



COAL SERVICES PTY LIMITED

ANNUAL REPORT 2003-04

COAL SERVICES PTY LIMITED

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 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 main 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.

YEAR AT A GLANCE

CSPL GROUP

	2004 \$'000
Premium income	97,099
Investment income	33,785
Contributions from colliery proprietors (Mines Rescue Levy)	3,606
Total operating revenue	142,611
Workers Compensation Insurance claims payments	79,330
Outstanding claims provision	342,868
Total operating expenditure	113,571
Net profit before income tax	29,040

CS HEALTH

CS Health's Quality Management System certified to AS/NZS 9001: 2000

CS Health's occupational rehabilitation services are closely in line with NSW WorkCover Authority benchmarks

New Mines Rescue medical assessment protocol introduced

COAL MINES INSURANCE

Average scheme rate dropped to 9.1% for 2003/04

2,012 new claims registered during the year

75% of all claims were finalised within the first 26 weeks

MINES RESCUE

Mines Rescue Pty Ltd registered to provide all Black Coal Competencies to Australian Quality Framework (AQF) standard

Bi-annual audits on each colliery's emergency system introduced

Change-over from the BG-174 to BG-4 long duration oxygen breathing apparatus expected to be complete by the end of 2004.

CHAIRMAN'S REPORT

I was very pleased to be appointed a director and Chairman of Coal Services Pty Limited (CSPL), and its subsidiary companies Coal Mines Insurance Pty Ltd and Mines Rescue Pty Ltd, in February 2004, as nominee for the NSW Minerals Council. I hope that after a 38 year career in the NSW and Australian coal industries I can use my experience for the benefit of the board and all of the company's stakeholders.

In accordance with the *Coal Industry Act 2001* the position of Chairman rotates between nominee directors of the two shareholders – the CFMEU and the NSW Minerals Council. My term as Chairman of CSPL will expire in December 2005.

The major issue involving the board of CSPL in 2003/04 was the commissioning of a further independent review of the monopoly arrangement of the NSW coal industry workers' compensation scheme administered by Coal Mines Insurance Pty Ltd (CMI) which was recommended to take place two years after the commencement of the *Coal Industry Act 2001*. Both shareholders agreed to an extensive set of terms of reference which, in summary, were:

- Determine whether the current monopoly arrangement administered by CMI is the most appropriate vehicle to deliver a sustainable and competitive workers' compensation scheme for the NSW coal mining industry.
- Measure scheme costs and outcomes of the CMI scheme against NSW WorkCover and the Queensland coal industry scheme.
- Undertake an analysis of projected CMI premiums and costs under various scenarios and assess likely future trends in claims liabilities.
- Evaluate the restructuring efforts of CSPL to realise the benefits of industry specialisation.
- Compare return to work legislative drivers, incentives and barriers against other comparable and mainstream schemes.
- Determine recommendations to ensure workers' compensation arrangements

for the NSW coal industry are sustainable, competitive and equitable with other NSW industry sectors and efficiently managed.

- Provide advice/comments on issues emerging during the review which may further enhance the administration of the scheme or the corporate governance of CSPL and its subsidiary companies.

A final report from Ernst & Young, the independent consultants engaged to undertake the review, was received in late August 2004.

The board of CSPL, its shareholders and Government, are still to consider their responses to the various recommendations in the report, and appropriate strategies will then be developed to implement all of the agreed recommendations as early as practicable.

The Managing Director has identified 2003/04 as a year in which significant progress was made in restoring solvency to the CMI scheme. Equity in CMI increased from a negative \$13 million in 2003 to a positive \$11 million in 2004 whilst the risk margin grew by \$24 million in the same period. This was achieved against a backdrop of a 19% reduction in the average premium rate (scheme rate) charged to policyholders in the policy year commencing 1 October 2003. The main drivers of the improved solvency position were a continued decline in the claim rate (the number of claims received per 100 people working in the industry) and an upturn in investment markets.

The board is focussed on ensuring that the management of CSPL and its subsidiary companies delivers quality outcomes in accordance with the priorities of the two shareholders and on behalf of the board I would like to thank the Managing Director, his management team and all employees for their efforts in 2003/04.



A J Haraldson AM
Chairman

MANAGING DIRECTOR'S REPORT

2003/04 was a year in which significant progress was made in restoring solvency to our subsidiary workers' compensation insurance company, Coal Mines Insurance Pty Limited (CMI), and improving the Coal Services Group's overall equity position.

In October 2003, CMI reduced the scheme rate (i.e. the average premium rate charged to policyholders) from 11.2% to 9.1% and, building on initiatives commenced in 2002/03, CMI re-engineered claims management processes.

Also, through an organisational restructure of CMI, the number of people involved in claims management, and their authority levels to finalise claims, was increased. This enabled claims staff to reduce the number of open claims by over 20%, and finalise approximately 75% of all claims within 26 weeks. At 30 June 2004 the central estimate for the outstanding claims liability was \$ 276 million, a reduction of over \$20 million from the previous year.

An executive management team from Employers Mutual Limited (EML) was engaged to assist in re-engineering our claims management processes. This contract, which was for an initial period of 12 months, was extended for a further 12 months and will now expire in April 2005. By then all of the changes implemented by EML will be embedded into our business processes.

Coal Services Health achieved its goal of recovering 85% of its operational costs in 2003/04. The ultimate aim is for Coal Services Health to recover all of its operating costs by June 2005.

Key staff within Coal Services Health have completed training with the Pain Management Research Centre at Royal North Shore Hospital. This has enabled a pain management unit within Coal Services Health to be established to assist coal miners overcome the chronic effects of pain with the aim of increasing the likelihood that they will return to work.

The Mines Rescue Service continues to provide a service to the NSW coal industry to assist in the control of emergencies

at coal mines in a quick, effective and responsive manner. A new site was acquired at Corrimal during the year on which new facilities will be built to co-locate the Southern Mines Rescue Station with Coal Services Health and CMI in that region.

The year ahead will be challenging. As the Chairman indicated the outcome of an independent review of the NSW workers' compensation scheme will have been completed and strategies developed to implement the agreed outcomes. This will be a major focus for us in 2004/05.

The results in 2003/04 were achieved through the efforts of our staff and I would like to thank them for their support throughout the year.



I L Farrar
Managing Director/CEO

COAL MINES INSURANCE

OUR 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 past year has seen a number of changes implemented following external reviews of scheme performance (by Ernst & Young), injury management (by SANO) and dispute resolution (by Transformation Management).

ASWIG Administration Pty Limited, Manager of Employers Mutual Limited (EML), were retained to provide executive and project management resources to develop and implement policies and procedures for CMI in a timely manner. Their services were retained to perform a similar function for the coming year.

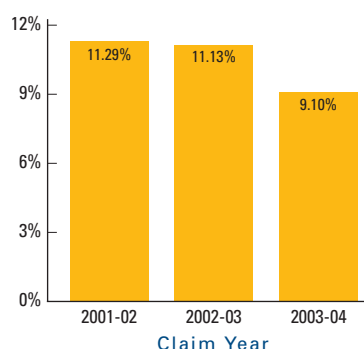
The over-arching effect from the implementation of the above recommendations has been an improvement in claims management practices, a reduction in outstanding claims liabilities and a reduction in the average scheme rate for 2004/05.

SCHEME PREMIUM RATE

Average scheme rates have trended downward over the past two years dropping to 9.1% for 2003/04

The following graph shows the average scheme rate for the past 3 years and indications are that, in the absence of further industry restructuring, the scheme rate will continue to trend down.

AVERAGE SCHEME PREMIUM RATE



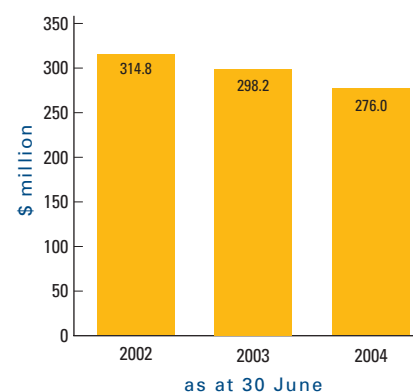
ACTUARIAL VALUATION

The outstanding claims provision continued trending downwards to \$276.0 million at June 2004

The actuarial valuation of outstanding claims liabilities as at 30 June 2004

was \$276.0 million, down from \$298.2 million in 2003, and continuing the downward trend from the \$314.8 million valuation at the end of June 2002.

CENTRAL CLAIMS ESTIMATE



CLAIMS MANAGEMENT

CMI's claims management operation underwent significant change during the year. A new structure increasing the number of injury and claims managers, increasing authority levels and streaming of claims between non-significant (less than 7 days time lost), significant injuries (more than 7 days time lost) and tail (based on duration and legal status) was implemented in order to improve outcomes for all stakeholders.

The number of active claims fell 22% during the year from 2,712 to 2,122

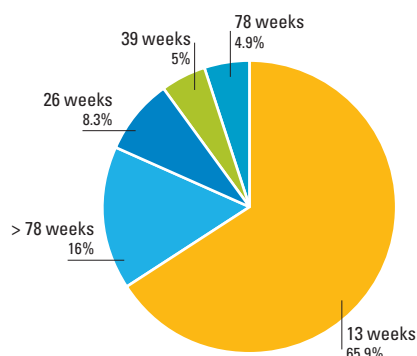
Average case loads per claims manager as at year end were:

Non-significant claims	126
Significant injury claims	90
Tail claims	123

75% of all claims finalised during the year were resolved within the first 26 weeks.

This is a direct result of CMI's claim streaming and improved injury management practices. A high emphasis was also placed on the management of long tail claims resulting in a finalisation rate of 16% for claims over 78 weeks in duration.

FINALISED CLAIM DURATION



During the year CMI commenced pilot programmes on early settlement strategies and return to work opportunities for long term claimants. The evaluation and results from the pilot programmes is not expected until the second quarter of the 2004/05 year.

SCHEME DRIVERS

During the year 2,012 new claims were registered. The highest number of claims (53%) related to Back, Head/Neck and Shoulder/Arm injuries. 56% of these were caused from sprains and strains and, in 30% of the claims, the injury was attributed to overexertion.

CLAIMS PAYMENTS

Net payment on claims for the year was just under \$80 million, consistent with previous years. Sprains and Strains accounted for 64% of all payments. Claims resulting from Overexertion and Slips, Trips and Falls accounted for 28% of all payments.

Objectives for CMI's premium rating formula

- (i) **To be fully funded** – i.e. to collect sufficient premium to cover the estimated cost of claims and expenses for the following years and to maintain capital adequacy
- (ii) **To charge premiums which are fair and consistent between policyholders** – i.e. to share the required premiums in such a way that the premiums paid by policyholders:
 - (a) Reflect each policyholder's underlying claims risk
 - (b) Follow insurance principles by smoothing random variations in claim cost

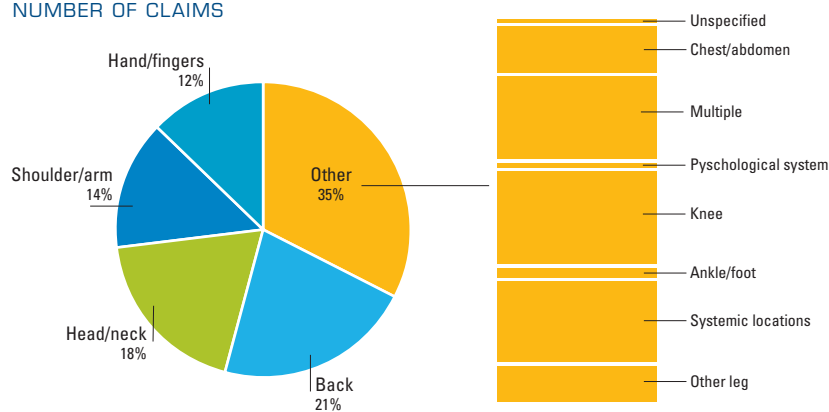
- (c) Change as the underlying risk changes due to changes in operations, risk management and claims management (eg. improved return to work)

(iii) To provide an incentive for policyholders to reduce risk

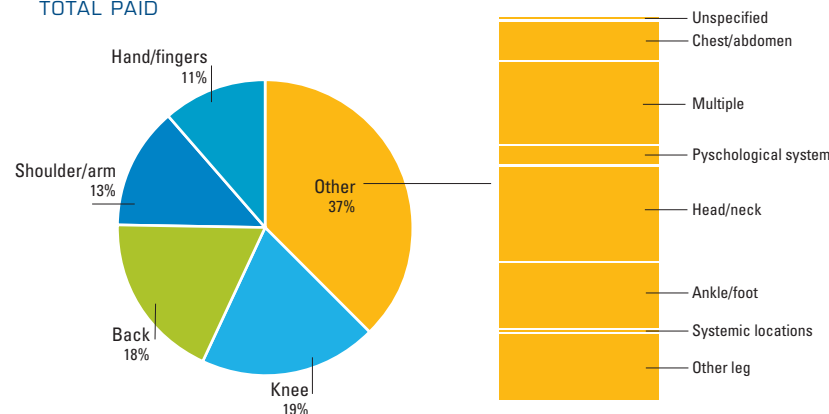
Principles underpinning the CMI's premium rating formula:

- (i) The rating formula is to be based on policyholder claims experience. Where a policyholder's claims experience is insufficient, then use will be made of the claims experience of similar risks (the group rate).
- (ii) Balance long term claims experience with short term experience.
- (iii) Allow the claims experience of large policyholders to have a greater influence on their premium than for small policyholders. The claims experience of smaller policyholders will be subject to much greater random variation due to smaller numbers of claims.
- (iv) Limit year-to-year fluctuations as part of the insurance process (+ or – 30% limit).
- (v) Minimise cross subsidisation. Avoid systematic under or over statement of premiums for individual policyholders or groups of policyholders.
- (vi) Minimise manipulation by policyholders. Have clearly definable items in formula.
- (vii) Include a discount, or loading, where policyholders achieved, or failed to achieve, certain risk and claims management practices.

NUMBER OF CLAIMS



TOTAL PAID



AUDIT & COMPLIANCE

The audit and compliance program conducted during 2003/04 was aimed at ensuring employers correctly declared their wages for the policy insured and that the business description of their activities adequately reflected the work being undertaken. Following the initial educational phase of defining assessable wages, disseminating information and meeting clients, audits were commenced and, at 30 June 2004, 25 audits had been completed.

COAL MINE INSURANCE ANNUAL STATISTICS

KEY PERFORMANCE INDICATOR	1994/95	1995/96	1996/97	1997/98	1998/99
Number of employees insured	14,434	14,586	14,881	13,815	11,685
Assessable wages of insured employees	\$823.1 m	\$884.0 m	\$957.7 m	\$917.0 m	\$811.9 m
Premium income (a)	\$38.0 m	\$55.8 m	\$60.1 m	\$54.0 m	\$45.9 m
Average premium rate (effective)	4.6%	6.3%	6.3%	5.9%	5.7%
Premium cost per employee insured	\$2,633	\$3,826	\$4,036	\$3,911	\$3,930
Premium cost per tonne of raw coal produced	\$0.35	\$0.49	\$0.49	\$0.40	\$0.35
Claims payments (b)	\$68.1 m	\$64.9 m	\$69.1 m	\$57.8 m	\$73.0 m
Provision for outstanding claims	\$221.3 m	\$233.0 m	\$232.4 m	\$247.7 m	\$261.7 m
Number of claims lodged	6,268	5,525	5,116	4,647	3,608
Claim rate (per 100) (c)	43.4	37.9	34.4	33.6	30.9

KEY PERFORMANCE INDICATOR	1999/2000	2000/01	2001/02	2002/03	2003/04
Number of employees insured	10,862	10,641	10,819	10,820	10,736
Assessable wages of insured employees	\$757.3 m	\$759.0 m	\$831.7 m	\$926.6 m	\$996.0 m
Premium income (a)	\$52.0 m	\$60.6 m	\$84.6 m	\$99.2 m	\$97.0 m
Average premium rate (effective)	6.9%	8.0%	10.2%	10.7%	9.7%
Premium cost per employee insured	\$4,783	\$5,694	\$7,823	\$9,167	\$9,036
Premium cost per tonne of raw coal produced	\$0.39	\$0.44	\$0.58	\$0.69	\$0.66
Claims payments (b)	\$72.6 m	\$80.7 m	\$78.0 m	\$84.2 m	\$84.2 m
Provision for outstanding claims	\$277.0 m	\$304.4 m	\$326.7 m	\$340.8 m	\$342.9 m
Number of claims lodged	3,346	2,959	2,661	2,214	2,008
Claim rate (per 100) (c)	30.8	27.8	24.6	20.5	18.7

(a) In the policy year ended 1 October 2000, premium income included a 20% levy

(b) From 1 January 2002, claims payments includes indirect claims settlement costs

(c) The claim rate is calculated as follows:
$$\frac{\text{Number of claims lodged in period} \times 100}{\text{Number of employees insured in period}}$$

COAL SERVICES HEALTH

OUR VISION

To be the first choice for health services
in coal and related industries

OVERVIEW

*CS Health's Quality
Management System certified
to AS/NZS 9001: 2000*

CS Health continued to support the NSW coal industry during 2003-04 with the provision of quality accredited occupational health, rehabilitation and occupational hygiene services. We commenced several projects throughout the year that provided us with the opportunity to expand the range of services we offer, and to add value to our customers.

Coal Services Health has 64 highly skilled and dedicated health and hygiene professionals who take their obligations to the industry's workforce very seriously. We have offices in Lithgow, Corrimal, Warners Bay and Singleton and, during the year, plans were finalised to relocate the Lithgow office with its sister business, Mines Rescue, in their facility in Lithgow.

During the year CS Health conducted the following:

Pre-employment medicals	3,227
Routine health assessments	1,404
Functional assessments	592
Drug & alcohol screenings	5,762
New occupational rehabilitation cases	308

▼ Radiographer preparing a client
for an X-Ray



DIESEL ANALYZER

*CS Health purchases diesel
analyser with grant from Health
and Safety Trust*

With the aid of a grant from the Coal Services Health and Safety Trust, CS Health purchased a diesel analyser from Sunset Laboratories in the USA. It is the first of its type to operate in Australia, and is intended to allow CS Health to undertake laboratory analysis of personal sampling for diesel particulate. A project to measure diesel exposure during longwall moves is currently underway using the analyser, and the results will be available during 2004-05. Our environmental monitoring group, led by Gary Mace, is conducting the project.

*The Environmental monitoring
group also completed a baseline
hygiene survey for two major
mining companies during the year.*

MINES RESCUE HEALTH ASSESSMENTS

*New Mines Rescue medical
assessment protocol introduced*

To ensure that the mines rescue brigades are fit to undertake rescue training and service, CS Health, in conjunction with the Mines Rescue Service, reviewed its mines rescue medical, including upgrading the functional capacity evaluation to make it more targeted at the activities associated with mines rescue training and service. The new assessment is now offered from the Mines Rescue facilities during training sessions.

HEALTH ASSESSMENT DATABASE

CS Health continued to offer health surveillance medicals for NSW coal mine workers during the year. At the same time, we commenced a project to modify our database to allow grouping of miners into similar exposure groups. This will allow us to report information about their exposures and health effects more relevantly. This is a joint project between the environmental monitoring staff, medical staff and two of our major mining clients.

OCCUPATIONAL HEALTH SERVICES

CS Health continues to deliver risk management health assessments, mines rescue health assessments, functional capacity evaluations and many other associated health services. Our nurses deliver training both on-site and in-house, and they are also the key to the success of our drug and alcohol program services, providing education, assistance with policy development and screening services.

The Lithgow group was successful in contracting the services of a doctor, Dr Freeman, to provide assistance with the increasing demand for pre-employment medicals. This allows Lithgow the flexibility to offer assessments more regularly and at times that suit its clients.

Many clients took advantage of the CS Health flu' vaccination program this year, and we hope that this will continue. It is seen as an important aid to keeping their workforces free of flu' during the winter months.

OCCUPATIONAL REHABILITATION SERVICES

During the year we continued to provide occupational rehabilitation services to injured mine workers. Our interdisciplinary team of health professionals have established themselves firmly as the best provider of responsive rehabilitation services in the industry. Our physiotherapy services are best practice, our pain management team now operates on a full time basis with remarkable results and our team of case managers consistently outperforms the WorkCover NSW benchmarks.



▲ Lung function tests are carried out by our nurses for pre-employment and health surveillance assessments



▲ CS Health doctor performing pre-employment health assessment for a potential coal miner

	CS HEALTH	WCA BENCHMARK
Number of plans developed	93	11138
Return to work rate	88%	90%
Average duration of rehabilitation	7 months	7 months
Average cost of rehabilitation	\$2329	\$4154
Average period injury to referral	4.2 months	4.1 months

It is pleasing to note that in the coal mining industry where return to work options are not as freely available as in general industry, CS Health manages to be closely in line with the WCA benchmark, at a significant cost benefit.

The Corrimal office successfully recruited a rehabilitation counsellor, Tom Muzevic, to its team. This widens the scope of services available from Corrimal. It is expected that the range of services offered from this office will continue to increase over the coming year.

Our major rehabilitation client is Coal Mines Insurance (CMI) and, during the year, we formalised a new service level agreement with CMI.

MINES RESCUE PTY LIMITED

OUR VISION

To provide a rescue service to the New South Wales coal industry that can quickly and effectively respond to, and assist in, the control of emergencies at coal mines.

EMERGENCY PREPAREDNESS

All Mines Rescue Stations completed the annual review of their emergency systems and had them internally audited.

Simulated emergencies and trials of both the Mine's and the Service's emergency systems were conducted during the year. Simulations were conducted at Bulga Coal, South Bulga, United, Baal Bone, Westside, Warkworth, Teralba, West Wallsend, Metropolitan, Elouera and Dartbrook mines. Two employees were also assessors at the Queensland Level 1 simulated emergency. A simulated emergency was also conducted for Boral's Prospect quarry by Lithgow Station personnel.

Mines Rescue introduces bi-annual audits of colliery emergency systems

During the year Mines Rescue Pty Ltd management introduced bi-annual audits (as part of the Levy) on each Colliery's emergency system to assist mine management with their compliance with the CMRA Regulations. Audits were carried out for Teralba, Mandalong, Angus Place, Baal Bone, Ulan, Springvale, Charbon, Clarence, West Cliff, Appin, Tahmoor, Dendrobium, Elouera, Tower, Berrima mines.

It is intended that Station management will audit each mine's 'self-escape system' on alternate years to the emergency system audit. In relation to this, there were multiple simulations conducted to test Compressed Air Breathing Apparatus

(CABA) self escape systems from panels at Metropolitan, Elouera, Munmorah and Dartbrook mines. Centennial mines, using a CABA-based self-escape system, were also audited by the Service.

The Service conducted the 5 day 'Underground Coal Mine Emergency Preparedness' course for mining industry candidates who are to sit for statutory tickets. This course complies with the Black Coal Competencies under the Australian Quality Framework (AQF) Levels 5 and 6 – Undermanagers and Managers. This course was conducted twice in Queensland for Mines' Department Inspectors and once for North Goonyella mine.

Mines Rescue Pty Ltd conducted technical conferences, and employees delivered technical papers, at a number of forums. These included quarterly internal Technical Transfer sessions, Brigadesmen Conference at Wollongong, NSW and Qld OH&S conferences, Outburst seminar at Wollongong, Queensland Inertisation conference and the Mine Managers Association technical conference. Mines Rescue personnel were also involved in the ACARP steering committee which is investigating 'The Use of Diesel Vehicles in Hazardous Atmospheres'.

EMERGENCY RESPONSE

During the year the Mines Rescue Service attended a number of emergencies at minesites in the Hunter Valley and Western District.



▲ Training group – Southern Mines Rescue Station competition

Bylong Railway Tunnel

During December 2003 diesel trains were caught in rail tunnel with their engines still idling. A team from the Hunter Valley Station was dispatched to switch engines off and inspect for noxious gas build up.

Southland Colliery

During December 2003 a spontaneous heating developed in Longwall 3 goaf causing the evacuation of the mine. Heating had worked its way into the Longwall 4 tailgate and accelerated into an open fire. Mines Rescue personnel commenced inerting the mine but, with conditions deteriorating too quickly, the mine was sealed on the 29th December. Mines Rescue personnel conducted on-going gas monitoring and risk assessments prior to a staged re-entry into the mine.

Mount Piper Power Station

In January 2004 a D6 bulldozer and driver became buried in a flyash stockpile. Lithgow Station personnel were activated to assist with the recovery. The dozer was quickly located and Station personnel, using Compressed Air Breathing Apparatus (CABA), safely recovered the driver. Fortunately, the dozer's windows and doors had remained closed and air tight.

Pre-arranged irrespirable re-entry – South Bulga

During April 2004 Hunter Valley Station teams, after appropriate risk assessments, conducted inspections in an irrespirable atmosphere of old workings.

MINES RESCUE BRIGADESMEN

The total number of Brigadesmen remained constant during the year but attendance at training sessions improved. There are currently 289 Brigadesmen nominated with 265 being 'BA Current'. The minimum required across the State under the Service's current structure is 240.

The average age of the workforce is still increasing even though the number of underground employees appears to have stabilized. There is an ongoing push to have younger mine workers join the Service.

Cross-over training from the Drager BG-174 to Drager BG-4 long duration

oxygen breathing apparatus commenced in May 2004.

It is anticipated that the change-over from the BG-174 to BG-4 will be complete by the end of 2004.

Mines Rescue competitions were conducted in all Districts with four (4) NSW teams competing at the Australian Mines Rescue titles at Tower Colliery (NSW) on 11th October 2003. The team from North Goonyella, representing the Dysart Station in Queensland, won the competition. The Dartbrook team, representing Hunter Valley, was placed second.

Service employees conducted, and/or assessed, at Mines Rescue competition exercises in Tasmania, at the Victorian

Hard Rock competition, the Northern Territory Minerals Council and the Open Cut Coal Mine competitions in NSW and Queensland.

COAL MINES TECHNICAL SERVICES (CMTS)

Coal Mines Technical Services (CMTS), a division of Mines Rescue Pty Limited and Coal Services Pty Limited, aims to provide the best possible gas analysis and advisory emergency response service to the NSW coal mining industry. It endeavours to provide the coal mining and general industries with the highest standard of technical and training services in the fields of gas detection. CMTS seeks to identify and meet the requirements of its



▲ Breathing apparatus maintenance room



▲ Brigadesman wearing BG-4 breathing apparatus



▲ Fire chamber familiarisation

customers and continues to develop new initiatives to expand its range of quality technical services.

CMTS successfully updated its NATA Approved Workshop and Quality accreditations to internationally accepted standards during the period.

The extensive and diverse product range and gas detection services provided by CMTS has enabled a healthy growth during 2003-2004. Evaluation of additional operational bases in the northern areas is currently under consideration.

The division has also increased the volume and range of gas detection equipment supplied to both mining and non-mining markets throughout NSW and QLD.

CMTS successfully tendered for the supply, installation and ongoing maintenance of two **SMARTGAS** gas chromatographic systems to New Zealand and one to a NSW colliery. They were also involved in providing gas analysis and interpretation services as a result of a number of mine occurrences in NSW.

Following the purchase of the Diesel Testing facility from BHP in July 2002, there has been a steady increase in the number of diesel engines tested by the group. Initiatives are being developed to expand activities into the Newcastle and Hunter Valley districts. In addition, project work was carried out for the BHP Illawarra collieries on the analysis of raw diesel exhaust particulate emissions and engine filter trials.

OTHER ACTIVITIES

Mines Rescue Pty Ltd to host the International Mines Rescue Body (IMRB) Conference in NSW from 6-12 November 2005.

Mines Rescue Pty Ltd was represented at the first International Mines Rescue Body (IMRB) conference in South Africa in October 2003. Papers were present by Peter Baker, Peter Mason, Seamus Devlin, Allan Clapham and Murray Bird. It was also confirmed that Australia (NSW) would be the host for the 2nd conference scheduled to be held from 6th to 12th November 2005.

A pilot 'In-seam Response' course was conducted for West Cliff colliery as part of the Mines Rescue Levy. Currently, there is a time gap of approx. 90 minutes between an emergency occurring and mines rescue teams reaching the affected area in the mine.

Having suitably trained mine employees, who are on shift and in-seam, may allow some remedial actions to be undertaken during this critical period. Mine management identified thirty-three volunteer employees from across all shifts/ rosters to undertake the initial two day training program. Currently, this training concentrates on in-seam fire fighting utilizing CABA as personal protective equipment. Metropolitan mine has also had one group complete this course. On-going refresher training is now being conducted with simulated exercises to be held in the future to test the suitability of the program.

A full cross-section of industry representatives constituting the 'Mines Rescue Working Group' meets quarterly to discuss and communicate issues and solutions in relation to this initiative.

Mines Rescue Pty Ltd is registered to Australian Quality Framework standards

Mines Rescue Pty Ltd was successful with its RTO Compliance Audit and is now registered for the next five years to provide all Black Coal Competencies up to AQF-Level 5, AQF – Level 6 for 'Emergency Preparedness' and a number of other Industrial OH&S competencies.

The main courses conducted for the coal industry during the year (other than Mines Rescue training – U/G and O/C) were Underground Coal Mine Induction, Self Escape training (on all types of equipment) and a variety of fire fighting courses. Training for general heavy industries were mainly on 'Safe Working in Confined Spaces', 'First Response', fire fighting and safety audits.

Mines Rescue Pty Ltd commissioned a mobile CABA training vehicle in June 2004 which operates mainly in the Lithgow and Singleton areas. Income from these activities assisted the Service in maintaining the Levy to coal operators at an average of \$3.5 million over the last five years.

COMPANY STRUCTURE

COAL SERVICES PTY LIMITED BOARD OF DIRECTORS

Tony Haraldson (Chairman), John Tucker, Ron Land, Tony Maher,
James Mackrill, Ross Taylor, Ian Farrar (Managing Director)

EXECUTIVE TEAM

Sharon Buckley, Peter Flemming, Kay Jones,
Murray Bird, Tony Middlebrook

MANAGING DIRECTOR/CEO

Ian Farrar

INTERNAL AUDIT

Victoria Catimbang

MINES RESCUE PTY LTD

Murray Bird (General Manager)

HUNTER VALLEY STATION

Ken Enright (Manager)

NEWCASTLE STATION

Seamus Devlin (Manager)

SOUTHERN STATION

Stephen Tonegato (Manager)

WESTERN STATION

Russell Giles (Manager)

COAL MINES TECHNICAL SERVICES

Peter Mason (Manager)

INDUSTRIAL GROUP

Peter Hatswell (Co-ordinator)

INVESTMENT

Peter Flemming (Manager)

FINANCE & ADMINISTRATION

Kay Jones (Manager)

CORPORATE SERVICES

Lisa Dolan-Brown (Manager)

ACCOUNTING SERVICES

Dennis Aktypis (Manager)

SPECIAL PROJECTS & EXECUTIVE SUPPORT

Paul Junee (Manager)

INFORMATION TECHNOLOGY

Sharon Buckley (Interim Manager)

COAL MINES INSURANCE PTY LTD

Tony Middlebrook (Acting General Manager)

SYDNEY

Chris Sparsis (Systems Manager)

SINGLETON

Tony Bezzina (Regional Manager)

WARNERS BAY

Julie Evans (Regional Manager)

CORRIMAL

Stella Hardas (Regional Manager)

STATISTICS

Carol Mische (Manager)

AUDIT & COMPLIANCE

Ajit Singh

COAL SERVICES HEALTH

Sharon Buckley (General Manager)

SINGLETON

Belinda Thomas (Manager)

WARNERS BAY

Mark O'Neill (Manager)

CORRIMAL

Ken Cram (Manager)

LITHGOW

Judy Keller (Manager)

INDUSTRIAL HYGIENE

Gary Mace & Paul Livingston

UNDERWRITING

Kristy McGuire

CORPORATE GOVERNANCE STATEMENT

BOARD OF DIRECTORS (BOARD)

The Board is responsible for the business of the economic entities, including setting direction and establishing goals for management and monitoring achievement of those goals. The Board has established a framework for corporate governance which includes an Audit Committee, a process for the identification of risk and its management through a system of internal control and the establishment of appropriate ethical standards.

The Board is comprised of 7 persons, all of whom are appointed by the Minister with responsibility for administering the *Coal Industry Act 2001*. Two of these 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 Minerals Council.

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

The Chairperson is appointed on a rotational 2-year basis between a CFMEU director and a Minerals Council director.

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

BOARD MEETINGS 1 JULY 2003 TO 30 JUNE 2004

DIRECTOR	ELIGIBLE TO ATTEND	ATTENDED
Ron Land	11	11
John Tucker	11	8
Tony Maher	11	8
James Mackrill	11	10
Ross Taylor	11	9
Ian Farrar	11	11
Ugo Cario	6	4
Tony Haraldson	5	5

Note: Mr Cario resigned on 10 February 2004 and Mr Haraldson was appointed from 11 February 2004

AUDIT COMMITTEE

The Audit Committee currently comprises three directors, namely, the two independent directors and one director nominated by the Minerals Council.

The Audit Committee reviews all aspects of the internal and external audit processes, including the identification and management of risk.

RISK MANAGEMENT AND CONTROL

The Board acknowledges they are responsible for the overall internal control framework. To assist in discharging their responsibility, the directors, through the Managing Director, 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 Audit Committee through Internal Audit.

Financial Reporting

A comprehensive budgeting system is in place. Monthly actual results against budget are reported to directors and variations examined.

Fraud Control

A fraud control plan is in place. Annual audits conducted by the internal audit function are risk-based with particular emphasis on fraud. The current assessment of the plan is that the potential for fraud is low.

Internal & External Audit

An internal auditor reports directly to the Chairman of the Audit Committee and is responsible for monitoring, investigating and reporting on the system of internal control and the risks that this system mitigates. An internal audit charter is maintained and regularly referenced by management and the internal auditor.

Under the *Corporations Act, 2001*, Coal Services Pty Limited and its subsidiary entities are subject to

external audit on a fee-for-service basis. PricewaterhouseCoopers were appointed auditors for the company for the year ending 30 June 2004.

PLANNING

The Board is required to submit to the Minister an annual operating plan 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 2004/05 was prepared and submitted to the Minister in May 2004.

INVESTMENT

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

As a long term insurance operation we maintain a balanced investment profile and a long term outlook.

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. They have a fiduciary duty of loyalty to Coal Services Pty Limited (CSPL) and its subsidiary entities and to meet these requirements the chairman and directors must:

- at all times act honestly;
- at all times exercise due care in the performance of their duties;
- be diligent, attend Board meetings and make themselves knowledgeable about the operation of CSPL and its subsidiaries;
- ensure that systems are established within CSPL 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 CSPL 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

Our first responsibility is to the people who comprise the NSW coal industry; the workers and the management of the coal mining companies to whom we provide a service. Without compromising quality the Board constantly strives to reduce costs to ensure premiums are minimised and the services provided on a "user pays" basis are provided at reasonable prices. Services to our stakeholders are provided efficiently and at high quality. Advice to Ministers is timely and unbiased. Suppliers of goods and services to the Board have an opportunity to compete for our business on a fair and equitable basis.

We are responsible to our employees and each must be considered as an individual. We respect the dignity and recognise the merit of each employee. Remuneration is fair and adequate, and working conditions clean, orderly and safe. Employees are free to communicate and to make suggestions and complaints and there is equal opportunity for employment, development and advancement for those qualified. We provide competent management and the actions of management are just and equitable.

PRIVACY

Coal Services Pty Limited (CSPL) 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.

COAL SERVICES STATISTICS

Coal Services Statistics provides a comprehensive statistical service on the NSW coal industry. There are two interrelated areas of information available, accident statistics and industry statistics.

Accident statistics are based on the workers' compensation injury and disease claims submitted to Coal Mines Insurance, while industry statistics describe the industry in which these injuries and diseases occurred.

Industry statistics covers coal supply and demand data (including the value of export sales) plus data on the workforce. Workforce data includes the numbers employed, type of employment, time worked and lost by employees, shift arrangements, wages paid and the age of workers.

Coal Services Statistics is also able to provide a wide-range of statistics on the Australian coal industry. The collection of Australian coal industry statistics are made possible through the cooperation of the Department of Natural Resources and Mines, Queensland and coal mining companies and coal users in other States.

In addition to the standard hard copy yearly publications and standard electronic reports updating information monthly or quarterly, Coal Services Statistics offers reports specifically tailored to an individual user's requirements. A brief description of Coal Services Statistics four hard copy publications follows.

A visit to the Coal Services website at www.coalservices.com.au will provide a complete list of available products and services with prices and order forms.

New South Wales Coal Statistics

Comprehensive statistical information on the NSW coal industry includes

production, employment, productivity, exports and domestic consumption. Financial year series, released annually in October.

Australian Black Coal Statistics

Produced in cooperation with the Department of Natural Resources and Mines, Queensland. Contains a wide range of coal industry statistics, resource data and a directory of producers. Calendar year series released annually in June.

Lost-Time Injuries and Fatalities, New South Wales Coal Mines

Annual financial year publication containing lost-time injury claim and fatality statistics for NSW coal mines.

Injury and Disease Claims, New South Wales Coal Mines

Annual publication containing injury and disease claim statistics for NSW coal mines.

COAL INDUSTRY STATISTICS

NSW COAL INDUSTRY STATISTICS	1999-00	2000-01	2001-02	2002-03	2003-04
Number of coal mines at 30 June	57	56	56	56	52
Raw coal production (million tonnes)	132.9	138.8	145.2	143.1	147.0
Saleable coal production (million tonnes)	105.2	110.2	114.3	111.5	114.2
Coal sales within Australia (million tonnes)	32.3	33.4	33.9	34.0	32.8
Coal exports overseas (million tonnes)	72.4	75.9	77.5	79.3	85.0
FOB value of coal exports overseas	\$A 3.1 billion	\$A 3.8 billion	\$A 4.7 billion	\$A 3.9 billion	\$A 3.7 billion
Average FOB value of coal exports (per tonne)	\$A 42.69	\$A 50.55	\$A 60.79	\$A 48.60	\$A 43.85
Number of mineworkers at 30 June	9 583	9 821	10 052	9 758	9 998
Average age of mineworkers at 31 December	43.2	43.2	43.5	43.5	43.5
Average weekly earnings of mineworkers	\$1 574	\$1 624	\$1 718	\$1 791	\$1 842
Saleable coal output per mineworker per year (tonnes)	10 580	11 570	11 400	11 410	11 380
Saleable coal output per mineworker per hour (tonnes)	5.36	5.91	5.81	5.80	5.82
Days worked per mineworker per year	282.5	279.7	280.4	281.0	279.2
Days lost per mineworker due to industrial disputes	2.4	1.2	0.6	0.7	0.2
Days lost per mineworker due to workers' compensation	3.3	3.1	3.1	3.1	2.3

STANDING COMMITTEE ON DUST RESEARCH & CONTROL

This Committee is an expert advisory body comprising representatives of 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 respirable dust sampling
- Evaluate dust hazards
- Research improved dust control methods
- Disseminate information
- Educate mine personnel in matters related to dust control

The Committee meets bi-monthly, usually at minesites and, during the year, visited Dendrobium, Myuna, Beltana, Dartbrook, Mandalong and Chain Valley collieries.

During the year the Committee commissioned research on Silica and Inhalable Coal Dust. The specific projects, commissioned through the Health & Safety Trust, were:

- (i) What are the adverse health effects from exposure to crystalline silica in respirable coal dust and is the

current standard of 0.15 mg/m³ sufficient to prevent the onset of any disease outcome

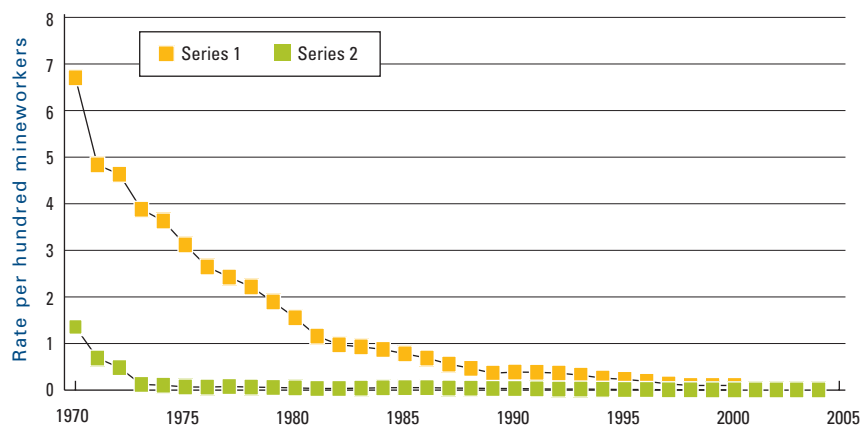
- (ii) What, if any, are the adverse health effects known to arise from exposure to inhalable coal dust and what would be a suitable workplace exposure standard.

The Committee also participated on a panel reviewing the national occupational exposure standard for crystalline silica which was proposing to reduce the exposure limit to 0.1mg/m³.

The Committee also wrote to the Department of Mineral Resources recommending the content and format for new draft regulations on Airborne Dust and Diesel Particulate to be included in the *Coal Mine Health & Safety Act 2002*.

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%.

PNEUMOCONIOSIS PREVALENCE
NSW COAL INDUSTRY, 1970 - 2004



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

AUDIT COMMITTEE

The Audit Committee was established to assist Coal Services Pty Limited and its subsidiaries meet its responsibility for good corporate governance and accountability. The role of the Audit Committee is documented in a board approved charter.

In 2003-2004 the following were members of the Audit Committee:

Mr Ugo Cario, Chairperson
(until December 2003)

Mr Ross Taylor, Chairperson
(from January 2004)

Mr Tony Haraldson
(from January 2004)

Mr James Mackrill

The Committee held three meetings during the year, and reviewed reports on:

- Billing and Receipting
- Procurement and Payments

- Fixed Assets
- Payroll and Human Resources
- Investments (including property)
- Claims processing and payments
- Premium rate setting and premium income
- Accounting System
- Information Technology

COAL SERVICES HEALTH & SAFETY TRUST

The NSW coal industry has benefited from research funded by the Coal Services Health and Safety Trust (formerly the JCB Health & Safety Trust). Since its inception in 1991, the Trust has been involved with projects ranging from strata control to hearing protection.

During May 2004, the Trust held seminars in NSW and Queensland to introduce the new projects and to report back to the industry on the results of the projects funded last year. The Trust also promotes the results of its research through displays at the relevant conferences. In 2004, several Trust researchers presented papers at the NSW and QLD mining industry health and safety conferences.

For more information about the Trust and its activities, please contact either:

Sharon Buckley
Trust Secretary
Tel: (02) 8270 3258
buckley@coalservices.com.au

Ken Cram
Project Liaison Officer
Tel: (02) 4286 5425
cram@corrim.coalservices.com.au

In 2003-04, the Trust funded the following new projects:-

DEVELOPMENT & DEMONSTRATION OF A VIRTUAL REALITY SIMULATION CAPABILITY FOR COAL MINING OPERATIONS

RESEARCHER Dr Jim Galvin, University of New South Wales

FUNDING \$250 000

AIMS AND OBJECTIVES Develop, demonstrate and transfer an interactive, immersive VR capability to improve OH & S management and performance in the Australian coal mining sector. Simulations to be developed that relate to sprains & strains, self-escape and rib stability. These simulations and the technology to utilise them will be transferred to industry through the construction of a virtual reality theatre at each of the NSW Mines Rescue Stations, at this stage only a theatre at Argenton is to be built. This is a joint project with ACARP Project No.C12008 – Virtual Reality Simulation for Coal Mining Operations.

INHALABLE COAL DUST HEALTH EFFECTS AND A SUITABLE WORKPLACE EXPOSURE STANDARD

RESEARCHER Coal Services Pty Limited

FUNDING \$29 040

AIMS AND OBJECTIVES

- What (if any) are the adverse health effects known to arise from exposure to inhalable coal dust?
- If no effects are reported in the literature with respect to inhalable coal dust, are there any comparisons that can be made to other inhalable dusts?
- What is a suitable workplace exposure standard for inhalable coal dust and what degree of protection does it provide for specific health outcomes?

RESPIRABLE CRYSTALLINE SILICA IN COAL DUST

RESEARCHER Coal Services Pty Limited

FUNDING \$26 400

AIMS AND OBJECTIVES

- What are the adverse health effects from exposure to crystalline silica in respirable coal dust and are they different in any way to those from exposure to pure crystalline silica?
- Is the current NSW exposure standard of 0.15 mg/m³ respirable silica sufficient to prevent the onset of any disease outcome identified in (a)?

CONSOLIDATED
FINANCIAL STATEMENTS FOR
COAL SERVICES PTY LIMITED
(ACN 099 078 234)

AND ITS CONTROLLED ENTITIES
COAL MINES INSURANCE
PTY LIMITED
(ACN 000 011 727)
AND
MINES RESCUE PTY LIMITED
(ACN 099 078 261)

FOR THE FINANCIAL YEAR
ENDED 30 JUNE 2004

DIRECTORS' REPORT

Your directors present their report of 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 2004.

Directors

The following persons were directors of Coal Services Pty Limited and its controlled entities during the financial year:

- U Cario (*appointed Chairman 1 January 2004; resigned as Chairman and director 10 February 2004*)
- I L Farrar (*re-appointed Managing Director/Chief Executive Officer 2 April 2004*)
- A J Haraldson (*appointed director and Chairman 11 February 2004*)
- R P Land (*Chairman from 1 July to 31 December 2003*)
- J Mackrill
- A Maher
- R Taylor
- J Tucker

Principal activities

The company's principal activities during the period 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 period.

Review of operations

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

	SEGMENT REVENUES		SEGMENT RESULTS	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Workers compensation insurance	126,485	115,595	26,903	5,870
Mines rescue services	9,243	8,563	367	(627)
Occupational health and rehabilitation services	2,906	2,302	(1,769)	(2,151)
Other	10,957	8,006	(1,237)	(3,019)
Intersegment eliminations/unallocated	(6,980)	(6,177)	4,776	2,544
	<u>142,611</u>	<u>128,289</u>		
Profit from ordinary activities before income tax expense			29,040	2,617
Income tax expense (credit)			9,692	1,423
Profit from ordinary activities after income tax expense			<u>19,348</u>	<u>1,194</u>
Net profit			<u>19,348</u>	<u>1,194</u>

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

(a) Workers compensation insurance

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

The segment result for the twelve months was a profit before income tax of \$26.9 million. The result for underwriting operations was a profit of \$9.3 million, while general and administration reported a profit of \$27.2 million, mainly due to investment income of \$29.2 million. The indemnity provided to the company by the parent entity reduced during the period by \$9.6 million 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.

For the twelve months, the segment result was a profit of \$0.4 million. Total operating revenue of \$8.8 million included contributions from mineowners of \$3.6 million and training and services revenue of \$5.2 million.

(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.

During the twelve months to 30 June 2004, the division continued to provide services to the coal industry consistent with its charter for quality and excellence. Net expenditure for the segment was \$ 1.8 million.

(d) Other services

Coal Services Pty Limited provides other services including an information and statistical service. It also provides corporate and administration support to the core business units.

Net expenditure for the segment of \$1.2 million included a net return on the investment portfolio of \$4.5 million.

Likely developments and expected results of operations

At 30 June 2004 the consolidated entity had net assets of \$35.6 million. This included goodwill created on consolidation of Coal Mines Insurance Pty Limited of \$24.4 million less accumulated amortisation of \$12.2 million. *Refer note 20.*

Coal Mines Insurance Pty Limited will reduce the scheme rate for 2004/05 to align with estimated claims costs expected in that year.

The directors of Coal Mines Insurance Pty Limited have agreed to provide a risk margin in the provision for outstanding claims within the range of ensuring an 85% to 90% level of confidence, in line with industry best practice.

Insurance of directors and officers

During the period, the company paid premiums of \$113 878 to insure the directors and officers of the company.

The liabilities insured are the costs associated with 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.

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.

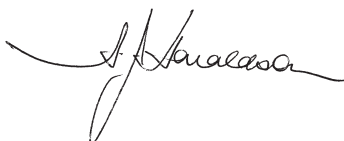
Auditor

PricewaterhouseCoopers were appointed Auditors from 1 January 2002 in accordance with section 327 of the *Corporations Act 2001*.

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



I L Farrar
Managing Director



A J Haraldson
Chairman of Directors

Sydney
28 October 2004

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004

		PARENT ENTITY		CONSOLIDATED	
	Note	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Underwriting activities					
- Revenue	3	-	-	97,099	99,830
- Expenses	3	-	-	83,095	95,879
		-	-	14,004	3,951
Revenue from other ordinary activities	7	13,864	10,308	45,512	28,486
Employee benefits expense		(7,805)	(8,105)	(11,495)	(11,964)
Depreciation and amortisation expenses	8(a)	(409)	(392)	(5,758)	(5,672)
Net (loss) profit from sale of assets	8(a)	(14)	(33)	(22)	(60)
Bad and doubtful debts expense	8(a)	(13)	(24)	(83)	(710)
Investment management expenses		(956)	(770)	(956)	(770)
Miners pension expense	8(a)	(2,994)	(2,495)	(2,994)	(2,495)
Mines rescue materials expenses		-	-	-	(588)
Repairs and maintenance expenses		(154)	(139)	(152)	(336)
Consultants and contractors		(1,460)	(748)	(2,219)	(1,597)
Medical related expenses		(436)	(381)	(436)	(381)
Other expenses from ordinary activities		(2,629)	(2,391)	(6,361)	(5,247)
Total expenses from ordinary activities		(16,870)	(15,478)	(30,476)	(29,820)
Reduction in indemnity to controlled entity		9,666	7,424	-	-
Profit (loss) from ordinary activities before income tax		6,660	2,254	29,040	2,617
Income tax expense (credit)	9	6,660	2,254	9,692	1,423
Profit from ordinary activities after income tax		-	-	19,348	1,194
Net profit		-	-	19,348	1,194
Net increase in asset revaluation reserve (recognised directly in equity)		-	-	-	710
Total changes in equity other than those resulting from transactions with owners as owners	31	-	-	19,348	1,904

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2004

		PARENT ENTITY		CONSOLIDATED	
	Note	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Current assets					
Cash assets	10	22,960	36,711	23,674	38,057
Receivables	11	4,545	2,681	14,341	12,239
Investments	12	209,188	175,740	209,188	175,740
Inventories	13	-	-	177	176
Current tax assets	14	1,146	-	1,146	-
Other	15	397	241	754	538
Total current assets		238,236	215,373	249,280	226,750
Non-current assets					
Receivables	16	-	-	1,251	1,362
Investments	17	129,802	118,186	129,312	118,096
Property, plant and equipment	18	1,742	1,469	13,403	12,513
Deferred tax assets	19	5,891	3,961	5,891	9,954
Intangible assets	20	-	-	12,213	17,097
Other	21	479	-	479	-
Total non-current assets		137,914	123,616	162,549	159,022
Total assets		376,150	338,989	411,829	385,772
Current liabilities					
Payables	22	68,445	25,936	3,288	2,694
Provisions	23	11,838	12,232	78,268	76,915
Other	24	258	428	1,234	1,010
Total current liabilities		80,541	38,596	82,790	80,619
Non-current liabilities					
Deferred tax liabilities	25	4,570	-	4,570	-
Provisions	26	291,039	300,393	289,005	289,037
Total non-current liabilities		295,609	300,393	293,575	289,037
Total liabilities		376,150	338,989	376,365	369,656
Net assets		-	-	35,464	16,116
Equity					
Contributed equity	29	~	~	~	~
Reserves	30(a)	-	-	710	710
Retained profits	30(b)	-	-	34,754	15,406
Total equity	31	-	-	35,464	16,116

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2004

		PARENT ENTITY		CONSOLIDATED	
	Note	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Cash flows from operating activities					
<i>Underwriting operations</i>					
Premiums received (inclusive of goods and services tax)		107,529	111,606	107,350	111,422
Outwards reinsurance paid		(783)	(651)	(783)	(650)
Claims paid		(80,645)	(80,631)	(80,000)	(80,141)
Other Underwriting expenses paid		(615)	(1,038)	(615)	(1,054)
<i>Other operations</i>					
Rentals received		6,849	8,235	6,849	8,235
Interest received		5,263	5,127	5,298	5,205
Dividends & distributions received		6,040	7,135	6,040	7,135
Other investment income		19	2	19	2
Coal Services Health and Safety Trust		89	2	89	2
Mines rescue industry contributions received		-	-	3,611	2,865
Other revenue		3,047	2,514	7,719	8,115
Interest paid		-	-	-	-
Miners' pension fund payments		(3,124)	(3,399)	(3,124)	(3,399)
Income taxes paid		(1,837)	(3,281)	(1,837)	(3,795)
Other operating payments		(25,759)	(24,658)	(34,486)	(33,967)
Net cash inflow (outflow) from operating activities	40	16,073	20,963	16,130	19,975
Cash flows from investing activities					
Payment for purchase of business		-	-	-	(75)
Proceeds from sale of fixed interest securities		26,041	-	26,041	-
Proceeds from maturity of fixed interest securities		5,000	238	5,000	238
Proceeds from sale of shares		30,691	49,846	30,691	49,846
Proceeds from sale of plant and equipment		650	904	948	1,563
Payments for fixed interest securities		(38,097)	(89)	(38,097)	(89)
Payments for property		(828)	(228)	(828)	(228)
Payments for shares		(51,424)	(52,621)	(51,424)	(52,621)
Payments for plant and equipment		(1,457)	(1,495)	(2,844)	(2,084)
Payment of loan to controlled entity		(400)	-	-	-
Net cash (outflow) inflow from investing activities		(29,824)	(3,445)	(30,513)	(3,450)
Cash flows from financing activities					
Proceeds from borrowings from parent entity		-	-	-	-
Net cash inflow from financing activities		-	-	-	-
Net increase (decrease) in cash held		(13,751)	17,518	(14,383)	16,525
Cash at the beginning of the reporting period		36,711	19,193	38,057	21,532
Cash at the end of the reporting period	10	22,960	36,711	23,674	38,057

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

Note 1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group Consensus Views and the *Corporations Act 2001*.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

AASB is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the year ending 30 June 2006. Information about how the transition to Australian equivalents to IFRS is being managed, and the key differences in accounting policies that are expected to arise, is set out in *note 1(o)*.

(a) Principles of consolidation

The consolidated financial statements are those of the economic entity comprising Coal Services Pty Limited (the parent entity) and its wholly-owned controlled entities, Coal Mines Insurance Pty Limited and Mines Rescue Pty Limited. The effects of all transactions between entities in the economic entity have been eliminated in full.

(b) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statements of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates that are expected to apply when those timing differences reverse.

Effective from 1 July 2003, the parent entity has elected for its resident wholly-owned controlled entities to join it in a tax consolidation group. As a consequence, the company recognises all current and deferred tax amounts in relation to its resident wholly-owned controlled entities in its own financial statements in addition to current and deferred tax balances arising from its own transactions and events.

(c) 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:

(i) 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. Premiums are earned on a daily basis from the date of attachment of risk.

(ii) Mines rescue service

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 industry and commercial industries. Services revenue is derived from the repair and maintenance of technical and safety equipment.

(iii) 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.

(iv) Investments and investment income

Investments are taken up in the financial statements at net market value at balance date. Investments include all land and buildings owned by Coal Services Pty Limited only. Land and buildings owned by Mines Rescue Pty Limited are not integral to the insurance operations of the consolidated entity, and are shown as part of property, plant and equipment, at their market values at balance date. Refer *Note 1. (h)* revaluation of non-current assets.

Changes in the net market values of investments at the balance date from their net market values at the beginning of the period (or cost of acquisition, if acquired during the financial period) are recognised as revenue or expense in the statement of financial performance.

Net market values are determined as follows:

- Land and buildings – directors' valuation based on existing use and valuations provided by independent registered valuers
- Fixed interest securities – by reference to market quotations
- Australian shares – by reference to market quotations
- Equity trust units – by reference to unit redemption prices
- Property trust units – by reference to market quotations

Where material, estimated costs of realisation are deducted.

Investment revenue is brought to account on an accruals basis. Dividends and distributions on quoted shares and property trusts are deemed to accrue on the date the shares or property trusts are quoted ex-dividend or ex-distribution. Rental revenue from the leasing of investment properties is recognised in the statement of financial performance when it is receivable, as this represents the pattern of service rendered through the provision of the properties.

(d) Outwards reinsurance

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

(e) 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 yet reported (IBNR), 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 the risk adjusted market rates of return on investments, based on the average term to settlement. The details of rates applied are included in *Note 6*.

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

The risk margin included in the liability for outstanding claims falls within the range of an 85% to 90% probability of sufficiency.

(f) Receivables

All trade debtors 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 doubtful debts is raised when some doubt as to collection exists.

(g) Inventories

Stocks of materials held for resale and used in the operations of Mines Rescue Pty Limited to generate income 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 and expenditure account as incurred.

(h) Revaluations 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 the directors, supplemented by independent assessments at least every three years.

Land and buildings owned by Mines Rescue Pty Limited with a market value of \$2.8 million have been constructed for a specific use, and are valued based on their existing use, using a depreciated replacement cost method.

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

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Potential capital gains tax is not taken into account in determining revaluation amounts unless it is expected that a liability for such tax will crystallise.

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

(i) Depreciation of property, plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis

for all assets, with annual reassessments of major items. The depreciation rates used for each class of assets are:

- Buildings	2% per annum
- Office improvements	20% per annum
- Computer equipment	20% per annum
- Motor vehicles	10% – 25% per annum
- Plant and equipment	5% – 33.33 % per annum

(j) Trade and other creditors

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.

(k) 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 1 (i)*. Other routine operating maintenance, repair and minor renewal costs are charged as expenses as incurred.

(l) Employee entitlements

(i) 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.

(ii) 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 expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted to present value at the balance date using a discount rate of 5.5 %.

(iii) Superannuation

Employees may elect to participate in any one of 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 an asset in respect of defined benefit superannuation is recognised in the provision for employee benefits, and is measured as the difference between the present value of employees' accrued benefits at the reporting date and the net market value of the superannuation fund's assets at that date. Further details of superannuation schemes in which employees of the consolidated entity participate are included at *Note 28*.

(iv) Employee benefit on-costs

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

(m) Cash and Statement of cash flows

For purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

The parent entity's statement of cash flows shows cash inflows and outflows for premiums received, or claims and other underwriting expenses paid. All cashflows of the subsidiary, Coal Mines Insurance Pty Limited are managed through the parent entity's bank account, and cash inflows and outflows for the subsidiary company occur through the inter-company account.

(n) Operating leases

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

(o) International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the year ending 30 June 2006.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The consolidated entity has established a small team to manage the transition to Australian equivalents to IFRS, including training the staff and system and internal control changes necessary to gather all the required financial information. The team will report through the Chief Executive Officer to the audit committee.

To date, the following changes to the consolidated entity's existing accounting policies that will be required have been identified:

(i) Insurance contracts

It is expected that workers compensation insurance provided by a controlled entity will meet the new accounting definition of an "insurance contract" as per the Australian equivalent to IFRS 4 *Insurance Contracts*.

Changes to accounting for insurance contracts are not expected to be significant. In the main, insurance contracts will continue to be recognised and measured in line with currently adopted accounting treatments, subject to a revised liability adequacy test.

However, there will be significant additional disclosure requirements arising from the adoption of the new standards, particularly in respect of risk management policies, disclosure of assumptions, and the methods used to arrive at assumptions applied in the actuarial valuations.

(ii) Financial instruments

Under the Australian equivalents to IAS 32 *Financial Instruments: Disclosure and Presentation* the current classification of financial instruments issued by entities within the consolidated entity will not change.

Under the Australian equivalents to IFRS, assets held to back insurance liabilities are required to be measured at fair value when there is a fair value option included in the standard backing that particular type of asset.

Under the Australian equivalent to IAS 39 *Financial Instruments: Recognition and Measurement* therefore, all financial assets backing insurance liabilities will be either held for trading or designated as fair value through profit and loss. This means that all such assets will be measured at fair value with any movements in value being recognised in the income statement. The main difference in treatment will be that transaction costs will no longer be incorporated into the valuation of such assets.

Financial assets not deemed to back insurance liabilities will not be restricted to the fair value option. Disclosure of how financial assets are designated as backing insurance liabilities will also be required.

(iii) Income tax

Under the Australian equivalent to IAS12 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy under which deferred tax balances are determined using the income statement method. Items will only be tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss, and current and deferred taxes cannot be recognised directly in equity.

(iv) Intangible assets – goodwill

Under the Australian equivalent to IFRS 3 *Business Combinations*, amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit.

This will result in a change to the current accounting policy, under which goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise and not exceeding 20 years.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the consolidated entity's financial position and reported results.

(p) Rounding

Amounts have been rounded to the nearest \$1,000 with the following exceptions:

- contributed equity
- remuneration of auditors
- remuneration of directors
- investment in controlled entities

and where included as part of the narrative of a note.

The symbol "~" has been used for amounts greater than zero and less than \$500.

Note 2. Segment information**Business segments**

The company is organised into the following divisions by product and service type.

Workers compensation insurance

Provides workers compensation insurance services to employers in the coal industry.

Mines rescue services

Provides emergency response standby services to mine owners in the coal industry; provides safety training and a repair and maintenance service for technical and safety equipment.

Occupational health and rehabilitation services

Provides occupational health and rehabilitation services, and occupational hygiene services to the coal industry.

Other

Includes management of investment portfolio and statistical services.

Geographical segments

The consolidated entity operates in New South Wales, Australia.

Primary reporting – business segments

12 months ended 30 June 2004	Workers compensation insurance (\$000)	Mines rescue services (\$000)	Occupational health and rehabilitation services (\$000)	Other (\$000)	Inter-segment eliminations/ unallocated (\$000)	Total (\$000)
Revenue from external customers	97,099	8,808	2,166	363		108,436
Intersegment revenue	172	12	740	6,056	(6,980)	-
Total operating revenue	97,271	8,820	2,906	6,419	(6,980)	108,436
Other revenue	29,214	423	-	4,538	-	34,175
Total segment revenue	126,485	9,243	2,906	10,957	(6,980)	142,611
Expenditure	(99,582)	(8,876)	(4,675)	(12,194)	11,756	(113,571)
Profit (loss) from ordinary activities before income tax expense	26,903	367	(1,769)	(1,237)	4,776	29,040
Income tax expense (unallocated)						9,692
Profit (loss) from ordinary activities after income tax expense						19,348
Net profit						19,348
Segment assets	355,575	16,411	-	368,360	(335,554)	404,792
Total assets						404,792
Segment liabilities	(344,466)	(4,157)	-	(370,827)	347,655	(371,795)
Total liabilities						(371,795)
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	-	1,387	-	-	1,395	2,782
Depreciation and amortisation expense	-	(468)	-	-	(5,290)	(5,758)
Other non-cash expenses	6	(84)	-	-	(27)	(105)
Net cash inflow (outflow) from operating activities	(108)	59	-	-	16,179	16,130

12 months ended 30 June 2003	Workers compensation insurance (\$000)	Mines rescue services (\$000)	Occupational health and rehabilitation services (\$000)	Other (\$000)	Inter-segment eliminations/ unallocated (\$000)	Total (\$000)
Revenue from external customers	99,830	7,684	1,761	273	-	109,548
Intersegment revenue	167	3	541	5,466	(6,177)	-
Total operating revenue	99,997	7,687	2,302	5,739	(6,177)	109,548
Other revenue	15,598	876	-	2,267	-	18,741
Total segment revenue	115,595	8,563	2,302	8,006	(6,177)	128,289
Expenditure	(109,725)	(9,190)	(4,453)	(11,025)	(8,721)	(125,672)
Profit (loss) from ordinary activities before income tax expense	5,870	(627)	(2,151)	(3,019)	2,544	2,617
Income tax expense (unallocated)						1,423
Profit (loss) from ordinary activities after income tax expense						1,194
Net profit						1,194
Segment assets	323,610	15,584	-	334,825	(298,492)	375,527
Total assets						375,527
Segment liabilities	(341,688)	(4,373)	-	(338,990)	315,483	(369,568)
Total liabilities						(369,568)
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	-	664	-	-	1,373	2,037
Depreciation and amortisation expense	-	(404)	-	-	(5,273)	(5,677)
Other non-cash expenses	(258)	(156)	-	-	(58)	(472)
Net cash inflow (outflow) from operating activities	(11)	(989)	-	-	20,975	19,975

Notes to and forming part of the segment information

(a) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in *note 1* and the revised segment reporting accounting standard, AASB 1005 *Segment Reporting*.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, investments, receivables, and property, plant and equipment, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on

reasonable estimates of usage. Segment liabilities consist primarily of outstanding claims provisions, trade and other creditors, and employee entitlements. Segment assets and liabilities do not include income taxes. The indemnity agreement described in *Note 36* has been reflected as a receivable for the "workers compensation insurance" segment, and a payable in the "other" segment.

(b) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an arm's-length basis. The movement in the indemnity described in *Note 36* is reflected as an expense in the "workers compensation insurance" segment, and a revenue in the "other" segment.

		PARENT ENTITY		CONSOLIDATED	
	Notes	2004 \$000	2003 \$000	2004 \$000	2003 \$000

Note 3. Underwriting result

(a) Underwriting revenues

Gross earned premiums	4	-	-	96,838	99,015
Reinsurance and other recoveries revenue	5	-	-	261	815
		-	-	97,099	99,830

All underwriting revenues relate to operating activities

(b) Underwriting expenses

Gross claims expense	5	-	-	81,412	94,297
Outwards reinsurance premium expense	4	-	-	739	504
Other underwriting expenses		-	-	944	1,078
		-	-	83,095	95,879

(c) Underwriting result

Net earned premiums	4	-	-	96,099	98,511
Net incurred claims	5	-	-	(81,151)	(93,482)
Other underwriting expenses		-	-	(944)	(1,078)
		-	-	14,004	3,951

The underwriting result reported above differs from that reported in the statements of Coal Mines Insurance Pty Limited due to the elimination of the following inter-company transfers:

Premium received from Mines Rescue Pty Limited	(173)	(167)
Rehabilitation services provided by parent entity included in claims paid	649	490
Claims settlement costs incurred by parent entity	4,189	3,492

Note 4. Net earned premiums

Gross written premiums	-	-	97,233	99,148
Movement in unearned premiums	-	-	(395)	(133)
Gross earned premiums	-	-	96,838	99,015
Outwards reinsurance premium expense	-	-	739	504
Net earned premiums	-	-	96,099	98,511

Note 5. Net incurred claims

Claims expense				
Direct				
- Claims paid (excluding claims settlement costs – see Note 3.)	-	-	79,330	80,252
- Movement in provision for claims outstanding	-	-	(2,117)	(12,883)
Discount	-	-	4,199	26,928
Gross claims expense	-	-	81,412	94,297
Reinsurance and other recoveries				
Other recoveries – undiscounted	-	-	261	815
Reinsurance and other recoveries revenue	-	-	261	815
Net incurred claims	-	-	81,151	93,482

Note 5. Net incurred claims (continued)

Claims development (consolidated)

Current period claims relate to risks borne in the financial period covered by this report. Prior period claims relate to a reassessment of the risks borne in all previous financial periods.

	CURRENT PERIOD \$000	PRIOR PERIODS \$000	TOTAL \$000
12 months ended 30 June 2004			
Gross claims incurred and related expenses			
Undiscounted			
- Claims paid	6,301	73,029	79,330
- Movement in provision for claims outstanding	60,480	(62,597)	(2,117)
Discount	(8,147)	12,346	4,199
Gross claims expense	58,634	22,778	81,412
Reinsurance and other recoveries			
Other recoveries – undiscounted	-	261	261
Reinsurance and other recoveries revenue	-	261	261
Net incurred claims	58,634	22,517	81,151
12 months ended 30 June 2003			
Gross claims incurred and related expenses			
Undiscounted			
- Claims paid	6,418	73,834	80,252
- Movement in provision for claims outstanding	71,240	(84,123)	(12,883)
Discount	(7,178)	34,106	26,928
Gross claims expense	70,480	23,817	94,297
Reinsurance and other recoveries			
Other recoveries – undiscounted	-	815	815
Reinsurance and other recoveries revenue	-	815	815
Net incurred claims	70,480	23,002	93,482

Notes	PARENT ENTITY		CONSOLIDATED	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000

Note 6. Outstanding claims

(a) Undiscounted expected future claim payments				
Central estimate	-	-	322,823	348,176
Risk margin	(d)	-	66,891	42,598
Indirect claims settlement costs	-	-	13,142	14,199
	-	-	402,856	404,973
Discount to present value	-	-	(59,988)	(64,187)
Liability for outstanding claims	-	-	342,868	340,786
Current	-	-	73,059	71,044
Non-current	-	-	269,809	269,742
	-	-	342,868	340,786

(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	-	-	4.00%	4.00%
Inflation rate – superimposed	-	-	2.00%	2.00%
Discount rate	-	-	5.00%	4.75%
For the subsequent years				
Inflation rate – normal	-	-	4.00%	4.00%
Inflation rate – superimposed	-	-	2.00%	2.00%
Discount rate	-	-	5.00%	4.75%

(c) The weighted average expected term to settlement of the outstanding claims from the balance date is estimated to be 4.6 years (2003: 4.8 years).

(d) The risk margin, which represents 24.2 % (2003: 15%) of the discounted central estimate, gives a 90% (2003: 75%) probability of sufficiency.

	PARENT ENTITY		CONSOLIDATED	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Note 7. Other revenue				
Revenue from other operating activities				
Net investment income – refer <i>Note 8 (b)</i>	4,538	2,267	33,785	17,932
Contributions from colliery proprietors	-	-	3,606	3,005
Training and services revenue	-	-	5,214	4,679
Occupational health and rehabilitation services	2,859	2,255	2,100	1,713
Other	419	324	417	321
	7,816	4,846	45,122	27,650
Revenue from outside the operating activities				
Costs recovered from controlled entity	6,048	5,462	-	-
Other	-	-	390	836
	6,048	5,462	390	836
Revenue from other ordinary activities	13,864	10,308	45,512	28,486

Note 8. Profit from ordinary activities**(a) Net gains/losses and expenses**

Profit from ordinary activities before income tax expense includes the following specific net losses and expenses:

Net losses

Net (loss) on disposal

Property, plant and equipment

(14)	(33)	(22)	(60)
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Expenses

Depreciation of plant and equipment

(409)	(392)	(874)	(792)
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Amortisation of goodwill

-	-	(4,884)	(4,880)
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Bad and doubtful debts

(13)	(24)	(83)	(710)
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Employee entitlements provisions

(762)	(823)	(762)	(823)
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Rental expense relating to operating leases

(513)	(323)	(513)	(323)
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Miners' pensions expense under indemnity

(2,994)	(2,495)	(2,994)	(2,495)
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(b) Net investment income**Revenues**

Dividends

-	1,653	-	1,653
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Equity and Property trust distributions

7,393	4,423	7,393	4,423
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Fixed Interest trust distributions

1,573	4,533	1,573	4,533
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Interest – short term investments

937	1,368	971	1,440
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Interest – long term investments

3,934	3,752	3,934	3,752
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Rental income

6,747	7,594	6,747	7,594
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Unrealised gains on investments:

Fixed interest investments

-	1,369	-	1,369
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Australian listed shares and equity trust units

14,040	-	14,040	-
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Property

518	5,719	518	5,719
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Property trust units

1,015	450	1,015	450
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Realised profits:

Australian listed shares and equity trust units

1,940	-	1,940	-
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Property trust units

-	126	-	126
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Other investment income

89	16	89	16
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38,186	31,003	38,220	31,075
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	PARENT ENTITY		CONSOLIDATED	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Note 8. Profit from ordinary activities (b) (continued)				
Expenses				
<i>Unrealised losses on investments:</i>				
Fixed interest investments	(1,601)	-	(1,601)	-
Australian listed shares and equity trust units	-	(6,856)	-	(6,856)
<i>Realised losses:</i>				
Fixed interest investments	(639)	(6)	(639)	(6)
Australian listed shares and equity trust units	-	(4,007)	-	(4,007)
Investment property operating and management expenses	(2,195)	(2,274)	(2,195)	(2,274)
	(4,435)	(13,143)	(4,435)	(13,143)
Net investment income before allocation	33,751	17,860	33,785	17,932
Income allocated to controlled entity	(29,213)	(15,593)	-	-
Net investment income	4,538	2,267	33,785	17,932

Note 9. Income tax

(a) The income tax expense for the financial year differs from the amount calculated on the profit/loss. The differences are reconciled as follows:

Profit from ordinary activities before income tax expense	6,660	2,254	29,040	2,617
Income tax calculated at 30%	1,998	676	8,712	785
Tax effect of permanent differences:				
Net assets and liabilities assumed by controlled entities	-	-	1,464	1,464
Reduction in indemnity to controlled entity	(2,900)	(2,227)	-	-
Miners pension expense	898	748	898	748
Income allocated to controlled entity	8,144	4,565	-	-
Other permanent differences	133	130	164	166
Under (over) provision in previous year	25	(67)	92	(169)
Tax credits	(1,638)	(1,571)	(1,638)	(1,571)
Income tax adjustments for permanent differences	4,662	1,578	980	638
Income tax expense (credit)	6,660	2,254	9,692	1,423
Aggregate income tax expense comprises:				
Current taxation provision	(423)	691	1,555	737
(Over) under provision in prior year	(644)	110	(577)	110
Future income tax benefit – timing differences	2,998	1,453	3,529	1,310
Future income tax benefit – tax losses	159	-	615	(734)
Provision for deferred income tax liability	4,570	-	4,570	-
	6,660	2,254	9,692	1,423

The consolidated entity has elected to form a tax consolidated group from 1 July 2003. As a result, the parent entity, as the head entity in the tax consolidated group, has recognised tax entries for all entities in the tax consolidated group in addition to its own. The election to tax consolidate on 1 July 2003 has not had a significant impact on the assets and liabilities of the consolidated entity, apart from the impact of resetting of certain tax values.

The Australian Taxation Office has not yet been notified of this decision.

On formation of a tax consolidated group, the head entity has an option to bring the assets of each subsidiary member into the tax consolidated group by choosing between two methods, the Allocable Cost Amount (ACA) method, or Transitional Method. The Transitional Method has been chosen for both subsidiaries. Under this method, there is no impact on deferred tax balances.

The entities within the tax consolidated group 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 default by the head entity on its group payment obligations and the treatment where a controlled entity exits the group. The tax liability of the tax consolidated group otherwise remains with the head entity.

	PARENT ENTITY		CONSOLIDATED	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Note 10. Current assets – Cash assets				
Cash at bank and on hand	1,274	21,191	1,969	21,321
Short term deposits	21,686	15,520	21,705	16,736
	22,960	36,711	23,674	38,057

Bank overdraft

The parent entity has a bank overdraft facility of \$600 000 which was unused as at 30 June 2004.

Note 11. Current assets – Receivables

Trade debtors	631	437	3,380	3,130
Less: provision for doubtful debts	40	33	946	1,165
	591	404	2,434	1,965
Accrued income:				
Premiums	-	-	7,953	7,782
Interest	1,026	1,347	1,026	1,347
Dividends/distributions	2,676	551	2,676	551
Occupational health and rehabilitation	21	79	21	79
Other debtors	231	286	231	515
Mines Rescue Pty Limited	-	14	-	-
	4,545	2,681	14,341	12,239

Note 12. Current assets – Investments

Australian bond trust units	50,725	50,245	50,725	50,245
Australian equity trust units	90,038	89,128	90,038	89,128
Overseas equity trust units	56,110	19,793	56,110	19,793
Property trust units	12,315	11,557	12,315	11,557
Corporate Securities	-	5,017	-	5,017
	209,188	175,740	209,188	175,740

Note 13. Current assets – Inventories

Goods held for resale	-	-	177	176
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Stocks of materials held for resale and used to generate income by Mines Rescue Pty Limited, are accounted for as inventory, at the lower of cost or net realisable value. Consumables are expensed to the statement of financial performance, as incurred.

Note 14. Current assets – Current tax assets

Income tax receivable	1,146	-	1,146	-
	1,146	-	1,146	-

Note 15. Current assets – Other

Deposit paid	~	~	40	40
Prepayments	397	241	714	498
	397	241	754	538

	PARENT ENTITY		CONSOLIDATED	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Note 16. Non-current assets – Receivables				
Receivable from statutory corporation (refer note 28)	-	-	1,251	1,362

Note 17. Non-current assets – Investments

Corporate and Semi-government stock	32,998	32,308	32,998	32,308
Commonwealth bonds	5,359	11,033	5,359	11,033
Corporate Securities	20,007	5,126	20,007	5,126
Equity Loan	1,010	1,010	1,010	1,010
Commercial loan to controlled entity*	400	-	-	-
Property	69,938	68,619	69,938	68,619
Shares in associated entity – at cost	~	~	-	-
Shares in controlled entities – at cost	90	90	-	-
	129,802	118,186	129,312	118,096

* Coal Services Pty Limited entered into a loan agreement with Mines Rescue Pty Limited in February 2004. The parent entity has agreed to lend up to \$ 1 500 000 to the controlled entity, to be drawn in multiples of \$ 100 000 over seven months. As at 30 June 2004, \$ 400 000 of the loan had been drawn down. The loan is repayable over 5 years at a fixed rate of 6.75% p.a.

Note 18. Non-current assets – Property, plant and equipment

Land and buildings at valuation	-	-	9,641	9,611
Less: accumulated depreciation	-	-	334	201
	-	-	9,307	9,410
Office improvements at cost	330	299	330	299
Less: accumulated depreciation	251	219	251	219
	79	80	79	80
Computer equipment at cost	1,318	1,154	1,318	1,154
Less: accumulated depreciation	806	736	806	736
	512	418	512	418
Motor vehicles at cost	873	779	1,805	1,481
Less: accumulated depreciation	63	58	299	187
	810	721	1,506	1,294
Plant and equipment at cost	1,105	938	3,231	2,242
Less: accumulated depreciation	764	688	1,232	931
	341	250	1,999	1,311
	1,742	1,469	13,403	12,513

Valuations of land and buildings

The basis of valuation of land and buildings is fair value being the amounts for which the assets 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. One property was revalued during the prior year based upon an independent assessment by a member of the Australian Property Institute. All other 2004 revaluations were made by the directors – refer Note 1 (h).

Note 18. Non-current assets – Property, plant and equipment (continued)

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial period are set out below.

CONSOLIDATED	Land and buildings \$'000	Office improvements \$'000	Computer equipment \$'000	Motor Vehicles \$'000	Plant and Equipment \$'000	Total \$'000
Carrying amount at 1 July 2003	9,410	80	418	1,294	1,311	12,513
Additions	30	32	271	1,455	994	2,782
Disposals	-	-	(6)	(1,006)	(6)	(1,018)
Revaluation increment (<i>note 29(a)</i>)						0
Depreciation/amortisation expense	(133)	(33)	(171)	(237)	(300)	(874)
Carrying amount at 30 June 2004	9,307	79	512	1,506	1,999	13,403

PARENT ENTITY	Office improvements \$'000	Computer equipment \$'000	Motor Vehicles \$'000	Plant and Equipment \$'000	Total \$'000
Carrying amount at 1 July 2003	80	418	721	250	1,469
Additions	32	271	925	166	1,394
Disposals	-	(6)	(706)	-	(712)
Depreciation/amortisation expense	(33)	(171)	(130)	(75)	(409)
Carrying amount at 30 June 2004	79	512	810	341	1,742

PARENT ENTITY		CONSOLIDATED	
2004	2003	2004	2003
\$000	\$000	\$000	\$000

Note 19. Non-current assets – Deferred tax assets

Future income tax benefit – timing differences	5,732	3,961	5,732	9,219
Future income tax benefit – tax losses	159	-	159	735
	<u>5,891</u>	<u>3,961</u>	<u>5,891</u>	<u>9,954</u>

Note 20. Non-current assets – Intangible assets

(a) Goodwill at cost	-	-	20	20
Less: accumulated amortisation			8	4
	-	-	12	16
(b) Goodwill on consolidation	-	-	24,402	24,402
Less: accumulated amortisation	-	-	12,201	7,321
	-	-	12,201	17,081
	-	-	12,213	17,097

(a) In the year ended 30 June 2003, the subsidiary company Mines Rescue Pty Limited, purchased a diesel testing facility from BHP Steel. The excess of the purchase price over the fair value of the identifiable net assets acquired, was brought to account as goodwill. This goodwill is being amortised on a straight line basis over 5 years from the purchase date, being the period during which the benefits are expected to arise.

(b) On consolidation of the subsidiary company Coal Mines Insurance Pty Limited at 1 January 2002, goodwill was created. This goodwill is being amortised on a straight line basis over 5 years.

	PARENT ENTITY		CONSOLIDATED	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Note 21. Non-current assets – Other				
Prepayments – superannuation	479	-	479	-

Note 22. Current liabilities – Payables

Trade and other creditors	1,190	440	1,660	979
Net GST payable to ATO	748	754	748	754
Accrued expenses	93	469	880	961
Coal Mines Insurance Pty Limited	65,661	24,273	-	-
Mines Rescue Pty Limited	753	-	-	-
	68,445	25,936	3,288	2,694

Note 23. Current liabilities – Provisions

Outstanding claims	-	-	73,059	71,044
Coal Mines Insurance – indemnity	8,200	8,500	-	-
Miners' pension fund – indemnity	3,240	3,200	3,240	3,200
Employee entitlements	398	532	1,969	2,671
	11,838	12,232	78,268	76,915

Note 24. Current liabilities – Other

Unearned premiums	-	-	843	449
Claims recovery received in advance	-	-	133	133
Income received in advance	144	328	144	328
Rental bonds received	114	100	114	100
	258	428	1,234	1,010

Note 25. Non-current liabilities – Deferred tax liabilities

Provision for deferred income tax	4,570	-	4,570	-
	4,570	-	4,570	-

Note 26. Non-current liabilities – Provisions

Outstanding claims	-	-	269,809	269,742
Coal Mines Insurance – indemnity	273,322	282,687	-	-
Miners' pension fund – indemnity	15,839	16,009	15,839	16,009
Employee entitlements	1,878	1,697	3,357	3,286
	291,039	300,393	289,005	289,037

Note 27. Indemnity – Miners' superannuation pension fund

In 1992, with the agreement of the Commonwealth and New South Wales Governments, the Joint Coal Board indemnified COALSUPER Pty Ltd for its liability to pre-1978 pensioners in the Statutory Superannuation Fund. This indemnity transferred to the parent entity on 1 January 2002. The actuarial valuation of the liability at 30 June 2004 was \$ 19 079 000.

	PARENT ENTITY		CONSOLIDATED	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
(a) Expected future pension payments (undiscounted)	26,054	25,647	26,054	25,647
Discount to present value	(6,975)	(6,438)	(6,975)	(6,438)
Liability for future pension payments	19,079	19,209	19,079	19,209
Current	3,240	3,200	3,240	3,200
Non-current	15,839	16,009	15,839	16,009
	19,079	19,209	19,079	19,209

(b) The following average inflation rates and discount rates were used in the measurement of the Miners' Pension Fund liability:

	2004 %	2003 %	2004 %	2003 %
For the succeeding year				
Inflation rate	3.00%	3.00%	3.00%	3.00%
Discount rate	5.50%	4.75%	5.50%	4.75%
For subsequent years				
Inflation rate	3.00%	3.00%	3.00%	3.00%
Discount rate	5.50%	4.75%	5.50%	4.75%

(c) The weighted average expected term to settlement of future pension payments from the balance date is estimated to be 6.7 years (2003: 5.4 years).

(d) Miners' pensions expense under indemnity:

	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Pension payments	3,124	3,399	3,124	3,399
Movement in provision	(130)	(904)	(130)	(904)
	2,994	2,495	2,994	2,495

Note 28. Employee entitlements**Employee entitlement liabilities**

Long service leave entitlements

Current	51	36	51	36
Non-current	1,314	1,214	1,314	1,214
	1,365	1,250	1,365	1,250

Coal Industry Long Service Leave

Current deficiency	-	-	44	44
Non-current deficiency	-	-	44	44
Non-current liability	-	-	1,435	1,545
	-	-	1,523	1,633

Annual leave entitlements

Current	347	300	771	844
Non-current	564	483	564	483
	911	783	1,335	1,327

Sick leave entitlements

Current	-	-	1,103	1,551
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Superannuation entitlements

Current	-	196	-	196
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Total employee entitlements

Current	398	532	1,969	2,671
Non-current	1,878	1,697	3,357	3,286
	2,276	2,229	5,326	5,957

Employee numbers

Number of employees at end of period

Number	Number	Number	Number
129	110	162	143

Note 28. Employee entitlements (continued)

Coal Industry Long Service Leave

In 1992, Commonwealth legislation established a statutory corporation to assume responsibility for funding the payment of long service leave entitlements to persons employed in the black coal industry. Employers pay a levy to the fund based on employee wages. When an employee leaves, and long service leave payments are made, the employer seeks reimbursement of those payments from the fund.

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.

An unfunded liability for prior years' accrued entitlements was actuarially determined to exist as at June 1998. The levy on employers is directed to extinguish this past liability and meet the cost of current and future entitlements as they fall due and are paid. The past liability is expected to be extinguished in 2006.

Mines Rescue Pty Limited's obligation to employees is shown as a liability above. It's right to reimbursement from the statutory corporation is shown as an asset at Note 16.

Sick leave entitlements

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

Superannuation entitlements

During the period, the consolidated entity participated in various superannuation schemes that offered either defined 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 Cosaf Superannuation Plan and the Mines Rescue Station Staff Superannuation Plan, all administered by CoalSuper Services Pty Limited.

Contributions are made to the schemes by employees and the consolidated entity based on salary and within the rules of each scheme. The total amount paid or payable by the parent entity was \$933 541 (2003: \$914 591). This amount includes \$271 696 (2003: \$379 414) paid as part of salary packages and is included as part of the salaries and wages expense. Current employer contributions to all schemes are calculated to meet the full cost of the parent entity's liabilities under each scheme.

The gross superannuation liabilities for the EISS Defined benefit and Retirement schemes are assessed each year by the actuary. The difference between the gross liability and the employer reserve account balance held by EISS for each scheme is recognised either as a liability or an asset. The provision for superannuation liability in these schemes at 30 June 2003 is shown above. Prepaid superannuation contributions to the EISS defined benefit and retirement schemes at 30 June 2004 are shown as an asset at Note 21.

Notes	PARENT ENTITY		PARENT ENTITY	
	2004	2003	2004	2003
	shares	shares	\$	\$

Note 29. Contributed equity

(a) Share capital

Ordinary shares – fully paid

(b)	2	2	2	2
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(b) Ordinary shares

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

PARENT ENTITY		CONSOLIDATED	
2004	2003	2004	2003
\$000	\$000	\$000	\$000

Note 30. Reserves and retained profits

(a) Reserves

Asset revaluation reserve

-	-	710	710
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Movements:

Balance at beginning of period

-	-	710	-
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Increment on revaluation of freehold land and buildings

-	-	-	710
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Balance at end of period

-	-	710	710
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(b) Retained profits

Retained profits at beginning of period

-	-	15,406	14,212
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Net profit

-	-	19,348	1,194
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Retained profits at end of period

-	-	34,754	15,406
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(c) Nature and purpose of reserves

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in note 1(h).

	PARENT ENTITY		CONSOLIDATED	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Note 31. Equity				
Total changes in equity recognised in the statement of financial performance	-	-	19,348	1,904
Transactions with owners as owners:				
Contributions of equity	-	-	-	-
Total change in equity during the year	-	-	19,348	1,904

	PARENT ENTITY		CONSOLIDATED	
	2004 \$	2003 \$	2004 \$	2003 \$
Note 32. Remuneration of auditors				
Audit of financial reports				
Fees paid to PricewaterhouseCoopers Australian firm	14,530	11,200	126,200	111,200
Taxation services				
Fees paid to PricewaterhouseCoopers Australian firm	19,000	49,700	19,000	49,700
	33,530	60,900	145,200	160,900

	DIRECTORS OF PARENT ENTITY		DIRECTORS OF ENTITIES IN THE CONSOLIDATED ENTITY	
	2004 \$	2003 \$	2004 \$	2003 \$
Note 33. Remuneration of directors				
Income paid or payable, or otherwise made available, to directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities	836,322	783,787	836,322	783,787

The number of parent entity directors whose total income from the parent entity or related parties was within the specified bands are as follows:

	Number	Number	Number	Number
Remuneration between:				
\$20 000 and \$29 999	1	-	1	-
\$30 000 and \$39 999	1	-	1	-
\$40 000 and \$49 999	1	2	1	2
\$50 000 and \$59 999	3	3	3	3
\$230 000 and \$239 999	-	1	-	1
\$250 000 and \$259 999	1	-	1	-
\$290 000 and \$299 999	-	1	-	1
\$300 000 and \$309 999	1	-	1	-

Directors' remuneration excludes insurance premiums of \$113 878 expensed in the year by the parent entity in respect of directors' and officers' liability insurance, as the contract does not specify premiums paid in respect of individual directors and officers. Information relating to the insurance contract is set out in the directors' report.

Note 34. Related parties

Directors

The names of the persons who were directors of Coal Services Pty Limited and its subsidiaries at any time during the year are as follows: U Cario; I L Farrar; A J Haraldson; R P Land; J Mackrill; A Maher; R M Taylor and J Tucker.

All of these persons were directors for the full year with the exception of U Cario, whose appointment was revoked on 10 February 2004, and was replaced by A J Haraldson, on 11 February 2004. I L Farrar was re-appointed as Managing Director and Chief Executive Officer on 2 April 2004.

Note 34. Related parties (continued)

R P Land's term as Chairman expired on 31 December 2003, and U Cario was appointed Chairman from 1 January 2004 to 31 December 2005. In replacing U Cario, A J Haraldson became Chairman from the date of his appointment as director.

Remuneration and retirement benefits

Information on remuneration benefits of directors is disclosed in *note 33*. There were no retirement benefits paid in the period.

Transactions with directors and director-related entities

The following directors were trustees of the Joint Coal Board Health & Safety Trust during the year: Mr U Cario, Mr I L Farrar, Mr A J Haraldson, Mr R P Land, and Mr J Tucker. The Trust's name was changed to Coal Services Health & Safety Trust in March 2004. During the year the parent entity provided secretarial and management services to the Trust. All transactions with the Trust are shown separately in the statement of cash flows.

A director, Mr U Cario, is the managing director of Austral Coal Limited, a director of Tahmoor Coal Pty Ltd, and a director of Port Kembla Coal Terminal Limited. During the year the parent entity provided occupational health, rehabilitation and environmental monitoring services to Austral Coal Limited and Tahmoor Coal Pty Ltd. Coal Mines Insurance Pty Limited provided workers compensation insurance services to all of these companies. Mines Rescue Pty Limited provided emergency response standby services and mines rescue training to Tahmoor Coal Pty Limited. All transactions were conducted under normal commercial terms and conditions.

A director, Mr A J Haraldson, is a director of Henry Walker Eltin Group Limited. During the year the parent entity provided occupational health, rehabilitation and environmental monitoring services to Henry Walker Eltin Contracting Services Pty Limited, a wholly owned subsidiary. Coal Mines Insurance Pty Limited provided workers compensation insurance services to Henry Walker Contracting Services Pty Limited. All transactions were conducted under normal commercial terms and conditions.

A director, Mr A Maher, is the General President, Mining and Energy Division, Construction Forestry Mining and Energy Union. During the year Coal Mines Insurance Pty Limited provided workers compensation insurance services to this organisation. All transactions were conducted under normal commercial terms and conditions.

A director, Mr R Taylor, is the General Manager and Secretary of Coalsuper Services Pty Ltd. During the year, the parent entity provided office space for rental to Coalsuper Services Pty Ltd. All transactions were conducted under normal commercial terms and conditions.

A director, Mr R Taylor, is the Secretary of Coalsuper Pty Ltd. The parent entity has indemnified Coalsuper Pty Ltd for its liability to pre-1978 pensioners in the Statutory Fund. Details of the indemnity are disclosed at *Note 27*.

A director, Mr R Taylor, is the Secretary of the Coalsuper Retirement Income Fund, and the Coal Mining Industry (Long Service Leave Funding) Corporation. During the year, Mines Rescue Pty Limited made superannuation and levy payments to the Income Fund, and levy payments to the Long Service Leave fund, on behalf of and in connection with its eligible employees. All transactions were conducted under normal commercial terms and conditions.

A director, Mr J Tucker, resigned as the executive director of the New South Wales Minerals Council and joint director of the Australian Coal Association on 21 May 2004. During the year Mines Rescue Pty Limited renewed its membership of the New South Wales Minerals Council and contracted the professional services of several industrial relations consultants. All transactions were conducted under normal commercial terms and conditions.

Aggregate amounts of each of the above types of transactions with director and their director related entities are:

	PARENT ENTITY		CONSOLIDATED	
	2004 \$	2003 \$	2004 \$	2003 \$
Workers compensation insurance premium income	-	-	3,884,070	3,735,273
Occupational health, rehabilitation, environmental monitoring income	35,559	-	35,559	-
Investment property rental income	120,891	129,558	120,891	129,558
Mine owners levy income	-	-	103,771	70,678
Membership and professional services fees	-	-	(9,735)	(7,370)
Superannuation/long service leave payments	-	-	(283,825)	(290,965)

Wholly-owned group

The wholly-owned group consists of Coal Services Pty Limited and its wholly-owned controlled entities, Coal Mines Insurance Pty Limited and Mines Rescue Pty Limited. Ownership interests in these controlled entities are set out in *Note 34*.

Transactions between Coal Services Pty Limited and other entities in the wholly-owned group during the year ended 30 June 2004 consisted of:

- rehabilitation services provided by the parent entity to Coal Mines Insurance Pty Limited
- occupational health assessments and statistical services provided by the parent entity to Mines Rescue Pty Limited
- claims management services provided by the parent entity to Coal Mines Insurance Pty Limited
- commercial loan provided by the parent entity to Mines Rescue Pty Limited – refer *Note 17* for details.
- workers compensation insurance services provided by Coal Mines Insurance Pty Limited to the parent entity
- induction training, equipment services and office space rental provided by Mines Rescue Pty Limited to the parent entity
- transactions under the tax sharing agreement in *Note 9*.

Note 34. Related parties (continued)

Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with entities in the wholly-owned group:

	PARENT ENTITY	
	2004 \$	2003 \$
Rehabilitation services income	660,592	490,201
Occupational health assessments/statistics income	81,751	54,526
Claims management services/administration costs (recoverable)	6,047,581	5,461,532
Interest received on commercial loan	6,861	-
Workers compensation insurance services	(42,285)	(35,367)
Induction training/equipment services/rent of office space	(11,678)	(3,166)
Aggregate amounts receivable from (payable to) entities in the wholly-owned group at balance date:		
Current receivables	-	13,371
Current payables	(66,413,341)	(24,273,084)

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 30 June 2004 the amount outstanding on the loan was \$1,010,000. During the period, the company received \$ 75 750 in interest on this loan.

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.

Note 35. Investment of controlled entities

Name of entity	Country of incorporation	Class of shares	Equity holding %	Parent entity cost \$
Coal Mines Insurance Pty Limited	Australia	Ordinary	100	90,090
Mines Rescue Pty Limited	Australia	Ordinary	100	1

Coal Mines Insurance Pty Limited and Mines Rescue Pty Limited are directly controlled by the parent entity. All claims on policies issued by Coal Mines Insurance Pty Limited are managed by staff of the parent entity under an administration agreement. There are no outside equity interests in Coal Mines Insurance Pty Limited or Mines Rescue Pty Limited.

Note 36. Indemnity – Coal Mines Insurance Pty Limited

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. The indemnity is limited to the value of the parent entity's gross assets less total liabilities (excluding the value of the indemnity). The value of the indemnity at 30 June 2004 was \$281 521 789.

	PARENT ENTITY	
	2004 \$'000	2003 \$'000
Value of indemnity at beginning of year	291,187	298,612
Movement in period	(9,666)	(7,425)
Value of indemnity at end of year	281,521	291,187

Note 37. Contingent liabilities

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

Note 38. Subsequent events

At the date of this report, the consolidated and parent entity were not aware of any events occurring after the reporting date which would impact the statement of financial position as at 30 June 2004, or the results of the company and its controlled entities for the year ended on that date.

	PARENT ENTITY		CONSOLIDATED	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Note 39. Commitments for expenditure				
Capital commitments				
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	-	38	44	38
	-	38	44	38
Lease commitments				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	126	430	261	469
Later than one year but not later than 5 years	231	347	514	430
	357	777	775	899
Representing:				
Cancellable operating leases	323	412	697	534
Non-cancellable operating leases	34	365	78	365
	357	777	775	899
Operating leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	34	337	63	337
Later than one year but not later than 5 years	-	28	15	28
Commitments not recognised in the financial statements	34	365	78	365

Note 40. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

Profit from ordinary activities after income tax	-	-	19,348	1,194
Depreciation and amortisation	409	393	5,758	5,678
(Profits) losses on realisation of investments	(1,301)	3,887	(1,301)	3,887
Unrealised profits on investments	(13,972)	(682)	(13,972)	(682)
Net loss on disposal of plant and equipment	14	33	22	55
Increase (decrease) in provision for doubtful debts	7	19	(166)	195
Bad debt written off	6	6	249	221
(Increase) decrease in trade debtors	(200)	55	(200)	1,009
(Increase) decrease in inventories	-	-	-	(46)
Decrease (increase) in other receivables	849	78	(41,500)	(3,723)
(Increase) decrease in accrued income	(2,547)	1,793	(2,547)	1,793
(Increase) decrease in prepayments and deposits	(635)	141	(660)	66
(Increase) decrease in future tax benefits	(1,929)	1,453	(1,048)	1,190
Increase (decrease) in trade creditors	854	(132)	1,450	(1,202)
Increase in accrued expenses	41,012	24,280	41,012	111
Increase in future tax liabilities	4,570	-	4,570	-
(Decrease) increase in other operating liabilities	(170)	15	(170)	15
Increase in claims provision	-	-	2,082	14,044
(Decrease) increase in current tax provision	(1,146)	(2,480)	3,964	(3,562)
(Decrease) in other provisions	(9,748)	(7,896)	(761)	(268)
Net cash inflow from operating activities	16,073	20,963	16,130	19,975

Note 41. Financial instruments (Consolidated)**a) Terms conditions and accounting policies**

FINANCIAL INSTRUMENT	ACCOUNTING POLICIES AND METHODS	NATURE OF UNDERLYING INSTRUMENT
Financial Assets		
Deposits at Call	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	Temporarily surplus funds are placed in call money market investments awaiting further investment opportunities. Interest is earned on the daily balance and is paid at month end.
Receivables	Receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts.	Credit terms are between 7 and 30 days depending on the nature of the receivable.
Equity Loan	Equity Loan is valued at cost.	Loan is secured by a bank guarantee. Interest payable monthly.
Government Securities	Securities issued by Governments and their authorities are valued according to market quotations.	These securities are guaranteed by the issuing government and traded in active markets. Interest is payable half-yearly.
Corporate Securities	Securities issued by Banks and other institutions are valued according to market quotations.	These securities are traded in active markets. Interest is payable half-yearly.
Mortgage Bonds	Securities issued are valued according to market quotations.	These securities are guaranteed by the New South Wales government and traded in active markets. Interest and capital repayments are made half-yearly.
Short Term Deposits	The deposit is recognised at cost. Interest is accrued as it is earned.	Surplus funds held in short term deposits maturing in 2004.
Shares in listed companies	These shares are carried at market value. Movements in these values are recognised in accordance with AASB1023 'Financial reporting of general insurance activities'. Dividend income is recognised when declared by the investee.	The shares held are ordinary shares.
Units in listed property trusts	These units are carried at market value. Movements in these values are recognised in accordance with AASB1023 'Financial reporting of general insurance activities'. Distribution income is recognised when declared by the trust.	The units held are ordinary units.
Managed Funds	Units in managed funds are carried at market value. Movements in these values are recognised in accordance with AASB1023 'Financial reporting of general insurance activities'. Distributions are recognised when declared.	The units held are ordinary units backed by Australian shares, Overseas shares or Fixed interest securities. Distributions are made quarterly or annually at the discretion of the fund manager.
Financial Liabilities		
Trade Creditors	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).	Settlement is usually made in accordance with the creditor's trading terms.
Indemnity – Miners' superannuation pension fund	The indemnity is measured as the present value of the expected future payments.	Payments are made in monthly instalments. Further details are disclosed at <i>note 27</i> .

Note 41. Financial instruments (Consolidated) (continued)

b) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate applicable to each class of financial asset or liability is set out in the following table:

		Fixed interest maturing in:					Weighted average effective interest rate
	Floating interest rate	1 year or less	over 1 to 5 years	more than 5 years	Non interest bearing	Total	
	\$000	\$000	\$000	\$000		\$000	%
30 June 2004							
Financial Assets							
Cash at Bank/Deposits at Call	1,969					1,969	5.00
Short Term Deposits		21,705				21,705	5.49
Receivables					15,591	15,591	n/a
Equity Loan			1,010			1,010	7.50
Government Securities			33,092	5,266		38,358	5.72
Corporate Securities			20,006			20,006	6.13
Units in Property Trusts					12,315	12,315	n/a
Managed Funds					196,874	196,874	n/a
	1,969	21,705	54,108	5,266	224,780	307,828	
Financial Liabilities							
Creditors					3,288	3,288	n/a
Indemnity					19,079	19,079	n/a
					22,367	22,367	
Net financial assets	1,969	21,705	54,108	5,266	202,413	285,461	
30 June 2003							
Financial Asset							
Cash at Bank/Deposits at Call	21,321					21,321	4.59
Short Term Deposits		16,736				16,736	4.75
Receivables					13,602	13,602	n/a
Equity Loan			1,010			1,010	7.50
Government Securities			38,075	5,266		43,341	4.65
Corporate Securities		5,016	5,126			10,142	4.75
Units in Property Trusts					11,557	11,557	n/a
Managed Funds					159,166	159,166	n/a
	21,321	21,752	44,211	5,266	184,325	276,875	
Financial Liabilities							
Creditors					2,694	2,694	n/a
Indemnity					19,209	19,209	n/a
					21,903	21,903	
Net financial assets	21,321	21,752	44,211	5,266	162,422	254,972	

Note 41. Financial instruments (Consolidated) (continued)**c) Credit risk exposures**

The carrying amount of financial assets recorded in the balance sheet, net of any provision for losses, represents the entity's maximum exposure to credit risk.

d) Net fair value of financial assets and liabilities

The entity's financial assets and liabilities are carried at amounts that approximate net fair value.

	<i>2004</i> <i>\$000</i>	<i>2003</i> <i>\$000</i>
e) Reconciliation of net financial assets to net assets of consolidated entity		
Net financial assets as shown above at b):	285,461	254,972
<i>Non-financial assets and liabilities:</i>		
Inventories	177	175
Investment property	69,938	68,619
Property, plant and equipment	13,403	12,513
Tax assets (current and deferred)	7,037	9,954
Intangible assets	12,213	17,097
Other assets	1,234	538
Tax liabilities (current and deferred)	(4,570)	-
Provisions (excluding Miners' pension indemnity)	(348,194)	(346,743)
Other liabilities	(1,235)	(1,010)
Net assets as per statement of financial position	35,464	16,115

DIRECTOR'S DECLARATION

The directors declare that the financial statements and notes set out on pages 19 to 45:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

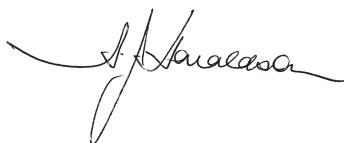
In the directors' opinion:

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001*; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



I L Farrar
Managing Director



A J Haraldson
Chairman of Directors

Sydney, 28 October 2004

INDEPENDENT AUDIT REPORT



Independent audit report to the members of Coal Services Pty Limited

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Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of Coal Services Pty Limited (the Company) for the financial year ended 30 June 2004 included on Coal Services Pty Limited web site. The Company's directors are responsible for the integrity of the Coal Services Pty Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Audit opinion

In our opinion, the financial report of Coal Services Pty Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Coal Services Pty Limited and the Coal Services Group (defined below) as at 30 June 2004 and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Coal Services Pty Limited (the company) and the Coal Services Group (the consolidated entity), for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Independent Audit Report
Coal Services Pty Limited



Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When this audit report is included in a document containing the directors' report, our procedures include reading the directors' report to determine whether it contains any material inconsistencies with the financial report.


While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.


PricewaterhouseCoopers


RS Punia
Partner

Sydney
28 October 2004

Independent Audit Report
Coal Services Pty Limited



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Occupational Health Services for Industry

Statistical Services

Training and Mines Rescue Procedures

Workers' Compensation Insurance for the NSW Coal Industry