



Coal Services

To protect miners and mining

Annual Report 2015





5.8%

claims frequency rate,
down more than 77%
since 2002

6,615

periodic health surveillance
medicals performed to
monitor and protect against
occupational disease



4,516

workers' breathing zones
sampled for respirable
and inhalable dust

447

volunteer mines rescue
brigadesmen trained
and ready for incident
response

Coal Services.

To protect miners and mining.

Coal Services is a Specialised Health and Safety Scheme that provides an integrated suite of services to help identify, assess, monitor and control many risks inherent in the New South Wales (NSW) coal mining industry.

Our preventative and responsive services in the areas of occupational health and safety, workers compensation, mines rescue and training help to deliver on our purpose, 'to protect'.

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

Our purpose: *To protect*

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



Message from the Chairman and Managing Director/CEO

Wayne McAndrew and Lucy Flemming



Our industry

When we first joined Coal Services as Directors, the NSW coal industry was experiencing unprecedented growth. At its peak, there were about 32,000 workers across 61 mines. This is a stark contrast to our industry today where 44 mines employ around 25,000 workers.

Demand for NSW coal remained strong in 2014-15. Export volumes continued to increase due to growing and emerging markets in Asia, however; commodity prices and a high Australian Dollar severely affected export earnings.

While coal mining will continue to be a major driver of the NSW economy in the foreseeable future, change is necessary and we are seeing this across industry and our business.

Our strategy

At Coal Services, we have a clear vision: to partner with industry for a safe workplace and a healthy workforce. Our vision is built around a long-term strategy that focuses on building a company that is sustainable and will continue to meet industry needs.

Our 2020 Strategy was launched in November 2014. It is designed to help us drive change and enable us to continue to evolve our services to meet the ever changing demands of our customers.

Implementation of our strategy is well underway. Over the past twelve months we have continued to invest in maintaining injury prevention and injury management programs and re-engineering our business and systems infrastructure to set the foundation for the next five years.

As a Specialised Health and Safety Scheme we will endeavour to ensure that the NSW coal mining industry continues its exceptional safety record. Legislative initiatives and increased education and training, advances in technology and health and safety innovations – designed and implemented by industry – have each contributed to the industry's safety performance.

These results are evident when you consider in 2014-15 the claims frequency rate dropped to an industry low of 5.8 per cent; a reduction of 77 per cent since Coal Services was formed in 2002. Results such as these do not just happen. They are the product of an industry that works together to ensure we maintain an exceptional safety culture.

77% Reduction in the claims frequency rate since Coal Services was formed.

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

Wayne McAndrew and Lucy Flemming

Our business

Many of our services have been directly impacted by the difficult times experienced by the industry, for example pre-placement medicals and generic underground induction training. Revenues have fallen in CS Health and Mines Rescue, and insurance premium has also reduced as a result of the downturn in employment numbers. Claims payments have increased, as have our expectation of future claims costs. Nevertheless, we have held the Scheme's target collection rate stable at 3.2 per cent for the fourth consecutive year.

A program of works has commenced to support our 2020 Strategy with projects that will continue to drive efficiencies and improved customer value. Our focus during the year has been to ensure that our injury prevention and injury management program continues to support employers and improve sustainable return to work outcomes for injured workers. We have also embarked on new data-driven initiatives designed to provide intelligence around health, safety and injury trends and areas requiring further attention.

Continued investment in these programs and initiatives will increase our understanding of the forces driving these trends to enable the development of robust solutions to better protect our industry.

Our relationships

We play an active role on industry working groups to support and improve outcomes for industry. These, combined with our relationships with our Shareholders, workers, employers, the broader community, Government and our own employees help define who we are and form the basis of our business success.

An integral part of our 2020 Strategy is strengthening relationships with our coal industry partners. We have work to do in this space, but we are listening. During the year we undertook a number of activities to engage with our different stakeholders and provide avenues for feedback. These included industry consultation on Scheme initiatives, and education sessions with employers, worker groups and health and legal providers to help drive improvements to workplace risk management. We have also supported our local mining communities through attendance at open days and conferences. These activities help us to demonstrate our vision and our commitment to our industry.

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

Our people

We welcomed two new Directors to the Board this year. David Moulton and Andrew McMahon were appointed as nominees from the NSW Minerals Council; replacing David Gunzburg and Tony Haraldson. On behalf of the Board, we take this opportunity to thank and recognise Tony's decades of service to the industry and his commitment to Coal Services.

Our purpose, 'to protect', drives all facets of our business. Our focus is to ensure that every coal mine worker remains safe from harm and returns home to their loved ones after every shift. If they do experience a workplace injury, we provide the support and assistance they need to return to health and back to work.

Our people are our greatest asset. We thank and acknowledge the hard work and dedication of our employees, management teams and the Board of Directors. Together with industry we are continuing to make a difference.



Wayne McAndrew
Chairman



Lucy Flemming
Managing Director/CEO

People and Customers

Our people

Our people are critical to achieving our 2020 Strategy. By ensuring our complementary talents and skills are aligned with our common purpose we can work together to create a high level of innovation and quality service for our customers.

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



Diversity policy

Diversity is important to our business. Our diversity policy seeks to encourage cohesive decision making, in addition to trust and common values that seek to leverage diversity in order to:

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

Coal Services seeks to add value to its organisation with a Board membership and General Management Team who have an appropriate mix of skills, experience (in a variety of specified fields), expertise and diversity. 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 that supports employees at all levels of the organisation who may have domestic responsibilities
- career development and performance through programs that assist employees to develop skills and experience for career enhancement
- a defined grievance and dispute process
- work health and safety programs and training
- study assistance.

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

People and Customers *continued*

Workplace profile 2014-15 (as submitted to the Workplace Gender Equality Agency on 26 May 2015)

	WOMEN					MEN					TOTAL		
	Full time	Full time contract	Part time permanent	Part time contract	Casual	Full time	Full time contract	Part time permanent	Part time contract	Casual	Total	Women %	Men %
Managing Director/CEO	1										1	100	0
Key management personnel	1					5					6	16.67	83.33
Senior managers	12	1				12					25	52.00	48.00
Other managers	5		1			3		1			10	60.00	40.00
Professionals	63	2	36	2	13	60	4	4	2	3	189	61.38	38.62
Technicians and trade	1					20	1	1			23	4.35	95.65
Clerical and administrative	39	13	14	4	11	4					85	95.29	4.71
Total	122	16	51	6	24	104	5	6	2	3	339	64.60	35.40
Female Representation											Total	Women %	Men %
Board					1					6	7	14.29	85.71

Coal Services is required to report its workplace profile annually under the *Workplace Gender Equality Act (2012)*.

Figures correct as at 26 May 2015 (includes contractors and casuals).

People and Customers *continued*

Work Health and Safety (WHS)

Our purpose 'to protect' is integral to all that we do. Coal Services is committed to securing the health and safety of our employees and strives to improve WHS performance.

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

Positive WHS indicators

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

Workplace inspections

The five regional committees conducted 23 workplace inspections across the business in 2014-15.

WHS communications

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

WHS committee meetings

Across all six committees, a total of 28 meetings were held.

Employee WHS training

A total of 184 employees attended WHS courses during the year. WHS training is compulsory for all employees when they join Coal Services and they must attend a refresher course every two years thereafter. In October 2014, a new driver safety awareness program was launched to employees who are required to travel as part of their role. The program was developed in conjunction with the NRMA and is designed to provide a greater awareness and skills to reduce driving risk under city and country conditions.

Coal Services also offers employees the opportunity to complete an accredited First Aid course through Mines Rescue. 96 employees have completed the course since it was introduced to the Mines Rescue RTO program in 2014.

Lost time injury frequency rate

Coal Services' lost time injury frequency rate is 1.8, which is less than the WorkCover NSW rate of 3.89 recorded in 2013-14. There was one lost time injury recorded.

Optimising capability and performance

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

Core skills development

Employees have access to seven core skills programs in areas such as business writing, presentation skills, time and priority management and customer service. These programs are run throughout the year at both regional and city centres. During the year, these courses returned an average of 80 per cent satisfaction rate from employees who attended. 86 per cent of employees indicated they would apply what they had learnt in the workplace.

Compliance modules

Upon joining the Coal Services team, new employees must attend the 'New Starter Program' designed to introduce basic company information, policies and procedures. 44 new employees attended the induction welcome day in 2014-15.

Three new compulsory compliance training modules were introduced in during the year. The zero tolerance, drug and alcohol awareness and complaints handling and customer feedback modules were completed by all employees and form part of a wider compliance suite that includes privacy and WHS.

Leadership capability

The Leadership 101 program is designed to improve leadership and management capability. It provides leaders with the skills and knowledge to carry out effective leadership throughout all stages of the employment life cycle. To date, 23 leaders have commenced the program.

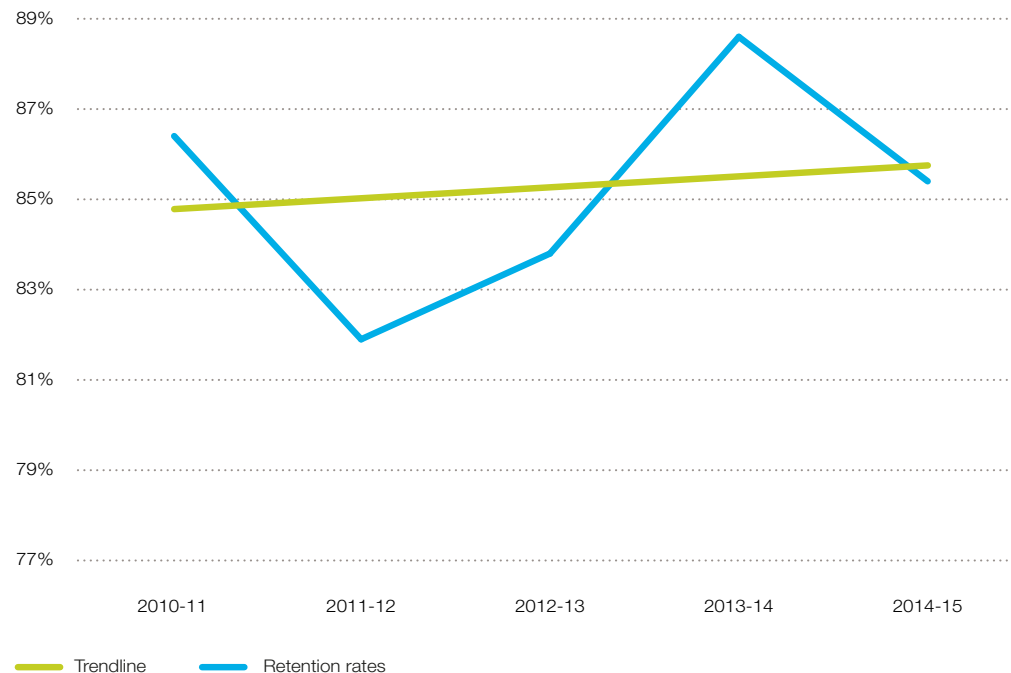
People and Customers *continued*

Engaging our people

The 2014 Engagement Survey received a participation rate of 89 per cent and returned a highly positive result of 81 per cent for passion and engagement. This result also ranks us in the 81st percentile in the Industry Percentile Ranking. Further, Coal Services' scores for organisational commitment (86 per cent) and job satisfaction (85 per cent) place us in the 74th and 80th percentiles respectively of the Industry Percentile Ranking.

Feedback from this survey has led to the development of both immediate and long term action plans to address identified areas of improvement and focus.

Employee retention



Turnover is reviewed and managed to ensure it doesn't negatively impact the performance, engagement and morale of our workforce. Increased job satisfaction will have the greatest impact on healthy retention rates across the business. The employee engagement survey provides statistical data in areas of engagement that allows for Human Resources (HR) activities, workforce planning and actions to be undertaken to sustain retention rates and build on the 2020 Strategy of a high performance culture.

Code of Conduct

In early 2015 the Coal Services Code of Conduct was endorsed by the Board and will be formally launched across the business later in the year.

The Code of Conduct is an essential policy for our business as it provides a reference point for making decisions and guidelines on expected behaviours. It has been written to complement all other company policies and procedures.

The Code outlines our company approach to operate under seven principles:

1. We act honestly ethically and with integrity
2. We value our customers and community
3. We treat each other with respect
4. We are accountable and transparent
5. We respect and maintain privacy and confidentiality
6. We recognise and declare conflicts of interest, and
7. We obey the law and comply with all company policies

This Code is designed to ensure that our reputation for professional integrity and providing quality service to the NSW coal industry continues by committing to quality personal and professional conduct.

People and Customers *continued*

Customer engagement

Focus on the customer is one of our strategic goals that places our customers at the core of our business. Effective engagement with workers and union groups, employers and service providers is essential if we are to better understand the long-term needs of these groups and deliver services accordingly now and into the future.

During the year we conducted a number of activities to foster and strengthen relations with our coal industry partners. These included:

Voice of the Customer

The 'Voice of Customer' program enabled our customers to provide feedback through the new Complaints Management and Customer Feedback system and the 2015 Customer Satisfaction Survey.

The survey provided our customers and injured workers with a 'voice' to assist us in understanding their service needs and measure our service delivery performance.

The 2015 survey results indicate a continued high level of customer satisfaction with a 'Total Satisfaction' rating of 78 per cent and the 'Highly Satisfied' rating remaining strong across all customer groups, indicative of service improvements across most areas.

Consultation

Our customers and stakeholders are invited to provide genuine and meaningful input into initiatives that help to shape our services and improve delivery. Following discussions with industry we introduced new Mines Rescue training courses in First Aid, Confined Space and Incident Command Control Systems.

Extensive consultation also took place during the year on the introduction of the early intervention case management model and premium system reforms for CMI. Discussion with industry groups will continue as we progress through implementation of these reforms throughout 2015-16.

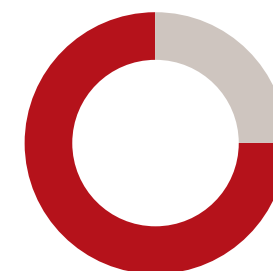
Education

Equipping employers and workers with meaningful and relevant information drove renewed focus across the business. Legal panel forums, Order 34 workshops and a workers compensation awareness session commenced for the first time. Other annual industry presentations covered topics such as scheme trends and insights to help manage risk and develop strategies for employee education and injury prevention.

Customer Service Charter

Our Customer Service Charter was launched in February 2015 to communicate our vision and values in action by setting out our commitment to deliver a quality customer service to our customers. It also provides standards that our customers can expect from us in terms of service, our willingness to actively seek feedback and compliments and how they can let us know when things aren't right to assist us to improve the quality of our service.

The Customer Service Charter was developed in consultation with our people and our customers; and outlines what everyone finds reasonable and important when it comes to providing high quality customer service.



78%

Satisfaction rating in the 2015 Customer Survey.

Community Events and Sponsorships

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

These sponsorships and community partnerships aim to:

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

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

Live for Kids

Coal Services was proud to be part of the annual Live for Kids Charity Cycle Classic for a fourth year. The main fundraising component came from a 450 kilometre ride between Coffs Harbour and Newcastle which took place in October 2014. The charity raised over \$45,000 to provide support to children with severe respiratory diseases by purchasing critical respiratory medical equipment for the John Hunter Hospital in Newcastle. Fundraising also focused on proactive promotion of healthy lifestyle to kids in these regions, providing modified bikes for kids with disabilities.

Sparke Helmore NBN Triathlon 2015

In March 2015, over 3,000 competitors participated in the 2015 Sparke Helmore NBN triathlon festival, one of the largest triathlons in NSW. Proceeds from the event support the Hunter Medical Research Institute (HMRI) to deliver key translational health and medical research and technology, driving presentative strategies for the Hunter's community health needs in a variety of medical areas including asthma, cancer and mental health – all being pertinent key issues for our Newcastle and Hunter mining communities.

The mining industry shows strong support for this event every year. Glencore's West Wallsend Colliery won the perpetual 'Coal Services Cup' for the best performing mining team in the corporate event. Coal Services also had 13 employees compete.

Westpac Rescue Helicopter Service

Coal Services and the Westpac Rescue Helicopter Service entered into a five-year corporate sponsorship agreement in August 2010. This has been renewed for another five year period. Our relationship has provided the opportunity to work together at mine emergency simulations and industry and community events to demonstrate how emergency response teams work together. No person who is assisted by the Service has ever had to pay for that service due to the generosity of corporate partnerships, community fundraising and the Ambulance Service of NSW.



Community Events and Sponsorships *continued*



Hunter Coal Festival

Coal Services was proud to sponsor and contribute to many of the Hunter Coal Festival events to reinforce the role of health and safety in industry. Two of these events highlighted Mines Rescue's emergency response expertise, with Beaconsfield mine survivor Brant Webb and Mines Rescue conducting sessions about the importance of mine safety and emergency preparedness. These sessions were held onsite directly to workers or through sessions at the trade show and proved to be a timely reminder around workplace safety. An emergency simulation showcased how Mines Rescue, brigadesmen and local emergency response functions coordinate their efforts to provide assistance in the event of a serious incident.



The inaugural Festival was held in Singleton and demonstrated the strong connection between mining and community in our regional areas. Over 11,000 people participated in the month-long festival that included a trade show, community day (visited by over 7,000 people), charity events, mine tours and industry-focussed seminars.

Roof Bolting and Coal Shovelling Titles

Teams from across NSW, Queensland, Tasmania and New Zealand competed at the Australian Roof Bolting and Coal Shovelling Titles in November 2014. The competition is held as part of the annual Rhododendron Festival at Blackheath. Coal Services has sponsored this event for many years to showcase mining-related tasks to the community.



Community Open Days

Open days provide the opportunity for us to work together with our customers to demonstrate a range of mining-related activities for the community and other local businesses. Coal Services supported three local coal partners by participating in community day events at Bengalla, Ravensworth and Mt Owen mines. These events are a great opportunity for mining companies to engage with local communities and their workers' families. Coal Services' involvement provided a platform to show industry support and demonstrate the services we deliver to protect the NSW coal industry and its workers.

Newcastle Knights Voice for Mining Family Day

Coal Services participated in the third annual 'Voice for Mining Family Day', held on Saturday, 28 March 2015 at the Newcastle Knights home game. The event is a joint initiative between the NSW Minerals Council and the Knights to recognise the contribution that coal mining makes to the Hunter region and to support the voice of local miners and their families. Mines Rescue demonstrated their emergency response vehicle and equipment as part of the 'Miner's world display.'

Caring for the Environment

Coal Services is committed to minimising our environmental impact and achieving savings in energy use across our ten sites.

Our environmental policy includes a commitment to the following goals:

- Targeting zero environmental incidents
- Compliance with all applicable environmental laws, regulations and agreements
- Educating all workers (employees, contractors and visitors) in Coal Services environmental standards
- A commitment to continuously improving the areas of energy efficiency and recycling.

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

- Use of energy-efficient lighting, including electronic sensors, wherever possible across Coal Services premises
- Reducing paper usage through double sided printing, electronic document scanning and storage and increased use of online materials

- Procurement of fuel-efficient, environmentally-friendly motor vehicles and encouraging car-pooling where possible
- Utilising video conference facilities to reduce the need to travel for meetings
- Provision of recycling bins for plastics, paper and printer cartridges
- Recycling of obsolete I.T. equipment
- Implementing a No Smoking Policy across all Coal Services sites to eliminate cigarette smoke and rubbish pollution
- Turning off computers at end-of-day
- Implementing and monitoring an environmental management system (EMS) at each Mines Rescue Station
- Monitoring, storing and treating trade wastewater at each Mines Rescue Station
- Employees displaying environmental awareness when out on worksites

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

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

Specialised Health and Safety Scheme

A group of coal miners in hard hats and safety gear, overlaid with a blue tint. The miners are wearing hard hats with headlamps and safety glasses. They are standing in a line, looking towards the camera. The background shows industrial structures, likely part of a coal mine.

Workers Compensation

Coal Mines Insurance (CMI) operates as an approved company under the *Coal Industry Act 2001*. We are a specialised workers compensation insurance Scheme for the NSW coal industry. We provide a suite of services aimed at preventing injury and illness in the workplace. However; when an incident or injury does occur our responsive services aim to support recovery and durable return to work through best practice case management.

Claims Frequency vs. Workers Insured

■ Claims frequency rate ■ Exposed to risk workers insured



Just over a decade ago, 1 in 4 workers sustained a workplace injury. The claims frequency rate has consistently declined and today sits at 1 in 17 workers.

Exposed to risk workers insured



Claims frequency rate



Workers Compensation



Scheme profile

CMI provided workers compensation insurance to 835 active policyholders throughout 2014-15, closing the year with 770 policies. The Scheme protected 24,990 exposed to risk employees, down from 27,740 in 2013-14.

In line with the declining workforce, assessable wages for the 2014-15 year reduced to \$3.4 billion compared to the previous year of \$3.6 billion. The fall in wages resulted in a reduced premium pool for the year of \$106.2 million.

**45 policyholder actual wage declarations remain outstanding for the 2014-15 policy year. The exposed to risk number is subject to change until all are received and processed.*

Premium performance

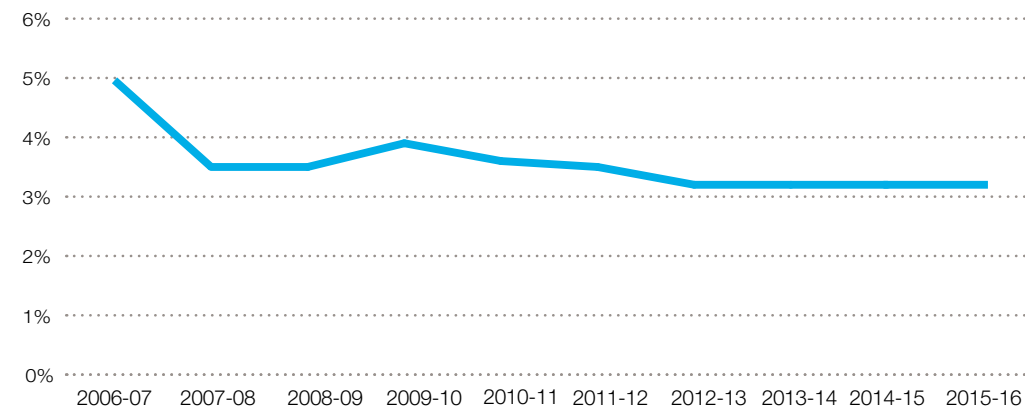
CMI obtains independent actuarial advice each year on outstanding claims liabilities and the premium pool required for the coming financial year. It is based on collecting the necessary funds to pay for services and benefits to injured workers, claims handling administration and work health and safety services as well as attaining and maintaining targeted prudential capital position.

The target premium collection rate is set for each new policy year and is expressed as a percentage of assessable wages. Despite a reduced assessable wages pool and an increase in claims costs the target premium collection rate was maintained at 3.2 per cent, reflecting the claims frequency rate which has remained consistent at around 6 per cent. The target premium collection rate will remain unchanged for the 2015-16 policy year – the fourth consecutive year that we have held this rate.

Working with our coal partners to improve safe work practices and injury prevention and injury management strategies (such as health and occupational hygiene monitoring, early intervention practices, safe work practices) has contributed to maintaining a stable premium level in recent years.

The target premium collection rate has remained stable in spite of the increase in claims costs.

Target premium collection rates



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

Insuring the scheme

Following a robust procurement process in 2013-14, Coal Services entered into three-year relationship with a new reinsurance broker for the 2014-15 policy year. The new reinsurance program was redesigned to suit the current needs of our workers compensation scheme and industry risk profile. This resulted in improved coverage, reduced complexity and a reduced cost to the Scheme.

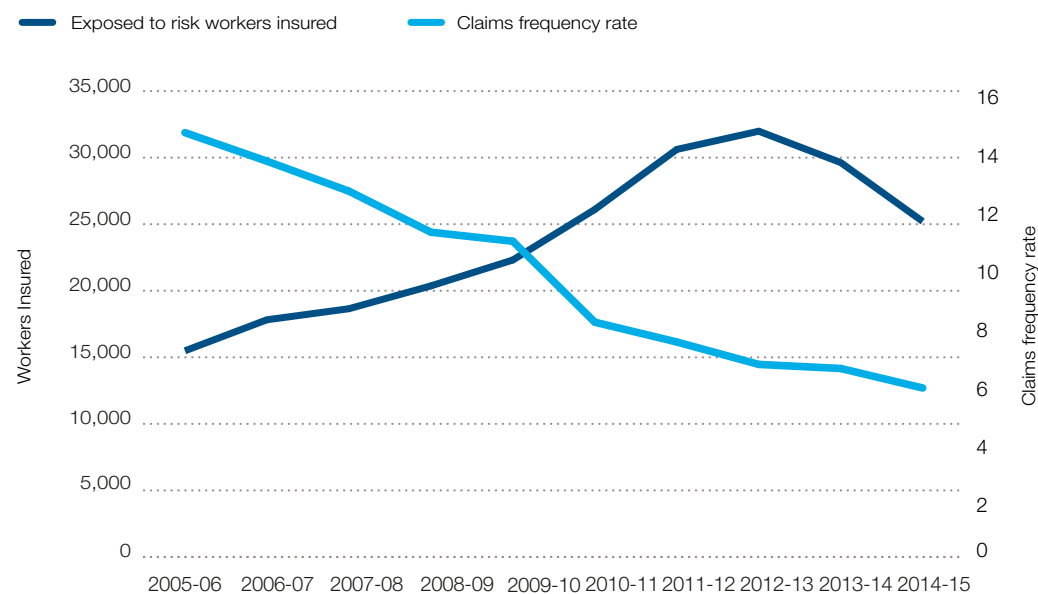
Workers Compensation *continued*



Claims and injury trends

In any year where there is a reduction in employment numbers there are generally fewer claims submitted against the Scheme. This could be attributed to a number of factors such as fewer inexperienced workers entering the workforce and deferred filing of claims in a contracting labour market. However; the risk profile of the industry has also changed. Industry has adopted safer working practices, including better education and safety awareness training. These combined have contributed to a safer working environment.

Claims Frequency vs. Workers Insured



The claims frequency rate is determined by the number of claims received and the number of workers insured.

Industry has adopted safer work practices, including better education and safety awareness training. These combined have contributed to a safer working environment.

New claims

- There was a **21 per cent reduction** in the number of new claims received.
- This, combined with the change in employment numbers, resulted in a **claims frequency rate of 5.8 per cent**.
- Just over a decade ago, 1 in 4 workers sustained a workplace injury. The claims frequency rate has consistently declined since that time to 1 in 17 workers – **a reduction of 77.4 per cent**.

Significant injury claims

- Of the 1,441 new claims received, **47.4 per cent (683) were significant injury claims** where the worker was likely to be incapacitated for a period of more than seven days.
- In line with the reduction in new claims, the number of significant injury claims was **down nearly 10 per cent** on the previous year.

Workers Compensation *continued*



Open claims

- For the first time since 2012, there was a **decline in the number of open claims**
- 1,682 open claims, down from 2207 in 2013-14
- This can be attributed to fewer new claims being received, as well as initiatives to improve the claims management process.

Musculoskeletal claims

- Remain the most commonly-incurred injury
- There has been little change in terms of the number of claims and location of injury

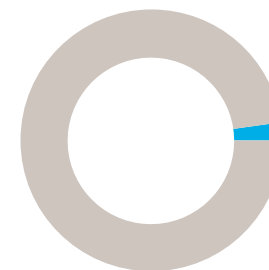
Industrial deafness claims

- Rose 3 per cent to **16 per cent** of all claims received
- The proportion of these claims is small compared to significant injury claims
- These claims remain a growing focus for education and preventative strategies

Psychological injury claims

- Accounted for approximately **2.3 per cent of all new claims** received
- On average, these claims incur a higher claims cost
- This growing cohort of claims is a priority area of focus.
- In 2014-15 we commenced initial discussions with specialist providers to develop specific early intervention strategies to manage these claims. It is expected that these will form part of the case management model in 2015-16.

For the first time since 2012, there was a decline in the number of open claims



2.3%

of all new claims received were psychological injury claims



16%

of all claims received were industrial deafness claims

Workers Compensation *continued*

The increases are partly due to a reduction in suitable return to work opportunities for injured workers within the industry.

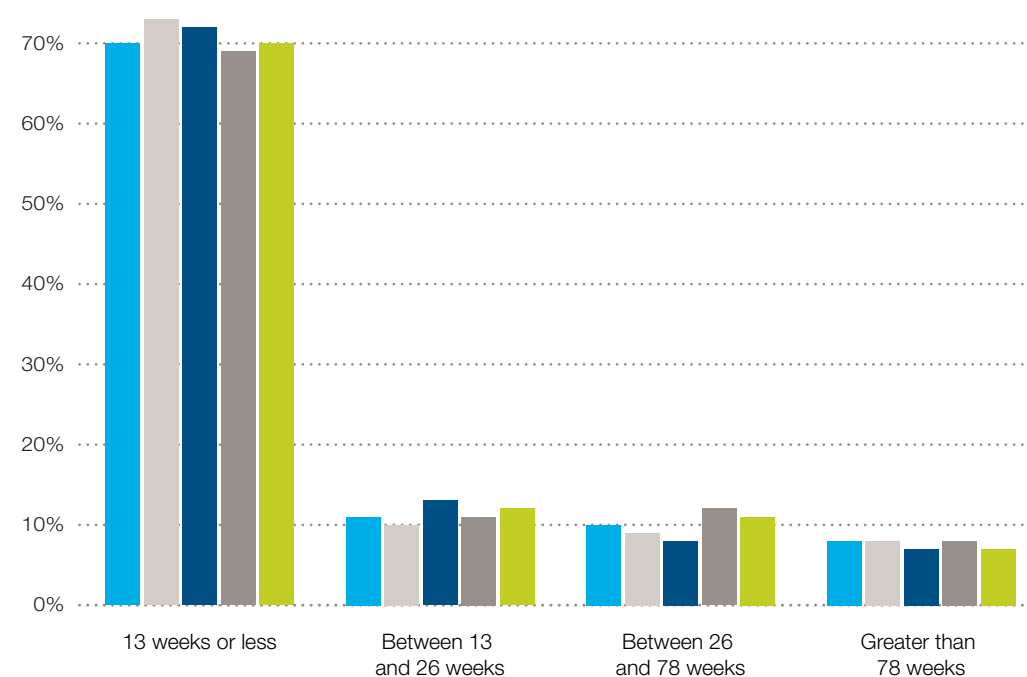
Claims costs and payments

In 2014-15, the net total payment for CMI was \$78.8 million. This represents a 10.8 per cent increase compared to the \$71.1 million paid in 2013-14. In addition, the Scheme Actuaries have increased the provision for future claims payments by \$6.3 million to \$382.2 million at 30 June 2015.

In contrast our claims handling expense rate reduced from 8.5 per cent to 7.5 per cent, resulting in a saving of \$3.5 million off the actuarial valuation. The introduction of new claims management processes and procedures has helped to drive these improvements.

Claims	2010-11	2011-12	2012-13	2013-14	2014-15
Current claims at start of the year	1,593	1,417	1,758	2,133	2,207
Claims reported during the year	1,959	2,068	2,029	1,823	1,441
Re-opened claims	269	306	502	378	281
Claims managed during the year	3,821	3,791	4,289	4,334	3,929
Significant injury claims reported	1,058	1,174	1,068	989	683
Time-lost claims finalised within 26 weeks	83.8%	84.9%	85.6%	82.2%	82%

Finalised claim duration



During 2014-15, 70 per cent of time-lost claims were finalised within the first 13 weeks.

■ 2010-11 ■ 2011-12 ■ 2012-13 ■ 2013-14 ■ 2014-15

Workers Compensation *continued*



Early intervention case management

A 2013 review of our case management model provided us with recommendations and insight into current best practice case management models in the provision of workers compensation case management services.

Early intervention injury management was cited as a key component of best practice in supporting workers in their recovery from injury and sustainable return to work. This is due to the application of more rigour to the early stages of a claim lifecycle (0-12 weeks) with an emphasis on risk assessment and injury management interventions.

The CMI Early Intervention Case Management Model was introduced and piloted between February and June 2015. The pilot focused on a cohort of new claims across all regions and provided a more effective and efficient process by applying more structure to assess case barriers, collaboration between technical experts and better informed decisions.

While it is too soon to see the long-term results of early intervention on the cost of claims and premium, the initial return to work results are positive. Already we have seen improvements in the number of injured workers returning to work within the first 13 weeks of their claim. This supports the case for early and evidence-based treatments and provision of suitable, sustainable return to work options.

Premium system improvements

The CMI Scheme's overarching objective is to operate an innovative, competitive and fully-funded workers compensation scheme for the NSW coal industry. Ensuring the CMI Scheme comprises a fair, equitable and responsive premium system is a key part of achieving that objective.

The premium system review commenced in 2013 and considered four main categories of premium system design; Pricing, Calculation, Collection and Compliance. To date, premium system improvements following the review have centred around Pricing and Calculation. Work on the Collection and Compliance frameworks improvements will commence in 2015-16.

From 1 July 2014, industrial deafness and lung disease claim costs were excluded from employers' individual experience premiums and instead allocated at a Scheme level. These gradual onset claims are an issue for the coal industry overall, rather than for individual employers.

An enhanced framework for setting the target premium collection rate was established in 2013-14 to ensure pricing is considered from a medium-term strategic perspective and not year-to-year. This framework was applied to setting the 2014-15 and 2015-16 target premium collection rates.

During the year, the Board approved the introduction of a Skills Incentive Scheme that will provide incentive payments to employers who have contracted apprentices working in the coal industry. This initiative will be implemented in 2015-16.

Ongoing consultation with policyholder groups was a primary activity throughout the year to progress other facets of the premium system design. These include proposed changes to the premium calculation formulae and revised category groups that better reflect risk exposure.

Early intervention injury management was cited as a key component of best practice in supporting workers in their recovery from injury and sustainable return to work.

Workers Compensation *continued*



Education and information

In 2014-15 we conducted a range of information sessions aimed at improving understanding of the workers compensation scheme and achieving the best return to work outcomes for workers. These comprised of industry consultation regarding scheme reforms and changes to the case management model, as well as tailored sessions addressing specific areas of interest from employers, workers and their representatives.

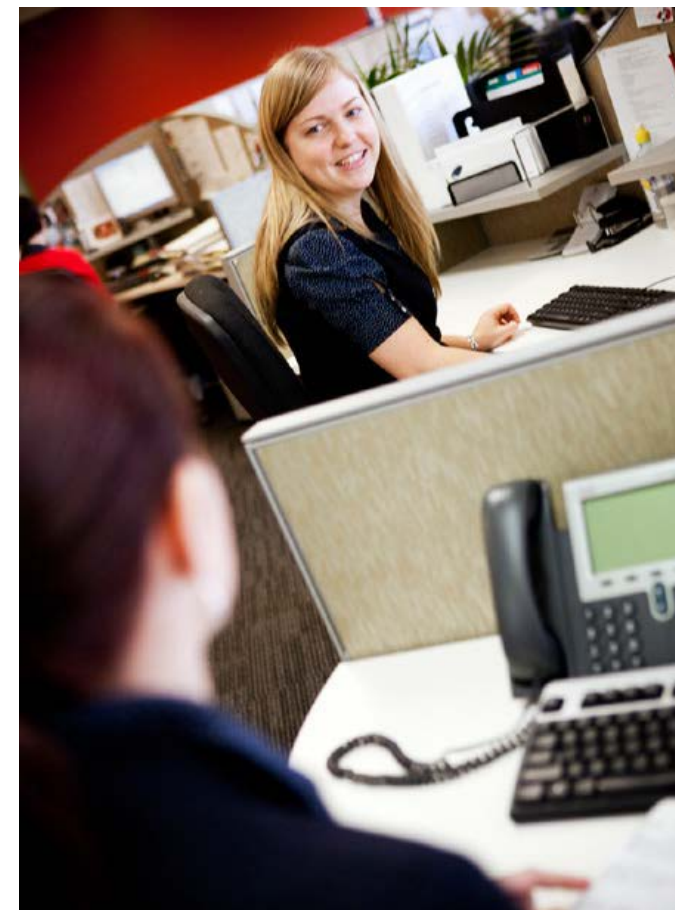
In addition, legal panel forums were held in two regions in February 2015 as a means of introducing new legal panel providers to employers. The panel shared their legal expertise on a range of workers compensation issues to assist employers in managing their obligations and develop strategies for education and injury prevention.

Policy and claims information can be used to help employers to mitigate workplace risks, improve return to work outcomes and drive continuous improvement by identifying trends and opportunities.

In March 2015, CMI coordinated an underground mine tour for local doctors and legal panel providers. The visit aimed to provide context around the working environment and the numerous tasks of an underground mine and to help facilitate open communication between all parties involved in workers compensation case management. These are crucial factors that guide injury treatment and advice to the coal mining industry.

More information sessions and workshops are planned for 2015-16 as a result of very positive participant feedback.

The Coal Services Employer Portal was developed initially as a reporting tool for CMI to allow employers to directly access information regarding their claims history and current status of claims. The policy and claims information can be used to help employers to mitigate workplace risks, improve return to work outcomes and drive continuous improvement by identifying trends and opportunities. A small number of employers were invited to trial the Portal in early 2015 with their feedback driving improvements to reporting content. The Portal was launched in July 2015.



Health and Hygiene

The *Coal Industry Act 2001* legislates that Coal Services will collect, analyse and report on workplace health and safety data from the NSW coal industry. It is intended that this information is used by industry to assist in making informed decisions about health and safety management.

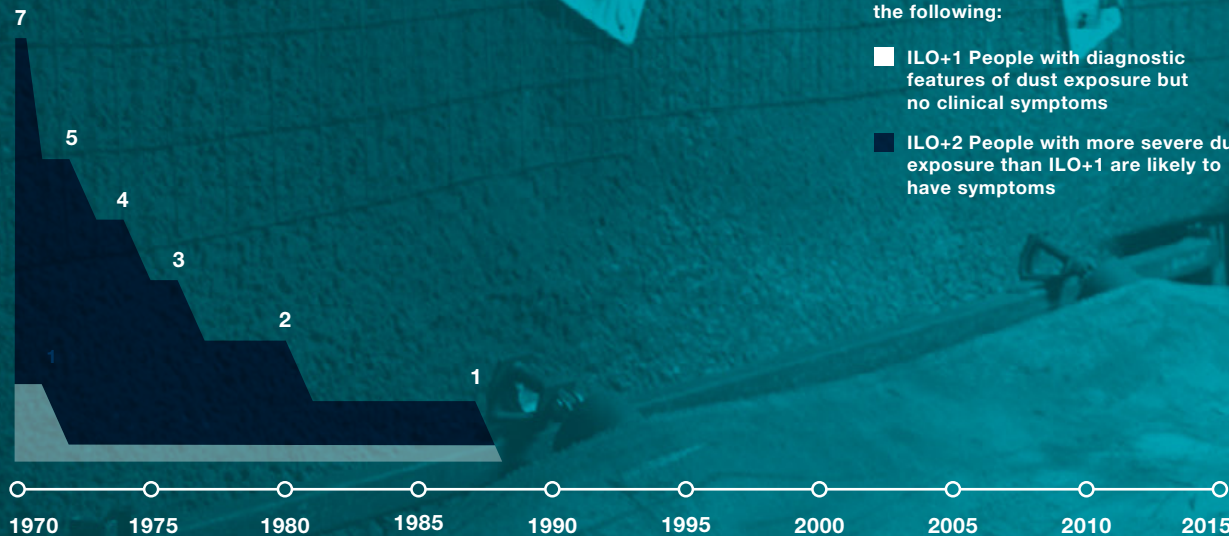
Instance of Pneumoconiosis



There have been no new recorded cases of Pneumoconiosis in the NSW coal industry for decades.

The ILO classification of x-rays is a method of grading based on x-ray appearance and may be, in practical terms, interpreted as the following:

- ILO+1 People with diagnostic features of dust exposure but no clinical symptoms
- ILO+2 People with more severe dust exposure than ILO+1 are likely to have symptoms



Occupational Health Management



Occupational health risk data is collected by Coal Services from all NSW coal operations through a combination of lead and lag health indicators, including Order 41 and Order 42. The data collected from these Orders is used to monitor and report on industry health risk trends.

CS Health

CS Health provides a comprehensive suite of health services designed to protect the health of workers in the NSW coal industry. These services fulfil the legislative requirements placed on Coal Services by the *NSW Coal Industry Act 2001* and include occupational health and rehabilitation services, preventative medical services, monitoring workers' health and investigating related health matters. Workplace education on issues such as manual handling and fatigue are also offered to assist employers to develop and implement injury prevention awareness strategies.

Order 41: monitoring health

The purpose of Order 41 is to assist in ensuring coal workers' ongoing health and safety. The Order requires employers of coal mine workers or coal mine operators in NSW to ensure that pre-placement and periodic health surveillance medicals are completed for their workforce. Periodic health surveillance allows early detection and intervention for workers identified as suffering adverse health effects as a result of hazard exposure in the workplace.

During the year CS Health completed 3,330 pre-placement medicals in comparison to 4,144 in the previous year.

Attendance for periodic health surveillance dropped slightly for the first time since the Order was introduced, with 6,615 medicals completed during the year. This reflects changing workforce numbers and the cyclical nature of the periodic health surveillance that stems from the initial high participation rates when Order 41 was first introduced. Despite the reduction in attendance the number remains high, reflecting the value that regular health surveillance plays in monitoring for exposure-related disease.



19.6%

decrease in the number of pre-placement medicals performed under Order 41

During the year CS Health completed 3,330 pre-placement medicals.

Occupational Health Management *continued*



Other workplace health services

Functional capacity evaluations

A functional capacity evaluation assesses an individual's physical ability to perform tasks typical to their role without risk to health or safety. They may be conducted as part of the recruitment process or following injury or illness to determine the worker's capacity to work.

1,731 functional capacity evaluations were performed in 2014-15.

Drug and alcohol screening

In 2014-15, CS Health collected 19,740 drug and alcohol screening samples. During the year the industry focused on the use of methamphetamines, reflecting the broader community concern around the use of these drugs. In the Hunter Valley only 0.21 per cent of all tests returned a positive result for methamphetamines. There has been no increase in positive results over the past three years.

The mining industry has an instilled safety focus with many sites having had strict drug and alcohol policies and procedures in place that prohibit the use of illegal substances. While as an industry we need to remain vigilant regarding the use of all drugs, these programs are working to successfully discourage drug use within the industry.

Immunisations

CS Health's Immunisation Nurses are accredited by NSW Health to administer vaccines. The number of vaccines administered throughout the year was 6,009 which was an increase of 581 over 2013-14.

Workplace immunisation programs are an important aid to help protect workers against illness and diseases such as hepatitis A and B and tetanus. CS Health also conducts flu immunisation clinics between March and June each year.

Occupational rehabilitation and treatment services

During the year CS Health continued to provide allied health treatment services, injury management and occupational rehabilitation to injured mine workers and other clients.

CS Health worked closely with CMI to prepare and implement the Early Intervention Case Management Model, as well as providing rehabilitation and treatment services to injured workers. The model is aimed at supporting employers and improving sustainable return to work outcomes for injured workers.

1,731

functional capacity evaluations
were performed in 2014-15.

Occupational Health Management *continued*



Industry health profile and health risk management

In 2009 the Department of Industry's Mine Safety Advisory Council produced a list of priority health issues for the NSW mining industry. These issues are monitored by CS Health through the pre-placement and periodic health surveillance medicals. CS Health also worked with employers to develop specific programs targeting these health areas and others to help ensure workers continued protection against workplace health risks.

Noise-related hearing loss

Those with significant hearing loss are nearly all males over 40 with long-term industry exposure.

90.7 per cent of workers attending for periodic medicals reported regular exposure to noise with 65 per cent saying they 'always' wear hearing protection.

Employers are increasingly asking for EARFit-testing to be added to the periodic medical, with 618 tests performed during 2014-15. EAR-fit validation helps to ensure that personal protective equipment such as ear plugs are correctly fitted to protect against excessive noise exposure.



Psychosocial conditions

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

Using the K10 Psychological Distress Tool as part of the periodic medical, just 1.3 per cent of workers reported as being at 'increased risk' compared to the national average of 10.8 per cent. CS Health believe that this condition is under-reported and will be working with industry to better understand this issue and identify appropriate interventions to assist workers in this area.

The Hunter Institute of Mental Health worked with CS Health to deliver the 'Partners in Mining' program aimed at Hunter Valley miners or family members who support a person with depression.

618

EARFit-tests were performed.

Occupational Health Management *continued*



Musculoskeletal injuries/vibration exposure

75.9 per cent of workers attending for periodic medicals reported they were exposed regularly to vibration.

Unlike a sudden jolt, the effects of whole body vibration on a person are gradual but can still lead to long-term musculoskeletal issues. The most commonly reported issue is lower back pain, but studies have also shown that it may cause or aggravate cardiovascular, respiratory, digestive and reproductive problems. Exposure may also contribute to operator fatigue and discomfort.

CS Health has commenced a study to identify musculoskeletal trends in the workforce. The results of musculoskeletal screens performed as part of the study will help inform targeted interventions for specific roles within a mine site to reduce common injuries. The study will be completed in 2015-16.

Workers' general health

Workers presenting for health assessments during the year were aged between 15 and 70 years. With older workers staying in the workplace past retirement age, employers are cognisant that an older workforce is more susceptible to certain injuries and illnesses and it may take longer for them to return to health.

The workforce increasingly displays the physical characteristics to develop many chronic diseases.

Using Body Mass Index (BMI) as a risk factor, 47.8 per cent of workers were reported as overweight and 34.2 per cent as obese compared to the national average of 63 per cent and 28 per cent respectively. Elevated blood pressure was reported in 13.6 per cent (which is below the average of 21.5 per cent for adult Australians) while 90.7 per cent of those attending for periodic medicals had a blood sugar level in the normal range.

Many regard cardiovascular disease and diabetes as lifestyle diseases, but with increasing numbers of the workforce affected the industry must look to develop fair and effective strategies to manage the conditions safely in the workplace.



34.2%

of workers are classified as obese using BMI as a risk factor

13.6%

of workers presented with elevated blood pressure (below the national average of 21.5 per cent).

Occupational Exposure Monitoring



Coal Mines Technical Services (CMTS) offers a range of vital occupational hygiene services including the monitoring of airborne dust and testing of noise, vibration, lighting, welding fume and diesel particulate levels.

All services are performed by a fully trained, certified and competent team and all assessments are conducted to the appropriate Australian or international standards.

Risk profiling using similar exposure groups

To improve analysis and reporting capabilities, CMTS has adopted the use of similar exposure groups (SEGs) to categorise workers when collecting occupational health risk data.

A SEG is a group of workers with the same general exposure to health risk due to:

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

Categorising workers into SEGs allows more detailed health profile and risk analysis reporting from Orders 41 and 42 data to operations and industry.

CMTS have assisted a growing number of mines to implement a SEG based exposure monitoring programme to provide a cost effective framework for their operation to identify and assess all workplace health hazards.

All services are performed by a fully trained, certified and competent team and all assessments are conducted to the appropriate Australian or international standards.

Occupational Exposure Monitoring *continued*



Order 40 – longwall dust suppression plans

Mines across NSW are required to prepare plans to limit dust creation and exposure for personnel for each operating longwall. Order 40 requires the Coal Services Board to review and approve these plans to ensure worker health and safety. Additionally, mines must submit an audit of these plans once longwall production commences. This is to confirm all provisions of the approval are in place and operational. The Board received and approved twenty dust mitigation plans during the year.

When longwall mining methods were introduced in NSW there was a temporary increase in dust make, however; this has returned to the normal trend. The introduction of Order 40 has ensured continued focus on dust suppression activity which has been a significant factor in maintaining workers' health and safeguarding against the return of lung diseases in the industry.

As a result of dust exceedances, CMTS has been actively assisting mine operators to review the effectiveness of their existing dust controls and offer guidance on appropriate dust abatement strategies.

Order 42 – airborne dust exposure assessments

Airborne dust exposure assessments provide information regarding hazard control effectiveness and respiratory health risk for workers. Order 42 allows Coal Services to enter coal mine operations for the purposes of monitoring airborne dust, collecting dust samples and other functions and activities necessary to monitor airborne dust.

Respirable and inhalable dust samples were taken from the breathing zones of 4,516 NSW mineworkers during the year, with 315 exceedances. 2,867 workers were sampled for respirable dust, with 3.7 per cent exceeding the specified respirable dust limit. Increased monitoring and analysis of crystalline silica has been the main driver of the overall increase in exceedances.

Inhalable dust monitoring found that 12.6 per cent of the 1,649 workers sampled exceeded the limit, which is an improvement on the previous year's sampling that returned exceedances of 13.5 per cent.

As a result of these dust exceedances, particularly in relation to crystalline silica, CMTS has been actively assisting mine operators to review the effectiveness of their existing dust controls and offer guidance on appropriate dust abatement strategies. This has included reviews of procedures and operator positioning. In addition, CMTS continues to deliver 'easy to understand' dust education programs to numerous mine sites across all regions, resulting in workers making more informed choices and reducing their exposure to dust.



12.6%

of 1,649 workers sampled exceeded the specified inhalable dust limit.



3.7%

of 2,867 workers sampled exceeded the specified respirable dust limit.

Occupational Exposure Monitoring *continued*



Diesel particulate matter (DPM)

Exposure to diesel exhaust fumes poses a risk whenever workers are in an environment where diesel powered equipment operates. The Coal Mine Health and Safety Regulation (CMHS) Regulation and Mine Health and Safety (MHS) Regulation sets out limits for workplace and diesel exhaust monitoring, and require exposure to be minimised to as low as reasonably practicable.

Mine Design Guideline 29 (MDG 29), 'Management of Diesel Engine Pollutants in Underground Environments', specifies that workers should not be exposed to levels of DPM in the form of Elemental Carbon (EC) at greater than 0.1mg/m³. A revised guideline for diesel engines is expected to be released in 2015.

By using personal monitors to measure DPM exposures, operations can understand the risk profile of their workers. CMTS conducted 746 individual samples for DPM during the year – despite the reduced number of workers in the industry, DPM sampling increased on the previous year, indicating that industry is taking this exposure hazard seriously. CMTS also provided customers with assistance to develop diesel exhaust management plans to help minimise worker exposure to DPM.

Industry working groups

The Airborne Contaminant and Diesel Particulate (ACDP) Sub-committee and the Noise Induced Hearing Loss (NIHL) Sub-committee were borne from Coal Services' Standing Committee on Dust Research and Control. Both committees are comprised of representatives from mine owners/operators, mining unions, industry specialists, government departments, Coal Services medical specialists and engineering personnel.

The purpose of these groups is to monitor and evaluate occupational exposure hazards and educate industry in matters related to control and risk mitigation.

The ACDP Sub-committee met five times during the year at West Cliff, West Wallsend, Clarence and Myuna mines, as well as at Southern Mines Rescue. The purpose of the mine visits was to promote the work of the committee and to investigate and inspect issues that had been identified through routine statutory monitoring.

One of the findings noted was that the incidence of exceedance for inhalable dust for ventilation contractors was higher than usual. The committee observed that this task had a high level of turnover as contractors continued to be transient or taken up by host mines.

Training is a vital element in ensuring that new operators behave in a safe manner in accordance with safe work procedures. The CMTS team facilitated workshops with all ventilation contractors to discuss results and improvement strategies. The Order 34 training auditors also conducted audits of all ventilation contractors to ensure that training practices were at an appropriate standard and consistent with approved mine training systems. Improvements were identified and all contractors have implemented remedial actions where required.

746 individual samples
were taken for diesel
particulate matter

Emergency Response

Emergency response is the primary function of NSW Mines Rescue (Mines Rescue). Mines Rescue are responsible for training and maintaining a competent brigade of rescue personnel, the supply of appropriate equipment, and providing expert advice in the event of an incident at a mine site.

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

Mines Rescue brigadesmen



Emergency Response

Incident response

Legislative initiatives and increased education and training, advances in technology and health and safety innovations have each contributed to the industry's exceptional safety performance. Despite this, coal mining remains a high risk industry.

Mines Rescue and CMTS responded to two incidents during the year. On 18 July 2014, Mines Rescue responded to a request from a Hunter Valley mine where coal in a storage bin displayed signs of heating. Mines Rescue provided technical advice, personnel and equipment to control the situation. The hot coal was subsequently cooled and loaded out over the next two days.



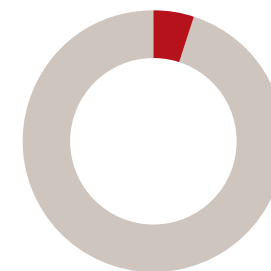
In June 2015, CMTS and Mines Rescue were called to a colliery in the Northern region to provide assistance following a spontaneous combustion event in the mine's Great Northern seam. CMTS provided gas monitoring and interpretation services throughout the incident while Mines Rescue oversaw the deployment of four active mines rescue teams and support staff. The incident was successfully brought under control with the erection of four seals and use of the MineShield nitrogen inertisation system.

Maintaining response capability

Mines Rescue is responsible for ensuring that rescue services and equipment are available to respond to and manage emergencies or incidents arising at coal mines in NSW. Emergency response is provided by volunteer brigadesmen who are employed at mines throughout the State.

The Mines Rescue Board determines the minimum number of brigadesmen required from each underground mine site to be available for mines rescue purposes. This is currently set at 5 per cent of the workforce plus full time equivalent contractors. At the end of June 2015 there were 447 colliery-nominated brigadesmen in the State, which is above the minimum requirement.

34 new brigadesmen completed the compulsory ten-day induction course during the year. On-going training is a requirement for brigadesmen to maintain active status. This involves attendance at six training rounds per year at Mines Rescue stations and at other mine sites.



5%

of the workforce are required to be available for mines rescue purposes.

34

new brigadesmen completed the compulsory ten-day induction course.

Emergency Response *continued*

Simulated emergencies

We are fortunate that NSW has one of the safest coal mining environments in the world, which means that mines rescue brigades are not regularly activated to attend real emergencies.

Simulated emergency scenarios create a unique training opportunity where emergency response teams can measure their performance in a realistic, but safe, work environment.

Mines Rescue competitions are internationally recognised as a competence-building training tool aimed at generating stress levels similar to those experienced during real emergencies.

192 brigadesmen participated at the underground competitions that were held in each region during the year. The winning team from each region went on to compete at the annual Australian competition held in Queensland in October 2014. A competition for the open-cut mining environment was also held in the Hunter Valley, with 56 surface emergency responders competing.

The inaugural New Zealand Mines Rescue competition was held at the Newmont Waihi Gold mine in November 2014. Two representatives from Mines Rescue were invited by WorkSafe NZ to provide assistance and guidance with the planning and execution of the day.

First aid emergency response

A first aid competition was held in the Mudgee-Ulan region in March 2015 with teams representing all mine sites in the region. Peabody Energy's Wilpinjong Mine was named overall winner out of the five teams who competed.

It was the first emergency response competition to be held in the region and the high level of participation recognised the ongoing commitment to the needs of the mining industry, its workers and the communities in which they live and work.

Just as traditional mines rescue competitions hone incident response and rescue skills, the first aid competition provided mines rescue brigadesmen, surface emergency response teams and general first aid officers the chance to test their skills in simulated events to maintain the essential skills required in the event of a first aid emergency.

Mines Rescue offers 'Provide first aid' and 'Provide cardiopulmonary resuscitation' (CPR) training as part of their suite of workplace health and safety courses. The nationally recognised courses have been customised to address injuries specific to the mining industry.



Emergency Response *continued*



Emergency preparedness

All Mines Rescue stations conduct regular simulations to test their emergency preparedness. These internal simulations test all facets of Mines Rescue's processes and procedures to ensure they remain 'response ready'. Mines Rescue employees regularly attend and assist underground and open cut mines in the conduct of their own simulated emergencies.

A number of underground and open cut mine sites across NSW invited Mines Rescue to conduct audits of their Emergency Management Plans, aimed at ensuring maintained compliance with relevant legislative requirements and the identification of improvement opportunities.

The Emergency Preparedness and Mines Rescue Guidelines were reviewed and re-released in May 2015. The Guidelines were developed in consultation with Australian and international industry and Mines Rescue experts to provide a framework for Incident Management Teams and Mines Rescue regarding roles and responsibilities in a mining emergency.

Two Mines Rescue representatives were invited to observe a simulated emergency hosted by the Waterview Tunnelling Project in New Zealand in July 2014. The exercise was designed to test aspects of the underground mines emergency protocol that was developed in response to Recommendation 14 of the Royal Commission on the Pike River Tragedy. The exercise provided the opportunity to see how our Incident Command and Control System (ICCS) could be applied in the event of an emergency. The ICCS Guide was released in 2013-14.

Other initiatives to support emergency preparedness focused on improved communications channels. 'Whispir' technology trials commenced and showed clear demonstrable improvements when compared to current systems. The technology will be rolled out later in 2015. The platform enables Mines Rescue to send an instantaneous mass activation message to selected personnel and/or brigadesmen as required in the event of an emergency.

Mines Rescue also conducted trials of the NSW Government Radio Network (GRN), the communications platform used by government agencies for emergency services voice communications, special events, exercises and training. The trials indicated a significant improvement in the ability for responding staff to communicate internally more effectively and without reliance on external mobile telephone medium. Access to the GRN is available only to approved government agencies. Mines Rescue is currently working with the Department of Industry to enable ongoing access to the network.

Sharing knowledge

Coal Services hosted Technical Transfer Seminars in the Illawarra and Hunter Valley regions.

The half day seminars focused on updating mining industry representatives on the latest findings from simulated emergency responses conducted throughout the year. Guest speakers from the Department of Trade and Infrastructure (now Department of Industry) and the NSW Police Force attended to discuss their roles and powers in the event of a mine emergency.

The seminars are a valuable opportunity to learn from functional and technical specialists from inside and outside the mining industry. The insights gained can help improve site safety and minimise risk.

All Mines Rescue stations conduct regular simulations to test their emergency preparedness. These internal simulations test all facets of Mines Rescue's processes and procedures to ensure they remain 'response ready'.

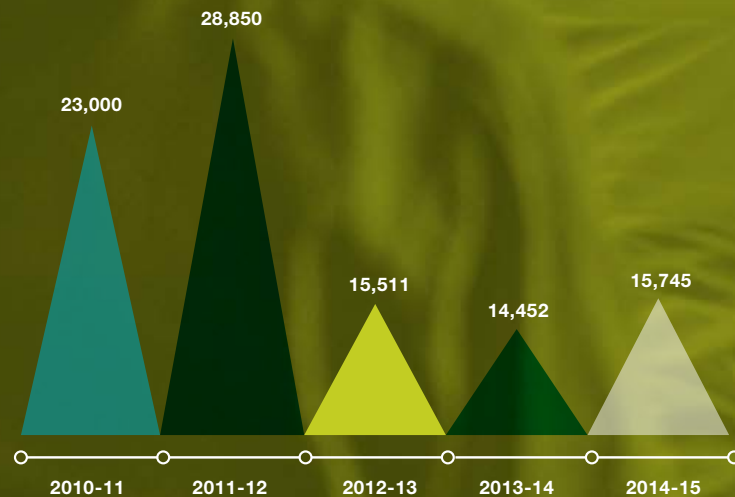
Training



Mines Rescue is a nationally recognised Registered Training Organisation, with more than 85 years' experience assisting the NSW coal mining industry to manage risk and operate safely.

Our specialist training courses assist in supporting continuous improvement in industry safety standards. These critical services support NSW coal mine workers, employers and communities and demonstrate an ongoing commitment to maintaining a safe workplace and a healthy workforce.

Attendance at Mines Rescue Training Courses



Overall attendances at Mines Rescue training courses have increased 9 per cent on the previous year.

Industry education and training



Order 34

NSW coal mine operators are required to have mine site training schemes to maintain a properly trained workforce. Under Order 34, Coal Services is empowered to issue guidelines regarding what should be included in a Training and Competence Management Scheme (TCMS), and to approve and audit training schemes once they are in place. The aim of these audits is to assist coal operations to improve the training and competency aspects of their Health and Safety Management System (HSMS).

Coal Services' Order 34 team assisted 13 mine sites gain approval of their revised TCMS during the year. Training audits were completed across 75 mine sites. A further 12 training audits commenced to look into training standards for personnel involved in spraying ventilation structures in underground operations. This followed concerns from the Standing Committee on Airborne Contaminants, Diesel Particulates, Noise Research and Dust Control (Standing Dust Committee)* regarding dust exceedances of workers in this area. These audits will continue into 2015-16.

The 'Guideline for Training and Competency Management Scheme' was reviewed and updated in consultation with industry stakeholder representatives. The Guideline is based on new legislative requirements and relevant Australian Standards. The Guideline was approved by the Coal Services Board for implementation from 1 July 2015.

Order 34 Regional Consultation Workshops were launched to assist mine operations transition their site's TCMS in line with the updated legislation. Five regional workshops were held in June and July 2015 at Mudgee, Singleton, Gunnedah, Wollongong and Newcastle with representation from 94 per cent of all NSW mine operations. Two commendable practise presentations were provided by mine operators as part of each workshop. Feedback was above expectations with an overwhelming request for ongoing networking and workshops in the future.

* The Standing Dust Committee is an advisory body responsible for monitoring, evaluating, researching exposure hazards and controls. Information sharing and education relating to control measures are also a function of the Committee.



of all NSW mine operations attended the Order 34 Regional Consultation Workshops.

75 Training audits were carried out across mine sites.

Industry education and training *continued*



Mines Rescue – a Registered Training Organisation (RTO)

By ensuring compliance with RTO accreditations, Mines Rescue provides nationally-accredited courses and materials that exceed industry standards.

To continue to operate as an RTO, organisations are required to re-register with the Australian Skills Quality Authority (ASQA) every five years. This process ensures all RTOs adhere to the high standards required to deliver nationally-accredited training. Mines Rescue was granted re-registration in August 2014.

New legislation for RTOs was introduced in January 2015 and came into effect in April 2015. The new 'Standards for Registered Training Organisations 2015' describes the requirements to be approved as an RTO and aims to ensure that training delivered by RTOs meets industry requirements and considers the needs of both learners and industry. The introduction of the Standards provided an opportunity for Mines Rescue to audit and update systems, policies and procedures in line with the new requirements.

Courses

Customer feedback and research conducted in 2013-14, and training needs analyses conducted at mine sites, highlighted the need to develop new courses and to expand and improve upon existing education and training courses. The following courses were released during the year or commenced development as a result of these findings:

Incident Command and Control System (ICCS) course

Following the release of the ICCS Guide in 2013-14, a two-day course was developed to support mine sites to implement an ICCS in the event of an emergency. The core of the course structure has been designed to provide a working knowledge of an ICCS and how it can be applied to a mine site's specific emergency plans for optimal results. To date, Mines Rescue have developed a customised training solution for Glencore by modifying their emergency systems to be consistent with the ICCS structure. This process is available to all mine operators as part of the Mines Rescue levy.

Accredited First Aid and CPR

'Provide first aid' and 'Provide cardiopulmonary resuscitation' (CPR) courses were added to complement Mines Rescue's existing range of workplace health and safety courses. The nationally recognised courses have been customised to address injuries specific to the mining industry. 834 participants completed the course during the year, including Coal Services employees.

In recognition of the importance of maintaining these skills, first aid competitions are now a regular feature on the Coal Services events calendar. A first aid competition was held in the Mudgee-Ulan region in March 2015. A second event will be held in the Northern region in September 2015.

Confined Space courses

A suite of nationally-accredited Confined Space courses have been developed to meet industry's needs. These run between one and three days and cover all training levels required. Additionally, a one day refresher course and a one day confined space awareness course tailors the training requirements for all groups.

Industry education and training *continued*



New Generic Underground Induction (GUI)

The GUI was reviewed and updated in line with the Resources and Infrastructure Industry training package requirements. A further two units were added to the GUI to equip participants with the skills and knowledge to act in response to an emergency or incident. The addition of these units aligned the GUI with the Queensland Standard 11 Mining Induction, expanding a participant's transferable skills and enhancing employment prospects into the Queensland market if needed. The new GUI was launched in March 2015.

Attendance numbers

Overall attendances at Mines Rescue training courses increased 9 per cent on the previous year. Of the 15,745 attendances, 2,517 were for accredited training. In a reflection of the industry downturn, the GUI numbers continued to decline with just 231 attendances compared to 338 in 2013-14. There were 11,180 attendances at non-accredited training courses and 2,048 attendances at brigadesmen training days.

Using virtual reality to enhance learning

Virtual reality (VR) remained an important component of Mines Rescue training delivery. In addition to providing support to new and existing training modules, 2014-15 was a year of improvements and innovation for the VR team.

The new ROCK2 system software was created by the VR team in the first major overhaul of the system since 2011. The software enables scenarios to be made within minutes – a task that used to take days or weeks – and no longer requires a specialist developer. In a classroom setting, a trainer can create or adapt scenarios quickly and easily using 'drag and drop' functionality.

The Single IG technology developed in 2013 combined with VR's improved Gen4 graphics engine resulted in significantly reduced development time as any development is created and run off a single product. Previously, this was fragmented as each VR platform required separate development.

Curved screen theatre technology was migrated to a single IG and now has the same capability and uses the same simulation software as the other VR platforms. Custom development is no longer required. The improvement has also enabled trainers to enhance learning materials by embedding VR scenarios into PowerPoint presentations, facilitating a seamless switch between the two pieces of software.

The improvements in software not only lead to increased production efficiencies, but also created opportunities for innovation in training. These included:

- Development of a DesktopVR platform to allow trainees to have multi-player VR training in a classroom environment rather than a class-based experience in the traditional VR facility. The new DesktopVR platform allows for a full team of brigadesmen to enter a virtual environment and still have their own individual experience.
- Creation of a new PortableVR platform to allow Mines Rescue to train off-site at mines, providing an enhanced learning experience by incorporating VR scenarios into any training situation. This reduces the distance and time costs associated with mine sites sending trainees to attend training at Mines Rescue stations.
- Improved ability to re-create incidents in response to ad-hoc industry requests. Three re-enactment scenarios were created during the year in response to a post-incident safety review and related training.

Industry statistics



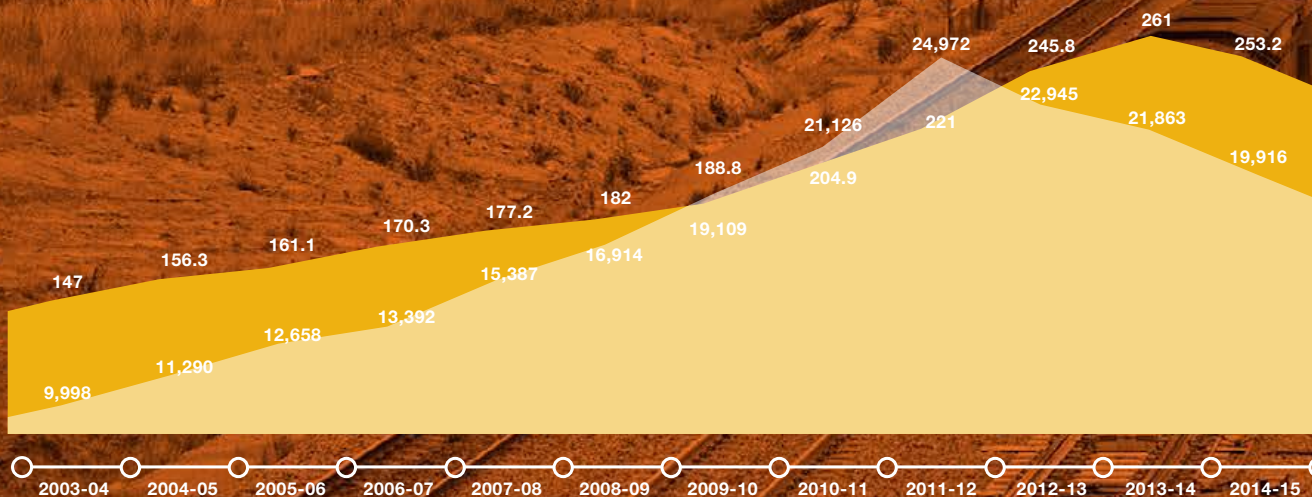
Coal Services is the custodian of a unique data series describing essential aspects of the NSW coal industry. Coal Services uses this valuable resource to provide objective statistical information for the NSW coal mining industry and Government.

Raw coal production vs. production employment numbers

- Number of production employment at 30 June 2015
- Raw coal production total (million tonnes)



NSW coal production has been increasing at an annual average rate of almost 6 per cent. However; overall raw coal production fell 3 per cent in 2014-15. Production employment has been steadily declining since its peak in 2011-12.



Industry statistics



Coal Services Statistics compiles reports covering NSW coal production by method of mining and regional source, domestic coal sales by user group and exports by country of destination, end use coal type and value.

In addition, the Statistics team provide information on the industry's workforce and productivity. Standard subscription reports and customised ad-hoc reports are publically available on a fee-for-service basis.

The Statistics team uses robust and repeatable procedures for its collecting and reporting, which enables the delivery of an accurate and consistent source of NSW coal mining industry information. This information supports Coal Services' business units and is used and valued by the Australian Government, the NSW Government, other state and local governments, coal industry groups, coal industry consultants, research groups, equipment manufacturers and the media.

Industry overview

A sustained global coal market oversupply and depressed thermal and metallurgical coal prices drove further changes to NSW coal mining operations during the twelve months to 30 June 2015.

The year saw overall production fall for the first time in eleven years and continued the long-term trend of falling domestic coal sales. The average Free on Board (FOB)* value of coal exports fell for the third consecutive year. Conversely, export shipments of NSW coal increased to a record tonnage.

*FOB includes the costs of transport to the port and loading for shipment.

NSW mining operations

Eight NSW coal mines ceased operations, one new mine opened and almost 2,000 jobs were lost during the twelve months to 30 June 2015. Of the mines that closed, seven were placed on care and maintenance due to unfavourable market conditions while the other closed due to exhausted coal reserves.

At 30 June 2015, there were 44 coal mines operating in NSW with a production workforce of 19,916. There were 17 underground coal mines with longwall operations, 4 bord and pillar underground coal mines and 23 open cut coal mines.

44 coal mines operating in
NSW as at 30 June 2015

Industry statistics *continued*



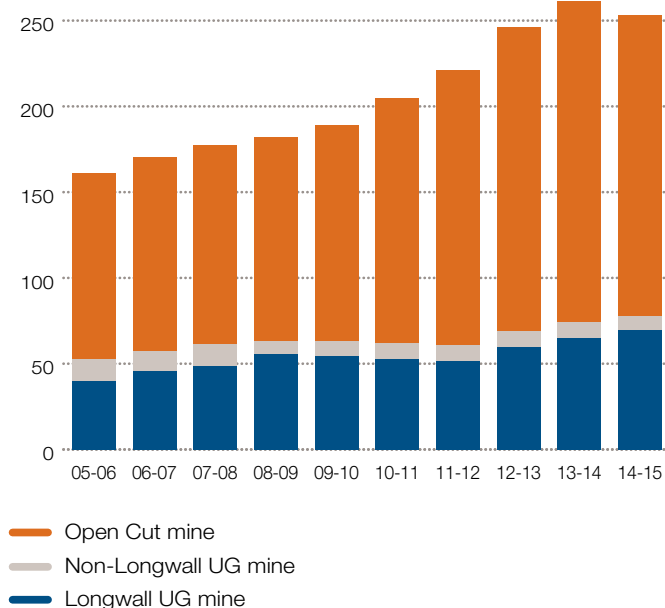
NSW Coal Industry Statistics	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15
Number of coal mines at 30 June	52	55	58	60	60	60	62	61	61	55	51	44
Raw coal production underground mines (million tonnes)	49.3	51.9	52.2	57.2	61.3	63.1	62.8	62.2	60.5	69.0	74.4	77.4
Raw coal production open cut mines (million tonnes)	97.7	104.4	108.9	113.1	115.9	118.9	126.0	142.7	160.5	176.8	186.6	175.8
Raw coal production total (million tonnes)	147.0	156.3	161.1	170.3	177.2	182.0	188.8	204.9	221.0	245.8	261.0	253.2
Saleable coal production (million tonnes)	114.2	122.1	124.6	131.3	135.1	138.5	145.4	157.0	167.2	185.6	196.6	196.4
Coal sales to power stations within Australia (million tonnes)	26.6	27.8	28.5	30.4	30.8	30.6	28.5	27.8	23.6	24.2	23.1	21.9
Coal sales to others within Australia (million tonnes)	6.2	6.1	5.6	5.9	6.0	4.3	5.5	5.7	4.8	4.5	4.3	3.9
Coal sales within Australia (million tonnes)	32.8	33.9	34.1	36.3	36.8	34.9	34.0	33.5	28.4	28.7	27.4	25.8
Coal exports overseas (million tonnes)	85.0	86.6	89.8	91.5	100.5	103.3	109.9	121.8	136.3	155.3	167.3	172.9
FOB value of metallurgical coal exports overseas (\$A billion)	1.1	1.3	2.0	1.8	2.6	5.7	3.7	4.5	12.4	3.3	2.9	2.6
FOB value of steaming coal exports overseas (\$A billion)	2.6	4.2	4.7	4.4	5.7	11.4	7.5	9.6	12.3	11.7	12.3	11.8
FOB value of coal exports overseas (\$A billion)	3.7	5.5	6.7	6.2	8.3	17.1	11.2	14.1	16.8	15.0	15.2	14.4
Average FOB value of metallurgical coal exports (\$A per tonne)	50.77	71.81	110.89	88.37	103.15	272.48	129.85	178.85	190.49	129.01	114.49	107.73
Average FOB value of steaming coal exports (\$A per tonne)	41.57	61.15	65.98	61.47	75.56	138.49	92.31	99.47	109.24	90.01	86.68	79.57
Average FOB value coal exports (\$A per tonne)	43.85	63.43	74.92	67.46	82.52	165.95	102.16	115.80	123.11	96.41	90.86	83.5
Average number of employees insured (exposed to risk) at 30 June	10,736	12,272	14,726	16,691	17,628	19,312	20,383	23,407	30,595	30,065	27,740	24,990
Number of production employment at 30 June *	9,998	11,290	12,658	13,392	15,387	16,914	19,109	21,126	24,972	22,945	21,863	19,916
Average age of mineworkers at 31 December	43.5	43.4	42.7	42.0	42.4	41.3	41.5	40.7	40.5	40.2	40.2	40.6
Average weekly earnings of mineworkers (\$) (exclusive of superannuation)	1,842	1,933	2,009	2,083	2,157	2,267	2,346	2,468	2,595	2,700	2,810	2,820
Saleable coal output per mineworker per year (tonnes)	11,380	11,680	10,240	9,970	9,430	8,410	8,130	7,750	7,000	7,830	8,830	8,840
Saleable coal output per mineworker per hour (tonnes)	5.82	5.73	4.95	4.87	4.74	4.15	3.87	3.87	3.49	3.91	4.46	4.98
Days worked per mineworker per year	279.2	291.1	295.6	292.2	284.4	289.6	286.7	286.4	286.6	286.0	283.2	253.7
Days lost per mineworker due to industrial disputes	0.2	0.3	0.1	0.1	0.1	0.0	0.2	0.4	0.1	0.0	0.3	0.0
Days lost per mineworker due to workers compensation	2.4	2.1	1.4	1.2	1.0	1.1	1.2	1.1	1.0	1.0	1.3	1.0
Lost-time injuries per million tonnes raw coal produced	2.9	2.4	2.6	2.6	2.3	2.5	2.0	1.9	2.1	2.3	2.1	1.6
Lost-time injuries per million tonnes saleable coal produced	3.7	3.1	3.4	3.3	3.0	3.2	2.6	2.5	2.8	3.0	2.8	2.0
Lost-time injuries per million hours worked	21.5	17.7	16.6	16.2	14.2	13.5	10.5	9.7	9.6	10.4	12.4	10.0

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

Industry statistics *continued*



NSW annual raw coal production by method of mining



253 million tonnes of raw coal produced from NSW mines last year

Production

In the ten years to 30 June 2014, NSW coal production had been increasing at an annual average rate of almost 6 per cent. In the 12 months to 30 June 2015, however; overall raw coal production fell 3 per cent to 253 million tonnes. Saleable coal production fell only marginally (0.1 per cent) to 196 million tonnes.

The slight decrease in saleable coal production compared to the raw coal tonnage for the period was due to the effect of the additional tonnes won from mines yielding a product with a greater percentage of raw (unwashed) coal plus the drawing down from coal stockpiles. This resulted in the yield of saleable coal to raw coal production rising from 75 per cent to 78 per cent for the twelve months to 30 June 2015.

The overall result was not uniform across mining methods or coalfields. Raw coal production from underground mines increased by 4 per cent to 77 million tonnes while open cut mines produced 176 million tonnes, 6 per cent less than the previous year. Raw coal production from mines in the Gunnedah coalfield increased by 35 per cent and by 13 per cent in the Southern coalfield. In the Hunter coalfield production fell by 9 per cent and in both the Newcastle and Western coalfields production fell by 2 per cent.

Employment and productivity

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

Production employment reached a peak in June 2012, with a total production workforce of 24,972.

Since then, production employment has steadily declined and had fallen to 19,916 at 30 June 2015.

The NSW coal industry average annual production employment and hours worked by employees fell for the third consecutive year. The average number of workers at NSW coal mines fell by 1,047 (5 per cent) to 21,214 for the 12 months to 30 June 2015. Overall raw and saleable productivity at NSW coal mines rose for the third successive year.

Productivity calculated as raw coal production tonnes won per hour worked for the twelve months to 30 June 2015 rose to 6.42 tonnes, up 9 per cent from 5.91 tonnes for the previous year.

Industry statistics *continued*

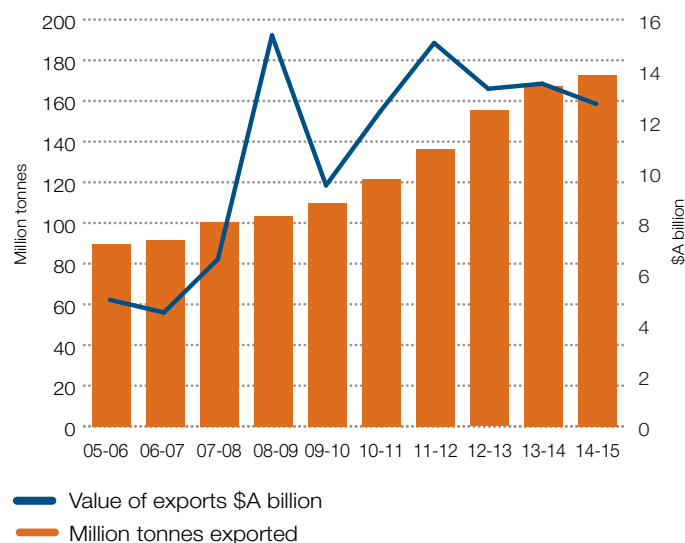


Exports

NSW coal exports have increased year on year to record levels for fifteen years. Exports for the 2014-15 year reached an all-time high of 173 million tonnes, up 6 million tonnes or 3 per cent on the previous 12 months.

Despite the increased volume of exports, the FOB value of shipments fell 5 per cent to \$14 billion, yielding an average FOB value per tonne of \$83.50, down \$7.36 on the previous year – the lowest recorded since the average FOB value per tonne of \$82.52 for 2007-08.

NSW Coal exports as at 30 June 2015



Metallurgical coal exports fell by 4 per cent to 24 million tonnes in 2014-15 with an average FOB value of \$107.73. NSW metallurgical coal exports are made up of hard coking coal and other coking coal. Hard coking coal exports increased to a record 8 million tonnes, up 2 million tonnes, with an average FOB value of \$119.93 while other coking coal exports fell by 15 per cent to 16 million tonnes with an average FOB value of \$101.43.

Steaming coal exports accounted for 86 per cent of all NSW coal shipments in the 2014-15 year, reaching a record 149 million tonnes, up 5 per cent on the previous year. A total value of \$12 billion was exported at an average FOB value of \$79.57.

NSW coal was exported to 25 countries during the year, up from 18 in 2013-14. The top four markets accounted for 86 per cent of the total tonnage exported. Japan remains the largest market for NSW coal with 70 million tonnes shipped, down 2 million tonnes from the previous 12 months. For the fourth consecutive year China was the second largest market for NSW coal with shipments of 30 million tonnes, down 7 million tonnes from the previous year.

In contrast, increased volumes of NSW coal were exported in 2014-15 to the Republic of Korea (ranked the third largest market for NSW coal), with shipments of almost 30 million tonnes and to Taiwan with 19 million tonnes (ranked the fourth largest market). Also, there were dramatic increases in shipments to India up 110 per cent to 9 million tonnes, Malaysia up 120 per cent to 7 million tonnes and to Thailand up 79 per cent to 3 million tonnes.

Domestic market

Deliveries of NSW coal within Australia have been decreasing steadily as coal usage becomes more efficient and is offset by natural gas and renewable energy sources. During 2014-15, coal sales to domestic markets fell by almost 6 per cent to 26 million tonnes.

The largest market for NSW coal within Australia is by far NSW power stations which account for 85 per cent of all domestic coal sales. NSW coal mines delivered 22 million tonnes to power stations during 2014-15, down 5 per cent on the previous year.

The iron and steel industry is the second largest domestic market for NSW coal with a 13 per cent market share. Sales to the steelworks in NSW and South Australia totalled 3 million tonnes for the twelve months to 30 June 2015, down 6 per cent on the previous twelve months.

3% increase in NSW coal exports in the last 12 months

Board of Directors



Wayne McAndrew

Non-Executive Chairperson

Nominee for Construction, Forestry,
Mining and Energy Union
Term of appointment (1 January 2007 – Current)

Wayne McAndrew was appointed as a Director of Coal Services in 2007. He was also appointed Chairman for the two-year period of 2014-15. Wayne is currently the General Vice President of the Construction, Forestry, Mining and Energy Union (CFMEU) (Mining & Energy Division), a position he has held since 2009. He was the NSW South Western District President of the CFMEU (Mining & Energy Division) from 2003; the District Vice President of the South Western District from 1998; and District Vice President of the old Western Districts from 1990. He has worked in the coal mining industry for more than 40 years and has a wide range of industrial, safety, legal and commercial skills.

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



Lucy Flemming

Managing Director/CEO

Term of appointment (19 December 2011 – Current)

Lucy Flemming was appointed as the Managing Director/CEO of Coal Services in December 2011, after joining Coal Services in August 2010 as Chief Financial Officer. She has more than 30 years' experience in executive positions in accounting, business, finance, investment and retail areas, across the public and private sectors.

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

Lucy's strengths include leadership, finance and business strategy, and continually looking for new ways to make improvements. She holds a Bachelor of Business degree with a major in Accounting and sub-major in Law. Lucy is a qualified CPA and a Graduate Member of the Australian Institute of Company Directors, in addition to being a Director of Hospitality Employers Mutual Limited. She is also a Trustee of the Coal Services Health & Safety Trust.

Board of Directors *continued*



Mark Genovese

Independent Non-Executive Director

Term of appointment (1 January 2013 – Current)

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

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

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

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



The Hon. John Hannaford

Independent Non-Executive Director

Term of appointment (1 January 2013 – Current)

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

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

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

Board of Directors *continued*



Peter Jordan

Non-Executive Director

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

Peter Jordan was appointed as a Director of Coal Services on 1 January 2012. Peter has represented mine workers in the NSW coal mining industry for more than 29 years. He is President of the Northern Mining & NSW Energy District Branch of the Construction, Forestry, Mining and Energy Union (CFMEU) (Mining & Energy Division), a position he has held since October 2009, and is a Central Executive member of the CFMEU National (Mining & Energy Division). He is also President of the NSW Branch of the CFMEU. He was also Vice President of the Northern District Branch of the union from April 1993.

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

Peter is also involved in the Health Management Advisory Committee and the Musculoskeletal Disorders Project Steering Group. He has been a Non-Executive Director of the Hunter Region Westpac Rescue Helicopter Service Limited since 2007 and is also a member of its finance committee.

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



Andrew McMahon

Non-Executive Director

Nominee for NSW Minerals Council
Term of appointment (18 November 2014 – current)

Andrew McMahon was appointed as a Director in November 2014. He is currently the Director Safety and Health at the NSW Minerals Council (NSWMC) and Senior Advisor Health and Safety for the Minerals Council of Australia. These challenging and exciting roles provide a unique opportunity to bring together a vibrant industry to achieve real change. Andrew has spent the last decade working on a wide range of health and safety initiatives and continues to coordinate the industry's response to the health and safety challenges facing the mining industry. Andrew was instrumental in commissioning the recent NSWMC paper on Mental Health in the NSW Mining Industry which has received wide coverage and now evolved into a large research project. He is also a Trustee of the Coal Services Health & Safety Trust.

Prior to joining NSWMC in 2009 he was the Health and Safety Manager on a gas plant near the Twelve Apostles in Victoria, and prior to this he was with the Minerals Council of Australia as their Policy Manager for Safety. He studied geology at University of Canberra, has worked on international development projects in Namibia and Papua New Guinea and is passionate about health, safety, mental health, communication and effecting change.

Board of Directors *continued*



David Moulton

Non-Executive Director

Nominee for NSW Minerals Council

Term of appointment (1 January 2015 – Current)

David Moulton is Centennial Coal Company Limited's Managing Director and CEO with over 37 years' world coal mining experience. After qualifying in 1979 as a mining engineer, followed by an MBA from Nottingham University, UK, he spent nine years as a mine manager with British Coal and RJB Mining PLC (now UK Coal PLC). In 1995, David moved to Pittsburgh, USA, as Global Business Development Manager for Joy Mining Machinery with responsibility for the USA, UK, Republic of South Africa and Australia. In July 1997, he moved to Australia with Joy Mining Machinery as the Regional Vice President with responsibility for Queensland. In January 1998, David joined Centennial Coal as the General Manager, Operations, and subsequently assumed the role of Chief Operating Officer before being appointed to his current position in July 2011.

David is currently a Director (and past Chairman) of the NSW Minerals Council; a Director of Australian Coal Association Low Emissions Technologies Limited (ACALET); a Member of the University of NSW Education Trust Advisory Committee; a Member of the NSW Freight Advisory Council; a Member of Coal Innovation NSW (CINSW); and a previous Director of the Australian Coal Association (ACA). In May 2014 through to project end in February 2015, David was a member of the Minerals Industry Taskforce, tasked with providing a roadmap for the growth in the minerals sector within NSW.

Anthony (Tony) Haraldson AM

Appointment expired

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

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

David Gunzburg

Appointment expired

David Gunzburg was appointed as a Director of Coal Services in September 2012. David has worked in the field of Human Resources for more than 30 years; primarily in the resources sector in Australia and South East Asia. He has undertaken senior roles with the Australian Mines and Metals Association, BHP, the Inner and Eastern Health Care Network and Orica. David established his consulting practice in 2001 and now works mainly in the fields of HR and IR Strategy, Organisation Effectiveness and Leadership Development.

General Management Team



Martin Linz

Chief Financial Officer

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

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

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



Bruce Grimshaw

Company Secretary/Legal Counsel

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

General Management Team *continued*



Rachel Morrison

General Manager, Strategy & People

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

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



Matthew Fellowes

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

Matthew Fellowes joined Coal Services in January 2015 as the General Manager of Mines Rescue and Regulation & Compliance. Prior to joining the company Matt spent six years as a consultant working directly with sites to optimise mine design and safety. With his engineering background, Matt's principal functions in these roles included auditing operational and safety performance, continuous improvement initiatives, mine feasibility and project management. Matt also has over 20 years' experience in mine and operations management roles across NSW where he has been responsible for site safety, production and financial performance. Matt is a brigadesman and his qualifications include a BE (Mining) with Honours and Mine Manager Certificate of Competence.

General Management Team *continued*



Paul McIntyre

General Manager, Coal Mines Insurance

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

Paul's experience derives from 27 years in the insurance industry in positions across various workers compensation schemes and managing a general insurance operation. His responsibilities have covered Sydney and regional areas of NSW, ACT and Vic. He has also participated in industry committees and working groups to shape WorkCover reforms.

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



Mark O'Neill

General Manager, CS Health

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

Governance

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

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

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

Governance framework

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

Board nominations and appointments

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

Board independence

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

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

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

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

On an annual basis, all Directors must complete a Fit and Proper Responsible Person Assessment as per the Coal Services Fit and Proper Policy.

Board induction and continued professional development

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

Company Secretary/Legal Counsel

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

Governance *continued*

Performance evaluation

Board performance

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

The next Board performance evaluation is scheduled for late 2016.

The Board will consider if an evaluation of the performance of the full Board and Board Committees will be included during the November 2015 Board meeting.

Ethical framework

Code of Conduct

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

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

Coal Services has undertaken a review of the current Code of Conduct and has consulted with employees, the Coal Services Board and other stakeholders to develop a renewed ethical framework. The Coal Services Board approved the revised version in May 2015 and the Code of Conduct will commence on 1 September 2015, after employees have undertaken training.

Conflict of interest

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

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

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

Given the revision of the Code of Conduct, the Conflict of Interest framework is currently being reviewed.

Protected disclosures

To support the revision of the Code of Conduct and the Conflict of Interest framework, Coal Services will be re-launching the previous Whistleblower Policy as the Protected Disclosure Policy with an outsourced Protected Disclosure Management Provider. This will be implemented in September 2015.

Governance *continued*

Financial reporting and risk management

Financial reporting

The Coal Services Board receives regular reports from management about the financial performance of Coal Services and all controlled entities. The Coal Services Board delegates the responsibility of the review of the various policies and procedures associated with financial reporting to the various Board Committees, including:

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

Risk management

The recognition and management of risks is a critical function within Coal Services. The risk management framework has been developed to manage:

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

Given Coal Services is not regulated by the *Insurance Act 1973* (Cth), the organisation is not required to comply with the Australian Prudential Regulation Authority's (APRA) Prudential Standards. However, Coal Services is working towards compliance and engaged an external consultant to conduct a gap analysis against the Prudential Standards. During the 2015-16 financial year, the Board will approve a plan for improving Coal Services' compliance with the Prudential Standards.

The Coal Services Board is responsible for reviewing and approving the overall risk management framework, including the risk appetite statement. The latest review and approval of the risk appetite statement was conducted on 22 May 2015.

Internal audit

The Internal Audit Function is overseen by the Risk, Internal Audit and Business Improvement Manager who has a direct reporting line to the chairperson of the Board Audit and Risk Management Committee and to the Chief Financial Officer (from a day-to-day operational perspective). The Internal Audit Function is governed by the Internal Audit Charter which is reviewed and approved by the Board Audit and Risk Management Committee.

The Internal Audit Function is authorised to:

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

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

Governance *continued*

External audit

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

KPMG receive all Board Audit and Risk Management Committee papers and attend, at a minimum, the Board Audit and Risk Management Committee meeting held in September annually to discuss the financial report. The external auditors are also welcome to attend any other Board Audit and Risk Management Committee meeting and have access to Committee members and Coal Services' employees at any time.

Remuneration

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

		Board meetings		Board and Audit Risk Management Committee		Board and Remuneration Committee	
		Eligible	Attended	Eligible	Attended	Eligible	Attended
Wayne McAndrew	Non-Executive Chairperson	17	17	0	0	0	0
Tony Haraldson ¹	Non-Executive Director	10	10	3	3	0	0
Peter Jordan	Non-Executive Director	17	17	0	0	2	2
David Gunzburg ²	Non-Executive Director	7	4	0	0	0	0
Mark Genovese	Independent Non-Executive Director	17	17	5	5	0	0
John Hannaford	Independent Non-Executive Director	17	17	5	5	2	2
Lucy Flemming	Executive Director	17	14	0	0	2	2
Andrew McMahon ³	Non-Executive Director	10	10	0	0	2	2
David Moul ⁴	Non-Executive Director	7	7	2	2	0	0

1 Appointment expired 31 December 2014

2 Appointment expired 18 November 2014

3 Appointed 18 November 2014

4 Appointed 1 January 2015

Annual Financial Report

for the year ended 30 June 2015

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Directors' report

For the year ended 30 June 2015

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 2015.

Directors

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

W McAndrew – Chairman
L Flemming
P Jordan
M Genovese
The Hon. J Hannaford
A McMahon (appointed 18 November 2014)
D Moulton (appointed 1 January 2015)
D Gunzburg (retired 18 November 2014)
A J Haraldson (retired 31 December 2014)

Principal activities

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

- a) workers compensation insurance for the NSW coal industry through its controlled entity, Coal Mines Insurance Pty Limited
- b) mines rescue services principally to the NSW coal industry through its controlled entity, Mines Rescue Pty Limited and
- c) occupational health and rehabilitation services principally to the NSW coal industry, under the registered trademark 'CS Health'.

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

Directors' report *continued*

Review of operations

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

	SEGMENT REVENUES		SEGMENT RESULTS	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Workers compensation insurance	132,057	130,057	(9,293)	(4,401)
Investment activities of Coal Services	47,651	39,697	45,234	37,460
Mines rescue, training, regulation and compliance services	19,702	20,230	(268)	(2,017)
Health and rehabilitation services	6,956	8,738	(2,856)	(1,846)
Other	2,357	2,329	(137)	(119)
Less: intersegment eliminations	(3,200)	(4,093)		
	205,523	196,958		
Profit from operating activities			32,680	29,077
Net profit			32,680	29,077
Other comprehensive income				
Revaluation of property, plant and equipment		–	–	211
Defined benefit superannuation actuarial liability gains			751	731
Total comprehensive income			33,431	30,019

Application of current year's profit

It is neither the Company's policy nor the expectation of shareholders of the Company to pay dividends. The current year's net profit can be attributed to the investment activities of the Company and will be invested to meet future claims and operating expenses. Comments on the operations and the results of the operations are set out below:

a) Workers compensation insurance

Coal Mines Insurance Pty 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 NSW coal industry.

The segment result for the year was a loss of \$9.29m (2014: loss \$4.40m). The result for underwriting operations was a loss of \$0.72m (2014: profit \$4.16m), before administration expenses of \$8.57m (2014: \$8.56m). The indemnity provided to Coal Mines Insurance Pty Limited by Coal Services Pty Limited was increased by \$9.29m (2014: \$4.40m) in line with the terms of the deed of indemnity.

b) Investment activities

During the year the investment portfolio held by Coal Services Pty Limited generated a net investment profit of \$45.23m (2014: \$37.46m), including unrealised profit of \$16.91m (2014: \$11.99m).

Directors' report *continued*

c) Mines rescue services

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

The segment result for the year was a loss of \$0.27m (2014: loss \$2.02m). Total operating revenue of \$19.70m (2014: \$20.23m) included contributions from mine owners of \$8.56m (2014: \$8.29m), training services of \$4.02m (2014: \$5.90m), and revenue for the provision of regulation services and calibration of technical and safety equipment of \$7.12m (2014: \$6.04m)

d) Health and rehabilitation services

CS Health is the registered trading name for the division of Coal Services Pty Limited which provides occupational health and rehabilitation services to the NSW coal industry. The segment result for the year was a loss of \$2.86m (2014: loss \$1.84m). This segment generated revenue of \$6.96m (2014: \$8.74m).

Likely developments and expected results of operations

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

Significant events after the balance date

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

Auditors

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

Environmental regulation and performance

The Group conducts regular environmental audits at each of its facilities in order to ensure control of chemicals used and discharge of water or other contaminants. There are no legislative breaches and all audit recommendations are complete.

Indemnification and insurance of Directors and officers

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

Lead auditor's independence statement

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 59.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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



W McAndrew
Director and Chairman



L Flemming
Managing Director/CEO
Sydney, 18 September 2015

Auditor's independence declaration

For the year ended 30 June 2015

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 2015 there have been:

- i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Andrew Reeves
Partner
KPMG

Sydney, 18 September 2015

Statement of consolidated financial position

as at 30 June 2015

	NOTES	2015 \$'000	2014 \$'000
Current assets			
Cash and cash equivalents	9	8,006	8,450
Receivables	10	13,112	20,334
Financial assets held at fair value through profit or loss	7	476,279	431,694
Inventories	16	158	177
Prepayments		821	1,308
Total current assets		498,376	461,963
Non-current assets			
Receivables	10	17,374	1,265
Financial assets held at fair value through profit or loss	7	–	1,010
Property, plant and equipment	15	53,438	56,068
Investment properties	8	49,800	62,500
Total non-current assets		120,612	120,843
Total assets		618,988	582,806
Current liabilities			
Payables	11	12,413	11,218
Unearned revenue	13	735	1,597
Provision for outstanding claims	6	74,391	70,283
Provisions	14	13,146	11,712
Premiums received in advance	12	–	355
Total current liabilities		100,685	95,165
Non-current liabilities			
Unearned revenue	13	372	1,003
Defined benefit superannuation scheme	26	6,105	7,141
Provision for outstanding claims	6	307,801	305,644
Provisions	14	4,055	7,314
Total non-current liabilities		318,333	321,102
Total liabilities		419,018	416,267
Net assets		199,970	166,539
Equity			
Contributed equity	23	–	–
Reserves	24	2,958	2,958
Retained profits	24	197,012	163,581
Total equity		199,970	166,539

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

Statement of consolidated profit or loss and other comprehensive income

for the year ended 30 June 2015

	NOTES	2015 \$'000	2014 \$'000
Workers compensation premium revenue	3	106,340	107,255
Outwards reinsurance premium expense	4	(2,454)	(2,879)
Net earned premiums		103,886	104,376
Claims expense		(87,671)	(80,382)
District court expenses	4	(1,029)	(971)
Reinsurance and other recoveries received	4	2,520	1,789
Net claims incurred	4	(86,180)	(79,564)
Other scheme expenses	4	(645)	(362)
Mines safety levy cost recovery	3	25,717	22,802
Mines safety levy expense	4	(25,923)	(24,676)
Underwriting result		16,855	22,576
Investment income	3	47,651	39,697
Other income	3	25,815	27,204
Total investment and other income		73,466	66,901
Expenses from operating activities	4	(57,641)	(60,400)
Net profit for the year		32,680	29,077
Other comprehensive income			
Items that will not be reclassified to profit or loss: revaluation of property, plant and equipment		–	211
Defined benefit superannuation liability actuarial gains/(losses)	26e	751	731
Total items that will not be reclassified to profit or loss		751	942
Other comprehensive income for the year		751	942
Total comprehensive income for the year		33,431	30,019

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

Statement of consolidated changes in equity

for the year ended 30 June 2015

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

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

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

Statement of consolidated cash flows

for the year ended 30 June 2015

	NOTES	2015 \$'000	2014 \$'000
Cash flow from operating activities			
Underwriting operations		132,313	132,981
Outwards reinsurance paid		(2,454)	(2,879)
Claims paid		(81,405)	(73,024)
Other underwriting expenses paid		(25,077)	(26,006)
Other operations			
Investment income		36,580	20,061
Other income received		24,848	25,467
Miners' pension fund payments		(1,831)	(1,963)
Other operating payments		(52,970)	(49,539)
Net cash inflow from operating activities	32	30,004	25,098
Cash flows from investing activities			
Payments for property, plant and equipment		(1,327)	(1,924)
Payments for improvements to investment properties		(539)	(780)
Payments for purchase of investments		(52,551)	(107,801)
Proceeds from sale of property, plant and equipment		708	234
Proceeds from sale of investment property		1,722	–
Proceeds from sale of investments		21,539	34,219
Net cash outflow from investing activities		(30,448)	(76,052)
Net cash outflow from financing activities		–	–
Net decrease in cash and cash equivalents		(444)	(50,954)
Cash and cash equivalents at the start of the year		8,450	59,404
Cash and cash equivalents at the end of the year	9	8,006	8,450

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

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Notes to the consolidated financial statements – Basis of preparation

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 NSW coal industry through its controlled entity, Coal Mines Insurance Pty Limited
- b) mines rescue services principally to the NSW coal industry through its controlled entity, Mines Rescue Pty Limited and
- c) occupational health and rehabilitation services principally to the NSW coal industry, under the registered trading name, CS Health.

The consolidated financial report of Coal Services Pty Limited (the 'Company' or 'parent') for the year ended 30 June 2015 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 18 September 2015.

Note 2: Basis of preparation

(a) Statement of compliance

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

(b) Basis of preparation

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

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

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

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in Note 17.

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

Notes to the consolidated financial statements – Group operating performance

Note 3: Analysis of income

	2015 \$'000	2014 \$'000
Insurance revenue		
Workers compensation premium revenue	106,340	107,255
Mines safety levy cost recovery	25,717	22,802
Total insurance revenue	132,057	130,057
Investment income		
Equity and property trust distributions	11,918	6,404
Fixed interest trust distributions	8,052	14,054
Interest- fixed interest investments	4,654	1,132
Rental income	5,854	7,564
Investment property operating and management expenses	(1,494)	(2,048)
	28,984	27,106
<i>Realised gains/(losses) on financial assets held at FVTPL</i>		
Australian listed shares and equity trusts	592	624
Fixed interest investments	–	(19)
	592	605
<i>Unrealised gains/(losses) on financial assets held at FVTPL</i>		
Australian listed shares and equity trusts	71	4,201
Investment property	3,931	(180)
Global infrastructure and alternative funds	6,550	3,973
Fixed interest trust investments	288	(369)
Overseas equity trust units	6,072	4,361
	16,912	11,986
Profit on sale of investment properties	1,163	–
Net investment income	47,651	39,697
Other income		
Contributions from owners of coal mines for Mines Rescue Levy	8,558	8,292
Training and services revenue	10,729	11,505
Health and rehabilitation services	4,171	4,965
Interest charged on investment property deferred receivable	499	–
Other	1,858	2,442
	25,815	27,204
Total income	205,523	196,958

Revenue recognition

Amounts disclosed as revenue are net of refunds, and goods and services tax (GST), if applicable. Revenue is recognised for the major business activities as follows:

Workers compensation insurance

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

Investment income

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

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

Contributions for Mines Rescue Levy

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

Training and services revenue

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

Notes to the consolidated financial statements – Group operating performance

Note 4: Analysis of expenditure

	Note	2015 \$'000	2014 \$'000
Insurance expenses			
Gross claims paid (including indirect settlement costs)	5	81,405	73,025
Movement in gross provision for claims outstanding		(4,500)	(5,307)
Movement in discounting		10,902	12,766
Movement in reinsurance and other recoverables		(136)	(102)
Gross claims incurred	5	87,671	80,382
Reinsurance and other recoveries received		(2,520)	(1,789)
District court expenses		1,029	971
Net claims incurred	5	86,180	79,564
Outward reinsurance expense		2,454	2,879
Mine safety levy expense		25,923	24,676
Other scheme expenses		645	363
		115,202	107,482
Expenses from operating activities			
Employee benefits expense		37,328	35,954
Depreciation and amortisation expenses		3,131	3,543
Revaluation decrement of property, plant and equipment to recoverable amount	15	–	1,305
Impairment of property, plant and equipment		31	1,160
Net loss from the sale of assets		87	202
Impairment of receivables	10	412	1,113
Investment management expenses		2,417	2,237
Miners' pension expenses		94	990
Mines Rescue materials expenses		2,144	1,877
Consultants and contractors		4,267	2,598
Medical related expenses		746	769
Travel and motor vehicle		1,524	1,309
Occupancy		2,139	3,046
General overheads		3,321	4,297
Total operating expenses		57,641	60,400
Total expenses		172,843	167,882

Expense recognition

Expenses are recognised as incurred.

Outwards reinsurance expense

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

Notes to the consolidated financial statements – Group operating performance

Note 5: Net claims incurred

	Current year \$'000	Prior years \$'000	Total \$'000
2015			
Gross claims incurred and related expense			
Gross claims paid (including indirect settlement costs)	8,510	72,895	81,405
Movement in gross provision for claims outstanding	65,602	(70,102)	(4,500)
Movement in discounting	(9,567)	20,469	10,902
Movement in reinsurance and other recoverables	(828)	692	(136)
Gross claims incurred	63,717	23,954	87,671
Reinsurance and other recoveries received	(112)	(2,408)	(2,520)
District court expenses	1,029	–	1,029
Net claims incurred	64,634	21,546	86,180
2014			
Gross claims incurred and related expenses			
Gross claims paid (including indirect settlement costs)	8,159	64,866	73,025
Movement in gross provision for claims outstanding	74,733	(80,040)	(5,307)
Movement in discounting	(11,619)	24,385	12,766
Movement in reinsurance and other recoverables	(933)	831	(102)
Gross claims incurred	70,340	10,042	80,382
Reinsurance and other recoveries received	(11)	(1,778)	(1,789)
District court expenses	971	–	971
Net claims incurred	71,300	8,264	79,564

Claims development

Current period claims relate to risks borne in the financial year. Prior period claims relate to a reassessment of the risks borne in all previous financial years.

Notes to the consolidated financial statements – Group financial position

Note 6: Provision for outstanding claims

	2015 \$'000	2014 \$'000
a) Undiscounted expected future claim payments		
Central estimate	392,281	392,369
Risk margin	50,604	51,086
Indirect claims settlement costs	29,421	33,351
	472,306	476,806
Discount to present value	(90,114)	(100,879)
	382,192	375,927
Current	74,391	70,283
Non-current	307,801	305,644
	382,192	375,927
Inflation rate – normal (economic)		
– succeeding year	2.95%	3.75%
– second and third year	3.00%	3.75%
– subsequent years	3.50%	3.75%
Inflation rate – superimposed		
– full weekly	2.50%	2.00%
– medical	5.50%	5.50%
– other	1.50%	1.50%
– asbestos	3.00%	3.00%
– lung	2.00%	2.00%
Discount rate		
– succeeding year	1.97%	2.47%
– subsequent year	1.95% – 5.46%	2.47% – 6.00%

b) The weighted average expected term to settlement of the outstanding claims from the balance date is estimated to be 5.66 years (2014: 5.35 years).

c) The prudential margin, which represents 12.0% (2014: 12.0%) of the discounted central estimate, provides a 75% (2014: 75%) level of confidence.

Note 6: Provision for outstanding claims *(continued)*

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

[illegible]

Notes to the consolidated financial statements – Group financial position

Note 6: Provision for outstanding claims *(continued)*

e) Sensitivity analysis – insurance contracts

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

	MOVEMENT IN VARIABLE %	IMPACT ON PROFIT NET OF REINSURANCE \$'000	IMPACT ON EQUITY \$'000
Active claims tail continuance rate	+2%	22,277	22,277
	-2%	(12,426)	(12,426)
Common law and redemption utilisation rate	+10%	13,686	13,686
	-10%	(13,686)	(13,686)
Expense rate	+1%	3,558	3,558
	-1%	(3,558)	(3,558)
Discount rate	+1%	(18,780)	(18,780)
	-1%	21,462	21,462
Inflation rate – normal	+1%	21,392	21,392
	-1%	(19,107)	(19,107)
Inflation rate – superimposed	+1% to classes with SI	10,046	10,046
	-1% to classes with SI	(8,900)	(8,900)

Notes to the consolidated financial statements – Group financial position

Note 6: Provision for outstanding claims *(continued)*

f) Reconciliation of movements in provision for outstanding claims

	2015 \$'000	2014 \$'000
Gross outstanding claims provision at the beginning of the year	381,124	373,665
Gross risk margin at the beginning of the year	(40,835)	(40,036)
Gross central estimate at the beginning of the year	340,289	333,629
Claims paid in the year	(72,895)	(65,149)
Associated expense allowance	(5,467)	(5,538)
Unwinding of discount	7,513	8,018
Change due to experience and valuation assumptions	20,252	6,685
Movement in economic assumptions	6,281	6,292
Claims incurred in the year	50,031	56,352
Gross central estimate at the end of the year	346,004	340,289
Gross risk margin at the end of the year	41,521	40,835
Gross outstanding claims provision at the end of the year	387,525	381,124
Future recoveries (including risk margin)	(5,333)	(5,197)
Net outstanding claims provision at the end of the year	382,192	375,927

(g) Workers compensation insurance claims

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

The provision 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. Claims expense includes claims discount expense, being the portion of the increase in the provision for outstanding claims arising from the passage of time as the claim payments discounted in prior periods come closer to settlement.

The prudential margin included in the provision for outstanding claims is at a 75% (2014: 75%) level of confidence that the reserve will be sufficient.

Notes to the consolidated financial statements – Group financial position

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

Current	2015 \$'000	2014 \$'000
Australian cash funds	34,099	8,732
Australian bond trust units	264,932	265,436
Australian listed shares	56,831	52,334
Global fixed income funds	11,321	9,990
Overseas equity trust units	43,554	43,910
Global infrastructure funds	30,626	24,619
Hedge funds	34,916	26,673
	476,279	431,694

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

The Group's investments portfolio, excluding investment properties, is designated at fair value through profit and loss. Investments are recognised at fair value on the date the Group becomes party to the contractual agreement. Transaction costs on financial assets held at fair value through profit and loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through the profit or loss are measured at fair value, with changes in their fair value recognised in the statement of comprehensive income.

Fair value in an active market

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

Fair value in an inactive or unquoted market

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

Non-current	2015 \$'000	2014 \$'000
Loan to third party	–	1,010

The loan to Mount Thorley Coal Loading Limited was repaid on 29 December 2014.

Notes to the consolidated financial statements – Group financial position

Note 8: Investment properties

	2015 \$'000	2014 \$'000
At fair value		
Opening balance at 1 July	62,500	61,900
Capitalised subsequent expenditure	539	780
Net gain/(loss) from fair value adjustments	3,931	(180)
Disposals	(17,170)	–
Closing balance at 30 June	49,800	62,500

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

Amounts recognised in profit and loss for investment properties

	2015 \$'000	2014 \$'000
Rental income	5,854	7,564
Direct operating expenses	(1,494)	(2,048)
	4,360	5,516

Notes to the consolidated financial statements – Group financial position

Note 8: Investment properties *continued*

Accounting for investment properties

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment properties are carried at fair value, which is based on active market prices, adjusted for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. The Group obtains independent valuations by a member of the Australian Property Institute annually. At the end of each reporting period, the Directors update their assessment, taking into account the most recent independent valuations. The Directors determine a property's value within a range of reasonable fair value estimates. Changes in fair values are presented in the statement of comprehensive income. Valuations are categorised as level 3. Refer to Note 17 for an explanation of fair values.

The key assumptions used in the 30 June 2015 independent valuations were in the following ranges for the Group's portfolio of properties:

	2015	2014
Discount rate	8.75% – 10.50%	9.50% – 11.25%
Terminal yield	8.00% – 10.25%	8.5% – 10.75%
Capitalisation rate	8.00% – 10.00%	8.50% – 10.50%
Weighted rental growth rate	3.17% – 3.65%	2.99% – 3.65%

Note 9: Cash and cash equivalents

	2015 \$'000	2014 \$'000
Cash at bank and on hand	8,006	8,450
	8,006	8,450

The parent entity has a bank overdraft facility of \$1,000,000 (2014: \$5,000,000) as at 30 June 2015. The Commonwealth Bank of Australia has registered a fixed charge in respect of this facility. The parent company has a \$30m revolving credit facility with Credit Suisse AG as at 30 June 2015 (2014: \$30m). Credit Suisse AG has registered a fixed and a floating charge in respect of this facility. Neither facility was drawn down during the year.

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

Notes to the consolidated financial statements – Group financial position

Note 10: Receivables

	2015 \$'000	2014 \$'000
Current		
Trade receivables	8,168	8,302
Less: provision for impaired receivables	(4,327)	(3,915)
	3,841	4,387
Other receivables	9,271	7,854
Investment settlement receivable	–	8,093
	13,112	20,334
Movement in the provision for impairment of receivables is as follows:		
Balance at 1 July	3,915	2,804
Provision for impairment recognised during the year (Note 4)	412	1,113
Receivables written off during the year as uncollectible	–	–
Unused amount reversed	–	(2)
Balance at 30 June	4,327	3,915

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

	2015 \$'000	2014 \$'000
Non-current		
Receivable from Coal Mining Industry (Long Service Leave Funding) Corporation for long service leave	260	1,257
Lease incentives	4	8
Deferred settlement on sale of investment property	17,110	–
	17,374	1,265

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

Notes to the consolidated financial statements – Group financial position

Note 11: Payables

	2015 \$'000	2014 \$'000
Trade and other creditors	10,327	8,881
Accrued expenses	2,086	2,337
Closing balance at 30 June	12,413	11,218

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

Note 12: Premiums in advance

	2015 \$'000	2014 \$'000
Premiums received in advance	–	355

Note 13: Unearned revenue

	2015 \$'000	2014 \$'000
Unearned revenue	1,107	2,600
Carrying amount at beginning of the year	2,600	4,337
Add: Coal Services Health and Safety Trust Grant	–	–
	2,600	4,337
Less: recognised in the period	(1,493)	(1,737)
Carrying amount at the end of the year	1,107	2,600

Unearned revenue relates to a grant received from the Coal Services Health and Safety Trust to fund the development of Virtual Reality facilities to provide better safety and other training capabilities to the coal industry. The grant is to cover the cost of depreciation over its effective life. No grant was received during the 2014 or 2015 financial years.

Notes to the consolidated financial statements – Group financial position

Note 14: Provisions

	Note	2015 \$'000	2014 \$'000
Current			
Employee entitlements	14 a	11,248	9,907
Miners' pension fund indemnity	14 b	800	707
Miners' pension fund indemnity Part 3 liability	14 b	1,098	1,098
		13,146	11,712
Non-current			
Employee entitlements	14 a	842	2,271
Miners' pension fund indemnity	14 b	3,213	3,945
Miners' pension fund indemnity Part 3 liability	14 b	–	1,098
		4,055	7,314

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.

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

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur. A liability for sick leave is recognised and measured for employees of Mines Rescue Pty Limited and Occupational Hygiene Services (OHyS) division of Coal Services Pty Limited at the reporting date as the amounts expected to be paid when the liability is settled. Sick leave payment and rollover provisions for Mines Rescue employees are governed by clause 3.2 of the Mines Rescue Pty Limited Certified Agreement 2006 and clause 15 of the Mines Rescue (Training Officers) Enterprise Agreement 2012.

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

Notes to the consolidated financial statements – Group financial position

Note 14: Provisions *continued*

Movements in current provisions

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

	EMPLOYEE ENTITLEMENTS \$'000	MINERS' SUPERANNUNATION PENSION FUND INDEMNITY \$'000	PART 3 LIABILITY \$'000	TOTAL \$'000
Carrying amount at 1 July 2014	9,907	707	1,098	11,712
Charged to the statement of comprehensive income/used during the year	(357)	(639)	(1,098)	(2,094)
Transferred from non-current	1,698	732	1,098	3,528
Carrying amount at 30 June 2015	11,248	800	1,098	13,146

Movements in non-current provisions

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

	EMPLOYEE ENTITLEMENTS \$'000	MINERS' SUPERANNUNATION PENSION FUND INDEMNITY \$'000	PART 3 LIABILITY \$'000	TOTAL \$'000
Carrying amount at 1 July 2014	2,271	3,945	1,098	7,314
Charged to the statement of comprehensive income	269	–	–	269
Reclassified to current provision	(1,698)	(732)	(1,098)	(3,528)
Carrying amount at 30 June 2015	842	3,213	–	4,055

Notes to the consolidated financial statements – Group financial position

Note 14: Provisions *continued***a) Employee entitlements**

	LONG SERVICE LEAVE \$'000	ANNUAL LEAVE \$'000	SICK LEAVE \$'000	TOTAL \$'000
Current	5,520	3,172	2,556	11,248
Non-current	842	–	–	842
Total entitlement	6,362	3,172	2,556	12,090
			2015	2014
Employee numbers				
Number of employees at the end of the period (excluding contractors and casuals)			302	333

Long service leave

The liabilities for long service leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

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

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

Sick leave entitlements

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

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 (see Note 26).

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).

Notes to the consolidated financial statements – Group financial position

Note 14: Provisions *continued*

b) Miners' Superannuation Pension Fund

In 1992, with the agreement of the Commonwealth and NSW 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:

	2015 \$'000	2014 \$'000
Expected future payment		
Expected future pension payments – undiscounted	6,352	7,174
Discount to present value	(1,241)	(326)
	5,111	6,848
Current – indemnity	1,898	1,805
Non-current – indemnity	3,213	5,043
	5,111	6,848

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

	2015	2014
For the succeeding and subsequent years		
Inflation rate	3.0%	3.0%
Discount rate	5.0%	5.0%

d) The weighted average expected term to settlement of future pension payments from the balance date is estimated to be 4.88 years (2014: 4.85 years).

e) Miners' pension expense under indemnity:

	2015 \$'000	2014 \$'000
Pension payments	1,831	1,963
Movement in indemnity provision	(1,737)	(973)
	94	990

Notes to the consolidated financial statements – Group financial position

Note 15: Property, plant and equipment

	LAND AND BUILDINGS \$'000	OFFICE IMPROVEMENTS \$'000	COMPUTER EQUIPMENT \$'000	MOTOR VEHICLES \$'000	PLANT AND EQUIPMENT \$'000	TOTAL \$'000
30 June 2015						
At cost	–	1,417	2,606	3,437	21,789	29,249
At valuation	46,555	–	–	–	–	46,555
Accumulated depreciation	–	(1,116)	(1,960)	(1,433)	(17,857)	(22,366)
Accumulated impairment	–	–	–	–	–	–
Carrying amount	46,555	301	646	2,004	3,932	53,438
30 June 2014						
At cost	–	1,277	2,528	3,893	23,237	30,935
At valuation	46,586	–	–	–	–	46,586
Accumulated depreciation	–	(904)	(1,761)	(1,571)	(16,057)	(20,293)
Accumulated impairment	–	–	–	–	(1,160)	(1,160)
Carrying amount	46,586	373	767	2,322	6,020	56,068

Reconciliations

	LAND AND BUILDINGS \$'000	OFFICE IMPROVEMENTS \$'000	COMPUTER EQUIPMENT \$'000	MOTOR VEHICLES \$'000	PLANT AND EQUIPMENT \$'000	TOTAL \$'000
Carrying amount at 1 July 2014	46,586	373	767	2,322	6,020	56,068
Additions	–	25	229	992	81	1,327
Disposals	–	–	–	(795)	–	(795)
Impairment	(31)	–	–	–	–	(31)
Depreciation/amortisation expense	–	(97)	(350)	(515)	(2,169)	(3,131)
Carrying amount at 30 June 2015	46,555	301	646	2,004	3,932	53,438

Notes to the consolidated financial statements – Group financial position

Note 15: Property, plant and equipment *continued*

Accounting for property plant and equipment

General purpose land and buildings are recognised at fair value based on valuations from an independent member of the Australian Property Institute at least once every three years. At the balance sheet date the Directors determine a property's value within a range of reasonable fair value estimates. Fair value is determined as the amount for which properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. If an asset's carrying amount increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. Valuations are categorised as level 3.

No revaluation increment (2014: \$0.2m revaluation increment) has been credited to the asset revaluation reserve in shareholders' equity and no revaluation decrement (2014: \$1.3m) has been debited to the profit or loss.

Specialised own use land and buildings are valued based on their existing use, using a depreciated replacement cost method. It involves estimation of replacement value of land and buildings. It firstly involves an analysis of the existing underlying value of the land having regard to shape, size, zoning, highest and best use after comparison with alternative properties exchanged within the marketplace. Then, the depreciated value of the existing improvements upon the land is then analysed according to the functionality, size, configuration and standard of repair. Assessments are made annually by the Directors of the Company considering various factors.

Impairment losses are recognised where the carrying amount of land and buildings exceeds the recoverable amount. The recoverable amount of assets is the greater of their net selling price or the value in use. In assessing the value in use for assets not held principally for cash generating purposes, the consolidated entity has used the depreciated replacement cost approach. This approach involves the summation of the land value along with the depreciated replacement cost of improvements.

All other property, plant and equipment is recognised at historical cost less depreciation. Depreciation is calculated on a straight line basis to write off the net cost of each item of plant and equipment over its expected useful life to the consolidated entity.

Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments of major items. The depreciation rates used for each class of assets are:

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

	2015 \$'000	2014 \$'000
a) Carrying amounts:		
Land and specific use buildings stated at existing use value	37,525	37,556
Land and general use buildings stated at fair value	9,030	9,030
Total land and buildings	46,555	46,586

Notes to the consolidated financial statements – Group financial position

Note 15: Property, plant and equipment *continued*

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

	2015 \$'000	2014 \$'000
Freehold land		
Cost	8,746	8,746
Buildings		
Cost	58,161	58,161
Accumulated depreciation (2.5% pa)	(9,383)	(7,929)
Net book amount	48,778	50,232
Total land and buildings	57,524	58,978
c) Carrying amounts that would have been recognised if all land and buildings were stated at fair value:		
Total land and building	22,440	22,440

Note 16: Inventories

	2015 \$'000	2014 \$'000
Goods for resale	158	177

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

Notes to the consolidated financial statements – Risk management

Note 17: Accounting estimates and judgements

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

Estimation of accrued premium income and premiums invoiced in advance

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

Estimation of outstanding claims provision

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

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

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

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

Note 18 provides details on actuarial assumptions and methodology, and Note 6 provides an analysis of the outstanding claims provision.

Defined benefit pension scheme

The Group participates in a number of defined benefit pension schemes. The present values of the Group's obligations under these arrangements are calculated by an actuary, and the principal assumptions used in these calculations are disclosed in Note 26(f).

Estimated fair values of investment & owner occupied properties

The Group carries its investment properties and owner occupied general use properties at fair value with changes in the fair values recognised in profit or loss. It obtains independent valuations annually for investment properties and at least once every three years for owner occupied properties. At the end of each reporting period, the Directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The key assumptions used in this determination are set out in Note 8 and Note 15.

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

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

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

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

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

Note 18: Actuarial assumptions and method

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

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

- Estimating an allowance for claims incurred but not reported (IBNR) and the further development on reported claims
- The determination of a risk margin and claims handling expense provision to be added to the central estimate of outstanding claims to achieve an estimated 75% level of confidence.

Notes to the consolidated financial statements – Risk management

Note 18: Actuarial assumptions and method *continued*

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

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

- To value current claims occurring before 30 June 1985 having regard for whether or not weekly benefits are being paid and the expected term of those payments. Claims occurring before 30 June 1985 are entitled to receive weekly benefits until such time as the claimant is deceased.
- To value claims occurring after 30 June 1985 by payment type using recognised payments based actuarial valuation models as follows:
 - Common law and redemptions: payments per claim finalised via a common law or redemption claim settlement
 - Lump sums: payments per claim settled involving a lump sum payment
 - Weekly compensation: payments per active weekly claim
 - Legal, medical and other payments: payments per non deafness claim incurred
 - Industrial deafness/disease: payments per industrial deafness claim incurred
 - Claims occurring after 30 June 1985 are entitled to receive weekly benefits until one year post Commonwealth retirement age.
- To value lung disease and asbestos related disease claims having regard to observed historical average claim size and industry pattern of claims reporting

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

- Estimating an allowance for claims incurred in the year to 30 June 2016.

The methods used to estimate the allowance for claims incurred in the year to 30 June 2016 were consistent with those adopted to estimate the outstanding claims provision. This analysis was supplemented with a projection of the underlying exposure to estimate the incurred claim costs.

The claims incurred estimate for the year to 30 June 2016 at the 75% level of confidence was compared to the estimated unearned premium in respect of this year at 30 June 2015. No deficiency was recognised at 30 June 2015.

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

Process used to determine actuarial assumptions

Claim numbers

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

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

Active claims

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

Common law redemptions

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

Lump sums

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

Payments

The payments per claim pattern for each payment type was used to estimate the payments expected in future years for each year of accident based on a calculated future average payment per claim.

Note 19: Insurance contracts

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

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

Methods of monitoring performance include internal risk measurement models, scenario and stress testing and regular reviews of performance.

The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

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.

Notes to the consolidated financial statements – Risk management

Note 19: Insurance contracts *continued*

Objectives in managing risk arising from insurance and policies for mitigating those risks

The Group's policies and procedures, processes and controls encompass its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Group.

Underwriting strategy

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

Reinsurance strategy

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

The Group has a Board Audit and Risk Management Committee that assesses the effectiveness of the reinsurance management process. The control mechanisms include annual review of reinsurance arrangements, reinsurance programs, and criteria for selection of reinsurers.

Terms and conditions of insurance contracts

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

Product features

The Group writes insurance risk only for the coal industry of NSW. Insurance indemnifies the policyholder against all liability arising under workers compensation legislation.

Management of risks

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

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

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

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

Concentration of insurance risks

Concentration risk is managed primarily through sensible pricing and reinsurance.

Interest rate risk

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

Credit risk

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

Note 20: Liability adequacy test

The Liability Adequacy Test (LAT) involves comparison of the unexpired risk reserve (i.e. the 2016 unclosed policies) with a prospective estimate of the future claims expense.

The compulsory nature of the cover provided by Coal Mines Insurance Pty Limited to participants in the NSW coal mining industry, means that Coal Mines Insurance Pty Limited has no deferred acquisition costs. A risk margin of 12% has been adopted to provide a 75% probability of adequacy for the premium liabilities. This is unchanged from the valuation conducted at 30 June 2015 and 30 June 2014.

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

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

Notes to the consolidated financial statements – Risk management

Note 21: Capital management

Capital management strategy

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

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

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

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

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

Economic capital

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

Coal Services has a risk appetite and a long term target capital range of 1.8-2.0 times the APRA prescribed capital amount compared to a regulatory requirement of 1.0 times.

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

Note 22: Financial risk management

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

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk comprises three types 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 limits set by the Group. The potential impact of movements in the market value of securities on the Group's statement of comprehensive income and statement of financial position is shown in the table below.

ii) Currency risk

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

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

iii) Interest rate risk

Financial instruments with floating 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. At the reporting date the interest rate profile of the Group's interest bearing financial instruments was as follows:

	CARRYING AMOUNT	
	30 JUNE 2015 \$'000	30 JUNE 2014 \$'000
Financial assets		
Fixed rate instruments	–	1,010
Variable rate instruments	310,352	284,158

Notes to the consolidated financial statements – Risk management

Note 22: Financial risk management *continued*

Summarised sensitivity analysis

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

	CARRYING AMOUNT \$'000	INTEREST RATE RISK		OTHER PRICE RISK	
		-1% PROFIT/ EQUITY \$'000	+1% PROFIT/ EQUITY \$'000	-10% PROFIT/ EQUITY \$'000	+10% PROFIT/ EQUITY \$'000
2015					
Financial assets:					
Cash	8,006	(80)	80	–	–
Trade and other receivables	13,376	–	–	–	–
Deferred settlement on sale of property	17,110	(171)	171	(1,711)	1,711
Australian bond trust units	264,932	(2,649)	2,649	(26,493)	26,493
Australian listed shares	56,831	–	–	(5,683)	5,683
Overseas equity trust units	43,554	–	–	(4,355)	4,355
Global infrastructure funds	30,626	–	–	(3,062)	3,062
Global fixed income funds	11,321	(113)	113	(1,132)	1,132
Hedge funds	34,916	–	–	(3,491)	3,491
Australian cash funds	34,099	(341)	341	–	–
	514,771	(3,354)	3,354	(45,927)	45,927
2014					
Financial assets:					
Cash	8,450	(85)	85	–	–
Trade and other receivables	21,599	–	–	–	–
Loan receivable	1,010	–	–	–	–
Australian bond trust units	265,436	(2,654)	2,654	(26,544)	26,544
Australian listed shares	52,334	–	–	(5,233)	5,233
Overseas equity trust units	43,910	–	–	(4,391)	4,391
Global infrastructure funds	24,619	–	–	(2,462)	2,462
Global fixed income funds	9,990	(99)	99	(999)	999
Hedge funds	26,673	–	–	(2,667)	2,667
Australian cash funds	8,732	(87)	87	–	–
	462,753	(2,925)	2,925	(42,296)	42,296

Notes to the consolidated financial statements – Risk management

Note 22: Financial risk management *continued*

b) Credit risk exposures

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

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

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

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

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

	TOTAL PAST DUE BUT NOT IMPAIRED			PAST DUE AND IMPAIRED	TOTAL
	NOT YET DUE \$'000	31-90 DAYS \$'000	90+DAYS \$'000	\$'000	\$'000
2015					
Trade and other receivables	11,425	1,568	119	4,327	17,439
2014					
Trade and other receivables	15,918	954	3,462	3,915	24,249

Notes to the consolidated financial statements – Risk management

Note 22: Financial risk management *continued*

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

	AAA \$'000	AA \$'000	A \$'000	BBB or below \$'000	NOT RATED \$'000	TOTAL \$'000
2015						
Cash and cash equivalents	–	8,006	–	–	–	8,006
Trade and other receivables	–	–	–	–	30,486	30,486
Short term deposit	–	–	–	–	–	–
Loan receivables	–	–	–	–	–	–
Australian bond trust units	95,141	72,816	78,421	18,554	–	264,932
Australian listed shares	–	–	–	–	56,831	56,831
Overseas equity trust units	–	–	–	–	43,554	43,554
Global infrastructure funds	–	–	–	–	30,626	30,626
Global fixed income funds	352	1,411	3,892	5,355	311	11,321
Hedge funds	–	–	–	–	34,916	34,916
Australian cash funds	–	34,099	–	–	–	34,099
	95,493	116,332	82,313	23,909	196,724	514,771
2014						
Cash and cash equivalents	–	8,450	–	–	–	8,450
Trade and other receivables	–	–	–	–	21,591	21,591
Short term deposit	–	–	–	–	–	–
Loan receivables	–	–	–	–	1,010	1,010
Australian bond trust units	4,930	174,923	95,573	–	–	275,426
Australian listed shares	–	–	–	–	52,334	52,334
Overseas equity trust units	–	–	–	–	43,910	43,910
Global infrastructure funds	–	–	–	–	24,619	24,619
Hedge funds	–	–	–	–	26,673	26,673
Australian cash funds	–	8,732	–	–	–	8,732
	4,930	192,105	95,573	–	170,137	462,745

Notes to the consolidated financial statements – Risk management

Note 22: Financial risk management *continued*

c) Liquidity risk

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

Maturity profiles

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

	UP TO A YEAR \$'000	1-3 YEARS \$'000	4-5 YEARS \$'000	Thereafter \$'000	TOTAL CONTRACTUAL CASH FLOWS \$'000	CARRYING AMOUNT \$'000
2015						
Financial liabilities:						
Miners Pension Fund Part 3 liability	1,098	–	–	–	1,098	1,098
Payable and accruals	12,413	–	–	–	12,413	12,413
Discounted claims liability*	74,391	140,236	53,905	113,660	382,192	382,192
	87,902	140,236	53,905	113,660	395,703	395,703
2014						
Financial liabilities:						
Miners Pension Fund Part 3 liability	1,098	1,098	–	–	2,196	2,196
Payable and accruals	11,218	–	–	–	11,218	11,218
Discounted claims liability*	70,283	137,979	48,036	119,629	375,927	375,927
	82,599	137,979	48,036	119,629	389,341	389,341

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

Notes to the consolidated financial statements – Risk management

Note 22: Financial risk management *continued*

d) Operational risk

Operational risk is the risk of loss to the Group resulting from deficiencies in processes, personnel, technology and infrastructure, and from external factors other than credit market and liquidity risks. Operational risks in the Group relate mainly to those risks arising from a number of sources including legal compliance, business continuity, data infrastructure, outsourced services failures, fraud and employee errors.

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

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

e) Fair values

Fair values versus carrying amounts.

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

	CARRYING AMOUNT \$'000	30 JUNE 2015 FAIR VALUE \$'000	CARRYING AMOUNT \$'000	30 JUNE 2014 FAIR VALUE \$'000
Assets carried at fair value				
Loan receivable	–	–	1,010	1,010
Australian bond trust units	264,932	264,932	264,932	264,932
Australian listed shares	56,831	56,831	52,334	52,334
Overseas equity trust units	43,554	43,554	43,910	43,910
Global infrastructure funds	30,626	30,626	24,619	24,619
Global fixed income funds	11,321	11,321	9,990	9,990
Australian cash funds	34,099	34,099	8,732	8,732
Hedge funds	34,916	34,916	26,673	26,673
	476,279	476,279	432,704	432,704

Notes to the consolidated financial statements – Risk management

Note 22: Financial risk management *continued*

	CARRYING AMOUNT \$'000	30 JUNE 2015 FAIR VALUE \$'000	CARRYING AMOUNT \$'000	30 JUNE 2014 FAIR VALUE \$'000
Assets carried at amortised cost				
Cash	8,006	8,006	8,450	8,450
Trade and other receivables	30,486	30,486	21,599	21,599
	38,492	38,492	30,049	30,049
Liabilities				
Trade and other payables	12,413	12,413	11,218	11,218
Miners Pension Fund Part 3 liability	1,098	1,098	2,196	2,196
Indemnity to the Trustees of Auscoal Superannuation Fund	4,013	4,013	4,652	4,652
Defined benefit superannuation scheme	6,105	6,105	7,141	7,141
Employee benefits	12,090	12,090	12,178	12,178
	35,719	35,719	37,385	37,385

f) Fair value hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, whether directly (i.e., as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market process in active markets for the similar instruments; quoted prices for identical or similar instruments in the markets that are considered less than active; or other valuation techniques where all the significant inputs are directly or indirectly observable from the market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation techniques include inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments. Significant unobservable adjustments or assumptions are required to reflect differences between instruments.

Notes to the consolidated financial statements – Risk management

Note 22: Financial risk management *continued*

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

	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL \$'000
30 June 2015				
Australian bond trust units	264,932	–	–	264,932
Australian listed shares	56,831	–	–	56,831
Overseas equity trust units	43,554	–	–	43,554
Global infrastructure funds	30,626	–	–	30,626
Global fixed income funds	11,321	–	–	11,321
Australian cash funds	34,099	–	–	34,099
Hedge funds	–	34,916	–	34,916
Total	441,363	34,916		476,279
30 June 2014				
Australian bond trust units	275,426	–	–	275,426
Australian listed shares	52,334	–	–	52,334
Overseas equity trust units	43,910	–	–	43,910
Global infrastructure funds	24,619	–	–	24,619
Australian cash funds	8,732	–	–	8,732
Hedge funds	–	26,673	–	26,673
Loans	–	–	1,010	1,010
Total	405,021	26,673	1,010	432,704

Notes to the consolidated financial statements – Equity

Note 23: Contributed equity

	2015 NUMBER OF SHARES	2014 NUMBER OF SHARES
	2	2

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

Note 24: Reserves and retained profits

	2015 \$'000	2014 \$'000
a) Reserves		
Property, plant and equipment revaluation reserve	2,958	2,958
Movements		
Balance at 1 July	2,958	2,747
Revaluation of land and buildings	–	211
	2,958	2,958
b) Retained profits		
Balance at 1 July	163,581	133,773
Net profit for the year	32,680	29,077
Defined benefit superannuation scheme actuarial gains/(losses)	751	731
	197,012	163,581

c) Nature and purpose of reserves

The property, plant and equipment revaluation reserve is used to record increments and decrements on the re-valuation of non-current assets, as described in Note 15.

Notes to the consolidated financial statements – Other notes

Note 25: Income tax

Income tax expense/(benefit)

The Group's tax exempt status under the Australian Tax Office letter dated 28 September 2011 covered the year ends until 30 June 2015. The Group received confirmation from the Australian Tax Office on 15 April 2015 that it is exempt from income tax pursuant to section 50-1 of the *Income Tax Assessment Act 1997*. The exemption applies to the years ending 30 June 2016 through to 30 June 2019 inclusive and accordingly no current or deferred tax assets and liabilities of the Group have been recognised. No tax reconciliation has been presented as the Group is a tax exempt entity pursuant to section 50-1 of the *Income Tax Assessment Act 1997*.

Note 26: Defined benefit superannuation schemes

a) Superannuation plans

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

	2015 \$'000	2014 \$'000
b) Statement of financial position amounts		
Present value of the defined benefit obligation	(23,377)	(23,353)
Present value of the defined benefit plan assets	17,272	16,212
Net liabilities recognised in the statement of financial position	(6,105)	(7,141)

Notes to the consolidated financial statements – Other notes

Note 26: Defined benefit superannuation schemes *continued*

As at 30 June 2015, the asset sector percentages for the defined benefit funds are as follows:

	%	30 JUNE 2015 TOTAL \$'000
Energy Industry Superannuation Schemes investment fund		
Australian equities	12.00%	1,853
International equities	36.00%	5,559
Emerging market equities	0.00%	–
Property	4.00%	618
Private equity	2.00%	309
Infrastructure	7.00%	1,081
Alternatives	32.00%	4,942
Fixed income	0.00%	–
Cash	7.00%	1,081
	100.00%	15,443
Mines Rescue Stations Staff Superannuation Plan		
Australian equities	21.90%	401
International equities	15.40%	282
Australian fixed interest	17.00%	311
International fixed interest	8.80%	161
Property	0.80%	15
Cash	28.20%	516
Other	7.90%	143
	100.00%	1,829
Total		17,272

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

Notes to the consolidated financial statements – Other notes

Note 26: Defined benefit superannuation schemes *continued*

	2015 \$'000	2014 \$'000
c) Movement		
Movement in net liabilities recognised in the statement of financial position:		
Net liabilities at the beginning of the year	(7,141)	(8,309)
Net expense recognised in profit and loss	(957)	(1,018)
Gains recognised in OCI	751	731
Contributions	1,242	1,455
Net liabilities disclosed in the statement of financial position	(6,105)	(7,141)
Reconciliation of the present value of defined benefit obligation:		
Opening defined benefit obligation	23,353	22,778
Current service cost	753	771
Interest cost	760	774
Contributions by fund participants	89	108
Actuarial (gains)/losses	(121)	464
Benefits paid	(1,299)	(1,384)
Liabilities extinguished on settlements	–	–
Taxes, premiums and expenses paid	(158)	(158)
Closing defined benefit obligation	23,377	23,353
Reconciliation of the fair value of fund assets:		
Opening fair value of fund assets	16,212	14,469
Expected return	–	–
Interest Income	556	527
Return on plan assets	630	1,195
Employer contributions	1,243	1,455
Contributions by fund participants	88	108
Benefits paid	(1,299)	(1,384)
Taxes, premiums and expenses paid	(158)	(158)
Assets distributed on settlements	–	–
Closing fair value of fund assets	17,272	16,212

Notes to the consolidated financial statements – Other notes

Note 26: Defined benefit superannuation schemes *continued*

	2015 \$'000	2014 \$'000
d) Amounts recognised in profit or loss		
Current service cost	753	771
Interest cost	204	247
Expected return on Scheme assets	-	-
Expense recognised	957	1,018
Actual return on Scheme assets	630	1,194
e) Amounts recognised in other comprehensive income		
Actuarial gains/(losses)	751	731
f) Principal actuarial assumptions		
The principal actuarial assumptions used were as follows		
Energy Industries Superannuation Scheme		
Salary increase rate	2.5%	2.5%
Rate of CPI increase	2.5%	2.5%
Expected rate of return on assets	7.0%	7.0%
Discount rate after tax	3.03%	3.57%
Mines Rescue Stations Staff Superannuation Plan		
Salary increase rate	2.5%	3.0%
Expected rate of return on assets	6.0%	8.0%
Discount rate after tax	2.1%	2.8%

Notes to the consolidated financial statements – Other notes

Note 26: Defined benefit superannuation schemes *continued*

g) Sensitivity analysis

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

30 June 2015	BASE \$'000	DECREASE \$'000	INCREASE \$'000
Energy Industries Superannuation Scheme (EISS)			
Discount rate (1% movement)	20,627	3,201	(2,583)
Future salary growth (0.5% movement)	20,627	(411)	436
Rate of CPI increase (0.5% movement)	20,627	(1,052)	1,155
Future mortality (5% movement)	20,627	201	(190)
Mines Rescue Staff Superannuation Plan			
Discount rate (0.5% movement)	2,750	109	(66)
Future salary growth (0.5% movement)	2,750	(45)	87

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

h) Employer contributions

Parent entity

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

EISS Division B – 1.9 x member contributions
 EISS Division C – 2.5% x salaries
 EISS Division D – 1.64 x member contributions
 Plus additional contributions of \$683,000.

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

Mines Rescue Pty Limited

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

Notes to the consolidated financial statements – Other notes

Note 27: Key management personnel compensation

a) Key management personnel

Key management personnel comprise the Directors and senior officers of the Company or other companies within the Group.

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

W McAndrew – Chairman

L Flemming

P Jordan

M Genovese

The Hon. J Hannaford

A McMahon (appointed 18 November 2014)

D Moulton (appointed 1 January 2015)

D Gunzburg (retired 18 November 2014)

A J Haraldson (retired 31 December 2014)

	2015	2014
b) Key management personnel compensation		
Directors and other key personnel of the Company or other Group companies received remuneration as follows:		
Short-term employee benefits – Directors*		
Greater or equal to \$100k (2 Directors)	565,434	556,000
Less than \$100k (7 Directors)	354,739	357,000
	920,173	913,000
Short-term employee benefits – other key personnel		
Greater or equal to \$300k (1 key personnel) (2014: 2 key personnel)	303,578	724,000
Less than \$300k (5 key personnel) (2014: 3 key personnel)	1,391,969	962,000
	1,695,547	1,686,000
	2,615,720	2,599,000

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

Notes to the consolidated financial statements – Other notes

Note 28: Events occurring after the statement of financial position date

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

Note 29: Commitments

a) Capital commitments

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

	2015 \$'000	2014 \$'000
Investment and owner occupied properties		
Within one year	267	775
	–	–

b) Lease commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:

Within one year	1,016	1,220
Later than one year but no later than five years	1,942	3,040
Later than five years	–	–
	2,958	4,260
Representing:		
Non-cancellable operating leases	2,958	4,260

Note 30: Contingent assets and liabilities

The Company had no contingent assets or liabilities as at 30 June 2015.

Notes to the consolidated financial statements – Other notes

Note 31: Remuneration of auditors

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

	2015 \$	2014 \$
Audit of financial reports		
Fees paid	196,050	188,550
External peer review, taxation and other assurance services		
Fees paid	46,055	24,900
	242,105	213,450

Note 32: Reconciliation of profit after income tax to net cash flow from operating activities

	2015 \$'000	2014 \$'000
Net profit for the year	32,680	29,077
Depreciation and amortisation	3,131	3,543
Fair value (gain)/loss of property, plant and equipment and investment property	(3,931)	1,305
Impairment of plant and equipment	31	1,160
Realised gains on investments	(1,755)	(606)
Unrealised gains on investments	(13,480)	(11,986)
Net loss on disposal of property, plant and equipment	87	202
Decrease in trade receivables	7,222	2,950
Decrease in inventories	19	12
Decrease/(increase) in other receivables	1,488	(7,098)
Increase in trade creditors	1,195	6,391
Decrease in unearned revenue	(1,493)	(1,736)
Decrease increase in other operating liabilities	(381)	(4,506)
Increase in claims provision	6,265	7,363
Decrease increase in other provisions	(1,074)	(973)
Net cash inflow from operating activities	30,004	25,098

Notes to the consolidated financial statements – Group structure

Note 33: Related party disclosures

a) Other related parties

The parent entity holds a nominee Directorship in Coal Loading Limited. The parent entity had made a loan to Mount Thorley Coal Loading Limited which was secured by a bank guarantee. The loan was repaid in full on 29 December 2014 (2014: \$1,010,000). During the period, the parent entity received \$63,124 (2014: \$76,000) in interest on this loan. Administrative income of \$0 (2014: \$4,500) has also been received from Mount Thorley.

Two Directors (A J Haraldson and L Flemming) of the parent entity are also trustees of the Coal Services Health & Safety Trust.

b) Controlling entities

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

	2015 \$	2014 \$
Amounts recognised as expenses		
Director's fees	320,007	314,753
Other services	12,000	13,000
	332,007	327,753
Transaction with other related parties		
Mount Thorley Coal Loading Limited		
Loan outstanding	–	1,010,000
Interest received	63,124	76,000
Administrative income	–	4,500

Notes to the consolidated financial statements – Group structure

Note 34: Subsidiaries

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

	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING	
			2015	2014
Name of entity				
Coal Mines Insurance Pty Limited	Australia	Ordinary	100%	100%
Mines Rescue Pty Limited	Australia	Ordinary	100%	100%

In October 2007, the Coal Services Pty Limited (CSPL) Board approved a funding agreement. In accordance with the funding agreement, CSPL funds the development and construction costs of Mines Rescue Pty Limited. The funding comprises a secured interest free loan of \$5m with a 5 year repayment term and subscription of B Class ordinary shares in Mines Rescue Pty Limited for the total consideration of \$25m. As at 30 June 2015, \$5m of the secured loan has been drawn down and \$25m of Mines Rescue Pty Limited's Class B shares have been issued.

Notes to the consolidated financial statements – Group structure

Note 35: Parent entity disclosures

As at and throughout the financial year ending 30 June 2015 the parent entity of the Group was Coal Services Pty Limited.

	2015 \$'000	2014 \$'000
Result of parent entity		
Profit for the year	29,566	21,091
Other comprehensive income	514	576
Total comprehensive income for the year	30,080	21,667
Financial position of parent entity at year end		
Current assets	516,914	448,929
Non-current assets	86,593	101,473
Total assets	603,507	550,402
Current liabilities	411,285	385,026
Non-current liabilities	8,979	12,213
Total liabilities	420,264	397,239
Total equity of parent entity comprising of:		
Share capital	–	–
Revaluation reserve	–	–
Retained earnings	183,243	153,163
Total equity	183,243	153,163

Coal Mines Insurance Pty Limited indemnity

The parent entity has indemnified Coal Mines Insurance Pty Limited a wholly owned subsidiary against all claims, payments, damages, costs, outgoings and liabilities arising from the workers compensation insurance scheme. There has been a net increase of \$9.29m (2014: increase of \$4.40m) for the year which has been debited to the statement of comprehensive income of Coal Services Pty Limited for the year. Notwithstanding that the provision for Coal Mines Insurance Pty Limited indemnity of \$200m (2014: \$191m) has been classified as a current liability, it is not expected to be settled within the next 12 months.

Notes to the consolidated financial statements – Group structure

Note: 36 Accounting policies not yet adopted

The following was available for early adoption at 30 June 2015 but has not been applied by the Company in these financial statements:

- AASB 9 *Financial Instruments* was issued and will eventually replace AASB 139 *Financial Instruments Recognition and Measurement*. It introduced changes in classification and measurement of financial assets and liabilities. This standard becomes Mandatory for the Group's 30 June 2018 financial statements. The Group has not yet determined the potential impact of the new standard.
- AASB 15 Revenue from Contracts with Customers was issued and will eventually replace AASB 118 Revenue and AASB 111 Construction Contracts. It introduces changes to the recognition and measurement of revenue based on when control passes to a customer, rather than the existing notion of the transfer of risks and rewards. The standard becomes mandatory for the Group's 30 June 2018 financial statements. The Group has not yet determined the potential impact of the new standard.

Directors' declaration

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

a) the financial statements and notes, set out on pages 60 to 108, are in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the financial position of the Consolidated entity as at 30 June 2015 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) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors.



W McAndrew
Director and Chairman

Sydney, 18 September 2015



L Flemming
Managing Director/CEO

Sydney, 18 September 2015

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



Report on the financial report

We have audited the accompanying financial report of Coal Services Pty Limited (the Company), which comprises the statement of consolidated financial position as at 30 June 2015, and statement of consolidated profit or loss and other comprehensive income, statement of consolidated changes in equity and statement of consolidated cash flows for the year ended on that date, notes 1 to 36 comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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

KPMG

Andrew Reeves,

Partner,

Sydney

18 September 2015

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