Coal Services Pty Limited

ANNUAL REPORT 2005-06

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 Commonwealth's Corporations Act 2001.

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

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

YEAR AT A GLANCE

CSPL GROUP

	2006 ***$'000***
Premium income	64,782
Investment income	67,223
Contributions from colliery proprietors (MR Levy)	3,137
Total operating revenue	147,048
Claims payments	59,652
Outstanding claims provision	366,526
Total operating expenditure	107,514
Net profit before income tax	39,534

CS HEALTH

- Healthy lifestyle programs developed for an ageing workforce
- 14% increase in drug & alcohol testing across the industry
- Environmental Monitoring Group achieved NATA accreditation for diesel sampling
- New EMG sampling laboratory established in Lithgow

COAL MINES INSURANCE

- 2,126 new claims were registered during 2005/06
- 82% of all time lost injury claims during the year were finalised in the first 26 weeks
- Average scheme rate continued to trend downwards to 5.5% for 2005/06
- Average scheme rate decreased by 43% to 4.09% for 2005/06
- The number of open active claims managed by CMI decreased by 10.7% from 1,912 to 1,707
- A three month premium adjournment which totalled $18.5M was granted to policyholders for April, May & June 2006 funded by strong investment returns
- A provision of $20.7M was made for removal of compulsory retirement age

MINES RESCUE

- The total number of Brigadesmen increased by 5% to 374
- In-seam response guidelines established
- New Virtual Reality Training Simulator modules developed and delivered to industry
- Mines Rescue hosted the 5th International Mines Rescue Conference during 2006
- $10M was granted to Coal Services Health & Safety Trust for training to counter the impact of an aging workforce

CHAIRMAN'S REPORT

I am pleased to report that 2005/06 has been an outstanding year for Coal Services Pty Limited (CSPL) and its subsidiary companies Coal Mines Insurance Pty Ltd and Mines Rescue Pty Ltd. The continuation of strong investment returns and a buoyant industry assisted in CSPL achieving favourable outcomes in all of its divisions.

During the year CSPL entered into a 3 year outsourcing agreement with Employers Mutual Limited (EML) to manage its insurance, health and administration. This followed the successful completion of the in-sourced EML management agreement for CMI.

Within CMI the scheme performance continued to improve, contrary to the expected impact from the ageing of the industry's workforce and the introduction of legislation that removed the compulsory retirement age for mine workers.

The improvement came about because of an expertly applied claims management process by CMI staff which led to a reduction in the number of open, or active claims, coupled with a reduction in the claims costs. This together with strong investment returns enabled CSPL to provide a premium adjournment for the last quarter of the year to all policyholders whilst maintaining solvency and reducing the scheme premium rate by 25% from 7.3% to 5.5%. CSPL also provisioned from it's current account the initial funding to meet the increased liabilities arising from the removal of the compulsory retirement age. The total cost of these provisionings at $39.2 Million represents a major saving for the industry's policyholders who would have otherwise had to provide this amount through higher premiums.

In recognition of the challenges that the ageing of the industry's workforce will present, the Board allocated $10 Million to the Coal Services Health and Safety Trust for projects specifically targeting this issue. The first of the programmes is the Benchmark Injury Management Assessment (BIMA) project whose goal is to identify best practice injury management practices at the States mining operations.

Coal Services Health continued to deliver a wide range of quality accredited occupational health, rehabilitation and occupational hygiene services to the industry. There has been further investment made in resources for Coal Services Health to ensure that they deliver the best possible service to the industry. This extremely busy and highly skilled group of professionals carried out 20,493 medicals, health assessments and environmental tests at our four regional centres once again proving the division's critical importance to the industry and especially it's employees.

The Mines Rescue Service and the Coal Mines Technical Services group further cemented their position as world leaders in their respective fields during the reporting year. Induction and refresher training involving 10,497 persons totalling 20,471 man days were conducted at Mines Rescue Stations at Newcastle, Singleton, Lithgow and Wollongong. Recognition of the high level of emergency preparedness of NSW Mines Rescue was illustrated when senior staff from the service were deployed, as technical experts, to the Beaconsfield rescue operation.

The CSPL Board is actively supporting Mines Rescue in the extension of training programmes for the industry's new and current employees. The centre piece of this strategy is the installation of world's best practice Virtual Reality facilities at each of the States Rescue Stations.

The Board of CSPL cognisant of increasing demands for services in the States mining regions committed to the construction of two new facilities at Wollongong and Newcastle at a cost of $23 Million confirming both CSPL's commitment to the industry and our important part in it.

Finally, in what has been an extremely busy and satisfying year, I wish to record my appreciation for the continued outstanding service provided by our Statistics and IT Departments who together with our central administration staff complete the diverse organisation that is CSPL. Unreserved congratulations go to my fellow directors and especially the Managing Director and his team without whom the achievements of 2005/2006 would not have occurred.

Ron Land
Chairman

MANAGING DIRECTOR'S REPORT

As the Chairman has indicated 2005/06 was a defining year for CSPL. It was a year where the commitment to continuous improvement was adopted as a normal business practice and an understanding that the business has more to offer to its stakeholders.

With the introduction of a new management structure, a change management program has commenced, where appropriate, to re-engineer many of CSPL's processes in order to provide the highest level of service to stakeholders.

The outstanding foundation that had been laid in previous years continues to provide value to stakeholders through reducing claim duration, claims costs and premium rates to 5.5%.

The financial strength of the company continued to improve. This is attributed to strong investment returns, increased premium collections, through an increase in the number of workers within the industry, and further improvement in the claims management practices.

A team-based structure was introduced for CMI and Coal Services Health, and the alignment of each business unit to five key performance indicators of customer service, profitability, continuous improvement, people development and communication, assisted in identifying further improvement opportunities.

The introduction of the Australian International Financial Reporting Standards expedited the re-engineering process for the Finance area of the business. This has resulted in stronger financial reports for all operations.

Within Coal Services Health we continued to grow in revenue. Further investment has been made for the Lithgow, Corrimal and Singleton offices whilst sustaining services at Warners Bay.

The Environmental Monitoring Group within Coal Services Health successfully obtained NATA accreditation for their services during the year.

During 2005/06 Mines Rescue attended emergencies at Beaconsfield, Newstan Colliery, where the Mine Shield Inertisation unit was deployed, and at Dartbrook Colliery, where technical advice was provided in relation to spontaneous heating at the mine. All emergencies were successfully addressed. A particularly pleasing aspect of Mines Rescue's operations in 2005/06 was that the total number of nominated Brigadesmen in NSW Coal Mines increased by 5% to a total of 374.

CSPL successfully co-located the Lithgow Mines Rescue and Coal Services Health operation in March 2006. Approval from the Wollongong Council was provided and a project manager appointed for the development of the Woonona location in the Illawarra. This project is expected to be completed in late 2007.

I would like to thank the staff of CSPL for their efforts during a challenging year. The level of commitment they have shown to the change process has been admirable and allowed the executive management team to focus their efforts on achieving our corporate goals.

T Middlebrook
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

A continuation of strong financial conditions in the coal industry, combined with continued improvements in claim management, have resulted in improved Scheme performance for the 2005/06 year.

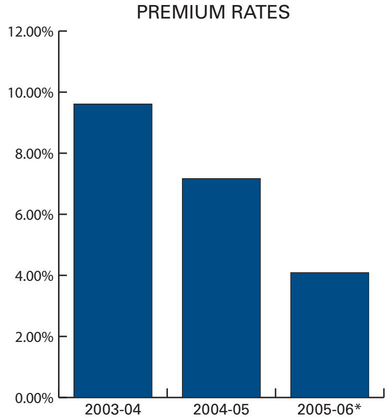
The reduction in liabilities through improving return to work rates and finalisation of long tail claims allowed CMI to ride out the impact from the removal of compulsory retirement age in the coal industry.

SCHEME PREMIUM RATE

The average Scheme rate continues to trend downwards and has decreased by 43% to 4.09% for 2005/06, reflecting the strong Scheme performance.

Coal Services Pty Ltd granted a 3 month "Premium Adjournment" period for the final quarter of the 2005/06 year, which meant that policyholders were not required to pay premiums for April, May & June 2006. This was funded by strong investment returns from the CSPL Group.

The following graph shows the average scheme rate for the past 3 years. While CMI continued to focus on strategies that will continue in the reduction in the scheme rate, external factors can also influence that which includes OH&S practices, Injury Management policies and the state of the industry.



* *Including the 3 month premium adjournment in the last quarter*

Changes to Premium Rate Methodology

There were three changes to the premium rate methodology for the financial year 2005/06. These are;

- Introduction of 3 years for total incurred & wages experience,
- Introduced individual "Actuarial Factors" for each year's claims experience, and;
- The use of "Total Incurred" instead of "Claim Payments" costs.

Each of these changes is aligned to closely linking premiums paid, to those of the actual experience of a policyholder and increasing sensitivity to recent outcomes.

Scheme Details

The scheme had a total of 508 policies open at the 30th June 2006; this is an increase of 19.8 % or 84 policies during the financial year. These policies covered an average of 14,726 employees and wages of $1.293 billion. These increases in exposed to risk and wages are a reflection of the improved economic conditions of the industry.

CLAIMS MANAGEMENT

The CMI claims management practice was reviewed, culminating in an improved structure which saw the introduction of the Case Manager model, which became effective from 1 June 2006. The new model now provides one contact point for all stakeholders with a strong emphasis on achieving an early return to work for injured workers.

CMI's internal audit practices are reported against key KPI's with the aim of working towards best practice. The overall audit result for the financial year 2005/06 was maintained at an annual average of 97%. This is against an expected benchmark of 95% in these areas.

Claim Numbers

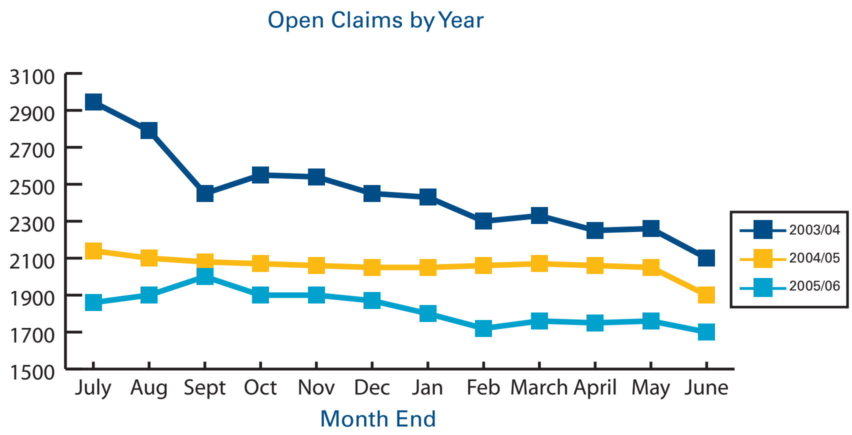
The number of open active claims being managed by CMI fell a further 10.7% during the year from 1,912 to 1,707

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

	2005/06	2004/05
Non-significant claims	93	116
Significant Injury claims	58	80
Tail claims	85	143

These case loads are now at benchmark levels for the Workers Compensation Insurance industry.

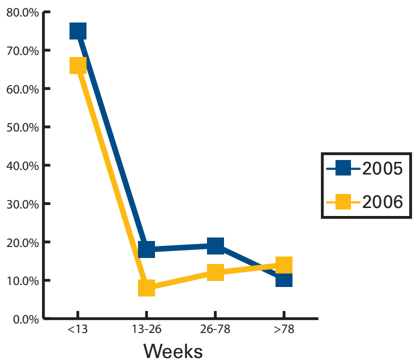
82% of all claims finalised during the year were resolved within the first 26 weeks of duration.



The finalisation rate within the first 26 weeks improved from 75% in 2004/05 and is a reflection of the improved partnership approach taken by stakeholders and CMI's Claims Management Advisers and Injury Management Advisers. This improvement has achieved shorter duration during the financial year and is minimising the number of claims moving into the tail.

CMI's focus on the management of long tail claims continues, however the outstanding results at the front end have diminished the percentage of claims closed in the tail claims from 14% in 2005/06 to 10% in 2006/07.

FINALISED CLAIM DURATION



SCHEME DRIVERS

During the year 2,126 new claims were registered. The highest number of claims (50%) related to lower leg and shoulder/arm injuries: 53 % of these were caused from sprains and strains and, in 28% of the claims, the injury was attributed to lacerations and contusions.

CLAIM COSTS

Net payment on claims for the year was $60.6 million, with strains and sprains accounting for 63 % of payments and claims resulting from overexertion and slips, trips and falls accounting for 53% of all claims registered.

ACTUARIAL VALUATION

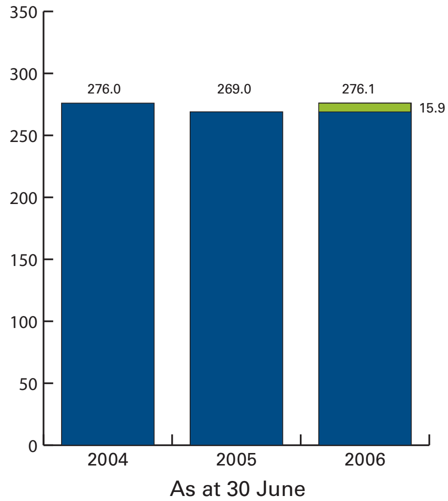
The outstanding Central Claims Estimate has increased this year to $276.1 million at June 2006; this increase is a direct result of the removal of the compulsory retirement age.

The actuarial valuation of the central claims estimate as at 30 June 2006 was $276.1 million, up from $269.0 million in 2005. The scheme Actuary determined that $15.9 million dollars of the central claims estimate was directly related to the removal of the compulsory retirement age.

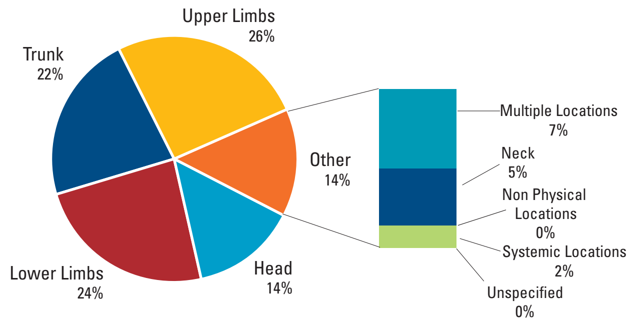
AUDIT & COMPLIANCE

The audit and compliance program continued in 2005/06 with Commercial Audit Services continuing to support CMI's Underwriting Department. This service ensures policyholders are correctly declaring wages paid and that the business description of their activities adequately reflects the work being undertaken. In 2005/06 financial year 39 audits were conducted, which continues on from the 28 audits in 2004/05.

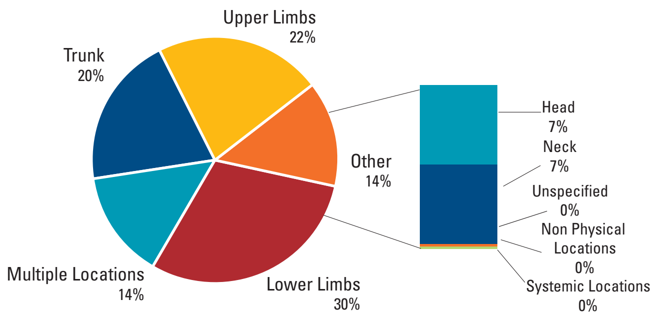
CENTRAL CLAIMS ESTIMATE



NUMBER OF CLAIMS



TOTAL PAID



COAL MINE INSURANCE ANNUAL STATISTICS

ITEM	KEY PERFORMANCE INDICATOR	1996/97	1997/98	1998/99	1999/00	2000/2001
1	Number of employees insured	14,881	13,815	11,685	10,862	10,641
2	Assessable wages of insured employees	$957.7 m	$917.0 m	$811.9 m	$757.3 m	$759.0 m
3	Premium income *(a)*	$60.1 m	$54.0 m	$45.9 m	$52.0 m	$60.6 m
4	Average premium rate (effective)	6.3%	5.9%	5.7%	6.9%	8.0%
5	Premium cost per employee insured	$4,036	$3,911	$3,930	$4,783	$5,694
6	Premium cost per tonne of raw coal produced	$0.49	$0.40	$0.35	$0.39	$0.44
7	Claims payments	$69.1 m	$57.8 m	$73.0 m	$72.6 m	$80.7 m
8	Provision for outstanding claims	$232.4 m	$247.7 m	$261.7 m	$277.0 m	$304.4 m
9	Number of claims lodged	5,116	4,647	3,608	3,346	2,959
10	Claim rate (per 100)	34.4	33.6	30.9	30.8	27.8

ITEM	KEY PERFORMANCE INDICATOR	2001/02	2002/03	2003/04	2004/05	2005/06
1	Number of employees insured	10,819	10,820	10,736	12,272	14,726
2	Assessable wages of insured employees	$831.7 m	$926.6 m	$996.0 m	$1,112.0 m	$1,293.8 m
3	Premium income *(a)*	$84.6 m	$99.2 m	$97.0 m	$81.4 m	$59,594,000
4	Average premium rate (effective)	10.2%	10.7%	9.7%	7.3%	4.6%
5	Premium cost per employee insured	$7,823	$9,167	$9,036	$6,637	$4,285
6	Premium cost per tonne of raw coal produced	$0.58	$0.69	$0.66	$0.52	$0.37
7	Claims payments *(b)*	$78.0 m	$84.2 m	$84.2 m	$74.2 m	$59,594,000
8	Provision for outstanding claims	$326.7 m	$340.8 m	$342.9 m	$356.7 m	$366,5 m
9	Number of claims lodged	2,661	2,214	2,008	1,932	2,120
10	Claim rate (per 100)	24.6	20.5	18.7	15.7	15.2

(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

▲ File review process for claims management

COAL SERVICES HEALTH

OUR VISION

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

▲ Functional capacity assessment - walking over broken ground

OVERVIEW

CS Health has continued to provide a range of high quality services to assist in managing the health and safety of those working in the coal industry throughout NSW. While we continue to focus our services on the Coal Industry, we have expanded our customer base to include other industries. This allows our health professionals to increase their skills base and to offer a broad range of services, allowing our customers to benefit from our multi skilled teams.

Our continuing aim throughout this year has been to ensure we are able to provide those services that are needed by CS Health customers, and to continue to be at the forefront of the development of new services to further enhance the benefits we provide to our coal industry customers.

One major result of this work has seen the further development of our **Healthy Lifestyle Programs** that has improved our effectiveness in dealing with the issues that we are seeing as a direct result of the ageing workforce across the coal industry. The removal of the compulsory retirement age from 1 July 2006 will be another contributor to an increase in the age of the workforce and will increase the value and effectiveness of this program as we work in unison with the coal industry to maintain a fit and healthy workforce moving into the future.

OCCUPATIONAL HEALTH SERVICES

CS Health provides a number of services that assist in monitoring and managing the health of the coal workforce.

While focussing on understanding the health of individuals before starting in the industry, CS Health also conducts a large number of health assessments each year on current employees to ensure that there are no health and/or safety issues that need attention.

These activities provide a significant amount of data that CS Health is able to review and monitor to identify trends in health issues that require improved management, and that directly assists in determining future service needs.

A significant component of our Occupational Health Services are provided through the Environmental Monitoring Group - EMG. This year has seen a continuing growth in both the type and number of services provided, associated with an increase in the number of staff available to look after the coal industry – including new laboratory facilities in Lithgow.

With the increased work and the expansion of services that now also includes diesel sampling, the EMG has recently become the only NATA accredited organisation in Australia for diesel sampling, in addition to workplace respirable and inhalable dust sampling. This allows us to provide the coal industry with world-class services to ensure that all their environmental monitoring requirements are not only met, but that the processes used and the results are backed by an internationally recognised certification.

CS Health has also seen an increase in the number of drug and alcohol tests being completed across the industry during the year, with a 14% increase over 2004/2005 to record 8304 tests during 2005/2006.

Service Provided	04/05	05/06
Routine health assessments	1648	1654
Pre-placement assessments	3748	4590
Functional assessments	917	1253
Drug and alcohol screenings	7289	8304
Respirable Dust Samples	434	559

OCCUPATIONAL REHABILITATION SERVICES

CS Health continued to provide occupational rehabilitation services to injured mine workers throughout 2005/2006. Our multidisciplinary teams obtain outcomes that assist in ensuring injured workers are able to return to work and continue to contribute to the industry. Our teams of health professionals work closely with injured workers, mines personnel, treating medical and health professionals and CMI to deliver 'best practice' outcomes, with the results being that injured miners are back at work and productive, with less impact on the premium of the employer – a fantastic outcome for all involved.

CS Health is working closely with CMI – as our major rehabilitation client – to ensure that we are continuously looking at ways of improving the level of rehabilitation services that we provide to the industry, again benefiting both the injured workers and the employers.

MINES RESCUE PTY LIMITED

OUR VISION

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

EMERGENCY PREPAREDNESS

All Mines Rescue Stations completed the annual review of their emergency systems during the year.

Simulated emergencies, trials and audits of mine's and the Mines Rescue Service's emergency and `self escape 'systems were also conducted. Simulations were carried out at the following mines/locations: Mt Thorley Coal Loader, Wambo, NRE (Gujarat), West Cliff, Avondale, Springvale, Clarence, Newstan, Cooranbong, Southland, West Wallsend, Tahmoor and Appin mines. Two employees were also assessors at the Queensland Level 1 simulated emergency.

Mines Rescue continues to conduct the five-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 to the Black Coal Competencies under the Australian Quality Framework (AQF) Levels 5 and 6 – Undermanagers and Managers.

Courses were conducted in March and June at the Newcastle Mines Rescue Station for NSW candidates for mining tickets; another held in June for NSW practicing managers and one held in September for Queensland mine management.

The 2nd Bi-Annual International Mines Rescue Conference was hosted by Mines Rescue at Manly from 6th to 11th November 2005. The conference was well attended with 75 overseas delegates. It was an excellent information exchange with all NSW Mines Rescue personnel being exposed to technical papers and mines rescue professionals from around the world.

Mines Rescue conducted technical conferences and had employees deliver technical papers at a number of forums during the year. These included quarterly internal Technical Transfer sessions, Brigadesmen Conference at Wollongong, NSW and Qld OH&S conferences and the Mine Managers Association OGM, AGM and technical conference. Employees were also involved in the ACARP steering committee which is investigating `The Use of Diesel Vehicles
in Hazardous Atmospheres'.

EMERGENCY RESPONSE

Newstan Colliery - October 2005:

Newcastle station was activated to Newstan mine with the Mine Shield Inertisation Plant due to a spontaneous heating in an old longwall goaf area. Inertisation operations are still continuing as at the end of June 2006. The Plant has been running 24 hours a day at approximately 3 tonnes/hour to keep the area inert whilst work is being carried out to seal surface cracks and to flyash the heating area.

Dartbrook Colliery – 24th January 2006:

Hunter Valley station was activated to Dartbrook mine to advise on Inertisation options for a spontaneous heating in the longwall active goaf. The mine had developed Alternate Inertisation equipment, Tomlinson boiler, Floxel and Nitrogen Ambient temperature Vaporizing units which are still in operation as at the end of June 2006.

Beaconsfield Mine -Tasmania – 1st May 2006:

Two mine employees were missing following a large roof collapse in the gold mine. Mine based rescue operations discovered the two men alive but trapped under loose broken material in a drill rig basket. The Mines Rescue Service was requested to assist mine management with the operation of their Incident Management Team (IMT). Three senior officers were dispatched to assist on a 24 hours basis. Another two were dispatched to relieve personnel on the 11th May but were not required as the trapped miners were successfully recovered.

MINES RESCUE BRIGADESMEN

The total number of nominated Brigadesmen increased by 5% during the year to a total of 374 due to continuing promotional activities. The number of Brigadesmen that are BA Current has increased by 11% to a total of 338 due to an improved attendance. The minimum required across the State under the Service's current structure is 240. This indicates a healthy position especially with an increase in the number of younger mine workers who were among the 45 successful candidates completing the Mines Rescue ten-day intake course.

Rescue Team preparing the Drager BG4 units and their minimum equipment for a 3 hour search and recovery exercise

Mines Rescue competitions were conducted in all Districts with four (4) NSW teams competing at the Australian Mines Rescue titles at Awaba Colliery (NSW) on 15th October 2005. The Angus Place team, representing the Western Mines Rescue Station, won the competition with Tahmoor, representing the Southern Station, a very close second.

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

COAL MINES TECHNICAL SERVICES (CMTS)

CMTS continued a healthy income and product growth during 2005-2006, realising its most successful year to date.

NATA and NCSI reassessments were conducted during the period for the Laboratory, Approved Workshop and Quality accreditations.

An office/ workshop facility for CMTS Queensland operations has been secured in Mackay, QLD. While not permanently manned at this stage, it is anticipated that a permanently based technician will by appointed during 2006-2007.

CMTS successfully tendered for the supply, installation and ongoing maintenance of four ***SMARTGAS*** gas chromatographic systems. One system was supplied to the Department of Primary Industries, Mineral Resources; one system to Cook colliery in Queensland; and two systems to NSW collieries. They were also involved in providing gas analysis and interpretation services as a result of a number of mine occurrences in NSW.

Ongoing negotiations with a Chinese mining group has resulted in an agreement to supply one ***SMARTGAS*** gas chromatographic system and also to supply and build a mobile laboratory for the group.

An increase in the diesel particulate analysis of raw diesel engine exhausts for BHP Illawarra collieries occurred during 2005-2006. Interest from other NSW and Queensland collieries will result in a broadening of these services. Additional markets for raw diesel exhaust gas analysis continue to be developed with interest from Newcastle collieries to be progressed.

Preparing CABA (Compressed Air Breathing Apparatus) for a quick 2 man "snatch and go" exercise in irrespirible air.

SAFETY & ENVIRONMENT:

There was one reported injury/near hit during the year. An Open Cut team member training at Hunter Valley station had a DCP fire extinguisher discharge into his face when it fell from the back of a truck. He was treated in accordance with the MSDS and taken to Singleton hospital for further medical advice. He later returned to the training. The incident investigation led to mechanical restraints being fitted to the back of the truck.

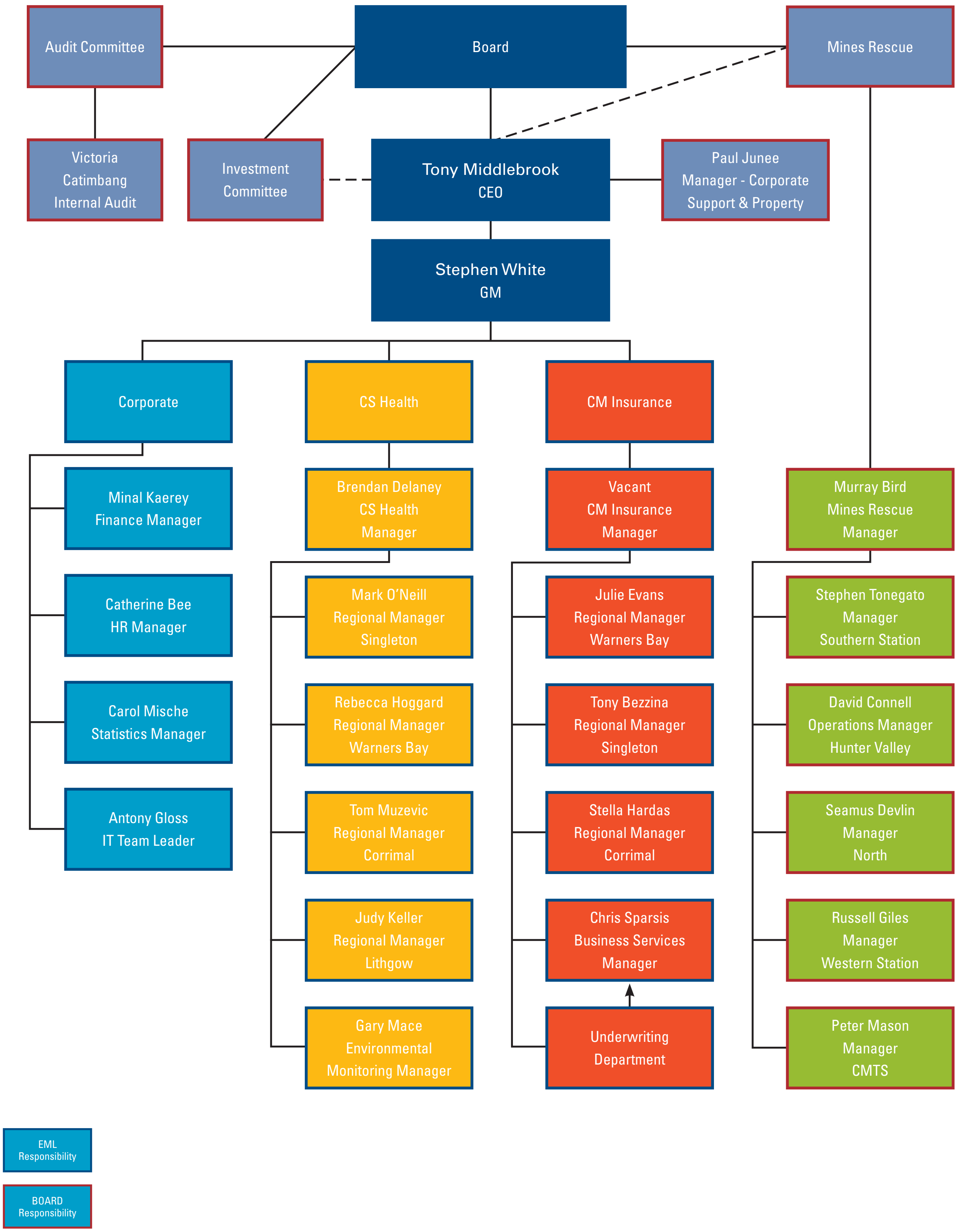
The OH&S Committee met six times during the year and conducted safety audits of all operations with all recommendations being implemented.

An Environmental Internal Audit was conducted by a specialist contract company at every operation for compliance and record keeping.

OTHER ACTIVITIES

- A full cross-section of industry representatives make up the `Mines Rescue Working Group' which meets quarterly to discuss and communicate issues and solutions in relation to Mines Rescue and other emergency based issues. The Working Group identified `In-Seam Response' as a major issue whereby a suitably trained person(s) underground responds to an occurrence immediately. During the year the Group finalized the `In-seam Response Guidelines' which have now been approved by the Board and referred to the Chief Inspector of Coal Mines for acknowledgment..
- A two year pilot program for Mines Rescue Cadets was commenced in January 2005. Each of the four successful candidates are based at a Mines Rescue station and have continued to 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), Deputies training (on-line and face-to-face training) and a variety of fire fighting courses. In training for general heavy industries, the areas were mainly `Safe Working in Confined Spaces', `First Response', Fire Fighting and Safety Audits.

CSPL STRUCTURE



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. The Board sets direction and establishes goals for management and monitors achievement of those goals. The Board's Audit Committee, which established a framework for corporate governance, was reviewed and expanded during the year to include risk management. The revised Committee's responsibilities include 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 NSW Minerals Council director. The current Chairman is Mr Ron Land.

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

BOARD MEETINGS 1 JULY 2005 TO 30 JUNE 2006

DIRECTOR	ELIGIBLE TO ATTEND	ATTENDED
Ron Land	17	17
James Mackrill	17	17
Ross Taylor	17	17
Tony Haraldson	17	16
Kieren Turner	5	5
Ian Farrar	3	3
Tony Maher	5	0
Peter Murray	12	7
Tony Middlebrook	6	6

Note: Mr Farrar resigned on 28 October 2005 and Mr Maher resigned on 31 October 2005.
Mr Murray was appointed from 1 November 2005 and Mr Middlebrook was appointed from 1 March 2006

RISK MANAGEMENT AND CONTROL

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

Risk Management & Internal Control System

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

Financial Reporting

A comprehensive 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 Board Audit & Risk Management 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 were appointed auditors for the company for the year ending 30 June 2006.

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 2006/07 was prepared and submitted to the Minister in May 2006.

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 Investment Committee, before being referred to the Board.

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

CODE OF CONDUCT

The Board has instituted a code of conduct for the chairman and directors to ensure they act in good faith, with appropriate skill, care and diligence. Directors have a fiduciary duty of loyalty to Coal Services Pty Limited and its controlled entities and, 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 their 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 and Personal Information Protection Act, 1998, and all officers of CSPL are subject to this Act.

COAL SERVICES STATISTICS

Coal Services Statistics offers a unique statistical service for the NSW and Australian coal industries through its standard annual, quarterly and monthly statistical bulletins and reports specifically tailored to an individual user's requirements. Our collections are comprehensive and have developed in response to users' needs.

For the NSW coal industry there are two interrelated areas of information available, accident statistics and industry statistics. Accident statistics are based on the workers' compensation injury and disease claims submitted to Coal Mines Insurance, while industry statistics describe the NSW coal industry where these injuries and diseases occurred.

Collections for the NSW coal industry cover coal supply (production and imports) and coal demand (sales overseas, interstate and within NSW), the value of NSW coal exported overseas and coal stockpile levels at mines, ports and consumers. Workforce data collected includes numbers employed, types of employment, time worked and lost by workers, shift arrangements, wages paid and the age of mineworkers.

Although slightly less comprehensive than our statistical collections for the NSW coal industry, Coal Services Statistics offer a wide-range of information on the Australian coal industry. Our statistical service is made possible through the cooperation and valued contribution of the Queensland Department of Mines and Energy, Australian coal mining companies and coal users.

For more information about our services and products visit the Coal Services website at www.coalservices.com.au .

The following table provides a five-year overview of the NSW and Australian black coal industries.

COAL INDUSTRY STATISTICS

NSW COAL INDUSTRY STATISTICS	Financial Year				
	2001-02	2002-03	2003-04	2004-05	2005-06
Number of coal mines at 30 June	56	56	52	55	58
Raw coal production, million tonnes	145.2	143.1	147.0	156.3	161.3
Saleable coal production, million tonnes	114.3	111.5	114.2	122.1	124.7
Coal sales within Australia, million tonnes	33.9	34.0	32.8	33.9	34.1
Coal exports overseas, million tonnes	77.5	79.3	85.0	86.6	89.8
FOB value of coal exports overseas, $A billion	$A 4.7 billion	$A 3.9 billion	$A 3.7 billion	$A 5.5 billion	$A 6.7 billion
Average FOB value of coal exports, $A per tonne	$A 60.79	$A 48.60	$A 43.85	$A 63.43	$A 74.92
Number of production mineworkers at 30 June	10,052	9,758	9,998	11,290	12,658
Average age of mineworkers at 31 December	43.5	43.5	43.5	43.4	42.7
Average weekly earnings of mineworkers, $	$A 1,718	$A 1,791	$A 1,842	$A 1,933	$A 2,009
Saleable coal output per mineworker per year, tonnes	11,400	11,250	11,640	11,680	10,250
Saleable coal output per mineworker per hour, tonnes	5.81	5.80	5.82	5.73	4.89
Days worked per mineworker per year	280.4	277.0	285.7	291.1	259.2
Days lost per mineworker due to industrial disputes	0.6	0.7	0.2	0.3	0.1
Days lost per mineworker due to workers' compensation	3.1	3.0	2.4	2.1	1.4
Lost-time injuries per million tonnes raw coal produced	4	3	3	2	2
Lost-time injuries per million tonnes saleable coal produced	5	4	4	3	3
Lost-time injuries per million hours worked	27	23	22	18	16

AUSTRALIA COAL INDUSTRY STATISTICS	Calendar Year				
	2001	2002	2003	2004	2005
Number of coal mines at 31 December	108	103	101	99	107
Raw coal production, million tonnes	333.2	349.6	352.1	377.8	398.9
Saleable coal production, million tonnes	265.5	273.6	279.0	296.7	307.9
Coal consumption within Australia, million tonnes	64.8	66.3	67.8	70.9	71.0
Coal exports overseas, million tonnes	194.4	204.2	216.2	224.6	233.7
FOB value of coal exports overseas, $A billion	$A 12.5 billion	$A 12.8 billion	$A 10.8 billion	$A 13.4 billion	$A 22.2 billion
Average FOB value of coal exports, $A per tonne	$A 64.11	$A 62.60	$A 49.98	$A 59.72	$A 94.82
Number of production mineworkers at 31 December	19,762	20,919	21,729	24,959	29,765
Saleable coal output per mineworker per year, tonnes	13,635	12,610	12,830	12,340	10,870
Saleable coal output per mineworker per hour, tonnes	6.86	6.78	6.68	6.47	6.07
Days worked per mineworker per year	283.8	265.5	274.4	272.3	243.6
Days lost per mineworker due to industrial disputes	2.8	0.4	0.7	0.2	0.9
Days lost per mineworker due to workers' compensation	2.0	1.9	1.4	1.4	1.0

STANDING COMMITTEE ON DUST RESEARCH & CONTROL

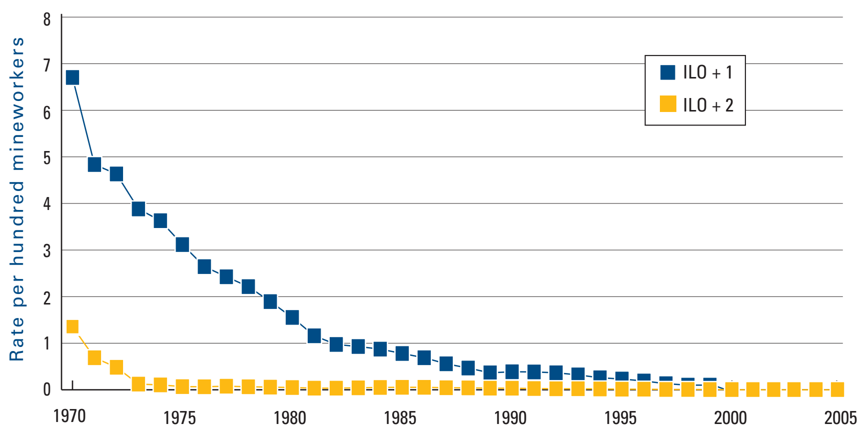
The Standing Committee on Dust Research and Control is an expert advisory body comprising representatives of the colliery proprietors, mining unions, government departments, industry consultants and Coal Services' medical and technical personnel. The main role of the Committee is to:

- 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 Newstan, Tahmoor, Mandalong, Mt Owen and Appin collieries. The Committee also arranged a meeting with Ms Melinda Pon, Special Assistant to the Administrator, Mine Safety & Health Administration, USA where they were presented with the latest information on coal health issues in the USA. Ms Pon briefed the Committee on specific matters such as respirable dust and quartz sampling methods and standards, coal workers' pneumoconiosis and diesel particulate matter (DPM) monitoring.

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 - 2006



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.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE

Formerly the Audit Committee, the Board Audit and Risk Management Committee (BARMC) is a committee of the Board of Directors. Currently chaired by James Mackrill, with Tony Haraldson and Ross Taylor as members, the Committee plays a key role in the overview of responsibilities of the Board. These responsibilities particularly relate to financial reporting, internal controls, corporate governance, risk management, statutory and policy compliance, and the internal and external audit processes.

The Committee held three meetings 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 received regular reports from the Internal Auditor regarding the audit program and internal control matters. Other major activities undertaken by the Committee include:

1. Risk Management Workshop
2. Review of the Committee's Charter
3. Quality Assessment of the Internal Audit function
4. Review of the Internal Audit Work Plan

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, Ian Farrar and Kathryn Heiler. We are appreciative of the support and input of both of these former Trustees during their time with the Trust. We welcomed Tony Middlebrook and Peter Murray as their replacements.

In July 2005, the Trust in conjunction with ACARP held technology transfer seminars in NSW and Queensland on 'Respirable Dust Exposure Utilizing the R&P Personal Dust Monitor (PDM) and the Latest Technology for Diesel Particulate (DP) Measurement. The Trust also promotes the results of its research through displays at the NSW and QLD mining industry health and safety conferences. Some Trust researchers presented papers on their results at those conferences.

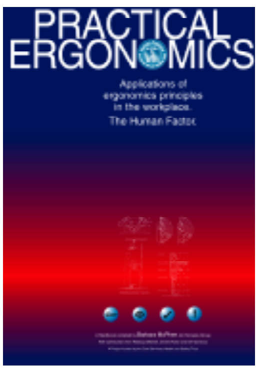
During the year the Trust commenced funding the substantial project 'Developing an Enhanced Virtual Reality (VR) Simulation Capability for the Coal Mining Industry'. The 3 year project has a total value of over $1.7 Million. The facility at the Newcastle Mines Rescue Station - Argenton provides immersive, interactive, VR 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 in July 2005. Copies can be obtained from the Trust, on the e-mail address details below.

A new Trust website has been created which allows completed project reports to be down loaded directly from the website.

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

Ken Cram
Trust Secretary
Tel: (02) 4286 5425
Email: trust@coalservices.com.au
Website: www.coalservices.com.au



Virtual Reality Self Escape Module ▲

COAL SERVICES PTY LIMITED
FINANCIAL REPORT - 30 JUNE 2006

CONTENTS

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.

This financial report covers Coal Services Pty Limited and all of its wholly owned subsidiaries and represents the activities for the year 1 July 2005 to 30 June 2006.

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 company's operations and its principal activities is included in the Directors' report on page 2, which is not part of this financial report.

The Directors of the company do not have the power to amend or alter the financial statements after completion.

All figures are denominated in Australian dollars unless specifically stated otherwise. Figures are rounded to the nearest $'000 unless stated differently.

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Coal Services Pty Limited and the entities it controlled at the end of, and during, the year ended 30 June 2006.

Directors

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

R P Land

R M Taylor

J Mackrill

A J Haraldson

K P Turner

P D Murray (appointed 1 November 2005)

A N Middlebrook (appointed 1 March 2006)

I L Farrar (1 January 2002 to 28 October 2005)

A J Maher (1 January 2002 to 31 October 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	
	2006	*2005*	*2006*	*2005*
	$ '000	$ '000	$ '000	$ '000
Workers' compensation insurance	118,716	126,041	31,095	21,597
Mines rescue services	11,532	10,343	135	(29)
Occupational health and rehabilitation services	6,573	3,717	(1,171)	(958)
Other	10,227	11,680	9,475	3,451
Intersegment eliminations/unallocated	-	(7,619)	-	5,344
	147,048	144,162		
Profit from ordinary activities before income tax expense			39,534	29,405
Income tax expense			6,582	7,770
Profit/(loss) from ordinary activities after income tax expense			32,952	21,635

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 $31.1 million. The result for underwriting operations was a loss of $5.3 million while general and administration reported a profit of $51 million, largely as a result of the very strong investment performance. The indemnity provided to the company by the parent entity decreased during the period by $9.0 million in line with the terms of the deed agreement.

(b) Mines rescue services

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

For the twelve months, the segment result was a profit before income tax of $0.135 million. Total operating revenue of $11.5 million included contributions from mineowners of $3.1 million and training and services revenue of $8.1 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 2006, the division continued to provide services to the coal industry consistent with its charter for quality and excellence. Net loss for the segment was $1.2 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 $9.5 million consisted mainly of a return on investments.

Likely developments and expected results of operations

At 30 June 2006 the consolidated entity had net assets of $87.6 million. This included goodwill created on consolidation of Coal Mines Insurance Pty Limited of $12.2 million. Refer note 19.

Coal Mines Insurance Pty Limited endeavours to drive down overall premium costs through improvements in case management and increased levels of customer service.

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.

There have been no significant events since balance date that would materially affect the financials of the business.

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 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 occuring 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. A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

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

AN Middlebrook
Managing Director

RP Land
Director & Chairman

Sydney
10 May 2007

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

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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

Auditor's Independence Declaration

As lead auditor for the audit of Coal Services Pty Limited for the year ended 30 June 2006, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements as set out in 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 Punia
Partner
PricewaterhouseCoopers

Sydney
10 May 2007

Liability limited by a scheme approved under Professional Standards Legislation

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	PARENT ENTITY 2006 $ '000	PARENT ENTITY 2005 $ '000	CONSOLIDATED 2006 $ '000	CONSOLIDATED 2005 $ '000
Premium revenue	4	-	-	64,782	81,292
Outwards reinsurance premium expense	4	-	-	(801)	(720)
Net premium revenue		-	-	63,981	80,572
Claims expense	5	-	-	(69,509)	(82,533)
Reinsurance and other recoveries revenue	5	-	-	722	859
Net claims incurred		-	-	(68,787)	(81,674)
Other underwriting expenses		-	-	(509)	(960)
Underwriting result		-	-	(5,315)	(2,062)
Investment income	7	13,516	5,205	67,223	48,977
Other income	7	11,823	10,192	15,043	13,033
Employee benefits expense		(8,655)	(9,673)	(13,934)	(14,414)
Depreciation and amortisation expenses	8(a)	(471)	(444)	(1,195)	(1,051)
(Write-down)/write-back of property plant and equipment to recoverable amount		(221)	104	(221)	104
Net loss from sale of assets	8(a)	(57)	(67)	(57)	(31)
Bad and doubtful debts expense	8(a)	-	13	(60)	(80)
Investment management expenses		(1,337)	(1,094)	(1,337)	(1,094)
Miners pension expense	8(a)	(641)	(717)	(641)	(717)
Mines rescue materials expenses		-	-	(2,086)	(1,555)
Repairs and maintenance expenses		(194)	(226)	(577)	(617)
Consultants and contractors		(1,135)	(1,105)	(2,161)	(1,856)
Medical related expenses		(516)	(468)	(516)	(468)
Grant to Health & Safety Trust		(10,000)	(4,000)	(10,000)	(4,000)
Other expenses from ordinary activities		(2,799)	(2,643)	(4,632)	(4,765)
Total expenses from operating activities		(26,026)	(20,320)	(37,417)	(30,544)
Reduction in indemnity to controlled entity		8,987	13,368	-	-
Results from operating activities before income tax		8,300	8,445	39,534	29,404
Income tax expense (credit)	9	8,731	9,051	6,582	7,770
Profit from ordinary activities after income tax		(431)	(606)	32,952	21,634
Net results		(431)	(606)	32,952	21,634
Net increase in asset revaluation reserve (recognised directly in equity)	31	431	606	432	2,136
Profit attributable to members of the company		-	-	33,384	23,770

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

BALANCE SHEET
AS AT 30 JUNE 2006

	Note	PARENT ENTITY 2006 $ '000	PARENT ENTITY 2005 $ '000	CONSOLIDATED 2006 $ '000	CONSOLIDATED 2005 $ '000
Current assets					
Cash assets	10	18,626	25,803	19,128	26,361
Receivables	11	4,476	3,281	6,559	12,976
Financial assets held at fair value through profit and loss	12	273,270	232,967	273,270	232,967
Inventories	13	-	-	225	161
Other	14	1,903	370	2,046	728
Total current assets		298,275	262,421	301,228	273,193
Non-current assets					
Receivables	15	-	-	1,552	1,296
Financial assets held at fair value through profit and loss	16(a)	151,438	136,184	150,367	134,863
Other Financial Assets	16(b)	90	90	-	-
Property, plant and equipment	17	13,236	13,127	29,714	29,431
Deferred tax assets	18	1,396	7,322	8,076	7,322
Intangible assets	19	-	-	12,201	12,205
Other	20	240	-	851	425
Total non-current assets		166,400	156,723	202,761	185,542
Total assets		464,675	419,144	503,989	458,735
Current liabilities					
Payables	21	172,373	116,203	5,409	2,996
Bank Overdraft	22	-	223	1,035	223
Current tax liabilities	23	1,037	4,018	1,037	4,018
Provisions	24	3,116	11,495	76,846	83,075
Other	25	116	120	187	648
Total current liabilities		176,642	132,059	84,514	90,960
Non-current liabilities					
Deferred tax liabilities	26	15,376	9,777	16,463	10,737
Provisions	27	272,657	277,308	310,956	298,366
Total non-current liabilities		288,033	287,085	327,419	309,103
Total liabilities		464,675	419,144	411,933	400,063
Net assets		-	-	92,056	58,672
Equity					
Contributed equity	30	-	-	-	-
Reserves	31(a)	2,931	2,500	5,172	4,740
Retained profits	31(b)	(2,931)	(2,500)	86,884	53,932
Total equity		-	-	92,056	58,672

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

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	PARENT ENTITY 2006 $ '000	PARENT ENTITY 2005 $ '000	CONSOLIDATED 2006 $ '000	CONSOLIDATED 2005 $ '000
Cash flows from operating activities					
Underwriting operations					
Premiums received (inclusive of goods and services tax)		71,984	91,545	71,764	91,381
Outwards reinsurance paid		(932)	(699)	(932)	(699)
Claims paid		(56,125)	(70,342)	(57,212)	(69,275)
Other Underwriting expenses paid		33	(1,509)	33	(1,509)
Other operations					
Rentals received		7,513	7,378	7,513	7,378
Interest received		5,821	5,880	5,855	5,915
Dividends & distributions received		7,562	10,712	7,562	10,712
Other investment income		222	67	222	67
Coal Services Health and Safety Trust		111	74	111	74
Mines rescue industry contributions received		-	-	3,376	4,156
Other revenue		4,755	4,162	14,503	8,651
Interest paid		-	-	-	-
Miners' pension fund payments		(2,316)	(2,798)	(2,316)	(2,798)
Income taxes paid		(4,395)	1,160	(4,395)	1,160
Grant to Health & Saftey Trust		(10,000)	(4,000)	(10,000)	(4,000)
Other operating payments		(21,809)	(27,420)	(33,691)	(36,555)
Net cash inflow from operating activities	40	2,424	14,210	2,393	14,658
Cash flows from investing activities					
Payment for purchase of business					
Proceeds from sale of fixed interest securities		10,042	20,232	-	20,232
Proceeds from maturity of fixed interest securities		-	-	9,792	-
Proceeds from sale of property		230	-	-	-
Proceeds from sale of shares		-	272,229	230	272,229
Proceeds from sale of plant and equipment		615	978	-	1,392
Payments for fixed interest securities		(15,101)	(27,588)	829	(27,588)
Payments for property		(1,894)	(2,948)	(15,101)	(2,948)
Payments for shares		(2,266)	(271,527)	(1,894)	(271,527)
Payments for plant and equipment		(1,227)	(1,822)	(2,266)	(3,761)
Payment of loan to controlled entity		-	(920)	(2,250)	-
Net cash (outflow) from investing activities		(9,601)	(11,366)	(10,660)	(11,971)
Cash flows from financing activities					
Proceeds from borrowings from parent entity		-	-	-	-
Net cash outflow from financing activities		-	-	-	-
Net (decrease) increase in cash held		(7,177)	2,844	(8,267)	2,687
Cash at the beginning of the reporting period		25,804	22,960	26,361	23,674
Cash at the end of the reporting period	10	18,627	25,804	18,094	26,361

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2006

	PARENT ENTITY		CONSOLIDATED	
	2006 $ '000	2005 $ '000	2006 $ '000	2005 $ '000
SHARE CAPITAL				
Ordinary shares				
Balance at start of period	-	-	-	-
Issue of share capital	-	-	-	-
Share issue costs	-	-	-	-
Issue of share capital under a Dividend Reinvestment Plan	-	-	-	-
Share options exercised	-	-	-	-
Share buy-back	-	-	-	-
Total Share Capital	-	-	-	-
RESERVES				
Asset Revaluation Reserve				
Balance at start of period	2,500	1,894	4,741	2,605
Gain/(loss) on property revaluation	431	606	432	2,136
Total for the period	431	606	432	2,136
Balance at end of period	2,931	2,500	5,173	4,741
RETAINED EARNINGS				
Balance at start of period	(2,500)	(1,894)	53,932	32,298
Changes in accounting policy	-	-	-	-
Restated balance	(2,500)	(1,894)	53,932	32,298
Actuarial gains (losses) on defined benefit plans recognised directly in retained earnings	-	-	-	-
Profit/(loss) for the period	(431)	(606)	32,952	21,634
Total for the period	(431)	(606)	32,952	21,634
Dividends	-	-	-	-
Balance at end of period	(2,931)	(2,500)	86,884	53,932

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Note 1. Summary of significant accounting policies

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian equilavalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group interpretations corresponding to the interpretations approved by the International Accounting Standards Board (IASB) and the Corporations Act 2001.

Compliance with IFRSs
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRSs ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRSs).

Application of AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards
These financial statements are the first Coal Services Pty Ltd financial statements to be prepared in accordance with AIFRSs. AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

The entity has elected not to adopt the exemption in AASB 1 from the requirement to restate comparatives for the effects of AASB 132 *Financial Instruments: Disclosure and presentation* ("AASB 132") and AASB 139 *Financial Instruments: Recognition and measurement* ("AASB 139"). Reconciliations (where applicable) and descriptions of the effect of transition from previous AGAAP to AIFRSs on the company's equity and its net income are given in note 42.

Historical Cost Convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss, and certain classes of property, plant and equipment and investment property. Financial statements of Coal Services Pty Ltd until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing Coal Services Pty Ltd 2006 financial statements, management has amended certain accounting and valuation methods applied in the AGAAP financial statements to comply with AIFRS. The comparative figures in respect of 2005 were restated to reflect these adjustments.

(b) 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.

(c) Income tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in note 9. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities

(d) 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.

Note 1. Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

(iv) *Financial Instruments*

The group's investments are classified at fair value through profit or loss (prior to the adoption of AIFRS they were classified as "investment assets"). They comprise:

- Financial instruments designated at fair value through profit or loss upon initial recognition.
- Include financial assets that are not held for trading purposes and which may be sold. These are investments in exchange traded debt and equity instruments, unlisted trusts, unlisted equity instruments, land and buildings owned by Coal Services Pty Ltd that are not owner occupied and commercial paper.
- Land and buildings owned by Mines Rescue Pty Limited and the owner occupied portion of that owned by Coal Services Pty Ltd are not integral to the insurance operations of the consolidated entity, and are shown as part of property, plant and equipment, at their fair values at balance date. Refer Note1. (i) Revaluation of non-current assets.

Recognition:

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

Measurement:

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

Fair value in an active market

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

Fair value in an inactive or unquoted market

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

(v) *Investment Income*

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

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

(e) 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.

(f) Workers' compensation insurance claims

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

The liability for outstanding claims is measured as the present value of the expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and superimposed inflation. The expected future payments are discounted to present value at the balance date using 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 arising from the passage of time as the claim payments discounted in prior periods come closer to settlement.

The prudential margin included in the liability for outstanding claims falls within the range of an 85% to 95% level of confidence.

(g) Receivables

All trade debtors are recognised at the amounts receivable, as they are due for settlement within 30 days. Collectibility 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.

(h) 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.

(i) Revaluations of non-current assets

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

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

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

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

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

(j) 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

(k) 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 is tested for impairment annually, or more frequently if events or changes in circumstances arise.

Goodwill on consolidation of the subsidiary company Coal Mines Insurance Pty Limited was created at 1 January 2002. Goodwill is allocated to cash-generating segments for the purposes of impairment testing.

(l) 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.

(m) 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.

(n) 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 using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

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

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

(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.

(o) Cash and Cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within current liabilities on the balance sheet.

(p) Operating leases

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

Note 1. Summary of significant accounting policies (continued)

(q) Provisions

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

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

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

(r) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. The company's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 7 *Financial Instruments: Disclosures and AASB 2005 10 Amendments to Australian Accounting Standards*
AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The company has not adopted the standards early.

Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the company's financial instruments.

(s) Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts have been rounded off in accordance with that Class Order to the nearest $1000, 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.

(t) Critical accounting estimates and judgements

Outstanding claims liability is a key provision that is subject to significant judgement and is sensitive to a number of assumptions as detailed.

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 2006	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	64,782	11,513	5,398		(12,690)	69,003
Intersegment revenue	187	19	1,175		(1,381)	-
Total operating revenue	64,969	11,532	6,573	-	(14,071)	69,003
Other revenue	53,747	-	-		24,298	78,045
Total segment revenue	118,716	11,532	6,573	-	10,227	147,048
Total segment expenditure	(87,621)	(11,397)	(7,744)		(752)	(107,514)
Profit (loss) from ordinary activities before income tax expense	31,095	135	(1,171)	-	9,475	39,534
Income tax expense (unallocated)						6,582
Profit from ordinary activities after income tax expense						32,952
Net profit						32,952
Segment assets	432,359	23,563	-		48,067	503,989
Total assets						503,989
Segment liabilities	376,271	9,977	-		25,685	411,933
Total liabilities						411,933
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	-	1,023	-	-	1,211	2,234
Depreciation and amortisation expense	-	-	-	-	-	-

Note 2. Segment information (continued)

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	228	-	94,670
Intersegment revenue	153	14	1,207	6,245	(7,619)	-
Total operating revenue	82,305	9,794	3,717	6,474	(7,619)	94,670
Other revenue	43,737	549	-	5,206	-	49,492
Total segment revenue	126,041	10,343	3,717	11,680	(7,619)	144,161
Expenditure	(104,444)	(10,371)	(4,675)	(8,229)	12,963	(114,757)
Profit (loss) from ordinary activities before income tax expense	21,597	(29)	(958)	3,451	5,344	29,404
Income tax expense (unallocated)						7,770
Profit (loss) from ordinary activities after income tax expense						21,634
Net loss						21,634
Segment assets	391,674	21,018	-	411,823	(373,101)	451,414
Unallocated assets						7,322
Total assets						458,735
Segment liabilities	357,669	6,321	-	404,389	(383,071)	385,308
Unallocated liabilities						14,755
Total liabilities						400,063
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	-	3,131	-	-	1,527	4,658
Depreciation and amortisation expense	-	(603)	-	-	(5,325)	(5,927)

Notes to and forming part of the segment information

(a) ***Accounting policies***

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and the revised segment reporting accounting standard, AASB 114 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 2006 $ '000	PARENT ENTITY 2005 $ '000	CONSOLIDATED 2006 $ '000	CONSOLIDATED 2005 $ '000

Note 3. Underwriting result

	Notes	PARENT ENTITY 2006 $ '000	PARENT ENTITY 2005 $ '000	CONSOLIDATED 2006 $ '000	CONSOLIDATED 2005 $ '000
(a) Underwriting revenues					
Gross earned premiums	4	-	-	64,782	81,292
Reinsurance and other recoveries revenue	5	-	-	722	859
		-	-	65,505	82,151
(b) Underwriting expenses					
Gross claims expense	5	-	-	69,509	82,533
Outwards reinsurance premium expense		-	-	801	720
Other underwriting expenses		-	-	509	960
		-	-	70,819	84,214
(c) Underwriting result					
Net earned premiums	4	-	-	63,982	80,572
Net incurred claims	5	-	-	(68,787)	(81,674)
Other underwriting expenses		-	-	(509)	(960)
		-	-	(5,314)	(2,062)

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:

	PARENT ENTITY 2006	PARENT ENTITY 2005	CONSOLIDATED 2006	CONSOLIDATED 2005
Premium received from parent entity and Mines Rescue Pty Limited	-	-	(186)	(153)
Rehabilitation services provided by parent entity included in claims paid	-	-	1,088	1,066
Claims settlement costs incurred by parent entity	-	-	4,641	4,428

Note 4. Net earned premiums

	PARENT ENTITY 2006	PARENT ENTITY 2005	CONSOLIDATED 2006	CONSOLIDATED 2005
Gross written premiums	-	-	64,375	80,856
Movement in unearned premiums	-	-	408	436
Gross earned premiums	-	-	64,782	81,292
Outwards reinsurance premium expense	-	-	801	720
Net earned premiums	-	-	63,982	80,571

	Notes	PARENT ENTITY 2005 $ '000	PARENT ENTITY 2005 $ '000	CONSOLIDATED 2005 $ '000	CONSOLIDATED 2005 $ '000

Note 5. Net incurred claims

	PARENT ENTITY 2005	PARENT ENTITY 2005	CONSOLIDATED 2005	CONSOLIDATED 2005
Claims expense				
Direct				
- Claims paid (excluding claims settlement costs - see Note 3.)	-	-	59,652	68,732
- Movement in provision for claims outstanding	-	-	14,890	5,890
Discount	-	-	(5,033)	7,911
Gross claims expense	-	-	69,509	82,533
Reinsurance and other recoveries				
Other recoveries - undiscounted	-	-	722	859
Reinsurance and other recoveries revenue	-	-	722	859
Net incurred claims	-	-	68,787	81,674

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 2006			
Gross claims incurred and related expenses			
Undiscounted			
- Claims paid	17,582	42,070	59,652
- Movement in provision for claims outstanding	86,993	(72,103)	14,890
Discount	(11,206)	6,173	(5,033)
Gross claims expense	93,369	(23,861)	69,509
Reinsurance and other recoveries			
Other recoveries - undiscounted	-	722	722
Reinsurance and other recoveries revenue	-	722	722
Net incurred claims	93,369	(24,583)	68,787
12 months ended 30 June 2005			
Gross claims incurred and related expenses			
Undiscounted			
- Claims paid	7,977	66,249	74,226
- Movement in provision for claims outstanding	63,485	(57,595)	5,890
Discount	(7,799)	15,710	7,911
Gross claims expense	63,663	24,365	88,027
Reinsurance and other recoveries			
Other recoveries - undiscounted	-	859	859
Reinsurance and other recoveries revenue	-	859	859
Net incurred claims	63,663	23,506	87,168

Note 6. Outstanding claims

	Notes	PARENT ENTITY 2006 $ '000	PARENT ENTITY 2005 $ '000	CONSOLIDATED 2006 $ '000	CONSOLIDATED 2005 $ '000
(a) Undiscounted expected future claim payments					
Central estimate		-	-	314,519	302,490
Risk margin	*(d)*	-	-	90,411	88,150
Indirect claims settlement costs		-	-	18,706	18,106
		-	-	423,636	408,746
Discount to present value	*(b)*	-	-	(57,110)	(52,077)
Liability for outstanding claims		-	-	366,526	356,669
Current		-	-	71,382	77,725
Non-current		-	-	295,144	278,944
		-	-	366,526	356,669

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

	PARENT ENTITY 2006	PARENT ENTITY 2005	CONSOLIDATED 2006	CONSOLIDATED 2005
For the succeeding year				
Inflation rate - normal	-	-	4.50%	4.00%
Inflation rate - superimposed	-	-	2.00%	2.00%
Discount rate	-	-	5.00%	5.00%
For the subsequent years				
Inflation rate - normal	-	-	4.50%	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 4.6 years (2005 4.3 years).

(d) The risk margin, which represents 32.7 % (2005: 32.8%) of the discounted central estimate, provides a 95% level of confidence.

Note 6. Outstanding claims (continued)

(e) Claims development tables - Workers liability business
The following tables show the development of gross and net undiscounted outstanding claims relative to the ultimate expected claims for the five most recent accident years.

i) Gross

Accident year	2002 $000	2003 $000	2004 $000	2005 $000	2006 $000	TOTAL $000
Estimate of ultimate claims cost:						
At end of accident year	n.a.	69,114	53,267	52,540	65,029	-
One year later	69,517	60,909	51,160	55,312		-
Two years later	69,350	57,225	49,335			-
Three years later	79,552	51,689				-
Four years later	72,828					-
Current estimate of						-
cumulative claims cost	72,828	51,689	49,335	55,312	65,029	294,193
Cumulative payments*	(49,426)	(32,130)	(19,395)	(13,769)	(5,093)	(119,813)
Outstanding claims - undiscounted	23,402	19,559	29,940	41,543	59,936	174,380
Outstanding claims 2001 and Prior						122,237
Adjustment - removal retirement age						17,902
Discount						(57,110)
Claims handling expenses						18,706
Outstanding claims - central estimate						276,115
prudential margin						90,411
Total gross outstanding claims per the Balance sheet						366,526

* estimated to June 2006 based on payments to March 2006

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

	Movement in variable	**Impact on profit gross of reinsurance** $000	**Impact on Equity** $000
Average claim size	+10%	(5,316)	(5,316)
	-10%	5,316	5,316
Expense rate	+1%	(2,392)	(2,392)
	-1%	2,392	2,392
Discount rate	+1%	8,726	8,726
	-1%	9,426	9,426
Inflation rate	+1%	(10,063)	(10,063)
	-1%	9,510	9,510

	PARENT ENTITY 2006 $ '000	PARENT ENTITY 2005 $ '000	CONSOLIDATED 2006 $ '000	CONSOLIDATED 2005 $ '000

Note 7. Other revenue

	Parent 2006	Parent 2005	Consolidated 2006	Consolidated 2005
Revenue from other operating activities				
Net investment income - refer Note 8 (b)	13,516	5,205	67,223	48,977
Contributions from colliery proprietors	-	-	3,137	3,903
Training and services revenue	-	-	8,088	5,890
Occupational health and rehabilitation services	4,231	3,666	3,143	2,383
Other	510	346	675	343
	18,257	9,217	82,266	61,496
Revenue from outside the operating activities				
Costs recovered from controlled entity	7,082	6,180	-	-
Other	-	-	-	514
	7,082	6,180	-	514
Revenue from other ordinary activities	25,339	15,397	82,266	62,010

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 gains and expenses:

	Parent 2006	Parent 2005	Consolidated 2006	Consolidated 2005
Net (losses) gains on disposal				
Property, plant and equipment	(57)	(67)	(57)	(31)
Expenses				
Depreciation of plant and equipment	(471)	(444)	(1,195)	(1,051)
Amortisation of goodwill	-	-	-	-
Bad and doubtful debts	-	13	(60)	(80)
Employee entitlements provisions	(906)	(885)	(906)	(885)
Rental expense relating to operating leases	(486)	(473)	(486)	(473)
Miners' pensions expense under indemnity	(641)	(717)	(641)	(717)

(b) Net investment income

	Parent 2006	Parent 2005	Consolidated 2006	Consolidated 2005
Revenues				
Dividends	3,648	1,930	3,648	1,930
Equity and Property trust distributions	13,382	11,422	13,382	11,422
Fixed Interest trust distributions	1,963	3,837	1,963	3,837
Interest - short term investments	1,743	1,935	1,703	1,970
Interest - long term investments	4,126	3,833	4,126	3,833
Rental income	7,063	6,871	7,063	6,871
Unrealised gains on financial assets held at fair value through profit or loss				
Fixed interest investments	-	926	-	926
Australian listed shares and equity trust units	15,148	7,336	15,148	7,336
Property	9,755	5,184	9,755	5,184
Property trust units	1,198	1,077	1,198	1,077
Overseas equity trust units	9,845	-	9,845	-
Realised gains on financial assets held at fair value through profit or loss				
Australian listed shares and equity trust units	2,937	6,745	2,937	6,745
Property trust units	-	170	-	170
Fixed interest investments	-	-	-	-
Other investment income	140	129	140	129
	70,948	51,395	70,908	51,430
Expenses				
Unrealised losses on financial assets held at fair value through profit or loss				
Fixed interest investments	(1,080)	-	(1,080)	-
Australian listed shares and equity trust units	-	-	-	-
Realised losses on financial assets held at fair value through profit or loss				
Fixed interest investments	(45)	(127)	(45)	(127)
Australian listed shares and equity trust units	-	-	-	-
Investment property operating and management expenses	(2,560)	(2,326)	(2,560)	(2,326)
	(3,685)	(2,453)	(3,685)	(2,453)
Net investment income before allocation	67,263	48,942	67,223	48,977
Income allocated to controlled entity	(53,747)	(43,737)	-	-
Net investment income	13,516	5,205	67,223	48,977

	PARENT ENTITY		CONSOLIDATED	
	2006 *$ '000*	*2005* *$ '000*	*2006* *$ '000*	*2005* *$ '000*

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	8,299	8,445	39,538	29,405
Income tax calculated at 30%	2,490	2,534	11,861	8,822
Tax effect of permanent differences:				
Net assets and liabilities assumed by controlled entities	-	-	-	-
Reduction in indemnity to controlled entity	(2,696)	(4,011)	-	-
Miners pension expense	192	215	192	215
Income allocated to controlled entity	16,124	11,713	-	-
Other permanent differences	(2,151)	149	(188)	285
Income tax losses not brought to account	-	-	-	-
Under (over) provision in previous year	(4,258)	-	(4,313)	(3)
Tax credits	(970)	(1,549)	(970)	(1,549)
Income tax adjustments for permanent differences	8,731	9,051	6,582	7,770
Income tax expense (credit)	8,731	9,051	6,582	7,770
Aggregate income tax expense comprises:				
Current tax	(2,794)	5,034	1,611	2,792
Deferred tax	11,525	4,017	4,971	4,978
Amount paid (received) to head entity under tax consolidation	-	-	-	-
Over/(Under) provision in prior year	-	-	-	-
	8,731	9,051	6,582	7,770
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets	5,926	(907)	(754)	(907)
(Decrease) increase in deferred tax liabilities	5,599	4,924	5,725	5,885
	11,525	4,017	4,971	4,978
Net deferred income tax				
Deferred income tax at 30 June relates to the following:				
Deferred income tax liabilities				
Gross deferred income tax liabilities, brought forward	9,777	4,853	10,738	4,853
Prior year adjustment	(4,787)	-	(4,787)	-
Unrealised gains on investments	10,907	4,862	10,907	5,823
Other	(521)	62	(395)	62
Gross deferred income tax liabilities, carried forward	15,376	9,777	16,463	10,738
Deferred income tax assets				
Gross deferred income tax assets, brought forward	7,322	6,415	7,322	6,415
Deferred tax asset transferred from Parent Entity in accordance with UIG 1052	(6,122)	-	-	-
Prior year adjustment	529	-	795	-
Expenses available for offset against future taxable income	(333)	907	(41)	907
Gross deferred income tax assets, carried forward	1,396	7,322	8,076	7,322

The entities within the tax consolidation group, including the company, have entered into a tax sharing agreement. Amounts receivable or payable under the tax sharing agreement have been recognised as tax-related amounts receivable from or payable to other entities in the group. The terms of the agreement also specify the methods of allocating any tax liability in the event of a default by the head entity in the tax consolidation group on its group payment obligations and the treatment whereby a controlled entity exits the group. As at 30 June 2006 there has been no default by the head entity.

	PARENT ENTITY		CONSOLIDATED	
	2006 $ '000	2005 $ '000	2006 $ '000	2005 $ '000

Note 10. Current assets – Cash assets

Cash at bank and on hand	6,621	3,937	6,623	4,495
Short term deposits	12,005	21,866	12,505	21,866
	18,626	25,803	19,128	26,361

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

Balances as above	18,626	25,803	19,128	26,361
Bank overdraft (note 22)	-	-	(1,035)	-
Balances per statement of cash flows	18,626	25,803	18,093	26,361

Bank overdraft
The parent entity has a bank overdraft facility of $600 000 which was unused as at 30 June 2006.

Note 11. Current assets – Receivables

Trade debtors	891	605	4,741	3,667
Less: provision for doubtful debts	(10)	(11)	(424)	(451)
	881	594	4,317	3,216
Accrued income:				
Premiums	-	-	-	7,688
Interest	1,027	976	1,027	976
Dividends/distributions	879	715	879	715
Occupational health and rehabilitation	-	-	-	-
Other debtors	-	91	275	91
Net Receivable from ATO	61	290	61	290
Mines Rescue Pty Limited	1,628	615	-	-
	4,476	3,281	6,559	12,976

Note 12. Current assets - Financial assets held at fair value through profit and loss

Australian bond trust units	50,430	52,190	50,430	52,190
Australian listed shares	81,637	64,740	81,637	64,740
Australian equity trust units	56,487	44,187	56,487	44,187
Overseas equity trust units	70,781	59,124	70,781	59,124
Property trust units	13,935	12,726	13,935	12,726
	273,270	232,967	273,270	232,967

Note 13. Current assets – Inventories

Goods held for resale	-	-	225	161

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 - Other

Deposit paid	-	-	40	40
Prepayments	1,903	370	2,006	688
	1,903	370	2,046	728

Note 15. Non-current assets - Receivables

Receivable from statutory corporation	-	-	1,552	1,296

Note 16. Non-current assets - Financial assets held at fair value through profit and loss

a) Financial assets

Corporate and semi-government stock	40,476	46,197	40,476	46,197
Commonwealth bonds	-	-	-	-
Corporate Securities	29,691	20,098	29,691	20,098
Equity Loan	1,010	1,010	1,010	1,010
Commercial Loan to controlled entity *	1,071	1,321	-	-
Property	79,190	67,558	79,190	67,558
	151,438	136,184	150,367	134,863

* 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. The amount was fully drawn down during the year and is being repaid over 5 years at a fixed rate of 6.75%.

b) Other Financial Assets

Shares in associated entity - at cost	-	-	-	-
Shares in controlled entities - at cost	90	90	-	-
	90	90	-	-

	PARENT ENTITY		CONSOLIDATED	
	2006	*2005*	*2006*	*2005*
	$ '000	*$ '000*	*$ '000*	*$ '000*

Note 17. Non-current assets - Property, plant and equipment

Land and buildings at independent valuation	11,560	11,185	24,329	23,953
Less: accumulated depreciation	-	-	131	-
	11,560	11,185	24,198	23,953
Office improvements at cost	438	431	438	431
Less: accumulated depreciation	332	291	332	291
	106	140	106	140
Computer equipment at cost	1,526	1,460	1,526	1,460
Less: accumulated depreciation	1,154	979	1,154	979
	372	481	372	481
Motor vehicles at cost	857	972	2,186	2,101
Less: accumulated depreciation	110	80	652	453
	747	892	1,534	1,648
Plant and equipment at cost	1,361	1,241	5,636	4,819
Less: accumulated depreciation	910	812	2,132	1,610
	451	429	3,504	3,209
	13,236	13,127	29,714	29,431

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.

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**	**Office Improvements**	**Computer Equipment**	**Motor Vehicles**	**Plant and Equipment**	**Total**
Carrying amount at 1 July 2005	23,953	140	481	1,648	3,209	29,431
Additions	43	45	224	1,093	829	2,234
Disposals	(985)	(38)	(33)	(1,006)	(12)	(2,074)
Revaluation increment	1,539	-	-	-	-	1,539
Write-down/(write-back) to recoverable amount	(221)	-	-	-	-	(221)
Depreciation/amortisation expense	(131)	(41)	(300)	(200)	(523)	(1,195)
Carrying amount at 30 June 2006	24,198	106	372	1,535	3,503	29,714

Parent entity						
Carrying amount at 1 July 2005	11,185	140	481	892	429	13,127
Additions	42	45	224	685	123	1,119
Disposals	(985)	(38)	(33)	(798)	(3)	(1,857)
Revaluation increment	1,539	-	-	-	-	1,539
Write-down/(write-back) to recoverable amount	(221)	-	-	-	-	(221)
Depreciation/amortisation expense	-	(41)	(300)	(32)	(98)	(471)
Carrying amount at 30 June 2006	11,560	106	372	747	451	13,236

	PARENT ENTITY		CONSOLIDATED	
	2006 $ '000	2005 $ '000	2006 $ '000	2005 $ '000

Note 18. Non-current assets - Deferred tax assets

Future income tax benefit - temporary differences	1,396	7,322	8,076	7,322
	1,396	7,322	8,076	7,322
The balance comprises temporary differences attributable to :				
Amounts recognised in profit and loss				
Accrued expenses	773	280	905	280
Provision for doubtful debts	3	135	127	135
Indirect claims settlement costs	-	5,432	5,612	5,432
Employee entitlements	608	2,332	1,840	2,332
Other	12	(857)	(408)	(857)
	1,396	7,322	8,076	7,322

See Note 9 for further details.

Note 19. Non-current assets - Intangible assets

(a) Goodwill at impairment assessed value	-	-	-	4
Less: accumulated amortisation	-	-	-	-
	-	-	-	4
(b) Goodwill at impairment assessed value	-	-	12,201	12,201
Less: accumulated amortisation	-	-	-	-
	-	-	12,201	12,201
	-	-	12,201	12,205

(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.

(b) On consolidation of the subsidiary company Coal Mines Insurance Pty Limited at 1 January 2002, goodwill was created.

Note 20. Non-current assets - Other

Lease incentives	46	-	46	-
Prepayments - superannuation	194	-	805	425
Shares in associated entity - at cost	-	-	-	-
Shares in controlled entities - at cost	-	-	-	-
	240	-	851	425

	PARENT ENTITY		CONSOLIDATED	
	2006 $ '000	2005 $ '000	2006 $ '000	2005 $ '000

Note 21. Current liabilities - Payables

Trade and other creditors	1,007	1,221	2,392	2,062
Accrued expenses	2,577	358	3,017	934
Coal Mines Insurance Pty Limited	168,789	114,624	-	-
Mines rescue Pty Ltd	-	-	-	-
	172,373	116,203	5,409	2,996

Note 22. Current liabilities - Bank Overdraft

Bank overdraft	-	223	1,035	223
	-	223	1,035	223

Note 23. Current liabilities - Current tax liabilities

Income tax (receivable) payable	1,037	4,018	1,037	4,018
	1,037	4,018	1,037	4,018

Note 24. Current liabilities - Provisions

Outstanding claims	-	-	71,382	77,725
Coal Mines Insurance - indemnity	-	8,200	-	-
Miners' pension fund - indemnity	2,580	2,870	2,580	2,870
Employee entitlements	536	425	2,884	2,480
	3,116	11,495	76,846	83,075

Note 25. Current liabilities - Other

Unearned premiums	-	-	-	408
Claims recovery received in advance	-	-	71	120
Rental bonds received	116	120	116	120
	116	120	187	648

Note 26. Non-current liabilities - Deferred tax liabilities

Provision for deferred income tax	15,376	9,777	16,463	10,737
	15,376	9,777	16,463	10,737
The balance comprises temporary differences attributable to :				
Amounts recognised in profit and loss				
Unrealised Gains on investments	14,009	8,609	14,009	8,609
Accrued Income	572	-	572	-
Surplus on defined benefit superannuation schemes	58	-	185	-
Revaluation of Land & Buildings	737	618	1,697	1,578
Other	-	550	-	550
	15,376	9,777	16,463	10,737

See Note 9 for further details.

Note 27. Non-current liabilities - Provisions

Outstanding claims	-	-	295,144	278,944
Coal Mines Insurance - indemnity	258,604	259,391	-	-
Miners' pension fund - indemnity	12,562	14,128	12,562	14,128
Employee entitlements	1,491	3,789	3,250	5,294
	272,657	277,308	310,956	298,366

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 2006 was $15,142,000

	PARENT ENTITY		CONSOLIDATED	
	2006 *$ '000*	*2005* *$ '000*	*2006* *$ '000*	*2005* *$ '000*
(a) Expected future pension payments (undiscounted)	20,219	22,773	20,219	22,773
Discount to present value	(5,077)	(5,775)	(5,077)	(5,775)
Liability for future pension payments	15,142	16,998	15,142	16,998
Current	2,580	2,870	2,580	2,870
Non-current	12,562	14,128	12,562	14,128
	15,142	16,998	15,142	16,998

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

	2006 *%*	*2005* *%*	*2006* *%*	*2005* *%*
For the succeeding year				
Inflation rate	3.00%	3.00%	3.00%	3.00%
Discount rate	5.00%	5.00%	5.00%	5.50%
For subsequent years				
Inflation rate	3.00%	3.00%	3.00%	3.00%
Discount rate	5.00%	5.00%	5.00%	5.50%

(c) The weighted average expected term to settlement of future pension payments from the balance date is estimated to be 5.22 years (2005: 6.8 years).

(d) Miners' pensions expense under indemnity:

	2006 *$ '000*	*2005* *$ '000*	*2006* *$ '000*	*2005* *$ '000*
Pension payments	2,497	2,798	2,497	2,798
Movement in provision	(1,856)	(2,081)	(1,856)	(2,081)
	641	717	641	717

Note 29. Employee entitlements

Employee entitlement liabilities				
Long service leave entitlements				
Current	177	57	177	57
Non-current	1,099	1,425	1,099	1,425
	1,276	1,482	1,276	1,482
Coal Industry Long Service Leave				
Non-current liability	-	-	1,759	1,506
	-	-	1,759	1,506
Annual leave entitlements				
Current	359	368	857	920
Non-current	392	568	392	567
	751	936	1,249	1,487
Sick leave entitlements				
Current	-	-	1,850	1,503
Superannuation entitlements				
Non-current	-	1,796	-	1,796
Total employee entitlements				
Current	536	425	2,884	2,480
Non-current	1,491	3,789	3,250	5,294
	2,027	4,214	6,134	7,774
Employee numbers	*Number*	*Number*	*Number*	*Number*
Number of employees at end of period	139	129	185	165

Note 29. Employee entitlements (continued)

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

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 inclusive of associated on-costs and is recognised as a liability. The company's right to reimbursement from the statutory corporation excludes associated on-costs, as these are not recoverable from the statutory corporation. The right to reimbursement is recognised as an asset.

Mines Rescue Pty Limited's obligation to employees is shown as a liability above. It's right to reimbursement from the statutory corporation is shown as an asset at Note 15.

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 $1.2 million (2005: $1.0 million). This amount includes $384 023 (2004: $316 788) paid as part of salary packages and is included as part of the salaries and wages expense. Current employer contributions to all schemes are calculated to meet the full cost of the parent entity's liabilities under each scheme.

The gross superannuation liabilities for the EISS Defined benefit and Retirement schemes are assessed each year by the actuary. The difference between the gross liability and the employer reserve account balance held by EISS for each scheme is recognised either as a liability or an asset. The provision for superannuation liability in these schemes at 30 June 2006 is shown above. Prepaid superannuation contributions to the EISS defined benefit and retirement schemes at 30 June 2005 are shown as an asset at Note 21.

Note 30. Contributed equity

	PARENT ENTITY		PARENT ENTITY	
	2006	*2005*	*2006*	*2005*
	Shares	*Shares*	*$*	*$*
(a) Share capital				
Ordinary shares - fully paid	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		CONSOLIDATED	
	2006	*2005*	*2006*	*2005*
	$ '000	*$ '000*	*$ '000*	*$ '000*
(a) Reserves				
Asset revaluation reserve	2,931	2,500	5,172	4,740
Movements:				
Opening balance at start of year	2,500	1,894	4,740	2,604
Increment on revaluation of freehold land and buildings	431	606	432	2,136
Balance at end of period	2,931	2,500	5,172	4,740
(b) Retained profits				
Retained profits at beginning of period	(2,500)	(1,894)	53,932	32,298
Net profit	(431)	(606)	32,952	21,634
Retained profits at the end of period	(2,931)	(2,500)	86,884	53,932

(c) Nature and purpose of reserves

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

	PARENT ENTITY		CONSOLIDATED	
	2006 $ '000	2005 $ '000	2006 $ '000	2005 $ '000
Note 32. Remuneration of auditors				
Audit of financial reports				
Fees paid to PricewaterhouseCoopers Australian firm	15	18	155	145
Taxation services				
Fees paid to PricewaterhouseCoopers Australian firm	14	30	14	30
	29	48	169	175

	DIRECTORS OF PARENT ENTITY		DIRECTORS OF ENTITIES IN THE CONSOLIDATED ENTITY	
	2006 $	2005 $	2006 $	2005 $
Note 33. Remuneration of directors				
Income paid or payable, or otherwise made available, to directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities				
Short term employee benefits	772,622	894,852	772,622	894,852
Post employment benefits	355,568	-	355,568	-
Share based payments	-	-	-	-
	1,128,190	894,852	1,128,190	894,852

Note 34. Related parties

a) 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 Farrar ; A Haraldson; R Land (Chairman); A Maher; J Mackrill, R Taylor; P Murray, A Middlebrook and K Turner.

All of these persons were directors for the full year with the following exceptions: I Farrar ceased to be a Director on 28 October 2005, A Maher ceased to be a director on 31 October 2005; A Middlebrook was appointed 1 March 2006.

b) Remuneration and retirement benefits

Information on remuneration benefits of directors is disclosed in note 35. There were no retirement benefits paid in the period.

c) 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 (ceased to be a director w.e.f. 28/10/06), A J Haraldson, R P Land, D. Grove (ceased to be a director in October 2006), K. Heiler, A Middlebrook, P. Murray (ceased to be a director in October 2006). During the year the parent entity made a grant of $10 000 000 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 and Trustee of Auscoal Services Pty Ltd. 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 2006 $ '000	PARENT ENTITY 2005 $ '000	CONSOLIDATED 2006 $ '000	CONSOLIDATED 2005 $ '000
Workers compensation insurance premium income	-	-	301	594
Occupational health, rehabilitation, environmental monitoring income	-	7	-	7
Investment property rental income	38	145	38	145
Grants	(10,000)	-	(10,000)	-
Sponsorship and advertising	1	(31)	1	(31)
Membership and professional services fees	(1,325)	-	(1,325)	(3)
Superannuation/long service leave payments	(61)	-	(61)	(531)

d) Key management personnel compensation

	DIRECTORS OF PARENT ENTITY 2006 $ '000	DIRECTORS OF PARENT ENTITY 2005 $ '000	DIRECTORS OF ENTITIES IN THE CONSOLIDATED ENTITY 2006 $ '000	DIRECTORS OF ENTITIES IN THE CONSOLIDATED ENTITY 2005 $ '000
Income paid or payable, or otherwise made available, to directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities				
Short term employee benefits	1,185	895	1,185	895
Termination Payments	958	-	958	-
Share based payments	-	-	-	-
	2,143	895	2,143	895

Directors' remuneration excludes insurance premiums of $154 000 expensed in the year by the parent entity in respect of directors' and officers' liability insurance, as the contract does not specify premiums paid in respect of individual directors and officers. Information relating to the insurance contract is set out in the directors' report.

Note 34. Related parties (continued)

e) 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 37.

Transactions between Coal Services Pty Limited and other entities in the wholly-owned group during the year ended 30 June 2006 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.

	PARENT ENTITY	
	2006 *$ '000*	*2005* *$ '000*
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:		
Rehabilitation services income	1,071	1,110
Occupational health assessments/statistics income	100	100
Allocation of investment income	(53,747)	(43,737)
Claims management services/administration costs (recoverable)	7,082	6,180
Interest received on commercial loan	82	63
Workers compensation insurance services	(66)	(69)
Induction training/equipment services/rent of office space	5	(14)
Aggregate amounts receivable from (payable to) entities in the wholly-owned group at balance date:		
Current receivables	1,623	615
Current payables	(168,789)	(114,624)

f) 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 2006 the amount outstanding on the loan was $1 010 000 (2005: $ 1 010 000)
During the period, the company received $ 81526 (2005: $ 75 749) in interest on this loan.

g) Controlling entities

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

Note 35. Investment in 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 36. Indemnity - Coal Mines Insurance Pty Limited

The parent entity has indemnified Coal Mines Insurance Pty Limited, against all claims, payments, damages, costs, outgoings and liabilities arising from the workers compensation insurance scheme. The indemnity is limited to the value of the parent entity's gross assets less total liabilities (excluding the value of the indemnity). The value of the indemnity at 30 June 2006 was $364,261,000

	PARENT ENTITY	
	2006 *$ '000*	*2005* *$ '000*
Value of indemnity at beginning of year	267,591	280,959
Movement in period	(8,987)	(13,368)
Value of indemnity at end of year	258,604	267,591

Note 37. Contingent liabilities

At the reporting date the consolidated and parent entity were not aware of any contingent liabilities, other than provisions made for insurance claims.

Note 38. Subsequent events

At the date of this report, the consolidated and parent entity were not aware of any events occurring after the reporting date which would impact the balance sheet as at 30 June 2006, and the results of the company and its controlled entities for the year ended on that date.

Note 39. Commitments for expenditure

	PARENT ENTITY		CONSOLIDATED	
	2006 *$ '000*	*2005* *$ '000*	*2006* *$ '000*	*2005* *$ '000*
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	7,471	-	7,471	15
	7,471	-	7,471	15
Lease commitments				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	547	535	731	657
Later than one year but not later than 5 years	567	868	1,146	1,053
Later than 5 years	-	-	-	-
	1,114	1,403	1,877	1,710
Representing:				
Cancellable operating leases	804	577	1,539	870
Non-cancellable operating leases	310	826	338	840
	1,114	1,403	1,877	1,710
Operating leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	286	391	314	405
Later than one year but not later than 5 years	24	435	24	435
Later than 5 years	-	-	-	-
Commitments not recognised in the financial statements	310	826	338	840

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

	PARENT ENTITY 2006	PARENT ENTITY 2005	CONSOLIDATED 2006	CONSOLIDATED 2005
Profit from ordinary activities after income tax	(431)	(606)	32,952	21,634
Depreciation and amortisation	471	444	(144)	5,927
Net Losses on realisation of investments	(2,891)	(6,788)	(2,891)	(6,788)
Unrealised gains on investments	(37,026)	(14,523)	(37,026)	(14,523)
Net loss on disposal of plant and equipment	57	67	-	31
Increase in provision for doubtful debts	-	(29)	121	(527)
Bad debt written off	-	16	(60)	607
Transfer of business	-	-	-	-
Decrease (increase) in trade debtors	(286)	10	330	(682)
Decrease (increase) in inventories	-	-	64	16
Decrease (increase) in other receivables	(689)	(731)	(20,075)	(36,885)
Decrease (increase) in accrued income	(216)	(6,406)	4,638	(6,406)
Decrease (increase) in prepayments and deposits	(1,774)	(618)	-	(644)
Decrease (increase) in future tax benefits	5,926	(555)	-	(537)
(Decrease) increase in trade creditors	(214)	(1,135)	(214)	(1,328)
Increase in accrued expenses	39,886	49,687	18,301	45,410
Increase in deferred tax liabilities	5,599	4,829	16,463	4,829
Increase (decrease) in other operating liabilities	(227)	92	(227)	92
Increase in claims provision	-	-	(16,200)	13,801
Increase (decrease) in taxation provision	(2,982)	5,165	(2,982)	5,165
Decrease in other provisions	(2,779)	(14,709)	9,343	(14,534)
Net cash inflow from operating activities	2,424	14,210	2,393	14,658

Note 41. Financial instruments (consolidated)

a) Terms conditions and accounting policies

FINANCIAL INSTRUMENT	NATURE OF UNDERLYING INSTRUMENT
Financial Assets	
Deposits at Call	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	Credit terms are between 7 and 30 days depending on the nature of the receivable.
Equity Loan	Loan is secured by a bank guarantee. Interest payable monthly.
Government Securities	These securities are guaranteed by the issuing government and traded in active markets. Interest is payable half-yearly.
Corporate Securities	These securities are traded in active markets. Interest is payable half-yearly.
Mortgage Bonds	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	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 ASB1023 'Financial reporting of general insurance activities'. Dividend income is recognised when declared by the investee.
Units in listed property trusts	The units held are ordinary units.
Managed Funds	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	Settlement is usually made in accordance with the creditor's trading terms.
Indemnity – Miners' superannuation pension fund	Payments are made in monthly instalments. Further details are disclosed at note 28.

Note 41. Financial instruments (consolidated) (continued)

b) Interest rate risk exposures

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

30 June 2006	*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*	*$000*	*%*
Financial Assets							
Cash at Bank/Deposits at Call	6,623	-	-	-	-	6,623	4.67
Short Term Deposits	-	12,505	-	-	-	12,505	5.74
Receivables	-	-	-	-	8,111	8,111	n/a
Equity Loan	-	-	1,010	-	-	1,010	7.50
Government Securities	-	-	40,476	-	-	40,476	4.77
Corporate Securities	-	-	29,691	-	-	29,691	6.31
Shares in listed companies	-	-	-	-	81,637	81,637	n/a
Units in Property Trusts	-	-	-	-	13,935	13,935	n/a
Managed Funds	-	-	-	-	177,698	177,698	n/a
	6,623	12,505	71,177	-	281,381	371,686	
Financial Liabilities							
Creditors	-	-	-	-	5,409	5,409	n/a
Bank Overdraft	1,035	-	-	-	-	1,035	4.80
Indemnity to Miners Superannuation Pension Fund	-	-	-	-	15,142	15,142	n/a
	1,035	-	-	-	20,551	21,586	
Net financial assets (liabilities)	5,588	12,505	71,177	-	260,830	350,100	

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*	*$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	-	-	40,931	5,266	-	46,197	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	-	-	-	-	155,501	155,501	n/a
	4,495	21,866	62,039	5,266	247,239	340,905	
Financial Liabilities							
Creditors	-	-	-	-	2,996	2,996	n/a
Indemnity to Miners Superannuation Pension Fund	-	-	-	-	16,998	16,998	n/a
-	-	-	-	19,994	19,994		
Net financial assets (liabilities)	4,495	21,866	62,039	5,266	227,245	320,911	

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.

e) Reconciliation of net financial assets to net assets of consolidated entity

	2006 *$ '000*	*2005* *$ '000*
Net financial assets as shown above at b):	350,100	320,911
Non-financial assets and liabilities:		
Inventories	225	161
Investment property	79,190	67,558
Property, plant and equipment	29,714	29,431
Tax assets (current and deferred)	8,076	7,322
Intangible assets	12,201	12,205
Other assets	2,897	1,153
Tax liabilities (current and deferred)	(17,500)	(14,755)
Provisions (excluding Miners' pension indemnity)	(372,660)	(364,443)
Other liabilities	(187)	(871)
Net assets as per statement of financial position	92,056	58,672

Note 42. Transition to AIFRS

For all periods up to including the year ended 30 June 2005, the Group prepared its financial statements in accordance with Australian generally accepted accounting practice (AGAAP). These financial statements for the year ended 30 June 2006 are the first the Group is required to prepare in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

Accordingly, the Group has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in note 1. In preparing these financial statements, the Group has started from an opening balance sheet as at 1 July 2004, the Group's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 *First-time adoption of AIFRS*.

This note explains the principle adjustments made by the Group in restating its AGAAP balance sheet as at 1 July 2004 and its previously published AGGAP financial statements for the year ended 30 June 2005.

Exemptions applied
AASB 1 allows first-time adopters certain exemptions from general requirements to apply AIFRS respectively.

The Group has taken the following exemptions:
AASB 3 Business Combinations has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before 1 July 2004.

Explanation of material adjustments to the cash flow statement
There are no material difference between the cash flow statement presented under AIFRS and the cash flow statement presented under previous AGAAP.

Balance Sheet reflecting reconciliation of adjustments to AIFRS as at 1 July 2004

			Parent entity			***Consolidated***	
	Note	***AGAAP***	***AIFRS Impact***	***AIFRS***	***AGAAP***	***AIFRS Impact***	***AIFRS***
		$ '000	*$ '000*	*$ '000*	*$ '000*	*$ '000*	*$ '000*
Current assets							
Cash assets		22,960	-	22,960	23,674	-	23,674
Receivables		4,545	-	4,545	14,341	-	14,341
Investments	*d*	209,188	3	209,191	209,188	3	209,191
Inventories		-	-	-	177	-	177
Current tax assets		1,146	-	1,146	1,146	-	1,146
Other		397	-	397	754	-	754
Total current assets		238,236	3	238,239	249,280	3	249,283
Non-current assets							
Receivables		-	-	-	1,251	-	1,251
Investments	*b, c, e, g*	129,802	(7,941)	121,861	129,312	(7,941)	121,371
Property, plant and equipment	*b*	1,742	8,880	10,622	13,403	8,880	22,283
Deferred tax assets	*a*	5,891	524	6,415	5,891	524	6,415
Intangible assets		-	-	-	12,213	-	12,213
Other	*a*	479	(479)	-	479	(479)	-
Total non-current assets		137,914	984	138,898	162,549	984	163,533
Total assets		376,150	987	377,137	411,829	987	412,816
Current liabilities							
Payables		68,445	-	68,445	3,288	-	3,288
Current tax liabilities		-	-	-	-	-	-
Provisions		11,838	-	11,838	78,268	-	78,268
Other		258	-	258	1,234	-	1,234
Total current liabilities		80,541	-	80,541	82,790	-	82,790
Non-current liabilities							
Deferred tax liabilities	*b, c, d, e, g*	4,570	283	4,853	4,570	283	4,853
Provisions	*a, b, c, d, e, g*	291,039	704	291,743	289,005	1,266	290,271
Total non-current liabilities		295,609	987	296,596	293,575	1,549	295,124
Total liabilities		376,150	987	377,137	376,365	1,549	377,914
Net assets		-	-	-	35,464	(562)	34,902
Equity							
Contributed equity		-	-	-	-	-	-
Reserves	*b*	-	1,894	1,894	710	1,894	2,604
Retained profits	*a, b, c, d, e, g*	-	(1,894)	(1,894)	34,754	(2,456)	32,298
Total equity		-	-	-	35,464	(562)	34,902

Statement of financial performance for the year ended 30 June 2005

	Note	AGAAP $ '000	Parent entity AIFRS Impact $ '000	AIFRS $ '000	AGAAP $ '000	Consolidated AIFRS Impact $ '000	AIFRS $ '000
Underwriting activities							
- Revenue		-	-	-	82,151	-	82,151
- Expenses		-	-	-	(84,213)	-	(84,214)
		-	-	-	(2,062)	-	(2,062)
Revenue from other ordinary activities	b, c, d, e, f, g	16,048	(651)	15,397	62,661	(651)	62,010
Employee benefits expense	a	(8,497)	(1,176)	(9,673)	(13,238)	(1,176)	(14,414)
Depreciation and amortisation expenses	h	(444)	-	(444)	(5,927)	4,876	(1,051)
Write-down/(write-back) of property plant and equipment to recoverable amount		-	104	104	-	104	104
Net loss from sale of assets		(67)	-	(67)	(31)	-	(31)
Bad and doubtful debts expense		13	-	13	(80)	-	(80)
Investment management expenses		(1,094)	-	(1,094)	(1,094)	-	(1,094)
Miners pension expense		(717)	-	(717)	(717)	-	(717)
Mines rescue materials expenses		-	-	-	(1,555)	-	(1,555)
Repairs and maintenance expenses		(226)	-	(226)	(617)	-	(617)
Consultants and contractors		(1,105)	-	(1,105)	(1,856)	-	(1,856)
Medical related expenses		(468)	-	(468)	(468)	-	(468)
Grant to Health & Safety Trust		(4,000)	-	(4,000)	(4,000)	-	(4,000)
Other expenses from ordinary activities		(2,643)	-	(2,643)	(4,765)	-	(4,765)
Total expenses from ordinary activities		(19,248)	(1,072)	(20,320)	(34,348)	3,804	(30,544)
Reduction in indemnity to controlled entity	a, b, c, d, e, f, g	12,768	600	13,368	-	-	-
Profit (loss) from ordinary activities before income tax		9,568	(1,123)	8,445	26,251	3,153	29,404
Income tax expense (credit)	a, b, c, d, e, f, g	9,568	(517)	9,051	8,287	(517)	7,770
Profit from ordinary activities after income tax		-	(606)	(606)	17,964	3,670	21,634
Net profit		-	(606)	(606)	17,964	3,670	21,634
Net increase in asset revaluation reserve (recognised directly in equity)		-	606	606	2,490	(354)	2,136
Total changes in equity other than those resulting from transactions with owners as owners		-	-	-	20,454	3,316	23,770

Balance Sheet reflecting reconciliation of adjustments to AIFRS as at 30 June 2005

	Note	AGAAP $ '000	Parent entity AIFRS Impact $ '000	AIFRS $ '000	AGAAP $ '000	Consolidated AIFRS Impact $ '000	AIFRS $ '000
Current assets							
Cash assets		25,803	-	25,803	26,361	-	26,361
Receivables		3,281	-	3,281	12,976	-	12,976
Investments	d, f	232,942	25	232,967	232,942	25	232,967
Inventories		-	-	-	161	-	161
Current tax assets		-	-	-	-	-	-
Other		370	-	370	728	-	728
Total current assets		262,396	25	262,421	273,168	25	273,193
Non-current assets							
Receivables		-	-	-	1,296	-	1,296
Investments	b, c, e, g	146,224	(9,950)	136,274	144,813	(9,950)	134,863
Property, plant and equipment	b	1,942	11,185	13,127	18,246	11,185	29,431
Deferred tax assets	a	6,446	876	7,322	6,446	876	7,322
Intangible assets	h	-	-	-	7,329	4,876	12,205
Other	a	1,124	(1,124)	-	1,549	(1,124)	425
Total non-current assets		155,736	987	156,723	179,679	5,863	185,542
Total assets		418,132	1,012	419,144	452,847	5,888	458,735
Current liabilities							
Payables		116,203	-	116,203	2,996	-	2,996
Current tax liabilities		4,018	-	4,018	4,018	-	4,018
Provisions		11,495	-	11,495	83,075	-	83,075
Other		343	-	343	871	-	871
Total current liabilities		132,059	-	132,059	90,960	-	90,960
Non-current liabilities							
Deferred tax liabilities	b, c, d, e, f, g	9,399	378	9,777	9,399	1,338	10,737
Provisions	a, b, c, d, e, f, g	276,674	634	277,308	296,570	1,796	298,366
Total non-current liabilities		286,073	1,012	287,085	305,969	3,134	309,103
Total liabilities		418,132	1,012	419,144	396,929	3,134	400,063
Net assets		-	-	-	55,918	2,754	58,672
Equity							
Contributed equity		-	-	-	-	-	-
Reserves	b	-	2,500	2,500	3,200	1,540	4,740
Retained profits	a, b, c, d, e, f, g, h	-	(2,500)	(2,500)	52,718	1,214	53,932
Total equity		-	-	-	55,918	2,754	58,672

Note 42. Transition to AIFRS (continued)

Impact of adopting AIFRS

Outlined below are the areas impacted upon adoption of AIFRS, including the financial impact on equity and profit.

Reference	ITEM	PRIOR ACCOUNTING POLICY	AIFRS	IMPACT	
				At 1 July 2004	At 30 June 2005
a	Retirement Benefit Obligation	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.	For defined benefit plans, AASB 119 *Employee Benefits* requires the net surplus or deficit in the scheme to be recognised as an asset or liability on the balance sheet. A risk free rate is used to discount the accrued benefits and fair values are used to measure a plan's assets.	For the group a reduction in other assets of $0.479 million, an increase to employee entitlements liability of $1.266 million, an increase in deferred tax asset of $0.523 million and a reduction in retained earnings of $1.222 million. The impact is the same for the parent entity except there is no reduction in retained earnings but a reduction in the intercompany indemnity of $1.222 million.	For the group a reduction in other assets of $1.124 million, an increase to employee entitlements liability of $1.796 million, an increase in deferred tax asset of $0.876 million and a reduction in retained earnings of $2.044 million. The impact is the same for the parent entity except there is no reduction in retained earnings but a reduction in the Intercompany indemnity of $2.044 million.
b	Property, Plant and Equipment	All property which backed insurance liabilities was considered investment and was measured at net realisable value.	Under AASB 1023 *General Insurance Contracts*, property, plant and equipment under the scope of AASB 116 *Property, Plant and Equipment*, including owner-occupied property, which back insurance liabilities should be valued by the revaluation model being its fair value.	For the group and parent entity an increase in Property, Plant & Equipment of $8.880 million, a reduction in Investment Assets of $8.880 million, an increase of $1.894 million to the Asset Revalaution Reserve and a reduction in retained earnings of $1.894 million.	For the group an increase in Property, Plant & Equipment of $11.185 million, a reduction in Investment Assets of $11.185 million, an increase of $0.960 million in Deferred Tax Liabilities, an increase of $1.540 million to the Asset Revalaution Reserve and a reduction in retained earnings of $2.500 million. For the parent entity an increase in Property, Plant & Equipment of $11.185 million, a reduction in Investment Assets of $11.185 million, an increase of $2.500 million to the Asset Revalaution Reserve and a reduction in retained earnings of $2.500 million.
c	Investment Property	Measured at net realisable value.	Under AASB 140 *Investment Property*, investment properties are measured at fair value with no inclusion for realisation costs.	For the group an increase in Investment Assets of $0.942 million, a increase in Deferred Tax Liabilities of $0.283 million, an increase of $0.659 million to retained earnings. The impact is the same for the parent entity except there is no increase in retained earnings but an increase in the intercompany indemnity of $0.659 million.	For the group an increase in Investment Assets of $1.235 million, a increase in Deferred Tax Liabilities of $0.370 million, an increase of $0.865 million to retained earnings. The impact is the same for the parent entity except there is no increase in retained earnings but an increase in the intercompany indemnity of $0.865 million.
d	Property Trusts	Measured at last sales price and included realisation costs.	Under AASB 1023 *General Insurance Contracts*, financial assets under the scope of AASB 139 *Financial Instruments: Recognition and Measurement,* which back insurance liabilities should be valued at fair value, being the bid price, and prohibits the inclusion of realisation costs.	For the group an increase in Investment Assets of $0.003 million, a increase in Deferred Tax Liabilities of $0.001 million, an increase of $0.002 million to retained earnings. The impact is the same for the parent entity except there is no increase in retained earnings but an increase in the intercompany indemnity of $0.002 million.	For the group an increase in Investment Assets of $0.006 million, a increase in Deferred Tax Liabilities of $0.002 million, an increase of $0.004 million to retained earnings. The impact is the same for the parent entity except there is no increase in retained earnings but an increase in the intercompany indemnity of $0.004 million.
e	Fixed Interest Investments	Measured at last sales price and included realisation costs.	Under AASB 1023 *General Insurance Contracts*, financial assets under the scope of AASB 139 Financial Instruments: Recognition and Measurement, which back insurance liabilities should be valued at fair value, being the bid price, and prohibits the inclusion of realisation costs.	For the group a decrease in Investment Assets of $0.036 million, a decrease in Deferred Tax Liabilities of $0.011 million, a decrease of $0.025 million to retained earnings. The impact is the same for the parent entity except there is no decrease in retained earnings but a decrease in the intercompany indemnity of $0.025 million.	For the group a decrease in Investment Assets of $0.043 million, a decrease in Deferred Tax Liabilities of $0.013 million, a decrease of $0.030 million to retained earnings. The impact is the same for the parent entity except there is no decrease in retained earnings but a decrease in the intercompany indemnity of $0.030 million.
f	Australian Equities	Measured at last sales price and included realisation costs.	Under AASB 1023 *General Insurance Contracts*, financial assets under the scope of AASB 139 Financial Instruments: Recognition and Measurement, which back insurance liabilities should be valued at fair value, being the bid price, and prohibits the inclusion of realisation costs.	No impact.	For the group an increase in Investment Assets of $0.020 million, a increase in Deferred Tax Liabilities of $0.006 million, an increase of $0.014 million to retained earnings. The impact is the same for the parent entity except there is no increase in retained earnings but an increase in the intercompany indemnity of $0.014 million.
g	Rental Income	Fixed rental increases were not accounted for in rental income.	Under AASB 117 *Leases*, base rental income derived under a lease that has fixed increases must be accounted for on a straight line basis over the lease term.	For the group an increase in Investment Assets of $0.034 million, a increase in Deferred Tax Liabilities of $0.010 million, an increase of $0.024 million to retained earnings. The impact is the same for the parent entity except there is no increase in retained earnings but an increase in the intercompany indemnity of $0.024 million.	For the group an increase in Investment Assets of $0.043 million, a increase in Deferred Tax Liabilities of $0.013 million, an increase of $0.030 million to retained earnings. The impact is the same for the parent entity except there is no increase in retained earnings but an increase in the intercompany indemnity of $0.030 million.
h	Intangible Assets	Goodwill amortisation backed out from opening balances	Under AASB 136(80) *Impairment of Assets*, amortisation of goodwill has been removed and replaced with an impairment test completed annually or as circumstances may require	No impact.	For the group an increase in Intangible Assets of $4.876 million and an increase of $4.876 million to retained earnings. There is no impact on the parent entity.

DIRECTORS' DECLARATION

In the directors' opinion:

a) the financial statements and notes set out on pages 5 to 34 are in accordance with the Corporations Act 2001, including:

1. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
2. giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance, as represented by the results of their operations, changes in equity and their cash flows3, for the financial year ended on 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; and

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

AN Middlebrook
Managing Director

R.P. Land
Director & Chairman

Sydney
10 May 2007

INDEPENDENT AUDIT REPORT

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Independent audit report to the members of Coal Services Pty Limited

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 2006, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, 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 balance sheet, income statement, cash flow statements, statement of changes in equity, 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 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

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

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.

PRICEWATERHOUSECOOPERS

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, changes in equity 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 Punia

Sydney
10 May 2007

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