children's Hospital. Children with special needs also receive custom-built bicycles that accommodate their disabilities.

By supporting this charity, Coal Services continues to protect the NSW coal mining community by improving the health of coal industry workers' children and grandchildren.

Sparke Helmore Triathlon

To further demonstrate its commitment to the health of the coal mining community, Coal Services was an event sponsor for the Sparke Helmore NBN Triathlon in March 2012. Sixteen employees participated in individual and corporate team events. Coal Services was privileged to again present the Sparke Helmore Coal Services Mining Cup—which is given each year to the winning corporate team from the mining industry—to the Glendell 1 team from Xstrata.

Over the past 19 years, the Sparke Helmore NBN Triathlon has raised more than $380,000 for organisations and charities in the Hunter region. Proceeds from the 2012 triathlon went to the Hunter Medical Research Institute (HMRI). HMRI helps people in the coal mining community by researching a variety of medical areas, including asthma, cancer, mental health, premature births and strokes.

Hunter Prostate Cancer Alliance

In March 2012, Coal Services announced a three-year program worth $240,000, aimed at raising awareness of prostate cancer among workers in the NSW coal mining industry. This initiative focuses on extending the high health and safety standards of the NSW coal mining industry and educating people in local communities, where prostate cancer is a significant health concern.

Lithgow Flash Carnival

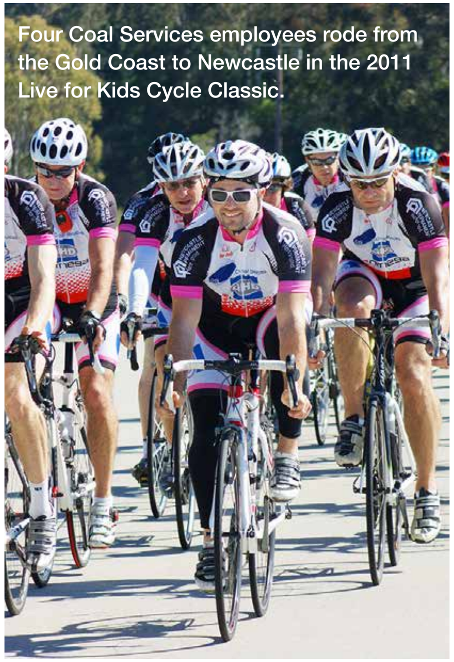
Coal Services supported the Lithgow Flash Carnival in February 2012 by sponsoring the 'Coal Services Valley Challenge'. The 5-kilometre run was open to individuals and teams and was held in the roads surrounding the Lithgow Showground. The event demonstrated Coal Services' commitment to promoting healthy and active lifestyles in the Lithgow mining community.

Splash 'n' Dash Festival

Coal Services was an event sponsor at Wollongong's inaugural 'Splash 'n' Dash Festival' in December 2011. The organisation's involvement helped demonstrate its commitment to promoting healthy lifestyles in the mining community; and support fundraising for Ovarian Cancer Australia.

Australian Roof Bolting and Coal Shovelling Titles 2011

Coal Services was happy to support the annual roof bolting and coal shovelling competitions at the Blackheath Rhododendron Festival in November 2011. The two unique sports are directly related to the coal mining industry and attract a high level of participation from around Australia.



Four Coal Services employees rode from the Gold Coast to Newcastle in the 2011 Live for Kids Cycle Classic.

Coal Services employees participated in individual and corporate team events at the 2012 Sparke Helmore NBN Triathlon.

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.

Claims management performance remained strong in 2011–12, relative to the continued growth of employees in the coal mining industry. While outstanding claims liability increased by 5.6 per cent, the number of exposed-to-risk employees increased by 16 per cent over the last 12 months.

The Central Claims Estimate from the Scheme actuary increased from $280.2 million to $296.1 million at 30 June 2012. Changes in economic factors, such as a reduction in the assumed rate of investment returns for the future from 30 June 2011, have contributed to the increase in the outstanding claims valuation.

Left: Case managers remain in close contact with injured workers, employers and medical staff to help provide the best possible outcome.

INSURANCE COVERAGE

At 30 June 2012, CMI provided workers compensation insurance to 877 policyholders, an increase from 723 at 30 June 2011.

These 877 policies provided insurance protection for a declared average of 27,082 exposed-to-risk employees, an increase of 15.7 per cent compared to 30 June 2011.

The higher number of exposed-to-risk employees resulted in a 21.6 per cent increase in declared assessable wages, from $2.666 billion in 2010–11 to $3.242 billion in 2011–12.

SCHEME PREMIUM RATE

CMI further reduced its target premium collection rate from 3.6 per cent in 2010–11 to 3.5 per cent in 2011–12.

The scheme rate graph on page 13 shows the scheme rates for the past seven years. CMI has continued to focus on strategies to maintain a low scheme rate. Combined with further improvements to injury prevention and injury management systems in the industry, these strategies have enabled the scheme to deliver low and sustainable premium rates.

BIMA RESULTS

Five years ago, CMI introduced a Premium Incentive Scheme, designed to reward policyholders who develop and continue to improve injury prevention and management strategies. The strategies help reduce claims liabilities and help achieve low and sustainable scheme pricing structures for the coal mining industry.

In 2011–12, policyholders continued to improve their injury management systems through the Premium Incentive Scheme. At 30 June 2012, policyholders undertaking Benchmark Injury Management Audits (BIMA) during the 2011–12 year had achieved an industry benchmark of 78.68 per cent. This is an improvement from 74.80 per cent in 2010–11.

CLAIMS MANAGEMENT

CMI maintained its case management model, providing an integrated claims and injury management service across the three claim regions of Singleton, Speers Point and Woonona. Within each region, case managers receive support and coaching from team leaders, their regional manager and an injury management specialist. Claims are assigned to individual case managers and team members focus on providing the best possible services to help injured coal mine workers quickly recover and return to work.

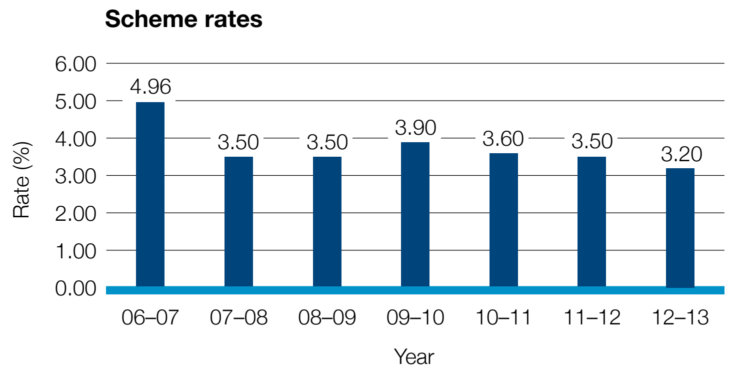
CLAIM NUMBERS

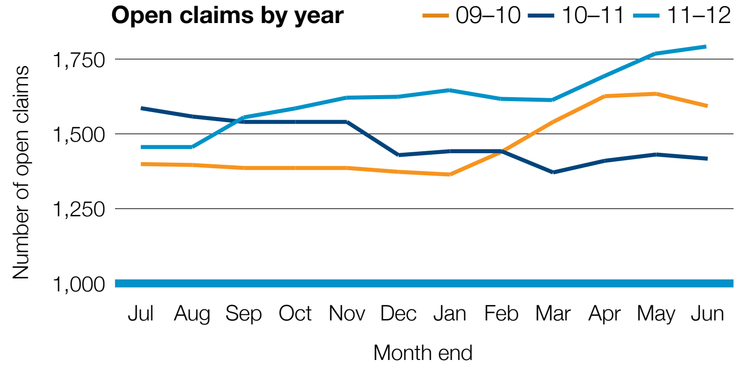
In 2011–12, the number of open claims increased by 24 per cent from 1,417 to 1,758. This can be attributed to an increase in the number of new claims since March 2012 and a change in claims closure practices.

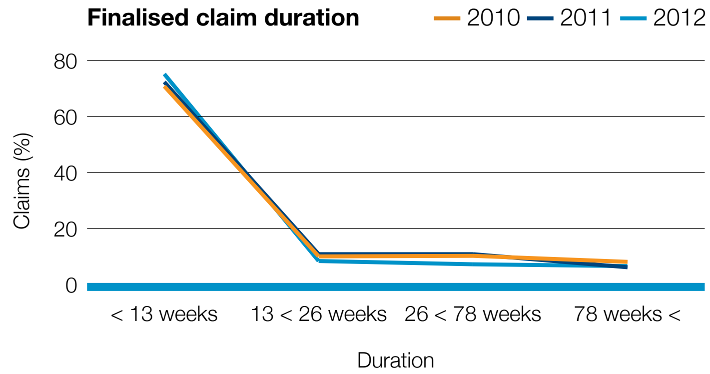
CMI received 1,985 new claims (net) during 2011–12, compared with 1,863 new claims (net) during 2010–11. This represents a claims frequency rate of 7.33 per cent (1,985 claims per 27,082 employees), down from 7.97 per cent in 2010–11. Net claims are defined as any claims received by CMI less any claims which are finalised with no time lost and no treatment or expenses incurred.

Of the new claims received during 2011–12, 56.7 per cent (1,174) were significant injury claims (an injury that is likely to result in the worker being incapacitated for a continuous period of more than seven days). This is an increase from 2010–11, when significant injury claims accounted for 54 per cent of new claims received.

CLAIMS	2009–10	2010–11	2011–12
Current claims at start of the year	1,373	1,593	1,417
Claims reported during the year	2,383	1,959	2,068
Re-opened claims	256	269	306
Claims managed during the year	4,012	3,821	3,791
Significant injury claims reported	1058	1,058	1,174
Closure rate for tail claims	8%	5.8%	7.2%
Time-lost claims finalised within 26 weeks	81.4%	83.8%	84.9%







During 2011–12, 75.7 per cent of time-lost claims were finalised within the first 13 weeks, compared to 73.3 per cent during 2010–11. Of the claims finalised during the year, 7.2 per cent had a duration of longer than 78 weeks, compared to 5.8 per cent during 2010–11.

CLAIM COSTS

In 2011–12, the net total payment for CMI claims was $64.8 million. This is comparable to the 2010–11 net total payment of $65.3 million.

ACTUARIAL VALUATION

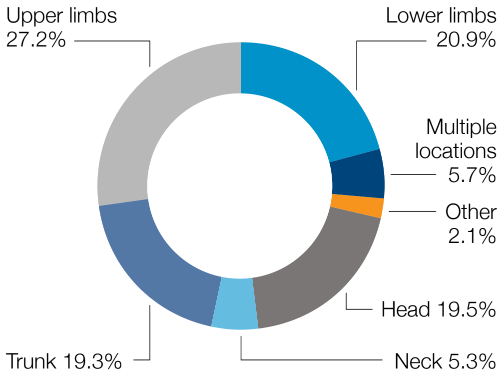
The actuarial valuation of the Central Claims Estimate at 30 June 2012 was $296.1 million, an increase from $280.2 million at 30 June 2011. The primary reason for this increase is a change in the economic assumptions applied by the scheme's actuary.

AUDIT AND COMPLIANCE

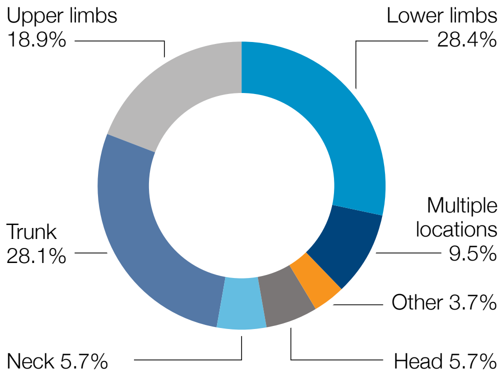
Coal Services' audit and compliance program continued to support CMI's policy services in 2011–12. The program assessed the accuracy of declared wages and subsequent premiums, and checked that business descriptions provided by policyholders adequately reflected their business activities.

In 2011–12, CMI conducted 23 wage audits. The net result of these audits produced an overall increase in premiums of $23,311.

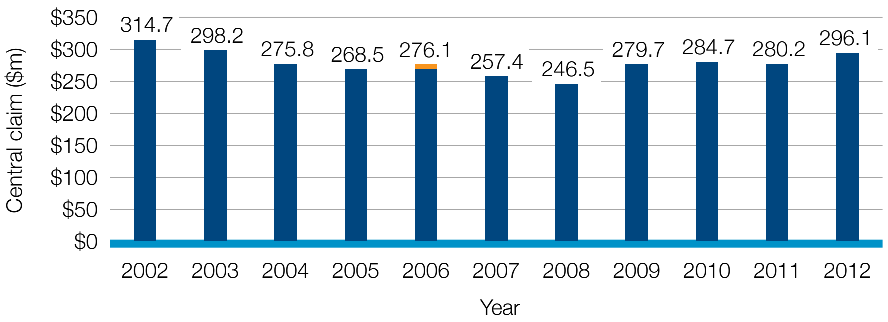
Number of claims by area of body affected



Total paid by area of body affected

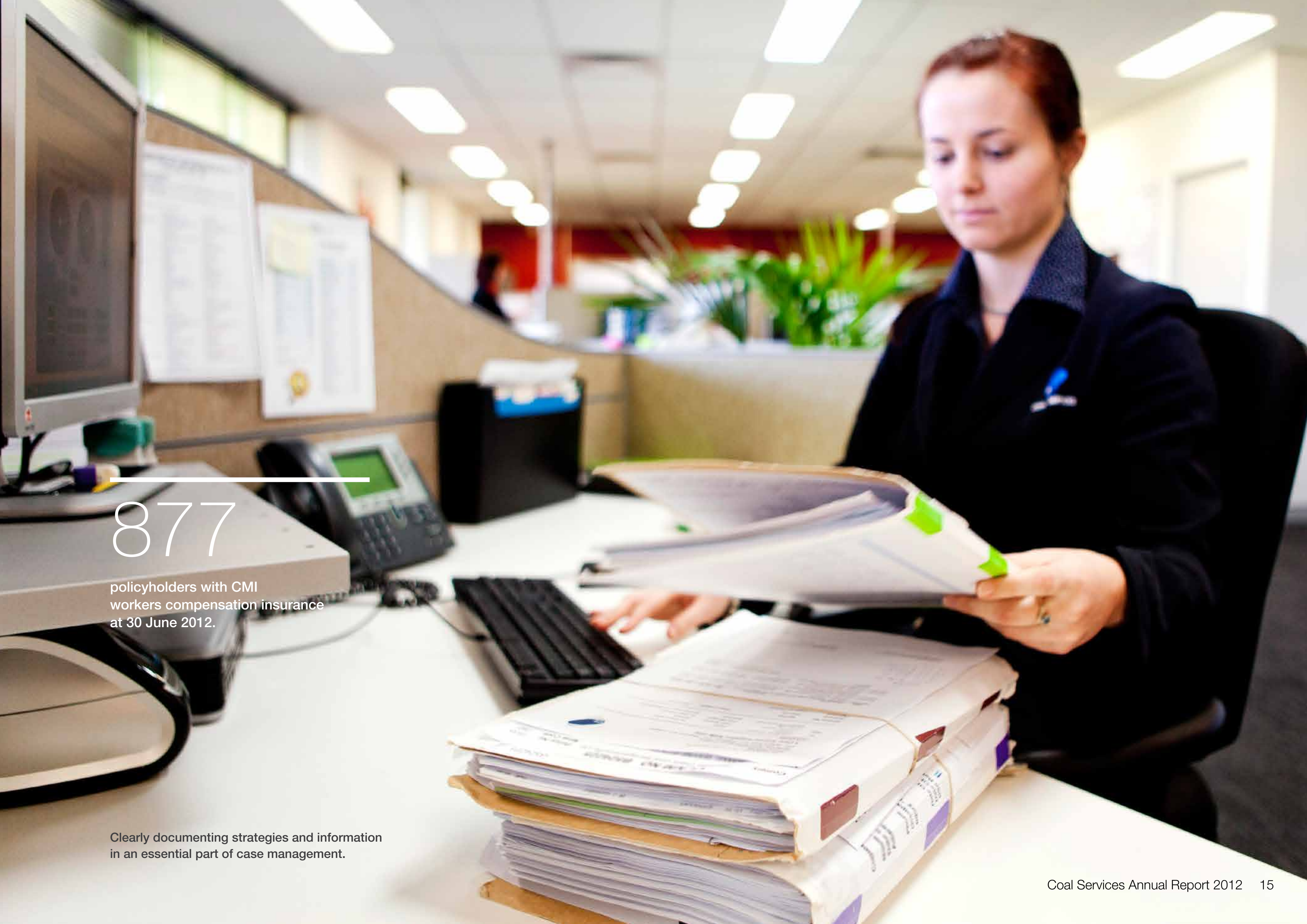


Central claims estimate



$15.9 million is directly related to the change in the compulsory retirement age of coal miners for the 2006 period.

Claims management performance has remained strong in 2011–12, relative to the continued growth of employees in the coal mining industry.



877

policyholders with CMI workers compensation insurance at 30 June 2012.

Clearly documenting strategies and information in an essential part of case management.

Statistics

Coal Services is the only organisation in NSW to offer the coal mining industry an independent information service.

In 2011–12, Coal Services Statistics (Statistics) provided a reliable, consistent and comprehensive source of NSW coal mining industry data to support coal mine operators and workers, their families, and the wider mining community.

It presented a range of current and historic data in standard subscription bulletins or as tailored reports based on an individual customer's needs. Customers using this unique statistical service included the Australian Government, the NSW Government, other state governments, coal industry consultants, research groups, private organisations and Coal Services' business units.

The collections produced by Statistics included supply and demand surveys, which cover coal production and preparation; domestic and export sales; the value of exports; stockpile levels at mines, ports and consumer locations; and the volume of overburden removed at open cut mines.

The Statistics team also conducted workforce surveys that looked at the number of people working at mines and the average age of mine workers, as well as wages paid, hours worked, and lost-time and shift arrangements at mines.

INDUSTRY OVERVIEW

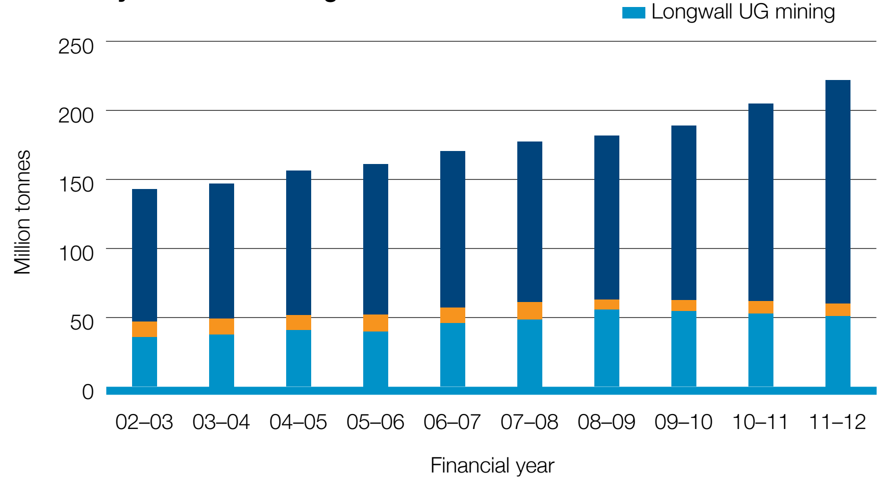
The 2011–12 financial year was another record-breaking year for the NSW coal industry. The industry employed an average full-time equivalent production workforce of 23,317 at 67 mines operating during the year, compared to 20,242 workers at 63 mines in 2010–11. Raw coal production increased from 205 million tonnes in 2010–11 to 221 million tonnes, equivalent to 167.2 million tonnes of saleable coal. Mines exported a record 136.3 million tonnes of coal to 16 countries, yielding a Free on Board (FOB) value (the value of coal transported to the port and loaded for shipment) of $16.8 billion.

Although the total tonnage of raw coal produced for the state increased by 7.9 per cent during the year, there was considerable variation in the production results achieved by the underground and open cut sectors and across the coalfields. Raw coal production from underground mines declined by 2.7 per cent, while open cut production increased by 12.5 per cent. Open cut mines accounted for 72.6 per cent of the total raw coal production in NSW for the year, compared to 69.7 per cent in 2010–11 and 66.7 per cent in 2009–10.

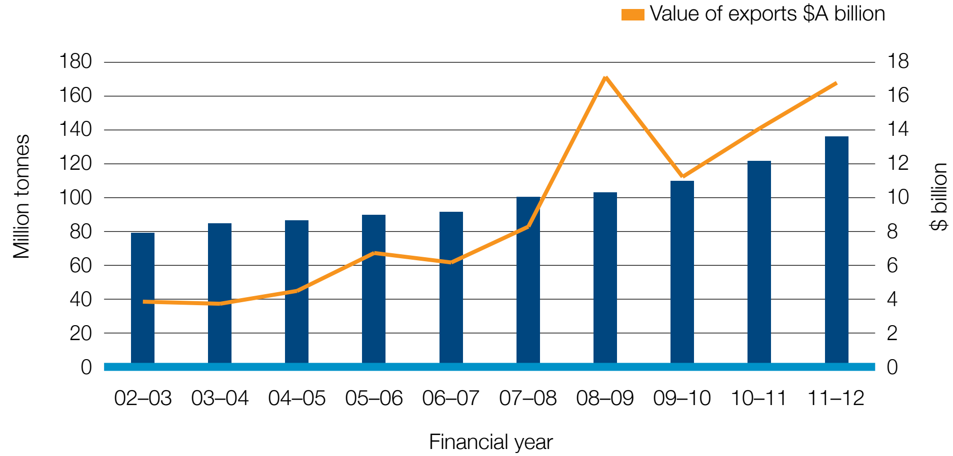
At 30 June 2012, with the closure of two underground mines and four open cuts, there were 61 coal mines operating in NSW, comprising 31 open cut mines and 30 underground mines (20 with longwalls). There was a full-time equivalent production workforce of 24,936 with 56 per cent employed at open cut mines.

Japan remains the largest export market for NSW coal, purchasing 63.4 million tonnes in 2011–12. China bought 23.8 million tonnes of coal, replacing the Republic of Korea (which bought 20.8 million tonnes) as the second largest market for NSW coal. Taiwan bought 14.1 million tonnes, India bought 4.7 million tonnes and Mexico bought 3.5 million tonnes.

NSW annual raw coal production by method of mining



NSW coal exports



The rise in export figures was due to a 16.3 million tonne increase in steaming coal exports, although there was a 1.8 million tonne fall in metallurgical coal shipments.

The FOB value of NSW coal exports for 2011–12 was $16.8 billion, an increase of $2.7 billion from 2010–11, but still less than the peak of $17.1 billion recorded in 2008–09. This peak was the result of record international coal prices negotiated in April 2008.

NSW COAL INDUSTRY STATISTICS

	02–03	03–04	04–05	05–06	06–07	07–08	08–09	09–10	10–11	11–12
Number of coal mines at 30 June	56	52	55	58	60	60	60	62	61	61
Raw coal production (million tonnes)	143.1	147.0	156.3	161.3	170.3	177.2	182.0	188.8	204.9	221.0
Saleable coal production (million tonnes)	111.5	114.2	122.1	124.6	131.3	135.1	138.5	145.4	157.0	167.2
Coal sales within Australia (million tonnes)	34.0	32.8	34.0	34.1	36.3	36.8	34.9	34.0	33.5	28.3
Coal exports overseas (million tonnes)	79.3	85.0	86.6	89.8	91.5	100.5	103.3	109.9	121.8	136.3
FOB value of coal exports overseas ($ billion)	3.9	3.7	5.5	6.7	6.2	8.3	17.1	11.2	14.1	16.8
Average FOB value of coal exports ($ per tonne)	48.60	43.85	63.43	74.92	67.46	82.52	165.95	102.16	115.8	123.11
Average number of employees insured (exposed-to-risk)	10,820	10,736	12,272	14,726	16,691	17,628	19,312	20,383	23,407	27,082
Number of production employment at 30 June*	9,758	9,998	11,290	12,658	13,392	15,387	16,914	19,109	21,126	24,936
Average age of mine workers at 31 December	43.5	43.5	43.4	42.7	42.0	42.4	41.3	41.5	40.7	40.5
Average weekly earnings of mine workers ($)	1,791	1,842	1,933	2,009	2,083	2,157	2,267	2,346	2,468	2,595
Saleable coal output per mine worker per year (tonnes)	10,990	11,380	11,680	10,240	9,970	9,430	8,410	8,130	7,750	7,160
Saleable coal output per mine worker per hour (tonnes)	5.80	5.82	5.73	4.95	4.87	4.74	4.15	3.87	3.87	3.56
Days worked per mine worker per year	270.5	279.2	291.1	295.6	292.2	284.4	289.6	286.7	286.4	287.1
Days lost per mine worker due to industrial disputes	0.7	0.2	0.3	0.1	0.1	0.1	0.0	0.2	0.4	0.1
Days lost per mine worker due to workers compensation claims	3.0	2.4	2.1	1.4	1.2	1.0	1.1	1.2	1.1	1.0
Lost-time injuries per million tonnes raw coal produced	3	3	2	2	2	2	2	2	2	2
Lost-time injuries per million tonnes saleable coal produced	4	4	3	3	3	3	3	3	3	2
Lost-time injuries per million hours worked	23	22	18	15	16	14	13	10	11	8

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

CS Health

Mark O'Neill
General Manager, CS Health

Left: Functional assessments aim to determine a person's underlying physical ability to carry out the inherent requirements of the position.

During 2011–12, CS Health continued to provide vital occupational health and medical services to the NSW coal mining industry. It provided over 68,000 health services, an increase of 24 per cent from 2010–11.

CS Health has been protecting the health of the industry for more than 65 years. It is an industry leader in the provision of services that help mine workers, mine operators and people in the wider community to manage health risks, optimise workforce performance and care for their health and wellbeing.

The growing demand for CS Health's services stems not only from the boom in the mining industry, but from the industry's recognition of CS Health's expertise in occupational medicine. CS Health is one of the few organisations that has doctors as part of its skilled team. The team's experience in the mining industry gives them a solid understanding of the industry's specific medical needs. In addition, the systems and procedures CS Health has established make it easier for customers to meet their occupational health and safety obligations.

CS Health has facilities in the NSW coal mining regions of Lithgow, Singleton, Speers Point and Woonona, and has recently opened an office in Mudgee. The geographical spread of operations, including purpose-built mobile health vans in each region, provides other NSW regional businesses, including non-coal mining sectors, with access to high-quality health facilities.

At 30 June 2012, CS Health employed 125 permanent, part-time and casual staff in a variety of professional health and support positions. The business unit added a number of new health professionals to the team during the year in response to increased demand for medical services arising from industry growth.

NEW CS HEALTH FACILITIES IN MUDGEE

The Mudgee and Ulan region is important for NSW coal mining. The industry currently employs around 1,800 people in the area and this number is expected to increase significantly in the next few years.

To meet the demands of the growing workforce in the region, CS Health and Occupational Hygiene Services opened a new office in Mudgee in May 2012.

Opened by the Minister for Resources and Energy, the Hon. Chris Hartcher MP, the centre will ensure that regional members of the NSW coal mining industry can quickly and efficiently access healthcare services, such as medical assessments, treatment for injuries, occupational rehabilitation and educational programs. The office will also ease the load on local medical providers and increase employment opportunities for local health professionals.

By expanding into the Mudgee area, CS Health continues to show its commitment to protecting mine workers, employers and their families, and meeting the needs of the growing NSW coal mining industry.

HUNTER PROSTATE CANCER INITIATIVE

CS Health joined forces with the Hunter Prostate Cancer Alliance (HPCA) in March 2012 to launch the Hunter Prostate Cancer Initiative. The three-year program aims to raise awareness of prostate cancer in the NSW coal mining industry, educating workers and encouraging them to discuss the effects the disease can have on their health and on their families. The initiative is also designed to highlight to workers the benefits of visiting a doctor for regular health assessments.

The relationship with HPCA extends the high-level of health and safety awareness CS Health provides to the coal mining industry into the local community.

Prostate cancer is the most common cancer in Australian men after non-melanoma skin cancer. It is more common in older men, but has been observed in men as young as those in their 30s and 40s.

Approximately 18 per cent of prostate cancer deaths in NSW occur in the Hunter region–the highest in the state. Awareness campaigns in recent years have helped increase the number of men being tested. Subsequently, approximately 16 per cent of prostate cancer diagnoses now occur in the region.

These figures reinforce the importance of this program in helping protect the coal industry workforce.

A CS Health doctor conducts a pre-employment medical to ensure that no underlying medical conditions exist that may impact on a worker's safety in the workplace.

At 30 June 2012, CS Health employed 125 permanent, part-time and casual staff in a variety of professional health and support positions.

ORDER 41

Coal Services developed Order 41 following consultation with the NSW coal industry. The Order, which came into effect in February 2011, requires employers of a coal mine worker or operators of a coal operation in NSW to ensure their employees undergo pre-placement medicals before starting work at a coal operation. Workers must then complete periodic health surveillance medicals every three years.

While it has only been 18 months since the Order was introduced, there have already been significant changes in the way the industry views these medicals. The Order has ensured consistency and every worker is now assessed using the same medical standards and guidelines. Information is collated in a centralised database to allow more accurate reporting on industry health trends. More workers are being assessed to ensure they, and the coal mine operations in which they work, are compliant with the Order. CS Health will start compliance audits from August 2012.

In 2011–12, CS Health provided 12,629 pre-employment medical assessments and 3,320 periodic health surveillance assessments, an increase of 16.26 per cent and 42.85 per cent respectively from 2010–11. The figures reflect an increase in employment in the mining industry, as well as strong support for the measures initiated by Order 41 and CS Health's reputation for providing high-quality health assessments.

PERIODIC HEALTH ASSESSMENT REPORTS

Coal Services designed the periodic health assessment in collaboration with the NSW coal mining industry. The comprehensive medical assessments include tests for priority health issues affecting NSW coal workers, traditional health problems and emerging health concerns.

In 2011–12, CS Health developed a new report to present the results of periodic health assessments conducted at individual workplaces.

The report includes information on traditional occupational exposures such as hearing and lung function, as well as on a range of general health issues that may affect productivity in the workplace, such as musculoskeletal conditions and cardiovascular risk.

The anonymous data presented in the report is specific to each mining organisation and allows for comparison within the organisation, and between other organisations in the region and the wider NSW coal mining industry. The findings can also be used to develop targeted workplace health initiatives in response to the changing needs of an ageing workforce and other occupational risk factors.

Number of people to whom CS Health provided services

Service provided	04–05	05–06	06–07	07–08	08–09	09–10	10–11	11–12
Routine health assessments	1,648	1,654	2,084	2,083	2,708	2,794	2,324	3,320
Pre-placement health assessments	3,748	4,590	5,622	5,831	8,226	7,566	10,862	12,629
Functional assessments	917	1,253	1,582	1,789	2,244	2,568	3,522	4,864
Drug and alcohol screening	7,289	8,304	11,018	13,393	17,701	20,029	28,384	33,437
Occupational rehabilitation referrals	426	404	715	528	286	151	154	134

PROTECTING AGAINST HEARING LOSS

Now that traditional mining-related exposures are well-controlled and monitored, and related respiratory diseases, such as pneumoconiosis (black lung), have been eliminated in NSW, focus has turned to more prevalent hazards and their effects. The NSW Department of Trade and Investment's Mining and Extractives Industry Health Management Advisory Committee (HMAC) has identified noise-induced hearing loss as a priority health issue for the NSW coal mining industry.

Of all claims received by Coal Mines Insurance, 10-15 per cent are for industrial deafness. If workers are exposed to noise, it is essential that they wear properly fitted personal protective equipment (PPE). CS Health regularly conducts audiometric testing as part of the periodic health assessment to monitor mine workers' hearing.

In 2011–12, it introduced 'E-A-R-Fit' testing as an optional service to complement its audiometric testing service. The E-A-R-Fit service checks if workers are using PPE such as ear plugs correctly. The service can be incorporated into medical assessments or can be conducted separately. Testing has proven to be an invaluable exercise in helping workers lower their exposure to noise.

NSW COAL INDUSTRY STANDING HEALTH COMMITTEE

The NSW Coal Industry Standing Health Committee (SHC) was established in December 2011. Its ongoing collaborative approach with the coal mining industry will help employers better manage their workforce's occupational health and safety.

The SHC supports a clear and consistent approach to medical assessments and health surveillance, and encourages adherence to established medical guidelines for coal mine workers. It will focus on emerging health issues in the industry, such as an ageing workforce, standards of fitness, diabetes and epilepsy, musculoskeletal disorders and other areas of concern.

The SHC consists of CS Health medical practitioners, employer and union representatives and independent medical professionals who work together to ensure all coal mining industry stakeholders are represented and key industry concerns are addressed in a timely manner.

Coal Services hopes the SHC's collaborative approach will standardise and improve processes, outcomes and information for coal mine employers and employees.

12,629

pre-employment medical assessments performed in 2011–12.

Exercise physiology helps patients to improve general fitness, or to treat patients with a medical condition or injury through exercise.

Mines Rescue

Paul Healey
General Manager, Mines Rescue and Regulation and Compliance

Classroom delivery forms part of the Mines Rescue ‘training triangle’.

In 1926 Mines Rescue Pty Limited was established under the *Mines Rescue Act* to provide emergency response services and equipment in the event of an underground emergency in a NSW coal mine.

Over time, Mines Rescue has expanded the services it offers to the NSW coal mining industry to include preventative emergency response and safety training. The company is now recognised for the exceptional mine safety training it provides to NSW coal mine workers and the wider industry, in addition to its primary role to provide underground incident response.

Mines Rescue harnesses the extensive experience of its qualified staff and its state-of-the-art equipment and facilities. Permanent staff are supported by volunteers from underground mines across NSW. Each mine is required to provide at least 5 per cent of its workforce to train as mines rescue Brigadesmen. By providing robust protection for mine workers and operators, Mines Rescue has helped improve the safety of the industry and reduce lost-time injury frequency rates over the past 12 years. It also provides peace of mind to coal mine workers that help is at hand in the event of an emergency.

Mines Rescue is a Registered Training Organisation (RTO) under the provision of the Australian Skills Quality Authority (ASQA), which enables it to present a range of nationally accredited courses and qualifications. The company also provides a variety of non-accredited courses, including mine-specific safety refresher training and courses customised for special hazard training or team-building activities.

The current growth in the coal mining industry, combined with an ageing workforce and demand from other resource states, has resulted in unprecedented demand for mine supervisor training, as well as induction and regular refresher training for all mine workers. The NSW Department of Trade and Investment, Regional Infrastructure and Resources (DTIRIS) has commissioned Mines Rescue to develop a Maintenance of Competency training program for mine deputies and open cut mine examiners. This will be similar to the current Check Inspector training program and will ensure that mine supervisors and workers’ representatives have the knowledge and competence necessary to manage workplace safety risks.

MAINTAINING EMERGENCY RESPONSE CAPABILITY

Mines Rescue is fully resourced and equipped to quickly, safely and efficiently respond to an emergency 24 hours a day, 365 days a year. Brigadesmen must be assessed as fit, competent and capable of providing emergency services in the event of a mining incident.

There are currently 546 trained mines rescue Brigadesmen in NSW. Although there has been an increase in the number of new Brigadesmen, the total number has remained almost the same to 2010–11 due to natural attrition. However, this refresh has resulted in a younger, more physically capable workforce.

Mines Rescue employees are responsible for training Brigadesmen in rescue techniques and for providing expert advice and supervision in the event of an incident. Mines Rescue also ensures emergency response procedures and guidelines are in place, tested and ready to be deployed at each mine. It regularly conducts audits and simulated emergencies to test its own emergency response capabilities, as well as those of the mines and other emergency services.

Mines Rescue competitions remain significantly important for the coal mining industry. Competitions are held regularly across NSW and provide invaluable preparation for mines rescue people and systems ahead of possible real-life challenges.

INCIDENT RESPONSE: BLAKEFIELD SOUTH

Mines Rescue demonstrated its emergency response capabilities in January 2011 following an underground fire that ignited behind the longwall at Xstrata's Blakefield South Mine, near Singleton, NSW.

Throughout the incident, Mines Rescue proved its ability to operate in a hostile, hazardous environment under extreme pressure, and demonstrated the effectiveness of its equipment and procedures. The operation was handled without injury or additional incident, and provided Mines Rescue with valuable lessons and experience.

After the fire, 131 teams of Mines Rescue Brigadesmen, comprising 179 Brigadesmen over 652 individual deployments, spent four months safely inspecting environmental conditions in the mine.

Due to the cohesive teamwork and a highly structured approach between Mines Rescue and Xstrata, the extensive recovery process was successfully completed in December 2011.

By working with the coal mining industry during emergencies, Mines Rescue is delivering on Coal Services' main purpose: to protect. Mines Rescue's immediate response team works well with mines' safety systems and external agencies. By using proven systems, procedures and protocols, it successfully protects mine workers' safety and preserves expensive capital assets and mining jobs.

STRIVING FOR EXCELLENCE

In 2011–12, Mines Rescue implemented a dedicated training support group to ensure its training programs comply with RTO accreditation and audit requirements. The team also provides advice on the governance of, and compliance with, ASQA and RTO licensing requirements. It also offers subject matter expert support by collating, standardising and disseminating information.

In addition, Mines Rescue has upgraded the Certificate IV & V, Coal Mine Certificate and Diploma, assigned dedicated managers to each course, and allocated experts who advise on all coal mining course content.

By ensuring compliance with the RTO accreditations, Mines Rescue is providing trainees with nationally accredited courses, materials and instructors that meet industry best practice standards.

In further recognition of Mines Rescue's expertise in industry training, the company was shortlisted as finalists in the 2012 NSW Training Awards for 'Large Training Provider of the Year'. The NSW Department of Education presents the awards to RTOs that demonstrate outstanding achievements in all aspects when delivering vocational education and training. The winners were to be announced in late August 2012, and will go on to represent NSW at the National Awards.

IMPROVING SAFETY THROUGH TRAINING

Mines Rescue conducts a variety of training courses specifically for the coal mining industry, as well as a range of commercial courses including fire fighting, confined spaces and breathing apparatus training. In 2011–12, attendances at these courses increased more than 25 per cent from the previous year to approximately 28,850. This figure includes statutory training and commercial training such as whole of mine training, generic underground induction and refresher training.

The statutory training provided by Mines Rescue is vital to improving safety performance in NSW coal mines. During 2011–12, the number of mine workers who participated in the four-day generic induction course and refresher training course increased by 18.58 per cent compared to 2010–11, with a total of 7,990 trainees completing the courses. Mines Rescue also increased the amount of statutory training delivered to mine deputies and to undermanagers.

These increases represent the continued demand for skilled mine workers and officials during the coal industry boom, but also demonstrate Mines Rescue's work on improving the safety of the coal mining industry.

Mines Rescue's courses are enhanced by the use of virtual reality training and the participation of industry specialists as guest lecturers. This ensures that courses are presented in the most effective way for trainees to retain the information, and are delivered by experts with up-to-date practical information from current mine operations.

Mines Rescue also aims to proactively protect mine workers by providing annual Whole of Mine (WOM) training modules. The modules move beyond standard, generic training and are tailored to meet the specific needs of individual mines or groups of mines. They reinforce the mines' Safety Management Systems, presenting mine operators and workers with safety statistics relevant to their mines and with the opportunity to discuss and learn from incidents.

To meet the changing needs of the coal mining industry, including shift and weekend work, Mines Rescue offers flexible training at times and locations to suit each mine and its employees. This minimises the impact of production downtime often associated with offsite training and has enabled the majority of NSW mines to take part in the training in the past five years. The results of this training are reflected in the number of mines that return for further training and, more importantly, in the reduction in workplace injuries.

In 2010–11, Mines Rescue partnered with leading mining industry contractor, the UGM Group, to develop an enhanced, hands-on training program for new mine workers. As a result of this partnership, Mines Rescue and UGM launched 'CoalStart' in June 2012.

Right: Hands-on training reinforces learnings from the classroom. Here, trainees practice a vertical rescue as part of confined space training.

INDUSTRY PARTNERS AND THE 'COALSTART' INITIATIVE

The coal mining industry is the second largest provider of new jobs in Australia and continually needs more trained mine operators to meet increasing production demands.

In 2010–11, Mines Rescue partnered with leading mining industry contractor, the UGM Group, to develop an enhanced, hands-on training program for new mine workers. As a result of this partnership, Mines Rescue and UGM launched 'CoalStart' in June 2012. CoalStart is an advanced underground coal mine induction program that harnesses the strengths of both partners to provide new miners with first-class training.

The program aims to improve the safety and productivity of new miners by ensuring they are 'work safe' and 'work ready'. Participants receive training under a Coal Mine Management System and are trained at the Mines Rescue Newcastle station and at UGM's Teralba site using a variety of mine equipment to impart essential skills.

The training program includes the latest virtual reality simulation technology, which enables trainees to familiarise themselves with onsite mining operations and environments, common hazards, and routine tasks and equipment.

The first seven trainees were due to begin the course on 23 July 2012.

INTERNATIONAL REPUTATION: CHINA CONFERENCE

The 7th International Mines Rescue Body (IMRB) Conference was held in Beijing in October 2011. The conference is held every two years and aims to share mines rescue experience and knowledge across the international mining community. Topics include methods of training, rescue techniques and equipment.

Australia was a founding member of the IMRB in Poland in 2001 and hosted the conference in 2005. Mines Rescue has attended and presented papers at each conference since 2001, enhancing its position as a world leader in mines rescue operations.

The 2011 IMRB conference included visits to an underground coal operation and a new mines rescue station, which gave detailed insights into China's coal industry. Presentations were also given by personnel who were involved in recent mining incidents in Chile and New Zealand. Sharing the mines rescue experiences of other nations has provided valuable lessons for Mines Rescue, and offered the company the opportunity to establish important relationships with mines rescue teams across the world.

25%

increase from previous year in attendance at Mines Rescue training courses.

CoalStart trainees fit a ventilation unit at the face area of a mine alongside the continuous miner.

Virtual Reality Technologies

Coal Services' internationally recognised Virtual Reality Technologies (VRT) unit provides equipment, technical support and content to create simulated 3D work environments for use in Mines Rescue's training programs.

NSW's four mines rescue stations are each equipped with a 360-degree enclosed theatre, three dome theatres and a curved-screen theatre. Together, these form the most advanced real-world simulator of its kind, immersing trainees in realistic representations of underground and surface coal mining environments. The simulations expose the trainees to dangerous mining situations in a safe and controlled environment, so they are prepared if they encounter similar situations in the workplace.

Simulation scenarios address core competency standards for workers in hazardous environments. For example, the virtual reality system can simulate and teach miners about unaided underground self-escape, underground strata stability and open cut truck and shovel operations, along with a range of other important skills.

In these virtual environments, a trainee's response to the situation affects the outcome. Combined with traditional classroom activity and hands-on training galleries, VRT enables Mines Rescue to deliver the highest quality training, which can change mine operators' behaviours and performance in the workplace and potentially save lives.

THE LATEST TECHNOLOGY: THIRD GENERATION SOFTWARE

In 2011–12, VRT worked with software developer QinetiQ, subject matter experts from Mines Rescue and coal mining industry contacts to further develop its software and module content.

The resulting Third Generation (3G) technology provides a variety of benefits, including greater realism, immersion and flexibility during simulations. Mines Rescue trainers can now customise modules to provide returning trainees with a fresh experience, ensuring the simulations are more effective and have a greater lifespan.

VRT's initial focus was to improve basic safety and hazard awareness. The unit has migrated its original modules to the 3G platform to continue this goal, and developed new modules to meet industry demand for induction and refresher training.

The virtual reality training modules are also a key component of 'CoalStart', a joint initiative with the UGM Group to provide an advanced operator training program for new coal mine workers.

The Virtual Reality longwall modules are realistic representations of underground work environments.

RIO TINTO NORTHPARKES

In early 2012, Rio Tinto's Northparkes copper-gold mine contracted QinetiQ to build a 360-degree virtual reality platform based on VRT's simulation models and operating experience. The 360-degree theatre will form part of Rio Tinto's 'Centre of Excellence', which was designed to provide virtual reality training to its national and international employees. The training centre was due to be launched in August 2012.

This represents VRT's first commercial arrangement. The partnership brings together QinetiQ and VRT's expertise to provide revolutionary safety training outside of the NSW coal mining industry.

It also further cements Coal Services' reputation as a leading provider of innovative training solutions that protect coal mine workers and the wider industry.

A FOCUS ON SAFETY

More than 90 per cent of new entrants to the NSW coal industry are exposed to VRT's simulated training environment, instilling the importance of safety from the outset of a new miner's career. Throughout the year, VRT provided 26,136 training sessions as part of Mines Rescue training courses. A further 2,445 visitors took part in 3,543 sessions to help them understand and experience the training VRT offers.

VRT also plays a core role in maintaining emergency preparedness through its involvement in the Mines Rescue competitions that are held regularly across NSW. These competitions provide invaluable preparation for mines rescue people and systems, and incorporate a virtual reality component in addition to a theory examination and practical skills test.

APPLICATIONS OUTSIDE OF THE NSW MINING INDUSTRY

While VRT has developed its training modules to educate miners in the coal mining industry, the technology is also available for use in other industries.

In 2011–12, VRT incorporated virtual reality training into specific courses for industry check inspectors, district inspectors and investigators.

In September 2011, VRT used a virtual display of a vehicle accident at an open cut mine as part of the Check Inspectors Incident Workshop. The workshop was attended by approximately 50 inspectors. The virtual reality components were very well received, and VRT's facilities have been booked for the 2012–13 conference for underground check inspectors.

To help injured workers improve their health and return to work in a timely and sustainable manner, Coal Services held a number of sessions during the year to raise awareness in the health sector of the coal mining industry's unique working conditions. VRT provided doctors and allied health professionals with a greater understanding of their patients' working environment.

Further afield, VRT provided training courses to the NSW police force. The induction courses familiarised officers with the different hazards they could encounter while on the job at mine sites.

There was also continued interest in 2011–12 from other coal mining countries to replicate facilities observed during site visits by a variety of delegations. Through its agreement with QinetiQ to promote and deliver commercial applications of virtual reality technology, VRT will remain focused on delivering benefits to the NSW mining industry while generating a return to Coal Services through virtual reality licence revenues.

AWARD-WINNING SAFETY TRAINING AND INNOVATION

VRT was again recognised as an innovative leader in safety training in 2011–12, further demonstrating the vital role it plays in protecting workers within the NSW coal mining industry and wider communities.

In October 2011, VRT was a finalist in the 2011 WorkCover SafeWork Awards in the category of 'Best solution to an identified workplace health and safety issue'.

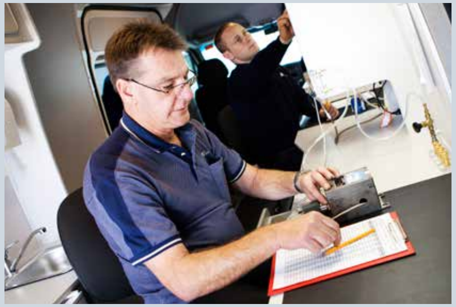
On 20 June 2012, VRT won the 2012 Simulation Australia Award for 'Project Innovation'. The simulation awards recognise individual, research-based, technological and project-based contributions in the field of simulation in Australia.

Both awards show the positive contribution VRT's training system has made to the NSW coal mining industry's emergency preparedness and emergency response training.

NSW's four mines rescue stations are each equipped with a 360-degree enclosed theatre, three dome theatres and a curved-screen theatre. Together, these form the most advanced real-world simulator of its kind.

A group in the Virtual Reality 360-degree enclosed theatre watch as a fellow trainee operates machinery in a simulated scenario.

Regulation and Compliance



An OHyS technician refers to the gazetted levels for airborne dust in an underground mine.

The Regulation and Compliance (R&C) business unit provides a mix of technical services to satisfy the statutory and safety needs of the NSW coal mining industry. Most importantly, the R&C teams help ensure that coal mine workers are protected from environmental workplace risks and return healthy and safe to their families every day.

Coal Mines Technical Services

Coal Mines Technical Services (CMTS) was established in 1983 to provide gas analysis and calibration services to the NSW coal industry. Since then, CMTS has expanded its services to include gas testing, gas and diesel analysis, repair facilities, detection equipment, and training and consultation.

Operating under ISO 9001:2008, CMTS is accredited by the National Association of Testing Authorities (NATA) in the fields of chemical testing for its laboratories (ISO/IEC 17025) and inspection for its approved workshop facilities (ISO/IEC 17020).

INCIDENT RESPONSE: BLAKEFIELD SOUTH

When Xstrata's Blakefield South Mine was forced to close after an underground fire ignited behind the mine's longwall, CMTS used its mobile laboratories to provide emergency support. CMTS technicians remained onsite to operate gas analysis equipment, interpret results and provide long-term support and training for mine staff.

The team also worked alongside Mines Rescue during the recovery process to provide a safe environment and re-establish operations.

WEST VIRGINIA MINES SUPPLIED WITH SMARTGAS TECHNOLOGY

In September 2011, CMTS travelled to West Virginia in the United States of America to install and commission four CMTS SMARTGAS micro gas chromatographic systems. CMTS installed the systems for the Miners' Office of Health Safety and Training and the Southern West Virginia Community & Technical College Mine Academy. It also provided the organisations with onsite training over 10 days.

The SMARTGAS systems were installed in a newly constructed emergency response laboratory and command vehicle, which will serve more than 300 underground coal mines in West Virginia.

The command vehicle will be used to respond to onsite mine emergencies to collect, analyse and interpret gas samples and perform baseline atmospheric analysis. It will also be used as a training facility. The SMARTGAS systems will provide West Virginia with a comprehensive database of the atmospheric conditions in the state's mines, a valuable resource in the event of an emergency. CMTS will also carry out routine remote online systems maintenance and provide expert interpretation of analytical data if required.

CMTS won the tender to supply and fit the SMARTGAS micro gas chromatographic systems in 2010 and the project represents the culmination of 12 months work by CMTS, in close cooperation with the Miners' Office. The initial win reflected CMTS' ability to configure gas chromatographic equipment to meet specific operating and environmental requirements for the coal industry, and recognised CMTS as a leader in this field.

The revenue from this project will be reinvested into CMTS' and Mines Rescue's activities and equipment to provide greater support and services for the NSW coal industry. International projects such as this also provide the CMTS team with additional experience in emergency situations and opportunities to promote the NSW coal mining industry's world-class safety standards.

CMTS DEVELOPS RAPID GAS ANALYSIS SYSTEM

In 2011–12, CMTS began the process of customising its cost-effective, multi-user gas sampling and analysis system, SMARTGAS-connect, to suit underground mines across NSW and Queensland.

Designed and developed in Australia by CMTS, SMARTGAS-connect is a gas data retrieval, plotting and trending tool. The system monitors mine atmospheres in real time and identifies hazardous or potentially hazardous conditions. It can provide detailed gas chromatographic analysis in one to three minutes, presenting the information in an easy-to-understand mine graphics display so that control room and other mine officials can readily interpret and react to changing circumstances. According to individual mine requirements, the system can be configured to collect data from sample points in tube bundle gas monitoring systems, or real-time (telemetric) sensor points.

SMARTGAS-connect automatically alerts the mine operator if a mine environment reaches gas thresholds or other configurable ratios. If the alarm is triggered and acknowledged, the system generates a mine-specific action response plan and notifies other users of who has acknowledged the alarm, and the action taken. The system maintains a full audit trail of events, which can be viewed onscreen or printed.

Following an initial trial of the system at the Metropolitan Mine in NSW, Coal Services confirmed one SMARTGAS-connect installation in NSW and three in Queensland. Interest is also growing at other mine sites.

> OHyS is recognised within the mining industry as a leader in its field; a reputation which has led the unit to expand its services beyond mining, providing quality solutions to the construction and manufacturing industries.

Occupational Hygiene Services

Detecting, evaluating and controlling physical and chemical hazards is the core of workplace health and safety.

Occupational Hygiene Services (OHyS) was initially established to provide dust monitoring services to the NSW coal industry in response to the prevalence of dust-related lung disease in the workforce. As well as monitoring airborne dust, the team now also offers a variety of vital hygiene services, including testing noise, vibration, lighting and diesel particulates levels.

Most of OHyS' staff have a background in mining, placing them in an ideal position to provide informed advice on how to protect against hazards in high-risk areas of the workplace. Staff also hold general occupational hygiene qualifications, enabling them to provide advice on emerging health issues, such as the World Health Organization's recent classification of diesel particulates as carcinogenic to humans.

OHyS is recognised within the mining industry as a leader in its field; a reputation which has led the unit to expand its services beyond mining, providing quality solutions to the construction and manufacturing industries.

ORDER 40: ABATEMENT OF DUST ON LONGWALLS

In 1990, the Joint Coal Board initiated the additional monitoring of airborne dust in longwall mines through the issue of Order 40. The Order requires Coal Services to approve a mine's dust mitigation plan for each area before the mine starts a new longwall face.

The Order focuses on longwall mining due to the higher amount of dust generated from this type of mining compared to other mining methods.

OHyS received and recommended for approval 24 dust mitigation plans in 2011–12. The unit examined dust samples from previous longwalls before recommending the plans so that improvements to control methods could be implemented if required.

ORDER 42: MONITORING AIRBORNE DUST

Order 42 was introduced in February 2011 to ensure airborne dust in NSW coal mines is effectively monitored and controlled. The Order retains the legislated dust monitoring and environmental standards in NSW coal mines, including current monitoring practices. This enables Coal Services to continue protecting mine workers' health by maintaining optimal health standards. These standards have helped to keep lung diseases such as pneumoconiosis (black lung) at bay.

Under the Order, Coal Services must frequently collect and analyse samples of airborne dust from the breathing zone of mine workers at coal mine operations whose health may be affected by the dust. Coal mine operators in NSW must allow Coal Services inspectors to enter a mine site to conduct the monitoring, including collecting and analysing samples to a prescribed standard.

OHyS has been measuring respirable dust samples since 1948 and inhalable dust samples since 2008. During 2011–12, the unit sampled respirable and inhalable dust from the breathing zones of more than 4,860 individuals. The test found 1.1 per cent of workers sampled exceeded the respirable dust limit of 2.5mg/m3, and 9 per cent of workers sampled exceeded the inhalable dust limit of 10mg/m3.

However, inhalable dust exceedences have dropped by 19% since the introduction of the Order in February 2011.

STANDING COMMITTEE ON AIRBORNE CONTAMINANTS, DIESEL PARTICULATES, NOISE RESEARCH AND CONTROL

The Standing Committee on Airborne Contaminants, Diesel Particulates, Noise Research and Control (previously the Standing Committee on Dust Research and Control) is an expert advisory body comprising representatives from colliery proprietors, mining unions and government departments, industry consultants and Coal Services' medical and technical personnel. The Committee is comprised of the following two sub-committees:

1. Airborne Contaminants & Diesel Particulate Sub-committee

The main role of the Sub-committee is to:

- monitor the results of airborne dust and diesel particulate sampling
- evaluate the hazards these results pose
- research improved dust and diesel particulate control methods
- disseminate related information
- educate mine personnel in matters related to controlling dust and diesel particulate.

The Sub-committee met bi-monthly during 2011–12. It also visited Abel, Angus Place, Appin, Austar, Chain Valley and North Wambo Underground collieries.

The Standing Committee on Airborne Contaminants, Diesel Particulates, Noise Research and Control endorses the use of proper ventilation and dust suppression strategies to control dust-related lung disease in the NSW coal industry. There have been no new recorded cases of dust-related lung disease (pneumoconiosis) in NSW since 1972.

2. Noise-Induced Hearing Loss Sub-committee

The Standing Committee on Dust Research and Control played a key role in controlling dust and eliminating mineworkers' pneumoconiosis (black lung) from the NSW coal industry. Focus has now moved to noise-induced hearing loss (NIHL) which is currently the most common compensable injury in the NSW coal mining industry. It is a preventable injury that severely reduces affected workers' quality of life.

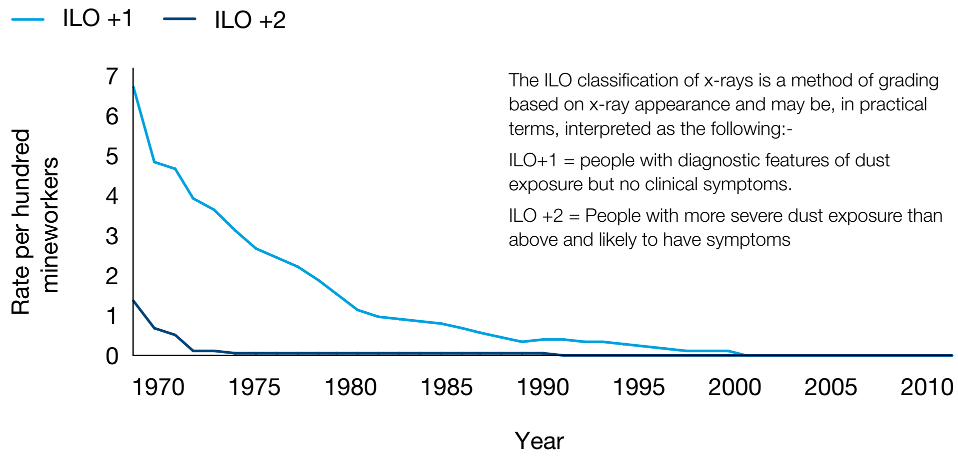
The Noise-Induced Hearing Loss Sub-committee (NIHL Sub-committee) was formed using the Standing Committee on Dust Research and Control as a model. The NIHL Sub-committee comprises representatives from all sectors of the coal mining industry and relies on regular research, monitoring and reporting on ways to eliminate or control noise-related hazards.

The sub-committee's initial priorities were to establish communication links and develop educational material for workers and supervisors to highlight the nature and extent of NIHL and associated issues.

The sub-committee will release a range of booklets and presentations in the first half of 2012–13. Following the release of this material, the sub-committee will hold meetings at mine sites on a regular basis to encourage direct discussion and observations of noise-related hazards. Mines across NSW have been contacted and all are willing to share information and ideas for improvement strategies.

A similar model was used to eliminate pneumoconiosis (black lung) and the NIHL Sub-committee expects the same success in controlling noise-induced hearing loss.

Pneumoconiosis prevalence NSW coal industry, 1970 – 2011



OHYS GROWTH ACROSS NSW

In 2011–12, OHyS increased the number of statutory tests it conducted in NSW mines by 28 per cent compared to 2010–11. The total number of samples taken also rose by 19 per cent. Furthermore, OHyS increased the proportion of its activities dedicated to education sessions for the coal mining workforce; the result being that 45 per cent of the workforce was educated in occupational hygiene matters compared to just 25 per cent in 2010-11.

The increase in OHyS' engagement with the coal mining industry across most of NSW indicates a higher level of awareness in the industry of the range of services OHyS provides. It shows members of the industry are willing to use the unit's considerable skills base to help them meet and exceed their statutory obligations.

The new Mudgee office will ensure employers and employees in the Mudgee and Ulan areas can more easily access a range of essential hygiene services, including monitoring dust, noise, vibration and lighting levels. Staff at the centre will also provide advice on how workers can protect themselves in high-risk areas where they are exposed to environmental hazards.

The opening of the Mudgee office and employing additional staff in the Singleton and Western districts have been underlying factors in the improved statutory performance in the past six months of the financial year, and will no doubt continue to pay dividends in the immediate future.

ORDER 34: ENSURING TRAINING SCHEMES ARE IN PLACE

For coal mine workers to work safely and efficiently, they must be properly trained. Order 34 was implemented by the Joint Coal Board in 1979 to ensure mine owners developed training plans for mine workers that would improve the safety of the workplace. Over time, Coal Services has worked with NSW coal operations and the Government to develop and review the Guidelines for Training and Competency Management Schemes. These Guidelines assist NSW coal operations to prepare and improve their Training and Competency Management Schemes. These Schemes must be in place at all NSW coal operations, as required under the *Coal Mines Health and Safety Act 2002*.

During 2011–12, Coal Services continued to review Order 34 guidelines to reflect coal mining industry best practice, ensuring the guidelines remained relevant and complied with contemporary training and education principles.

Coal Services checks that submitted training plans meet the standards in the guidelines and helps mine operators identify opportunities to improve their training systems. Order 34 teams also audit existing training programs or specific elements of these programs. The audit process is designed to help mine operators meet their statutory obligations under coal mining safety legislation, and comply with general work health and safety legislation.

In 2011–12, the Coal Services Board approved eight training and competency management plans and the Order 34 team carried out 12 audits.

Corporate Governance

Bruce Grimshaw
Company Secretary/Legal Counsel

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

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

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

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

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

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 Anthony (Tony) Haraldson AM.

The Board holds formal board meetings throughout the year, but also meets whenever necessary to carry out its responsibilities. During 2011–12, the Board held 16 meetings.

GOVERNANCE

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

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

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

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

In order to properly comply with the regulations Coal Services engages both internal and external (KPMG) auditors to ensure rigorous analysis and investigation of Coal Services' operations both in relation to governance and prudential standards.

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

There are three statutory instruments that operate to regulate the legislated functions of Coal Services, Coal Mines Insurance and Mines Rescue.

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

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

Board meetings attended by Directors in 2011–12

DIRECTOR	ELIGIBLE TO ATTEND	ATTENDED
Ron Land (i)	10	10
Tony Haraldson	16	16
Wayne McAndrew	16	14 (vi)
Kieren Turner (i)	10	8
James Mackrill (i)	10	9
Ross Taylor (i)	10	8 (v)
Mark Coyne (ii)	8	8
Lucy Flemming (iii)	8	8
Peter Jordan (iv)	6	5 (vi)
Sue-Ern Tan (iv)	6	5 (vi)

(i) Appointment expired on 31 December 2011
(ii) Resigned on 8 December 2011
(iii) Appointed 19 December 2011
(iv) Appointed 1 January 2012
(v) Interstate on official business for two meetings
(vi) Alternate directors attended

Annual Financial Report for the year ended 30 June 2012

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 2012.

DIRECTORS

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

A J Haraldson-Chairman

W McAndrew

L Flemming (appointed on 19 December 2011)

P Jordan (appointed on 01 January 2012)

D Gunzburg (appointed on 01 September 2012)

S Tan (appointed on 01 January 2012 and resigned on 30 August 2012)

R P Land (retired on 31 December 2011)

M Coyne (retired on 08 December 2011)

J Mackrill (retired on 31 December 2011)

R M Taylor (retired on 31 December 2011)

K P Turner (retired on 31 December 2011)

PRINCIPAL ACTIVITIES

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

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

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

c) occupational health and rehabilitation services principally 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

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	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Workers compensation insurance	**134,898**	112,233	**(2,123)**	13,113
Mines rescue services	**25,321**	22,885	**2,042**	2,103
Occupational health and rehabilitation services	**13,770**	10,260	**(311)**	(656)
Investment activities of Coal Services	**25,243**	25,795	**23,890**	24,586
Others	**11,989**	860	**(1,101)**	(18,512)
	211,221	172,033		
Profit from ordinary activities before income tax			**22,397**	20,634
Income tax benefit			**5,566**	5,140
Net profit			**27,963**	25,774
Other comprehensive income				
Revaluation of property, plant and equipment			**(84)**	268
Income tax on other comprehensive income			**–**	551
Defined benefit superannuation actuarial losses			**(6,036)**	–
Total comprehensive income			**21,843**	26,593

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

a) Workers Compensation Insurance

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

The segment result for the year was a loss of $2.12m (2011: profit of $13.11m). The result for underwriting operations was a profit of $4.60m (2011: profit of $19.45m), before administration expenses of $6.13m (2011: $5.56m), and an increase in the indemnity provided to Coal Mines Insurance Pty Limited by Coal Services Pty Limited of $2.12m (2011: reduction of $13.11m) in line with the terms of the deed of indemnity.

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 $2.04m (2011: profit of $2.10m). Total operating revenue of $25.32m (2011: $22.89m) included contributions from mine owners of $7.61m (2011: $7.32m) and training and other services revenue of $17.71m (2011: $15.57m).

c) Occupational Health and Rehabilitation Services

Coal Services Health is the registered trading name for the division of Coal Services Pty Limited which provides occupational health and rehabilitation services to the NSW coal industry. The segment result for the year was a loss before income tax of $0.31m (2011: loss of $0.66m). This segment generated revenue of $13.77m (2011: $10.26m).

d) Investment Activities

During the year the investment portfolio held by Coal Services Pty Limited generated a net investment profit of $23.89m (2011: profit of $24.59m), including unrealised loss of $5.50m (2011: generated unrealised profit of $0.02m).

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

AUDITORS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

The 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 DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 36.

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.

A J Haraldson
Director and Chairman

L Flemming
Managing Director/CEO

Sydney
27 September 2012

KPMG

Lead Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001*

To the Directors of Coal Services Pty Limited, I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 30 June 2012 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
27 September 2012

Statement of Financial Position at 30 June 2012

	NOTES	PARENT ENTITY 2012 $'000	PARENT ENTITY 2011 $'000	CONSOLIDATED 2012 $'000	CONSOLIDATED 2011 $'000
Current assets					
Cash and cash equivalents	13	**48,481**	5,291	**53,299**	6,951
Receivables	14	**22,499**	4,144	**33,640**	17,753
Current tax assets	15	**–**	31,377	**–**	31,377
Financial assets held at fair value through profit or loss	16	**298,142**	303,383	**298,142**	303,383
Inventories	17	**–**	–	**280**	202
Other	18	**1,144**	887	**1,149**	913
Total current assets		**370,266**	345,082	**386,510**	360,579
Non-current assets					
Receivables	19	**–**	4,347	**2,212**	2,182
Financial assets held at fair value through profit or loss	20	**1,010**	1,010	**1,010**	1,010
Investment in subsidiaries	21	**26,566**	26,566	**–**	–
Property, plant and equipment	22	**15,532**	15,582	**65,245**	64,050
Investment properties	23	**61,800**	61,400	**61,800**	61,400
Deferred taxes	24	**–**	–	**–**	–
Lease incentives		**54**	112	**54**	112
Total non-current assets		**104,962**	109,017	**130,321**	128,754
Total assets		**475,228**	454,099	**516,831**	489,333
Current liabilities					
Payables	25	**160,933**	149,676	**13,535**	10,891
Unearned revenue	29	**–**	–	**1,980**	2,520
Borrowings	26	**–**	16,933	**–**	16,933
Provision for outstanding claims	9	**–**	–	**80,208**	76,150
Provisions	27	**169,261**	166,784	**7,063**	6,508
Other	28	**27**	39	**1,736**	2,696
Total current liabilities		**330,221**	333,432	**104,522**	115,698
Non-current liabilities					
Unearned revenue	29	**–**	–	**2,941**	3,932
Deferred tax liabilities	30	**–**	–	**–**	–
Defined benefit superannuation scheme	34	**9,345**	4,609	**11,106**	6,275
Provision for outstanding claims	9	**–**	–	**251,471**	237,629
Provisions	31	**9,975**	10,876	**13,289**	14,140
Total non-current liabilities		**19,320**	15,485	**278,807**	261,976
Total liabilities		**349,541**	348,917	**383,329**	377,674
Net assets		**125,687**	105,182	**133,502**	111,659
Equity					
Contributed equity	35	**–**	–	**–**	–
Reserves	36a	**–**	–	**2,156**	2,240
Retained profits	36b	**125,687**	105,182	**131,346**	109,419
Total equity		**125,687**	105,182	**133,502**	111,659

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 2012

	NOTES	PARENT ENTITY 2012 $'000	PARENT ENTITY 2011 $'000	CONSOLIDATED 2012 $'000	CONSOLIDATED 2011 $'000
Premium revenue	7	–	–	**134,898**	112,233
Outwards reinsurance premium expense	7	–	–	**(3,054)**	(2,553)
Net premium revenue		–	–	**131,844**	109,680
Claims expense	8		–	**(83,729)**	(59,838)
Reinsurance and other recoveries revenue	8		–	**1,301**	815
Net claims incurred		–	–	**(82,428)**	(59,023)
Other underwriting expenses		–	–	**(37,403)**	(24,799)
Underwriting result	6c	–	–	**12,013**	25,858
Investment income	11b	**25,558**	26,088	**25,243**	25,795
Other income	10	**39,119**	22,350	**50,158**	33,150
Employee benefits expense		**(24,951)**	(19,160)	**(36,115)**	(29,029)
Depreciation and amortisation expenses		**(1,046)**	(966)	**(4,177)**	(3,737)
Write-down of property, plant and equipment to recoverable amount	11a	**(240)**	(293)	**(607)**	(499)
Net loss from the sale of assets	11a	**(183)**	(232)	**(215)**	(58)
Impairment of receivables	11a	–	(6)	**7**	13
Investment management expenses		**(1,353)**	(1,208)	**(1,353)**	(1,208)
Miners' pension expense	11a & 32d	**(159)**	(336)	**(159)**	(336)
Mines Rescue materials expenses		–	–	**(2,882)**	(3,344)
Repairs and maintenance expenses		**(115)**	(109)	**(713)**	(588)
Consultants and contractors		**(2,128)**	(2,851)	**(3,751)**	(3,786)
Medical related expenses		**(620)**	(506)	**(394)**	(345)
Other expenses		**(11,401)**	(16,814)	**(14,658)**	(21,252)
Total expenses from operating activities		**(42,196)**	(42,481)	**(65,017)**	(64,169)
(Increase)/Reduction in indemnity to controlled entity	27a	**(2,123)**	13,114	–	–
Profit from operating activities before tax		**20,358**	19,071	**22,397**	20,634
Income tax benefit	12a	**5,566**	8,574	**5,566**	5,140
Net profit for the year attributable to owners of the company	36b	**25,924**	27,645	**27,963**	25,774
Other comprehensive income					
Revaluation of property plant and equipment		–	–	**(84)**	268
Income tax on other comprehensive income		–	–	–	551
Defined benefit superannuation actuarial losses	34e	**(5,419)**	–	**(6,036)**	–
Other comprehensive income for the year attributable to owners of the company		**(5,419)**	–	**(6,120)**	819
Total comprehensive income for the year		**20,505**	27,645	**21,843**	26,593

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 2012

	SHARE CAPITAL $'000	RESERVES $'000	RETAINED EARNINGS $'000	TOTAL $'000
Parent 2012				
Balance at 1 July 2011	**–**	**–**	**105,182**	**105,182**
Profit for the year	**–**	**–**	**25,924**	**25,924**
Other comprehensive income	**–**	**–**	**(5,419)**	**(5,419)**
Total comprehensive income for the year	**–**	**–**	**20,505**	**20,505**
Balance at 30 June 2012	**–**	**–**	**125,687**	**125,687**
Parent 2011				
Balance at 1 July 2010	–	–	77,537	77,537
Profit for the year	–	–	27,645	27,645
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	27,645	27,645
Balance at 30 June 2011	–	–	105,182	105,182
Consolidated 2012				
Balance at 1 July 2011	**–**	**2,240**	**109,419**	**111,659**
Profit for the year	**–**		**27,963**	**27,963**
Other comprehensive income	**–**	**(84)**	**(6,036)**	**(6,120)**
Total comprehensive income for the year	**–**	**(84)**	**21,927**	**21,843**
Balance at 30 June 2012	**–**	**2,156**	**131,346**	**133,502**
Consolidated 2011				
Balance at 1 July 2010	–	1,421	83,645	85,066
Profit for the year	–	–	25,774	25,774
Other comprehensive income	–	819	–	819
Total comprehensive income for the year	–	819	25,774	26,593
Balance at 30 June 2011	–	2,240	109,419	111,659

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 2012

	NOTES	PARENT ENTITY 2012 $'000	PARENT ENTITY 2011 $'000	CONSOLIDATED 2012 $'000	CONSOLIDATED 2011 $'000
Cash flows from operating activities					
Underwriting operations					
Premiums received (inclusive of GST)		**131,810**	109,747	**131,810**	109,747
Outwards reinsurance paid		**(3,054)**	(2,553)	**(3,054)**	(2,553)
Claims paid		**(66,657)**	(64,900)	**(66,657)**	(64,900)
Other underwriting expenses paid		**(30,938)**	(24,799)	**(30,938)**	(24,799)
Other operations					
Investment income		**22,934**	28,178	**23,014**	27,384
Other income		**24,279**	22,504	**45,125**	31,130
Miners' pension fund payments		**(2,235)**	(2,450)	**(2,235)**	(2,450)
Income taxes recovered		**36,953**	1,475	**36,956**	1,475
Other operating payments		**(50,223)**	(53,285)	**(62,973)**	(51,044)
Net cash inflow from operating activities	44	**62,869**	13,917	**71,048**	23,990
Cash flows from investing activities					
Payments for property, plant and equipment		**(2,538)**	(2,639)	**(7,636)**	(7175)
Payments for investment properties		**(300)**	(218)	**(300)**	(218)
Payments for investments		**(39,963)**	(89,604)	**(39,963)**	(89,605)
Proceeds from sale of property, plant and equipment		**1,120**	1,296	**1,359**	2,159
Proceeds from sale of investment properties		**–**	–	**–**	2,800
Proceeds from sale of investments		**38,773**	66,100	**38,773**	66,100
Receipts from loan to subsidiary		**162**	9,616	**–**	–
Net cash outflow from investing activities		**(2,746)**	(15,449)	**(7,767)**	(25,939)
Cash flows from financing activities					
(Repayments of)/Proceeds from borrowings		**(16,933)**	6,848	**(16,933)**	6,848
Net cash (outflow)/inflow from financing activities		**(16,933)**	6,848	**(16,933)**	6,848
Net increase in cash and cash equivalents		**43,190**	5,316	**46,348**	4,899
Cash and cash equivalents at the start of the year		**5,291**	(25)	**6,951**	2,052
Cash and cash equivalents at the end of the year	13	**48,481**	5,291	**53,299**	6,951

The Company receives collection for premiums and makes payments for claims on behalf of its controlled entity, Coal Mines Insurance Pty Limited.

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

Contents of the Notes to the Consolidated Financial Statements

Notes to the Financial Statements for the year ended 30 June 2012

NOTE 1: CORPORATE INFORMATION

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

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

Level 21
44 Market Street
Sydney NSW 2000

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

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

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

c) occupational health and rehabilitation services principally to the New South Wales coal industry, under the registered trading name, CS 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 2012.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial report of Coal Services Pty Limited (the "Company" or "parent") for the year ended 30 June 2012 comprises the Company and its subsidiaries (together referred to as the "consolidated entity" or "Group"). The financial report was authorised for issue by the Directors on 27 September 2012.

(a) Statement of Compliance

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

The financial statements were approved by the Board of Directors on 27 September 2012.

(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 inclusion of full parent entity financial statements. This class order has been adopted by the consolidated entity.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2011, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 Financial Instruments, which becomes mandatory for the Group's 2016 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact had not been determined.

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, (ii) investments backing insurance liabilities. All land and buildings used in carrying the business are valued by using "value in use" method.

The preparation of a financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an 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.

Judgments 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 except as stated under change in accounting policy as below.

Change in accounting policy

Previously, the Group adopted an accounting policy to recognise the defined benefit scheme's actuarial gains and losses in profit or loss. As at 1 July 2011, the Group has decided to change its accounting policy to immediate recognition of these actuarial gains and losses in other comprehensive income. The Group believes that the change results in the financial report providing reliable and more relevant information about the effects of these transactions.

This change in accounting policy has not been applied retrospectively as the impact to the prior year's financial statement is not material.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of Preparation (continued)

The impact of this change in the Group's accounting policy on individual line items in the financial statements can be summarised as follows.

INCOME STATEMENT (EXTRACT)	PARENT 2012 $'000	PROFIT INCREASE/ (DECREASE) $'000	2012 AS PRESENTED $'000
Employee benefit expenses	(30,370)	5,419	(24,951)
Net profit for the year	20,505	5,419	25,924
Other comprehensive income for the year	–	(5,419)	(5,419)
Total comprehensive income for the year	20,505	–	20,505

INCOME STATEMENT (EXTRACT)	CONSOLIDATED 2012 $'000	PROFIT INCREASE/ (DECREASE) $'000	2012 AS PRESENTED $'000
Employee benefit expenses	(42,151)	6,036	(36,115)
Net profit for the year	21,927	6,036	27,963
Other comprehensive income for the year	(84)	(6,036)	(6,120)
Total comprehensive income for the year	21,843	–	21,843

This change does not impact the individual line items in the balance sheet.

Reclassification of comparatives

The following item has been reclassified from the parent entity's prior year financial report to conform to the current year's presentation.

Following further consideration of the terms of the indemnity provided to Coal Mines Insurance Pty Limited (CMI) and evolving interpretation of accounting standards, the Company has reclassified the provision for the CMI indemnity as a current liability. This is notwithstanding that the provision is not expected to be settled in the next 12 months. The comparative has been reclassified to conform to the current year's presentation. This reclassification does not impact the Group financial statements.

(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 consolidated entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated.

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Impairment (continued)

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 consolidated entity has used estimated fair values using depreciated replacement cost approach. This approach involves the summation of the land value along with the depreciated value of improvements.

Reversal of impairment

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

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

(f) Income Tax Payable

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

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

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 coal mine owners to contribute to a fund administered by Mines Rescue Pty Limited. Contributions are recognised at fair value of the consideration received. Training revenue is derived from the provision of safety training to the coal and other commercial industries. Services revenue is derived from the repair and maintenance of technical and safety equipment. Revenue is recognised when it is invoiced.

Occupational health and rehabilitation services

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

Investment income

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

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

Grant income

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

(h) Outwards Reinsurance

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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% (2011: 75%) level of confidence that the reserve will be sufficient.

(j) Receivables

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

(k) Inventories

Stocks of materials are held for re-sale and used in the operations of Mines Rescue Pty Limited to generate income. They are stated at the lower of cost and net realisable value. Costs are assigned to individual items of stock on the basis of weighted average costs. Consumables are expensed to the 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. At the end of each reporting period, the Directors update their assessment of the fair value of each property taking into account the most recent independent valuations. Revaluations are made with sufficient regularity to ensure the carrying amount of each piece of land and each building does not differ materially from its fair value at the reporting date. The Directors determine a property's value within a range of reasonable fair value estimates.

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

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.

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

(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 33.3% 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, 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.

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

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

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

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

(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 one year 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 Limited that are not owner occupied and commercial paper.

Recognition:

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

Measurement:

Financial assets and liabilities held at fair value through profit or 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 or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through 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.

(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 Group.

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

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

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

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

NOTE 3: ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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 34(f).

Estimated Fair Values of Investment and Owner Occupied Properties

The Group carries its investment properties at fair value with changes in the fair values recognised in profit or loss. It obtains independent valuations at least annually. At the end of each reporting period, the Directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The key assumptions used in this determination are set out in note 23.

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

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 approach to the valuation of outstanding claims liability at the balance sheet date incorporates a separate analysis and projection of experience for different claim types. The split of claim types is as follows:

- Asbestos claims
- Lung disease claims
- Industrial deafness and disease claims
- Non-asbestos/lung disease/industrial deafness and disease claims relating to accidents occurring prior to 1 July 1985, and
- Non-asbestos/lung disease/industrial deafness and disease claims relating to accidents occurring after 1 July 1985.

It is the last group of claims that constitutes most of the total central estimate of liability.

The following table summarises the valuation methods used for each valuation class:

VALUATION GROUP	VALUATION CLASS	VALUATION MODELS
Scheme claim numbers*	Claims reported	• Chain ladder on number of claims reported
	Claims finalised	• Modified chain ladder on the number of claims finalised as a proportion of the number of open claims
	Claims reopened	• Modified chain ladder on the number of claims reopened as a proportion of the number of finalised claims
Payment type	Full weekly compensation	• Proportion of active scheme claims receiving full weekly compensation • Payment per active full weekly claim
	Partial weekly compensation	• Continuance rate of claims receiving partial weekly compensation • Payment per active partial weekly claim
	Redemptions and Common Law	• Proportion of finalised scheme claims receiving a redemption or common law settlement • Payment per claim finalised with a common law settlement
	Lump sum	• Proportion of finalised scheme claims receiving a lump sum settlement • Payment per claim finalised with a lump sum payment
	Legal	• Payment per active scheme claim
	Medical	• Payment per active scheme claim
	Other	• Payment per active scheme claim
Claim type	Industrial deafness and disease (IDD)	• Chain ladder on the number of IDD claims reported • Payments per claim incurred
	Lung disease	• Pattern of IBNR claims x average claim size
	Asbestos	• Pattern of IBNR claims x average claim size
	Pre-1985 claims	• Annuity valuation for claims receiving weekly benefits • Loading for current claims not receiving weekly benefits

* *This excludes claims already considered within IDD, lung disease, asbestos and pre-1985 claims.*

NOTE 4: ACTUARIAL ASSUMPTIONS AND METHOD (continued)

There has been no change since 30 June 2011 to the valuation models used to analyse the claims experience.

The following allowances have been maintained in the valuation methodology:

- Inflation of past payments to current values
- Economic inflation and discounting of projected future cash flows
- Superimposed inflation for individual payment types
- Manual allowance for catastrophic large claims
- Consideration of reinsurance recoveries
- Non-reinsurance recoveries, and
- Expenses including claims handling and policy administration.

The methodology for determining the above allowances remains unchanged since the 30 June 2011 valuation.

Renewal of all Group policies occurs as at 1 July each year. When setting premium rates for the year it is necessary to determine the likely liabilities that will arise from the premiums expected to be written. These premium liabilities represent the projected cost of claims to be incurred for that year. The approach to the valuation of the premium liabilities has included an analysis of the historical and projected future value of the following:

- Exposure, measured by number of employees
- Claim frequency, measured against number of employees
- Average claims cost per worker, by payment type, and
- Average claim/settlement cost, by payment type.

The above items are used to determine the projected incurred cost of claims to be incurred for the year ended 30 June 2013. Loadings for claim handling expense, policy administration expense and a risk margin is then added to the projected cost of claims to estimate the value of the premium liability to achieve an estimated 75% level of confidence. On comparison of projected premium income for the year ending 30 June 2013 with the projected premium liability for the year ended 30 June 2013, no deficiency was recognised at 30 June 2012 at the 75% level of confidence.

The approach to determine the premium liabilities remains unchanged since the 30 June 2011 valuation.

Process Used to Determine Actuarial Assumptions

Claim Numbers

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

Similar methods were used to estimate future numbers of claim finalisations and reopening for the scheme.

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 finalised in the period less half the number of claims finalised 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 and Common Law

The numbers of past redemptions and common law settlements were expressed as a percentage of scheme claims finalised each half year. The pattern underlying these percentages was then used to project the number of redemptions and common law settlements in future half years based on the projected numbers of scheme 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 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 Group has established practices for accepting insurance risks which is based on a statutory obligation in the *Coal Industry Act*. The risk under any one insurance contract arises out of the uncertainty surrounding the timing and severity of claims under the contract.

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

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

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

Underwriting Strategy

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

Reinsurance Strategy

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

Terms and Conditions of Insurance Contracts

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

Product Features

The Group writes insurance risk only for the Coal Industry of New South Wales. Insurance indemnifies the policyholder against all liability arising under Workers Compensation legislation.

A return 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 Group.

Management of Risks

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

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

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

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

Concentration of Insurance Risks

Concentration risk is managed primarily through sensible pricing and reinsurance.

Interest Rate Risk

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

Credit Risk

The Group is exposed to credit risk on insurance contracts as a result of exposure to individual reinsurers. The Group does not have any material exposure to an individual reinsurer which would significantly impact the operating profit. The credit risk to reinsurers is managed through the Group having a pre-determined policy on the appropriate rating a reinsurer must have to participate in the Group's reinsurance programme. The Group is also exposed to credit risk of trade receivables, which may arise due to inability of insured parties to pay outstanding premiums.

	PARENT ENTITY		CONSOLIDATED	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
NOTE 6: UNDERWRITING RESULT				
a) Underwriting revenues				
Gross earned premiums	**–**	–	**134,898**	112,233
Reinsurance and other recoveries revenue	**–**	–	**1,301**	815
	–		**136,199**	113,048
b) Underwriting expenses				
Gross claims expense	**–**	–	**83,729**	59,838
Outwards reinsurance premium expense	**–**	–	**3,054**	2,553
Other underwriting expenses	**–**	–	**37,403**	24,799
	–		**124,186**	87,190
c) Underwriting result				
Net earned premiums	**–**	–	**131,844**	109,680
Net incurred claims	**–**	–	**(82,428)**	(59,023)
Other underwriting expenses	**–**	–	**(37,403)**	(24,799)
	–	–	**12,013**	25,858
NOTE 7: NET EARNED PREMIUMS				
Gross written premiums	**–**	–	**134,898**	112,233
Outwards reinsurance premium expense	**–**	–	**(3,054)**	(2,553)
Net earned premiums	**–**	–	**131,844**	109,680
NOTE 8: NET INCURRED CLAIMS				
Claims expense				
Undiscounted				
– Claims paid (including direct settlement costs)	**–**	–	**65,830**	64,900
– Movement in provision for claims outstanding	**–**	–	**(40,468)**	(18,330)
– Discount	**–**	–	**58,367**	13,268
	–	–	**83,729**	59,838
Reinsurance and other recoveries (discounted)	**–**	–	**(1,301)**	(815)
Net incurred claims	**–**	–	**82,428**	59,023

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
2012			
Gross claims incurred and related expenses			
– Undiscounted			
Claims paid (including direct settlement costs)	**9,159**	**56,671**	**65,830**
Movement in provision for claims outstanding	**69,492**	**(109,960)**	**(40,468)**
Discount	**(7,771)**	**66,138**	**58,367**
	70,880	**12,849**	**83,729**
Reinsurance and other recoveries			
– Discounted	**(857)**	**(444)**	**(1,301)**
Net incurred claims	**70,023**	**12,405**	**82,428**
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

	PARENT ENTITY 2012 $'000	PARENT ENTITY 2011 $'000	CONSOLIDATED 2012 $'000	CONSOLIDATED 2011 $'000
NOTE 9: OUTSTANDING CLAIMS				
a) Undiscounted expected future claim payments				
Central estimate	**–**	–	**331,429**	361,399
Risk margin	**–**	–	**43,152**	47,488
Indirect claims settlement costs	**–**	–	**28,171**	34,333
	–		**402,752**	443,220
Discount to present value	**–**	–	**(71,073)**	(129,441)
	–	–	**331,679**	313,779
Current	**–**	–	**80,208**	76,150
Non-current	**–**	–	**251,471**	237,629
	–	–	**331,679**	313,779

NOTE 9: OUTSTANDING CLAIMS (continued)

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

	2012	2011
For the succeeding year		
Inflation rate – normal (economic)	**3.60%**	4.00%
Inflation rate – superimposed		
– full weekly compensation	**4.00%**	4.00%
– medical – retrenched workers	**–**	2.00%
– medical – non-retrenched workers	**–**	5.00%
– medical – all workers	**3.00%**	–
– other	**2.00%**	2.00%
– asbestos	**3.00%**	3.00%
– lung	**2.00%**	2.00%
Discount rate	**2.80%**	4.80%
For the subsequent years		
Inflation rate – normal (economic)	**1.05% to 3.75%**	2.95% to 4.80%
Inflation rate – superimposed		
– full weekly compensation	**4.00%**	4.00%
– medical – retrenched	**–**	2.00%
– medical – non-retrenched	**–**	5.00%
– medical – all workers	**3.00%**	–
– other	**2.00%**	2.00%
– asbestos	**3.00%**	3.00%
– lung	**2.00%**	2.00%
Discount rate	**2.10% to 4.70%**	4.80% to 5.90%

c) The weighted average expected term to settlement of the outstanding claims from the balance date is estimated to be 5.2 years (2011: 5.1 years).

d) The prudential margin, which represents 12.0% (2011: 12.0%) of the discounted central estimate, provides a 75% level of confidence.

NOTE 9: OUTSTANDING CLAIMS (continued)

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	2003 $'000	2004 $'000	2005 $'000	2006 $'000	2007 $'000	2008 $'000	2009 $'000	2010 $'000	2011 $'000	2012 $'000	TOTAL $'000
Estimate of ultimate claims cost:											
At end of accident year	69,114	53,267	52,450	65,029	63,523	60,603	71,166	67,439	62,136	64,104	
One year later	60,909	51,160	55,312	53,760	59,552	61,901	68,501	62,752	59,537		
Two years later	57,225	49,335	52,089	51,206	59,778	64,980	68,708	56,551			
Three years later	51,689	56,469	58,529	51,197	61,153	59,162	67,037				
Four years later	51,513	56,590	56,800	48,579	57,075	55,570					
Five years later	52,240	59,963	58,188	47,124	55,722						
Six years later	53,289	60,000	58,501	47,139							
Seven years later	51,683	61,088	58,791								
Eight years later	51,894	61,081									
Nine years later	52,893										
Current estimate of cumulative claims cost	52,893	61,081	58,791	47,139	55,722	55,570	67,037	56,551	59,537	64,104	578,425
Cumulative payments	(45,468)	(52,895)	(49,628)	(36,220)	(42,079)	(38,938)	(44,025)	(23,889)	(18,568)	(8,256)	(359,966)
Outstanding claims – undiscounted	7,425	8,186	9,163	10,919	13,643	16,632	23,012	32,662	40,969	55,848	218,459
Outstanding claims 2002 and Prior											112,968
Discount											(58,486)
Claims handling expenses											23,200
Outstanding claims – central estimate											296,141
Risk margin											35,538
Total discounted claims outstanding											331,679

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 a change in each assumption will affect the insurance liabilities and show an analysis of the sensitivity of the profit/loss and equity to changes in these assumptions both gross and net of reinsurance.

	MOVEMENT IN VARIABLE %	IMPACT ON PROFIT NET OF REINSURANCE $'000	IMPACT ON EQUITY $'000
Average claim size	+10%	33,168	33,168
	-10%	(33,168)	(33,168)
Expense rate	+1%	3,057	3,057
	-1%	(3,057)	(3,057)
Discount rate	+1%	(13,428)	(13,428)
	-1%	15,161	15,161
Inflation rate – normal	+1%	14,588	14,588
	-1%	(13,142)	(13,142)
Inflation rate – superimposed	+1% to classes with SI	4,961	4,961
	-1% to classes with SI	(4,385)	(4,385)
Claim finalisation rate	Multiply by 110%	(13,714)	(13,714)
	Multiply by 90%	16,852	16,852
Claim reopening rate	Multiply by 110%	20,344	20,344
	Multiply by 90%	(20,179)	(20,179)

NOTE 9: OUTSTANDING CLAIMS (continued)

g) Reconciliation of movements on outstanding claims liabilities

	2012 $'000	2011 $'000
Gross outstanding claims provision at the beginning of the year	**318,078**	323,255
Gross risk margin at the beginning of the year	**(34,080)**	(34,634)
Gross central estimate at the beginning of the year	**283,998**	288,621
Claims paid in the year	**(65,830)**	(66,327)
Associated expense allowance	**(6,175)**	(6,573)
Unwinding of discount	**11,924**	11,366
Change due to experience and valuation assumptions	**7,276**	4,038
Movement in discount	**13,934**	3,953
Claims incurred in the year	**55,109**	48,920
Gross outstanding claims at the end of the year	**300,236**	283,998
Gross risk margin at the end of the year	**36,028**	34,080
Gross outstanding claims provision at the end of the year	**336,264**	318,078
Future recoveries (including risk margin)	**(4,585)**	(4,299)
Net outstanding claims liability at the end of the year	**331,679**	313,779

	PARENT ENTITY		CONSOLIDATED	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
NOTE 10: OTHER REVENUE				
Revenue from other operating activities:				
Contributions from colliery proprietors for Mines Rescue Levy	**–**	–	**7,608**	7,315
Training and services revenue	**–**	–	**14,535**	12,355
Occupational health and rehabilitation services	**13,770**	10,260	**13,032**	9,487
Other	**11,989**	861	**14,983**	3,993
	25,759	11,121	**50,158**	33,150
Revenue from outside the operating activities:				
Costs recovered from controlled entity	**13,360**	11,229	**–**	–
Revenue from other ordinary activities	**39,119**	22,350	**50,158**	33,150

NOTE 11: PROFIT FROM ORDINARY ACTIVITIES

a) Net gains/(losses) and expenses

Expenses				
Depreciation of plant and equipment	**(1,046)**	(975)	**(4,177)**	(3,746)
Impairment of receivables	**–**	(6)	**7**	13
Employee entitlement provisions	**(1,529)**	4	**(1,698)**	(411)
Miners' pension expense under indemnity	**(159)**	(336)	**(159)**	(336)
Write-down of property, plant and equipment to recoverable amount	**(240)**	(293)	**(607)**	(499)
Net loss on disposal of property, plant and equipment	**(183)**	(232)	**(215)**	(58)

NOTE 11: PROFIT FROM ORDINARY ACTIVITIES (continued)

b) Investment income / (loss)

	PARENT ENTITY		CONSOLIDATED	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Dividends	**–**	–	**–**	–
Equity and property trust distributions	**5,829**	5,508	**5,829**	5,508
Fixed interest trust distributions	**18,562**	14,490	**18,562**	14,490
Interest – short term investments	**2,332**	119	**2,332**	119
Interest – long term investments	**398**	376	**83**	83
Rental income	**5,570**	6,592	**5,570**	6,592
Investment property operating and management expenses	**(702)**	(735)	**(702)**	(735)
	31,989	26,350	**31,674**	26,057
Realised gains / (losses) on financial assets held at fair value through profit or loss				
Australian listed shares and equity trusts	**(800)**	–	**(800)**	–
Fixed interest investments	**(127)**	53	**(127)**	53
Overseas equity trust units	**–**	(334)	**–**	(334)
	(927)	(281)	**(927)**	(281)
Unrealised gains / (losses) on financial assets held at fair value through profit or loss:				
Australian listed shares and equity trusts	**(4,838)**	3,811	**(4,838)**	3,811
Investment property	**100**	(2,168)	**100**	(2,168)
Property trust units	**(1,301)**	1,957	**(1,301)**	1,957
Fixed interest investments	**1,901**	(2,768)	**1,901**	(2,768)
Overseas equity trust units	**(1,366)**	(813)	**(1,366)**	(813)
	(5,504)	19	**(5,504)**	19
Net investment income	**25,558**	26,088	**25,243**	25,795

	PARENT ENTITY		CONSOLIDATED	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
NOTE 12: INCOME TAX				
a) Income tax expense				
Current tax**	**(5,566)**	(21,645)	**(5,566)**	(31,377)
Deferred tax*	**–**	13,071	**–**	26,237
	(5,566)	(8,574)	**(5,566)**	(5,140)
Deferred income tax expense included in the income tax expense comprises:				
Decrease in deferred tax assets	**–**	18,362	**–**	31,168
(Decrease)/Increase in deferred tax liabilities	**–**	(5,291)	**–**	(4,931)
	–	13,071	**–**	26,237
b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit/(loss) before income tax expense	**20,358**	19,071	**22,397**	20,634
Income tax at 30% (2011: 30%)	**6,107**	5,721	**6,719**	6,190
Tax exempt income	**(6,107)**	(5,721)	**(6,719)**	(6,190)
Current tax adjustment for prior periods	**(5,566)**	(21,645)	**(5,566)**	(31,377)
Reversal of net deferred tax assets	**–**	13,071	**–**	26,237
	(5,566)	(8,574)	**(5,566)**	(5,140)

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

** During the year, the Company and the Group have recorded a current tax credit amounting to $5,566,000 for the years ended 30 June 2004 and 30 June 2005 following the further tax exemptions granted by the Australian Tax Office.

In the prior financial year, the Company and the Group had recorded a current tax recoverable amounting to $21,645,000 and $31,377,000 respectively for the years ended 30 June 2006 through to 30 June 2011 inclusive, following the tax exemption granted by the Australian Tax Office.

NOTE 12: INCOME TAX (continued)

c) Amounts recognised directly in equity

	PARENT ENTITY		CONSOLIDATED	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'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
	–	–	**–**	551

NOTE 13: CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	PARENT ENTITY 2012 $'000	PARENT ENTITY 2011 $'000	CONSOLIDATED 2012 $'000	CONSOLIDATED 2011 $'000
Cash at bank and on hand	**8,612**	5,291	**13,430**	6,951
Short term deposits	**39,869**	–	**39,869**	–
	48,481	5,291	**53,299**	6,951

The parent entity has a bank overdraft facility of $5,000,000 (2011: $5,000,000) as at 30 June 2012. The Commonwealth Bank of Australia has registered a fixed charge in respect of this facility.

NOTE 14: CURRENT ASSETS – RECEIVABLES

	PARENT ENTITY 2012 $'000	PARENT ENTITY 2011 $'000	CONSOLIDATED 2012 $'000	CONSOLIDATED 2011 $'000
Trade receivables	**2,446**	1,123	**5,286**	5,326
Less: Provision for impaired receivables	**–**	(6)	**(12)**	(38)
	2,446	1,117	**5,274**	5,288
Others	**8,225**	(929)	**28,366**	12,465
Amounts owed from Mines Rescue Pty Limited	**11,828**	3,956	**–**	–
	22,499	4,144	**33,640**	17,753
Movement in the provision for impairment of receivables are as follows				
Balance at 1 July	**6**	–	**38**	28
Provision for impairment recognised during the year	**–**	6	**12**	38
Receivables written off during the year as uncollectible	**(6)**	–	**(6)**	–
Unused amount reversed	**–**	–	**(32)**	(28)
Balance at 30 June	**–**	6	**12**	38

Notes to the Financial Statements for the year ended 30 June 2012 (continued)

	PARENT ENTITY		CONSOLIDATED	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
NOTE 15: CURRENT ASSETS – CURRENT TAX ASSETS				
Current taxation assets	**–**	31,377	**–**	31,377
	–	31,377	**–**	31,377
NOTE 16: CURRENT ASSETS – FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS				
Australian bond trust units	**182,547**	176,852	**182,547**	176,852
Australian listed shares	**40,710**	44,571	**40,710**	44,571
Australian equity trust units	**11,284**	22,270	**11,284**	22,270
Overseas equity trust units	**38,337**	39,413	**38,337**	39,413
Global infrastructure fund	**16,056**	16,675	**16,056**	16,675
Australian cash fund	**9,208**	3,602	**9,208**	3,602
	298,142	303,383	**298,142**	303,383
NOTE 17: CURRENT ASSETS – INVENTORIES				
Goods held for resale	**–**	–	**280**	202
NOTE 18: CURRENT ASSETS – OTHER				
Prepayments	**1,144**	887	**1,149**	913
NOTE 19: NON-CURRENT ASSETS – RECEIVABLES				
Amounts owed from Mines Rescue Pty Limited	**–**	4,347	**–**	–
Receivable from Auscoal for Long Service Leave	**–**	–	**2,212**	2,182
	–	4,347	**2,212**	2,182
NOTE 20: NON-CURRENT ASSETS – FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS				
Loan to third party	**1,010**	1,010	**1,010**	1,010
	1,010	1,010	**1,010**	1,010

The parent entity holds a nominee Directorship in Mount Thorley Coal Loading Limited. The parent entity has made a loan to Mount Thorley Coal Loading Limited which is secured by a bank guarantee.

	PARENT ENTITY		CONSOLIDATED	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
NOTE 21: NON-CURRENT ASSETS – INVESTMENT IN SUBSIDIARIES				
Shares in controlled entity – Mines Rescue Pty Limited	**25,000**	25,000	**–**	–
Shares in controlled entity – Coal Mines Insurance Pty Limited	**90**	90	**–**	–
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 Limited. As at 30 June 2012, $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.

NOTE 22: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	PARENT ENTITY 2012 $'000	PARENT ENTITY 2011 $'000	CONSOLIDATED 2012 $'000	CONSOLIDATED 2011 $'000
Land and buildings				
At valuation	**11,320**	11,560	**50,303**	50,890
Less: accumulated depreciation	**–**	–	**(35)**	(24)
	11,320	11,560	**50,268**	50,866
Office improvements				
At cost	**905**	734	**905**	734
Less: accumulated depreciation	**(646)**	(496)	**(646)**	(496)
	259	238	**259**	238
Computer equipment				
At cost	**1,924**	2,046	**2,001**	2,104
Less: accumulated depreciation	**(1,088)**	(1,193)	**(1,112)**	(1,200)
	836	853	**889**	904
Motor vehicles				
At cost	**2,114**	2,160	**3,716**	3,493
Less: accumulated depreciation	**(295)**	(241)	**(1,010)**	(857)
	1,819	1,919	**2,706**	2,636
Plant and equipment				
At cost	**2,302**	1,904	**23,326**	18,597
Less: accumulated depreciation	**(1,004)**	(892)	**(12,203)**	(9,191)
	1,298	1,012	**11,123**	9,406
	15,532	15,582	**65,245**	64,050

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

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. For the current year, $83,640 of the revaluation decrement (2011: $267,467 revaluation increment) has been debited to the asset revaluation reserve in shareholders' equity and $606,776 of revaluation decrement (2011: $495,922) has been debited to profit and loss.

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	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Freehold Land				
Cost	**2,973**	2,973	**8,836**	8,836
Buildings				
Cost	**13,485**	13,485	**55,380**	55,311
Accumulated depreciation	**(1,032)**	(826)	**(5,239)**	(4,191)
Net book amount	**12,453**	12,659	**50,141**	51,120
Total land and buildings	**15,426**	15,632	**58,977**	59,956

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

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 2011	11,560	238	853	1,919	1,012	15,582
Additions	–	179	390	1,469	500	2,538
Disposals	–	–	(52)	(1,242)	(8)	(1,302)
Net loss from fair value adjustment	(240)	–	–	–	–	(240)
Depreciation/amortisation expense	–	(158)	(355)	(327)	(206)	(1,046)
Carrying amount at 30 June 2012	11,320	259	836	1,819	1,298	15,532
Consolidated						
Carrying amount at 1 July 2011	50,866	238	904	2,636	9,406	64,050
Additions	103	179	413	2,099	4,842	7,636
Disposals	–	–	(55)	(1,510)	(8)	(1,573)
Net loss from fair value adjustment	(690)	–	–	–	–	(690)
Depreciation/amortisation expense	(11)	(158)	(373)	(519)	(3,117)	(4,178)
Carrying amount at 30 June 2012	50,268	259	889	2,706	11,123	65,245

	PARENT ENTITY		CONSOLIDATED	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
NOTE 23: NON-CURRENT ASSETS – INVESTMENT PROPERTIES				
At fair value				
Opening balance at 1 July	**61,400**	63,350	**61,400**	66,150
Capitalised subsequent expenditure	**300**	218	**300**	218
Reclassified from owner occupied	**–**	–	**–**	–
Disposals	**–**	–	**–**	(2,800)
Net gain/(loss) from fair value adjustments	**100**	(2,168)	**100**	(2,168)
Closing balance at 30 June	**61,800**	61,400	**61,800**	61,400
a) Amounts recognised in profit and loss for investment properties				
Rental income	**6,900**	7,014	**6,900**	7,014
Direct operating expenses	**(2,032)**	(2,171)	**(2,032)**	(2,171)
	4,868	4,843	**4,868**	4,843

b) Valuation basis

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

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

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

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

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

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

	2012	2011
Discount rate	9.75% – 11.00%	9.75% – 10.75%
Terminal yield	9.00% – 10.50%	8.75% – 10.50%
Capitalisation rate	8.75% – 10.50%	8.75% – 10.25%
Weighted rental growth rate	3.03% – 3.74%	3.04% – 3.77%

The 2012 revaluations were based on independent assessments made by a member of the Australian Property Institute.

	PARENT ENTITY 2012 $'000	PARENT ENTITY 2011 $'000	CONSOLIDATED 2012 $'000	CONSOLIDATED 2011 $'000
NOTE 24: NON-CURRENT ASSETS – DEFERRED TAX ASSETS				
The balance comprises temporary differences attributable to:				
Amounts recognised in profit and loss:				
Investment	–	(767)	–	(767)
Accrued expenses	–	1,791	–	2,045
Impaired debts	–	–	–	(7)
Indirect claims settlement costs	–	–	–	7,765
Employee entitlements	–	1,019	–	2,522
Defined benefit super	–	1,647	–	1,647
Unexpired risk reserve	–	–	–	(1)
Property	–	–	–	2,302
Unearned revenue	–	–	–	935
Tax losses/other	–	14,672	–	14,727
	–	18,362	–	31,168

	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 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	–	–	–	–	–	–	–	–	–	–	–
(Debited)/Credited to the statement of comprehensive income	–	–	–	–	–	–	–	–	–	–	–
Carrying amount at 30 June 2012	–	–	–	–	–	–	–	–	–	–	–

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 – Consolidated											
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	–	–	–	–	–	–	–	–	–	–	–
(Debited)/Credited to the statement of comprehensive income	–	–	–	–	–	–	–	–	–	–	–
Carrying amount at 30 June 2012	–	–	–	–	–	–	–	–	–	–	–

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

NOTE 25: CURRENT LIABILITIES – PAYABLES

	PARENT ENTITY		CONSOLIDATED	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Trade and other creditors	**922**	698	**3,339**	2,834
Accrued expenses	**1,420**	6,115	**10,196**	8,057
Amounts owed to Coal Mines Insurance Pty Limited	**158,591**	142,863	**-**	-
	160,933	149,676	**13,535**	10,891

NOTE 26: CURRENT LIABILITIES – BORROWINGS

Loan facility (Credit Suisse AG)	**–**	16,933	**–**	16,933

The parent company has a $30m revolving credit facility as at 30 June 2012. Credit Suisse AG has registered a fixed and a floating charge in respect of this facility.

	PARENT ENTITY		CONSOLIDATED	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
NOTE 27: CURRENT LIABILITIES – PROVISIONS				
Coal Mines Insurance Pty Limited indemnity	**164,792**	162,669	**–**	–
Miners' pension fund indemnity	**851**	950	**851**	950
Miners' pension fund Part 3 liability	**1,098**	1,098	**1,098**	1,098
Employee entitlements	**2,520**	2,067	**5,114**	4,460
	169,261	166,784	**7,063**	6,508

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 increase of $2.1m (2011: decrease of $13.1m) which has been debited/credited to the statement of comprehensive income of Coal Services Pty Limited for the year.

Notwithstanding that the provision for Coal Mines Insurance Pty Limited indemnity is classified as current liability, it is not expected to be settled within the next 12 months.

b) Miners' pension fund indemnity

The provision for the miner's pension fund indemnity is described in more detail in note 32.

c) 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	COAL MINES INSURANCE PTY LIMITED – INDEMNITY $'000	TOTAL $'000
Parent					
Carrying amount at 1 July 2011	2,067	950	1,098	162,669	166,784
Charged to the statement of comprehensive income	453	(99)	(1,098)	2,123	1,379
Transferred from Non-current (note 31)	–	–	1,098	–	1,098
Carrying amount at 30 June 2012	2,520	851	1,098	164,792	169,261

NOTE 27: CURRENT LIABILITIES – PROVISIONS (continued)

	EMPLOYEE ENTITLEMENTS $'000	MINERS' PENSION FUND $'000	PART 3 LIABILITY $'000	TOTAL $'000
Consolidated				
Carrying amount at 1 July 2011	4,460	950	1,098	6,508
Charged to the statement of comprehensive income	654	(99)	(1,098)	(543)
Transferred from Non-current (note 31)		–	1,098	1,098
Carrying amount at 30 June 2012	5,114	851	1,098	7,063

	PARENT ENTITY		CONSOLIDATED	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
NOTE 28: CURRENT LIABILITIES – OTHER				
Premium received in advance	**–**	–	**1,709**	2,656
Rental bonds received	**27**	39	**27**	40
	27	39	**1,736**	2,696
NOTE 29: LIABILITIES – UNEARNED REVENUE				
Unearned revenue – Current	**–**	–	**1,980**	2,520
Unearned revenue – Non-current	**–**	–	**2,941**	3,932
	–	–	**4,921**	6,452
Carrying amount at 1 July 2011	**–**	–	**6,452**	4,676
Add: Coal Services Health and Safety Trust grant	**–**	–	**831**	3,839
	–	–	**7,283**	8,515
Less: Recognised in the period	**–**	–	**(2,362)**	(2,063)
Balance 30 June 2012	**–**	–	**4,921**	6,452

During the year, Mines Rescue Pty Limited received a grant of $0.8m (2011: $3.8m) 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 2012.

	PARENT ENTITY		CONSOLIDATED	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
NOTE 30: NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES				
The balance comprises temporary differences attributable to:				
Amounts recognised in profit and loss:				
Unrealised losses on investments	**–**	(5,628)	**–**	(5,628)
Accrued income	**–**	8	**–**	8
Surplus on defined benefit superannuation schemes	**–**	–	**–**	418
Revaluation of land and buildings	**–**	390	**–**	332
Other liabilities	**–**	(61)	**–**	(61)
	–	(5,291)	**–**	(4,931)

	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 – Parent entity						
Carrying amount at 30 June 2010	5,628	(8)	–	(390)	61	5,291
Charged to the statement of comprehensive income	(5,628)	8	–	390	(61)	(5,291)
Charged directly to equity	–	–	–	–	–	–
Carrying amount at 30 June 2011	–	–	–	–	–	–
Debited/(Credited) to the statement of comprehensive income	–	–	–	–	–	–
Charged directly to equity	–	–	–	–	–	–
Carrying amount at 30 June 2012	–	–	–	–	–	–
Movements – Consolidated						
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	–	–	–	–	–	–
Debited/(Credited) to the statement of comprehensive income	–	–	–	–	–	–
Credited directly to equity	–	–	–	–	–	–
Carrying amount at 30 June 2012	–	–	–	–	–	–

	PARENT ENTITY		CONSOLIDATED	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
NOTE 31: NON-CURRENT LIABILITIES – PROVISIONS				
Miners' pension fund indemnity	**5,374**	6,253	**5,374**	6,253
Miners' pension fund indemnity part 3 liability	**2,196**	3,294	**2,196**	3,294
Employee entitlements	**2,405**	1,329	**5,719**	4,593
	9,975	10,876	**13,289**	14,140

a) Miners' pension fund indemnity

The provision for the miner's pension fund indemnity is described in more detail in note 32.

b) Movements in provisions

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

	MINERS' PENSION FUND – INDEMNITY $'000	PART 3 PENSION $'000	EMPLOYEE ENTITLEMENTS $'000	TOTAL $'000
Parent entity				
Carrying amount at 1 July 2011	6,253	3,294	1,329	10,876
Debited/(Credited) to the statement of comprehensive income	(879)	–	1,076	197
Reclassified to current provision (note 27)	–	(1,098)	–	(1,098)
Carrying amount at 30 June 2012	5,374	2,196	2,405	9,975
Consolidated				
Carrying amount at 1 July 2011	6,253	3,294	4,593	14,140
Debited/(Credited) to the statement of comprehensive income	(879)	–	1,126	247
Reclassified to current provision (note 27)	–	(1,098)	–	(1,098)
Carrying amount at 30 June 2012	5,374	2,196	5,719	13,289

NOTE 32: 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	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
a) Expected future payment				
Expected future pension payments – undiscounted	**9,066**	11,043	**9,066**	11,043
Discount to present value	**453**	552	**453**	552
	9,519	11,595	**9,519**	11,595
Current – indemnity	**1,949**	2,048	**1,949**	2,048
Non-current – indemnity	**7,570**	9,547	**7,570**	9,547
	9,519	11,595	**9,519**	11,595
b) The following average inflation rates and discount rates were used in the measurement of the indemnity:				
For the succeeding and subsequent years				
Inflation rate	**3.0%**	3.0%	**3.0%**	3.0%
Discount rate	**5.0%**	5.0%	**5.0%**	5.0%
c) The weighted average expected term to settlement of future pension payments from the balance date is estimated to be 4.92 years (2011: 4.96 years).				
d) Miners' pension expense under indemnity:				
Pension payments	**2,235**	2,450	**2,235**	2,450
Movement in indemnity provision	**(2,076)**	(2,114)	**(2,076)**	(2,114)
	159	336	**159**	336

	PARENT ENTITY		CONSOLIDATED	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
NOTE 33: EMPLOYEE ENTITLEMENTS				
Employee entitlement liabilities				
Long service leave entitlement				
Current	**374**	323	**1,137**	1,074
Non-current	**2,405**	1,329	**4,185**	3,082
	2,779	1,652	**5,322**	4,156
Annual leave entitlement				
Current	**2,146**	1,744	**3,245**	2,755
Non-current	**–**	–	**–**	–
	2,146	1,744	**3,245**	2,755
Sick leave entitlement				
Current	**–**	–	**657**	644
Non-current	**–**	–	**1,534**	1,511
	–	–	**2,191**	2,155
Total employee entitlements				
Current	**2,520**	2,067	**5,039**	4,473
Non-current	**2,405**	1,329	**5,719**	4,593
	4,925	3,396	**10,758**	9,066
Employee numbers				
Number of employees at the end of the period	**279**	268	**359**	332

NOTE 33: EMPLOYEE ENTITLEMENTS (continued)

Coal Industry Long Service Leave

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

Mines Rescue Pty Limited's 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 34 for further details on these schemes.

NOTE 34: NON-CURRENT LIABILITIES – DEFINED BENEFIT SUPERANNUATION SCHEME

a) Superannuation plans

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

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

NOTE 34: NON-CURRENT LIABILITIES – DEFINED BENEFIT SUPERANNUATION SCHEME (continued)

	PARENT ENTITY		CONSOLIDATED	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
b) Statement of financial position amounts				
Present value of the defined benefit obligation	**(18,768)**	(14,869)	**(22,763)**	(19,680)
Present value of the defined benefit plan assets	**9,423**	10,260	**11,657**	13,405
	(9,345)	(4,609)	**(11,106)**	(6,275)
Unrecognised actuarial losses	**–**	–	**–**	–
Net liabilities recognised in the statement of financial position	**(9,345)**	(4,609)	**(11,106)**	(6,275)

As at 30 June 2012, the asset sector percentages for the defined benefit funds are as follows:

ENERGY INDUSTRY SUPERANNUATION SCHEME	PARENT ENTITY	MINES RESCUE STATIONS STAFF SUPERANNUATION PLAN	SUBSIDIARY
Particulars		**Particulars**	
Listed equities	65.1%	Australian equities	25.8%
Unlisted property	2.6%	Overseas equities	15.8%
Private equity	1.3%	Australian fixed interest securities	33.8%
Semi-liquids and absolute return (growth)	17.1%	Overseas fixed interest securities	3.9%
Fixed income	12.1%	Property	2.5%
Cash	1.8%	Cash	18.2%
	100.0%		100.0%

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

NOTE 34: NON-CURRENT LIABILITIES – DEFINED BENEFIT SUPERANNUATION SCHEME (continued)

	PARENT ENTITY		CONSOLIDATED	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
c) Movement				
Movement in net liabilities recognised in the statement of financial position				
Net liabilities at the beginning of the year	**(4,609)**	(5,493)	**(6,275)**	(6,887)
Net expense recognised in profit and loss	**(270)**	(337)	**(680)**	(694)
Actuarial (losses)/gains	**(5,419)**	236	**(6,036)**	(303)
Contributions	**953**	985	**1,885**	1,609
Net liabilities disclosed in the statement of financial position	**(9,345)**	(4,609)	**(11,106)**	(6,275)
Reconciliation of the present value of defined benefit obligation				
Opening defined benefit obligation	**14,869**	14,332	**19,680**	18,249
Current service cost	**309**	319	**745**	692
Interest cost	**799**	750	**1,005**	912
Contributions by fund participants	**126**	136	**126**	136
Actuarial losses/(gains)	**4,482**	27	**4,901**	655
Benefits paid	**(1,817)**	(695)	**(2,097)**	(964)
Liabilities extinguished on settlements	**–**	–	**(1,597)**	–
Closing defined benefit obligation	**18,768**	14,869	**22,763**	19,680
Reconciliation of the fair value of fund assets				
Opening fair value of fund assets	**10,260**	8,839	**13,405**	11,362
Expected return	**838**	732	**1,070**	910
Actuarial (losses)/gains	**(937)**	263	**(1,135)**	352
Employer contributions	**953**	985	**1,885**	1,609
Contributions by fund participants	**126**	136	**126**	136
Benefits paid	**(1,817)**	(695)	**(2,097)**	(964)
Assets distributed on settlements	**–**	–	**(1,597)**	–
Closing fair value of fund assets	**9,423**	10,260	**11,657**	13,405

NOTE 34: NON-CURRENT LIABILITIES – DEFINED BENEFIT SUPERANNUATION SCHEME (continued)

	PARENT ENTITY		CONSOLIDATED	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
d) Amounts recognised in profit or loss				
Current service cost	**309**	319	**745**	692
Interest cost	**799**	750	**1,005**	912
Expected return on scheme assets	**(838)**	(732)	**(1,070)**	(910)
Actuarial (gains)/losses	**–**	(236)	**–**	303
Expense/(income) recognised	**270**	101	**680**	997
Actual return on scheme assets	**(98)**	996	**(64)**	1,262
e) Amounts recognised in other comprehensive income				
Actuarial (losses)/gains	**(5,419)**	–	**(6,036)**	–
	(5,419)	–	**(6,036)**	–

f) Principal actuarial assumptions

The principal actuarial assumptions used were as follows:

	2012	2011
Energy Industry Superannuation Scheme		
Salary increase rate	**2.5%**	4.0%
Rate of CPI increase	**2.5%**	2.5%
Expected rate of return on assets	**8.1%**	8.1%
Discount rate after tax	**3.1%**	5.3%
Mines Rescue Stations Staff Superannuation Plan		
Salary increase rate	**4.0%**	4.0%
Expected rate of return on assets	**6.0%**	6.6%
Discount rate after tax	**2.3%**	4.2%

NOTE 34: NON-CURRENT LIABILITIES – DEFINED BENEFIT SUPERANNUATION SCHEME (continued)

g) 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.

NOTE 35: CONTRIBUTED EQUITY

	PARENT ENTITY		CONSOLIDATED	
	2012 NUMBER OF SHARES	2011 NUMBER OF SHARES	**2012 $**	2011 $
Share capital				
Ordinary shares – Fully paid @ $1 each	**2**	2	**2**	2

It is not the Company's policy to pay dividends. On a show of hands, every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote and upon a poll each share is entitled to one vote.

	PARENT ENTITY		CONSOLIDATED	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
NOTE 36: RESERVES AND RETAINED PROFITS				
a) Reserves				
Property, plant and equipment revaluation reserve	**–**	–	**2,156**	2,240
Movements				
Balance at 1 July	**–**	–	**2,240**	1,421
Revaluation of land and buildings	**–**	–	**(84)**	819
	–	–	**2,156**	2,240
b) Retained profits				
Balance at 1 July	**105,182**	77,537	**109,419**	83,645
Net profit for the year	**25,924**	27,645	**27,963**	25,774
Defined Benefit Superannuation scheme actuarial losses	**(5,419)**	–	**(6,036)**	–
	125,687	105,182	**131,346**	109,419

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 37: 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:

	PARENT ENTITY		CONSOLIDATED	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Audit of financial reports				
Fees paid to KPMG	**19**	16	**178**	173
Actuarial peer review, taxation and other assurance services				
Fees paid to KPMG	**77**	138	**77**	138
	96	154	**255**	311

NOTE 38: KEY MANAGEMENT PERSONNEL COMPENSATION

a) Key management personnel

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

A J Haraldson-Chairman
W McAndrew
L Flemming (appointed on 19 December 2011)
P Jordan (appointed on 01 January 2012)
D Gunzburg (appointed on 01 September 2012)
S Tan (appointed on 01 January 2012 and resigned on 30 August 2012)
R P Land (retired on 31 December 2011)
M Coyne (retired on 08 December 2011)
J Mackrill (retired on 31 December 2011)
R M Taylor (retired on 31 December 2011)
K P Turner (retired on 31 December 2011)

	PARENT ENTITY		CONSOLIDATED	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
b) Key management personnel compensation				
Directors and other key personnel of the Company or other group companies received remuneration as follows:				
Short-term employee benefits – Directors	**1,077**	727	**1,077**	727
Short-term employee benefits – Other Key Personnel	**1,432**	1,671	**1,432**	1,671
	2,509	2,398	**2,509**	2,398

NOTE 39: RELATED PARTY DISCLOSURE

a) Transactions with Directors and director related entities

A previous director, M Coyne, is Chief Executive Officer of Employers Mutual Limited. During 2011 and 2012 financial years, Employers Mutual Limited provided management services and workers compensation insurance to the parent entity. This arrangement concluded on 31 December 2012.

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

Amounts recognised as an expense				
Workers compensation insurance	**249**	106	**249**	106
Management service	**597**	965	**597**	965
	846	1,071	**846**	1,071

NOTE 39: RELATED PARTY DISCLOSURE (continued)

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 (2011: $1,010,000). During the period, the parent entity received $75,773 (2011: $75,749) in interest on this loan. Also administrative income of $9,000 (2011: $9,000) have been received from Mt Thorley.

Two Directors (A J Haraldson and L Flemming), of the parent entity are also trustees of the Coal Services Health and 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. A grant of $0.83m (2011: $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 NSW coal industry. The Construction Forestry Mining and Energy Union is an association representing employees in the NSW coal industry.

	PARENT ENTITY		CONSOLIDATED	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Amounts recognised as expenses				
Director fees	**117**	60	**117**	60
Other services	**17**	15	**17**	15
	134	75	**134**	75
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
Administrative Income	**9**	9	**9**	9

NOTE 40: SUBSIDIARIES

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

	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING 2011	EQUITY HOLDING 2010
Name of entity				
Coal Mines Insurance Pty Limited	Australia	Ordinary	100%	100%
Mines Rescue Pty Limited	Australia	Ordinary	100%	100%

In October 2007, Coal Services Pty Limited (CSPL) Board approved a funding agreement. In accordance with the funding agreement, Coal Services Pty Limited (CSPL) funds the development and construction costs of Mines Rescue Pty Limited (Mines Rescue). The funding comprises 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 Limited for the total consideration of $25.00m. As at 30 June 2012, $5.00m of the secured loan has been drawn down and $25.0m of Mines Rescue Pty Limited's (Mines Rescue) Class B shares have been issued.

NOTE 41: EVENTS OCCURING AFTER THE STATEMENT OF FINANCIAL POSITION DATE

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

NOTE 42: CONTINGENCIES

Coal Mines Insurance Pty Limited, a subsidiary, provides a Premium Incentive Scheme designed to reward policyholders who develop and continue to improve strategies that focus on injury prevention and management. Payments of Premium Incentive Scheme are subject to policyholders meeting specific auditable requirements. As at 30 June 2012, estimated premiums incentive scheme payments of $4.32m have not been recognised as a liability as the existence of an obligation is dependent on the future actions of the policyholders in meeting the specific auditable requirements.

	PARENT ENTITY		CONSOLIDATED	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
NOTE 43: 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	**–**	–	**192**	–
			192	
b) Lease commitments				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	**804**	769	**914**	879
Later than one year but no later than five years	**2,932**	3,102	**2,978**	3,148
Later than 5 years	**724**	1,332	**724**	1,332
	4,460	5,203	**4,616**	5,359
Representing:				
Cancellable operating leases	**–**	–	**–**	–
Non-cancellable operating leases	**4,460**	5,203	**4,616**	5,359
	4,460	5,203	**4,616**	5,359
c) Operating Leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**804**	769	**914**	879
Later than one year but not later than five years	**2,932**	3,102	**2,978**	3,148
Later than five years	**724**	1,332	**724**	1,332
	4,460	5,203	**4,616**	5,359

	PARENT ENTITY		CONSOLIDATED	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
NOTE 44: RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES				
Net profit for the year	**25,924**	27,645	**27,963**	25,774
Depreciation and amortisation	**1,046**	975	**4,178**	3,746
Impairment of property, plant and equipment and investment property	**140**	2,461	**590**	2,167
Realised (gains)/losses on investments	**927**	281	**927**	281
Unrealised (gains)/loss on investments	**5,504**	(19)	**5,504**	(19)
Net loss on disposal of property, plant and equipment	**183**	232	**215**	57
Decrease/(increase) in trade receivables	**(1,329)**	(97)	**14**	(3,102)
Decrease/(increase) in current tax assets	**31,377**	(29,643)	**31,377**	(29,805)
Decrease/(increase) in investment income due	**–**	(312)	**–**	(312)
Decrease/(increase) in inventories	**–**	–	**(80)**	(13)
Decrease/(increase) in other receivables	**(9,353)**	(234)	**(16,109)**	(4,006)
Decrease/(increase) in deferred tax assets	**–**	18,362	**–**	31,167
(Decrease)/increase in trade creditors	**224**	155	**6,968**	615
Increase in unearned revenue	**–**	–	**(1,531)**	1,776
(Decrease)/increase in other operating liabilities	**(3,861)**	4,885	**1,329**	7,501
(Decrease)/increase in deferred tax liabilities	**–**	(5,291)	**–**	(5,482)
(Decrease)/increase in claims provision	**–**	–	**11,779**	(4,242)
(Decrease)/increase in other provisions	**(2,076)**	(2,114)	**(2,076)**	(2,113)
(Decrease)/increase in loan to controlled entity	**14,163**	(3,369)	**–**	–
Net cash inflow/(outflow) from operating activities	**62,869**	13,917	**71,048**	23,990

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

NOTE 45: FINANCIAL INSTRUMENTS

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

NOTE 45: FINANCIAL INSTRUMENTS (continued)

(a) Market risk

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

(i) Price risk

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

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

(ii) Currency risk

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

The Group does not have direct exposure to investments, receivables and payables denominated in a currency other than Australian dollars. However the Group has capital contracts amounting to $192K (disclosed under note 43 Commitments) for supply of Mines Rescue Support Trucks with Spurlock Vehicles from the US. This currency risk exposure is not material enough to significantly impact the Group's operating result or equity position.

(iii) Interest rate risk

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

The Group holds interest bearing short term deposits with various banks and also it has an interest bearing loan to Mount Thorley Coal Loading Limited. As at 30 June 2011 it had a loan of $16,399K from Credit Suisse which was repaid before 30 June 2012. At the reporting date the interest rate profile of the Group's interest bearing financial instruments was as follows:

	CARRYING AMOUNT			
	PARENT		CONSOLIDATED	
	30 JUNE 2012 $'000	30 JUNE 2011 $'000	**30 JUNE 2012 $'000**	30 JUNE 2011 $'000
Fixed Rate Instruments				
Financial assets	**40,879**	1,010	**40,879**	1,010
Financial liabilities	**–**	–	**–**	–
	40,879	1,010	**40,879**	1,010
Variable Rate Instruments				
Financial assets	**–**	–	**–**	–
Financial liabilities	**–**	16,399	**–**	16,399
	–	16,399	**–**	16,399

NOTE 45: 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
2012 Parent					
Financial assets:					
Cash	**8,612**	**(86)**	**86**	**–**	**–**
Short term deposit	**39,869**	**(399)**	**399**	**–**	**–**
Trade and other receivables	**22,499**	**(225)**	**225**	**–**	**–**
Loan receivable	**1,010**	**(10)**	**10**	**–**	**–**
Shares in listed companies	**40,710**	**–**	**–**	**(2,036)**	**2,036**
Managed funds	**257,432**	**–**	**–**	**(12,872)**	**12,872**
	370,132	**(720)**	**720**	**(14,908)**	**14,908**
2011 Parent					
Financial assets:					
Cash	5,291	(53)	53	–	–
Trade and other receivables	8,491	(85)	85	–	–
Loan receivable	1,010	(10)	10	–	–
Shares in listed companies	44,571	–	–	(2,229)	2,229
Managed funds	258,812	–	–	(12,941)	12,941
	318,175	(148)	148	(15,170)	15,170

NOTE 45: 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
2012 Consolidated					
Financial assets:					
Cash	**13,430**	**(134)**	**134**	**–**	**–**
Short term deposit	**39,869**	**(398)**	**398**	**–**	**–**
Trade and other receivables	**35,852**	**(359)**	**359**	**–**	**–**
Loan receivable	**1,010**	**(10)**	**10**	**–**	**–**
Shares in listed companies	**40,710**	**–**	**–**	**(2,036)**	**2,036**
Managed funds	**257,432**	**–**	**–**	**(12,872)**	**12,872**
	388,303	**(901)**	**901**	**(14,908)**	**14,908**
2011 Consolidated					
Financial assets:					
Cash	6,951	(70)	70	–	–
Trade and other receivables	19,935	(199)	199	–	–
Loan receivable	1,010	(10)	10	–	–
Shares in listed companies	44,571	–	–	(2,229)	2,229
Managed funds	258,812	–	–	(12,941)	12,941
	331,279	(279)	279	(15,170)	15,170

NOTE 45: FINANCIAL INSTRUMENTS (continued)

(b) Credit risk exposures

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

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

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

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

	NOT YET DUE $'000	31-90 DAYS $'000	90+ DAYS $'000	TOTAL PAST DUE BUT NOT IMPAIRED $'000	PAST DUE AND IMPAIRED $'000	TOTAL $'000
2012 Parent						
Trade and other receivables	**21,032**	**573**	**894**	**1,467**	**–**	**22,499**
2011 Parent						
Trade and other receivables	8,063	351	77	428	6	8,497
2012 Consolidated						
Trade and other receivables	**31,704**	**2,688**	**1,460**	**4,148**	**12**	**35,864**
2011 Consolidated						
Trade and other receivables	18,084	1,413	438	1,851	38	19,973

NOTE 45: FINANCIAL INSTRUMENTS (continued)

(b) Credit risk exposures (continued)

The following tables provide information regarding the Group's aggregated credit risk exposure by classifying assets according to the S&P's credit rating for each counterparty. AAA is the highest possible rating. The company regularly review 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
2012 Parent						
Cash	**–**	**8,612**	**–**	**–**	**–**	**8,612**
Trade and other receivables	**–**	**–**	**–**	**–**	**22,499**	**22,499**
Short term deposit	**–**	**39,869**	**–**	**–**	**–**	**39,869**
Loan receivable	**–**	**–**	**–**	**–**	**1,010**	**1,010**
Shares in listed companies	**–**	**–**	**–**	**–**	**40,710**	**40,710**
Managed funds	**–**	**182,288**	**51,280**	**23,864**	**–**	**257,432**
	–	**230,769**	**51,280**	**23,864**	**64,219**	**370,132**
2011 Parent						
Cash	–	5,291	–	–	–	5,291
Trade and other receivables	–	–	–	–	8,491	8,491
Loan receivable	–	–	–	–	1,010	1,010
Shares in listed companies	–	–	–	–	44,571	44,571
Managed funds	14,944	134,990	88,597	20,281	–	258,812
	14,944	140,281	88,597	20,281	54,072	318,175

NOTE 45: FINANCIAL INSTRUMENTS (continued)

(b) Credit risk exposures (continued)

	AAA $'000	AA $'000	A $'000	BBB $'000	NOT RATED $'000	TOTAL $'000
2012 Consolidated						
Cash	**–**	**13,430**	**–**	**–**	**–**	**13,430**
Trade and other receivables	**–**	**–**	**–**	**–**	**35,852**	**35,852**
Short term deposit	**–**	**39,869**	**–**	**–**	**–**	**39,869**
Loan receivable	**–**	**–**	**–**	**–**	**1,010**	**1,010**
Shares in listed companies	**–**	**–**	**–**	**–**	**40,710**	**40,710**
Managed funds	**–**	**182,288**	**51,280**	**23,864**	**–**	**257,432**
	–	**235,587**	**51,280**	**23,864**	**77,572**	**388,303**
2011 Consolidated						
Cash	–	6,951	–	–	–	6,951
Trade and other receivables	–	–	–	–	19,935	19,935
Loan receivable	–	–	–	–	1,010	1,010
Shares in listed companies	–	–	–	–	44,571	44,571
Managed funds	14,944	134,990	88,597	20,281	–	258,812
	14,944	141,941	88,597	20,281	65,516	331,279

NOTE 45: FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk

Liquidity risk is concerned with the risk of there being insufficient cash resources to meet payment obligations without affecting the daily operations or the financial condition of the Group.

The assets held to back insurance liabilities consist of equities and managed funds which can generally be readily sold or exchanged for cash. In addition the Group also has strong cash reserves.

Maturity profiles

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

	UP TO A YEAR $'000	1 – 3 YEARS $'000	3 – 5 YEARS $'000	NO TERM $'000	TOTAL CONTRACTUAL CASH FLOWS $'000	CARRYING AMOUNT $'000
2012 Parent						
Financial liabilities:						
Trade and other payables	**2,342**	**–**	**–**	**–**	**2,342**	**2,342**
Amount due to controlled entity	**–**	**–**	**–**	**158,591**	**158,591**	**158,591**
Indemnity to the Trustees of Auscoal Superannuation Fund	**851**	**1,075**	**4,299**	**–**	**6,225**	**6,225**
Miners' Pension Fund Part 3 liability	**1,098**	**2,196**	**–**	**–**	**3,294**	**3,294**
Defined benefit superannuation scheme	**–**	**–**	**–**	**9,345**	**9,345**	**9,345**
Employee benefits	**2,520**	**2,405**	**–**	**–**	**4,925**	**4,925**
	6,811	**5,676**	**4,299**	**167,936**	**184,722**	**184,722**
2011 Parent						
Financial liabilities:						
Trade and other payables	6,813	–	–	–	6,813	6,813
Amount due to controlled entity	–	–	–	142,863	142,863	142,863
Indemnity to the Trustees of Auscoal Superannuation Fund	950	1,251	5,002	–	7,203	7,203
Borrowings	16,933	–	–	–	16,933	16,933
Miners' Pension Fund Part 3 liability	1,098	2,196	1,098	–	4,392	4,392
Defined benefit superannuation scheme	–	–	–	4,609	4,609	4,609
Employee benefits	2,067	1,329	–	–	3,396	3,396
	27,861	4,776	6,100	147,472	186,209	186,209

NOTE 45: 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 CONTRACTUAL CASH FLOWS $'000	CARRYING AMOUNT $'000
2012 Consolidated						
Financial liabilities:						
Trade and other payables	**13,535**	**–**	**–**	**–**	**13,535**	**13,535**
Miners' Pension Fund Part 3 liability	**1,098**	**2,196**	**–**	**–**	**3,294**	**3,294**
Indemnity to the Trustees of Auscoal Superannuation Fund	**851**	**1,075**	**4,299**	**–**	**6,225**	**6,225**
Defined benefit superannuation scheme	**–**	**–**	**–**	**11,106**	**11,106**	**11,106**
Employee benefits	**5,114**	**5,719**	**–**	**–**	**10,833**	**10,833**
	20,598	**8,990**	**4,299**	**11,106**	**44,993**	**44,993**
2011 Consolidated						
Financial liabilities:						
Trade and other payables	10,891	–	–	–	10,891	10,891
Miners' Pension Fund Part 3 liability	1,098	2,196	1,098	–	4,392	4,392
Indemnity to the Trustees of Auscoal Superannuation Fund	950	1,251	5,002	–	7,203	7,203
Borrowings	16,933	–	–	–	16,933	16,933
Defined benefit superannuation scheme	–	–	–	6,275	6,275	6,275
Employee benefits	4,463	4,590	–	–	9,053	9,053
	34,335	8,037	6,100	6,275	54,747	54,747

NOTE 45: 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 2012		30 JUNE 2011	
	CARRYING AMOUNT $'000	FAIR VALUE $'000	CARRYING AMOUNT $'000	FAIR VALUE $'000
Parent				
Assets carried at fair value				
Loan receivable	**1,010**	**1,010**	1,010	1,010
Shares in listed entities	**40,710**	**40,710**	44,571	44,571
Managed funds	**257,432**	**257,432**	258,812	258,812
	299,152	**299,152**	304,393	304,393
Assets carried at amortised cost				
Cash	**8,612**	**8,612**	5,291	5,291
Trade and other receivables	**22,499**	**22,499**	8,491	8,491
Short term deposit	**39,869**	**39,869**	–	–
Equity component of interest free loan	**1,476**	**1,476**	1,476	1,476
	72,456	**72,456**	15,258	15,258
Liabilities				
Trade and other payables	**2,342**	**2,342**	6,813	6,813
Amount due to controlled entity	**158,591**	**158,591**	142,863	142,863
Indemnity to the Trustees of Auscoal Superannuation Fund	**6,225**	**6,225**	7,203	7,203
Borrowings	**–**	**–**	16,933	16,933
Miners' Pension Fund Part 3 liability	**3,294**	**3,294**	4,392	4,392
Defined benefit superannuation scheme	**9,345**	**9,345**	4,609	4,609
Employee benefits	**4,925**	**4,925**	3,396	3,396
	184,722	**184,722**	186,209	186,209

NOTE 45: FINANCIAL INSTRUMENTS (continued)

d) Fair Values (continued)

	30 JUNE 2012		30 JUNE 2011	
	CARRYING AMOUNT $'000	FAIR VALUE $'000	CARRYING AMOUNT $'000	FAIR VALUE $'000
Consolidated				
Assets carried at fair value				
Loan receivable	**1,010**	**1,010**	1,010	1,010
Shares in listed entities	**40,710**	**40,710**	44,571	44,571
Managed funds	**257,432**	**257,432**	258,812	258,812
	299,152	**299,152**	304,393	304,393
Assets carried at amortised cost				
Cash	**13,430**	**13,430**	6,951	6,951
Trade and other receivables	**35,852**	**35,852**	19,935	19,935
Short term deposit	**39,869**	**39,869**	–	–
	89,151	**89,151**	26,886	26,886
Liabilities				
Trade and other payables	**13,535**	**13,535**	10,891	10,891
Miners' Pension Fund Part 3 liability	**3,294**	**3,294**	4,392	4,392
Indemnity to the Trustees of Auscoal Superannuation Fund	**6,225**	**6,225**	7,203	7,203
Borrowings	**–**	**–**	16,933	16,933
Defined benefit superannuation scheme	**11,106**	**11,106**	6,275	6,275
Employee benefits	**10,833**	**10,833**	9,053	9,053
	44,993	**44,993**	54,747	54,747

NOTE 45: FINANCIAL INSTRUMENTS (continued)

d) Fair Values (continued)

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

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

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 2012				
Loan receivable (note 20)	**–**	**–**	**1,010**	**1,010**
Managed funds	**257,432**	**–**	**–**	**257,432**
Shares in listed entities	**40,710**	**–**	**–**	**40,710**
Total	**298,142**	**–**	**1,010**	**299,152**
30 June 2011				
Loan receivable (note 20)	–	–	1,010	1,010
Managed funds	258,812	–	–	258,812
Shares in listed entities	44,571	–	–	44,571
Total	303,383	–	1,010	304,393

NOTE 45: FINANCIAL INSTRUMENTS (continued)

d) Fair Values (continued)

	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Consolidated				
30 June 2012				
Loan receivable (note 20)	**–**	**–**	**1,010**	**1,010**
Managed funds	**257,432**	**–**	**–**	**257,432**
Shares in listed entities	**40,710**	**–**	**–**	**40,710**
Total	**298,142**	**–**	**1,010**	**299,152**
30 June 2011				
Loan receivable (note 20)	–	–	1,010	1,010
Managed funds	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.

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

	PARENT		CONSOLIDATED	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Loan to Mount Thorley				
Opening balance	**1,010**	1,010	**1,010**	1,010
Movement	**–**	–	**–**	–
Closing balance	**1,010**	1,010	**1,010**	1,010

NOTE 46: LIABILITY ADEQUACY TEST

The Liability Adequacy Test (LAT) involves comparison of the unexpired risk reserve (less any deferred acquisition costs) with a prospective estimate of the premium liabilities (including a risk margin). The compulsory nature of the cover provided by Coal Mines Insurance, to participants in the NSW coal mining industry, means that Coal Mines Insurance has no deferred acquisition costs.

A risk margin of 15% has been adopted to provide a 75% probability of adequacy for the premium liabilities. This is unchanged from the valuation conducted at 30 June 2011.

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

The LAT undertaken as at the balance sheet date has identified a surplus of $19.2m (2011: $24.4m).

For the purposes of the LAT, the present value of expected future cash flows for future claims (including the risk margin) of $94.2m (2011: $85.2m) comprises the discounted central estimate (including allowances for claims handling and policy administration of $79.6m (2011: $74.0m), and a risk margin of $12.3m (2011: $11.1m).

Directors' Declaration

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

(a) the financial statements and notes, set out on pages 37 to 98, 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 2012 and of their performance for the financial year ended on that date; and

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

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

(c) 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.

A J Haraldson
Director and Chairman

L Flemming
Managing Director / CEO

Sydney
27 September 2012

Independent Auditor's Report to the members of Coal Services Pty Limited

Report on the financial report

We have audited the accompanying financial report of Coal Services Pty Limited (the Company), which comprises the statements of financial position as at 30 June 2012, 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 46 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 financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. 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 financial position and of their performance.

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

Independence

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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2012 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, 27 September 2012

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