Coal Services

Then and Now

Annual Report 2013

Coal Services

Then and now: Serving the coal industry for 90 years

Coal Services prides itself on its ongoing commitment to the health and safety of the NSW coal mining industry. This commitment is steeped in history, having been involved in the industry in one form or another since the 1920s.

1920s

1922 – Mine Owners Insurance Ltd business commences

1925 – Mines Rescue Act is enacted

1926 – The first mines rescue station is established at Abermain, NSW

1940s

1947 – The JCB is established under the *Coal Industry Act 1946*

1947 – Medical Bureaus are established in four regional areas (these later became CS Health)

1947 – Occupational Hygiene Services is established to provide dust monitoring and promote dust control at mines

1948 – The JCB purchases Mine Owners Insurance and renames it Coal Mines Insurance shortly thereafter

1950s

1950 – The JCB is credited with introducing the first Joy Continuous Miner in the country (one of the JCB’s objectives was to promote mechanisation in the coal fields)

1954 – The Standing Committee on Dust Research and Control is established by the JCB

1960s

1969 – The JCB commences a hearing conservation program for the industry

1970s

1972 – The last new case of black lung is recorded

1979 – Order 34 is implemented to ensure that effective training schemes are in place at mine sites

When Coal Services was created in 2002 under the *Coal Industry Act 2001*, it took responsibility for the functions performed by the Joint Coal Board (JCB) and the NSW Mines Rescue Board.

We have built on these foundations and have evolved over the past ten years to become a more proactive, responsive and sustainable industry leader.

Our 334 employees and our shareholders, the NSW Minerals Council and the Construction, Forestry, Mining and Energy Union, continue to work together to enhance the delivery of critical services in the areas of occupational health and safety, workers compensation, mines rescue and training.

Our purpose: **To protect**

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

Then and Now celebrates the achievements of Coal Services and recognises that our history is an important part of who we are today.

We have built on these foundations and have evolved over the past ten years to become a more proactive, responsive and sustainable industry leader.

1980s

1983 – Coal Mines Technical Services is established as part of the Southern Mines Rescue Station

1990s

1991 – The Health and Safety Trust is formed to seek out, nurture and apply quality research for the benefit of coal miners

2000s

2002 – The JCB and NSW Mines Rescue Boards are dissolved and Coal Services Pty Limited is created under the *Coal Industry Act 2001*

2004 – Virtual Reality Technologies simulator is officially opened at the Newcastle Mines Rescue Station

2010s

2010 – Coal Services donates $1 million to the Westpac Rescue Helicopter Service

2011 – Order 41 and Order 42 are introduced to formalise workers health assessments and monitoring airborne dust at NSW coal mines

2012 - Coal Services opens a regional office in Mudgee

Chairman's Report

In my previous report, I noted the extraordinary growth experienced by the NSW coal industry during 2011-12, when raw coal production grew by 8 per cent and exports rose by 12 per cent. At that time, and most importantly from Coal Services' perspective, the number of employees insured for workers compensation had increased by 16 per cent to a yearly average of 27,082

(actual exposed to risk at 30 June 2012 was 30,593 after receipt of 2011-12 financial year audited wage declarations from policyholders).

I also noted that Coal Services had been working to improve its services during those positive times, to ensure its strength and capabilities continued should a slowdown in the industry occur. As part of that strategy, the Company moved its focus from expansion to consolidation and natural growth.

The NSW coal industry continued to experience strong growth in 2012-13. Production of raw coal increased a further 11.2 per cent to 245.8 million tonnes and exports increased by 13.9 per cent to a record 155.3 million tonnes.

However; declining export commodities prices drove coal owner/operators to seek increased output at reduced cost. Employment levels were reduced, mainly through reduction of contractor numbers, which led to a 12.2 per cent productivity improvement for the year, reversing a seven-year trend of productivity decline. Actual employees exposed to risk for workers compensation purposes at 30 June 2013 was 29,925 - 668 fewer than the previous year - and numbers have continued to fall since then.

The fall in employment numbers has caused quite a dramatic decline in demand for statutory services provided by Coal Services. Pre-employment medical services provided by CS Health reduced from 12,629 in 2011-12 to 5,734 in 2012-13. Higher patronage of periodic medicals kept staff busy, but income suffered as a result.

Attendances at contractor induction training and other courses provided by Mines Rescue also suffered as a result of the industry downturn. A total of 2,700 participants completed generic underground induction and statutory training courses in 2011-12. These figures totalled 1,131 in 2012-13 and numbers continue to decline.

Additionally, employers have tightened their belts in regard to uptake of non-statutory services offered by Coal Services.

Experience has shown that reductions in production employee numbers lead to increases in workers compensation claims, particularly for nature and condition claims (wear and tear), and some increase is being noticed. Actuarial reviews during the year (which take account of claims rates, weekly payments, and catastrophic claims, together with lower discount rates caused by historically low interest rates) have required a significant additional contribution to our provision for Outstanding Claims Liability. The provision at June 2013 is $368 million, an increase of $37 million on the June 2012 actuarial calculation, representing a charge against revenue of the same amount.

I was pleased to welcome three new Directors to our Board during the year.

Mr David Gunzburg was appointed on 1 September 2012 as a nominee Director of the NSW Minerals Council following the resignation of Ms Sue-Ern Tan.

The Hon. John Hannaford and Mr Mark Genovese were appointed as Independent Directors effective from 1 January 2013.

All three gentlemen bring relevant skills and experience, and the independent appointments have enabled our Board Committee structure to be re-invigorated in accordance with the Coal Services Constitution.

Interaction with our responsible Minister, the Hon. Chris Hartcher MP, Minister for Resources and Energy, continued in a very positive manner throughout the year. This gave rise to Coal Services and our shareholders signing an agreement that deals particularly with Board structure and related matters. Implementing the agreement will require amendment to the *Coal Industry Act 2001*, and at time of writing, legislation is yet to be passed.

The current economic climate in the NSW coal industry, where coal owner/operators are struggling to make a profit in the face of low export prices, requires the Company to continually address its revenue and cost structures to ensure its long term viability.

Coal Services is a service organisation, and as such relies entirely on the efforts and skills of its employees at all levels. I am happy to report that they have risen to the challenges faced by the Company.

I thank my fellow Directors, Lucy Flemming and her senior management team, and all of our employees, for their dedication, effort and expertise on behalf of Coal Services.

Tony Haraldson
Chairman

Managing Director/ CEO's Report

While we celebrate our current health and safety record in the NSW coal industry, it is also important to remember our history and where we have come from. In the late 1940s, NSW coal industry workers expected that they would suffer from a dust related disease in their lifetime, or at best, have a significant injury. Workers compensation premium rates were at a staggering 40 per cent, and serious injury and death were common place.

Since the 1940s we have seen an overwhelming improvement in all areas of health and safety. During 2012-13 premium rates were maintained at 3.20 per cent and injury rates were just over 6 per cent. Advances in equipment and mining technologies have contributed to this change, however; the most significant contribution has been made by the industry itself: ensuring that workers are provided with a safe workplace. Coal Services has played a key role in this improvement, working as a partner with industry to assist in the achievement of these results.

Despite the considerable difference to the health and safety of the workers involved, we are now encountering new and unique challenges to keeping our industry safe.

In the last twelve months we have experienced three fatalities in coal mining in NSW. None of these were on an actual mine site, but were on the road, either heading to work or returning home. Fatigue, poor road conditions, and other road users all played factors in these sad events. Diesel has now been classified by the World Health Organisation as a Group one agent that is carcinogenic to humans. The effect that this may have on the health of the workers in the industry has not yet been determined.

Our other challenges include maintaining the high level of health and safety standards when the industry is contracting and employers are working hard to improve productivity and profitability.

Even though major improvements in health and safety have occurred in more recent times (over the last ten years injuries have reduced by over 75 per cent), we need to ensure that as an industry we do not become complacent about our safety record. We must remain vigilant and continue to invest in the health and safety of our workers.

Coal Services strives towards continuous improvement in our contribution to protecting workers in the industry. The ongoing review of our performance, the achievement of our vision and regular engagement with our stakeholders each plays a significant role in this. We aim to ensure that we provide the best possible resources and services to meet industry's needs.

The improvement of the governance and financial sustainability of our organisation has been a key focus for us this year, ensuring that Coal Services is strong financially to continue to deliver high quality services to the industry for future generations. In this regard, the Board has also signed off on our Risk Appetite Statement, and has also reviewed and approved a revised strategic asset allocation for our investments; all required to ensure our future.

This has been a particularly busy and difficult year for Coal Services and I would like to take this opportunity to personally acknowledge the hard work and dedication of our employees, management teams, the Board and the Chairman. The contribution that we each make has a direct impact on the lives of the workers, their families and the communities in the coal mining areas of NSW.

Coal Services remains committed to partnering with industry to maintain strong health and safety practices in all workplaces to protect workers. Our focus continues to be ensuring that workers continue to return healthy and safe to their loved ones every day.

Lucy Flemming
Managing Director/CEO

Board of Directors

ANTHONY (TONY) HARALDSON AM

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

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

LUCY FLEMMING

Lucy Flemming was appointed as the Managing Director/CEO of Coal Services in December 2011. Lucy joined Coal Services in August 2010 as Chief Financial Officer. She has more than 28 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.

PETER JORDAN

Peter Jordan was appointed as a Director of Coal Services on 1 January 2012. Peter has represented mine workers in the NSW coal mining industry for more than 27 years. He is President of the Northern District Branch of the Construction, Forestry, Mining and Energy Union (CFMEU) (Mining & Energy Division), a position he has held since October 2009, and is a Central Executive member of the CFMEU National (Mining & Energy Division). He is also President of the NSW Branch of the CFMEU. He was also Vice President of the Northern District Branch of the union from April 1993.

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

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

WAYNE MCANDREW

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

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

DAVID GUNZBURG

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

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

MARK GENOVESE

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

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

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

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

THE HON. JOHN HANNAFORD

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

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

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

Strategy and People

Rachel Morrison
General Manager, Strategy and People

OUR STRATEGIC FRAMEWORK

In 2012-13 we finalised the development of the Coal Services strategic framework to include a refreshed vision, values and business model so that our role in the NSW coal mining industry and what drives our business strategy is clearly articulated.

Our strategic framework lays out our purpose, vision and values and defines our responsibilities, relationships, products, service offerings and priorities for our stakeholders.

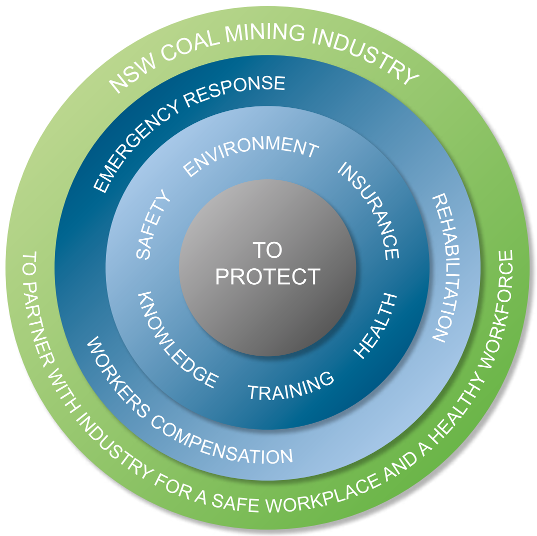
In the last twelve months our connected business model was formalised to focus on optimising services to maximise our success and our ability to deliver on our vision. This model focuses on emphasising how our preventative and responsive services work together and complement each other to mitigate the risk of occupational disease and workplace injury.

We continue to measure the success of our plan against a balanced scorecard which outlines our business accountabilities to deliver on these goals.

Coal Services' activities through 2012-13 continued to demonstrate our commitment to the health and safety of the NSW coal mining industry, our stakeholder goals and delivering on our strategic plan.

Purpose and Vision	
Purpose	To protect.
Vision	To partner with industry for a safe workplace and a healthy workforce.

Connected Business Model



Values

Strategic Levers	
Customer	Ensuring that the people and organisations we service feel valued by recognising their needs, identifying opportunities, and providing solutions-based quality service.
Consolidation	Strengthening our business by optimising our processes and resources to improve core service delivery.
People	Providing our employees with the support, skills and tools to feel empowered to deliver products and services to meet our customers' needs.

EMPLOYEE NUMBERS
1947
178 (JCB)

2012 - 13
334 (COAL SERVICES)

Above: Southern Mines Rescue Station staff (1988)

Below: Coal Services leadership conference (2013)

OUR PEOPLE

Since Coal Services began surveying employees to assess their satisfaction at work, there has been a positive trend upwards in the level of satisfaction with Coal Services as an employer. In 2011, the survey cycle was reduced to every two years. The next survey will take place in 2014.

Although the response rate for the 2012 survey was slightly lower than the previous survey, employee satisfaction continues to be high and has remained steady over the last four years.

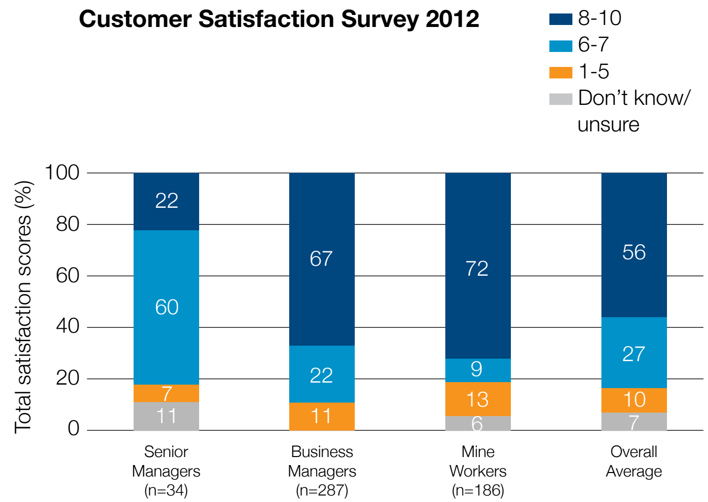
OUR CUSTOMERS

The annual Customer Satisfaction Survey took place in November 2012. The survey aims to give our customers and injured workers a ‘voice’ through which they can provide feedback as to how we can better understand their needs and more efficiently meet their expectations and deliver quality services.

This was particularly important in 2012-13 in light of the financial pressures experienced within the industry. Our ability to respond to the changing needs of our customers is critical in supporting our customers during this time.

The survey results enable us to measure our performance and continue to drive service improvements.

The 2012 survey results showed service improvements across all areas of the business, with an overall average satisfaction score of 83 per cent.



Total satisfied	82	89	81	83
Total dissatisfied	7	11	13	10

DIVERSITY POLICY

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

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

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

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

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

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

Applicants of both genders are encouraged to apply for all roles; however, there continues to be roles within Coal Services that are weighted towards one gender given the traditional nature of the roles. For example, Mines Rescue trainers, CS Health nurses, administration.

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

Female representation 2012–2013 (at 22 May 2013)

Female employees	64%
Female representatives at Board level	14%
Female representatives on the General Management Team	17%

Workplace profile 2012-2013, as submitted to the Workplace Gender Equality Agency at 22 May 2013

	WOMEN			MEN				%	
	Full time	Part time	Casual	Full time	Part time	Casual	Total	Women	Men
Board	1	0	0	6	0	0	7	14	86
Senior Executives	1	0	0	5	0	0	6	17	83
Regional Managers	19	0	0	10	0	0	29	66	34
Team Leaders	14	2	0	3	0	0	19	84	16
Professional/Technical Staff	51	41	18	83	4	4	201	55	45
Support Staff	49	17	6	6	1	0	79	91	9
TOTAL	**135**	**60**	**24**	**113**	**5**	**4**	**341***	**64**	**36**

* Figure correct at 22 May 2013. Total employment at 30 June 2013 is 334.

Welfare, Community and the Environment

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

Coal Services' sponsorships and community partnerships aim to:

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

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

The Miners Tribute Monument

In July 2012, the Miners Tribute Monument was unveiled at Tarrawanna in the Illawarra region. Funding for the official launch ceremony was provided by Coal Services. The monument was a joint project between a group of retired mine workers and Wollongong City Council in recognition of the contribution of coal mining to the Illawarra region since 1880.

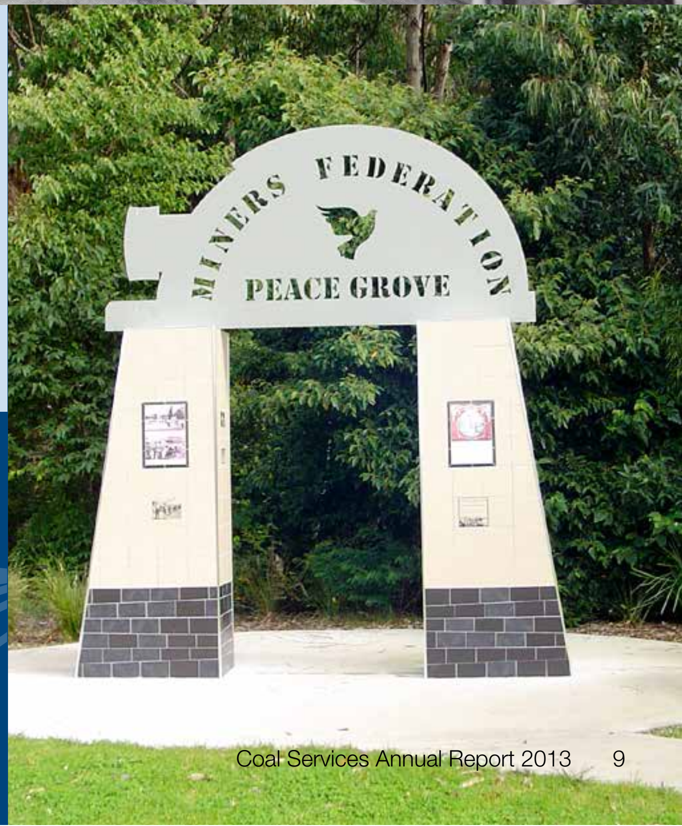
Coal Services recognises the importance of documenting NSW's coal mining history, operations and people. The site of the monument was once a paddock for the horses used to pull coal skips into the nearby Corrimal Mine.

COMMUNITY WELFARE FUND ESTABLISHED IN

1947

Above: Kurri Kurri Community Pool, a JCB initiative (1951-52)

Right: The Miners Tribute Monument at Tarrawanna (2012)




Live for Kids on the road

Live for Kids

Coal Services was proud to be a platinum sponsor for a second year of the annual Live for Kids Cycle Classic. Six Coal Services employees participated in the gruelling 850-kilometre ride between the Gold Coast and Newcastle in September 2012, helping to raise more than $100,000 for the John Hunter Children's Hospital and other projects.

Live for Kids supports children's health in the Hunter region and actively promotes a healthy lifestyle to families in the area. Money from the ride is used to purchase medical equipment to support children with severe respiratory diseases. The charity also donates custom-built bicycles to children with special needs.

Live for Kids and Coal Services

Sparke Helmore NBN triathlon

Coal Services has a long association with the Sparke Helmore NBN triathlon; and in March 2013 the event celebrated its twentieth anniversary. Nine employees participated in individual and team events held across the weekend. Each year as part of the triathlon the 'Coal Services Cup' is awarded to the best performing coal mining team. This year, the cup was presented to the Glencore Glendell Mining team.

Since its inception, the triathlon has raised over $450,000 for organisations and charities in the Hunter region. The Hunter Medical Research Institute (HMRI) is the main beneficiary; helping people in the region by researching a variety of medical areas including asthma, cancer and mental health.

Australian roof bolting and coal shovelling competition 2012

Roof bolting and coal shovelling competitions were again featured in the 2012 Blackheath Rhododendron Festival in November. Coal Services has supported the annual competitions for many years and they attract a high level of participation from around Australia.

Splash 'n' Dash festival

The second annual Splash n Dash Festival was held in February 2012 in Wollongong.

Coal Services was a presenting partner for the event to help promote healthy lifestyles in the mining community. The event raises funds in support of Ovarian Cancer Australia and other not-for-profit community partners.

Mudgee running festival

Following the opening of the Mudgee office in May 2012, Coal Services was keen to establish ties with the local community and raise awareness of the brand. As such, Coal Services were happy to support the annual Mudgee Running Festival in August 2012.

City Evolutions Coal mining heritage in lights at Newcastle.

City Evolutions was launched in June 2013, lighting up historical buildings in Newcastle's east end.

The event features visual displays on historical buildings in Watt Street, Newcastle East. The displays reflect the history of Watt Street and its place within the wider development of Newcastle as a city.

Coal Services was approached to contribute historical footage about coal mining in the region, and we were happy to assist. *The Fitzgerald Film Collection 1968-1988 (The Preserved Collection of Australian Mining Industry Historical DVDs)*, restored by Coal Services, documents an important part of NSW's coal mining history, operations and people.

Snippets of footage from this collection appear in a display titled, 'Place of Coal', which can be seen projected onto the David Maddison Building until June 2014.

Hunter Valley Research Foundation

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

Westpac Rescue Helicopter Service

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

Hunter Prostate Cancer Alliance

Coal Services and the Hunter Prostate Cancer Alliance (HPCA) announced a three-year partnership in March 2012. The partnership is aimed at raising awareness of prostate cancer among workers in the NSW coal mining industry. Throughout the year, HPCA and CS Health held over eighty education sessions, reaching over 3,000 workers. As 1 in 7 men in NSW will develop prostate cancer by the age of 75, these sessions play an important role for men's health that extends into the community.

CARING FOR OUR ENVIRONMENT

Coal Services is committed to minimising environmental impacts and aims to lead by example.

To this end, our environmental policy includes a commitment to:

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

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

- **Implementing an environmental management system (EMS) at each Mines Rescue Station, including:**
  - a requirement to monitor, store and treat trade wastewater generated by the training facilities at each mines rescue station
  - a ban on using firefighting foam or chemicals which are classified as dangerous goods
  - installation of an air treatment system in the training gallery to control particulate emissions in the exhaust
  - an 'Air Treatment System Operation and Maintenance Plan', to monitor the operation of the air treatment system, and to make sure the operating conditions remain within the required limitations
  - supply of Universal and Chemical Response Kits for hazardous spill control.
- **Utilising advances in technology to minimise any impact arising from CS Health radiography facilities at Singleton and Lithgow, for example:**
  - digital imaging has eliminated the need to store, use and discard chemicals used to develop x-ray films
  - automatic exposure machines are used and lead aprons are provided (where applicable) to minimise potential risk
  - x-ray machines are housed in purpose-built, lead-lined rooms to confine radiation
  - x-ray machines and premises are registered with and undergo periodic compliance inspections by the Environment Protection Authority (EPA)
  - occupationally-exposed persons (e.g. radiographers) wear film badges to monitor personal exposure.
- **Occupational Hygiene Services monitoring and analysis of airborne particulates.**
  - Personal monitoring is focused on individuals in the workplace. However, the control of dust exposure from the coal mines at a personal level also helps to manage the environmental impact of dust emissions.
- **Implementing other practices that help us to conduct our business in an environmentally-friendly manner such as:**
  - reducing paper usage through double-sided printing, electronic document scanning and storage, and producing this year's annual report in electronic format rather than printing hard copies. All paper and other products that can be recycled are routinely collected for recycling
  - reviewing our motor vehicle fleet to ensure that vehicles are, where possible, environmentally efficient as well as safe and fit-for-purpose. We also encourage car-pooling when travelling for work purposes
  - reducing the amount of energy we use as much as possible. For example, updating office lighting to be more efficient and introducing electronic sensors. We are also replacing the lighting in our investment properties to meet the Building Sustainability Index (BASIX) laws aimed at reducing energy consumption.

Coal Mines Insurance

Paul McIntyre
General Manager, Coal Mines Insurance

Mine Owners Insurance Ltd was incorporated on 22 December 1921. The company's aim was to underwrite workers compensation risks in the New South Wales coal industry. Business commenced on 1 January 1922.

When the JCB was formed in 1947, Mine Owners Insurance Ltd was the largest insurer of workers compensation in the NSW coal industry. In 1948 the JCB purchased all the company's paid up shares and changed the name of the company to Coal Mines Insurance (CMI).

CMI has strived to meet the ongoing and changing needs of their customer base since their initial inception. The first regional office opened in 1987 in Singleton, followed by offices at Warners Bay and Corrimal in 1988. Prior to this time CMI operated a centralised claims service out of Sydney.

Today, CMI continues to operate a specialised, fully funded workers compensation insurance scheme for the NSW coal mining industry.

Claims frequency rates remained stable in 2012-13, during a period where employment growth slowed within the NSW coal mining industry compared to previous periods.

The outstanding claims liability for the scheme increased by 11-12 per cent, whilst the number of exposed-to-risk employees reduced in comparison to the annual audited assessable wage declarations for the 2011-12 year.

The Central Claims Estimate (including CHE) from the Scheme actuary is $368.6 million at 30 June 2013 having increased from $331.6 million at 30 June 2012.

INSURANCE COVERAGE

At 30 June 2013, CMI provided workers compensation insurance to 873 policyholders, a decrease from 877 at 30 June 2012.

There were 29,925 exposed-to-risk employees throughout the 2012-13 financial year, as declared to CMI on the audited wage returns received to date (note: where employers' audited wage returns for the 2012-13 financial year were not yet received by 30 June, their last received estimate was used).

NUMBER OF POLICIES
JUNE 1979
133
(COVERING 16,700 EMPLOYEES)

JUNE 2013
873
(COVERING 29,925 EMPLOYEES)

Top: CMI office, Warners Bay (1998)

Above: JCB office Sydney (1954)

Left: CMI office, Singleton (2011)

Whilst there has been a slowing in the number of workers exposed to risk, the assessable wages pool increased from $3.242 billion to an estimated $3.779 billion in 2012-13.

The change in definition of assessable wages to include superannuation guarantee levy payments as assessable wages, has accounted for 7.33 per cent of the increase.

SCHEME PREMIUM RATE

In 2012-13, CMI reduced its target premium collection rate to 3.2 per cent, down from 3.5 per cent in 2011-12. The target premium collection rate will remain unchanged for 2013-14, holding at 3.2 per cent of wages. The scheme rate graph shows the scheme rates for the past eight years including 2013-14. By working together with industry and shareholders to focus on safe work practices and injury prevention, CMI have seen improved return to work practices and an ongoing reduction in injury rates, all of which have contributed to a sustainable premium level.

CLAIMS MANAGEMENT

CMI maintained its case management model, providing an integrated claims and injury management service out of the Hunter Valley, Newcastle-Central Coast and the Illawarra. Within each region, case managers receive support and coaching from team leaders, their regional manager and an injury management specialist.

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

Throughout the year, claims review meetings provided case managers and policyholders the opportunity to identify issues and develop strategies to achieve timely return to work outcomes for injured workers.

Doctor case conferencing gave independent orthopaedic surgeons an opportunity to share their knowledge and experience to improve case managers' understanding of various injuries. Appropriate treatment methods and technologies for optimal injury management were also discussed.

Education sessions were held for policyholders and their workers about the workers compensation process, relevant legislation and their obligations and responsibilities.

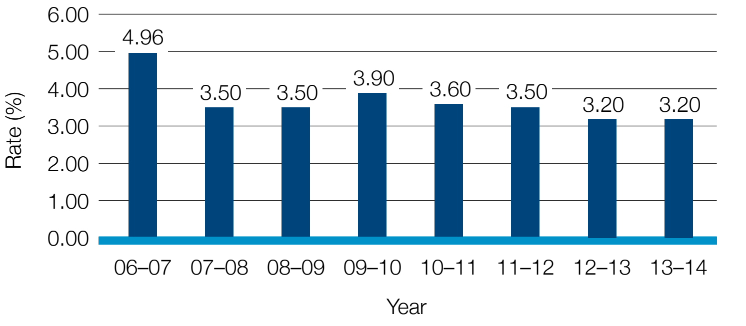
Together, each component of the claims management model has worked towards delivering improved return to work rates and finalised claims durations.

CLAIM NUMBERS

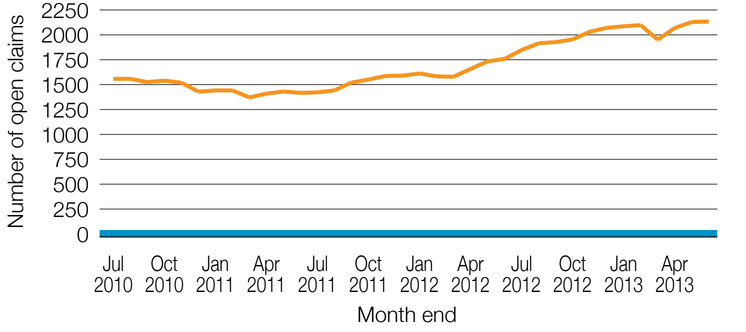
In 2012-13, the number of open claims increased by 21 per cent from 1,758 to 2,133. This can be attributed to a change in claims closure practices and an emerging trend of increasing claim duration rates.

CMI received 1,922 new claims (net) during 2012-13, compared with 1,981 new claims (net) during 2011-12. This represents a claims frequency rate of 6.61 per cent (1,922 claims per 29,083 employees), down from 7.33 per cent in 2011-12. Net claims are defined as any claims received by CMI less any claims which are finalised with no time lost and no treatment or expenses incurred.

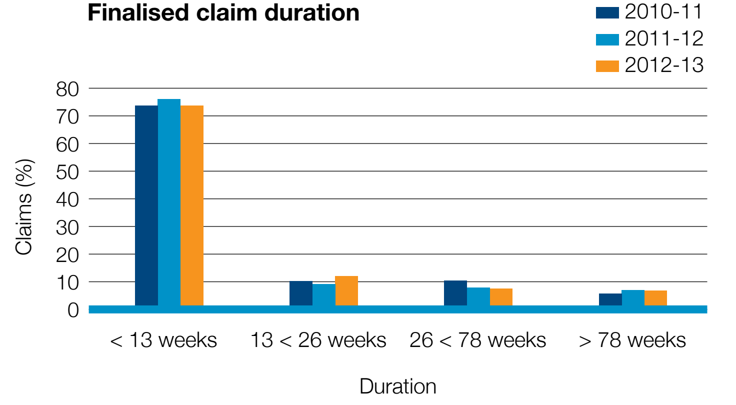
Scheme rates (at June 30)



Open claims



Finalised claim duration



During 2012-13, 74 per cent of time-lost claims were finalised within the first 13 weeks. Of the claims finalised during the year, 6.8 per cent had a duration of longer than 78 weeks, compared to 7.2 per cent in 2011-12.

Of the new claims received during 2012-13, 55.6 per cent (1,068) were significant injury claims (an injury that is likely to result in the worker being incapacitated for a continuous period of more than seven days). This is a decrease from 2011-12, when significant injury claims accounted for 56.7 per cent of new claims received.

CLAIMS COSTS

In 2012-13, the net total payment for CMI claims was $68.9 million. This represents an increase of 6 per cent compared to $64.8 million paid in 2011-12.

ACTUARIAL VALUATION

The actuarial assessment of the outstanding claims provision at 30 June 2013 was $368.6 million, an increase from $331.6 million at 30 June 2012.

During 2012-13 Coal Services issued a tender for the provision of actuarial services. Finity Consulting Pty Limited was the successful tenderer, and replaced Ernst & Young as the appointed actuary from 1 December 2012. Upon appointment, Finity undertook a shadow review of the June 2012 valuation. Finity chose to adopt a future wage inflation assumption in line with the comments of the peer review actuary (KPMG) which resulted in a $12.2 million increase to the scheme valuation.

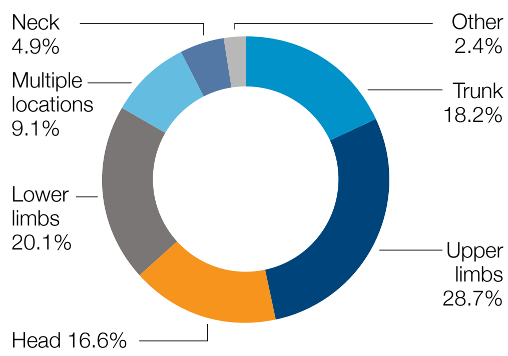
The remaining $24.0 million increase is caused primarily by the following three items:

- $11.4 million due to the natural increase in the portfolio as a result of the unwinding of discounting and the establishment of reserves for new exposures higher than payments on run off exposures
- $9.0 million due to the revaluation of the two catastrophic claims managed by the scheme. This increase has been to match the cost to the estimated life expectancy of the two injured persons
- $3.6 million due to deteriorating weekly benefit experience, claims are remaining of weekly benefits for longer than the actuarial modelling had predicted.

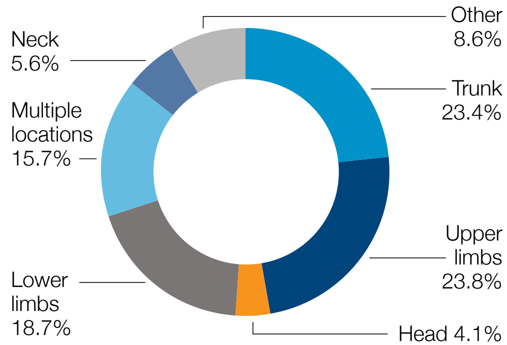
Coal Services has commissioned a full review of the CMI case management model in order to ensure that the model is delivering the desired claim outcomes. This review commenced in May 2013 and the findings, as well as a proposed revised business model, are due to be presented to the Coal Services Board during 2013-14.

CLAIMS	2009-10	2010–11	2011–12	2012–13
Current claims at start of the year	1,373	1,593	1,417	1,758
Claims reported during the year	2,383	1,959	2,068	2,029
Re-opened claims	256	269	306	502
Claims managed during the year	4,012	3,821	3,791	4,289
Significant injury claims reported	1,058	1,058	1,174	1,068
Closure rate for tail claims	8.0%	5.8%	7.2%	6.8%
Time-lost claims finalised within 26 weeks	81.4%	83.8%	84.9%	85.6%

Number of claims by area of body affected



Total paid by area of body affected



NUMBER OF MINES
DEC 1948
142

JUNE 2013
55

BLACK COAL PRODUCTION
1947 - 48
11.3 million tonnes

2012 - 13
245.8 million tonnes

Statistics

Coal Services continues to deliver a unique and independent information service for the coal mining industry, drawing on a comprehensive range of current and historical statistics.

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

The Statistics team collect and analyse NSW coal supply, demand and workforce data and compile information describing the coal mining industry. Both standard subscription reports and reports tailored to an individual customer's needs are offered for sale.

INDUSTRY OVERVIEW

In 2012-13, the NSW coal industry achieved record levels of production and exports while the domestic coal market remained at the 2011-12 level. The higher production tonnage won during the year and a reduction in the workforce meant that productivity in 2012-13 rose, reversing a seven year trend of steady decline. Coal prices dipped during 2011-12 relative to the previous year and the peak reached in 2008-09, so that the record-breaking export tonnage did not yield a record Free on Board (FOB) value of exports (the value of coal transported to the port and loaded for shipment).

NSW MINING OPERATIONS

Six coal mines ceased operations during 2012-13, due in the main to their lack of viability in the current economic circumstances. No new coal mines opened during the year, leaving 55 operating coal mines in NSW at 30 June 2013. Of these, 28 were underground mines (20 with longwalls) and 27 were open cut mines.

PRODUCTION

Raw and saleable coal production rose by 11 per cent in 2012-13. Raw coal increased from 221 million tonnes in 2011-12 to 246 million tonnes; while saleable coal rose from 167 million tonnes to almost 186 million tonnes.

Raw coal production at NSW underground mines reached a record 69 million tonnes, up 14 per cent on the 2011-12 financial year. Open cut mines produced a record 177 million tonnes, up 10 per cent on the previous year.

Production workforce numbers fell from a peak of 24,936 at 30 June 2012 to 22,945 at 30 June 2013. The average production workforce for the financial year 2012-13 of 23,691 was 203 less than 2011-12. This, combined with the record tonnage of coal won, enabled productivity to rise. Saleable coal output per mine worker increased by 12 per cent from 7,000 tonnes to 7,830 tonnes. This was mirrored by another productivity measure: saleable coal output per mine worker per hour, which rose from 3.49 tonnes in 2011-12 to 3.91 tonnes.

EXPORTS

NSW coal exports have been increasing by an annual average rate of 7 per cent over last ten years. Coal exports increased from 136 million tonnes in 2011-12 to a new record of 155 million tonnes in 2012-13, up almost 14 per cent. The FOB value of these shipments however, fell 11 per cent ($1.8 billion) from the $16.8 billion reached in the 2011-12 financial year to $15 billion. This was also down from the peak of $17.1 billion recorded in 2008-09 (the result of the record international coal prices negotiated in April 2008).

NSW coal export shipments in 2012-13 yielded an average FOB value per tonne of $96.41, down from the $123.11 achieved in 2011-12 and the peak reached in 2008-09 of $165.95.

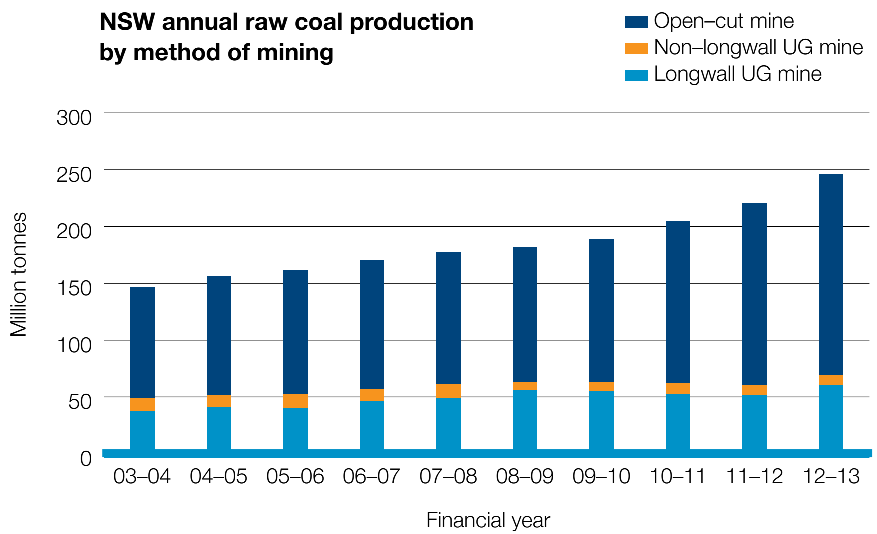
Japan remains the largest export market for NSW coal with shipments of 71 million tonnes in 2012–13. NSW's second largest market in 2012-13 was China with shipments of 31 million tonnes of coal, followed by the Republic of Korea (25 million tonnes) and Taiwan (15 million tonnes). Although NSW coal was exported to 16 countries during 2012-13, the top four markets accounted for almost 92 per cent of the total tonnage shipped overseas.

Steaming coal shipments reached another record with almost 130 million tonnes exported in 2012-13, up almost 15 per cent on the previous year. Metallurgical coal exports rose by 9 per cent to over 25 million tonnes.

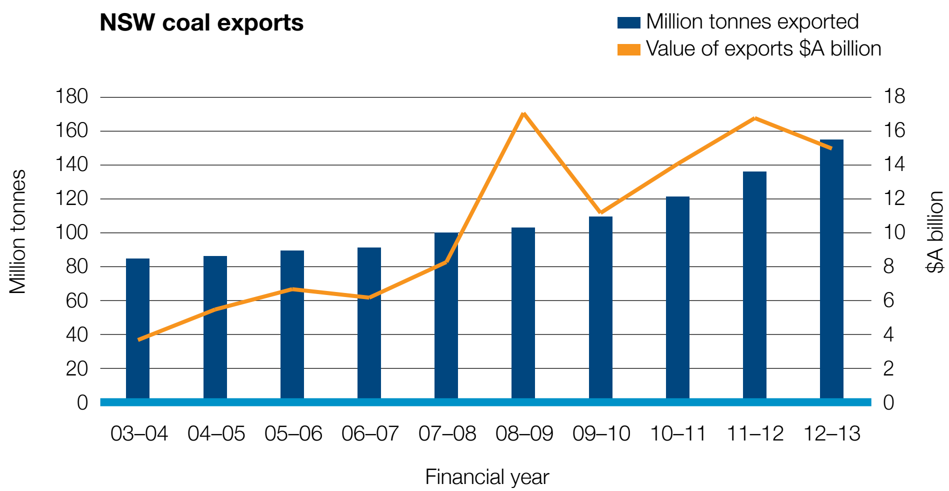
DOMESTIC MARKET

By far the major market for NSW coal within Australia is power generators. Just over 24 million tonnes of NSW coal was delivered to power generators in 2012-13, up slightly on the 2011-12 tonnage but down 13 per cent on the 2010-11 tonnage. Deliveries to other domestic markets for 2012-13 continue to fall as coal usage within Australia is offset by natural gas and renewable energy sources.

NSW annual raw coal production by method of mining



NSW coal exports



	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13
Number of coal mines at 30 June	52	55	58	60	60	60	62	61	61	55
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
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
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
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
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
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	4.4
Coal sales within Australia (million tonnes)	32.8	33.9	34.1	36.3	36.8	34.9	34.0	33.5	28.4	28.6
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
FOB value of metallurgical coal exports overseas ($A billion)	1.1	1.3	2.0	1.8	2.6	5.7	3.7	4.5	4.4	3.3
FOB value of steaming coal exports overseas ($A billion)	2.6	4.2	4.7	4.4	5.7	11.4	7.5	9.6	12.4	11.7
FOB value of coal exports overseas ($A billion)	3.7	5.5	6.7	6.2	8.3	17.1	11.2	14.1	16.8	15.0
Average FOB value of metallurgical coal exports ($A per tonne)	50.77	71.81	110.89	88.37	103.15	272.48	129.85	178.85	190.49	129.01
Average FOB value of steaming coal exports ($A per tonne)	41.57	61.15	65.98	61.47	75.56	138.49	92.31	99.47	109.24	90.01
Average FOB value coal exports ($A per tonne)	43.85	63.43	74.92	67.46	82.52	165.95	102.16	115.80	123.11	96.41
Actual number of employees insured (exposed to risk) at 30 June	12,749	14,671	14,998	17,698	18,636	20,320	22,223	26,104	30,593*	29,925**
Number of production employment at 30 June ***	9,998	11,290	12,658	13,392	15,387	16,914	19,109	21,126	24,936	22,945
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
Average weekly earnings of mineworkers ($)	1,842	1,933	2,009	2,083	2,157	2,267	2,346	2,468	2,595	2,700
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
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
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
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
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
Lost-time injuries per million tonnes raw coal produced	2.9	2.4	2.6	2.6	2.3	2.5	2.0	1.9	2.1	2.0
Lost-time injuries per million tonnes saleable coal produced	3.7	3.1	3.4	3.3	3.0	3.2	2.6	2.5	2.8	2.7
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

* Actual employees exposed to risk throughout the 2011-12 financial year as declared to CMI on the audited wage returns received.

** Actual number of employees exposed to risk throughout the 2012-13 financial year as declared to CMI on the audited wage returns received to date. For those employers where the audited wage returns for the 2012-13 financial year were not yet received by 30 June, their last received estimate is used.

*** 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.

CS Health

Mark O'Neill
General Manager, CS Health

The JCB's Fourth Annual Report, published in 1951, highlighted the challenge of attracting young men to the industry in the years after the Second World War. The report included the following observation:

> *"Probably one of the greatest bars to the free flow of youths to the industry in the past and even now is the well-rooted belief, very often erroneously but nonetheless widely held, that mining and industrial disease are synonymous terms. Rugged and all on the surface as the coal industry is, it has its sentimental and human side. History has left many scars, particularly on the older mining families, and it is not unnatural that, having past history in mind, many coal-field parents influence their boys to stay out of the mines.*
>
> *But changes are occurring. Gradually we are getting on top of this idea. The miners' health, which was once nobody's business, is now the business of the nation."*

Instrumental in this work was the JCB's Medical Bureaus. Established in 1947, the Bureaus began the process of medical examinations to establish disease prevalence amongst the workforce, identify and remove 'dusted' workers and protect those at risk.

The NSW coal industry was transformed in the years that followed, and today leads the world in providing a safe and healthy work environment for its employees.

Throughout 2012-13, CS Health continued the work that began 65 years ago and focused on its statutory responsibility of caring for the health of the NSW coal mining workforce. By working together with the industry, CS Health has provided a suite of medical, treatment and rehabilitation services designed to protect workers from the day they enter the coal industry in NSW until the day they retire.

PRE-EMPLOYMENT HEALTH ASSESSMENTS
1948-1949
922

2012-13
5,734

Clockwise from top left:

Audiometric (hearing) test (1984-85)

Audiometric (hearing) test (2011)

Chest X-ray (1968)

Chest X-ray (2013)

ORDER 41 MEDICAL ASSESSMENTS

Order 41 was developed under the *NSW Coal Industry Act 2001* and came into effect on 11 February 2011. The Order requires that employers of coal mine workers or operators of coal mine operations in NSW ensure that pre-placement and periodic health surveillance medical assessments are completed for their workforce.

To help employers comply with the Order, CS Health has been working with employers by comparing medical attendance records against employee lists. Employers are then notified as to the medical attendance status of each employee (i.e. has attended or is due to attend a medical), which will help employers to meet their obligations under the Order.

Order 41 is a valuable risk mitigation tool that allows employers to be confident that their workers are able to meet the inherent physical requirements of their role.

Pre-employment medical assessments set a baseline which enables us to monitor workers' health over time through the periodic health assessment. Coal Services is then able to identify health trends within the NSW coal industry and report back to the industry on these trends.

In 2012-13, CS Health provided 5,734 pre-employment medical assessments and 6,090 periodic health surveillance assessments.

The number of pre-employment medical assessments declined by 55 per cent from 2011-12. This decline reflects the slow-down of new employees in the industry. At the same time though, the number of periodic health surveillance assessments increased by 60 per cent.

Particularly encouraging is the fact that a large portion of this increase was from contractors who, in many cases, had not previously attended for their periodic health surveillance assessment.

The increase in number of workers assessed is evidence that Order 41 is achieving its objective of ensuring that workers' health is being appropriately monitored and ensuring that strategies introduced in the workplace to manager health risks are proving effective.

NSW COAL MINES FIRST AID COMPETITION

Eight teams from across NSW met at Singleton on Saturday 25 May to compete in the 2013 Coal Services Coal Industry First Aid Competition.

Just as the Mines Rescue competitions hone incident response and rescue skills, this competition tested the first aid skills required when responding to incidents on a mine site, as well as general first aid for events such as heart attacks.

Coal Services was behind the Northern Districts First Aid Competition which ran from 1921-2003; making it the longest running competition of its type in Australia.

We were proud to bring it back as it is just one of the many ways we can support the NSW coal mining industry. A competition focussed specifically on first aid enables teams to practice and apply the skills they learn in first aid training.

First aid teams comprised not only mines rescue brigadesmen, but general first aid officers.

The first aid competition was based on a number of scenarios where teams were required to work together with limited equipment and little or no external medical assistance. Teams were judged on how well they responded to and administered first aid. There was also a theory component.

Glencore's Tahmoor mine (Wollongong) was named the overall winner. The individual section winners were as follows: Tahmoor also won the theory component and the amputee trauma scenario. Angus Place B (Lithgow) won the CPR practical; Bulga Surface Operations (Singleton) won the snake bite scenario. Bulga Surface Operations also tied with Drayton Coal (Singleton) to take out the chest pain/sprain scenario.

In 2012-13, CS Health provided 5,734 pre-employment medical assessments and 6,090 periodic health surveillance assessments.

Overall winners from Tahmoor with the Shield

SYNTHETIC DRUGS IN THE WORKPLACE

The issue of synthetic drug use within the mining industry was a focus for CS Health during the year.

The NSW coal industry is at the forefront of delivering a safe work environment for all. A key factor in achieving this has been employers and employees working together to develop robust policies and procedures around the use of drugs in the workplace; including onsite drug screening programs.

Despite the safety focus instilled in the coal mining industry, there exists the real risk that workers who may be affected by these substances can do great harm to themselves, and/or other workers.

This important work is a further demonstration of CS Health's commitment to protecting the health of the NSW coal mine worker beyond the coal mine into the community and amongst families

CS Health provides NATA-accredited drug and alcohol screening and also provides education services throughout NSW. Of the onsite drug tests conducted by CS Health, there has been a growing number of positive test results in the industry for synthetic drugs.

The key in meeting the challenge of synthetic drugs is workplace education on the dangers of all drugs and fostering the development of a zero tolerance approach to anything that places workers health and safety at risk.

CS Health is recognised as an expert in this field whose knowledge is sought by the community, industry and government committees.

In response to several requests from the community, CS Health held a public forum in conjunction with the NSW Police Force and Ambulance Service to provide information to parents and high school students of the risks associated with synthetic drugs.

CS Health also presented a paper at the NSW Minerals Council Health and Safety Conference, held in May 2013. The paper was titled '*Myths and facts of synthetic drugs*' and was well received by delegates.

In October 2012, CS Health was invited to make a submission to the NSW Committee on Legal Affairs inquiry into law reform issues regarding synthetic drugs. We were also invited to provide evidence at the public hearing into this matter. The Committee's report on the inquiry was tabled in Parliament on 30 May 2013.

On 16 June 2013, the Federal government announced interim measures to ban the sale of 19 synthetic substances for up to 120 days. This follows the NSW government's interim ban of up to 90 days.

HUNTER PROSTATE CANCER ALLIANCE

According to recent Cancer Council of NSW statistics, 1 in 7 men in NSW will develop prostate cancer by the age of 75. This figure increases to 1 in 4 men by age 85.

In March 2012, CS Health entered a three-year partnership with the Hunter Prostate Cancer Alliance (HPCA) to raise awareness of prostate cancer. The program is designed to educate the NSW coal mining workforce about the disease and encourage workers to visit a doctor for regular health assessments.

Throughout the year, HPCA counsellors and CS Health conducted over eighty education sessions at mine sites across NSW. Of a total audience of over 3,000 workers, 144 workers (4.8 per cent) sought additional information and follow up.

This important work is a further demonstration of CS Health's commitment to protecting the health of the NSW coal mine worker beyond the coal mine into the community and amongst families. At the same time, this initiative is a reminder of the impact that organisations such as the Hunter Prostate Cancer Alliance can have when collaborating with industry and health providers to improve the health of our workers.

NUMBER OF FLU CLINICS HELD IN 2012-13

186

VACCINATIONS DURING THIS PERIOD

5,387

Above: Flu immunisation clinic (1963-64)

Right: Flu immunisation clinic (2012)

Below: Periodic health surveillance (2012)

Mines Rescue

Paul Healey
General Manager, Mines Rescue and Regulation and Compliance

The incident management team play a crucial role in the event of an emergency or incident.

On Saturday 1 September 1923, 21 miners lost their lives in the Bellbird coal mine disaster. This incident followed several earlier mining disasters between 1887 and 1921 which killed a total of 293 people in NSW.

A coronial inquest and Royal Commission were conducted which extensively debated the value of breathing apparatus and the establishment of a mines rescue service. The *Mines Rescue Act 1925* governed the establishment of rescue stations and brigadesmen teams, and instigated equipment and maintenance standards. This legislation remains the foundation for governing mines rescue operations in NSW today.

The primary role of Mines Rescue is to provide emergency incident response. Equally important is their role in preparing and training workers before they start work on a mine site and providing opportunities for existing workers to maintain or develop their skills.

Mines Rescue is a Registered Training Organisation (RTO) and provides training in a range of skills from basic hazard awareness to complex emergency management control, which has been a major contributor to the significant improvement in safety in NSW coal mines.

Today, NSW coal mining maintains one of the highest safety records in the world. Mines Rescue is internationally recognised for the exceptional mine safety training it provides to NSW coal mine workers and the wider industry, in addition to its primary role to provide underground incident response.

EMERGENCY RESPONSE – OUR REASON FOR BEING

Mines Rescue's primary focus is to ensure industry is 'response ready' in case of an incident, as outlined in the *Coal Industry Act 2001*. Emergency response is provided by volunteer brigadesmen employed at coal mines throughout the State. Each underground coal mine is required to provide 5 per cent of its employees for this purpose.

This number is constantly monitored to ensure a rapid and sustained capability is available at all times.

As a result of the changing employment environment, the required number of brigadesmen has dropped to 470. For the first time since 2009, current brigadesmen numbers have dropped below 500. Despite this change, brigadesmen numbers at 30 June 2013 remain higher than the statutory requirement and are at a level which will sustain a prolonged emergency if required.

In 2012-13, there was continued intake of new brigadesmen to maintain the required response level. 96 new brigadesmen completed their compulsory medical and initial induction training.

The permanent employees of Mines Rescue train these volunteers in rescue techniques and provide supervision and technical advice in the event of an incident. Mines Rescue provides all breathing apparatus and rescue support equipment. As well as training brigades teams, Mines Rescue also ensures emergency response procedures and guidelines are in place, tested and ready to be deployed at each mine.

COMPETITIONS AND SIMULATED EMERGENCIES TEST ESSENTIAL SKILLS

Rescue competitions are an integral part of the mines rescue service. Annual competitions are held to test rescue brigadesmen skills in the areas of rescue and recovery techniques, knowledge of procedures, teamwork and their ability to operate under pressure. They provide brigadesmen with the opportunity to hone their skills to be able to respond in the event of an emergency or incident.

Competitions in NSW are held in each Mines Rescue region to a standard format. They include a major underground exercise, search and rescue using breathing apparatus, trauma exercises, a theory examination and a practical skills test. The competitions also act as an audit tool for Mines Rescue's systems and procedures that would be enacted in an emergency.

The 50th Australian Underground Mines Rescue Competition was held in October 2012. Held over two days at Anglo America's Moranbah North Mine and a Mackay training facility, the competition brought together the best mines rescue teams from NSW, Queensland and Tasmania. Centennial Coal's Angus Place team from Lithgow in NSW were second overall and Peabody's North Wambo team from the Hunter Valley, NSW was third.

Further afield, the 8th International Mines Rescue Competition was held in Donetsk in the Ukraine in September 2012. Mines Rescue brigadesmen from Angus Place in Lithgow and North Wambo in the Hunter Valley competed against 24 teams from around the world. North Wambo placed second behind Ukraine in the underground section, while Angus Place came fifth. Brian Kelly, Western Mines Rescue Manager, attended the competition as team support for Angus Place. The next international competition will be held in Poland in 2014.

Simulated emergencies are an excellent way for mines to test their emergency response systems in a controlled environment, and to identify system failures and ways to improve. At least one simulated event is conducted in each region per year in addition to the competitions.

Events such as these are essential in an environment where safety standards are high and there is a low incident frequency. Industry's support of these events is testimony to the importance placed on guarding against complacency. Effective rescue teams train for, and are prepared for the unexpected. Conditions which simulate the circumstances and stress of real incidents ensure that brigadesmen are equipped to respond and react in an emergency without hesitation or fear.

THE FIRST UNDERGROUND MINES RESCUE COMPETITION WAS HELD IN

1959

Top left: Mines Rescue Competition (1985)

Top right: Mines Rescue Brigadesmen (2012)

Below: Mine workers wearing Proto breathing apparatus (1920s)

MINES RESCUE WORKING GROUP

The Mines Rescue Working Group is an industry representative body with members nominated from stakeholder groups including the NSW Minerals Council; CFMEU; Mine Managers Association of Australia; Association of Professional Engineers, Scientists and Managers Australia; Colliery Officials Association; Department of Trade and Investment; mine operators and Mines Rescue.

The group meets regularly to provide information and advice to industry on matters that affect the ongoing activities of Mines Rescue. It also provides information to the Coal Safety Advisory Committee for the development and review of guidelines, standards and procedures on subjects that impact on mine emergency systems.

INTER-AGENCY WORKING GROUP ON EMERGENCY RESPONSE AND MINES RESCUE

In September 2012, an Inter-agency Working Group on Emergency Response and Mines Rescue was established at the request of the Minister for Resources and Energy and the Minister for Police and Emergency Services. The group was established to coordinate a framework and Memorandum of Understanding (MOU) to manage mining emergency response and rescue in NSW.

The group is comprised of representatives from

- NSW Department of Trade and Investment, Regional Infrastructure and Services
- NSW Police Force
- Mines Rescue
- Ambulance Service NSW
- Fire and Rescue NSW
- Ministry for Police and Emergency Services
- NSW Health
- NSW Rural Fire Service and
- NSW State Emergency Service.

The practical intent is to set out agreed processes regarding clear lines of communication, an increased commitment to interoperability, regular training and exercises, and better definition of the roles of each party in responding to a mining emergency, recognising their respective functions under legislation.

NSW COAL FATALITIES AT MINE SITES

1900

24

2012 - 2013

0

Above: Mine Supervisors Safety Training (1965-66)

Below: Classroom Training (2013)

TRAINING COORDINATION TEAM

As a Registered Training Organisation (RTO), Mines Rescue must comply with the Standards for National Vocational Education and Training (VET) Regulator RTOs. The Australian Skills Quality Authority (ASQA) monitors RTO performance and activities to ensure compliance with this legislation and other requirements as set by ASQA as the National VET Regulator and registering body.

This legislation guides the quality management of the RTO and focuses on continuously improving the services we provide, the processes we have in place and the quality of the training and assessment outcomes for course participants.

The Mines Rescue Training Coordination Team develops training programs using the skills, knowledge and experience of qualified trainers and assessors. These subject matter experts are technical professionals who have firsthand experience in underground and surface mining, as well as extensive knowledge of rescue and emergency response.

Throughout the year the Training Coordination Team was responsible for maintaining compliance with legislation and implemented a number of tools and processes designed to reduce compliance risks and improve customer service. Some of these included the development and review of courses and training and assessing materials, providing professional development to trainers, and integrating more virtual reality modules across a range of courses.

QUALITY TRAINING, SAFE WORKERS, SAFE MINES

Mines Rescue conducts a range of nationally accredited and non-accredited training courses specifically for the coal mining industry, as well as a range of commercial courses including fire fighting, confined spaces and breathing apparatus training.

The statutory training provided by Mines Rescue is vital to improving safety performance in NSW coal mines. The main training courses in this area are the Generic Underground Induction for contractors and annual safety refresher training for mineworkers.

The Coal Mines Deputies and Undermanager's Courses also fall under the statutory training provided by Mines Rescue. These courses prepare candidates for tasks involving a broad range of complex work activities which surround leadership, contribution to technical solutions and to non-routine problems, as well as application and monitoring of safety management plans.

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

EFFECTS OF THE COMMODITIES MARKET ON TRAINING

The principal market for Mines Rescue is NSW coal mines. This market sector has been on a protracted growth phase for over five years which is different to previous business cycles. In 2012-13, the coal industry reached the end of a sustained growth period. In turn, mine operations reacted by closing high cost operations, deferring developments and shedding contractors and other staff.

This has particularly impacted on induction training for new mineworkers and contractors and reaccreditation training for contractors. A growing number of mines in the past few years have been relying on Mines Rescue to conduct their annual safety refresher training (whole of mine training). Statutory official and operator training also experienced reduced demand.

2012 NSW TRAINING PROVIDER OF THE YEAR FINALIST

Mines Rescue, as an RTO, provides quality safety training to NSW coal miners and the wider community. In recognition of its excellent track record, Mines Rescue was shortlisted as a finalist for the 2012 NSW Large Training Provider of the Year award.

The prestigious annual award from the NSW Department of Education and Communities acknowledges outstanding achievements in the vocational education and training sector.

HANDS-ON LEARNING FOR FUTURE DOCTORS

First-year medical students from the University of Notre Dame Australia visited Lithgow as part of its annual Rural Conference in April 2013. A portion of the one day conference was spent at the Western Mines Rescue Station, where these future doctors gained an understanding of the workings of a mine and how health practitioners might operate in rescue situations in such challenging environments.

Mines Rescue, much like these student doctors, are dedicated to caring and responding to the needs of the local community.

Throughout the year the Training Coordination Team was responsible for maintaining compliance with legislation and implemented a number of tools and processes designed to reduce compliance risks and improve customer service

Virtual Reality Technologies

In 1999, the JCB had a vision to develop an interactive virtual reality simulator to provide more effective training for the NSW coal industry. This followed concern around the high incident rate being experienced by the industry at the time.

It was envisaged that improved training would lead to improvements in health and safety management performance in the Australian coal mining industry.

Virtual Reality Technologies (VRT) developed from a Health & Safety Trust funded research project using the resources of the University of NSW, industry participants and Coal Services employees.

The vision became reality in October 2004, when the first VRT simulator was officially opened at the Newcastle Mines Rescue Station. Since then, all four stations have been rebuilt or refurbished to provide the most modern total training solutions and rescue facilities.

VRT has changed the way we train our industry. It is now possible to train mineworkers (and others) to respond to core risk such as fires, roof falls, gas outbursts and other inherent dangers in a totally controlled and risk free environment. Mines rescue teams and mine supervisors can practise simulated emergencies, with the benefit of being able to review the outcomes of their decision making.

A FOCUS ON CONSOLIDATION

VRT provides equipment, technical support and content to create simulated 3D work environments for use in training programs delivered by Mines Rescue. The virtual reality facilities and module content are unique to Mines Rescue and provide significant learning and performance advantages.

In 2012-13, there was increased focus on integrating and optimising use of VRT modules into Mines Rescue training plans. This included training development for Mines Rescue trainers and establishing a stable, high availability, operating environment. Implementing a quality management system and a global maintenance program were key initiatives aimed at ensuring system reliability and flexibility. The consolidation of VRT and Mines Rescue provides a complete training experience that combines classroom activity, hands-on galleries and virtual reality. The result is increased learning retention and application in the workplace, which in turn contributes to safer practices and reduced incidence of injury.

Throughout the year, VRT provided 12,163 trainees with virtual reality training as part of Mines Rescue's training courses. A further 1,125 visitors took part in sessions to help them understand and experience the training VRT offers.

COMMERCIAL PARTNERSHIP

In early 2012, VRT entered into a partnership agreement to support QinetiQ, an international software development company. This arrangement enables VRT to focus primarily on applications for Mines Rescue and the NSW coal industry, while QinetiQ acts as project leader for other external commercial developments.

During the year, VRT and QinetiQ investigated a number of national and international enquiries for flexible virtual reality technologies and solutions for training, education and environmental response applications.

VRT's first commercial venture with QinetiQ was to build a 360 VR platform for Rio Tinto's Northparkes copper/gold mine. The project successfully joined the expertise of QinetiQ and VRT to provide specialist safety training outside of the NSW coal mining industry. The Northparkes technical training centre was officially opened in August 2012.

MINING FAMILIARISATION

Throughout the year, VRT continued to provide mining familiarisation courses to specialist contractors who provide goods and services to the mining industry.

These courses are designed specifically for specialist contractors who don't work at or visit a mine site as part of their day to day role. The course provides participants with exposure and the ability to familiarise themselves with a typical mining operation from the safety of a virtual mine.

Completing this course benefits both the participants and their mining clients by highlighting potential risks, increasing awareness of day to day processes and the important safety procedures prior to entering a mine site. This means that when the specialist contractor arrives on-site, they are able to get on with the job in a timely and safe manner.

Mining companies have also engaged VRT to provide a similar course for groups they work with regularly, such as community consultation groups. Using the virtual mine technology, these groups are able to gain a realistic insight and awareness of specific mining activities, assisting the consultation process between the mine operation and community.

SHARING KNOWLEDGE ACROSS INDUSTRIES

Due to the nature of the technology, VRT can be useful to any organisation that requires people to be trained in a hazardous or high risk environment, whether it is coal or other mining, oil and gas, defence, or other industries such as construction and education. It could also be applied in broader training and education areas such as medicine and science.

The annual Check Inspectors Safety Seminar was held in September 2012. The Department of Trade and Investment (Mine Safety) invited VRT to present on the issue of strata hazard awareness and risk assessment in underground mines. The session used VRT's strata management modules to highlight the strata risks when inspecting underground roadways.

VRT continued to be of interest to visitors from other coal mining countries and organisations within Australia. During the year, VRT hosted delegations from China, USA and Brazil. Other visiting groups included AusTrade, the Department of Trade and Investment, Department of Education and other community groups.

These visits provided an opportunity to see how Mines Rescue delivers training to improve and maintain the high safety standard enjoyed by the NSW coal mining industry. It is further recognition of the esteem in which our trainers and training facilities are held.

In January 2013, VRT took part in a work experience initiative with the University of Newcastle's School of Design, Communication and IT. This initiative provided benefits to Mines Rescue training programs, to students and the university by sharing the knowledge and experience of our VRT programmers in this unique field of training.

The student worked in conjunction with the team of specialists at VRT to develop a Virtual Reality 'Scenario Editor'. This tool allows VRT to customise or modify existing scenarios quickly. For instance, Mines Rescue Training Officers are able to continually challenge training participants by modifying the scenarios to increase their competencies and safety awareness.

SIMULATION AUSTRALIA SHOWCASE EVENT

Simulation Australia hosted its annual Showcase Event in March 2013. As winners of the 2012 Simulation Australia Innovation Awards, VRT were invited to share information about how simulation is used in Mines Rescue training and across other industries including health, defence, transport, Police, emergency management and training. The event was staged at the NSW Police Headquarters' Simulated Operations Unit in Parramatta.

The Simulation Awards recognise contributions in the field of simulation in Australia. VRT won the award for 'Project Innovation' in June 2012 which demonstrated the the positive contribution VRT's training system has made to the NSW coal mining industry's emergency preparedness and response training, together with general mining training.

VRT Training (2013)


Equipment training (1980)

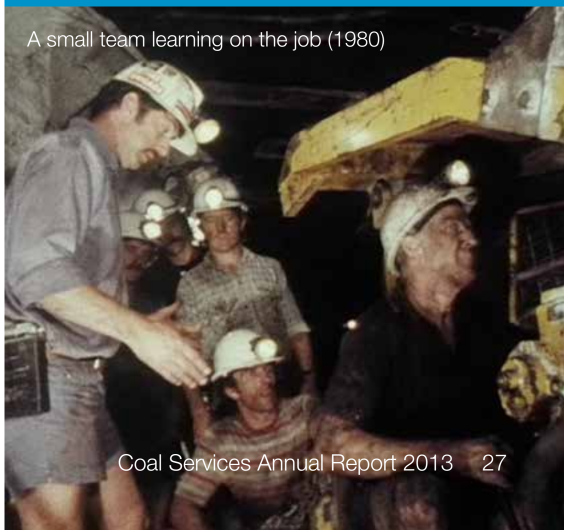
LOST TIME INJURIES

1999 - 2000

618

2011 - 2012

270


A small team learning on the job (1980)

Regulation and Compliance

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

An Occupational Hygiene Services technician loading a filter into diesel particulate analyser

Coal Mines Technical Services

In 1980, the NSW Mines Rescue Board sent a delegation to visit a number of coal mining regions and mines rescue stations in Europe. The delegation's goal was to determine the best practice for the various mines rescue agencies and recommend whether the NSW Mines Rescue Services should consider implementation of relevant improvements.

The group noted that a number of mines rescue facilities had access to technical support within their organisations. In NSW, high quality technical support was provided by the then Department of Mineral Resources (today the Department of Trade and Investment) yet there was no guarantee that the relevant personnel would be able to respond during an emergency in a timely manner.

As a result of recommendations made to the Mines Rescue Board and the Southern Mines Rescue Station Committee, the Southern Mines Rescue Station Technical Services was established in 1983. It was set up as a division of the Southern Mines Rescue Station though its services would also be available to the other NSW mines rescue stations.

Since then, Coal Mines Technical Services (CMTS) has grown to become the largest supplier of statutory gas detector calibrations for underground coal mines in Australia and has an international client base. Its services also include gas testing, gas and diesel analysis, repair facilities, detection equipment, training and consultation.

MOBILE LABORATORIES IMPROVE ACCESSIBILITY

CMTS was the first mining organisation to design and construct a multipurpose mobile laboratory that could be used on a routine basis for both commercial applications and also to respond to mine emergencies if required. CMTS has three fully equipped mobile laboratories based in NSW and two based in QLD.

These air conditioned mobile laboratories enable our people to travel on-site and provide a range of gas detection and gas analysis services such as calibration of gas detection equipment and routine gas analysis.

They are particularly suited to long duration gas monitoring in times of emergencies. In these situations it is essential that an effective decision making process is undertaken. Part of this process involves the analysis and subsequent interpretation of the mine atmosphere, both prior to and during any mines rescue operation.

Gas sampling equipment can also be easily incorporated to enable gas sampling from boreholes or underground locations. The mobile laboratories are fully air conditioned and incorporate all necessary communication facilities to enable the transmission of data when required.

The second QLD mobile laboratory was commissioned for work in July 2012. The additional facility now allows both technicians to work independently and to better meet the needs of our customers.

CMTS's diesel testing mobile laboratory in NSW was replaced March 2013. The new laboratory is a state-of-the-art outfit and is designed to enable improved user-access to the analysers. This will help to ensure that the equipment can be removed easily when required for servicing, as well as instances where it may be more functional to have the analysers located externally for testing purposes.

SMARTGAS-CONNECT

In the last twelve months a number of revisions have been made to the CMTS-developed SMARTGAS-connect software and it is now one of the most flexible gas data software solutions in the market.

The whole of mine gas monitoring software is important as it automatically alerts the mine operator if a mine environment reaches gas thresholds or other configurable triggers and ratios. When an alarm is triggered and acknowledged, the system generates a mine-specific action response and notifies other users of who has acknowledged the alarm, and the action taken. The system maintains a full audit trail of events, which can be viewed on-screen or printed. The software is currently installed at three mine sites.

SmartGas Connect software

MAJOR TENDERS

During the year CMTS successfully tendered for two major contracts for the supply of gas monitoring equipment in NSW and QLD. Over sixty instruments were supplied to Glencore's Ulan No. 3 underground mine and over seventy to Anglo-Coal's Moranbah mine in North Qld. The agreements include ongoing monthly servicing of all instruments and statutory NATA calibrations every six months.

INTERNATIONAL

CMTS has continued to provide gas monitor calibration work and SMARTGAS gas chromatographic support in both the north and south islands of New Zealand and also provided remote support for a number of SMARTGAS gas chromatographic systems in the USA.

STUDENTS VISIT CMTS FOR HANDS-ON LEARNING.

Preparing workers for various workplace situations that are likely to arise in the mining industry is an important part of education and training.

In January 2013, CMTS hosted a group of students from the University of Wollongong who are studying for a Graduate Certificate or Master of Science (Occupational Hygiene Practice).

These courses are designed to develop the skills and knowledge necessary to identify, evaluate and control hazardous substances that workers may be exposed to in the workplace. They also provide the opportunity for students to develop a specialisation in one or more industry streams such as the mining or oil and gas industries.

The day with CMTS is a mandatory component of the course and focuses on diesel exhaust testing and analysis as well as the use, operation and application of various portable gas detection services that are commonly used.

CMTS's involvement in this course reinforces their reputation as industry experts in the topics covered. CMTS maintains a national and international reputation of excellence with over thirty years' experience in the field and it was for this reason the university approached CMTS to become involved at the early stages of the course's development.

Occupational Hygiene Services

The JCB's first annual report in 1947 outlined plans to work with mines to implement measures for the physical suppression of dust in mines. At the time, dust-related lung disease was prevalent in the NSW coal mining workforce. The JCB believed that regular dust monitoring would provide evidence to support the effectiveness of dust control and its relationship between working conditions and workers' health. Technical officers were subsequently appointed to each region to conduct dust and ventilation monitoring.

Today, Occupational Hygiene Services offers a range of vital environmental hygiene services in addition to monitoring airborne dust including testing noise, vibration, lighting and diesel particulates levels. These services have helped to keep dust-related disease, such as pneumoconiosis, at bay.

ORDER 40: ABATEMENT OF DUST ON LONGWALLS

Order 40 was introduced in 1990 by the JCB as part of its strategy to minimise workers' exposure to respirable dust. Under the Order, a mine's dust suppression plans for new longwall developments must be approved by Coal Services before operations start. The Order focuses on longwall mining due to the higher amount of dust generated from this type of mining compared to other mining methods.

Twenty-five dust mitigation plans were received and approved in 2012-13.

ORDER 42: MONITORING AIRBORNE DUST

Order 42 was introduced in February 2011 to ensure airborne dust in NSW coal mines is effectively monitored and controlled. Under the Order, Coal Services must frequently collect and analyse samples of airborne dust from the breathing zone of mine workers at coal mine operations whose health may be affected by the dust. Coal mine operators in NSW must allow Coal Services inspectors to enter a mine site to conduct the monitoring, including collecting and analysing samples to a prescribed standard.

Respirable and inhalable dust sampling increased by 11 per cent during 2012-13 with Occupational Hygiene Services sampling the breathing zones of 5,406 workers.

Of the 3,661 workers sampled for respirable dust, 0.9 per cent exceeded the respirable dust limit of 2.5mg/m3; down from 1.1 per cent in 2011-12.

1,745 workers were sampled for inhalable dust, with 8 per cent found to exceed to the inhalable dust limit of 10mg/m3; down from 9 per cent in 2011-12.

These figures represent a positive trend in dust control in the NSW coal industry; however, we must remain vigilant. Despite lower dust exposure standards than those in Australia, the United States coal industry has seen increasing prevalence of workers presenting with pneumoconiosis.

Black lung need not be an unfortunate consequence of years spent working in the coal industry. It is a preventable disease.

DIESEL PARTICULATE MATTER

In June 2012, the International Agency for Research on Cancer (IARC), an arm of the World Health Organisation, reclassified diesel engine exhaust to be a Group 1 agent which are substances that are carcinogenic to humans. Prior to this, diesel particulate matter (DPM) had been classified as 'probably carcinogenic'. The change in classification is based on the IARC Working Group's conclusions that there is sufficient evidence to link exposure to diesel exhaust to an increased risk of lung cancer.

The classification change has resulted in significant interest in diesel particulate monitoring and education.

Throughout the year, Occupational Hygiene Services delivered DPM presentations to coal and metalliferous mining industry representatives, the CFMEU and government department representatives to raise awareness of monitoring risks and implementing controls to mitigate these risks.

In 2012-13, Occupational Hygiene Services conducted 583 personal samples (samples from individual workers), an increase of 102 per cent on 2011-12.

Overall, diesel analysis increased from 1,575 samples in 2011-12 to 2,447 samples in 2012-13 – an increase of 55 per cent. These figures include analysis of internal samples as well as the 583 samples mentioned above for customers.

MONITORING OF SIMILAR EXPOSURE GROUPS

Occupational Hygiene Services conduct various programs in conjunction with their statutory work.

Several mining operations have engaged Occupational Hygiene Services since 2002 to conduct a risk-based sampling program where additional noise and alternate dust samples are taken. These samples help to better identify individual risk for similarly exposed persons (also known as similar exposure groups or SEGs) in a workplace. Such sampling requires a suitable sample size to statistically validate the results from which we can then identify high, medium and low risk areas in order to concentrate funds or effort to control exposures.

During the year Occupational Hygiene Services was successful in gaining a new contract for this type of work across two sites in NSW.

Clockwise from left:

Dust sampling (1984-85)

Gas detection canary

Mine lantern

An Occupational Hygiene Services technician refers to the gazetted levels for airborne dust in an underground mine (2012)

PREVALENCE OF PNEUMOCONIOSIS
1947
16%
ALL CATEGORIES

2013
0%

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

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

Before the development of modern detecting instruments it was necessary for rescue teams to carry small birds to detect the presence of the poisonous gas carbon monoxide (CO)… Small birds are much more susceptible than man to the effects of CO; a canary is said to be seven times more susceptible. If the bird shows signs of distress or collapses, the rescue team can retreat before being affected.

AJ Hargraves, *History of Coal Mining in Australia*, Australasian Institute of Mining and Metallurgy, Parkville, 1993.

1. Airborne Contaminants and Diesel Particulate Sub-committee

The main role of the Sub-committee is to:

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

The Standing Committee on Airborne Contaminants, Diesel Particulates, Noise Research and Control endorses the use of proper ventilation and dust suppression strategies to control dust-related lung disease in the NSW coal industry.

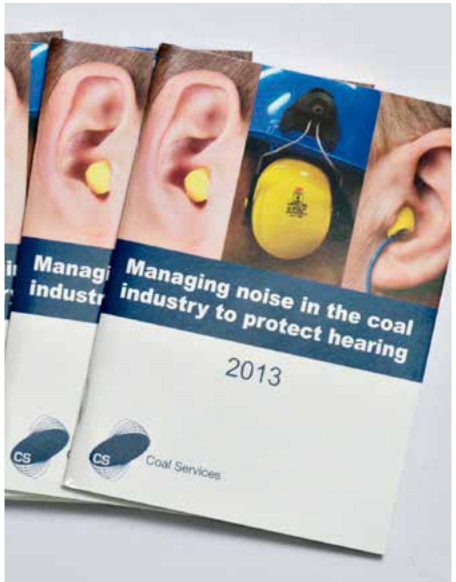
There have been no new recorded cases of dust-related lung disease (pneumoconiosis) in NSW since 1972. This is the result of industry stakeholders setting aside traditional differences to work together to control and eliminate a major industrial health issue.

2. Noise-Induced Hearing Loss Sub-committee

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

Noise-induced hearing loss (NIHL) is the most compensated, preventable industrial disease in Australia. In the NSW coal mining industry, NIHL or industrial deafness accounted for approximately 12 per cent of all claims received by Coal Mines Insurance for the five years between 2007 and 2012. To date, compensable claims in NSW have cost an estimated $5.8 million for that period. The physical and social costs of NIHL include difficulty communicating, social isolation, lower self-esteem and increased exposure to hazards.

The '*Managing noise in the coal industry to protect hearing*' booklet was published by Coal Services in May 2013 to promote a better understanding of the health effects and control of noise in the mining environment. The booklet is part of an ongoing plan to educate workers and employers about the effects of excessive workplace noise and how to minimise risk.



ORDER 34: ENSURING EFFECTIVE TRAINING SCHEMES ARE IN PLACE

Order 34 was implemented by the JCB in 1979 to ensure mine owners developed training plans for mine workers that would improve the safety of the workplace.

Under the Order, all coal mining operations must have a training and competency management scheme (TCMS) in place. The TCMS must be approved by the Coal Services Board, and comply with Coal Services' Training and Competency Management Plan Guidelines. The guidelines have been developed to ensure that training is provided to an accredited, national competency standard. They also help to ensure that TCMS meet the requirements of the *Coal Mines Health and Safety Act 2002* to provide a properly trained workforce.

In 2012-13, Coal Services received and approved 35 applications for TCMS.

Coal Services also performs training audits to check that employers conduct training as outlined in their approved TCMS. The audit process is designed to help mine operators meet their statutory obligations under coal mining safety legislation, and comply with general work health and safety legislation.

During the year, Coal Services audits covered 69 coal operations.

By working directly with operators on their training plans and engaging with other key industry stakeholders, Coal Services helps to enhance the competence and safety of their workers, increase the operational performance of their mines, and achieve a greater return on their training investments.

Corporate Governance

Bruce Grimshaw
Company Secretary/Legal Counsel

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

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

Coal Services has also adopted the 17 Principles of Governance which are based on the ASX '*Corporate Principles and Recommendations*' and the Audit Office of New South Wales '*On Board: Guide to Better Practice for Public Sector Governing and Advisory Boards*'. This has been 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.

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

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

The Board holds formal board meetings throughout the year, but also meets whenever necessary to carry out its responsibilities. During 2012–13, the Board held 28 meetings.

CONFLICT OF INTEREST

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

BOARD PERFORMANCE ASSESSMENT

The Board is committed to continuous improvement and has established an evaluation process to commence in 2014 for each individual Director and the Board as a whole. The Board has identified a number of required and desired skills that it believes the Board as a whole should possess. The skills of individual Directors have been assessed against these criteria, which will continue to be addressed though a measured approach to Director renewal. The recommendation for approval of independent Directors during the year was undertaken in accordance with this approach.

RISK MANAGEMENT

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

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

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

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

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

Meetings attended by Directors in 2012–13

DIRECTOR	BOARD MEETINGS		COMMITTEE MEETINGS		TOTAL ATTENDED
	Eligible	Attended	Eligible	Attended	
Tony Haraldson	8	8	6	6	**14**
Wayne McAndrew	8	7 (iv)	2	2	**9**
Peter Jordan	8	8	3	3	**11**
Sue-Ern Tan (i)	2	2	0	0	**2**
David Gunzburg (ii)	6	6	4	4	**10**
John Hannaford (iii)	3	3	3	3	**6**
Mark Genovese (iii)	3	3	3	3	**6**
Lucy Flemming	8	8	7	7	**15**

(i) Resigned 31 August 2012
(ii) Appointed 1 September 2012
(iii) Appointed 1 January 2013
(iv) Alternate directors attended

GOVERNANCE

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

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

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

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

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

There are three statutory instruments to regulate the legislated approval for Coal Services, Coal Mines Insurance and Mines Rescue.

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

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

Annual Financial Report for the year ended 30 June 2013

Directors' Report

Your Directors present their report on the consolidated entity consisting of Coal Services Pty Limited, and the entities it controlled at the end of, and during, the year ended 30 June 2013.

DIRECTORS

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

A J Haraldson – Chairman
W McAndrew
L Flemming
P Jordan
S Tan (resigned on 30 August 2012)
D Gunzburg (appointed on 1 September 2012)
M Genovese (appointed on 1 January 2013)
The Hon. J Hannaford (appointed on 1 January 2013)

PRINCIPAL ACTIVITIES

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

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

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

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

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

DIVIDENDS

It is neither the Company's policy nor the expectation of shareholders for the Company to pay dividends.

REVIEW OF OPERATIONS

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

	SEGMENT REVENUES		SEGMENT RESULTS	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Workers compensation insurance	**128,724**	134,898	**(22,208)**	(2,123)
Investment activities of Coal Services	**45,554**	25,243	**43,814**	23,890
Mines rescue services	**22,171**	25,321	**(3,629)**	2,042
Health and rehabilitation services	**9,492**	11,258	**(2,088)**	(311)
Others	**3,309**	14,501	**(15,358)**	(1,101)
	209,250	211,221		
Profit from ordinary activities before income tax			**531**	22,397
Income tax benefit			**–**	5,566
Net profit			**531**	27,963
Other comprehensive income				
Revaluation of property plant and equipment			**591**	(84)
Income tax on other comprehensive income			**–**	–
Defined benefit superannuation actuarial gains / (losses)			**1,896**	(6,036)
Total comprehensive income			**3,018**	21,843

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

(a) Workers compensation insurance

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

The segment result for the year was a loss of $22.21m (2012: loss of $2.12m). The result for underwriting operations was a loss of $12.67m (2012: profit of $4.60m), before administration expenses of $9.54m (2012: $6.73m). This underwriting operating loss included a provision for doubtful debts in respect of one mining company of $2.1m.The indemnity provided to Coal Mines Insurance Pty Limited by Coal Services Pty Limited was $22.21m (2012:$2.12m) 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 $43.81m (2012: profit of $23.89m), including unrealised profit of $5.41m (2012: unrealised loss of $5.50m).

(c) Mines rescue services

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

The segment result for the year was a loss before income tax of $3.63m (2012: profit of $2.04m). Total operating revenue of $22.17m (2012: $25.32m) included contributions from mine owners of $7.94m (2012: $7.61m) and training and other services revenue of $14.23m (2012: $17.71m).

(d) Health and rehabilitation services

Coal Services Health is the registered trading name for the division of Coal Services Pty Limited which provides occupational health and rehabilitation services to the New South Wales coal industry. The segment result for the year was a loss before income tax of $2.09m (2012: loss of $0.31m). This segment generated revenue of $12.08m (2012: $13.77m).

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

AUDITORS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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 37.

ROUNDING OF AMOUNTS

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

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

A J Haraldson
Director and Chairman

L Flemming
Managing Director / CEO

Sydney
26 September 2013

KPMG

Lead auditor's independence declaration

To the Directors of Coal Services Pty Limited, I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 30 June 2013 there have been:

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

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

KPMG

KPMG

Andrew Reeves
Partner

Sydney
26 September 2013

Statement of consolidated financial position

At 30 June 2013

	NOTES	2013 $'000	2012 $'000
Current assets			
Cash and cash equivalents	13	**59,404**	53,299
Receivables	14	**70,856**	33,640
Financial assets held at fair value through profit and loss	15	**289,925**	298,142
Inventories	16	**189**	280
Other	17	**1,240**	1,149
Total current assets		**421,614**	386,510
Non-current assets			
Receivables	18	**2,270**	2,212
Financial assets held at fair value through profit and loss	19	**1,010**	1,010
Property, plant and equipment	20	**60,377**	65,245
Investment properties	21	**61,900**	61,800
Lease incentives		**13**	54
Total non-current assets		**125,570**	130,321
Total assets		**547,184**	516,831
Current liabilities			
Payables	22	**7,758**	13,535
Unearned revenue	25	**1,826**	1,980
Provision for outstanding claims	9	**78,183**	80,208
Provisions	23	**7,863**	7,063
Other	24	**1,931**	1,736
Total current liabilities		**97,561**	104,522
Non-current liabilities			
Unearned revenue	25	**2,511**	2,941
Defined benefit superannuation scheme	29	**8,309**	11,106
Provision for outstanding claims	9	**290,386**	251,471
Provisions	26	**11,897**	13,289
Total non-current liabilities		**313,103**	278,807
Total liabilities		**410,664**	383,329
Net assets		**136,520**	133,502
Equity			
Contributed equity	30	**–**	–
Reserves	31	**2,747**	2,156
Retained profits	31	**133,773**	131,346
Total equity		**136,520**	133,502

The above statement of 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 2013

	NOTES	2013 $'000	2012 $'000
Workers compensation premium revenue	7	**106,790**	113,934
Mines safety levy recovery	7	**21,934**	20,964
Outwards reinsurance premium expense	7	**(3,018)**	(3,054)
Net earned premiums		**125,706**	131,844
Claims expense	8	**(106,302)**	(83,729)
Reinsurance and other recoveries revenue	8	**728**	1,301
Net claims incurred		**(105,574)**	(82,428)
Other underwriting expenses	6d	**(6,963)**	(16,439)
Mines safety levy expense		**(21,934)**	(20,964)
Underwriting result	6c	**(8,765)**	12,013
Investment income	11a	**45,554**	25,243
Other income	10	**30,714**	45,619
Total investment and other income		**76,268**	70,862
Expenses from operating activities	11b	**(66,972)**	(60,478)
Profit from operating activities		**531**	22,397
Income tax benefit	12a	**–**	5,566
Net profit for the year attributable to owners of the Company	31b	**531**	27,963
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of property plant and equipment		**591**	(84)
Defined benefit superannuation actuarial gains / (losses)	29e	**1,896**	(6,036)
Total items that will not be reclassified to profit or loss		**2,487**	(6,120)
Other comprehensive income for the year		**2,487**	(6,120)
Total comprehensive income for the year		**3,018**	21,843

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

Statement of consolidated changes in equity

For the year ended 30 June 2013

	SHARE CAPITAL $'000	RESERVES $'000	RETAINED EARNINGS $'000	TOTAL $'000
2013				
Balance at 1 July 2012	**–**	**2,156**	**131,346**	**133,502**
Profit for the year	**–**	**–**	**531**	**531**
Other comprehensive income	**–**	**591**	**1,896**	**2,487**
Total comprehensive income for the year	**–**	**591**	**2,427**	**3,018**
Balance at 30 June 2013	**–**	**2,747**	**133,773**	**136,520**
2012				
Balance at 1 July 2011	–	2,240	109,419	111,659
Profit for the year	–	–	27,963	27,963
Other comprehensive income	–	(84)	(6,036)	(6,120)
Total comprehensive income for the year	–	(84)	21,927	21,843
Balance at 30 June 2012	–	2,156	131,346	133,502

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

Statement of consolidated cash flows

For the year ended 30 June 2013

	NOTES	2013 $'000	2012 $'000
Cash flows from operating activities			
Underwriting operations			
Premiums received		**150,855**	144,991
Outwards reinsurance paid		**(3,320)**	(3,359)
Claims paid		**(75,570)**	(73,323)
Other underwriting expenses paid		**(31,787)**	(32,303)
Other operations			
Investment income		**26,836**	18,475
Other income		**33,034**	46,780
Miners' pension fund payments		**(2,085)**	(2,235)
Income taxes recovered		**–**	36,956
Other operating payments		**(66,166)**	(64,277)
Net cash inflow from operating activities	38	**31,797**	71,705
Cash flows from investing activities			
Payments for property, plant and equipment		**(6,281)**	(8,399)
Payments for improvements to investment properties		**(642)**	(330)
Payments for investments		**(132,521)**	(39,963)
Proceeds from sale of property, plant and equipment		**1,709**	1,495
Proceeds from sale of investments		**112,043**	38,773
Net cash outflow from investing activities		**(25,692)**	(8,424)
Cash flows from financing activities			
Repayments of borrowings		**–**	(16,933)
Net cash outflow from financing activities		**–**	(16,933)
Net increase in cash and cash equivalents		**6,105**	46,348
Cash and cash equivalents at the start of the year		**53,299**	6,951
Cash and cash equivalents at the end of the year	13	**59,404**	53,299

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

Contents of the notes to the consolidated financial statements

Notes to the consolidated financial statements
30 June 2013

NOTE 1: CORPORATE INFORMATION

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

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

Level 21
44 Market Street
Sydney
NSW 2000.

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

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

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

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

This financial report covers Coal Services Pty Limited and all of its wholly owned subsidiaries, and represents the activities for the year ended 30 June 2013.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial report of the Coal Services Pty Limited (the 'Company' or 'parent') for the year ended 30 June 2013 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 26 September 2013.

(a) Statement of compliance

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

The financial statements were approved by the Board of Directors on 26 September 2013.

(b) Basis of preparation

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012. They have not been applied in preparing these financial statements as they are not mandatory for the financial statements of the Company until future periods.

None of these are expected to have a significant effect on the financial statements of the Company, except for *AASB 9 Financial Instruments* and *AASB 119 Employee Benefits*. *AASB 9 Financial Instruments* becomes mandatory for the Company's 2016 financial statements and could change the classification and measurement of financial assets. *AASB 119 Employee Benefits* becomes mandatory for the Company's 2014 financial statements. It changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans the removal of accounting policy choices for recognition of actuarial gains and losses is not expected to have any impact on the Group. However the Group may need to assess the impact of the change in measurement principles of expected return on plan assets.

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value (i) outstanding claims, (ii) investments backing insurance liabilities. All land and buildings used in carrying 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

Change in accounting policy

Presentation of transactions recognised in other comprehensive income

From 1 July 2012 the Group applied amendments to AASB 101 Presentation of financial Statements outlined in *AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of other Comprehensive Income*. The change in accounting policy only relates to disclosures and has had no impact on consolidated net income. The changes have been applied retrospectively and require the Group to separately present those items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit of loss. These changes are included in the statement of consolidated profit or loss and other comprehensive income.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation (continued)

The Group has applied amendments to the Corporations Act 2001 that remove the requirement for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures in note 41.

(c) Basis of consolidation

Subsidiaries

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

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

Transactions eliminated on consolidation

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

(d) Classification of insurance contracts

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

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

(e) Impairment

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

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

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

Calculation of recoverable amount

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

Reversal of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Income tax payable

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

The Group received further confirmation from the Australian Tax Office on 28 September 2011 that it is exempt from income tax, pursuant to section 50-1 of *Income Tax Assessment Act 1997* for the years ending from 30 June 2012 through to 30 June 2015 inclusive. Accordingly no deferred tax balance has been recognised at 30 June 2013.

Tax consolidation legislation

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Revenue recognition

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

Revenue is recognised for the major business activities as follows:

Workers compensation insurance

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

Mines rescue services

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

Occupational health and rehabilitation services

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

Investment income

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

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

Grant income

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

(h) Outwards reinsurance

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

(i) Workers compensation insurance claims

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

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

The prudential margin included in the liability for outstanding claims is at a 75% (2012: 75%) level of confidence that the reserve will be sufficient.

(j) Receivables

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

(k) Inventories

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

(l) Revaluation of non-current assets

Subsequent to initial recognition as assets, land and buildings, including those classified as investments, but excluding those noted below, are measured at fair value, being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm’s length transaction. At the end of each reporting period, the Directors update their assessment of the fair value of each property taking into account the most recent independent valuations. Revaluations are made with sufficient regularity to ensure the carrying amount of each piece of land and each building does not differ materially from its fair value at the reporting date. The Directors determine a property’s value within a range of reasonable fair value estimates.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Revaluation of non-current assets (continued)

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

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

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

(m) Depreciation of property, plant and equipment

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

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

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

(n) Trade and other payables

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

(o) Maintenance and repairs

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

(p) Employee entitlements

Wages and salaries, annual and sick leave

Liabilities for wages and salaries, and annual leave, in respect of employees' services up to the reporting date, are recognised and measured at the reporting date, as the amounts expected to be paid when the liabilities are settled. A liability for sick leave is recognised and measured for employees of Mines Rescue Pty Limited and Occupational Hygiene Services (OHyS) division of Coal Services Pty Limited at the reporting date as the amounts expected to be paid when the liability is settled. Sick leave payment and rollover provisions for Mines Rescue employees are governed by clause 3.2 of the Mines Rescue Pty Limited Certified Agreement 2006 and clause 15 of the Mines Rescue (Training Officers) Enterprise Agreement 2012. For OHyS employees sick leave provisions are covered under clause 11 of the Coal Services OHYS Enterprise Agreement 2012.

Long service leave

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

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

Superannuation

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

A liability or asset in respect of defined benefit superannuation plans is recognised in the statement of financial position and is measured as the present value of the defined benefit obligation at the reporting date, less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee entitlements (continued)

Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

Past service costs are recognised immediately in profit or loss, unless the changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period. Future taxes, such as taxes on investment income and employer contributions, are taken into account in the actuarial assumptions used to determine the relevant components of the employer's defined benefit liability or asset.

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

(q) Cash and cash equivalents

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

(r) Operating leases

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

(s) Provisions

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

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

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

(t) Financial instruments

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

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

Recognition

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

Measurement

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

Fair value in an active market

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

Fair value in an inactive or unquoted market

- The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Financial instruments (continued)

- Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used in a market rate at the statement of financial position date applicable for an instrument with similar terms and conditions.
- Fair values of land and buildings are determined using Directors' valuation, based on existing use and valuations provided by independent registered valuers.
- Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such funds.

(u) Investment property

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

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

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

NOTE 3: ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

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 liability

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

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

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

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

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

Defined benefit pension scheme

The Group participates in a number of defined benefit pension schemes. The present values of the Group's obligations under these arrangements are calculated by an actuary, and the principal assumptions used in these calculations are disclosed in note 29(f).

Estimated fair values of investment and owner occupied properties

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

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

NOTE 4: ACTUARIAL ASSUMPTIONS AND METHOD

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

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

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

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

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

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

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

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

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

The methods used to estimate the allowance for claims incurred in the year to 30 June 2014 were consistent with those adopted to estimate the outstanding claims liability. This analysis was supplemented with a projection of the underlying exposure to estimate the incurred claim costs.

The claims incurred estimate for the year to 30 June 2014 at the 75% level of confidence was compared to the estimated unearned premium in respect of this year at 30 June 2013. No deficiency was recognised at 30 June 2013.

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 5: INSURANCE CONTRACTS – RISK MANAGEMENT

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

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

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

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

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

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

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

Underwriting strategy

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

Reinsurance strategy

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

Terms and conditions of insurance contracts

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

Product features

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

Management of risks

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

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

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

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

Concentration of insurance risks

Concentration risk is managed primarily through sensible pricing and reinsurance.

Interest rate risk

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

Credit risk

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

Credit risk also exists through the requirement to provide coverage regardless of receipt of premium payment. This risk is managed through the adoption of robust debt collection processes to minimise exposure.

Notes to the consolidated financial statements
30 June 2013 (continued)

	2013 $'000	2012 $'000
NOTE 6: UNDERWRITING RESULT		
a) Underwriting revenues		
Workers compensation premium revenue	**106,790**	113,934
Mines safety levy recovery	**21,934**	20,964
Total premium revenue	**128,724**	134,898
b) Underwriting expenses		
Gross claims expense	**106,813**	83,729
Movement in reinsurance and other recovery provided	**(511)**	–
Claims expense	**106,302**	83,729
Reinsurance and other recoveries revenue	**(728)**	(1,301)
Net claims incurred	**105,574**	82,428
Outwards reinsurance premium expense	**3,018**	3,054
Other underwriting expenses	**6,963**	16,439
Mines safety levy expense	**21,934**	20,964
	137,489	122,885
c) Underwriting result		
Net earned premiums	**103,772**	110,880
Mines safety levy recovery	**21,934**	20,964
Net incurred claims	**(105,574)**	(82,428)
Other underwriting expenses	**(6,963)**	(16,439)
Mines safety levy expense	**(21,934)**	(20,964)
	(8,765)	12,013
d) Other underwriting expenses		
WorkCover Authority levy expenses	**(292)**	(377)
District court levy expenses	**(957)**	(862)
Premium incentive scheme expenses	**(5,714)**	(15,200)
	(6,963)	(16,439)

Notes to the consolidated financial statements

30 June 2013 (continued)

	2013 $'000	2012 $'000
NOTE 7: NET EARNED PREMIUMS		
Workers compensation premium revenue	**106,790**	113,934
Mines safety levy recovery	**21,934**	20,964
Gross earned premiums	**128,724**	134,898
Outwards reinsurance premium expense	**(3,018)**	(3,054)
Net earned premiums	**125,706**	131,844

	2013 $'000	2012 $'000
NOTE 8: NET INCURRED CLAIMS		
Claims expense		
Undiscounted		
– Claims paid (including direct settlement costs)	**69,412**	65,830
– Movement in gross provision for claims outstanding	**80,385**	(40,468)
– Movement in reinsurance and other recovery provided	**(511)**	–
– Movement in discounting	**(42,984)**	58,367
Claims expense	**106,302**	83,729
Reinsurance and other recoveries revenue	**(728)**	(1,301)
Net claims incurred	**105,574**	82,428

NOTE 8: NET INCURRED CLAIMS (continued)

	CURRENT YEAR $'000	PRIOR YEARS $'000	TOTAL $'000
2013			
Gross claims incurred and related expenses – undiscounted			
Gross claims paid (including direct settlement costs)	**10,995**	**58,417**	**69,412**
Movement in gross provision for claims outstanding	**79,160**	**1,225**	**80,385**
Movement in discounting	**(13,150)**	**(29,834)**	**(42,984)**
Gross claims incurred	**77,005**	**29,808**	**106,813**
Reinsurance and other recoveries paid	**(47)**	**(681)**	**(728)**
Movement in reinsurance and other recovery provision	**(976)**	**465**	**(511)**
Net claims incurred	**75,982**	**29,592**	**105,574**

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.

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

NOTE 9: OUTSTANDING CLAIMS

	2013 $'000	2012 $'000
a) Undiscounted expected future claim payments		
Central estimate	**396,676**	331,429
Risk margin	**51,647**	43,152
Indirect claims settlement costs	**33,717**	28,171
	482,040	402,752
Discount to present value	**(113,471)**	(71,073)
	368,569	331,679
Current	**78,183**	80,208
Non-current	**290,386**	251,471
	368,569	331,679

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

	2013	2012
Inflation rate – normal (economic)		
– succeeding year	**3.75%**	3.6%
– subsequent years	**3.75%**	1.05% to 3.75%
Inflation rate – superimposed		
– full weekly	**2.00%**	4.00%
– medical	**5.50%**	3.00%
– other	**1.50%**	2.00%
– asbestos	**3.00%**	3.00%
– lung	**2.00%**	2.00%
Discount rate		
– succeeding year	**2.66%**	2.8%
– subsequent years	**2.46% to 6.09%**	2.10% to 4.70%

c) The weighted average expected term to settlement of the outstanding claims from the balance date is estimated to be 5.35 years (2012: 5.2 years).

d) The prudential margin, which represents 12.0% (2012: 12.0%) of the discounted central estimate, provides a 75% level of confidence.

NOTE 9: OUTSTANDING CLAIMS (continued)

e) Claims development tables – workers compensation business

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

ACCIDENT YEAR	2004 $'000	2005 $'000	2006 $'000	2007 $'000	2008 $'000	2009 $'000	2010 $'000	2011 $'000	2012 $'000	2013 $'000	TOTAL $'000
Estimate of ultimate claims cost:											
At end of accident year	53,267	52,450	65,029	63,523	60,603	71,166	67,439	62,136	64,103	74,192	
One year later	51,160	55,312	53,760	59,552	61,901	68,501	62,752	59,537	69,889		
Two years later	49,335	52,089	51,206	59,778	64,980	68,708	56,551	61,073			
Three years later	56,469	58,529	51,197	61,153	59,162	67,037	59,247				
Four years later	59,590	56,800	48,579	57,075	55,570	68,767					
Five years later	59,963	58,188	47,124	55,722	57,690						
Six years later	60,000	58,501	47,139	57,391							
Seven years later	61,088	58,791	49,433								
Eight years later	61,081	58,925									
Nine years later	61,470										
Current estimate of cumulative claims cost	61,470	58,925	49,433	57,391	57,690	68,767	59,247	61,073	69,889	74,192	618,077
Cumulative payments	(52,963)	(50,112)	(36,747)	(43,119)	(40,874)	(47,212)	(31,534)	(23,430)	(21,679)	(10,013)	(357,683)
Outstanding claims – undiscounted	8,507	8,813	12,686	14,272	16,816	21,555	27,713	37,643	48,210	64,179	260,394
Outstanding claims 2003 and prior											136,280
Discount											(93,376)
Net discounted outstanding claims											303,298
Discounted claims handling expenses											25,780
Discounted risk margin											39,491
Net discounted provision for claims											368,569

NOTE 9: OUTSTANDING CLAIMS (continued)

f) 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 variable will impact the performance and equity of the Company. The tables below describe how a change in each assumption will affect the insurance liabilities and show an analysis of the sensitivity of the profit / loss and equity to changes in these assumptions both gross and net of reinsurance.

	MOVEMENT IN VARIABLE %	IMPACT ON PROFIT NET OF REINSURANCE $'000	IMPACT ON EQUITY $'000
Active claims tail continuance rate	+2%	8,345	8,345
	-2%	(5,381)	(5,381)
Common law and redemption utilisation rate	+10%	16,058	16,058
	-10%	(16,058)	(16,058)
Expense rate	+1%	3,397	3,397
	-1%	(3,397)	(3,397)
Discount rate	+1%	(16,659)	(16,659)
	-1%	18,992	18,992
Inflation rate – normal	+1%	19,068	19,068
	-1%	(17,063)	(17,063)
Inflation rate – superimposed	+1% to classes with SI	6,517	6,517
	-1% to classes with SI	(5,779)	(5,779)

NOTE 9: OUTSTANDING CLAIMS (continued)

g) Reconciliation of movements in outstanding claims liabilities

	2013 $'000	2012 $'000
Gross outstanding claims provision at the beginning of the year	**336,264**	318,078
Gross risk margin at the beginning of the year	**(36,028)**	(34,080)
Gross central estimate at the beginning of the year	**300,236**	283,998
Claims paid in the year	**(58,899)**	(58,178)
Associated expense allowance	**(5,006)**	(6,175)
Unwinding of discount	**9,215**	11,924
Change due to experience and valuation assumptions	**17,203**	7,276
Change due to catastrophic claims	**7,571**	–
Movement in discount	**4,372**	13,934
Claims incurred in the year	**58,937**	47,457
Gross central estimate at the end of the year	**333,629**	300,236
Gross risk margin at the end of the year	**40,036**	36,028
Gross outstanding claims provision at the end of the year	**373,665**	336,264
Future recoveries (including risk margin)	**(5,096)**	(4,585)
Net outstanding claims liability at the end of the year	**368,569**	331,679

Notes to the consolidated financial statements
30 June 2013 (continued)

	2013 $'000	2012 $'000
NOTE 10: REVENUES		
Workers compensation insurance	**128,724**	134,898
Investment activities	**45,554**	25,243
	174,278	160,141
Other income:		
Contributions from colliery proprietors for Mines Rescue Levy	**7,935**	7,608
Training and services revenue	**11,692**	14,535
Health and rehabilitation services	**5,838**	6,434
Other	**5,249**	17,042
	30,714	45,619
Total revenue	**204,992**	205,760

The above amounts are after elimination of inter-company charges.

NOTE 11: PROFIT FROM ORDINARY ACTIVITIES

a) Investment income / (loss)

Equity and property trust distributions	**2,850**	5,829
Fixed interest trust distributions	**7,416**	18,562
Interest – short term investments	**3,278**	2,332
Interest – long term investments	**84**	83
Rental income	**5,832**	5,570
Investment property operating and management expenses	**(843)**	(702)
	18,617	31,674
Realised gains / (losses) on financial assets held at fair value through profit or loss:		
Australian listed shares and equity trusts	**12,511**	(800)
Fixed interest investments	**1,239**	(127)
Overseas equity trust units	**7,779**	–
	21,529	(927)

Notes to the consolidated financial statements

30 June 2013 (continued)

NOTE 11: PROFIT FROM ORDINARY ACTIVITIES (continued)

	2013 $'000	2012 $'000
a) Investment income / (loss) (continued)		
Unrealised gains / (losses) on financial assets held at fair value through profit or loss:		
Australian listed shares and equity trusts	**(907)**	(4,838)
Investment property	**(484)**	100
Global infrastructure units	**4,535**	(1,301)
Fixed interest investments	**(837)**	1,901
Overseas equity trust units	**3,101**	(1,366)
	5,408	(5,504)
Net investment income	**45,554**	25,243

b) Expenses from operating activities

Employee benefits expense	**(37,393)**	(36,115)
Depreciation and amortisation expenses	**(3,704)**	(4,177)
Revaluation decrement of property, plant and equipment to recoverable amount (note 20)	**(5,903)**	(607)
Net loss from the sale of assets	**(9)**	(215)
Impairment of receivables (note 14)	**(2,792)**	7
Investment management expenses	**(1,738)**	(1,353)
Miners' pension expense	**(387)**	(159)
Mines Rescue materials expenses	**(2,847)**	(3,112)
Repairs and maintenance expenses	**(833)**	(713)
Consultants and contractors	**(1,619)**	(3,751)
Medical related expenses	**(905)**	(927)
Travel and motor vehicle	**(1,350)**	(1,587)
Occupancy	**(3,272)**	(3,108)
General overheads	**(2,226)**	(2,021)
Others	**(1,994)**	(2,640)
	(66,972	(60,478)

	2013 $'000	2012 $'000
NOTE 12: INCOME TAX		
a) Income tax expense / (benefit)		
Current tax *	**–**	(5,566)
Deferred tax**	**–**	–
	–	(5,566)

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

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

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 13: CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	2013 $'000	2012 $'000
Cash at bank and on hand	**6,385**	13,430
Short term deposits	**53,019**	39,869
	59,404	53,299

The parent entity has a bank overdraft facility of $5,000,000 (2012: $5,000,000) as at 30 June 2013. The Commonwealth Bank of Australia has registered a fixed charge in respect of this facility.

NOTE 14: CURRENT ASSETS – RECEIVABLES

	2013 $'000	2012 $'000
Trade receivables	**10,134**	8,074
Less: Provision for impaired receivables*	**(2,804)**	(12)
	7,330	8,062
Others	**7,895**	25,578
Investment settlements receivable**	**36,631**	–
Outstanding settlements***	**19,000**	–
	70,856	33,640

* Included in the provision for impaired receivables in the current year is $2.48m relating to one mining company.

The company's investment portfolio was in the process of being rebalanced at year end.

** Includes receivables for sale proceeds of international equities.

*** Includes advance payment for the acquisition of international equities.

Movement in the provision for impairment of receivables are as follows:

Balance at 1 July	**12**	38
Provision for impairment recognised during the year	**2,816**	12
Receivables written off during the year as uncollectible	**–**	(6)
Unused amount reversed	**(24)**	(32)
Balance at 30 June	**2,804**	12

	2013 $'000	2012 $'000
NOTE 15: CURRENT ASSETS – FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS		
Australian bond trust units	**185,851**	182,547
Australian listed shares	**45,707**	40,710
Australian equity trust units	**–**	11,284
Overseas equity trust units	**6,623**	38,337
Global infrastructure fund	**20,599**	16,056
Australian cash fund	**31,145**	9,208
	289,925	298,142

Investment settlement receivables of $36.631m and investment prepayments of $19m for overseas equities are included under receivables in note 14 above.

NOTE 16: CURRENT ASSETS – INVENTORIES

Goods held for resale	**189**	280

NOTE 17: CURRENT ASSETS – OTHER

Prepayments	**1,240**	1,149

NOTE 18: NON-CURRENT ASSETS – RECEIVABLES

Receivable from Coal Mining Industry (Long Service Leave Funding) Corporation	**2,270**	2,212

NOTE 19: NON-CURRENT ASSETS – FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

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

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

Notes to the consolidated financial statements
30 June 2013 (continued)

	2013 $'000	2012 $'000
NOTE 20: NON CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
At valuation	**45,380**	50,303
Less: accumulated depreciation	**–**	(35)
	45,380	50,268
Office improvements		
At cost	**1,061**	965
Less: accumulated depreciation	**(813)**	(646)
	248	259
Computer equipment		
At cost	**2,463**	2,001
Less: accumulated depreciation	**(1,384)**	(1,112)
	1,079	889
Motor vehicles		
At cost	**3,722**	3,716
Less: accumulated depreciation	**(1,043)**	(1,010)
	2,679	2,706
Plant and equipment		
At cost	**24,501**	23,326
Less: accumulated depreciation	**(13,510)**	(12,203)
	10,991	11,123
	60,377	65,245

NOTE 20: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

Valuations of land and buildings

The basis of valuation of properties which comprise land and specific use buildings is existing use value. This approach involves the summation of land value along with the depreciated replacement cost of improvements. The basis of valuation of properties which comprise land and general use buildings is fair value being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction. All properties were revalued at year end based upon independent assessments by a member of the Australian Property Institute. For the current year, $0.59m of the revaluation increment (2012: $0.08m revaluation decrement) has been credited to the asset revaluation reserve in shareholders' equity and $5.90m of revaluation decrement (2012: $0.61m revaluation decrement) has been debited to the profit or loss. The $5.90m revaluation decrement is a result of the reclassification of three buildings from specific use to general use.

	2013 $'000	2012 $'000
a) Carrying amounts:		
Land and specific use buildings stated at existing use value	**36,350**	49,945
Land and general use buildings stated at fair value	**9,030**	–
Total land and buildings	**45,380**	49,945
b) Carrying amounts that would have been recognised if land and buildings were stated at historical cost:		
Freehold land		
Cost	**8,746**	8,836
Buildings		
Cost	**55,894**	55,380
Accumulated depreciation	**(6,616)**	(5,239)
Net book amount	**49,278**	50,141
Total land and buildings	**58,024**	58,977
c) Carrying amounts that would have been recognised if land and buildings were stated at fair value:		
Total land and buildings	**21,580**	21,360

NOTE 20: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliations

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

	LAND AND BUILDINGS $'000	OFFICE IMPROVEMENTS $'000	COMPUTER EQUIPMENT $'000	MOTOR VEHICLES $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000
Carrying amount at 1 July 2012	50,193	334	889	2,706	11,123	65,245
Additions	766	45	559	1,771	2,569	5,710
Disposals	(266)	–	(4)	(1,267)	(24)	(1,561)
Net loss from fair value adjustment	(5,313)	–	–	–	–	(5,313)
Depreciation / amortisation expense	–	(131)	(365)	(531)	(2,677)	(3,704)
Carrying amount at 30 June 2013	45,380	248	1,079	2,679	10,991	60,377

NOTE 21: NON-CURRENT ASSETS – INVESTMENT PROPERTIES

	2013 $'000	2012 $'000
At fair value		
Opening balance at 1 July	**61,800**	61,400
Capitalised subsequent expenditure	**584**	300
Net (loss) / gain from fair value adjustments	**(484)**	100
Closing balance at 30 June	**61,900**	61,800

a) Amounts recognised in profit and loss for investment properties

	2013 $'000	2012 $'000
Rental income	**7,105**	6,900
Direct operating expenses	**(2,117)**	(2,032)
	4,988	4,868

NOTE 21: NON-CURRENT ASSETS – INVESTMENT PROPERTIES (continued)

b) Valuation basis

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

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

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

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

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

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

	2013	2012
Discount rate	**9.75% – 11.25%**	9.75% – 11.00%
Terminal yield	**9.00% – 10.75%**	9.00% – 10.50%
Capitalisation rate	**8.75% – 10.75%**	8.75% – 10.50%
Weighted rental growth rate	**3.02% – 3.81%**	3.03% – 3.74%

The 2013 revaluations were based on independent assessments made by a member of the Australian Property Institute.

NOTE 22: CURRENT LIABILITIES – PAYABLES

Trade and other creditors	**2,481**	3,339
Accrued expenses	**5,277**	10,196
	7,758	13,535

NOTE 23: CURRENT LIABILITIES – PROVISIONS

	2013 $'000	2012 $'000
Miners' pension fund indemnity	**792**	851
Miners' pension fund Part 3 liability	**1,098**	1,098
Employee entitlements	**5,973**	5,114
	7,863	7,063

a) Miners' pension fund indemnity

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

b) Movements in provisions

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

	EMPLOYEE ENTITLEMENTS $'000	MINERS' SUPERANNUATION PENSION FUND INDEMNITY $'000	PART 3 LIABILITY $'000	TOTAL $'000
Carrying amount at 1 July 2012	5,114	851	1,098	7,063
Charged to the statement of comprehensive income	859	(59)	(1,098)	(298)
Transferred from non-current (note 26)	–	–	1,098	1,098
Carrying amount at 30 June 2013	5,973	792	1,098	7,863

NOTE 24: CURRENT LIABILITIES – OTHER

	2013 $'000	2012 $'000
Premiums invoiced in advance	**1,903**	1,709
Rental bonds received	**28**	27
	1,931	1,736

	2013 $'000	2012 $'000
NOTE 25: LIABILITIES – UNEARNED REVENUE		
Unearned revenue – current	**1,826**	1,980
Unearned revenue – non current	**2,511**	2,941
	4,337	4,921
Carrying amount at 1 July, 2012	**4,921**	6,452
Add: Coal Services Health and Safety Trust grant	**1,302**	831
	6,223	7,283
Less: recognised in the period	**(1,886)**	(2,362)
Balance 30 June 2013	**4,337**	4,921

During the year, Mines Rescue Pty Limited received a grant of $1.3m (2012: $0.8m) from the Coal Services Health and Safety Trust to fund the development of Virtual Reality facilities to provide better safety and other training capabilities to the coal industry. The grant is deferred and will be recognised as revenue in line with the effective life of the equipment, being four years from financial year 2013.

NOTE 26: NON-CURRENT LIABILITIES – PROVISIONS

	2013 $'000	2012 $'000
Miners' pension fund indemnity	**4,833**	5,374
Miners' pension fund indemnity part 3 liability	**1,098**	2,196
Employee entitlements	**5,966**	5,719
	11,897	13,289

a) Miners' pension fund indemnity

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

b) Movements in provisions

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

	EMPLOYEE ENTITLEMENTS $'000	MINERS' SUPERANNUATION PENSION FUND INDEMNITY $'000	PART 3 LIABILITY $'000	TOTAL $'000
Carrying amount at 1 July 2012	5,719	5,374	2,196	13,289
Credited / (debited) to the statement of comprehensive income	247	(541)	–	(294)
Reclassified to current provision – note 23(b)	–	–	(1,098)	(1,098)
Carrying amount at 30 June 2013	5,966	4,833	1,098	11,897

NOTE 27: INDEMNITY – MINERS' SUPERANNUATION PENSION FUND

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

	2013 $'000	2012 $'000
a) Expected future payment		
Expected future pension payments – undiscounted	**7,520**	9,066
Discount to present value	**301**	453
	7,821	9,519
Current – indemnity	**1,890**	1,949
Non-current – indemnity	**5,931**	7,570
	7,821	9,519

	2013	2012
b) The following average inflation rates and discount rates were used in the measurement of the indemnity:		
For the succeeding and subsequent years		
Inflation rate	**3.0%**	3.0%
Discount rate	**4.0%**	5.0%

c) The weighted average expected term to settlement of future pension payments from the balance date is estimated to be 5.14 years (2012: 4.92 years).

d) Miners' pension expense under indemnity:		
Pension payments	**1,811**	2,235
Movement in indemnity provision	**(1,424)**	(2,076)
	387	159

NOTE 28: EMPLOYEE ENTITLEMENTS

Employee entitlement liabilities

	2013 $'000	2012 $'000
Long service leave entitlement		
Current	**1,370**	1,137
Non-current	**4,306**	4,185
	5,676	5,322
Annual leave entitlement		
Current	**3,379**	3,245
Non-current	**–**	–
	3,379	3,245
Sick leave entitlement		
Current	**1,116**	657
Non-current	**1,660**	1,534
	2,776	2,191
Total employee entitlements		
Current	**5,865**	5,039
Non-current	**5,966**	5,719
	11,831	10,758

Employee numbers

Number of employees at the end of the period	**334**	352

NOTE 28: EMPLOYEE ENTITLEMENTS (continued)

Coal industry long service leave

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

Mines Rescue Pty Limited's (a controlled entity) obligation to employees is inclusive of associated on-costs and is recognised as a liability. The Company's right to reimbursement from the statutory corporation excludes associated on-costs, as they are not recoverable from the statutory corporation. The right to reimbursement is recognised as an asset (see note 18).

Sick leave entitlements

The sick leave entitlements shown above reflect the outstanding entitlements due to employees of Mines Rescue Pty Limited and the Occupational Hygiene Services division of Coal Services Pty Limited.

Superannuation entitlements

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

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

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

Refer to note 29 for further details on these schemes.

NOTE 29: NON-CURRENT LIABILITIES – DEFINED BENEFIT SUPERANNUATION SCHEMES

a) Superannuation plans

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

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

NOTE 29: NON-CURRENT LIABILITIES – DEFINED BENEFIT SUPERANNUATION SCHEMES (continued)

	2013 $'000	2012 $'000
b) Statement of financial position amounts		
Present value of the defined benefit obligation	**(22,778)**	(22,763)
Present value of the defined benefit plan assets	**14,469**	11,657
	(8,309)	(11,106)
Unrecognised actuarial losses	**–**	–
Net liabilities recognised in the statement of financial position	**(8,309)**	(11,106)

As at 30 June 2013, the asset sector percentages for the defined benefit funds are as follows:

ENERGY INDUSTRY SUPERANNUATION SCHEME	PARENT ENTITY	MINES RESCUE STATIONS STAFF SUPERANNUATION PLAN	SUBSIDIARY
Particulars		**Particulars**	
Australian equities	14%	Australian equities	24.3%
Overseas equities	22%	Overseas equities	13.5%
Property	7%	Australian fixed interest securities	25.7%
Private equity	1%	Overseas fixed interest securities	1.0%
Infrastructure	9%	Property	4.0%
Alternatives	18%	Cash	27.0%
Fixed income	20%	Other (infrastructure and hedged funds)	4.5%
Cash	9%		
	100.0%		100.0%

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

NOTE 29: NON-CURRENT LIABILITIES – DEFINED BENEFIT SUPERANNUATION SCHEMES (continued)

	2013 $'000	2012 $'000
c) Movement		
Movement in net liabilities recognised in the statement of financial position		
Net liabilities at the beginning of the year	**(11,106)**	(6,275)
Net expense recognised in profit and loss	**(551)**	(680)
Actuarial gains / (losses)	**1,896**	(6,036)
Contributions	**1,452**	1,885
Net liabilities disclosed in the statement of financial position	**(8,309)**	(11,106)
Reconciliation of the present value of defined benefit obligation		
Opening defined benefit obligation	**22,763**	19,680
Current service cost	**749**	745
Interest cost	**717**	1,005
Contributions by fund participants	**112**	126
Actuarial (gains) / losses	**(938)**	4,901
Benefits paid	**(318)**	(2,097)
Liabilities extinguished on settlements	**(307)**	(1,597)
Closing defined benefit obligation	**22,778**	22,763
Reconciliation of the fair value of fund assets:		
Opening fair value of fund assets	**11,657**	13,405
Expected return	**915**	1,070
Actuarial gains / (losses)	**958**	(1,135)
Employer contributions	**1,452**	1,885
Contributions by fund participants	**112**	126
Benefits paid	**(318)**	(2,097)
Assets distributed on settlements	**(307)**	(1,597)
Closing fair value of fund assets	**14,469**	11,657

NOTE 29: NON-CURRENT LIABILITIES – DEFINED BENEFIT SUPERANNUATION SCHEMES (continued)

	2013 $'000	2012 $'000
d) Amounts recognised in profit and loss		
Current service cost	**749**	745
Interest cost	**717**	1,005
Expected return on scheme assets	**(915)**	(1,070)
Expense recognised	**551**	680
Actual return on scheme assets	**1,873**	(64)
e) Amounts recognised in other comprehensive income		
Actuarial gains / (losses)	**1,896**	(6,036)

f) Principal actuarial assumptions

The principal actuarial assumptions used were as follows:

	2013	2012
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	**8.1%**	8.1%
Discount rate after tax	**3.8%**	3.1%
Mines Rescue Stations Staff Superannuation Plan		
Salary increase rate	**4.0%**	4.0%
Expected rate of return on assets	**6.0%**	6.0%
Discount rate after tax	**2.7%**	2.3%

Notes to the consolidated financial statements
30 June 2013 (continued)

NOTE 29: NON-CURRENT LIABILITIES – DEFINED BENEFIT SUPERANNUATION SCHEMES (continued)

g) Employer contributions

Parent entity

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

The recommended contribution rates for the entity are:

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

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

These recommended contribution rates are consistent with the previous year.

Mines Rescue Pty Limited

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

NOTE 30: CONTRIBUTED EQUITY

	2013 NUMBER OF SHARES	2012 NUMBER OF SHARES
Share capital		
Ordinary shares – fully paid @ $1 each	**2**	2

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

Notes to the consolidated financial statements

30 June 2013 (continued)

NOTE 31: RESERVES AND RETAINED PROFITS

	2013 $'000	2012 $'000
a) Reserves		
Property, plant and equipment revaluation reserve	**2,747**	2,156
Movements		
Balance at 1 July	**2,156**	2,240
Revaluation of land and buildings	**591**	(84)
	2,747	2,156
b) Retained profits		
Balance at 1 July	**131,346**	109,419
Net profit for the year	**531**	27,963
Defined Benefit Superannuation scheme actuarial gains / (losses)	**1,896**	(6,036)
	133,773	131,346

c) Nature and purpose of reserves

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

NOTE 32: REMUNERATION OF AUDITORS

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

	2013 $'000	2012 $'000
Audit of financial reports		
Fees paid to KPMG	**184**	178
Actuarial peer review, taxation and other assurance services		
Fees paid to KPMG	**33**	77
	217	255

NOTE 33: KEY MANAGEMENT PERSONNEL COMPENSATION

a) Key management personnel

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

A J Haraldson – Chairman
W McAndrew
L Flemming
P Jordan
S Tan (resigned on 30 August 2012)
D Gunzburg (appointed on 1 September 2012)
M Genovese (appointed on 1 January 2013)
The Hon. J Hannaford (appointed on 1 January 2013)

b) Key management personnel compensation

Directors and other key personnel of the Company or other Group companies received remuneration as follows:

	2013 $'000	2012 $'000
Short-term employee benefits – Directors*		
Greater or equal to $100k (2 Directors)	**627**	750
Less than $100k (6 Directors)	**295**	383
	922	1,133
Short-term employee benefits – other key personnel		
Greater or equal to $300k (1 key personnel)	**409**	386
Less than $300k (5 key personnel)	**1,295**	1,167
	1,704	1,553
	2,626	2,686

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

NOTE 34: RELATED PARTY DISCLOSURE

a) Transactions with directors and director related entities

A previous Managing Director, M Coyne, is Chief Executive Officer of Employers Mutual Limited. In the prior year Employers Mutual Limited provided workers compensation insurance to the parent entity. The management services arrangement with Employers Mutual Limited concluded on 31 December 2011.

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

	2013 $'000	2012 $'000
Amounts recognised as an expense		
Workers compensation insurance	–	249
Management services	–	597
	–	846

b) Other related parties

The parent entity holds a nominee Directorship in Mount Thorley Coal Loading Limited. The parent entity has made a loan to Mount Thorley Coal Loading Limited which is secured by a bank guarantee. As at the statement of financial position date, the amount outstanding on the loan was $1,010,000 (2012: $1,010,000). During the period, the parent entity received $75,773 (2012: $75,773) in interest on this loan. Also administrative income of $9,000 (2012: $9,000) has 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 and Safety Trust. During the financial year the parent entity has not made any grant to the Coal Services Health and Safety Trust to help fund its research to benefit the New South Wales coal industry. A grant of $1.30m (2012:$0.83m) had been approved by the Coal Services Health and Safety Trust and paid to Mines Rescue Pty Limited for the development of Virtual Reality facilities to provide better safety and other training capabilities.

NOTE 34: RELATED PARTY DISCLOSURE (continued)

c) Controlling entities

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

	2013 $'000	2012 $'000
Amounts recognised as expenses		
Director fees	**148**	117
Other services	**27**	17
	175	134
Transaction with other related parties		
Mount Thorley Coal Loading Limited		
Loan outstanding	**1,010**	1,010
Interest received	**76**	76
Administrative income	**9**	9

NOTE 35: SUBSIDIARIES

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

	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING 2013	2012
Name of entity				
Coal Mines Insurance Pty Limited	Australia	Ordinary	**100%**	100%
Mines Rescue Pty Limited	Australia	Ordinary	**100%**	100%

In October 2007, Coal Services Pty Limited (CSPL) Board approved a funding agreement. In accordance with the funding agreement, CSPL funded the development and construction costs of Mines Rescue Pty Limited. The funding 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 2013, $5m of the secured loan has been drawn down and $25m of Mines Rescue Pty Limited's Class B shares have been issued.

NOTE 36: EVENTS OCCURRING AFTER THE STATEMENT OF FINANCIAL POSITION DATE

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

NOTE 37: COMMITMENTS

a) Capital commitments

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

	2013 $'000	2012 $'000
Property, plant and equipment		
Within one year	–	192
	–	192

b) Lease commitments

	2013 $'000	2012 $'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	**1,094**	914
Later than one year but no later than five years	**3,461**	2,978
Later than 5 years	**112**	724
	4,667	4,616
Representing:		
Non-cancellable operating leases	**4,667**	4,616

NOTE 38: RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2013 $'000	2012 $'000
Net profit for the year	**531**	27,963
Depreciation and amortisation	**3,704**	4,178
Impairment of property, plant and equipment and investment property	**6,387**	590
Realised (gains) / losses on investments	**(21,529)**	927
Unrealised (gains) / loss on investments	**(5,408)**	5,504
Net loss on disposal of property, plant and equipment	**9**	215
Decrease / (increase) in trade receivables	**732**	14
Decrease in current tax assets	**-**	31,377
Decrease / (increase) in inventories	**91**	(80)
Decrease / (increase) in other receivables	**17,570**	(15,452)
(Decrease) / increase in trade creditors	**(858)**	505
(Increase) in unearned revenue	**(584)**	(1,531)
(Decrease) / increase in other operating liabilities	**(4,040)**	7,792
Increase in claims provision	**36,890**	11,779
(Decrease) / increase in other provisions	**(1,698)**	(2,076)
Net cash inflow from operating activities	**31,797**	71,705

NOTE 39: FINANCIAL INSTRUMENTS

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

(a) Market risk

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

(i) Price risk

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

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

(ii) Currency risk

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

The Group does not have direct exposure to investments, receivables and payables denominated in a currency other than Australian dollars.

(iii) Interest rate risk

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

The Group holds interest bearing short term deposits with various banks and also it has an interest bearing loan to Mount Thorley Coal Loading Limited. At the reporting date the interest rate profile of the Group's interest bearing financial instruments was as follows:

	CARRYING AMOUNT	
	30 JUNE 2013 $'000	30 JUNE 2012 $'000
Fixed rate instruments		
Financial assets	**54,029**	40,879
	54,029	40,879
Variable rate instruments		
Financial assets	**216,996**	191,755
	216,996	191,755

NOTE 39: FINANCIAL INSTRUMENTS (continued)

(iv) Summarised sensitivity analysis

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

		INTEREST RATE RISK		OTHER PRICE RISK	
	CARRYING AMOUNT $'000	-1% PROFIT / EQUITY $'000	+1% PROFIT / EQUITY $'000	-10% PROFIT / EQUITY $'000	+10% PROFIT / EQUITY $'000
2013					
Financial assets:					
Cash	**6,385**	**(64)**	**64**	**–**	**–**
Short term deposit	**53,019**	**(530)**	**530**	**–**	**–**
Trade and other receivables	**73,126**	**–**	**–**	**–**	**–**
Loan receivable	**1,010**	**(10)**	**10**	**–**	**–**
Australian bond trust units	**185,851**	**(1,859)**	**1,859**	**(18,585)**	**18,585**
Australian listed shares	**45,707**	**–**	**–**	**(4,571)**	**4,571**
Overseas equity trust units	**6,623**	**–**	**–**	**(662)**	**662**
Global infrastructure funds	**20,599**	**–**	**–**	**(2,059)**	**2,059**
Australian cash funds	**31,145**	**(311)**	**311**	**–**	**–**
	423,465	**(2,774)**	**2,774**	**(25,877)**	**25,877**
2012					
Financial assets:					
Cash	13,430	(134)	134	–	–
Short term deposit	39,869	(398)	398	–	–
Trade and other receivables	35,852	–	–	–	–
Loan receivable	1,010	(10)	10	–	–
Australian bond trust units	182,547	(1,825)	1,825	(18,255)	18,255
Australian listed shares	40,710	–	–	(4,071)	4,071
Australian equity trust units	11,284	–	–	(1,128)	1,128
Overseas equity trust units	38,337	–	–	(3,834)	3,834
Global infrastructure funds	16,056	–	–	(1,606)	1,606
Australian cash funds	9,208	(92)	92	–	–
	388,303	(2,459)	2,459	(28,894)	28,894

NOTE 39: FINANCIAL INSTRUMENTS (continued)

b) Credit risk exposures

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

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

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

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

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

	NOT YET DUE $'000	TOTAL PAST DUE BUT NOT IMPAIRED $'000	AGEING OF TOTAL PAST DUE BUT NOT IMPAIRED 31-90 DAYS $'000	AGEING OF TOTAL PAST DUE BUT NOT IMPAIRED 90+ DAYS $'000	PAST DUE AND IMPAIRED $'000	TOTAL $'000
2013						
Trade and other receivables	**70,904**	**2,221**	**1,806**	**415**	**2,804**	**75,929**
2012						
Trade and other receivables	31,704	4,148	2,688	1,460	12	35,864

NOTE 39: FINANCIAL INSTRUMENTS (continued)

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

	AAA $'000	AA $'000	A $'000	BBB $'000	NOT RATED $'000	TOTAL $'000
2013						
Cash	**–**	**6,385**	**–**	**–**	**–**	**6,385**
Trade and other receivables	**–**	**–**	**–**	**–**	**73,126**	**73,126**
Short term deposit	**–**	**53,019**	**–**	**–**	**–**	**53,019**
Loan receivable	**–**	**–**	**–**	**–**	**1,010**	**1,010**
Australian bond trust units	**–**	**130,572**	**55,279**	**–**	**–**	**185,851**
Australian listed shares	**–**	**–**	**–**	**–**	**45,707**	**45,707**
Overseas equity trust units	**–**	**–**	**–**	**–**	**6,623**	**6,623**
Global infrastructure funds	**–**	**–**	**–**	**–**	**20,599**	**20,599**
Australian cash funds	**–**	**31,145**	**–**	**–**	**–**	**31,145**
	–	**221,121**	**55,279**	**–**	**147,065**	**423,465**
2012						
Cash	–	13,430	–	–	–	13,430
Trade and other receivables	–	–	–	–	35,852	35,852
Short term deposit	–	39,869	–	–	–	39,869
Loan receivable	–	–	–	–	1,010	1,010
Australian bond trust units	–	130,138	35,592	16,817	–	182,547
Australian listed shares	–	–	–	–	40,710	40,710
Australian equity trust units	–	–	–	–	11,284	11,284
Overseas equity trust units	–	–	–	–	38,337	38,337
Global infrastructure funds	–	–	–	–	16,056	16,056
Australian cash funds	–	9,208	–	–	–	9,208
	–	192,645	35,592	16,817	143,249	388,303

NOTE 39: FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk

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

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

Maturity profiles

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

	UP TO A YEAR $'000	1 – 3 YEARS $'000	3 – 5 YEARS $'000	NO TERM $'000	TOTAL CONTRACTUAL CASH FLOWS $'000	CARRYING AMOUNT $'000
2013						
Financial liabilities:						
Trade and other payables	**7,758**	**–**	**–**	**–**	**7,758**	**7,758**
Miners Pension Fund Part 3 liability	**1,098**	**1,098**	**–**	**–**	**2,196**	**2,196**
Indemnity to the Trustees of Auscoal Superannuation Fund	**792**	**1,321**	**3,512**	**–**	**5,625**	**5,625**
Defined benefit superannuation scheme	**–**	**–**	**–**	**8,309**	**8,309**	**8,309**
Employee benefits	**5,973**	**5,966**	**–**	**–**	**11,939**	**11,939**
	15,621	**8,385**	**3512**	**8,309**	**35,827**	**35,827**
2012						
Financial liabilities:						
Trade and other payables	13,535	–	–	–	13,535	13,535
Miners Pension Fund Part 3 liability	1,098	2,196	–	–	3,294	3,294
Indemnity to the Trustees of Auscoal Superannuation Fund	851	1,460	3,914	–	6,225	6,225
Defined benefit superannuation scheme	–	–	–	11,106	11,106	11,106
Employee benefits	5,114	5,719	–	–	10,833	10,833
	20,598	9,375	3,914	11,106	44,993	44,993

NOTE 39: FINANCIAL INSTRUMENTS (continued)

(d) Operational risk

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

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

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

Fair values

Fair values versus carrying amounts

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

	30 JUNE 2013		30 JUNE 2012	
	CARRYING AMOUNT $'000	FAIR VALUE $'000	CARRYING AMOUNT $'000	FAIR VALUE $'000
Assets carried at fair value				
Loan receivable	**1,010**	**1,010**	1,010	1,010
Australian bond trust units	**185,851**	**185,851**	182,547	182,547
Australian listed shares	**45,707**	**45,707**	40,710	40,710
Australian equity trust units	**–**	**–**	11,284	11,284
Overseas equity trust units	**6,623**	**6,623**	38,337	38,337
Global infrastructure funds	**20,599**	**20,599**	16,056	16,056
Australian cash funds	**31,145**	**31,145**	9,208	9,208
	290,935	**290,935**	299,152	299,152

NOTE 39: FINANCIAL INSTRUMENTS (continued)

	30 JUNE 2013 CARRYING AMOUNT $'000	30 JUNE 2013 FAIR VALUE $'000	30 JUNE 2012 CARRYING AMOUNT $'000	30 JUNE 2012 FAIR VALUE $'000
Assets carried at amortised cost				
Cash	**6,385**	**6,385**	13,430	13,430
Trade and other receivables	**73,126**	**73,126**	35,852	35,852
Short term deposit	**53,019**	**53,019**	39,869	39,869
	132,530	**132,530**	89,151	89,151
Liabilities				
Trade and other payables	**7,758**	**7,758**	13,535	13,535
Miners Pension Fund Part 3 liability	**2,196**	**2,196**	3,294	3,294
Indemnity to the Trustees of Auscoal Superannuation Fund	**5,625**	**5,625**	6,225	6,225
Defined benefit superannuation scheme	**8,309**	**8,309**	11,106	11,106
Employee benefits	**11,939**	**11,939**	10,833	10,833
	35,827	**35,827**	44,993	44,993

Fair value hierarchy

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

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

(b) Level 2: Valuation techniques based on observable inputs, whether directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market process in active markets for the similar instruments; quoted prices for identical or similar instruments in the markets that are considered less than active; or other valuation techniques where all the significant inputs are directly or indirectly observable from the market data.

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

NOTE 39: FINANCIAL INSTRUMENTS (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 2013				
Loan receivable – (note 19)	**–**	**–**	**1,010**	**1,010**
Australian bond trust units	**185,851**	**–**	**–**	**185,851**
Australian listed shares	**45,707**	**–**	**–**	**45,707**
Overseas equity trust units	**6,623**	**–**	**–**	**6,623**
Global infrastructure funds	**20,599**	**–**	**–**	**20,599**
Australian cash funds	**31,145**	**–**	**–**	**31,145**
Total	**289,925**	**–**	**1,010**	**290,935**
30 June 2012				
Loan receivable – (note 19)	–	–	1,010	1,010
Australian bond trust units	182,547	–	–	182,547
Australian listed shares	40,710	–	–	40,710
Australian equity trust units	11,284	–	–	11,284
Overseas equity trust units	38,337	–	–	38,337
Global infrastructure funds	16,056	–	–	16,056
Australian cash funds	9,208	–	–	9,208
Total	298,142	–	1,010	299,152

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

NOTE 39: FINANCIAL INSTRUMENTS (continued)

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

	2013 $'000	2012 $'000
Loan to Mount Thorley		
Balance at 1 July	**1,010**	1,010
Movement	**–**	–
Balance at 30 June	**1,010**	1,010

NOTE 40: LIABILITY ADEQUACY TEST

The Liability Adequacy Test (LAT) involves comparison of the unexpired risk reserve (less any deferred acquisition costs) with a prospective estimate of the premium liabilities (including a risk margin).

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

A risk margin of 15% has been adopted to provide a 75% probability of adequacy for the premium liabilities. This is unchanged from the valuation conducted at 30 June 2013.

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 of $34.9m (2012: $19.2m).

For the purposes of the LAT test, the present value of expected future cash flows for future claims (including the risk margin) of $93.5m (2012: $94.2m) comprises the discounted central estimate (including allowances for claims handling and policy administration expenses) of $78.4m (2012: $81.9m), future cost of reinsurance of $3.3m and a risk margin of $11.8m (2012: $12.3m).

NOTE 41: PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ending 30 June 2013 the parent entity of the Group was Coal Services Pty Limited.

RESULT OF PARENT ENTITY	2013 $'000	2012 $'000
Profit for the year	**4,161**	25,923
Other comprehensive income	**1,647**	(5,419)
Total comprehensive income for the year	**5,808**	20,504
Financial position of parent entity at year end		
Current assets	**415,567**	370,266
Non-current assets	**101,722**	104,962
Total assets	**517,289**	475,228
Current liabilities	**370,523**	330,222
Non-current liabilities	**15,270**	19,320
Total liabilities	**385,793**	349,542
Total equity of parent entity comprising of:		
Share capital	**–**	–
Revaluation reserve	**–**	–
Retained earnings	**131,496**	125,686
Total equity	**131,496**	125,686

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 $22.21m (2012: increase of $2.12m) 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 $187m has been classified as a current liability, it is not expected to be settled within the next 12 months.

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 38 to 91, 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 2013 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.

A J Haraldson
Director and Chairman

L Flemming
Managing Director / CEO

Sydney
26 September 2013

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 consolidated statement of financial position as at 30 June 2013, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 40 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 the financial report of Coal Services Pty Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

KPMG

KPMG

Andrew Reeves
Partner

Sydney, 26 September 2013

Coal Services

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