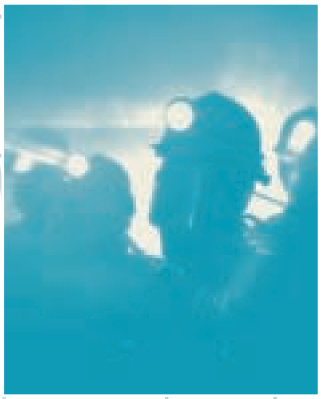
Coal Services Pty Limited

Annual Report 2004-05



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

OUR VALUES:

To act at all times with integrity, honesty and professionalism

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 *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

	2005 $'000
Premium income	82,151
Investment income	49,629
Contributions from colliery proprietors (MR Levy)	3,903
Total operating revenue	144,813
Claims payments	68,732
Outstanding claims provision	356,669
Total operating expenditure	118,562
Net profit before income tax	26,251

CS HEALTH

- Hand therapy service introduced in Singleton
- Pain management programs run from Singleton and Newcastle offices
- Field trials of a US designed Personal Dust Monitor undertaken
- New software to manage rehabilitation cases introduced
- Workshops & presentations conducted at the NSW Mining Industry OHS Conference

COAL MINES INSURANCE

- 1,932 new claims were registered during 2004/05
- 76% of all claims finalised during the year were resolved in the first 26 weeks
- Average scheme rate continued to trend downwards to 5.5% for 2005/06
- An early settlement conference pilot was conducted resulting in 55% of the claims used being settled
- A return to work pilot was conducted resulting in the a number of workers being successfully redeployed

MINES RESCUE

- Changeover to Drager BG4 long duration breathing apparatus for Brigadesmen was completed during the year.
- The total number of Brigadesmen increased by 23% during 2004/05
- Virtual Reality Training Simulator at the Newcastle Station officially opened by The Hon. John Della Bosca, Minister on 8 October 2004
- Two-year pilot program for Mines Rescue cadets commenced in January 2005

CHAIRMAN'S REPORT

I am pleased to report that 2004/05 has been another excellent year for Coal Services Pty Limited and its subsidiary companies Coal Mines Insurance Pty Ltd and Mines Rescue Pty Ltd (CSPL). The positive economic environment for the coal industry assisted all of CSPL's businesses to achieve favourable outcomes.

Within Coal Mines Insurance Pty Ltd the scheme performance continued to improve, mainly through a reduction in the number of open, or active, claims, coupled with a reduction in the duration of claims. This enabled us to continue to enhance the solvency of CSPL while reducing premiums by 25% from 9.7% to 7.3%.

Coal Services Health, which delivers a range of quality accredited occupational health, rehabilitation and occupational hygiene services to the industry, commenced several new projects aimed at expanding the range of services provided to the industry.

Mines Rescue continued their high level of emergency preparedness. During the year all Mines Rescue Stations completed their annual review of their emergency systems which were internally audited. A particularly pleasing aspect of Mines Rescue's operations in 2004/05 was that the total number of Brigadesmen in NSW coal mines increased by 23%. It was also encouraging that a significant proportion of this increase came from younger mine workers.

During the year Minister Della Bosca officially opened the Virtual Reality Simulator at the Newcastle Mines Rescue Station. This simulator is being developed with funding provided by the Coal Services Health & Safety Trust.

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 at the end of December 2005.

The Board is focussed on ensuring that all entities comprising CSPL deliver quality outcomes that are aligned to the priorities of the two shareholders. I would like to thank the Managing Director, his management team and all employees for their efforts in 2004/05.

A J Haraldson AM
Chairman

MANAGING DIRECTOR'S REPORT

All successful organisations must maintain a focus on achieving, if not exceeding, the expectations of stakeholders. CSPL is no different.

As the Chairman has indicated 2004/05 was a year in which we built on the progress made in 2003/04 to enhance overall solvency levels against a backdrop of reducing workers' compensation premiums by 25%.

I reported last year that an executive management team from Employers Mutual Limited (EML) had been engaged to assist in re-engineering our claims management processes. EML completed their role in April 2005 and all of the resultant changes have been embedded into our business processes. We now have an excellent foundation to refine our processes with the aim of further reducing claims costs, and thereby premium rates, by focussing on reducing the duration of claims and resolving any disputed claims as expeditiously as is feasible.

With the aim of reducing the number of long term open claims, a return to work pilot involving CMI and Coal Services Health was conducted with a strong emphasis of making greater use of vocational retraining.

Within Coal Services Health we continued to develop the pain management unit and it now operates out of both our Singleton and Warners Bay Offices. The aim is to assist injured workers to overcome the chronic effects of pain and increase the likelihood that they will return to work.

The Industrial Hygiene Group within Coal Services Health conducted a field trial of a US designed personal dust monitor. This instrument provides dust readings in real time, thereby alerting miners to any elevated dust levels when they actually occur. This instrument is still at the prototype stage but early results appear encouraging.

During 2004/05 Mines Rescue attended emergencies at Newpac Colliery, when a shaft gas sensor triggered an alarm, and at Dartbrook Colliery, where the Mine Shield Inertisation unit dealt with a spontaneous heating at the mine. Both emergencies were successfully addressed.

One of the aims of CSPL, as far as is practicable and where it can be economically justified, is to co-locate in the districts the activities of the various CSPL entities. During 2004/05 we commenced construction of new buildings on the Mines Rescue site at Lithgow to co-locate both Mines Rescue and Coal Services Health. These new facilities should be ready for occupation in early 2006. We also acquired a new site at Corrimal to co-locate the Southern Mines Rescue Station, CMI, and Coal Services Health. Plans have been submitted to Wollongong Council and we anticipate construction commencing in early 2006.

The greatest asset of CSPL is its staff and I would like to thank them and the executive management team for their efforts throughout 2004/05 in achieving our corporate goals.

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 2004/05 year has seen continuing improvement in Scheme performance due to a positive financial environment for the industry and improved claims management practices being implemented by Employers Mutual Limited (EML) during 2004.

The implementation of claims practices that differentiate between claims with a duration of less than 78 weeks and those with a duration of greater than 78 weeks has contributed strongly to improved claim results and reduced Scheme costs.

A final important factor assisting Scheme performance has been the increased involvement and focus of stakeholders on workers compensation and Occupational Health & Safety issues within the workplace.

SCHEME PREMIUM RATE

The average Scheme rate continues to trend downwards to 5.5% for 2005/06, reflecting the strong Scheme performance

The following graph shows the average scheme rate for the past 3 years. Indications are that, whilst the current level of stability within the industry continues, the scheme rate will continue to trend downwards.

AVERAGE SCHEME PREMIUM RATE

CLAIMS MANAGEMENT

The claims management structure implemented in CMI during 2003/04 introduced the "streaming" of claims into non-significant (less than 7 days time lost), significant (more than 7 days time lost) and tail (claims greater than 78 weeks old and legal claims).

The claims streaming assisted CMI in improving the timeliness of determining liability on claims from 57% in June 2004 to 76% in June 2005. This enabled CMI to commence treatment and assist injured workers in returning to work sooner and contributed to lower claim costs for policyholders.

The number of active claims fell 10% during the year from 2,122 to 1,904

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

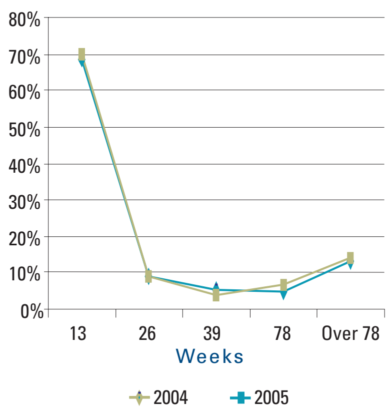
Non-significant claims	116
Significant Injury claims	80
Tail claims	143

76% of all claims finalised during the year were resolved within the first 26 weeks.

The finalisation rate within the first 26 weeks improved slightly due to the partnership approach taken by stakeholders and CMI's Claims Management Advisers and Injury Management Advisers. This is an area that will be receiving considerable attention during 2005/06 in order to achieve shorter duration rates and so minimise the number of claims moving into the tail.

CMI's focus on the management of long tail claims resulted in a 14% improvement in the finalisation rate of claims with a duration of 78 weeks or longer.

FINALISED CLAIM DURATION



CMI completed a number of projects during 2004/05 that assisted in improving Scheme performance. Two projects of significance were:

Early Settlement Conference Pilot

The ESC Pilot was established by CMI in 2004 with the main aims being to resolve disputes through mediation rather than the court system, reduce the cost of litigated/disputed claims to the Scheme and improve dispute resolution timeframes.

One large policyholder participated in the Pilot which involved the policyholder, the union and CMI.

The Pilot resulted in 55% of claims used in the Pilot being settled, a major achievement given the length of time the claims had been open (in excess of 10 years in several cases) and reduced Scheme liabilities by more than $1.5 million.

Return To Work Pilot

The Return To Work Pilot was conducted by CMI in conjunction with CS Health and aimed to reduce the number of open tail claims by utilising vocational retraining, a strategy that had been used in claims management over a long period of time by CMI on a one on one basis. The pilot focused on issues such as specified barriers to return to work in order to support the injured workers involved in the pilot and finalise or reduce the cost of long term claims on the Scheme.

Of the 55 claims assessed to take part in the Pilot, 14 were deemed suitable, of which 7 were successfully redeployed to new duties and another 6 found alternative employment before the Pilot concluded.

CMI will be working with CS Health during 2005/06 to widen the scope of the Pilot and engage a larger number of long term injured workers.

SCHEME DRIVERS

During the year 1,932 new claims were registered. The highest number of claims (50%) related to Back, Head/Neck and Shoulder/Arm injuries. Of these 61% were caused from sprains and strains and, in 29% of the claims, the injury was attributed to slips, trips and falls.

CLAIM COSTS

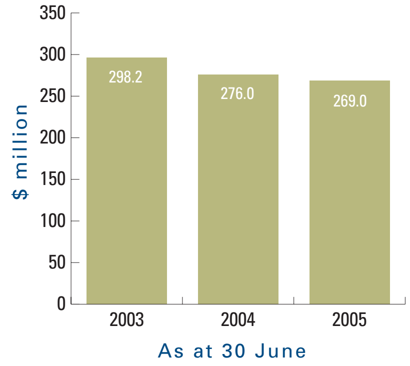
Net payment on claims for the year was $79 million, with strains and sprains accounting for 68% of payments and claims resulting from Overexertion and Slips, Trips and Falls accounting for 29% of all payments.

ACTUARIAL VALUATION

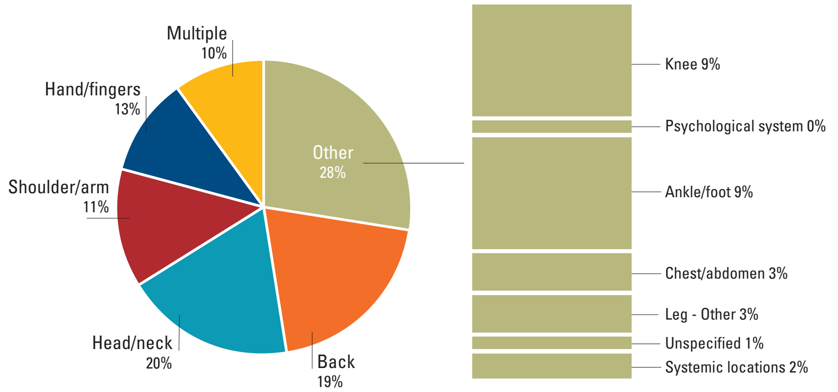
The outstanding claims provision continued trending downwards to $269 million at June 2005

The actuarial valuation of outstanding claims liabilities as at 30 June 2005 was $269 million, down from $276.0 million in 2004. The continuing downward trend reflects strong investment returns and positive Scheme performance.

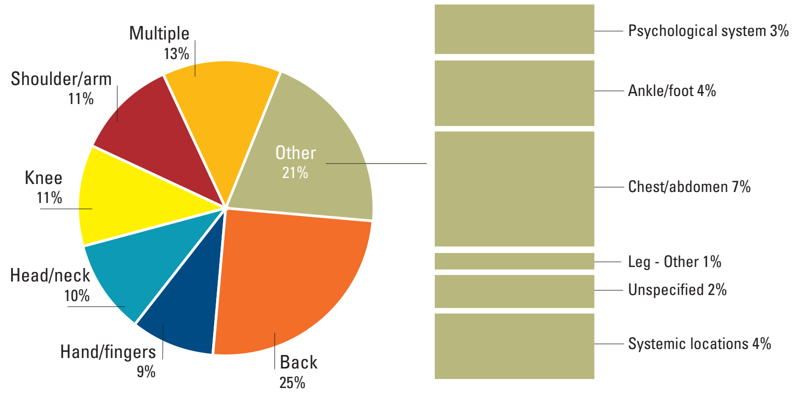
CENTRAL CLAIMS ESTIMATE



NUMBER OF CLAIMS



TOTAL PAID



AUDIT & COMPLIANCE

The audit and compliance program implemented in 2003/04 was strengthened with the appointment of an external company, Commercial Audit Services, during 2004/05. Commercial Audit Services has considerable experience within other workers compensation schemes and supported CMI's Underwriting Department in ensuring policyholders were correctly declaring their wages paid and that the business description of their activities adequately reflected the work being undertaken. During 2004/5, 46 policies were reviewed, with 28 audits being completed as at 30 June 2005.

COAL MINE INSURANCE ANNUAL STATISTICS

ITEM	KEY PERFORMANCE INDICATOR	1995/96	1996/97	1997/98	1998/99	1999/2000
1	Number of employees insured	14,586	14,881	13,815	11,685	10,862
2	Assessable wages of insured employees	$884.0 m	$957.7 m	$917.0 m	$811.9 m	$757.3 m
3	Premium income *(a)*	$55.8 m	$60.1 m	$54.0 m	$45.9 m	$52.0 m
4	Average premium rate (effective)	6.3%	6.3%	5.9%	5.7%	6.9%
5	Premium cost per employee insured	$3,826	$4,036	$3,911	$3,930	$4,783
6	Premium cost per tonne of raw coal produced	$0.49	$0.49	$0.40	$0.35	$0.39
7	Claims payments	$64.9 m	$69.1 m	$57.8 m	$73.0 m	$72.6 m
8	Provision for outstanding claims	$233.0 m	$232.4 m	$247.7 m	$261.7 m	$277.0 m
9	Number of claims lodged	5,525	5,116	4,647	3,608	3,346
10	Claim rate (per 100) *(c)*	37.9	34.4	33.6	30.9	30.8

ITEM	KEY PERFORMANCE INDICATOR	2000/01	2001/02	2002/03	2003/04	2004/05
1	Number of employees insured	10,641	10,819	10,820	10,736	12,272
2	Assessable wages of insured employees	$759.0 m	$831.7 m	$926.6 m	$996.0 m	$1,112.0 m
3	Premium income *(a)*	$60.6 m	$84.6 m	$99.2 m	$97.0 m	$81.4 m
4	Average premium rate (effective)	8.0%	10.2%	10.7%	9.7%	7.3%
5	Premium cost per employee insured	$5,694	$7,823	$9,167	$9,036	$6,637
6	Premium cost per tonne of raw coal produced	$0.44	$0.58	$0.69	$0.66	$0.52
7	Claims payments *(b)*	$80.7 m	$78.0 m	$84.2 m	$84.2 m	$74.2 m
8	Provision for outstanding claims	$304.4 m	$326.7 m	$340.8 m	$342.9 m	$356.7 m
9	Number of claims lodged	2,959	2,661	2,214	2,008	1,932
10	Claim rate (per 100) *(c)*	27.8	24.6	20.5	18.7	15.7

(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: $\dfrac{\textit{Number of claims lodged in period} \times 100}{\textit{Number of employees insured in period}}$

CMI Case Conferencing

Claims Discussion & Assessment

COAL SERVICES HEALTH

OUR VISION

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

OVERVIEW

CS Health continued to support the NSW coal industry during 2004/05 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. CS Health staff conducted workshops and presentations at the NSW Mining Industry OHS Conference held at Leura in May 2005.

Our staffing levels increased by 10 over the year to 74 and occurred generally across all areas.

We have offices in Lithgow, Corrimal, Warners Bay, Argenton and Singleton. Plans are well under way for the co-location of CS Health with its sister business, Mines Rescue, in the Lithgow and Corrimal offices and, in the Corrimal office, the co-location will continue to include Coal Mines Insurance.

OCCUPATIONAL HEALTH SERVICES

CS Health delivers risk management health assessments, mines rescue health assessments, functional capacity evaluations and many other associated health services. Our nurses are the key to the success of our drug and alcohol program services, providing education, screening services and assistance with policy development. Our team of accredited trainers also delivered programs both on-site and at CSPL's facilities throughout the year. During the year CS Health conducted the following:

Pre-employment medicals	3,748
Routine health assessments	1,648
Functional assessments	917
Drug & alcohol screenings	7,289
New occupational rehabilitation cases	426*
Respirable Dust Samples	434

** Does not include referrals for Physiotherapy or one off assessments.*

Coal Services Health Management Team

OCCUPATIONAL REHABILITATION SERVICES

CS Health continued to provide occupational rehabilitation services to injured mine workers. Our interdisciplinary team of health professionals established themselves firmly as the best provider of responsive rehabilitation services in the industry. Our physiotherapy services are best practice and a new hand therapy service has been introduced at our Singleton office; our pain management team now operates on a full time basis from both the Singleton and Newcastle offices with remarkable results; and our team of case managers consistently outperforms the WorkCover NSW benchmarks.

Our major rehabilitation client is Coal Mines Insurance (CMI) and, during the year, we continued to provide them with a full range of rehabilitation services. New software was introduced to help manage rehabilitation cases.

▲ Lung Function Testing

OCCUPATIONAL HYGIENE SERVICES

The environmental monitoring group expanded during the year, with two new positions, one each in Lithgow and Singleton. Personal dust monitoring continues to be the focus of the group, and diesel sampling is the major growth area. Several projects were completed during the year, including a field trial of a new Personal Dust Monitor that is currently under development in the USA, and completion of data collection to evaluate diesel particulate exposure during longwall moves.

▲ Neck Massage Therapy

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

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

Cross-over training from the Drager BG-174 to Drager BG4 long duration breathing apparatus for brigadesmen was completed in the second half of 2004 with the official change-over being completed on Friday 31st December 2004. Twelve of the BG-174 units were held at the Ulan Mines Rescue Sub-station until the delivery of the final units in May. Mines Rescue Pty Limited now has its full quota of 156 BG4 units for training and emergency use.

Simulated emergencies, trials and audits of Mine's Rescue and some coal mines' emergency and 'self escape' systems were conducted during the year. Simulations were conducted at Dartbrook, Munmorah, Dendrobium, Metropolitan, Tahmoor, West Cliff, Appin, Elouera and Newpac mines. One employee was also assessor at the Queensland Level 1 simulated emergency.

Bi-annual audits (as part of the Levy) were conducted on each Colliery's emergency system, to assist mine management with their compliance with the CMRA Regulations. It is intended that Station management will audit each mine's 'self escape system' on alternate years to the emergency system audit.

Mines Rescue Pty Limited continues to conduct the 5-day 'Underground Coal Mine Emergency Preparedness' course for current mining officials and 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.

Courses were conducted in October at Newcastle station for NSW practicing managers; twice in November for Morahbah North and North Goonyella mines' management; and twice in April for North Goonyella management and NSW candidates for mining tickets.

Mines Rescue Pty Limited also conducted technical conferences and employees delivered technical papers at a number of industry forums. These included quarterly internal Technical Transfer Sessions; Brigadesmen Conference at Wollongong; NSW and Queensland OH&S Conferences; Outburst Seminar at Wollongong; and the Mine Managers Association Technical Conference. Employees were also involved in the ACARP Steering Committee which is investigating 'The Use of Diesel Vehicles in Hazardous Atmospheres'.

▲ Mine Rescue Training with CABA

EMERGENCY RESPONSE

During the year Mines Rescue Pty Limited attended a number of emergencies at minesites in the Hunter Valley.

Newpac Colliery–January 2005:

Newpac Colliery called Hunter Valley station for assistance when a shaft gas sensor triggered an alarm. Investigations of monitors and sensors found that a pump feeding the gas sensor head had suffered an electrical burn out.

Dartbrook Colliery–April 2005:

Hunter Valley station was activated to Dartbrook mine with the Mine Shield Inertisation Plant due to a spontaneous heating at the mine. Inertisation operations were carried out from 1 to 21 April. The Plant then remained at the mine on standby until 27th April 2005.

Mine Rescue Station Competition

MINES RESCUE BRIGADESMEN

The total number of Brigadesmen in NSW coal mines increased by 23% during the year due to promotional activities undertaken by the CFMEU (especially the check inspectors) and Mines Rescue Service personnel. There are currently 356 Brigadesmen nominated with 305 being 'BA Current'. The minimum number of 'BA Current' Brigadesmen required under Mines Rescue's current structure is 240.

The number of underground employees in the industry appears to have stabilised, but the average age of the workforce is still increasing. It was therefore encouraging and refreshing to see a number of younger mine workers among the 67 successful candidates completing the Mines Rescue 10-day intake course.

Mines Rescue competitions were conducted in all Districts during the year with four NSW teams competing at the Australian Mines Rescue titles at Crinum colliery, Queensland on 16th October 2004. The team from Oaky North, representing the Dysart Station in Queensland, won the competition.

Mines Rescue employees conducted, and/ or assessed, at Mines Rescue competition exercises in Tasmania, the Victorian Hard Rock competition, the Northern Territory Minerals Council and at the Open Cut Coal Mine competitions in NSW.

COAL MINES TECHNICAL SERVICES (CMTS)

Following reassessments by NATA and NATA Certification Services International, CMTS was granted continuing accreditation for its NATA-Approved Workshop and Quality systems.

An intensive marketing program for on-site services in NSW resulted in the successful tendering for this work at a number of collieries.

CMTS continued to promote its product range and gas detection services, resulting in an increase in overall sales, particularly gas analysis services. CMTS successfully tendered for the supply, installation and ongoing maintenance of a **SMARTGAS** gas chromatographic system at Centennial Mandalong colliery in NSW.

Diesel testing work has continued to show a steady increase in the number of diesel engines tested by the group. Diesel airborne particulate project work was carried out for BHP collieries in NSW and limited diesel particulate analysis was also carried out in Queensland.

OTHER ACTIVITIES

- On Friday 8th October 2004, the Hon. John Della Bosca, Minister for Industrial Relations officially open the Virtual Reality simulator at Newcastle station. The system is still being developed and upgraded to cover a greater range of training topics.
- The 'Mines Rescue Working Group' which comprises a full cross-section of industry representatives met quarterly to discuss and communicate issues and solutions in relation to Mines Rescue and other emergency based issues.
- A two year pilot program for Mines Rescue Cadets was commenced in January 2005. The four successful candidates are each based at a Mines Rescue station and undergo training in emergency systems and methods, equipment maintenance and training.
- 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 'Safe Working in Confined Spaces', 'First Response', Fire Fighting and Safety Audits.

▲ Emergency Vehicles

▲ Escape Training in Hazardous Atmosphere

COMPANY STRUCTURE

COAL SERVICES PTY LIMITED BOARD OF DIRECTORS
Tony Haraldson (Chairman), Ron Land, Kieren Turner, Tony Maher, James Mackrill, Ross Taylor, Ian Farrar (Managing Director)

- **MANAGING DIRECTOR/CEO** – Ian Farrar
  - **EXECUTIVE TEAM** – Sharon Buckley, Mark Pittman, Murray Bird, Barbara Munn, Peter Flemming, Kay Jones
  - **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** – Wal Deruniec *(Manager)*
  - **COAL MINES INSURANCE PTY LTD** – Mark Pittman *(General Manager)*
    - **OPERATIONS** – Barbara Munn *(Manager)*
      - **SINGLETON** – Tony Bezzina *(Regional Manager)*
      - **WARNERS BAY** – Julie Evans *(Regional Manager)*
      - **CORRIMAL** – Stella Hardas *(Regional Manager)*
    - **SYDNEY** – Chris Sparsis *(Systems Manager)*
    - **UNDERWRITING** – Kristy McGuire
    - **STATISTICS** – Carol Mische *(Manager)*
  - **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 *(Manager)*

CORPORATE GOVERNANCE STATEMENT

BOARD OF DIRECTORS (BOARD)

The Board is responsible for the business of Coal Services Pty Limited and its controlled entities, Coal Mines Insurance Pty Limited and Mines Rescue Pty Limited, 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 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 basis every two years between a CFMEU director and a Minerals Council director. The current Chairman is Mr Tony Haraldson AM.

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 2004 TO 30 JUNE 2005

DIRECTOR	ELIGIBLE TO ATTEND	ATTENDED
Tony Haraldson	11	11
Ron Land	11	11
John Tucker	6	4
Tony Maher	11	6
James Mackrill	11	10
Ross Taylor	11	10
Ian Farrar	11	10
Kieren Turner	5	5

Note: Mr Tucker resigned on 31 December 2004 and Mr Turner was appointed from 1 January 2005

AUDIT COMMITTEE

The Audit Committee is currently comprised of the two independent directors and one director nominated by the Minerals Council. This Committee reviews all aspects of the internal and external audit processes, including the identification and management of risk.

RISK MANAGEMENT AND CONTROL

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

Risk Management & Internal Control System

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

Financial Reporting

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

Fraud Control

A fraud control plan is in place. Risk-based audits, with particular emphasis on fraud, are conducted by the internal auditor annually. The current assessment 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 controlled entities are subject to external audit on a fee-for-service basis. PricewaterhouseCoopers continued as appointed auditors for the company for the year ending 30 June 2005.

PLANNING

The Board is required to submit an annual operating plan to the Minister each year. The plan must contain the proposed strategy of the company in exercising its functions in the period to which the plan relates, and such other matters as may be required to be included in the plan by regulations made under the Coal Industry Act. An annual operating plan for 2005/06 was prepared and submitted to the Minister in May 2005.

INVESTMENT

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

The company, as a long term insurance operation, maintains 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 and its controlled entities and, to meet these requirements, the chairman and directors must, at all times:

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

ETHICAL STANDARDS

The Board is responsible to the people who comprise the NSW coal industry; the workers and the management of the coal mining companies to whom we provide a service. The Board constantly strives to reduce costs to ensure premiums are minimised and 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. Suppliers of goods and services to the Board have an opportunity to compete for our business on a fair and equitable basis.

The Board is also responsible to its employees and each are considered as an individual. It respects the dignity and recognises the merit of each employee. Remuneration is fair and adequate, and working conditions clean, orderly and safe. Employees are free to communicate and to make suggestions and complaints and there is equal opportunity for employment, development and advancement for those qualified. The Board provides competent management and the actions of management are just and equitable.

PRIVACY

Coal Services Pty Limited (CSPL), and its controlled entities, has a firm commitment to privacy, in accordance with the principles outlined in the Privacy Act, 1988, 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 by employers to Coal Mines Insurance. Industry statistics describe the industry in which these injuries and diseases occurred. The data collected covers coal supply and demand (including the value of export sales) and the workforce. Workforce data collected includes the numbers employed, type of employment, time worked and lost by employees, shift arrangements, wages paid and the age of workers.

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

Coal Services Statistics offer standard hard copy yearly publications, standard electronic reports updating information monthly/quarterly and reports specifically tailored to an individual user's requirements.

New South Wales Coal Statistics

Comprehensive statistical information on the NSW coal industry includes production, employment, productivity, exports and domestic consumption. Financial year data series released annually in October.

Australian Black Coal Statistics

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

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

Annual publication containing lost-time injury 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.

Visit the Coal Services website at **www.coalservices.com.au** for a complete list of products with prices and order forms.

COAL INDUSTRY STATISTICS

NSW COAL INDUSTRY STATISTICS	2000-01	2001-02	2002-03	2003-04	2004-05
Number of coal mines at 30 June	56	56	56	52	56
Raw coal production (million tonnes)	138.8	145.2	143.1	147.0	156.3
Saleable coal production (million tonnes)	110.2	114.3	111.5	114.2	122.1
Coal sales within Australia (million tonnes)	33.4	33.9	34.0	32.8	34.0
Coal exports overseas (million tonnes)	75.9	77.5	79.3	85.0	86.6
FOB value of coal exports overseas	$A 3.8 billion	$A 4.7 billion	$A 3.9 billion	$A 3.7 billion	$A 5.5 billion
Average FOB value of coal exports (per tonne)	$A 50.55	$A 60.79	$A 48.60	$A 43.85	63.43
Number of mineworkers at 30 June	9,821	10,052	9,758	9,998	11,290
Average age of mineworkers at 31 December	43.2	43.5	43.5	43.5	43.4
Average weekly earnings of mineworkers	$A 1,624	$A 1,718	$A 1,791	$A 1,842	$A 1,933
Saleable coal output per mineworker per year (tonnes)	11,570	11,400	11,410	11,380	11,470
Saleable coal output per mineworker per hour (tonnes)	5.91	5.81	5.80	5.82	5.73
Days worked per mineworker per year	279.7	280.4	281.0	279.2	353.8
Days lost per mineworker due to industrial disputes	1.2	0.6	0.7	0.2	0.3
Days lost per mineworker due to workers' compensation	3.1	3.1	3.1	2.3	2.6

STANDING COMMITTEE ON DUST RESEARCH & CONTROL

The Standing Committee on Dust Research and Control 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 Hunter Valley No 1, West Cliff, Beltana, West Wallsend & Dendrobium collieries and the Department of Primary Industries, Mineral Resources' new Mine Safety Technology Centre at Thornton.

During the year the Committee completed research on inhalable coal dust, diesel particulate matter and crystalline silica in respirable coal dust.

As a result, the Committee sent the following recommendations to the Department of Primary Industries, Mineral Resources for their consideration:

(i) That an inhalable coal dust exposure standard of 10 mg/m3 be adopted as a best practice guideline for the NSW coal industry until further research determines otherwise.

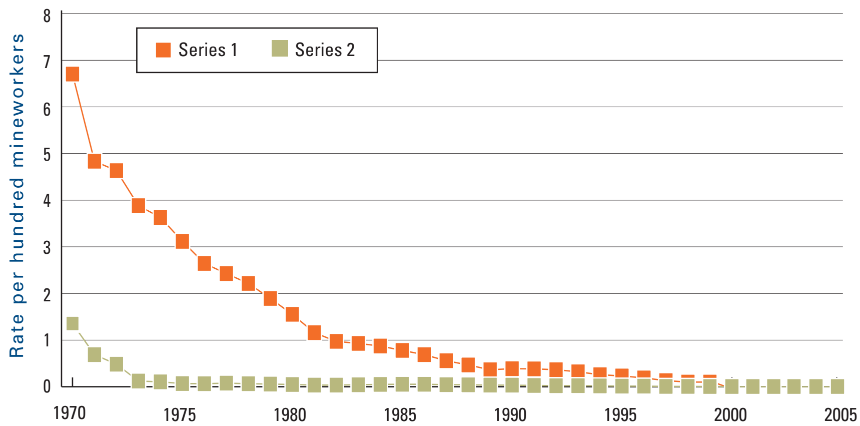
(ii) That a diesel particulate exposure standard of 0.1 mg/m3 elemental carbon be adopted for the NSW coal industry and that the measurement method be sampled as the submicron fraction analysed as per NIOSH Method 5040.

(iii) That the National Occupational Health & Safety Commission's (NOHSC) recommended national exposure standard for respirable crystalline silica of 0.1 mg/m3 (time weighted average - 8 hours) be adopted for the NSW coal industry.

The Committee recommended however, that underground coal mines adopt of an exposure limit of 0.12 mg/m3 (sampled from crib room to crib room) and, where possible, over a minimum of five hours sampling time. Preliminary research has indicated that this limit of 0.12 mg/m3, when adjusted by a conversion factor to allow for travelling time with portal to portal sampling, is equivalent to the new exposure limit of 0.1 mg/m3.

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 - 2005



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. Ross Taylor chaired the Audit Committee throughout the year, with Tony Haraldson and James Mackrill as members.

All members of the committee were appointed by the Board of Directors.

The Committee met four times during the year to consider inter alia, the company's annual results and the independence, objectivity and re-appointment of the external auditors. The committee also reviewed the following reports on internal control matters:

- Claims Processing and Payments
- Premium Rate Setting and Premium Income
- Investments including Property
- Procurement and Payments (MRPL)
- Information Technology
- Accounting System
- NSW Mine Workers Funeral Benefits Trust
- Coal Services Health & Safety Trust
- Business Risk Management Review

COAL SERVICES HEALTH & SAFTEY TRUST

For the past fifteen years, 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 the year, we saw the departure of two Trustees, John Maitland and John Tucker. We are appreciative of the support and input of both of these former Trustees during their time with the Trust. We welcomed Kathryn Heiler and David Grove as their replacements.

During April, the Trust held its annual technology transfer seminars in NSW and Queensland to report back to the industry on the results of the projects completed during the year. The Trust also promotes the results of its research through displays at the relevant conferences. In 2005, several Trust researchers presented papers at the NSW and QLD mining industry health and safety conferences.

On 8 October 2004 Minister Della Bosca opened a virtual reality training simulator for the coal industry at the Newcastle Mines Rescue Station. This project was the first to be funded collaboratively by the Coal Services Health & Safety Trust and the Australian Coal Association Research Program (ACARP). The facility provides immersive, interactive, virtual reality simulations for effective training and assessments in occupational health and safety management and effectively brings the mine into the classroom.

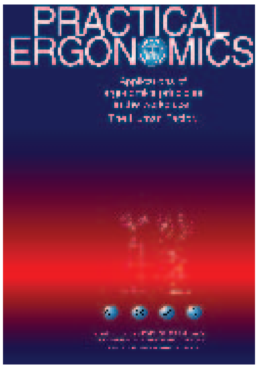
The Trust-funded publication "Practical Ergonomics" written by Barbara McPhee was released during 2005. Copies can be obtained from the Trust, on the e-mail address below.

Also, Nick Mabbott from ARRB completed his research on fatigue-related crashes on the way to and from work in the NSW coal industry. His findings are available from the Trust website.

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



Example of a fatigue-related crash site

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 2005

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 2005.

Directors

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

- I L Farrar
- A J Haraldson (Chairman)
- R P Land
- J Mackrill
- A Maher
- R Taylor
- J Tucker (1 July to 31 December 2004)
- K Turner (appointed 1 January 2005)

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	
	2005	*2004*	*2005*	*2004*
	$000	$000	$000	$000
Workers compensation insurance	126,041	126,485	21,597	26,903
Mines rescue services	10,343	9,243	(29)	367
Occupational health and rehabilitation services	3,717	2,906	(958)	(1,769)
Other	12,331	10,957	401	(1,237)
Intersegment eliminations/unallocated	(7,619)	(6,980)	5,240	4,776
	144,813	142,611		
Profit from ordinary activities before income tax expense			26,251	29,040
Income tax expense (credit)			8,287	9,692
Profit from ordinary activities after income tax expense			17,964	19,348
Net profit			17,964	19,348

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 $ 21.597 million. The result for underwriting operations was a loss of $ 7.403 million, while general and administration reported a profit of $ 41.769 million, mainly due to investment income of $ 43.737 million. The indemnity provided to the company by the parent entity reduced during the period by $ 12.768 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 loss before income tax of $ 0.029 million. Total operating revenue of $ 10.343 million included contributions from mineowners of $ 3.903 million and training and services revenue of $ 5.890 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 2005, the division continued to provide services to the coal industry consistent with its charter for quality and excellence. Net loss for the segment was $ 0.957 million.

(d) Other services

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

Net profit for the segment of $ 0.401 million included a net return on the investment portfolio of $ 5.857 million.

Likely developments and expected results of operations

Coal Mines Insurance Pty Limited will reduce the scheme rate for 2005/06 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 95% level of confidence, in line with industry best practice.

Environmental regulation

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

Insurance of directors and officers

During the period, the company paid premiums of $ 140,000 to insure the directors and officers of the company.

The insurance policy provides coverage in respect of losses resulting from a wrongful act which a director or officer becomes legally obliged to pay on account of any claim made against them during the policy period. It does not provide cover for losses in certain circumstances, including fraud, dishonesty, or illegal acts; or claims, litigation, or demands occurring outside specified dates.

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 continue in office 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
24 October 2005

INDEPENDENT AUDIT REPORT

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Auditors' Independence Declaration

As auditor for the audit of Coal Services Pty Limited for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Coal Services Pty Limited and the entities it controlled during the period.

RS Punla
Partner
PricewaterhouseCoopers

Sydney
24 October 2005

Liability limited by a scheme approved under Professional Standards Legislation

FINANCIAL REPORT

CONTENTS

This financial report covers both Coal Services Pty Limited as an individual entity and the consolidated entity consisting of Coal Services Pty Limited and its controlled entities.

Coal Services Pty Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Coal Services Pty Limited
Level 21, 44 Market Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on page 1, which is not part of this financial report.

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

	Note	PARENT ENTITY 2005 $000	PARENT ENTITY 2004 $000	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000
Underwriting activities					
- Revenue	3	-	-	82,151	97,099
- Expenses	3	-	-	84,213	83,095
		-	-	(2,062)	14,004
Revenue from other ordinary activities	7	16,048	13,864	62,661	45,512
Employee benefits expense		(8,497)	(7,805)	(13,238)	(11,495)
Depreciation and amortisation expenses	8(a)	(444)	(409)	(5,927)	(5,758)
Net loss from sale of assets	8(a)	(67)	(14)	(31)	(22)
Bad and doubtful debts expense	8(a)	13	(13)	(80)	(83)
Investment management expenses		(1,094)	(956)	(1,094)	(956)
Miners pension expense	8(a)	(717)	(2,994)	(717)	(2,994)
Mines rescue materials expenses		-	-	(1,555)	(1,438)
Repairs and maintenance expenses		(226)	(154)	(617)	(474)
Consultants and contractors		(1,105)	(1,460)	(1,856)	(2,219)
Medical related expenses		(468)	(436)	(468)	(436)
Grant to Health & Safety Trust		(4,000)	-	(4,000)	-
Other expenses from ordinary activities		(2,643)	(2,629)	(4,763)	(4,601)
Total expenses from ordinary activities		(19,248)	(16,870)	(34,348)	(30,476)
Reduction in indemnity to controlled entity		12,768	9,666	-	-
Profit from ordinary activities before income tax		9,568	6,660	26,251	29,040
Income tax expense	9	9,568	6,660	8,287	9,692
Profit from ordinary activities after income tax		-	-	17,964	19,348
Net profit		-	-	17,964	19,348
Net increase in asset revaluation reserve (recognised directly in equity)		-	-	2,490	-
Total changes in equity other than those resulting from transactions with owners as owners	32	-	-	20,454	19,348

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2005

	Note	PARENT ENTITY 2005 $000	PARENT ENTITY 2004 $000	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000
Current assets					
Cash assets	10	25,803	22,960	26,361	23,674
Receivables	11	3,281	4,545	12,976	14,341
Investments	12	232,942	209,188	232,942	209,188
Inventories	13	-	-	161	177
Current tax assets	14	-	1,146	-	1,146
Other	15	370	397	728	754
Total current assets		262,396	238,236	273,168	249,280
Non-current assets					
Receivables	16	-	-	1,296	1,251
Investments	17	146,224	129,802	144,813	129,312
Property, plant and equipment	18	1,942	1,742	18,246	13,403
Deferred tax assets	19	6,446	5,891	6,446	5,891
Intangible assets	20	-	-	7,329	12,213
Other	21	1,124	479	1,549	479
Total non-current assets		155,736	137,914	179,679	162,549
Total assets		418,132	376,150	452,847	411,829
Current liabilities					
Payables	22	116,203	68,445	2,996	3,288
Current tax liabilities	23	4,018	-	4,018	-
Provisions	24	11,495	11,838	83,075	78,268
Other	25	343	258	871	1,234
Total current liabilities		132,059	80,541	90,960	82,790
Non-current liabilities					
Deferred tax liabilities	26	9,399	4,570	9,399	4,570
Provisions	27	276,674	291,039	296,570	289,005
Total non-current liabilities		286,073	295,609	305,969	293,575
Total liabilities		418,132	376,150	396,929	376,365
Net assets		-	-	55,918	35,464
Equity					
Contributed equity	30	~	~	~	~
Reserves	31(a)	-	-	3,200	710
Retained profits	31(b)	-	-	52,718	34,754
Total equity	32	-	-	55,918	35,464

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 2005

	Note	PARENT ENTITY 2005 $000	PARENT ENTITY 2004 $000	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000
Cash flows from operating activities					
Underwriting operations					
Premiums received (inclusive of goods and services tax)		91,545	107,529	91,381	107,350
Outwards reinsurance paid		(699)	(783)	(699)	(783)
Claims paid		(70,342)	(80,645)	(69,275)	(80,000)
Other Underwriting expenses paid		(1,509)	(615)	(1,509)	(615)
Other operations					
Rentals received		7,378	6,849	7,378	6,849
Interest received		5,880	5,263	5,915	5,298
Dividends & distributions received		10,712	6,040	10,712	6,040
Other investment income		67	19	67	19
Coal Services Health and Safety Trust		74	89	74	89
Mines rescue industry contributions received		-	-	4,156	3,611
Other revenue		4,162	3,047	8,651	7,719
Interest paid		-	-	-	-
Miners' pension fund payments		(2,798)	(3,124)	(2,798)	(3,124)
Income taxes paid		1,160	(1,837)	1,160	(1,837)
Grant to Health & Safety Trust		(4,000)	-	(4,000)	-
Other operating payments		(27,421)	(25,759)	(36,555)	(34,486)
Net cash inflow from operating activities	*41*	14,209	16,073	14,658	16,130
Cash flows from investing activities					
Proceeds from sale of fixed interest securities		20,232	26,041	20,232	26,041
Proceeds from maturity of fixed interest securities		-	5,000	-	5,000
Proceeds from sale of shares		272,229	30,691	272,229	30,691
Proceeds from sale of plant and equipment		978	650	1,392	948
Payments for fixed interest securities		(27,588)	(38,097)	(27,588)	(38,097)
Payments for property		(2,948)	(828)	(2,948)	(828)
Payments for shares		(271,527)	(51,424)	(271,527)	(51,424)
Payments for plant and equipment		(1,822)	(1,457)	(3,761)	(2,844)
Payment of loan to controlled entity		(920)	(400)	-	-
Net cash outflow from investing activities		(11,366)	(29,824)	(11,971)	(30,513)
Cash flows from financing activities					
Proceeds from borrowings from parent entity		-	-	-	-
Net cash inflow from financing activities		-	-	-	-
Net increase (decrease) in cash held		2,843	(13,751)	2,687	(14,383)
Cash at the beginning of the reporting period		22,960	36,711	23,674	38,057
Cash at the end of the reporting period	*10*	25,803	22,960	26,361	23,674

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

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 has adopted International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued 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 43*.

(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 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. Revenue is recognised when it is invoiced.

(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, and is recognised as it is invoiced.

(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 in the statement of financial performance as they occur.

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 free rate. 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 95% 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 net market 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 net market value at the reporting date. Annual assessments are made by independent valuers.

When land and buildings have been constructed for a specific use, they are valued based on their existing use, using a 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) Intangible assets - goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis over the period during which the benefits are expected to arise.

Goodwill on consolidation of the subsidiary company Coal Mines Insurance Pty Limited was created at 1 January 2002. This goodwill is being amortised on a straight line basis over 5 years Refer *Note 20*.

(k) 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.

(l) 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.

(m) 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 %.

(iii) *Superannuation*

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

A liability or 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 29*.

(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.

(n) 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.

(o) 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.

(p) Rounding

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off"of amounts in the financial report. Amounts have been rounded off in accordance with that Class Order 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 2005	*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	82,151	9,780	2,510	229	-	94,670
Intersegment revenue	153	14	1,207	6,245	(7,619)	-
Total operating revenue	82,304	9,794	3,717	6,474	(7,619)	94,670
Other revenue	43,737	549	-	5,857	-	50,143
Total segment revenue	126,041	10,343	3,717	12,331	(7,619)	144,813
Total segment expenditure	(104,444)	(10,372)	(4,675)	(11,930)	12,859	(118,562)
Profit (loss) from ordinary activities before income tax expense	21,597	(29)	(958)	401	5,240	26,251
Income tax expense (unallocated)						8,287
Profit from ordinary activities after income tax expense						17,964
Net profit						17,964
Segment assets	391,674	21,018	-	411,686	(377,977)	446,401
Unallocated assets						6,446
Total assets						452,847
Segment liabilities	(357,669)	(6,321)	-	(404,715)	385,194	(383,511)
Unallocated liabilities						(13,417)
Total liabilities						(396,929)
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	-	3,131	-	-	1,527	4,658
Depreciation and amortisation expense	-	(603)	-	-	(5,324)	(5,927)
Other non-cash expenses	(60)	2	-	-	(54)	(112)
Net cash inflow from operating activities	~	330	-	-	14,328	14,658

Note 2. Segment information (continued)

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
Total segment expenditure	(99,582)	(8,876)	(4,675)	(12,194)	11,75 6	(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 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
Unallocated assets						7,037
Total assets						411,829
Segment liabilities	(344,466)	(4,157)	-	(370,827)	347,655	(371,795)
Unallocated assets						(4,570)
Total liabilities						(376,365)
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 from operating activities	(108)	59	-	-	16,179	16,130

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 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 37* 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 37* is reflected as an expense in the "workers compensation insurance" segment, and a revenue in the "other" segment.

	Notes	PARENT ENTITY 2005 $000	PARENT ENTITY 2004 $000	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000

Note 3. Underwriting result

	Notes	PARENT ENTITY 2005 $000	PARENT ENTITY 2004 $000	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000
(a) Underwriting revenues					
Gross earned premiums	*4*	-	-	81,292	96,838
Reinsurance and other recoveries revenue	*5*	-	-	859	261
		-	-	82,151	97,099
All underwriting revenues relate to operating activities					
(b) Underwriting expenses					
Gross claims expense	*5*	-	-	82,533	81,412
Outwards reinsurance premium expense	*4*	-	-	720	739
Other underwriting expenses		-	-	960	944
		-	-	84,213	83,095
(c) Underwriting result					
Net earned premiums	*4*	-	-	80,572	96,099
Net incurred claims	*5*	-	-	(81,674)	(81,151)
Other underwriting expenses		-	-	(960)	(944)
		-	-	(2,062)	14,004

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:

	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000
Premium received from Mines Rescue Pty Limited	(153)	(173)
Rehabilitation services provided by parent entity included in claims paid	1,066	649
Claims settlement costs incurred by parent entity	4,428	4,189

Note 4. Net earned premiums

	PARENT ENTITY 2005 $000	PARENT ENTITY 2004 $000	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000
Gross written premiums	-	-	80,856	97,233
Movement in unearned premiums	-	-	436	(395)
Gross earned premiums	-	-	81,292	96,838
Outwards reinsurance premium expense	-	-	720	739
Net earned premiums	-	-	80,572	96,099

Note 5. Net incurred claims

	PARENT ENTITY 2005 $000	PARENT ENTITY 2004 $000	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000
Claims expense				
Direct				
- Claims paid (excluding claims settlement costs – see *Note 3.*)	-	-	68,732	79,330
- Movement in provision for claims outstanding	-	-	5,890	(2,117)
Discount	-	-	7,911	4,199
Gross claims expense	-	-	82,533	81,412
Reinsurance and other recoveries				
Other recoveries – undiscounted	-	-	859	261
Reinsurance and other recoveries revenue	-	-	859	261
Net incurred claims	-	-	81,674	81,151

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 2005			
Gross claims incurred and related expenses			
Undiscounted			
- Claims paid	7,977	60,755	68,732
- Movement in provision for claims outstanding	63,485	(57,595)	5,890
Discount	(7,799)	15,710	7,911
Gross claims expense	63,663	18,870	82,533
Reinsurance and other recoveries			
Other recoveries – undiscounted	-	859	859
Reinsurance and other recoveries revenue	-	859	859
Net incurred claims	63,663	18,011	81,674
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

Note 6. Outstanding claims

	Notes	PARENT ENTITY 2005 $000	PARENT ENTITY 2004 $000	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000
(a) Undiscounted expected future claim payments					
Central estimate		-	-	302,490	322,823
Risk margin	*(d)*	-	-	88,150	66,891
Indirect claims settlement costs		-	-	18,106	13,142
		-	-	408,746	402,856
Discount to present value	*(b)*	-	-	(52,077)	(59,988)
Liability for outstanding claims		-	-	356,669	342,868
Current		-	-	77,725	73,059
Non-current		-	-	278,944	269,809
		-	-	356,669	342,868
(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%	5.00%
For the subsequent years					
Inflation rate – normal		-	-	4.00%	4.00%
Inflation rate – superimposed		-	-	2.00%	2.00%
Discount rate		-	-	5.00%	5.00%

(c) The weighted average expected term to settlement of the outstanding claims from the balance date is estimated to be 4.3 years (2004 4.6 years).

(d) The risk margin, which represents 32.8 % (2004: 24.2%) of the discounted central estimate, provides a 95% (2004: 90%) probability of sufficiency.

Note 7. Other revenue

	PARENT ENTITY 2005 $000	PARENT ENTITY 2004 $000	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000
Revenue from other operating activities				
Net investment income – refer *Note 8 (b)*	5,857	4,538	49,629	33,785
Contributions from colliery proprietors	-	-	3,903	3,606
Training and services revenue	-	-	5,890	5,214
Occupational health and rehabilitation services	3,666	2,859	2,383	2,100
Other	345	419	342	417
	9,868	7,816	62,147	45,122
Revenue from outside the operating activities				
Costs recovered from controlled entity	6,180	6,048	-	-
Other	-	-	514	390
	6,180	6,048	514	390
Revenue from other ordinary activities	16,048	13,864	62,661	45,512

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:

	PARENT ENTITY 2005 $000	PARENT ENTITY 2004 $000	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000
Net losses				
Net loss on disposal				
Property, plant and equipment	(67)	(14)	(31)	(22)
Expenses				
Depreciation of plant and equipment	(444)	(409)	(1,043)	(874)
Amortisation of goodwill	-	-	(4,884)	(4,884)
Bad and doubtful debts	13	(13)	(80)	(83)
Employee entitlements provisions	(885)	(762)	(885)	(762)
Rental expense relating to operating leases	(473)	(513)	(473)	(513)
Miners' pensions expense under indemnity	(717)	(2,994)	(717)	(2,994)

(b) Net investment income

	PARENT ENTITY 2005 $000	PARENT ENTITY 2004 $000	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000
Revenues				
Dividends	1,930	-	1,930	-
Equity and Property trust distributions	11,422	7,393	11,422	7,393
Fixed Interest trust distributions	3,837	1,573	3,837	1,573
Interest – short term investments	1,935	937	1,970	971
Interest – long term investments	3,833	3,934	3,833	3,934
Rental income	6,862	6,747	6,862	6,747
Unrealised gains on investments:				
Fixed interest investments	933	-	933	-
Australian listed shares and equity trust units	7,317	14,040	7,317	14,040
Property	5,860	518	5,860	518
Property trust units	1,074	1,015	1,074	1,015
Realised profits:				
Australian listed shares and equity trust units	6,745	1,940	6,745	1,940
Property trust units	170	-	170	-
Other investment income	129	89	129	89
	52,047	38,186	52,082	38,220

	PARENT ENTITY 2005 $000	PARENT ENTITY 2004 $000	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000

Note 8. Profit from ordinary activities (b) (continued)

Expenses				
Unrealised losses on investments:				
Fixed interest investments	-	(1,601)	-	(1,601)
Realised losses:				
Fixed interest investments	(127)	(639)	(127)	(639))
Investment property operating and management expenses	(2,326)	(2,195)	(2,326)	(2,195)
	(2,453)	(4,435)	(2,453)	(4,435)
Net investment income before allocation	49,594	33,751	49,629	33,785
Income allocated to controlled entity	(43,737)	(29,213)	-	-
Net investment income	5,857	4,538	49,629	33,785

Note 9. Income tax

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	9,568	6,660	26,251	29,040
Income tax calculated at 30%	2,870	1,998	7,875	8,712
Tax effect of permanent differences:				
Net assets and liabilities assumed by controlled entities	-	-	1,464	1,464
Reduction in indemnity to controlled entity	(3,830)	(2,900)	-	-
Miners pension expense	215	898	215	898
Income allocated to controlled entity	11,713	8,144	-	-
Other permanent differences	152	133	285	164
Under (over) provision in previous year	(3)	25	(3)	92
Tax credits	(1,549)	(1,638)	(1,549)	(1,638)
Income tax adjustments for permanent differences	6,698	4,662	412	980
Income tax expense	9,568	6,660	8,287	9,692
Aggregate income tax expense comprises:				
Current taxation provision	4,190	(423)	4,244	1,555
Over provision in prior year	(3)	(644)	(3)	(577)
Future income tax benefit – timing differences	561	2,998	(774)	3,529
Future income tax benefit – tax losses	-	159	-	615
Provision for deferred income tax liability	4,820	4,570	4,820	4,570
	9,568	6,660	8,287	9,692

The consolidated entity formed a tax consolidated group from 1 July 2003. The parent entity, as the head entity in the tax consolidated group, recognises tax entries for all entities in the tax consolidated group in addition to its own. The Australian Taxation Office has been notified of this decision.

On formation of a tax consolidated group at 1 July 2003, the head entity chose to bring the assets of each subsidiary member into the tax consolidated group using the Transitional Method. Under this method, there was 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 2005 $000	PARENT ENTITY 2004 $000	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000

Note 10. Current assets – Cash assets

	Parent 2005	Parent 2004	Consolidated 2005	Consolidated 2004
Cash at bank and on hand	3,937	1,274	4,495	1,969
Short term deposits	21,866	21,686	21,866	21,705
	25,803	22,960	26,361	23,674

Bank overdraft

The parent entity has a bank overdraft facility of $600 000 which was unused as at 30 June 2005.

Note 11. Current assets – Receivables

	Parent 2005	Parent 2004	Consolidated 2005	Consolidated 2004
Trade debtors	605	631	3,667	3,380
Less: provision for doubtful debts	11	40	451	946
	594	591	3,216	2,434
Accrued income:				
Premiums	-	-	7,688	7,953
Interest	976	1,026	976	1,026
Dividends/distributions	715	2,676	715	2,676
Occupational health and rehabilitation	-	21	-	21
Other debtors	91	231	91	231
Net GST receivable from ATO	290	-	290	-
Mines Rescue Pty Limited	615	-	-	-
	3,281	4,545	12,976	14,341

Note 12. Current assets – Investments

	Parent 2005	Parent 2004	Consolidated 2005	Consolidated 2004
Australian bond trust units	52,185	50,725	52,185	50,725
Australian listed shares	64,740	-	64,740	-
Australian equity trust units	44,167	90,038	44,167	90,038
Overseas equity trust units	59,124	56,110	59,124	56,110
Property trust units	12,726	12,315	12,726	12,315
	232,942	209,188	232,942	209,188

Note 13. Current assets – Inventories

	Parent 2005	Parent 2004	Consolidated 2005	Consolidated 2004
Goods held for resale	-	-	161	177

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

	Parent 2005	Parent 2004	Consolidated 2005	Consolidated 2004
Income tax receivable	-	1,146	-	1,146
	-	1,146	-	1,146

Note 15. Current assets – Other

	Parent 2005	Parent 2004	Consolidated 2005	Consolidated 2004
Deposit paid	~	~	40	40
Prepayments	370	397	688	714
	370	397	728	754

	PARENT ENTITY		CONSOLIDATED	
	2005	*2004*	*2005*	*2004*
	$000	*$000*	*$000*	*$000*

Note 16. Non-current assets – Receivables

Receivable from statutory corporation (refer *note 29*)	-	-	1,296	1,251

Note 17. Non-current assets – Investments

Corporate and Semi-government stock	46,240	32,998	46,240	32,998
Commonwealth bonds	-	5,359	-	5,359
Corporate Securities	20,098	20,007	20,098	20,007
Equity Loan	1,010	1,010	1,010	1,010
Commercial loan to controlled entity*	1,321	400	-	-
Property	77,465	69,938	77,465	69,938
Shares in associated entity – at cost	~	~	-	-
Shares in controlled entities – at cost	90	90	-	-
	146,224	129,802	144,813	129,312

* In February 2004, the parent entity entered into a loan agreement with Mines Rescue Pty Limited to provide funds up to a maximum amount of $1 500 000. Since that date an amount of $ 1 400 000 was drawn down in accordance with the agreement, and is being repaid over 5 years at a fixed rate of 6.75%.

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

Land and buildings at independent valuation	-	-	12,768	9,307
Office improvements at cost	431	330	431	330
Less: accumulated depreciation	291	251	291	251
	140	79	140	79
Computer equipment at cost	1,460	1,318	1,460	1,318
Less: accumulated depreciation	979	806	979	806
	481	512	481	512
Motor vehicles at cost	972	873	2,101	1,805
Less: accumulated depreciation	80	63	453	299
	892	810	1,648	1,506
Plant and equipment at cost	1,241	1,105	4,819	3,231
Less: accumulated depreciation	812	764	1,610	1,232
	429	341	3,209	1,999
	1,942	1,742	18,246	13,403

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.
All properties were revalued during the year based upon independent assessments by a member of the Australian Property Institute.
In the prior year, all revaluations were made by the directors - refer *Note 1 (h)*, with the exception of one property which was independently assessed.

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 2004	9,307	79	512	1,506	1,999	13,403
Additions	1,253	101	167	1,520	1,617	4,658
Disposals	(150)	-	(4)	(1,103)	(5)	(1,262)
Revaluation increment (*note 31(a)*)	2,490	-	-	-	-	2,490
Depreciation/amortisation expense	(132)	(40)	(194)	(275)	(402)	(1,043)
Carrying amount at 30 June 2005	12,768	140	481	1,648	3,209	18,246

PARENT ENTITY	Office improvements *$000*	Computer equipment *$000*	Motor Vehicles *$000*	Plant and Equipment *$000*	Total *$000*
Carrying amount at 1 July 2004	79	512	810	341	1,742
Additions	101	167	1,091	168	1,527
Disposals	-	(4)	(871)	(8)	(883)
Depreciation/amortisation expense	(40)	(194)	(138)	(72)	(444)
Carrying amount at 30 June 2005	140	481	892	429	1,942

	PARENT ENTITY		CONSOLIDATED	
	2005 *$000*	*2004* *$000*	*2005* *$000*	*2004* *$000*

Note 19. Non-current assets – Deferred tax assets

Future income tax benefit – timing differences	6,446	5,732	6,446	5,732
Future income tax benefit – tax losses	-	159	-	159
	6,446	5,891	6,446	5,891

Note 20. Non-current assets – Intangible assets

(a) Goodwill at cost	-	-	20	20
Less: accumulated amortisation	-	-	12	8
	-	-	8	12
(b) Goodwill on consolidation	-	-	24,402	24,402
Less: accumulated amortisation	-	-	17,081	12,201
	-	-	7,321	12,201
	-	-	7,329	12,213

(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 2005 $000	PARENT ENTITY 2004 $000	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000

Note 21. Non-current assets – Other

	2005	2004	2005	2004
Surplus on defined benefit superannuation schemes	1,124	479	1,549	479

Note 22. Current liabilities – Payables

	2005	2004	2005	2004
Trade and other creditors	1,221	1,190	2,062	1,660
Net GST payable to ATO	-	748	-	748
Accrued expenses	358	93	934	880
Coal Mines Insurance Pty Limited	114,624	65,661	-	-
Mines Rescue Pty Limited	-	753	-	-
	116,203	68,445	2,996	3,288

Note 23. Current liabilities – Current tax liabilities

	2005	2004	2005	2004
Income tax payable	4,018	-	4,018	-
	4,018	-	4,018	-

Note 24. Current liabilities – Provisions

	2005	2004	2005	2004
Outstanding claims	-	-	77,725	73,059
Coal Mines Insurance – indemnity	8,200	8,200	-	-
Miners' pension fund – indemnity	2,870	3,240	2,870	3,240
Employee entitlements	425	398	2,480	1,969
	11,495	11,838	83,075	78,268

Note 25. Current liabilities – Other

	2005	2004	2005	2004
Unearned premiums	-	-	408	843
Claims recovery received in advance	-	-	120	133
Income received in advance	223	144	223	144
Rental bonds received	120	114	120	114
	343	258	871	1,234

Note 26. Non-current liabilities – Deferred tax liabilities

	2005	2004	2005	2004
Provision for deferred income tax	9,399	4,570	9,399	4,570
	9,399	4,570	9,399	4,570

Note 27. Non-current liabilities – Provisions

	2005	2004	2005	2004
Outstanding claims	-	-	278,944	269,809
Coal Mines Insurance – indemnity	260,553	273,322	-	-
Miners' pension fund – indemnity	14,128	15,839	14,128	15,839
Employee entitlements	1,993	1,878	3,498	3,357
	276,674	291,039	296,570	289,005

Note 28. 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 2005 was $ 16 998 000.

	PARENT ENTITY		CONSOLIDATED	
	2005 *$000*	*2004* *$000*	*2005* *$000*	*2004* *$000*
(a) Expected future pension payments (undiscounted)	22,773	26,054	22,773	26,054
Discount to present value	(5,775)	(6,975)	(5,775)	(6,975)
Liability for future pension payments	16,998	19,079	16,998	19,079
Current	2,870	3,240	2,870	3,240
Non-current	14,128	15,839	14,128	15,839
	16,998	19,079	16,998	19,079

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

	2005 *%*	*2004* *%*	*2005* *%*	*2004* *%*
For the succeeding year				
Inflation rate	3.00%	3.00%	3.00%	3.00%
Discount rate	5.00%	5.50%	5.50%	5.50%
For subsequent years				
Inflation rate	3.00%	3.00%	3.00%	3.00%
Discount rate	5.00%	5.50%	5.50%	5.50%

(c) The weighted average expected term to settlement of future pension payments from the balance date is estimated to be 6.8 years (2004: 6.7 years).

(d) Miners' pensions expense under indemnity:

	2005 *$000*	*2004* *$000*	*2005* *$000*	*2004* *$000*
Pension payments	2,798	3,124	2,798	3,124
Movement in provision	(2,081)	(130)	(2,081)	(130)
	717	2,994	717	2,994

Note 29. Employee entitlements

Employee entitlement liabilities				
Long service leave entitlements				
Current	57	51	57	51
Non-current	1,425	1,314	1,425	1,314
	1,482	1,365	1,482	1,365
Coal Industry Long Service Leave				
Current deficiency	-	-	-	44
Non-current deficiency	-	-	-	44
Non-current liability	-	-	1,506	1,435
	-	-	1,506	1,523
Annual leave entitlements				
Current	368	347	920	771
Non-current	568	564	567	564
	936	911	1,487	1,335
Sick leave entitlements				
Current	-	-	1,503	1,103
Total employee entitlements				
Current	425	398	2,480	1,969
Non-current	1,993	1,878	3,498	3,357
	2,418	2,276	5,978	5,326
Employee numbers	*Number*	*Number*	*Number*	*Number*
Number of employees at end of period	137	129	173	162

Note 29. 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, based on employee wages, to the fund and when an employee leaves and long service leave payments are made, 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 actuarial revaluation of the fund has determined that the unfunded liability of prior years' accrued entitlements has been extinguished, and that the fund is now in surplus.

Mines Rescue Pty Limited's obligation to employees is shown as a liability above. It's right to reimbursement from the statutory corporation which excludes associated on-costs that are not recoverable, 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 Superannuaton Plan (formerly the Coal and Oil ShaleWorkers 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 $ 1 036 054 (2004: $ 933 541). This amount includes $ 316 788 (2004: $ 271 696) 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 assets held by EISS for each scheme is recognised either as a liability or an asset. At 30 June 2005, the surplus on these defined benefit schemes is shown as an asset at *Note 21*. Similarly, an assessment has been made by the actuary at 30 June 2005 for the Mines Rescue Staff Superannuation Plan. At 30 June 2005, the surplus in this defined benefit scheme is also shown as an asset at *Note 21*.

Note 30. Contributed equity

	Notes	PARENT ENTITY 2005 shares	PARENT ENTITY 2004 shares	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
(a) Share capital					
Ordinary shares – fully paid	*(b)*	2	2	2	2

(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.

Note 31. Reserves and retained profits

	PARENT ENTITY 2005 $000	PARENT ENTITY 2004 $000	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000
(a) Reserves				
Asset revaluation reserve	-	-	3,200	710
Movements:				
Opening balance at start of year	-	-	710	710
Increment on revaluation of freehold land and buildings	-	-	2,490	-
Balance at end of period	-	-	3,200	710
(b) Retained profits				
Retained profits at beginning of period	-	-	34,754	15,406
Net profit	-	-	17,964	19,348
Retained profits at end of period	-	-	52,718	34,754

(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 2005 $000	PARENT ENTITY 2004 $000	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000

Note 32. Equity

	2005 $000	2004 $000	2005 $000	2004 $000
Total changes in equity recognised in the statement of financial performance	-	-	20,454	19,348
Transactions with owners as owners:				
Contributions of equity	-	-	-	-
Total change in equity during the year	-	-	20,454	19,348

Note 33. Remuneration of auditors

	2005 $000	2004 $000	2005 $000	2004 $000
Audit of financial reports				
Fees paid to PricewaterhouseCoopers Australian firm	18,000	14,530	145,000	126,200
Taxation services				
Fees paid to PricewaterhouseCoopers Australian firm	29,500	19,000	29,500	19,000
	47,500	33,530	174,500	145,200

	DIRECTORS OF PARENT ENTITY 2005 $	DIRECTORS OF PARENT ENTITY 2004 $	DIRECTORS OF ENTITIES IN THE CONSOLIDATED ENTITY 2005 $	DIRECTORS OF ENTITIES IN THE CONSOLIDATED ENTITY 2004 $

Note 34. Remuneration of directors

	2005 $	2004 $	2005 $	2004 $
Income paid or payable (including accrued entitlements), 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	894,852	836,322	894,852	836,322

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	2	1	2	1
$30 000 and $39 999	-	1	-	1
$40 000 and $49 999	1	1	1	1
$50 000 and $59 999	2	3	2	3
$90 000 and $99 999	1	-	1	-
$250 000 and $259 999	-	1	-	1
$270 000 and $279 999	1	-	1	-
$300 000 and $309 999	-	1	-	1
$310 000 and $319 999	1	-	1	-

Directors' remuneration excludes insurance premiums of $ 140 000 paid 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 35. 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:
I L Farrar ; A J Haraldson (Chairman); R P Land; J Mackrill; A Maher; R M Taylor; J Tucker and K Turner.

All of these persons were directors for the full year with the following exceptions: J Tucker ceased to be a director on 31 December 2004; K Turner was appointed from 1 January 2005.

Note 35. Related parties (continued)

Remuneration and retirement benefits

Information on remuneration benefits of directors is disclosed in *Note 34*. There were no retirement benefits paid in the period.

Transactions with directors and director-related entities

The following directors were trustees of the Coal Services Health & Safety Trust during the year: I L Farrar, A J Haraldson, R P Land, and J Tucker. During the year the parent entity made a grant of $ 4 000 000 to the Trust. It also 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 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 the parent entity purchased advertising and provided sponsorship to this organisation. 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 Acting General Manager of Auscoal Services Pty Ltd (formerly Coalsuper Services Pty Ltd). During the year, the parent entity provided office space for rental to Auscoal Services Pty Ltd. All transactions were conducted under normal commercial terms and conditions.

A director, Mr R Taylor, is the Acting General Manager of Auscoal Superannuation Pty Ltd (formerly Coalsuper Pty Ltd). A director, Mr K Turner, is a Trustee of Auscoal Superannuation Pty Ltd. The parent entity has indemnified Auscoal Superannuation 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 Coal Mining Industry (Long Service Leave Funding) Corporation. During the year, Mines Rescue Pty Limited made levy payments to the Long Service Leave fund on behalf of its eligible employees. All transactions were conducted under normal terms and conditions.

A director, Mr K Turner, is the General Manager of the New South Wales Minerals Council. During the year, the parent entity provided statistical services, and sponsorship to the New South Wales Minerals Council. 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	
	2005 *$*	*2004* *$*	*2005* *$*	*2004* *$*
Workers compensation insurance premium income	-	-	593,746	3,884,070
Occupational health, rehabilitation, environmental monitoring income	6,950	35,559	6,950	35,559
Investment property rental income	145,401	120,891	145,401	120,891
Mine owners levy income	-	-	-	103,771
Sponsorship and advertising	(30,610)	-	(30,610)	-
Membership and professional services fees	-	-	(2,750)	(9,735)
Superannuation/long service leave payments	-	-	(530,579)	(283,825)

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 35.*

Transactions between Coal Services Pty Limited and other entities in the wholly-owned group during the year ended 30 June 2005 consisted of:

(a) rehabilitation services provided by the parent entity to Coal Mines Insurance Pty Limited

(b) occupational health assessments and statistical services provided by the parent entity to Mines Rescue Pty Limited

(c) claims management services provided by the parent entity to Coal Mines Insurance Pty Limited

(d) commercial loan provided by the parent entity to Mines Rescue Pty Limited

(e) workers compensation insurance services provided by Coal Mines Insurance Pty Limited to the parent entity

(f) induction training, equipment services and office space rental provided by Mines Rescue Pty Limited to the parent entity

(g) transactions under the tax sharing agreement in *Note 9*.

Note 35. 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	
	2005	*2004*
	$	*$*
Rehabilitation services income	1,109,675	660,592
Occupational health assessments/statistics income	100,010	81,751
Claims management services/administration costs (recoverable)	6,179,597	6,047,581
Interest received on commercial loan	62,683	6,861
Workers compensation insurance services	(68,780)	(42,285)
Induction training/equipment services/rent of office space	(13,913)	(11,678)
Aggregate amounts receivable from (payable to) entities in the wholly-owned group at balance date:		
Current receivables	614,666	-
Current payables	(114,623,971)	(66,413,341)

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 2005 the amount outstanding on the loan was $1,010,000 (2004: $ 1,010,000). During the period, the company received $ 75,749 (2004: $ 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 36. 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	2

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 37. 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 and investment in Mines Rescue Pty Limited). The value of the indemnity at 30 June 2005 was $ 268,753,541.

	PARENT ENTITY	
	2005	*2004*
	$000	*$000*
Value of indemnity at beginning of year	281,521	291,187
Movement in period	(12,768)	(9,666)
Value of indemnity at end of year	268,753	281,521

Note 38. Contingent liabilities

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

Note 39. 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 2005, and the results of the company and its controlled entities for the year ended on that date.

	PARENT ENTITY		CONSOLIDATED	
	2005	*2004*	*2005*	*2004*
	$000	*$000*	*$000*	*$000*

Note 40. 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	-	-	15	44
	-	-	15	44
Lease commitments				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	535	126	658	261
Later than one year but not later than 5 years	868	231	1,052	514
	1,403	357	1,710	775
Representing:				
Cancellable operating leases	577	323	870	697
Non-cancellable operating leases	826	34	840	78
	1,403	357	1,710	775
Operating leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	391	34	406	63
Later than one year but not later than 5 years	435	-	434	15
Commitments not recognised in the financial statements	826	34	840	78

Note 41. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

Profit from ordinary activities after income tax	~	~	17,964	19,348
Depreciation and amortisation	444	409	5,927	5,758
Losses on realisation of investments	(6,788)	(1,301)	(6,788)	(1,301)
Unrealised losses on investments	(15,183)	(13,972)	(15,183)	(13,972)
Net loss on disposal of plant and equipment	67	14	31	22
Increase in provision for doubtful debts	(29)	7	(527)	(166)
Bad debt written off	16	6	607	249
Decrease (increase) in trade debtors	10	(200)	(682)	(200)
Decrease in inventories	-	-	16	-
(Increase) decrease in other receivables	(731)	849	(36,885)	(41,500)
Increase in accrued income	(6,406)	(2,547)	(6,406)	(2,547)
Increase in prepayments and deposits	(618)	(635)	(644)	(660)
Increase in future tax benefits	(555)	(1,929)	(537)	(1,048)
(Decrease) increase in trade creditors	(1,135)	854	(1,328)	1,450
Increase in accrued expenses	49,740	41,012	49,740	41,012
Increase in deferred tax liabilities	4,829	4,570	4,829	4,570
Increase (decrease) in other operating liabilities	92	(170)	92	(170)
Increase in claims provision	-	-	13,801	2,082
Increase (decrease) in taxation provision	5,165	(1,146)	5,165	3,964
Decrease in other provisions	(14,709)	(9,748)	(14,534)	(761)
Net cash inflow from operating activities	14,209	16,073	14,658	16,130

Note 42. 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 2005.
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 *Note 28*.

Note 42. 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:

30 June 2005	*Floating interest rate*	*Fixed interest maturing in:* Less than 1 year	1 to 5 years	More than 5 years	*Non interest bearing*	*Total*	*Weighted average effective interest rate*
	$000	*$000*	*$000*	*$000*		*$000*	*%*
Financial Assets							
Cash at Bank/Deposits at Call	4,495					4,495	4.55
Short Term Deposits		21,866				21,866	5.50
Receivables					14,272	14,272	n/a
Equity Loan			1,010			1,010	7.50
Government Securities			40,974	5,266		46,240	5.35
Corporate Securities			20,098			20,098	5.75
Shares in listed companies					64,740	64,740	n/a
Units in Property Trusts					12,726	12,726	n/a
Managed Funds					155,476	155,476	n/a
	4,495	21,866	62,082	5,266	247,214	340,923	
Financial Liabilities							
Creditors					2,996	2,996	n/a
Indemnity					16,998	16,998	n/a
					19,994	19,994	
Net financial assets (liabilities)	4,495	21,866	62,082	5,266	227,220	320,929	

30 June 2004	*Floating interest rate*	*Fixed interest maturing in:* Less than 1 year	1 to 5 years	More than 5 years	*Non interest bearing*	*Total*	*Weighted average effective interest rate*
	$000	*$000*	*$000*	*$000*		*$000*	*%*
Financial Asset							
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 (liabilities)	1,969	21,705	54,108	5,266	202,413	285,461	

Note 42. 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.

	2005 *$000*	*2004* *$000*
e) Reconciliation of net financial assets to net assets of consolidated entity		
Net financial assets as shown above at b):	320,929	285,461
Non-financial assets and liabilities:		
Inventories	161	177
Investment property	77,465	69,938
Property, plant and equipment	18,246	13,403
Tax assets (current and deferred)	6,446	7,037
Intangible assets	7,329	12,213
Other assets	2,277	1,234
Tax liabilities (current and deferred)	(13,417)	(4,570)
Provisions (excluding Miners' pension indemnity)	(362,647)	(348,194)
Other liabilities	(871)	(1,235)
Net assets as per statement of financial position	55,918	35,464

Note 43. Impacts of adopting Australian equivalents to IFRS

Remuneration and retirement benefits

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

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS 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 AIFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. The project team has prepared a timetable for managing the transition and is currently on schedule.

The project team has analysed all of the AIFRS and has identified the accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. These choices have been analysed to determine the most appropriate accounting policy for the consolidated entity.

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below. No material impacts are expected in relation to the statements of cash flows.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and the IASB. Therefore, until the consolidated entity prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted. All references in the following are to the new AIFRS standards as issued by the AASB.

(a) Retirement benefit obligations (Parent and consolidated)

Some employees of the parent entity participate in defined benefit superannuation schemes. The company's policy is to recognise a liability or asset in respect of defined benefit superannuation, 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.

Under AASB 119 *Employee Benefits*, a liability or asset in respect of defined benefit superannuation is also recognised, but there are differences in the way that the liability or asset is to be calculated, primarily the use of a risk free rate to discount the accrued benefits.

The impact on the parent and consolidated entity at 30 June 2005 will be to recognise a liability for defined benefit superannuation of $ 1.966 million. This compares to the current recognition of an asset at Note 21 for the parent entity of $ 1.124 million, and for the consolidated entity of $ $ 1.549 million.

The impact on the statement of financial performance for both the parent and consolidated entities will be an increase in employee benefits expense of $ 1.242 million.

(b) Assets backing the indemnity to Coal Mines Insurance Pty Limited (Parent entity)

Assets held by the parent entity back the indemnity provided to Coal Mines Insurance Pty Limited (refer *Note 36*.) As a result, these assets are deemed to back the insurance liabilities within Coal Mines Insurance Pty Limited. Accordingly, these assets will be recognised and measured under AASB 1023 *General Insurance Contracts* as described below.

(c) Financial assets (Parent and consolidated)

Financial assets are currently recognised at net market value which includes a provision for realisation costs. In addition, many investments are carried at mid price.

Under AASB 1023 *General Insurance Contracts*, financial assets that are within the scope of AASB 139 *Financial Instruments: Recognition and Measurement*, and that back general insurance liabilities, shall be designated as "at fair value through profit and loss". This requires financial assets to be valued at bid price, and prohibits the inclusion of realisation costs in the valuation.

As a result, the value of financial assets under AIFRS will be $ 0.017 million lower than the carrying value of $ 301.611 million at the 30 June 2005. The impact on the statement of financial performance for the year ending 30 June 2005 will be an increase in investment income of $ 0.016 million.

Amounts previously classified as investments have been re-classified under AIFRS: property valued at $ 71.543 million has been re-classifed as Investment property (see (d) below), while property valued at $ 5.923 million has been re-classified as Property Plant and Equipment (see (e) below).

Note 43. Impacts of adopting Australian equivalents to IFRS (continued)

(d) Investment property (Parent and consolidated)

Investment property is currently recognised at net market value which includes a provision for realisation costs.

Under AASB 140 *Investment Property*, investment properties are measured at fair value net of applicable tax, with gains or losses arising from changes in fair value recognised in net profit or loss, for the period in which they arise but do not include realisation costs.

As a result, the value of investment property will increase at 30 June 2005 from a value of $ 71.543 million to $ 72.656 million. The impact on the statement of financial performance for the year ending 30 June 2005 will be an increase in investment income of $ 0.119 million.

(e) Property Plant and Equipment (Parent and consolidated)

Owner-occupied property is currently classified as an investment and measured at net market value which includes a provision for realisation costs. Changes in value are recognised in the statement of financial performance.

Under AASB 1023 *General Insurance Contracts*, owner-occupied property deemed to back general insurance liabilities are required to be measured at the revalued amount per AASB 116 *Property Plant and Equipment*. Under AASB 116 the revalued amount represents the fair value at the reporting date, but with increases in value being recognised directly in equity.

As a result, the value of owner-occupied property will increase at 30 June 2005 from a value of $ 5.923 million to $ 6.044 million. The impact on the statement of financial performance for the year ending 30 June 2005 will be a decrease in investment income of $ 0.101 million.

This will also result in the creation of an asset revaluation reserve in equity of $ 0.274 million at 30 June 2005.

(f) Intangible assets (consolidated)

Currently, when an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised.

Under AASB 3 *Business Combinations*, more detailed consideration is required to distinguish identifiable intangible assets purchased in a business combination. Goodwill still represents the residual value between the fair value of the net assets acquired plus the intangible assets, and the consideration received. Amortisation of goodwill will be prohibited and will be replaced by annual impairment testing.

Under AASB 138 *Intangible Assets*, an identifiable intangible asset shall be recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity, and the cost of the asset can be reliably measured. Identifiable intangible assets will be subject to amortisation over their useful economic life.

On consolidation of the subsidiary company Coal Mines Insurance Pty Limited at 1 January 2002, goodwill was recognised. This goodwill is currently being amortised on a straight line basis over 5 years. Upon transition to AIFRS, this transaction was reviewed in more detail and it was determined that this goodwill balance represented an identifiable intangible asset in respect of the exclusive license agreement to provide workers' compensation insurance to the New South Wales coal industry.

The useful economic life of this identifiable intangible asset has been determined to be the period from the date of transition to the date of the next review of this agreement. This is merely a balance sheet re-classification and will have no impact on the results as the useful economic life of the identifiable intangible asset corresponds to the amortisation period under which the goodwill is currently being recognised.

(g) Income tax and tax consolidation

(1) Income tax
Under AASB 112 *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 are only 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.

(2) Tax consolidation
Under AASB 112, the head entity and each subsidiary in a tax-consolidated group is required to account for the current and future tax consequences of its assets and liabilities and transactions and other events of the current period.

UIG Interpretation 1052 *Tax Consolidation Accounting*, requires the current and deferred tax amounts for a tax-consolidated group to be allocated among the entities within the group using a systematic and rational allocation method.

The impact of these changes, and the tax effect of the adjustments described above, on the result for the year and the financial position at 30 June 2005 is yet to be determined as it is dependent on the finalised value of all other AIFRS changes.

(h) Comparative information

Despite the exemption available under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, the group will apply AASB 1023 *General Insurance Contracts* and AASB 139 *Financial Instruments: Recognition and Measurement*, to the comparative period in its first AIFRS financial report for the year ending 30 June 2006.

DIRECTOR'S DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 5 to 31 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended at that date; 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
24 October 2005

INDEPENDENT AUDIT REPORT

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Independent audit report to the members of Coal Services Pty Limited

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) and the Coal Services Pty Limited Group (defined below) for the financial year ended 30 June 2005 included on Coal Services Pty Limited's 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 Pty Limited Group (defined below) as at 30 June 2005, and of their performance for the year ended on that date,
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and 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 Pty Limited Group (the consolidated entity), for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that period.

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

PRICEWATERHOUSECOOPERS

financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

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. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

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 remuneration disclosures, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Our procedures include reading the other information in the Annual 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

PricewaterhouseCoopers

RS Puria

Partner

Sydney
24 October 2005

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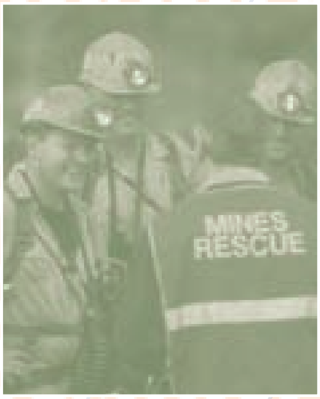

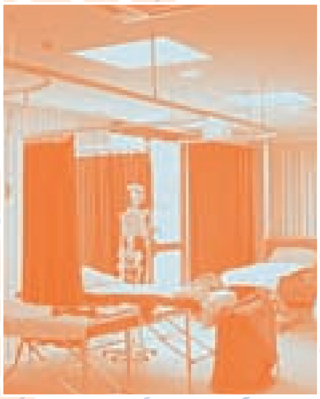


Occupational Health Services for Industry
Statistical Services
Training and Mines Rescue Procedures
Workers' Compensation Insurance for the NSW Coal Industry