Coal Services
annual report 2007/08

Contents

Coal Services Pty Limited and its subsidiary entities, Coal Mines Insurance Pty Limited and Mines Rescue Pty Limited, are proprietary companies subject to the regulatory regime of the Commonwealth's Corporations Act 2001.

The principal objectives of Coal Services stemming from its Mission are:

- To operate an innovative, efficient, effective, competitive and fully funded workers' compensation insurance scheme for the coal mining industry in New South Wales.
- To provide the NSW coal mining industry with an occupational health service that delivers quality medical assessments, rehabilitation, risk and injury management, work environment monitoring and health educational material tailored to the needs of those working in the NSW coal industry.
- To provide a rescue service to the NSW coal industry that can quickly and effectively respond to and assist in the control of emergencies at mines enabling the escape/rescue of persons from those emergencies, and to ensure that members of the Brigade are adequately trained in mines rescue procedures.

Our Vision:

To be a recognised leader in the provision of workers' compensation, health, safety and mines rescue services.

Our Mission:

To enable our customers to improve their outcomes by providing quality services and expert solutions in insurance, health, safety and mines rescue.

Who We Are:

An industry-owned, workplace-focussed organisation providing best practice occupational health, safety, workers' compensation insurance and mines rescue services as a model for all industries.

Coal Services Pty Ltd has, in conjunction with its employees, developed Six Company Values which define our business and the relationship we have with our shareholders, staff and customers.

CSPL's values are:

People – we respect each other and operate as part of a single team

Customer Focus – we anticipate the needs of our customers and absorb their feedback

Outcome Focus – we deliver solutions, finding the most efficient means to achieve them

Integrity – we operate in an environment of honesty with our intentions clearly stated

Continuous Improvement – we are relentless in improving our operations to the benefit of customers and colleagues

Communication – we appreciate that communication is a two way function concerning both the feedback we receive and the message we deliver

Year at a Glance

CSPL Group

	2008
	$'000
Net earned premium	68,118
Net claims expenses	(66,054)
Underwriting profit	10,445
Gross investment incomes	(32,758)
Total operating expenses	(51,730)
Net profit after tax	(36,103)
Net outstanding claims	(330,366)
Net assets	94,186

Coal Mines Insurance

- 2,147 new claims were registered during 2007/08
- 81% of all claims finalised during the year were resolved in the first 26 weeks
- Actual scheme rate of 3.35% as at 30 June 2008
- The number of open active claims managed by CMI decreased by 1.6% to 1,305
- Average industry employment increased by 4.7% to 17,068

Mines Rescue

- No emergency callouts during 2007/08
- Brigade numbers remained above 400
- Increased number of whole of mine refresher training courses
- Continued upgrade of all Rescue Stations
- Integrated Virtual Reality capability into routine training
- Successful Mines Rescue cadet training program

CS Health

- 25% increase in overall services provided during 2007/08
- 9.3% increase in revenue during 2007/08
- 22% increase in drug and alcohol testing across the industry
- 26% decrease in occupational rehabilitation referrals during 2007/08

Regulation & Compliance

- Continued revenue growth
- Increased demand from Queensland operations - Mackay office manned by CMTS & Environmental Monitoring Service personnel
- New Order 34 Training & Competency Audits commenced
- Gas chromatographs & support systems supplied to international markets

Chairman's Report 2007/08

Financial year 2007/08 was another record year for the NSW coal industry, with production tonnage, production employment, exports and the FOB value of exports all up. At the end of June there were 60 coal mines in operation in NSW, 29 underground and 31 open cut.

Operations within the CSPL Group reflected the industry's level of activity with all areas kept busy, particularly in relation to induction training and pre-employment medical checks. This was achieved in the face of considerable disruption caused by the ongoing building program.

However, following several years of announcing outstanding results for the CSPL Group, this Chairman's Report unfortunately has to advise a downturn in reported earnings for the 2007/08 financial year.

The Group reported an operating loss from all sources of $56.1 million before tax for the year, the main cause of which was a negative return on invested funds of $32.7 million. CSPL is required to ensure that its outstanding liability for workers compensation claims is fully funded, and it invests those funds in a balanced portfolio utilising professional advisors, and reputable fund managers.

Unfortunately, CSPL has not escaped the global financial meltdown triggered by the sub-prime mortgage debacle, and our results reflect the impact on equity investments both in Australia and off-shore. Fortunately, the CSPL Board has previously adopted a conservative approach to its provisioning, adopting a self-imposed higher level of confidence than the 75% level required by APRA. This approach has stood us in good stead to the extent that we can comfortably meet APRA's requirement despite the significant reduction in funds invested as a result of the current financial crisis. We have also been able to hold down workers compensation premium rates charged to policyholders to a target rate of 3.5% of wages for 2008/09.

The global financial woes have continued into the current financial year, requiring the Board to maintain even closer scrutiny on our investment performance and operational expenditures.

Despite this unsatisfactory situation, CSPL has many positives to report, not least of which is the significant progress in the expansion of regional facilities detailed in last year's report. New or expanded administrative and health facilities have already been completed at Speers Point and Singleton, with Lithgow nearing completion. The Mines Rescue Station at Newcastle is complete and Lithgow and Singleton are nearing completion. A brand new complex at Woonona incorporating integrated facilities for insurance, health and mines rescue is in operation and is widely regarded as world's best standard.

All of the Mines Rescue Stations have been developed with state of the art theatres and equipment to enable utilisation of the Virtual Reality technology developed with financial assistance from the CSPL Health & Safety Trust. This technology is receiving great industry acceptance for safety and other training needs, allowing as it does trainees to be exposed to realistic challenging events that could occur in a workplace. It enables decisions and judgements to be made in real time and for participants to observe the results of those decisions, all in a realistic but risk free environment.

Underground training galleries, confined space and height training capabilities, augmented with classroom activity, offer a complete learning experience, which we are confident will be in great demand by both the coal and other industries.

They are something for which this company and our NSW coal industry stakeholders can be justifiably proud.

I would like to express the Board's recognition of and appreciation for the dedication and efforts of all of our staff under the leadership of Tony Middlebrook and his senior management team. Our staff are our greatest asset.

Anthony J Haraldson AM
Chairman

Managing Director's Report

2007/08 has been yet another exciting and challenging year, although Coal Services and its subsidiaries have not been immune to the impact of the investment markets.

The strong financial position that the company enjoyed from previous years has ensured that we have maintained a strong capital result. The overall investment result was down by $32.7m for the year.

Fortunately this is not the only product line for the business. With the strong performance of the mining sector, 2007/08 proved to be very beneficial to Coal Services Health (CSH), Mines Rescue (MRS) and to a lesser degree, Coal Mines Insurance (CMI).

CSH was the major beneficiary of the continued boom in the coal industry. The business operation again increased its overall service provision by 25% during the year delivering a wide range of occupational health, rehabilitation and occupational hygiene services. Each of Health's regional offices at Speers Point, Singleton, Lithgow and Woonona are now operating from new or upgraded and expanded facilities. These outstanding establishments will allow CSH to expand its level of service provision and further develop risk management health assessments, mines rescue health assessments, functional capacity assessments and many other associated health services.

The CMI workers compensation business has continued to strive for better performance in injury and claims management. This continued commitment to improving case management practices facilitated the realisation of a further $9.2m reduction in outstanding claims estimates.

A total of 81% of all claims finalised were resolved in their first 26 weeks. At year end there were 564 current policies covering 17,068 employees. A reduction in liabilities coupled with increased wages in the coal industry meant that the actual premium rate as a percentage of wages for the scheme was 3.35%. This is a further 30% reduction on the 2006/07 actual rate. Whilst the claim rate has continued to reduce, at 12.9% there is still real scope for improvement.

The combination of the increase in wages, liability release and reduction in the percentage of claims received versus workers exposed to risk covered by the scheme has enabled CMI to set a target rate of 3.5% for the 2008/09 accident year.

The Benchmark Injury Management Assessment (BIMA) project was developed during the year, with enthusiastic uptake by many policyholders. Incentives for best practice injury prevention and injury management strategies were rewarded with premium reductions in accordance with established criteria.

The year also saw the Environmental Monitoring Group increase the number of services by 23%, including gaining a greater presence in the Queensland coal fields.

A revised structure within the Mines Rescue Service (MRS) was introduced during 2007/08 with a new division of Compliance and Regulation being established. This division allows CSPL to draw on the synergies of each business unit and brings together CSPL's statutory responsibilities for dust monitoring and training, together with related activities in Coal Mines Technical Services in the provision of gas monitoring equipment, and the Environmental Monitoring Service for dust and diesel particulate monitoring.

Each mine site's training programs were audited in accordance with Order 34 guidelines.

The investment made in building programs (committed to in 2006/07 by CSPL) led to actual construction in 2007/08. Works have been completed at the Woonona, Singleton, Speers Point and Argenton sites, with Singleton MRS and Lithgow Health and MRS well underway.

The Argenton and Woonona MRS operation now houses the world leading facilities for training sites. With the integration of Virtual Reality (VR) and AVIE and iDOME technology, both sites have the facilities to train people in hazard awareness without exposing an individual to physical harm whilst increasing their awareness of risk and mitigation techniques. This can all be achieved without a mine being inconvenienced or any production processes stopped.

2007/08 was a rare and safe year in that MRS was fortunately not required to respond to any emergency

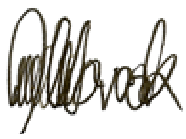
Managing Director's Report (continued)

situations, although our personnel and facilities including the nitrogen inertisation plant (Mineshield) stood ready to respond. Brigadesmen numbers remained above 400 throughout the year, and MRS conducted in excess of 20,000 man-days training during the year. MRS staff were also kept busy in bedding down new facilities, and improving their own skills in emergency response and training in the new VR technology.

Other areas of the organisation including Finance and Accounting, IT, HR and Statistics performed in the professional manner that we have come to expect, despite the increasing demands of today's business environment.

In summary, the 2007/08 year was another strong year for CSPL. This solid base positions the company well to maximise its effectiveness and increase its market opportunities.

I would like to recognise the efforts of all the staff within CSPL and MRS during the year. The results mentioned above don't just happen. Through planning and support the business, and more specifically its people, have achieved results that are aimed at our mission of providing our customers with superior services and providing them with options to achieve better outcomes.



T. Middlebrook
Managing Director/CEO

CORPORATE GOVERNANCE STATEMENT

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

Corporate Governance Statement

Corporate governance

Coal Services Pty Limited (CSPL) has a set of values that recognises its responsibilities to its stakeholders, customers and employees. The Board of CSPL places great importance on the highest standards of governance and continually reviews its governance practices.

The Board is responsible for the business of Coal Services Pty Limited and its controlled entities, Coal Mines Insurance Pty Limited and Mines Rescue Pty Limited. The Board sets strategic direction and establishes goals for management and monitors achievement of those goals. The Board operates its monitoring roles through several Board Committees:

- Board Audit & Risk Management Committee - oversights the risk management framework and financial reporting through a monitoring system of internal controls and establishment of appropriate ethical standards.
- Board Finance & Investment Committee – oversights the Group's activities and the strategic asset allocations of its investment portfolio.
- Insurance Committee – oversights the operation and effectiveness of the NSW coal workers' compensation scheme including a review of actuarial valuation methods.

Board of Directors (Board)

The Board comprises 7 persons, all of whom are appointed as Directors by the Minister with responsibility for administering the Coal Industry Act 2001. Two directors are nominees of the CFMEU, two are nominees of the NSW Minerals Council, and two are independent directors having relevant expertise who are nominated jointly by the CFMEU and the NSW Minerals Council.

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

Directors can be appointed by the Minister for terms of up to five years. At the expiration of the term of appointment, a director is eligible for reappointment

The Chairperson is appointed on a rotational basis every two years between a CFMEU director and a NSW Minerals Council director. The current Chairman is Mr Anthony Haraldson, AM.

Conduct of Board Business

The CSPL Board held the following Board and Committee meetings during 2007/08

Board and Committee Meetings 1 July 2007 to 30 June 2008

	Board		Board Audit & Risk Management Committee		Finance & Investment Committee		Insurance Committee	
Director	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**
Tony Haraldson	9	8	6	5	6	6	2	2
Ron Land	9	9	0	0	6	2	2	2
James Mackrill	9	8	6	5	6	5	0	0
Wayne McAndrew	9	3	0	0	0	0	0	0
Tony Middlebrook	9	9	0	0	6	6	2	2
Ross Taylor	9	8	6	5	6	6	0	0
Kieren Turner	9	8	0	0	6	1	2	0

Conflicts of Interest

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

- Disclose any actual or potential conflicts of interest that may exist as soon as the situation arises
- Take reasonable steps to resolve any conflict of interest within an appropriate period
- Comply with the Corporations Act 2001 requirements about disclosing interests and restrictions on voting

All directors make a declaration on conflicts of interest prior to commencement of all Board or Board Committee meetings.

Code of Conduct

The Board has instituted a code of conduct for the chairman and directors to ensure they act in good faith, with appropriate skill, care and diligence. Directors have a fiduciary duty of loyalty to Coal Services Pty Limited and its controlled entities and, in order to meet these requirements, the chairman and directors must, at all times:

- act honestly;
- exercise due care in the performance of their duties;
- be diligent, attend Board meetings and ensure they are knowledgeable about the operation of CSPL and its controlled entities;
- ensure that systems are established to provide sufficient and accurate data on a regular and timely basis to enable directors to discharge their duty of care and diligence;
- act in the interests of the company as a whole;
- avoid conflicts of interest;
- be independent in their judgements and actions; and
- not release information outside the Board Room unless there is agreement of directors to do so.

Ethical Standards

The Board is responsible to the stakeholders who comprise the NSW coal industry; the workers and the management of the coal mining companies to whom we provide a service. The Board constantly strives to reduce costs to ensure premiums are minimised and that the services provided on a "user pays" basis are efficient, high quality and at reasonable cost. Suppliers of goods and services to the Board have an opportunity to compete for our business on a fair and equitable basis.

Advice to Ministers is provided in a timely manner.

The Board is also responsible to its employees and each are considered and treated as an individual. It respects the dignity and recognises the merit of each employee. Remuneration is fair and adequate, and working conditions clean, orderly and safe. Employees are encouraged to communicate and suggest improvements. Equal opportunity for employment, development and advancement is available to all. The Board provides competent management and the actions of management are just and equitable.

Risk Management and Control

The Board is responsible for the overall internal control framework and, to assist in discharging their responsibility, the directors, through the Managing Director/CEO, have established an internal control framework which includes:

Risk Management & Internal Control System

The risks involved in achieving the objectives established by directors, and the system of internal control put in place to ensure that those risks are kept within acceptable limits, are monitored by the Board Audit & Risk Management Committee.

Financial Reporting

A comprehensive financial reporting and budgeting system is in place. Actual results are reported against budget each month to directors with variations examined.

Fraud Control

A fraud control plan is in place. Risk-based internal audits, with particular emphasis on fraud, are conducted. The current assessment is that the potential for fraud is low across the Group.

Corporate Governance Statement (continued)

Internal & External Audit

Internal Audit reports to the Company Secretary who reports directly to the Chairman of the Board Audit & Risk Management Committee on matters of risk and governance. Internal Audit is responsible for monitoring, investigating and reporting on the system of internal controls and the risks that this system mitigates. An internal audit charter and risk based methodology is maintained and is regularly referenced by Management, Internal Audit and members of the Board Audit and Risk Management Committee. Internal audit resources are supplied by in-house personnel and by BDO Kendalls.

Under the Corporations Act, 2001, Coal Services Pty Limited and its controlled entities are subject to external audit on a fee-for-service basis. KPMG were appointed auditors for the company for the year ending 30 June 2008.

Operational Plan

The Board is required to submit an annual operating plan to the Minister each year. The plan must contain the proposed strategy of the company in exercising its functions in the period to which the plan relates, and such other matters as may be required to be included in the plan by regulations made under the Coal Industry Act. An annual operating plan for 2008/09 was prepared and submitted to the Minister in May 2008.

Investments

The Board monitors investment on a monthly basis and regularly reviews its investment strategy. Approximately half of the Board's investments are managed by external fund managers who provide monthly performance reports which are considered by the Board Finance and Investment Committee, before being referred to the Board.

The company, as a long term insurance operation, maintains a balanced investment profile and a long term outlook.

Privacy

Coal Services Pty Limited (CSPL), and its controlled entities, has a firm commitment to privacy, in accordance with the principles outlined in the Privacy and Personal Information Protection Act, 1998, and all officers of CSPL are subject to this Act.

Statistics

Executive summary

Coal Services Statistics' comprehensive data collections underpin a unique and independent statistical service for the NSW coal industry. Coal Services Statistics offers standard statistical bulletins as well as customised reports from two interrelated collections, industry statistics that describe the NSW coal mining industry and accident statistics based on the workers' compensation injury and disease claims submitted to CMI.

Industry Overview

Financial year 2007-08 was another record year for the NSW coal industry, with production, production employment, exports and the FOB value of exports all up. At the end of June 2008 there were 60 coal mines in operation in the NSW coal industry, 29 underground mines and 31 open cuts. Raw coal production increased by 4% on the previous year, to over 177 million tonnes and saleable production was 3% higher reaching just over 135 million tonnes. Raw coal production from open cut coal mines rose by over 2% to 116 million tonnes while underground mines rose by over 7% to 61 million tonnes. Underground mines increased their share of total raw coal production by 1% to 35% in 2007-08, reflecting the increased production from mines with longwalls. Employment in the NSW coal industry increased to 17,628 during the year ended 30 June 2008.

Coal exports from NSW in 2007-08 rose to a record 100.5 million tonnes, up 9.8% on the previous year. The FOB value of these exports reached a record $A8.27 billion up almost 34% and yielding an average FOB value per tonne of $A82.29 which was an increase of $A14.83 on the 2006-07 average FOB value per tonne.

Statistics (continued)

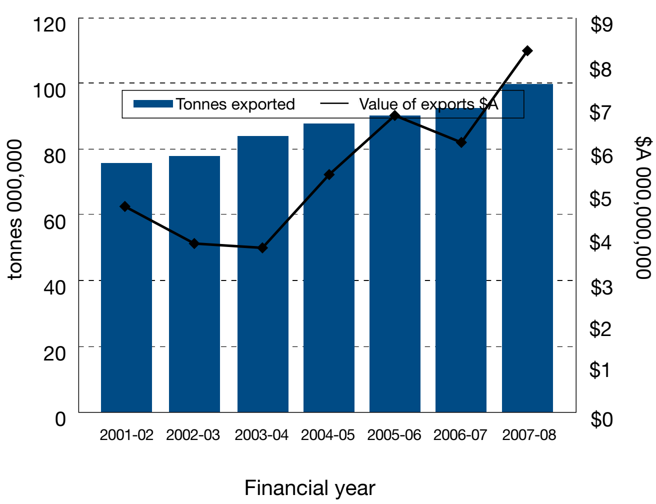
Overview of the NSW coal industry from 2001-02 to 2007-08.

NSW Coal Industry Statistics	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Number of coal mines at 30 June	56	56	52	55	58	60	60
Raw coal production, million tonnes	145.2	143.1	147.0	156.3	161.3	170.3	177.2
Saleable coal production, million tonnes	114.3	111.5	114.2	122.1	124.7	131.3	135.1
Coal sales within Australia, million tonnes	33.9	34.0	32.8	34.0	34.1	36.3	36.8
Coal exports overseas, million tonnes	77.5	79.3	85.0	86.6	89.8	91.5	100.5
FOB value of coal exports overseas, $A billion	4.7	3.9	3.7	5.5	6.7	6.2	8.3
Average FOB value of coal exports, $A per tonne	60.79	48.6	43.85	63.43	74.92	67.46	82.51
Average number of employees insured *	10,819	10,820	10,736	12,272	14,726	16,308	17,068
Number of production mineworkers at 30 June **	10,052	9,758	9,998	11,290	12,658	13,392	15,387
Average age of mineworkers at 31 December	43.5	43.5	43.5	43.4	42.7	42.0	42.5
Average weekly earnings of mineworkers, $	1,718	1,791	1,842	1,933	2,009	2,083	2,141
Saleable coal output per mineworker per year, tonnes	11,400	10,990	11,380	11,680	10,240	9,970	9,430
Saleable coal output per mineworker per hour, tonnes	5.81	5.80	5.82	5.73	4.95	4.87	4.74
Days worked per mineworker per year	279.7	280.4	277.0	285.7	291.1	292.2	284.4
Days lost per mineworker due to industrial disputes	0.6	0.7	0.2	0.3	0.1	0.1	0.1
Days lost per mineworker due to workers' compensation	3.1	3.0	2.4	2.1	1.4	1.2	1.0
Lost-time injuries per million tonnes raw coal produced	4	3	3	2	2	2	2
Lost-time injuries per million tonnes saleable coal produced	5	4	4	3	3	3	3
Lost-time injuries per million hours worked	27	23	22	18	15	16	14

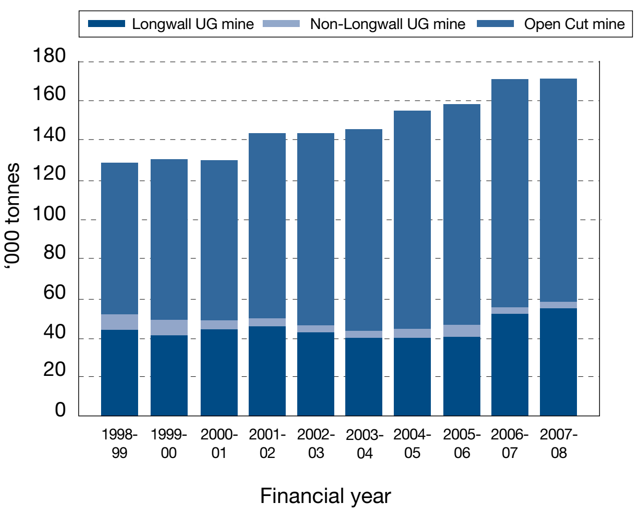
* The number of employees insured in the NSW coal industry based on the "exposed to risk" numbers submitted by policyholders to Coal Mines Insurance Pty Limited

** Production mineworkers is a subset of the number of employees insured - it 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.

New South Wales coal exports



New South Wales annual raw coal production by method of mining



COAL MINES INSURANCE

Further improvements in claims management during 2007/2008 resulted in a another year of improved scheme performance.

Coal Mines Insurance

Vision

To operate an innovative, efficient, competitive and fully-funded workers compensation insurance scheme for the coal mining industry in New South Wales.

Scheme Performance

The continuation of further improvements in claims management during 2007/2008 has resulted in a another year of improved scheme performance.

Of particular significance is the reduction in the gross central claims estimates from the Scheme actuary from $257.4 million as at 30 June 2007 to $248.2 million as at 30 June 2008.

Scheme Premium Rate

There has been a reduction in the average scheme rate from 2006/2007 to 2007/2008 the premium rate was below the targeted premium rate of 3.5% for the year. The actual rate was 3.35%.

The following graph shows the actual scheme rate for the past 7 years. While CMI continued to focus on strategies that are targeted to further reduce the scheme rate, external factors can also influence that, including OH&S practices, Injury Management policies and the state of the industry.

Scheme Details

The scheme had a total of 564 policies open at the 30th June 2008 which is an increase from 537 as at 30 June 2007.

These policies covered an average of 17,068 employees and wages of $1.709 billion. The increase in wages and employees reflect the continued improvement in the economic conditions in the industry.

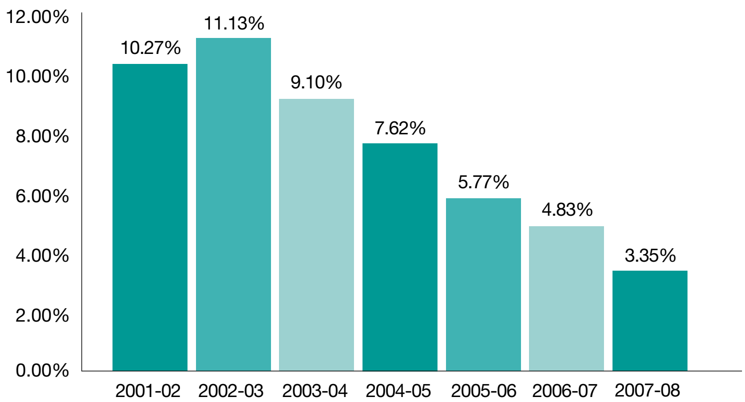
Claims Management

The existing claims structure and case management model has been successful throughout the 2007/2008 focussing on achieving early return to work for injured workers and improving duration to resolve long term claims.

CMI continued with its internal practices of assessing key performance indicators each month with the aim of working towards best practice economic and social outcomes for the scheme.

The result for June 2008 was 98% against an expected benchmark of 95% in these areas.

Scheme Rates (as at 30 June)



Claim Numbers

The number of open active claims being managed by CMI fell a further 1.6% during the year from 1,326 to 1,305.

81% of all claims finalised during the year were resolved within the first 26 weeks of duration.

There were 1,207 significant injury claims reported during 2007/2008 compared to 1,215 during the 2006/2007 period.

CMI's focus on the management of long tail claims continues and the closure rate for tail claims has reduced from 11% to 10.6%.

Coal Mines Insurance (continued)

Scheme Drivers

During the year 2,147 new claims were registered which is a decrease from the 2006/2007 period of 2,224. The highest number of claims 51.4% related to lower leg and shoulder/arm injuries which is consistent with the 2006/2007 statistics.

Claim Costs

Net payment on claims for the year was $57.2 million with upper and lower limb and back injuries contributing to 63.5% of the payments.

Actuarial Valuation

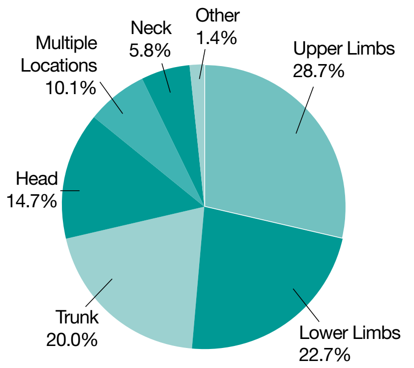
The actuarial valuation of the Central Claims Estimate as at 30 June 2008 was $248.2 million. This is a reduction of $9.2 million from the Central Claims Estimate of $257.4 million as at 30 June 2007. The continued improvement in duration rates for long term claims has contributed to the reduction from 2007.

Audit

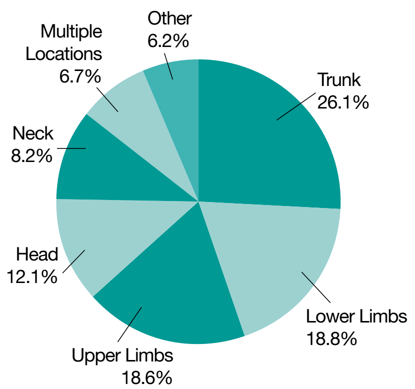
The audit program continued in 2007/08. This program assesses the accuracy of declared wages, the subsequent premium and whether the business description adequately reflects the employer's activities.

In 2007/08 54 audits were initiated (11 in 2006/07). The net result of wage audits undertaken provided a return to employers of over $110,000 in premiums.

Number of Claims



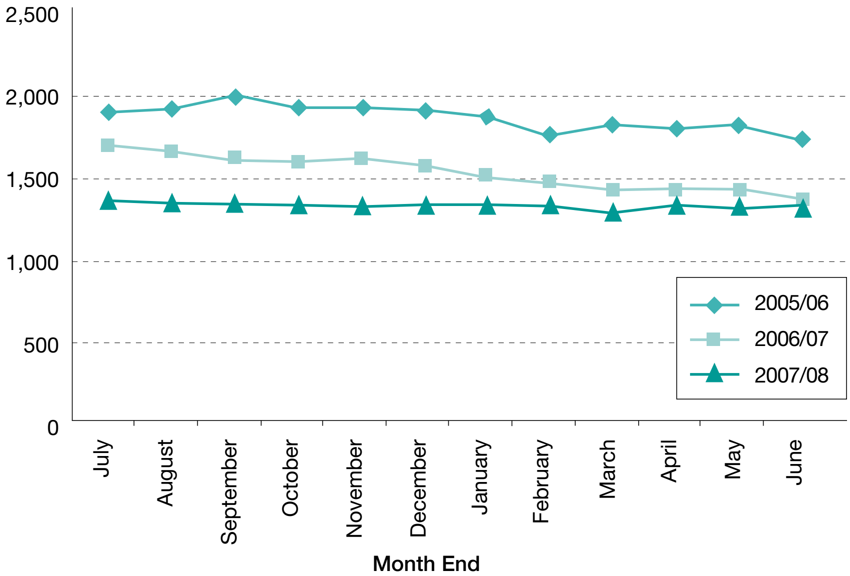
Total Paid



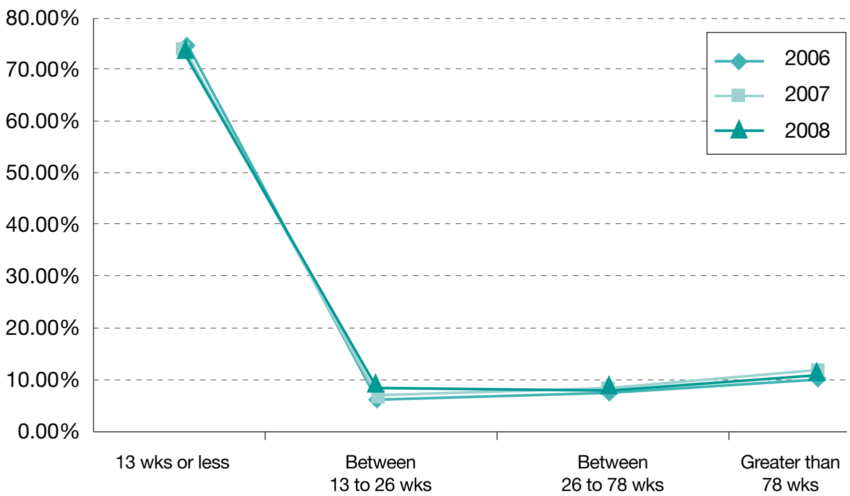
Key Performance Indicator	2001/02	2002/03	2003/04	2004/05	*2005/06	2006/07	2007/08
Average number of employees insured	10,819	10,820	10,736	12,272	14,726	16,308	17,068
Assessable wages of insured employees	$831.7m	$926.6m	$996.0m	$1,112.0m	$1,293.8m	$1,589.0m	$1,709.2m
Premium Income	$84.6m	$99.2m	$97.0m	$81.4m	**59.5m	$77.5m	$57.2m
Average scheme rates as at 30 June	$10.27%	11.13%	9.10%	7.62%	5.77%	4.83%	3.35%
Premium cost per employee insured	$7,823	$9,167	$9,036	$6,637	$5,694	$4,649	$3,245
Premium cost per tonne of raw coal produced	$0.58	$0.69	$0.66	$0.52	$0.37	$0.45	$0.32
Claims payments	$78.0m	$84.2m	$84.2m	$74.2m	$55.1m	$69.0m	$66.8m
Provision for outstanding claims	$326.7m	$340.8m	$342.9m	$356.7m	$304.4m	$342.3m	$330.4m
Number of claims lodged	2,661	2,214	2,008	1,932	2,123	2,220	2,147
Claim rate (per 100)	24.6	20.5	18.7	15.7	14.4	13.3	12.2

Notes: *The policy common due date changed from 1 October to 30 June **Premium income for 2005/06 is for 9 month period

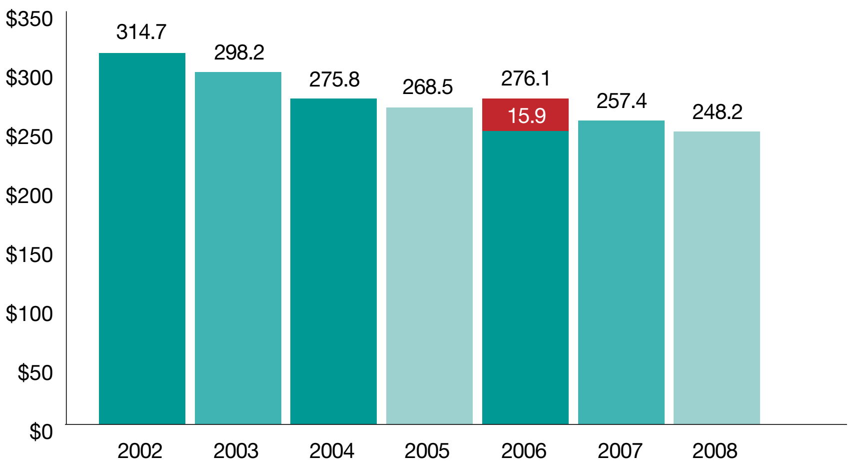
Open Claims by Year



Finalised Claim Duration



Central Claims Estimate



* $15.9 million is directly related to the change in the Compulsory Retirement Age of Coal Miners for the 2006 period

COAL SERVICES HEALTH

CS Health income for the year increased by 9.3% and the number of services provided increased by 24.9%.

CS Health Physiology staff assist industry workers with their rehabilitation programs

Coal Services Health

Executive summary

CS Health provides a wide range of occupational medical and rehabilitation services to the New South Wales coal industry. These services include pre-placement medical assessments designed to assess a new employee's ability to safely meet the inherent demands of a role; periodic health surveillance to monitor for exposure to occupational hazards; occupational rehabilitation services for injured workers including treatment services such as physiotherapy and exercise therapy and environmental monitoring services

Our income for the year increased by 9.3% and the number of services provided increased by 24.9%.

Key highlights

- Increase in revenue of 9.3% against the 2006/2007 financial year.
- Overall services provided increased by 24.9% against the 2006/2007 financial year.

Customer Activity

A particular focus for CS Health during the year was to expand its customer base. While our continued focus will be meeting the needs of the coal industry, CS Health has been able to use the skills of its staff and professional knowledge to identify opportunities for customer growth. By adopting this approach the skills and knowledge gained with these clients has been utilised to provide better outcomes for our coal industry clients.

OH & S matters

During the year CS Health participated in the development and review of a comprehensive OH&S Management Policy for Coal Services. This involved the development of procedures to ensure the safety of all of our health professionals that conduct onsite work.

Other relevant KPI's

Share capital	2001/02	02/03	03/04	04/05	05/06	06/07	07/08
Routine health assessments	1208	2468	1404	1648	1654	2084	2083
Pre-placement health assessments	5131	4866	3227	3748	4590	5622	5831
Functional assessments	891	1128	592	917	1253	1582	1789
Drug & alcohol screening	4086	5334	5762	7289	8304	11018	13393
Occupational rehabilitation referrals	173	200	308	426	404	715	528

Resourcing

At the 30th June 2008, CS Health employed 94 permanent, part time and casual staff in a range of health professional and support positions. CS Health is able to provide a high level of service to the coal industry due to the dedication, quality and skill of its team members.

Other

During 2007/2008 CS Health in Speers Point and Woonona moved into new and expanded facilities, while the Singleton office was expanded and completely renovated. These outstanding facilities will allow CS Health to expand its level of service provision and further develop risk management health assessments; mines rescue health assessments, functional capacity assessments and many other associated health services. An ongoing goal for CS Health is to ensure that the services we provided are those that are needed by our customers, and to continue to take the lead in the development of new services to further benefit our coal industry customers.

One major result of this work has seen the further development of our healthy lifestyle program, 'One Life – make it count'. The 'One Life' program deals directly with a range of lifestyle issues that can have a serious impact on workers health and ability to work safely. This program provides practical advice in areas such as diet, exercise, fatigue management and stress management as well as a range of general health and lifestyle issues. The 'One Life' program serves a valuable purpose in that it is designed to assist both the individual and employers deal with the health issues that we are seeing as a direct result of the ageing workforce across the coal industry.

CS Health continues to look at ways to ensure that we are improving both the level and quality of services that we provide to the industry, benefiting both employees and employers alike.

MINES RESCUE

The new facilities, including Virtual Reality, have made an impact on customer awareness and interest with increasing numbers of mines selecting the Mines Rescue Service to provide regular annual refresher training for all employees.

Rescue team providing oxygen to a trapped miner

Mines Rescue

Emergency preparedness

All Mines Rescue Stations completed the annual review of their emergency systems during 2007/08.

Simulated emergencies, trials and audits of both the mines' and the Rescue Services' emergency and "self-escape" systems were conducted during the year. Mines Rescue assisted or acted as observers at a number of trials and simulations during the year. These included Hunter Valley Operations, Clarence, Integra Underground Mine, Liddell Open Cut, Baal Bone, Mt Arthur, Angus Place and United Collieries. In addition a number of desktop reviews and audits were performed for mines in each district. One employee was also an assessor at the Queensland Level 1 simulated emergency.

The Mines Rescue Service continues to conduct the 5 day `Underground Coal Mine Emergency Preparedness' course for mining industry candidates who are to sit for statutory tickets and current mining officials. This course complies with the Black Coal Competencies under the Australian Quality Framework (AQF) levels 5 and 6 – Undermanagers and Managers.

The Mines Rescue Working Group (MRWG) made up of representatives of all sectors of the mining industry met quarterly during the year to identify and implement solutions relating to mines rescue and emergency related issues. Projects for the current year included research into escape solutions from extended longwall tailgates and remote mine locations. It is planned to deliver the results of this research to the Mine Safety Advisory Council and other industry stakeholders.

Emergency Response

Fortunately no emergency callouts were required during the year. All people and facilities including the nitrogen inertisation plant (Mineshield) were available, if required.

The number of active Brigadesmen was maintained above the minimum requirements for effective emergency response. The total number of Brigadesmen is over 400 with 350 being classified as active due to currency of training and medical fitness. The minimum number required is based on 5% of underground employees which from experience will provide an available resource of 240 Brigadesmen for callout purposes.

Safety & Environment

The Mines Rescue OHS Committee continued to operate effectively. Committee members participated in a review of the OHS system and subsequent communication of improvements.

Virtual Reality Building Programme

Work continued at all four Mines Rescue Stations. Newcastle opened new Virtual Reality training facilities which provided the means to ensure that mineworkers are provided with essential skills in a safe environment. The Southern Mines Rescue Station also completed a total move from Russell Vale to the new premises at Woonona. The underground training facilities are regarded as the best in the world. The remaining stations at Lithgow and Singleton will be complete in first half of next year. All four stations will then have identical Virtual Reality capability as well as modern and flexible training rooms and underground simulation galleries.

Customer Activity

Increasing numbers of coal mines are selecting the Mines Rescue Service to provide regular annual refresher training for all employees. This is a result of mines focusing on core business and also recognition that Mines Rescue can tailor and deliver effective training with appropriate skills and messages. Massive awareness and interest has been created with the opening of new facilities and development of VR training modules. Further growth in this area will be targeted next year.

Provision of general safety training for other areas, including Western NSW metal mines, Tasmania and local steel and port facilities, also increased during the year. Overseas markets are starting to show genuine interest and this is expected to yield requests for training in the coming year.

Regulation & Compliance

Executive summary

Regulation & Compliance was formed during the latter half of the year. It is comprised of Coal Mines Technical Services (CMTS), Environmental Monitoring Service (EMS), approval & auditing of Orders 34 & 40, and other related matters.

Coal Mines Technical Services

The NSW laboratory/workshop was reassessed by NATA to ISO/IEC 17025 and AS3800/ ISO-IEC 17020 standards respectively. The facility also maintained accreditation under AS/NZS ISO 9001.

The CMTS office in Mackay Qld has continued to expand its services during 2007/08 and is now carrying out routine diesel engine raw exhaust testing in that State.

The division continued to meet the following requirements for Mines Rescue Pty Ltd:

- Maintenance of the Mobile Laboratory and associated gas detection equipment for response to colliery incidents and emergencies as required; and
- Providing technical support for the Mines Rescue Service on a fee-for-service basis.

Emphasis on marketing in Queensland has continued during the period, resulting in a continued steady growth. This will continue during the 2008/2009 period.

Marketing of the CMTS SMARTGAS gas chromatographic systems has continued, with several complete systems sold and commissioned. This also included a system that was installed and commissioned at Ta Shan coal mine in the Datong province in China and also four complete systems to the United States of America. This market is continuing to grow.

Environmental Monitoring Service

The Environmental Monitoring Service operates four NATA accredited laboratories in NSW and has recently commenced operating in Queensland in a co-location agreement with CMTS.

Throughout the year, three of the four NSW laboratories were relocated; the Corrimal lab moved to the new building at Woonona; the Singleton laboratory and administration staff moved to Argenton during the Singleton building refurbishment and then back to Singleton; and the Lithgow laboratory was relocated to temporary accommodation in Lithgow during construction activities in Proto Avenue.

These changes have improved the office and laboratory facilities for the bulk of our staff and the relocations were all conducted with no disruption to services. Additional training in noise and vibration, heat stress and thermal environments, and the purchase of new monitoring equipment, has increased the ability of the Environmental Monitoring Service to provide timely monitoring of other occupational hygiene elements to the industry.

Sampling activities increased in all districts and were enhanced by the changes to the classification of inhalable airborne dust in the Coal Mines Health & Safety Act Regulation notice gazetted in December 2007.

Standing Committee on Dust Research and Control

The Standing Committee on Dust Research and Control is an expert advisory body comprising representatives from the colliery proprietors, mining unions, government departments, industry consultants and Coal Services' medical and technical personnel. The main role of the Committee is to:

- Monitor the results of airborne dust sampling
- Evaluate dust hazards
- Research improved dust control methods
- Disseminate information
- Educate mine personnel in matters related to dust control

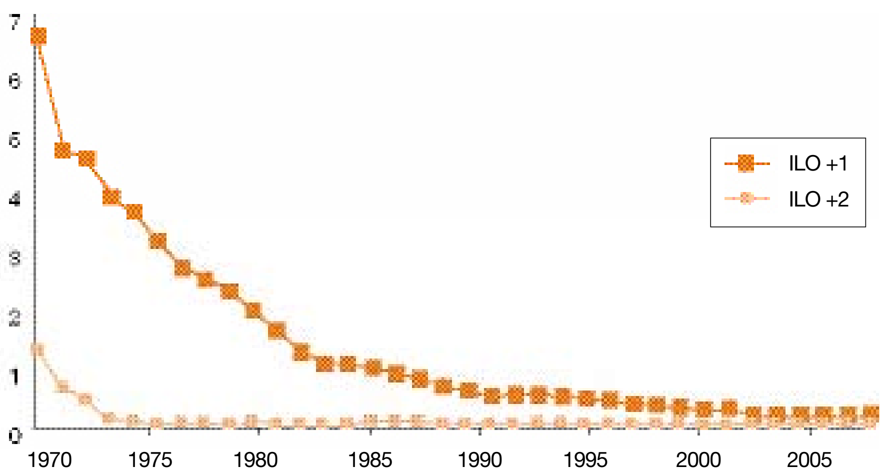
The Committee met bi-monthly during the year and visited the following collieries: Camberwell Open Cut, Rix's Creek Open Cut, Myuna, Ashton, Ulan, North Wambo and Angus Place.

In August 2007, Messrs Jerry Joy and Jay Colinet, National Institute of Occupational Safety and Health (NIOSH), USA met with the Committee to report on the latest dust monitoring and control strategies being pursued in the USA.

During the year the Committee was involved in formulation of Airborne Dust Limits, Collection & Analysis (including inhalable dust) which was Gazetted in December 2007 pursuant to the Coal Mine Health & Safety Regulation 2006. The Committee also assisted in formulation of Guidelines for the Management of Diesel Engine Pollutants in Underground Environments which was released as Mines Department Guideline MDG 29 by the Department of Primary Industries in April 2008.

The Standing Dust Committee endorses the use of proper ventilation and dust suppression strategies to control dust-related lung disease in the NSW coal industry and the Committee is pleased to report that the prevalence rate of pneumoconiosis in NSW continues to be less than 0.5% as shown in the following graph:

Pneumoconiosis Prevalence NSW Coal Industry, 1970-2008



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

ILO+1= people with diagnostic features of dust exposure but no clinical symptoms.

ILO+2= people with more severe dust exposure than above and likely to have symptoms

Coal Services Health and Safety Trust

The NSW coal industry has benefited from research funded by the Coal Services Health and Safety Trust since December 1991. The Trust's funding has focused on injury, disease, human factors with the addition of practical applications of OHS Systems as the 4th priority area. This inclusion occurred in early 2008 as result of the changing focus of the Trust. The Health and Safety Trust has the objective of aligning funding to more specific industry identified projects which provide tangible outcomes and proven operational impact.

The Trust has focused their funding on two large research projects over this period which were the Virtual Reality Stage 3 with the researcher being NSW Mines Rescue Pty Ltd and the Benchmark Injury Management Assessment (BIMA) project with the research being conducted by Employers Mutual Management (EMM).

The Virtual Reality project has been ongoing since mid 2005 with the concept evolving over the last seven years. The system uses a curved screen that wraps around the users immersing them in a realistic representation of the underground and surface coal mining environments. The research funding the development of such technology will revolutionise training and assessing of safe work procedures and allow knowledge gaining and experience of mining practices prior to exposure to the 'real' mining environment. The modules developed within 2007/08 have been tailored around aspects of the core competency standards for mine worker accreditation with an initial focus on the underground environment.

In 2006 the Trust approved a research project which aims to benchmark the effectiveness of injury management programs for employers in the NSW coal industry against international standards for injury management. This project remained ongoing throughout 2007/08. The project aims to identify the key elements of injury management programs that are impacting the current position; indentify cost effective strategies to improve industry performance; and correlate industry best practice outcomes for injured employees. The BIMA project evaluates 16 key areas of injury management from culture through to OHS initiatives.

During 2007/08 the Health and Safety Trust approved the following research grants:

- The upgrade and revision of the Occupational Hygiene Manual
- The evaluation of atmospheric soluble oil concentrations on longwall faces
- The development and certification of a navigation system to assist a driver of a personnel transport vehicle in zero visibility in the aftermath of an explosion underground.

The Trust released its 2008 Report in May 2008 which provides an overview of the Trust's role and services, research objectives and a list of the current and past projects from 2003-2008.

Coal Services Financial Statements 2007/08

Contents

Director's 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 2008.

DIRECTORS

The names of the directors of the company in office at any time during the financial period and until the date of this report were:

A J Haraldson AM

R P Land

J Mackrill

W McAndrew

A N Middlebrook

R M Taylor

K P Turner

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

PRINCIPAL ACTIVITIES

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

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

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

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

DIVIDENDS

The directors do not recommend the payment of a dividend for the year.

REVIEW OF OPERATIONS

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

	Segment revenues		Segment results	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Workers' compensation insurance	69,491	90,244	1,087	7,414
Mines rescue services	13,126	12,071	(3,894)	(994)
Occupational health and rehabilitations services, and investment activities of Coal Services	(28,014)	82,893	(53,366)	70,929
	54,603	185,208		
Profit (loss) from ordinary activities before income tax expense			(56,173)	77,349
Income tax expense			20,070	(32,624)
Profit (loss) from ordinary activities after income tax expense			(36,103)	44,725

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

During the year, the equity market experienced significant volatility. As a result of this, the investment portfolio held by Coal Services Pty Limited incurred a net investment loss of $32.43m, including unrealised losses of $46.05m.

a) Workers' Compensation Insurance
Coal Mines Insurance Pty Limited is the approved workers' compensation insurance company pursuant to the Coal Industry Act 2001. Its principal activity is to provide worker's compensation insurance to the New South Wales Coal industry.
The segment result for the year was a profit before income tax of $1.37m (2007: $7.41m), the result for underwriting operations was a profit of $10.45m (2007: $28.0m), before administration expenses of $6.01m (2007: $3.0m), and a reduction in the indemnity provided to Coal Mines Insurance Pty Limited by Coal Services Pty Limited of $1.37m (2007: $75.2m) in line with the terms of the deed agreement.

b) Mines Rescue Services
Mines Rescue Pty Limited is the approved mines rescue company pursuant to the Coal Industry Act 2001. Its principal activity is to provide a mines rescue service to the New South Wales coal industry.
The segment result for the year was a loss before income tax of $3.89m (2007: loss $1.0m). Total operating revenue of $13.25m (2007: $12.1m) included contributions from mine owners of $5.76m (2007: $4.3m) and training and services revenue of $7.37m (2007: $7.8m).

c) Occupational Health and Rehabilitation Services
Coal Services Health is the registered trading name for the division of Coal Services Pty Limited which provides occupational health and rehabilitation, occupational hygiene and dust sampling services to the New South Wales coal industry. The segment result for the year was a loss before income tax of $2.7m (2007: $1.6m). This segment generated revenue of $4.4m (2007: $3.7m).

Director's Report

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

At 30 June 2008, the consolidated entity had net assets of $94.19m.

Coal Mines Insurance Pty Limited aims to ensure the continuity of the business through sound financial management and improved case handling which should allow for consistent premium levels for the foreseeable future.

The directors of Coal Mines Insurance Pty Limited have agreed to provide a risk margin on the provision for outstanding claims within the range of ensuring a 95% level of confidence, in line with industry best practice.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

AUDITORS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

The company is not subject to any significant environmental regulation in respect of its activities.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

LEAD AUDITOR'S INDEPENDENCE STATEMENT

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & 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 AM
Director & Chairman

A N Middlebrook
Managing Director

Sydney
26 September 2008

KPMG

Auditor's Independence Declaration

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the directors of Coal Services Pty Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

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

KPMG

KPMG

Ian Moyser
Partner

Sydney
26 September 2008

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KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Income statements

for the year ended 30 June 2008

	Notes	Parent entity 2008 $'000	Parent entity 2007 $'000	Consolidated 2008 $'000	Consolidated 2007 $'000
Premium revenue	7	-	-	69,491	90,245
Outwards reinsurance premium expense	7	-	-	(1,373)	(790)
Net premium revenue		-	-	68,118	89,455
Claims expense	8	-	-	(66,433)	(56,728)
Reinsurance and other recoveries revenue	8	-	-	379	1,654
Net claims incurred			-	(66,054)	(55,074)
Other underwriting expenses		-	-	(2,339)	(1,312)
Unexpired risk reserve movement	46	-	-	10,720	(5,030)
Underwriting result	6	-	-	10,445	28,039
Investment income/(loss)	11b	(32,432)	78,140	(32,758)	78,077
Other income	10	13,903	11,844	17,870	15,845
Employee benefits expense		(14,335)	(10,628)	(21,903)	(17,480)
Depreciation and amortization expenses	11a	(810)	(475)	(1,683)	(1,234)
Write-down of property, plant and equipment to recoverable amount		(27)	(1,487)	(3,268)	(1,487)
Impairment of goodwill		-	-	-	(12,201)
Net gain from the sale of assets	11a	384	363	478	317
Impairment of debtors		(81)	3	(133)	(306)
Investment management expenses		(1,635)	(1,819)	(1,635)	(1,819)
Miners pension expense	33d	(8,242)	648	(8,242)	648
Mines Rescue materials expenses		-	-	(1,960)	(1,726)
Repairs and maintenance expenses		(67)	(179)	(459)	(762)
Consultants and contractors		(5,203)	(1,731)	(5,802)	(2,450)
Medical related expenses		(626)	(537)	(626)	(537)
Other expenses		(4,199)	(3,213)	(6,497)	(5,575)
Total expenses from operating activities		(34,837)	(19,055)	(51,730)	(44,612)
Reduction in indemnity to controlled entity	32a	1,368	75,227	-	-
Profit/(Loss) from operating activities before tax		(51,999)	146,156	(56,173)	77,349
Income tax (expense)/credit	12a	18,601	(26,952)	20,070	(32,624)
Profit/(Loss) for the year	36b	(33,398)	119,204	(36,103)	44,725

The above income statements should be read in conjunction with the accompanying notes.

Balance sheets

at 30 June 2008

	Notes	Parent entity 2008 $'000	Parent entity 2007 $'000	Consolidated 2008 $'000	Consolidated 2007 $'000
CURRENT ASSETS					
Cash and cash equivalents	13	9,328	18,076	10,298	18,759
Receivables.	14	6,719	7,848	10,839	10,174
Financial assets held at fair value through profit or loss	15	292,387	406,704	292,387	406,704
Inventories	16	-	-	148	184
Other	17	1,093	1,239	1,247	1,483
TOTAL CURRENT ASSETS		309,527	433,867	314,919	437,304
NON-CURRENT ASSETS					
Receivables	18	3,524	-	1,874	1,709
Financial assets held at fair value through profit or loss	19	1,530	1,815	1,010	1,010
Investment in subsidiaries	20	24,004	90	-	-
Property, plant and equipment	21	16,554	16,471	62,108	38,059
Investment properties	22	72,675	72,200	72,675	72,200
Deferred tax assets	23	12,820	904	21,952	12,046
Defined benefit superannuation scheme	24	-	342	351	958
Other	25	62	123	62	123
TOTAL NON-CURRENT ASSETS		131,168	91,945	160,032	126,105
TOTAL ASSETS		440,695	525,812	474,951	563,409
CURRENT LIABILITIES					
Payables	26	141,877	159,521	3,746	7,419
Unearned revenue	30	-	-	1,561	-
Current tax liabilities	27	2,802	26,939	2,802	26,939
Provision for outstanding claims	9	-	-	67,005	66,103
Unexpired risk reserve	46	-	-	-	10,720
Provisions	28	11,973	2,854	13,539	5,508
Other	29	119	196	1,650	196
TOTAL CURRENT LIABILITIES		156,771	189,510	90,303	116,885

The above balance sheets should be read in conjunction with the accompanying notes.

Balance sheets

at 30 June 2008 (cont.)

		Parent entity		Consolidated	
		2008	2007	2008	2007
	Notes	$'000	$'000	$'000	$'000
NON-CURRENT LIABILITIES					
Unearned revenue	30	-	-	4,682	-
Deferred tax liabilities	31	7,826	23,116	8,656	24,456
Defined benefit superannuation scheme	24	1,022	-	1,022	-
Provision for outstanding claims	9	-	-	263,361	276,281
Provisions	32	190,457	194,021	12,741	13,620
TOTAL NON-CURRENT LIABILITIES		199,305	217,137	290,462	314,357
TOTAL LIABILITIES		356,076	406,647	380,765	431,242
NET ASSETS		84,619	119,165	94,186	132,167
EQUITY					
Contributed equity	35	-	-	-	-
Reserves	36a	3	1,151	1,973	3,850
Retained profits	36b	84,616	118,014	92,213	128,317
TOTAL EQUITY		84,619	119,165	94,186	132,167

Statements of changes in equity

for the year ended 30 June 2008

	Notes	Parent entity 2008 $'000	Parent entity 2007 $'000	Consolidated 2008 $'000	Consolidated 2007 $'000
SHARE CAPITAL					
Ordinary shares		-	-	-	-
Balance at the start of the year		-	-	-	-
Balance at the end of the year		-	-	-	-
RESERVES					
Asset revaluation reserve					
Balance at the start of the year		1,151	2,931	3,850	5,173
Effect of restatement of prior year figures		-	578	-	749
Restated balance at the start of the year		1,151	3,509	3,850	5,922
Movement on property revaluation		(1,148)	(39)	(1,877)	247
Transfer to retained earnings		-	(2,319)	-	(2,319)
Balance at the end of the year		3	1,151	1,973	3,850
RETAINED EARNINGS					
Balance at the start of the year		118,014	(2,931)	128,317	86,884
Effect of restatement of prior year figures		-	(578)	-	(5,611)
Restated balance at the start of the year		118,014	(3,509)	128,317	81,273
Profit/(loss) for the period		(33,398)	119,204	(36,103)	44,725
Transfer from asset revaluation reserve		-	2,319	-	2,319
Balance at the end of the year		84,616	118,014	92,213	128,317
TOTAL		84,619	119,165	94,186	132,167

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

Cash flow statements

for the year ended 30 June 2008

	Notes	Parent entity 2008 $'000	Parent entity 2007 $'000	Consolidated 2008 $'000	Consolidated 2007 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Underwriting Operations					
Premiums received (inclusive of GST)		77,477	93,488	77,478	93,488
Outwards reinsurance paid		(1,373)	(836)	(1,373)	(836)
Claims paid		(87,261)	(80,870)	(87,261)	(80,870)
Other underwriting expenses paid		(2,339)	(1,312)	(2,339)	(1,312)
Other Operations					
Investment income		36,135	55,128	36,007	55,128
Other income		14,242	4,853	24,786	23,962
Miners' pension fund payments		(2,026)	(2,297)	(2,026)	(2,297)
Income taxes paid		(29,773)	(635)	(29,773)	(635)
Other operating payments		(25,870)	(32,580)	(36,267)	(44,949)
Net cash inflow/(outflow) from operating activities	44	(20,788)	34,939	(20,768)	41,678
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		(19,972)	(10,057)	(32,699)	(15,560)
Payments for investment property		(165)	-	(342)	-
Payments for investments		(112,188)	(214,583)	(112,188)	(214,583)
Proceeds from sale of property, plant and equipment		2,149	8,136	2,602	8,383
Proceeds from sale of investment property		-	9,510	-	9,510
Proceeds from sale of investments		154,934	171,237	154,934	171,237
Repayment (payment) for loan to subsidiary	13b	(12,718)	268	-	-
Net cash inflow/(outflow) from investing activities		12,040	(35,489)	12,307	(41,013)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net cash inflow/(outflow) from financing activities		-	-	-	-
Net increase/(decrease) in cash and cash equivalents		(8,748)	(550)	(8,461)	665
Cash and cash equivalents at the start of the year		18,076	18,626	18,759	18,094
Cash and cash equivalents at the end of the year	13	9,328	18,076	10,298	18,759

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

Notes to the financial statements

for the year ended 30 June 2008

NOTE 1: CORPORATE INFORMATION

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

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

Level 21
44 Market Street
Sydney
NSW 2000.

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

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

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

c) occupational health and rehabilitation services to the New South Wales coal industry, under the registered trading name, Coal Services 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 2008.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial report of the Coal Services Pty Limited (the "Company") for the year ended 30 June 2008 comprises the Company and its subsidiaries (together referred to as the "consolidated entity"). The financial report was authorised for issue by the directors on 26 September 2008.

(a) Statement of Compliance

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

International Financial Reporting Standards (IFRS) form the basis of Australian Accounting Standards (AASB) adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS (AIFRS) to distinguish from previous Australian GAAP.

(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.

At the date of this report, there are a number of new and revised accounting standards published by the AASB for which the mandatory application dates fall after the end of this period. Of these, the following standard has been early adopted and applied for the first time during the accounting period:

- AASB 8 Operating Segments has no financial impact but has eliminated the requirement to provide a segment reporting note.

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report.

- Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Consolidated Entity's 30 June 2010 financial statements. The Company has not yet determined the potential effect of the revised standard on the disclosures.

Notes to the financial statements

for the year ended 30 June 2008

- ▶ Revised AASB 127 Consolidated and Separate Financial Statements changes the accounting for investments in subsidiaries. Key changes include: the re-measurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Consolidated Entity's 30 June 2010 financial statements. The Company has not yet determined the potential effect of the revised standards on the financial reports.

(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 policy holder) 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 rice, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

(e) Impairment

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

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, 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 income statement.

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

Calculation of recoverable amount

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

Reversal of impairment

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

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

(f) Income Tax Payable

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

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

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

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

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

Tax consolidation legislation

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

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

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

(g) Revenue recognition

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

Revenue is recognised for the major business activities as follows:

Workers' compensation insurance

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

Mines rescue services

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

Occupational health and rehabilitation services

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

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.

Notes to the financial statements

for the year ended 30 June 2008

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 95% level of confidence (2007: 95%).

(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 income statement as incurred.

(l) Revaluation of Non-current Assets

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

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

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

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

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

Revaluations do not result in the carrying value of land or buildings exceeding their recoverable amount.

Notes to the financial statements

for the year ended 30 June 2008

(m) Depreciation of property, plant and equipment

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

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

(n) Trade and Other Payables

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

(o) Maintenance and Repairs

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

(p) Employee Entitlements

Wages and salaries, annual and sick leave

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

Long service leave

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

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

Superannuation

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

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

Notes to the financial statements

for the year ended 30 June 2008

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

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

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

(q) Cash and Cash Equivalents

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

(r) Operating Leases

Operating lease payments are charged to the Income Statement 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 balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(t) Financial instruments

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

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

Recognition:

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

Measurement:

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

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 balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

Fair value in an inactive or unquoted market

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

- Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used in a market rate at the balance sheet 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 profit or loss.

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.

NOTE 3: ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

Key Sources of Estimation Uncertainty

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

Estimation of Outstanding Claims Liability

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

The estimated cost of claims includes direct expenses to be incurred in settling claims 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 events giving rise to the claims that have 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 method, 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 24.

Notes to the financial statements

for the year ended 30 June 2008

NOTE 4: ACTUARIAL ASSUMPTIONS AND METHOD

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

The determination of the central estimate for outstanding claims at the balance date. The central estimate of outstanding claims includes an allowance for claims incurred but not reported (IBNR) and the further development of reported claims.

The central estimate has no deliberate bias towards over or under estimation. Generally speaking, this means that the central estimate is assessed to have a 50% probability of adequacy.

The determination of a risk margin and claims handling expense provision to be added to the central estimates of outstanding claims to achieve 95% level of confidence.

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

- To value current claims occurring before 30 June 1994 having regard for whether or not weekly benefits are being paid and the expected term of those payments.

- To value claims occurring after 30 June 1994 by payment type using recognised Payments per Claim actuarial valuation models.

- To value claims registered after 30 June 1994 as follows:
  - Common law settlements: payments per common law claim settled
  - Common law disbursements: payments per common law claim outstanding
  - Redemptions: payments per claim redeemed
  - Weeklies, lump sums, legal and other payments: payments per claim handled.

Process Used to Determine Actuarial Assumptions

Claim Numbers

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

Claims Handled Each Year

The number of claims handled have for valuation purposes been defined as the number of claims current at the start of the year plus the number of IBNR claims reported during the year. The numbers of claims handled were expressed both as a proportion of the ultimate numbers of claims and as ratios in succeeding years. The patterns underlying these proportions and ratios were then used to estimate the numbers of claims expected to be handled in future years.

Redemptions

The number of past redemptions were expressed as a percentage of claims handled each year. The pattern underlying these percentages was then used to project the number of redemptions in future years.

Common Law Writs

The number of common law writs issued each year were expressed as a percentage of the number of claims handled. The pattern underlying these percentages at each stage of development was then used to estimate the ultimate number of such claims in each year. The cumulative numbers of settled claims at each stage of development were expressed as a percentage of the estimated total number of common law claims. The underlying settlement pattern was then used to spread the settlement of open common law claims over future 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.

Notes to the financial statements

for the year ended 30 June 2008

NOTE 5: INSURANCE CONTRACTS – RISK MANAGEMENT

Risk Management Objectives and Policies for Mitigating Insurance Risk

The Company 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.

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

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

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

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

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

Underwriting Strategy

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

Reinsurance Strategy

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

Terms and Conditions of Insurance Contracts

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

Product Features

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

Underwriting risk is the risk that the company does not charge premium appropriate for the different product it insures. The risk on any policy will vary according to many factors such as the assumptions of the insured and the policy limit.

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

Management of Risks

Underwriting risk is partially managed by the company issuing contracts including policy limitations and exclusions. These are not terms and conditions that are expected to have material impact on the financial statements of the company.

Claims experience is monitored on an ongoing basis to ensure that any adverse performance is addressed. The potential

Notes to the financial statements

for the year ended 30 June 2008

incidence of natural disasters is managed through the reinsurance management process and is reviewed on an annual basis. The company is able to reduce the claims experience risk of natural disasters through the range of reinsurance products available.

Concentration of Insurance Risks

Concentration risk is managed primarily through sensible pricing, appropriate investment strategy, and reinsurance.

Interest Rate Risk

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

Credit Risk

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

		Parent entity		Consolidated	
		2008	2007	2008	2007
	Notes	$'000	$'000	$'000	$'000
NOTE 6: UNDERWRITING RESULT					
a) Underwriting revenues					
Gross earned premiums		-	-	69,491	90,245
Re-insurance and other recoveries revenue		-	-	379	1,654
		-	-	69,870	91,899
b) Underwriting expense					
Gross claims expense		-	-	66,433	56,728
Outwards reinsurance premium expense		-	-	1,373	790
Other underwriting expenses		-	-	2,339	1,312
Movement in unexpired risk reserve		-	-	(10,720)	5,030
		-	-	59,425	63,860
c) Underwriting result					
Net earned premiums		-	-	68,118	89,455
Net incurred claims		-	-	(66,054)	(55,074)
Other underwriting expenses		-	-	(2,339)	(1,312)
Movement in unexpired risk reserve		-	-	10,720	(5,030)
		-	-	10,445	28,039

	Notes	Parent entity 2008 $'000	Parent entity 2007 $'000	Consolidated 2008 $'000	Consolidated 2007 $'000

NOTE 7: NET EARNED PREMIUMS

	Notes	Parent entity 2008 $'000	Parent entity 2007 $'000	Consolidated 2008 $'000	Consolidated 2007 $'000
Gross written premiums		-	-	69,491	90,245
Outwards reinsurance premium expense		-	-	(1,373)	(790)
Net earned premiums		-	-	68,118	89,455

NOTE 8: NET INCURRED CLAIMS

	Notes	Parent entity 2008 $'000	Parent entity 2007 $'000	Consolidated 2008 $'000	Consolidated 2007 $'000
Claims expense					
Direct					
- Claims paid (including direct settlement costs)		-	-	78,450	80,871
- Movement in provision for claims outstanding		-	-	(6,598)	(8,840)
Discount		-	-	(5,419)	(15,303)
		-	-	66,433	56,728
Reinsurance and other recoveries		-	-	(379)	(1,654)
Net incurred claims		-	-	66,054	55,074

Claims Development (consolidated)

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.

2008	Current Year $'000	Prior Years $'000	Total $'000
Gross claims incurred and related expenses			
- Undiscounted			
Claims paid (including indirect settlement costs)	15,760	62,690	78,450
Movement in provision for claims outstanding	72,825	(79,423)	(6,598)
- Discount	(12,705)	7,286	(5,419)
	75,880	(9,448)	66,433
Reinsurance and other recoveries			
- Undiscounted	-	(379)	(379)
Net incurred claims	75,880	(9,826)	66,054

The release of claims reserve for prior years was made due to both favourable experiences compared to previous assumptions and the release of risk margin in respect of payments made during the year.

Notes to the financial statements

for the year ended 30 June 2008

Claims Development (consolidated) continued

2007	Current Year $'000	Prior Years $'000	Total $'000
Gross claims incurred and related expenses			
- Undiscounted			
Claims paid (including indirect settlement costs)	12,108	68,763	80,871
Movement in provision for claims outstanding	77,978	(86,818)	(8,840)
- Discount	(4,609)	(10,694)	(15,303)
	85,477	(28,749)	56,728
Reinsurance and other recoveries			
- Undiscounted	-	(1,654)	(1,654)
Net incurred claims	85,477	(30,403)	55,074

	Notes	Parent entity 2008 $'000	Parent entity 2007 $'000	Consolidated 2008 $'000	Consolidated 2007 $'000
NOTE 9: OUTSTANDING CLAIMS					
a) Undiscounted expected future claim payments					
Central estimate		-	-	303,582	307,596
Risk margin		-	-	82,159	84,916
Indirect claims settlement costs		-	-	22,457	22,285
			-	408,198	414,797
Discount to present value		-	-	(77,832)	(72,413)
				330,366	342,384
Current		-	-	67,005	66,103
Non-current		-	-	263,361	276,281
		-	-	330,366	342,384

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

For the succeeding year				
Inflation rate – normal	-	-	4.5%	4.5%
Inflation rate – superimposed	-	-	2.0%	2.0%
Discount rate	-	-	6.5%	6.0%
For the subsequent years				
Inflation rate – normal	-	-	4.5%	4.5%
Inflation rate – superimposed	-	-	2.0%	2.0%
Discount rate	-	-	6.5%	6.0%

c) The weighted average expected term to settlement of the outstanding claims from the balance date is estimated to be 4.8 years (2007: 4.8 years).

d) The prudential margin, which represents 33.1% (2007: 33.0%) of the discounted central estimate, provides a 95%

Notes to the financial statements

for the year ended 30 June 2008

level of confidence.

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 five most recent accident years.

Accident year	2003 $'000	2004 $'000	2005 $'000	2006 $'000	2007 $'000	2008 $'000	Total $'000
Estimate of ultimate claims cost:							
At end of accident year	69,114	53,267	52,450	65,029	63,523	60,603	
One year later	60,909	51,160	55,312	53,760	59,552		
Two years later	57,225	49,335	52,089	51,206			
Three years later	51,689	56,469	58,529				
Four years later	51,513	56,590					
Five years later	52,240						
Current estimate of cumulative claims cost	52,240	56,590	58,529	51,206	59,552	60,603	338,720
Cumulative payments	(38,484)	(43,437)	(34,606)	(20,230)	(14,965)	(6,068)	(157,790)
Outstanding claims – undiscounted	13,756	13,153	23,923	30,976	44,587	54,535	180,930
Outstanding claims 2002 and prior							122,651
Discount							(77,832)
Claims handling expenses							22,457
Net outstanding claims – central estimate							248,207
Prudential margin							82,159
Total discounted claims outstanding							330,366

f) Sensitivity analysis – insurance contracts

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

	Movement in variable		Impact on profit gross of reinsurance	Impact on equity
Average claim size	+10%		(4,136)	(4,136)
		-10%	(4,136)	(4,136)
Expense rate	+1%		(2,065)	(2,065)
		-1%	(2,064)	(2,064)
Discount rate	+1%		7,946	7,946
		-1%	(8,570)	(8,570)
Inflation rate	+1%		(9,611)	(9,611)
		-1%	9,064	9,064

Notes to the financial statements

for the year ended 30 June 2008

	Parent entity		Consolidated	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
g) Reconciliation of movements on outstanding claims liabilities				
Gross outstanding claims liability at the beginning of the year	-	-	342,300	366,500
Risk margin at the beginning of the year	-	-	(84,900)	(90,400)
Net central estimate at the beginning of the year	-	-	257,400	276,100
Claim paid in the year	-	-	(56,900)	(59,400)
Associated expense allowance	-	-	(4,300)	(4,500)
Unwind of discount	-	-	13,500	12,200
Change in cost	-	-	(1,000)	(7,000)
Consequential changes	-	-	(1,100)	(2,500)
Movement in discounting	-	-	(4,600)	(9,700)
Claims incurred in the year	-	-	45,200	50,500
Net outstanding claims at the end of the year	-	-	248,200	255,700
Future recoveries	-	-	-	1,700
Risk margin at the end of the year	-	-	82,165	84,900
Gross outstanding claims liability at the end of the year	-	-	330,365	342,300

NOTE 10: OTHER REVENUE

Revenue from other operating activities				
Contributions from colliery proprietors for Mines Rescue Levy	-	-	5,760	4,322
Training and services revenue	-	-	7,371	7,666
Occupational health and rehabilitation services	5,315	4,736	4,345	3,693
Other	399	81	394	164
	5,714	4,817	17,870	15,845
Revenue from outside the operating activities				
Costs recovered from controlled entity	8,189	7,027	-	-
Revenue from other ordinary activities	13,903	11,844	17,870	15,845

Notes to the financial statements

for the year ended 30 June 2008

	Parent entity		Consolidated	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
NOTE 11: PROFIT FROM ORDINARY ACTIVITIES				
a) Net gains/ (loss) and expenses				
Net gains on disposal				
Property, plant and equipment	384	363	478	317
Expenses				
Depreciation of plant and equipment	(810)	(475)	(1,683)	(1,234)
Impairment of debts	(81)	3	(133)	(306)
Employee entitlement provisions	(1,661)	(962)	(937)	(962)
Miners' pension expense under indemnity	(8,242)	648	(8,242)	648
b) Investment income/(loss)				
Dividends	3,063	3,809	3,063	3,809
Equity and property trust distributions	11,487	31,436	11,487	31,436
Fixed Interest trust distributions	7,035	8,044	7,035	8,044
Interest – short term investments	1,442	1,194	1,116	1,130
Interest – long term investments	76	1,012	76	1,012
Rental income	6,582	7,762	6,582	7,762
Investment property operating and management expenses	(2,270)	(2,331)	(2,270)	(2,331)
	27,415	50,928	27,089	50,864
Realised gains (losses) on financial assets held at fair value through profit or loss				
Australian listed shares and equity trusts	(5,926)	7,007	(5,926)	7,007
Investment property	(177)	2,010	(177)	2,010
Property trust units	(4,627)	992	(4,627)	992
Fixed interest investments	(326)	63	(326)	63
Overseas equity trust units	493	1,113	493	1,113
Other investment income	209	283	209	283
	(10,354)	11,466)	(10,354)	11,466
Unrealised gains (losses) on financial assets held at fair value through profit or loss				
Australian listed shares and equity trusts	(23,652)	20,656	(23,652)	20,656
Investment property	310	5,000	310	5,000
Property trust units	(3,162)	1,020	(3,162)	1,020
Fixed interest investments	(3,444)	(7,047)	(3,444)	(7,047)
Overseas equity trust units	(19,545)	(3,883)	(19,545)	(3,883)
	(49,493)	15,746	(49,493)	15,746
Net investment income	(32,432)	78,140	(32,758)	78,076

Notes to the financial statements

for the year ended 30 June 2008

	Parent entity		Consolidated	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
NOTE 12: INCOME TAX				
a) Income tax expense				
Current tax	8,341	18,255	4,940	26,682
Deferred tax	(26,942)	8,697	(25,010)	5,942
	(18,601)	26,952	(20,070)	32,624
Deferred income tax expense included in the income tax expense comprises:				
Decrease/(increase) in deferred tax assets	(11,915)	492	(9,904)	(2,263)
Increase in deferred tax liabilities	(15,027)	8,205	(15,106)	8,205
	(26,942)	8,697	(25,010)	5,942
b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit (loss) before income tax expense	(51,999)	146,155	(56,173)	77,349
Income tax at 30% (2007: 30%)	(15,600)	43,847	(16,852)	23,205
Tax effect of amounts which are not deductible in calculating taxable income:				
Reduction in indemnity to controlled entity	410	(22,568)	-	-
Miners pension expense	167	(194)	167	(194)
Other permanent difference	(1,116)	9,105	(726)	12,851
Over provision in previous years	(795)	(2,419)	(992)	(2,419)
Tax credits	(1,667)	(819)	(1,667)	(819)
	(18,601)	26,952	(20,070)	32,624
c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss, but directly debited/(credited) to equity:				
Deferred tax on re-valued property, plant and equipment	-	(14)	694	164
	-	(14)	694	164

The entities within the tax consolidation group, including the company, have entered into a tax sharing agreement. Amounts receivable or payable under the tax sharing agreement have been recognised as tax-related amounts receivable from or payable to other entities in the group. The terms of the agreement also specify the methods of allocating any tax liability in the event of a default by the head entity in the tax consolidation group on its group payment obligations and the treatment whereby a controlled entity exits the group. As at 30 June 2008 there had been no default by the head entity.

	Parent entity		Consolidated	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000

NOTE 13: CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Cash at bank and on hand	2,113	5,476	3,082	6,159
Short term deposits	7,215	12,600	7,216	12,600
	9,328	18,076	10,298	18,759

a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balance per the cash flow statements	9,328	18,076	10,298	18,759

The parent entity has a bank overdraft facility of $387,000 which was unused as at 30 June 2008

b) Significant non cash transaction

Under a funding agreement between the parent entity (CSPL) and a subsidiary Mines Rescue Pty Ltd (MRS), there were some properties transferred from CSPL to MRS with no cashflow for both entities. The total consideration $16.49m comprises of secured loan and investment in subsidiary.

NOTE 14: CURRENT ASSETS – RECEIVABLES

Trade receivables	1,649	1,337	4,966	4,770
Less: Provision for impaired receivables	(5)	(7)	(401)	(752)
	1,644	1,330	4,565	4,018
Accrued premium income	-	-	5,510	6,086
Others	546	70	764	70
Amounts owed from Mines Rescue Pty Limited	4,529	6,448	-	-
	6,719	7,848	10,839	10,174

NOTE 15: CURRENT ASSETS – FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT & LOSS

Australian bond trust units	92,380	123,265	92,380	123,265
Australian listed shares	64,250	93,042	64,250	93,042
Australian equity trust units	63,425	73,571	63,425	73,571
Overseas equity trust units	55,692	80,364	55,692	80,364
Property trust units	-	16,933	-	16,933
Global infrastructure fund	16,640	19,529	16,640	19,529
	292,387	406,704	292,387	406,704

During the year, the parent entity disposed of the following investments: $17.09m managed property trust, Perennial for a loss of $4.63m and $44.57m overseas equities trust units (Hedged), Credit Sussie for a profit of $0.49m.

During the year, the parent entity invested $35.06m in an overseas equities trust units (Hedged), State Street Global Index Plus Trust.

Notes to the financial statements

for the year ended 30 June 2008

	Parent entity		Consolidated	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000

NOTE 16: CURRENT ASSETS - INVENTORIES

Goods held for re-sale	-	-	148	184

NOTE 17: CURRENT ASSETS - OTHER

Prepayments	1,093	1,239	1,247	1,483

NOTE 18: NON-CURRENT ASSETS - RECEIVABLES

Amounts owed from Mines Rescue Pty Limited	3,524	-	-	-
Receivable from statutory corporation	-	-	1,874	1,709
	3,524	-	1,874	1,709

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

Loan to third party	1,010	1,010	1,010	1,010
Commercial loan to a controlled entity *	520	805	-	-
	1,530	1,815	1,010	1,010

*In February 2004, the parent entity entered into a loan agreement with Mines Rescue Pty Limited to provide funds of $1,500,000. The loan is being re-paid over 5 years at a fixed interest rate of 6.75%.

NOTE 20: NON-CURRENT ASSETS – INVESTMENT IN SUBSIDIARIES

Shares in controlled entities	22,528	90	-	-
Equity component on interest free loan	1,476	-	-	-
	24,004	90	-	-

In October 2007, Coal Services Pty Limited (CSPL) Board approved a funding agreement. The funding comprises a secured interest free loan of $5.00m with a 5 year repayment term and subscription of $25.00m B Class ordinary shares in MRS. As at 30 June 2008, $5.00m of the secured loan has been withdrawn with corresponding fair value adjustment of $1.48m, which is classified as equity component on interest free loan.

Notes to the financial statements

for the year ended 30 June 2008

NOTE 21: NON CURRENT ASSETS - PROPERTY, PLANT & EQUIPMENT

	Parent entity 2008 $'000	Parent entity 2007 $'000	Consolidated 2008 $'000	Consolidated 2007 $'000
Land & buildings				
At valuation	13,138	14,597	49,816	29,144
Less: accumulated depreciation	-	-	-	-
	13,138	14,597	49,816	29,144
Office improvements				
At cost	945	441	945	441
Less: accumulated depreciation	(450)	(369)	(450)	(369)
	495	72	495	72
Computer equipment				
At cost	1,892	1,523	1,892	1,523
Less: accumulated depreciation	(1,290)	(1,195)	(1,290)	(1,195)
	602	328	602	328
Motor vehicles				
At cost	1,288	1,127	2,447	2,208
Less: accumulated depreciation	(116)	(81)	(567)	(422)
	1,172	1,046	1,880	1,786
Plant & equipment				
At cost	2,312	1,441	12,188	9,104
Less: accumulated depreciation	(1,165)	(1,013)	(2,873)	(2,375)
	1,147	428	9,314	6,729
	16,554	16,471	62,108	38,059

Valuations of land & buildings

The basis of valuation of the land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arms length transaction, based on current prices in an active market for similar properties in the same location and condition. All properties were re-valued at the year-end based upon independent assessments by a member of the Australian Property Institute. The revaluation surplus, net of applicable deferred taxes, is credited to the asset revaluation reserve in shareholders equity. This is except for two properties which are currently under construction, the carrying amounts of these properties are stated at capitalised construction costs.

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

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

	Parent entity 2008 $'000	Parent entity 2007 $'000	Consolidated 2008 $'000	Consolidated 2007 $'000
Cost	16,277	15,901	66,747	26,592

Notes to the financial statements

for the year ended 30 June 2008

	Parent entity		Consolidated	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Assets in the course of construction				
The carrying amounts of the assets disclosed above include the following expenditure recognised in relation to property, plant and equipment which is in the course of construction:				
Land and buildings				
Carrying amount at the start of the year	10,251	3,400	10,251	3,400
Additions	11,739	8,423	24,755	8,423
Revaluation of building	38	(1,597)	(1,943)	(1,597)
Revaluation of land	-	25	-	25
Completion	(22,028)	-	(22,028)	-
Carrying amount at the end of the year	-	10,251	11,034	10,251
Plant and equipment				
Carrying amount at the start of the year	-	-	3,348	-
Additions	-	-	2,024	3,348
Impairment	-	-	-	-
Revaluation of land	-	-	-	-
Completion	-	-	-	-
Carrying amount at the end of the year	-	-	5,372	3,348

At the year-end, management undertook an impairment review of the two building projects under re-construction based on the expected costs to complete and an independent valuation of the buildings performed on an as complete basis. As a result of this review, it was determined that one of the buildings was impaired, accordingly $1.94m has been recognised in the income statement.

Notes to the financial statements

for the year ended 30 June 2008

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 Improv'nts $'000	Computer Equipment $'000	Motor Vehicles $'000	Plant and Equipment $'000	Total $'000
Parent						
Carrying amount at 1 July 2007	14,597	72	328	1,046	428	16,471
Additions	7,611	502	511	1,168	929	10,721
Disposals	(8,711)	-	(38)	(859)	(32)	(9,640)
Revaluation	(191)	-	-	-	-	(191)
Depreciation/amortisation expense	(168)	(79)	(199)	(183)	(178)	(807)
Carrying amount at 30 June 2008	13,138	495	602	1,172	1,147	16,554
Consolidated						
Carrying amount at 1 July 2007	29,144	72	328	1,786	6,728	38,059
Additions	27,930	502	511	1,490	3,338	33,771
Disposals	(1,981)	-	(38)	(1,037)	(113)	(3,169)
Revaluation	(4,874)	-	-	-	-	(4,874)
Depreciation/amortisation expense	(403)	(79)	(199)	(359)	(639)	(1,679)
Carrying amount at 30 June 2008	49,816	495	602	1,880	9,314	62,108

During the year, the following properties were disposed: 39, 41 and 43 Princes Highway Corrimal and 15 Beh Close Singleton. The total proceeds received were $2.08m and generated a total profit of $0.28m.

Notes to the financial statements

for the year ended 30 June 2008

	Parent entity		Consolidated	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000

NOTE 22: NON-CURRENT ASSETS – INVESTMENT PROPERTIES

At fair value				
Opening balance at 1 July	72,200	74,700	72,200	74,700
Capitalised subsequent expenditure	165	-	165	-
Disposals	-	(7,500)	-	(7,500)
Net gain/(loss) from fair value adjustments	310	5,000	310	5,000
Closing balance at 30 June	72,675	72,200	72,675	72,200

a) Amounts recognised in profit and loss for investment properties

Rental income	6,582	7,762	6,582	7,762
Direct operating expenses	(2,270)	(2,331)	(2,270)	(2,331)
	4,312	5,431	4,312	5,431

b) Valuation basis

The basis of the valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The range of yields and discount rates applied to the annual rents to determine the fair value of the investment properties range from 7.5% to 8.5% for yields and 8.25% to 9.0% for discount rates. The 2008 revaluations were based on independent assessments made by a member of the Australian Property Institute.

NOTE 23: NON-CURRENT ASSETS – DEFERRED TAX ASSETS

The balance comprises temporary differences attributable to:				
Amounts recognised in profit and loss:				
Investment	(9,346)	-	(9,346)	-
Accrued expenses	(2,150)	197	(2,024)	314
Impaired debts	1	2	94	210
Indirect claims settlement costs	-	-	1,586	6,685
Employee entitlements	(99)	705	(241)	1,622
Defined benefit super	(306)	-	(306)	-
Unexpired risk reserve	-	-	(3,216)	3,215
Property impairment	-	-	972	-
Unearned revenue	-	-	1,873	-
Other	(15)	-	(37)	-
	(11,915)	904	(9,904)	12,046

Notes to the financial statements

for the year ended 30 June 2008

	Unrealised loss from investments	Accrued expenses	Provision for doubtful debts	Indirect claims settlement costs	Employee entitlements	Defined Benefit	Unexpired risk reserve	Property Impairment	Unearned Revenue	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Movements - Consolidated											
Carrying amount at 30 June 2006	-	905	127	5,612	1,840	-	1,707	-	-	(408)	9,783
Charged to the income statement	-	(591)	83	1,073	(218)	-	1,508	-	-	408	2,263
Carrying amount at 30 June 2007	-	314	210	6,685	1,622	-	3,215	-	-	-	12,046
Credited to the income statement	9,346	2,024	(94)	(1,585)	241	306	(3,215)	972	1,873	38	9,904
Carrying amount at 30 June 2008	9,346	2,338	116	5,100	1,863	306	-	972	1,873	38	21,952
Movements – Parent entity											
Carrying amount at 30 June 2006	-	773	3	-	608	-	-	-	-	12	1,396
Charged to the income statement	-	(576)	(1)	-	97	-	-	-	-	(12)	(492)
Carrying amount at 30 June 2007	-	197	2	-	705	-	-	-	-	-	904
Credited to the income statement	93,46	2,150	(1)	-	99	306	-	-	-	15	11,915
Carrying amount at 30 June 2008	9,346	2,347	1	-	804	306	-	-	-	15	12,820

Notes to the financial statements

for the year ended 30 June 2008

	Parent entity		Consolidated	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000

NOTE 24: NON-CURRENT ASSETS – EMPLOYEE ENTITLEMENTS

a) Superannuation plans

The parent entity participated in the following Energy Industry Superannuation Schemes (EISS): the Defined Benefit Scheme, the Retirement Scheme and the Accumulation Scheme. At least a component of the final benefit is derived from a multiple of member salary and years of membership. All divisions are closed 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 Coal and Oil Shales Workers Superannuation Fund. The fund is a final average (3 years) lump sum benefit arrangement providing benefits on death, disability, resignation and retirement. The scheme is closed to new members.

b) Balance sheet amounts

Present value of the defined benefit obligation	(10,546)	(10,439)	(15,855)	(15,461)
Present value of the defined benefit plan assets	9,524	10,781	13,200	14,486
	(1,022)	342	(2,655)	(975)
Unrecognised actuarial losses	-	-	1,985	1,933
Net asset (liability) recognised in the balance sheet	(1,022)	342	(670)	958

As at 30 June 2008, the asset sector percentages for the defined benefit funds are as follows:

	PARENT ENTITY	SUBSIDIARY
Australian equities	37.6%	30.6%
Overseas equities	34.0%	21.7%
Australian fixed interest securities	10.7%	22.4%
Overseas fixed interest securities	6.3%	3.2%
Property	3.2%	2.3%
Cash	6.0%	13.8%
Other	2.2%	6.0%
	100.0%	100.0%

The actuarial valuation of the parent entities defined benefit obligations recognise all actuarial gains and losses as incurred. The actuarial valuation of Mines Rescue Pty Limited defined benefit obligations, only recognise these when they exceed the 10% corridor. During the year, an actuarial loss of $207k was recognised.

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

Notes to the financial statements

for the year ended 30 June 2008

	Parent entity		Consolidated	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
c) Movement				
Movement in net asset recognised in the balance sheet				
Net asset/(liability) at the beginning of the year	342	194	958	805
Net (expense)/ income recognised in the income statement	(1,655)	(115)	(2,287)	(325)
Contributions	291	263	659	478
Net asset/(liability) disclosed in the balance sheet	(1,022)	342	(670)	958
d) Amounts recognised in the income statement				
The amounts recognised in the income statement are as follows:				
Current service cost	559	322	345	633
Interest cost	658	570	263	728
Expected return on Scheme assets	(810)	(725)	(183)	(984)
Actuarial (gains)/losses	1,248	(52)	207	(52)
Expense/(income) recognised	1,655	115	632	325
Actual return on Scheme assets	(971)	1 368	(896)	1 592

e) Principal actuarial assumptions

The principal actuarial assumptions used were as follows:

	2008	2007
Parent entity scheme		
Salary increase rate	6% pa until June 2009; 4% pa thereafter	6% pa until June 2009; 4% pa thereafter
Rate of CPI increase	2.5%	2.5%
Expected rate of return on assets	7.8%	7.6%
Discount rate	6.19%	5.9%
Mines Rescue Pty Limited scheme		
Salary increase rate	5.0%	5.0%
Expected rate of return on assets	7.0%	5.0%
Discount rate	5.5%	5.3%

Notes to the financial statements

for the year ended 30 June 2008

f) Employer contributions

Parent entity

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

The recommended contribution rates for the entity are:

EISS Division B – 1.9 x member contributions

EISS Division C – 2.5% x salaries

EISS Division D – 1.64 x member contributions

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

Mines Rescue Pty Limited

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

	Parent entity		Consolidated	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
NOTE 25: NON-CURRENT ASSETS - OTHER				
Lease Incentives	62	123	62	123
NOTE 26: CURRENT LIABILITIES - PAYABLES				
Trade and other creditors	1,241	4,551	1,771	5,516
Accrued expenses	1,797	1,222	1,975	1,903
Amounts owed to Coal Mines Insurance Pty Ltd	138,838	153,748	-	-
	141,877	159,521	3,746	7,419
NOTE 27: CURRENT LIABILITIES – CURRENT TAX				
Income tax payable	2,802	26,939	2,802	26,939
NOTE 28: CURRENT LIABILITIES - PROVISIONS				
Miners' pension fund indemnity	2,000	2,200	2,000	2,200
Miners' pension fund Part 3 liability	7,686	-	7,686	-
Employee entitlements	2,287	654	3,853	3,308
	11,973	2,854	13,539	5,508

During the year, Coal Services Pty Limited at the request of the shareholders approved to fund the value of future pension increase in relation to the CPI component of Auscoal's pension scheme known as Miners Pension Fund, Part 3 liability. The approved funding amount was $7.69m as per an Actuarial report issued by the fund actuary on 20 May 2008.

Notes to the financial statements

for the year ended 30 June 2008

a) Miners' pension fund indemnity

The provision for the miner's pension fund indemnity is described in more detail in note 33.

b) Movements in provisions

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

Consolidated	Employee entitlements	Miners' Pension Fund	Total
		$'000	$'000
Carrying amount at 1 July 2007	654	2,200	2,854
Charged to the income statement	1,633	7,486	9,119
Carrying amount at 30 June 2008	2,287	9,686	11,973

NOTE 29: CURRENT LIABILITIES – OTHER

	Parent entity		Consolidated	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Premium received in advance	-	-	1,531	-
Rental bonds received	119	196	119	196
	119	196	1,650	196

NOTE 30: LIABILITIES – UNEARNED REVENUE

During the year, Mines Rescue Pty Limited received a grant of $6.24m from The Coal Services Health and Safety Trust to fund the construction of a Virtual Reality facility to provide better training facilities to the coal industry. The grant is deferred and will be recognised as revenue in line with the effective life of the equipment, being 4 years from financial year 2009.

Unearned Revenue – Current	-	-	1,561	-
Unearned Revenue – Non Current	-	-	4,682	-
	-	-	6,243	-

Notes to the financial statements

for the year ended 30 June 2008

NOTE 31: NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Parent entity 2008 $'000	Parent entity 2007 $'000	Consolidated 2008 $'000	Consolidated 2007 $'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit and loss:				
Unrealised gains/(losses) on investments	(14,946)	22,941	(14,946)	22,941
Accrued income	(65)	72	(65)	72
Surplus on defined benefit superannuation schemes	(103)	103	(182)	287
Revaluation of land and buildings	87	-	87	1,156
	(15,027)	23,116	(15,106)	24,456

	Unrealised gains on investments $'000	Accrued income $'000	Surplus on defined benefit superannuation schemes $'000	Revaluation of land and buildings $'000	Total $'000
Movements – Consolidated					
Carrying amount at 30 June 2006	13,633	572	185	1,697	16,087
Charged to the income statement	9,308	(500)	102	(184)	8,726
Charged directly to equity	-	-	-	(357)	(357)
Carrying amount at 30 June 2007	22,941	72	287	1,156	24,456
Charged to the income statement	(14,946)	(65)	(181)	87	(15,106)
Charged directly to equity	-	-	-	(694)	(694)
Carrying amount at 30 June 2008	7,995	7	106	549	8656
Movements – Parent entity					
Carrying amount at 30 June 2006	13,559	572	58	737	14,926
Charged to the income statement	9,382	(500)	45	(258)	8,669
Charged directly to equity	-	-	-	(479)	(479)
Carrying amount at 30 June 2007	22,941	72	103	-	23,116
Charged to the income statement	(14,946)	(65)	(103)	87	(15,027)
Charged directly to equity	-	-	-	(263)	(263)
Carrying amount at 30 June 2008	7,995	7	-	(176)	7,826

Notes to the financial statements

for the year ended 30 June 2008

	Parent entity		Consolidated	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000

NOTE 32: NON-CURRENT LIABILITIES – PROVISIONS

	Parent entity 2008 $'000	Parent entity 2007 $'000	Consolidated 2008 $'000	Consolidated 2007 $'000
Coal Mines Insurance Pty Ltd indemnity	181,370	182,327	-	-
Miners' pension fund indemnity	8,727	9,997	8,727	9,997
Employee entitlements	360	1,697	4,015	3,623
	190,457	194,021	12,742	13,620

a) Coal Mines Insurance Pty Limited indemnity

The parent entity has indemnified Coal Mines Insurance Pty Limited, against all claims, payments, damages, costs, outgoings and liabilities arising from the workers compensation insurance scheme. This has resulted in a net movement of $1.3m which has been credited to the income statement of Coal Services Pty Limited for the year.

b) Miners' pension fund indemnity

The provision for the miner's pension fund indemnity is described in more detail in note 33.

c) Movements in provisions

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

	Coal Mines Insurance Pty Limited - Indemnity $'000	Miners' Pension Fund – Indemnity $'000	Employee Entitlements $'000	Total $'000
Consolidated				
Carrying amount at 1 July 2007		9,997	3,623	13,620
Credited to the income statement and re-classified to current provisions		(1,270)	(3,215)	(4,484)
Carrying amount at 30 June 2008		8,727	408	9,136
Parent entity				
Carrying amount at 1 July 2007	182,327	9,997	1,697	194,021
Credited to the income statement and re-classified to current provisions	(957)	(1,270)	(1,336)	(3,563)
Carrying amount at 30 June 2008	181,370	8,727	361	190,458

Notes to the financial statements

for the year ended 30 June 2008

NOTE 33: 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 it's 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 balance sheet date to value this indemnity. The results are shown below:

	Parent entity		Consolidated	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
a) Expected future payments				
Expected future pension payments - undiscounted	15,025	17,046	15,025	17,046
Discount to present value	(4,298)	(4,849)	(4,298)	(4,849)
	10,727	12,197	10,727	12,197
Current – indemnity	2,000	2,200	2,000	2,200
Non-current – indemnity	8,727	9,997	8,727	9,997
	10,727	12,197	10,727	12,197
b) The following average inflation rates and discount rates were used in the measurement of the indemnity:				
For the succeeding and subsequent years				
Inflation rate	3.0%	3.0%	3.0%	3.0%
Discount rate	6.0%	6.0%	6.0%	6.0%
c) The weighted average expected term to settlement of future pension payments from the balance date is estimated to be 4.91years (2007: 4.95 years).				
d) Miners' pension expense under indemnity:				
Pension payments	2,026	2,297	2,026	2,297
Movement in indemnity provision	(1,470)	(2,945)	(1,470)	(2,945)
Provision for pension part 3 payment	7,686	-	7,686	-
	8,242	(648)	8,242	(648)

Notes to the financial statements

for the year ended 30 June 2008

NOTE 34: EMPLOYEE ENTITLEMENTS

	Parent entity 2008 $'000	Parent entity 2007 $'000	Consolidated 2008 $'000	Consolidated 2007 $'000
Employee entitlement liabilities				
Long service leave entitlement				
Current	1,199	232	1,199	232
Non-current	361	1,249	361	1,249
	1,560	1,481	1,560	1,481
Coal industry long service leave				
Current	-	-	662	0
Non-current	-	-	1,544	1,926
	-	-	2,206	1,926
Annual leave entitlement				
Current	1,088	421	1,343	1,227
Non-current	-	449	596	449
	1,088	870	1,939	1,676
Sick leave entitlement				
Current	-	-	649	1,848
Non-current	-	-	1,514	-
	-	-	2,163	1,848
Total employee entitlements				
Current	2,287	654	3,853	3,308
Non-current	361	1,697	4,015	3,623
	2,648	2,351	7,868	6,931
Employee numbers				
Number of employees at the end of the period	172	149	225	198

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 employees and a reimbursement is made to employers when long service leave payments are made. The obligation for long service leave entitlements rests with the employer as part of the conditions of employment. The centralised method of financing the payment of long service leave is consistent with the entitlement to be paid, long service leave being based on continuous employment within the coal industry rather than service with a single employer.

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

Sick leave entitlements

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

Notes to the financial statements

for the year ended 30 June 2008

NOTE 34: EMPLOYEE ENTITLEMENTS (CONT.)

Superannuation entitlements

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

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

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

Refer to note 24 for further details on these schemes.

NOTE 35: CONTRIBUTED EQUITY

	Consolidated & Parent entity		Consolidated & Parent entity	
	2008	2007	2008	2007
	Number of shares	Number of shares	$	$
Share capital				
Ordinary shares – Fully paid	2	2	2	2

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

Notes to the financial statements

for the year ended 30 June 2008

	Parent entity		Consolidated	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000

NOTE 36: RESERVES AND RETAINED PROFITS

a) Reserves

Property, Plant and Equipment revaluation reserve	3	1,151	1,973	3,850
Movements				
Balance at 1 July	1,151	3,509	3,850	5,922
Revaluation of land & buildings	3	(39)	(1,006)	247
Transfer to current year profit on disposal	(1,151)	-	(871)	-
Transfer to retained profits on disposal of revalued property, plant and equipment	-	(2,319)	-	(2,319)
	3	1,151	1,973	3,850

b) Retained profits

Balance at 1 July	118,014	(3,509)	128,317	81,273
Net Profit/(loss)	(33,398)	119,204	(36,103)	44,725
Transfer from reserves on disposal of revalued property, plant and equipment	-	2,319	-	2,319
	84,616	118,014	92,213	128,317

c) Nature and purpose of reserves

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

NOTE 37: REMUNERATION OF AUDITORS

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

Audit of financial reports				
Fees paid to KPMG	17	15	169	155
Taxation services				
Fees paid to KPMG	38	-	38	-
	55	15	207	155

Notes to the financial statements

for the year ended 30 June 2008

	Parent entity		Consolidated	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000

NOTE 38: KEY PERSONNEL COMPENSATION

a) Directors

The following persons were directors of the company during the year and were key personnel for the entire year.

A J Haraldson
R P Land
J Mackrill
W McAndrew
A N Middlebrook
R M Taylor
K P Turner

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

	Parent entity 2008 $'000	Parent entity 2007 $'000	Consolidated 2008 $'000	Consolidated 2007 $'000
Short-term employee benefits	1,587	1,497	1,587	1,497
Post-employment benefits		-	-	-
Long-term benefits	-	-	-	-
Share-based payments	-	-	-	-
Termination payments	-	-	-	-
	1,587	1,497	1,587	1,497

NOTE 39: RELATED PARTY DISCLOSURE

a) Transactions with directors and director related entities

A director, A N Middlebrook, is a director of Employers Mutual Limited. During 2007 and 2008 financial year, Employers Mutual Limited provided management service and workers compensation insurance to the parent entity.

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

	Parent entity 2008 $'000	Parent entity 2007 $'000	Consolidated 2008 $'000	Consolidated 2007 $'000
Amounts recognised as an expense				
Worker compensation insurance	57	101	57	101
Management service	3,409	1,912	3,409	1,912
	3,466	2,013	3,466	2,013

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 balance sheet date, the amount outstanding on the loan was $1,010,000 (2007: $1,010,000). During the period, the parent entity received $75,749 (2007: $75,749) in interest on this loan.

The majority of directors of the parent entity are also trustees of the Coal Services Health & Safety Trust. During the previous financial year the parent entity has not made any grant to the Coal Services Health & Safety Trust to help fund its research to benefit the New South Wales coal industry. There was no grant made to the Trust this year. A grant of $6.24m had been approved by the Coal Services Health & Safety Trust and paid to Mines Rescue Pty Limited for the development of Virtual Reality facilities to provide better safety and other training capabilities.

	Parent entity		Consolidated	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000

c) Controlling entities

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

	Parent entity 2008 $'000	Parent entity 2007 $'000	Consolidated 2008 $'000	Consolidated 2007 $'000
Amounts recognised as income				
Reimbursement of directors fees	226	-	226	-
Other services	2	1	2	1
	228	1	228	1
Amounts recognised as expenses				
Director services	93	50	93	50
Other services	50	43	50	43
	143	93	143	93
Transaction with other related parties				
Mount Thorley Coal Loading Limited				
Loan outstanding		1,010		1,010
Interest received		76		82

NOTE 40: SUBSIDIARIES

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

Name of entity	Country of Incorporation	Class of Shares	Equity Holding 2008	Equity Holding 2007
Coal Mines Insurance Pty Limited	Australia	Ordinary	100%	100%
Mines Rescue Pty Limited	Australia	Ordinary	100%	100%

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

As at 30 June 2008, $5.00m of the secured loan has been drawn down with corresponding fair value adjustment of $1.48m and $22.44m of Mines Rescue Pty Limited's (MRS) Class B shares have been issue.

Notes to the financial statements

for the year ended 30 June 2008

NOTE 41: EVENTS OCCURING AFTER THE BALANCE SHEET DATE

There are no material events occurring after the balance date that the Group and Company are aware of as at the date of this report.

NOTE 42: CONTINGENCIES

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

NOTE 43: COMMITMENTS

a) Capital commitments

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

	Parent entity		Consolidated	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Property, Plant and Equipment				
Within one year	172	11,354	8,587	11,354

b) Lease commitments

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

	Parent entity		Consolidated	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Within one year	637	285	843	499
Later than one year but no later than five years	2,544	260	2,572	575
Later than 5 years	410	-	410	-
	3,591	545	3,825	1,074
Representing:				
Cancellable operating leases	-	521	179	992
Non-cancellable operating leases	3,591	24	3,,646	82
	3,591	545	3,825	1,074

c) Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Parent entity		Consolidated	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Within one year	637	24	692	82
Later than one year but not later than five years	2,544	-	2,544	-
Later than five years	410	-	410	-
	3,591	24	3,646	82

Notes to the financial statements

for the year ended 30 June 2008

NOTE 44: RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Parent entity		Consolidated	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Profit/(loss) for the year	(33,398)	119,204	(36103)	44725
Depreciation and amortisation	810	497	1,683	1,257
Impairment of property, plant and equipment	(27)	1541	3,268	1,541
Impairment of goodwill	-	-	-	12,201
Realised (gains)/losses on investments	10,387	(11,185)	10,387	(11,185)
Unrealised (gains)/loss on investments	49,493	(15,746)	49,670	(15,746)
Net (profit) on disposal of property, plant and equipment	(682)	(363)	(781)	(316)
Decrease/(increase) in trade receivables	(314)	(449)	29	299
Decrease/(increase) in investment income due	10,494	-	10,494	-
Decrease/(increase) in inventories	-	-	36	41
Decrease/(increase) in other receivables	668	(2,485)	638	(3,739)
Decrease/(increase) in deferred tax assets	(11,915)	492	(9,905)	(2,263)
(Decrease)/increase in trade creditors	(3,310)	3,538	(2,214)	3,124
Increase in unearned revenue	-	-	6,243	-
(Decrease)/increase in other operating liabilities	791	(16,349)	289	(1,091)
(Decrease)/increase in deferred tax liabilities	(15,290)	8,190	(15,800)	8,188
Increase in current tax liabilities	(24,137)	25,902	(24,137)	25,902
(Decrease)/increase in claims provision	-	-	(22,739)	(19,112)
(Decrease)/increase in other provisions	7,534	(77,848)	8,174	(2,148)
Increase/(Decrease) in loan to controlled entity	(11,892)	-	-	-
Net cash inflow/(outflow) from operating activities	(20,788)	34,939	(20,768)	41,678

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

Notes to the financial statements

for the year ended 30 June 2008

NOTE 45: FINANCIAL INSTRUMENTS

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

(a) Market risk

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

(i) Price risk

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

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

(ii) Currency risk

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

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

(iii) Interest rate risk

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

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

(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.

Notes to the financial statements

for the year ended 30 June 2008

	Carrying amount $'000	Interest rate risk		Other price risk	
		-1%	+1%	-5%	+5%
		Profit/equity $'000	Profit/equity $'000	Profit/equity $'000	Profit/equity $'000
2008 Parent					
Financial assets:					
Cash	2,113	(15)	15	-	-
Trade and other receivables	10,242	-	-	-	-
Short term deposit	7,215	(51)	51	-	-
Commercial loan to controlled entity	520	-	-	-	-
Loan	1,010	(7)	7	-	-
Equity component of interest free loan	1,476	-	-	-	-
Shares in listed companies	64,250	-	-	(2,249)	2,249
Units in property trust	-	-	-	-	-
Managed fund	228,137	-	-	(7,985)	7,985
	314,963	(72)	72	(10,234)	10,234
2007 Parent					
Financial assets:					
Cash	5,476	(38)	38	-	-
Trade and other receivables	7,848	-	-	-	-
Short term deposit	12,600	(88)	88	-	-
Commercial loan to controlled entity	805	-	-	-	-
Loan	1,010	7	(7)	-	-
Shares in listed companies	93,042	-	-	(3,256)	3,256
Units in property trust	16,933	-	-	(593)	593
Managed fund	296,729	-	-	(10,386)	10,386
	434,443	(119)	119	(14,235)	14,235

Notes to the financial statements

for the year ended 30 June 2008

	Carrying amount $'000	Interest rate risk		Other price risk	
		-1%	+1%	-5%	+5%
		Profit/equity $'000	Profit/equity $'000	Profit/equity $'000	Profit/equity $'000
2008 Consolidated					
Financial assets:					
Cash	3,083	(22)	22	-	-
Trade and other receivables	12,713	-	-	-	-
Short term deposit	7,215	(50)	50	-	-
Loan	1,010	(7)	7	-	-
Shares in listed companies	64,250	-	-	(2,249)	2,249
Units in property trust	-	-	-	-	-
Managed fund	228,137	-	-	(7,985)	7,985
	316,408	(79)	79	(10,234)	10,234
2007 Consolidated					
Financial assets:					
Cash	6,159	(43)	43	-	-
Trade and other receivables	11,883	-	-	-	-
Short term deposit	12,600	(88)	88	-	-
Loan	1,010	(7)	7	-	-
Shares in listed companies	93,042	-	-	(3,256)	3,256
Units in property trust	16,933	-	-	(593)	593
Managed fund	296,729	-	-	(10,386)	10,386
	438,356	(138)	138	(14,235)	14,235

Notes to the financial statements

for the year ended 30 June 2008

(b) Credit risk exposures

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

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

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

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

	Not yet due $'000	31-90 days $'000's	90+ days $'000's	Total past due but not impaired $'000	Past due and impaired $'000	Total $'000
2008 Parent						
Trade and other receivables	9,361	320	566	881	(5)	10,242
2007 Parent						
Trade and other receivables	7,137	281	437	711	(7)	7,848
2008 Consolidated						
Trade and other receivables	10,973	693	1,448	1,739	(401)	12,713
2007 Consolidated						
Trade and other receivables	10,155	720	1,761	1,729	(752)	11,883

Notes to the financial statements

for the year ended 30 June 2008

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

	AAA $'000	AA $'000	A $'000	BBB $'000	Not rated $'000	Total $'000
2008 Parent						
Cash	-	1,361	752	-	-	2,113
Trade and other receivables	-	-		-	10,242	10,242
Short term deposit	-	-	7,215	-	-	7,215
Commercial loan to controlled entity	-	-	-	-	520	520
Loan	-	-	-	-	1,010	1,010
Equity component of interest free loan	-	-	-	-	1,476	1,476
Shares in listed companies	-	-	-	-	64,250	64,250
Units in property trust	-	-	-	-	-	-
Managed fund	21,864	66,243	2,735	1,309	135,986	228,137
	21,864	67,604	10,702	1,309	213,484	314,963
2007 Parent						
Cash	-	4,022	1,454	-	-	5,476
Trade and other receivables	-	-	-	-	7,848	7,848
Short term deposit	-	-	12,600	-	-	12,600
Commercial loan to controlled entity	-	-	-	-	805	805
Loan	-	-	-	-	1,010	1,010
Shares in listed companies	-	-	-	-	93,042	93,042
Units in property trust	-	-	-	-	16,933	16,933
Managed fund	28,773	86,456	4,391	3,435	173,674	296,729
	28,773	90,478	18,445	3,435	293,312	434,443

Notes to the financial statements

for the year ended 30 June 2008

	AAA $'000	AA $'000	A $'000	BBB $'000	Not rated $'000	Total $'000
2008 Consolidated						
Cash	-	-	3,083	-	-	3,083
Trade and other receivables	-	-	-	-	12,713	12,713
Short term deposit	-	-	7,215	-	-	7,215
Loan	-	-	-	-	1,010	1,010
Shares in listed companies	-	-	-	-	64,250	64,250
Units in property trust	-	-	-	-	-	-
Managed fund	21,864	66,243	2,735	1,309	135,986	228,137
	21,864	66,243	13,033	1,309	213,959	316,408
2007 Consolidated						
Cash	-	4,309	1,850	-	-	6,159
Trade and other receivables	-	-	-	-	11,883	11,883
Short term deposit	-	-	12,600	-	-	12,600
Loan	-	-	-	-	1,010	1,010
Shares in listed companies	-	-	-	-	93,042	93,042
Units in property trust	-	-	-	-	16,933	16,933
Managed fund	28,773	86,456	4,391	3,435	173,674	296,729
	28,773	90,765	18,841	3,435	296,542	438,356

(c) Liquidity risk

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

In accordance with the company liquidity policy, a minimum of $11.5m million of consolidated investment and cash must be held in liquid, short term money market securities to ensure that there are sufficient liquid funds available to meet the company's cash flow obligations.

The assets held to back insurance liabilities consist of equities and managed funds which can generally be readily sold or exchanged for cash and in accordance with the company liquidity policy, a minimum of $11.5m million of consolidated investment and cash must be held in liquid, short term money market securities to ensure that there are sufficient liquid funds available to meet the company's cash flow obligations.

Notes to the financial statements

for the year ended 30 June 2008

Maturity profiles

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

	Up to a year $'000	1 – 3 years $'000	3 – 5 years $'000	No term $'000	Total $'000
2008 Parent					
Financial liabilities:					
Trade and other payables	3,038	-	-	-	3,038
Amount due to controlled entity	-	-	-	138,838	138,838
Current tax liabilities	2,802	-	-	-	2,802
Indemnity to Miners Pension Fund	2,000	4,500	4,227	-	10,727
Indemnity payable to controlled entity	-	-	-	181,370	181,370
Miners Pension Fund Part 3 liability	7,686	-	-	-	7,686
Defined benefit superannuation scheme	-	-	-	1,022	1,022
Employee benefits	2,287	361	-	-	2,648
	17,813	4,861	4,227	321,230	348,131
2007 Parent					
Financial liabilities:					
Trade and other payables	5,773	-	-	-	5,773
Amount due to controlled entity	-	-	-	153,748	153,748
Current tax liabilities	26,939	-	-	-	26,939
Indemnity payable to controlled entity	-	-	-	182,327	182,327
Indemnity to Miners Pension Fund	2,200	5,200	4,797	-	12,197
Employee benefits	654	1,697	-	-	2,351
	35,566	6,897	4,797	336,075	383,335
2008 Consolidated					
Financial liabilities:					
Trade and other payables	3,746	-	-	-	3,746
Current tax liabilities	2,802	-	-	-	2,802
Miners Pension Fund Part 3 liability	7,686	-	-	-	7,686
Indemnity to Miners Pension Fund	2,000	4,500	4,227	-	10,727
Defined benefit superannuation scheme	-	-	-	1,022	1,022
Employee benefits	7,459	409	-	-	7867
	23,693	4,909	4,227	1,022	33,851
2007 Consolidated					
Financial liabilities:					
Trade and other payables	7,419	-	-	-	7,419
Current tax liabilities	26,939	-	-	-	26,939
Indemnity to Miners Pension Fund	2,200	5,200	4,797	-	12,197
Employee benefits	3,308	3,623	-	-	6,931
	39,866	8,823	4,797	-	53,486

Notes to the financial statements

for the year ended 30 June 2008

	Parent entity		Consolidated	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
NOTE 46: UNEXPIRED RISK RESERVE				
Balance at the start of the year	-	-	10,720	5,690
(Decrease)/Increase in provision recognised in the income statement	-	-	(10,720)	5,030
Balance at the end of the year	-	-	-	10,720

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

The LAT undertaken as at the balance sheet date has identified a surplus of $2.8m (2007: a deficit of $10.7m).

For the purposes of the LAT test, the present value of expected future cash flows for future claims including the risk margin of $59.09m (2007: $65.86m) comprises the discounted central estimate of $52.62m (2007: $61.38m), and a risk margin of $3.68m (2007: $4.3m).

The risk margin used as a percentage of the central estimate is 7% (2007: 7%). The probability of sufficiency represented by LAT is 66%. This differs from the ratio used for the outstanding claim liability as LAT is a test of the adequacy of the premium liability while the outstanding claim provision is subject to the requirement of the target level of sufficiency adopted by the Board.

Director's Declaration

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements, comprising the Income Statements, Balance Sheets, Statements of Changes in Equity, Cash Flow Statements, and accompanying notes, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of its performance for the year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with the resolution of the Board of Directors and is signed for and on behalf of the directors by:

A J Haraldson AM
Director & Chairman

A N Middlebrook
Managing Director

Sydney
26 September 2008

Auditor's Report

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 balance sheets as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 46 and the directors' declaration. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the end of the year 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 and fair presentation of the financial report 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 (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance

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

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

KPMG

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 Company's and the consolidated entity's financial position as at 30 June 2008 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.

KPMG

KPMG

Ian Moyser
Partner

Sydney

26 September 2008

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