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MORWELL FINANCIAL SERVICES PTY LTD

A.C.N. 075 088 621

FINANCIAL REPORT

31 DECEMBER 2001

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MORWELL FINANCIAL SERVICES PTY LTD
FINANCIAL REPORT
31 DECEMBER 2001

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**MORWELL FINANCIAL SERVICES PTY LTD
DIRECTOR'S REPORT
31 DECEMBER 2001**

The director submits his report for the year ended 31 December 2001.

DIRECTOR

The director of the company in office during the financial year at the date of this report is Stephen Riley.

PRINCIPAL ACTIVITIES

The principal activity of the company during the period was investment. There was no significant change in the nature of this activity during that period.

RESULTS AND DIVIDENDS

The operating profit of the company for the period after allowing for income tax amounted to \$75,796,036 (nine months to 31 December 2000: \$71,860,979).

No dividends have been paid or provided for during the year ended 31 December 2001.

REVIEW OF OPERATIONS

During the period, the company continued to provide finance to Hazelwood Power Partnership as part of the financing arrangement of the Hazelwood Power Station.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of the company's affairs during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 19 February 2002, the Hazelwood Power Partnership completed the loan refinancing agreements with lenders. As a result of this transaction Morwell Financial Services Pty Ltd ceased to provide finance to the Hazelwood Power Partnership.

During March 2002, the management and control of the company was transferred to the United Kingdom.

**MORWELL FINANCIAL SERVICES PTY LTD
DIRECTOR'S REPORT
31 DECEMBER 2001**

FUTURE DEVELOPMENTS AND RESULTS

The long term continuation of the company is under review.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The company is not subject to any particular or significant environmental regulation.

AUDITOR INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor, Ernst & Young a copy of which is attached to page 11 of this financial report.

On behalf of the Board

Director



London 30.06.2005

MORWELL FINANCIAL SERVICES PTY LTD
STATEMENT OF FINANCIAL PERFORMANCE
31 DECEMBER 2001

	Notes	Year ended 31 December 2001 \$	9 months ended 31 December 2000 \$
OPERATING REVENUE	2	<u>75,796,036</u>	<u>71,860,979</u>
OPERATING PROFIT	2	75,796,036	71,860,979
INCOME TAX ATTRIBUTABLE TO OPERATING PROFIT	3	—	—
NET PROFIT	2	<u>75,796,036</u>	<u>71,860,979</u>

MORWELL FINANCIAL SERVICES PTY LTD
STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2001

	Notes	As at 31 December 2001 \$	As at 31 December 2000 \$
CURRENT ASSETS			
Cash		323,935	225,423
Receivables	4	<u>731,108,482</u>	<u>555,730,360</u>
TOTAL CURRENT ASSETS		<u>731,432,417</u>	<u>555,955,783</u>
NON-CURRENT ASSETS			
Receivables	5	<u>1,061,399,122</u>	<u>1,161,079,720</u>
TOTAL NON-CURRENT ASSETS		<u>1,061,399,122</u>	<u>1,161,079,720</u>
TOTAL ASSETS		<u>1,792,831,539</u>	<u>1,717,035,503</u>
NET ASSETS		<u>1,792,831,539</u>	<u>1,717,035,503</u>
SHAREHOLDERS' EQUITY			
Share capital	6	1,325,000,002	1,325,000,002
Retained profits		<u>467,831,537</u>	<u>392,035,501</u>
TOTAL SHAREHOLDERS' EQUITY		<u>1,792,831,539</u>	<u>1,717,035,503</u>

MORWELL FINANCIAL SERVICES PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The special purpose financial report has been prepared for distribution to the members to fulfill the directors' financial reporting requirements under the Corporations Act 2001. The accounting policies used in the preparation of this financial report, as described below, are consistent with previous years, and are, in the opinion of the directors, appropriate to meet the needs of the members.

By virtue of Accounting Standard AASB 1025: Application of the Reporting Entity Concept and Other Amendments, the requirements of Accounting Standards issued by the Australian Accounting Standards Board and other professional reporting requirements do not have mandatory applicability to Morwell Financial Services Pty Ltd in relation to the year ended 31 December 2001 because the directors have determined that the company is not a reporting entity. However, the directors have determined that in order for the financial report to give a true and fair view of the company's results of operations and state of affairs, the requirements of Accounting Standards and other professional reporting requirements relating to the measurement of assets, liabilities, revenues, expenses and equity should be complied with.

Accordingly, the directors have prepared the financial report in accordance with Accounting Standards and other professional reporting requirements with the following exceptions:

AASB 1005: Segment Reporting;
AASB 1017: Related Party Disclosures
AASB 1026: Statement of Cash Flows
AASB 1033: Presentation and Disclosure of Financial Instruments.

The financial statements have been prepared in accordance with the historical cost convention.

Change in accounting policies

The accounting policies adopted are consistent with those of the previous year with the following exception.

Change of financial year end

Last year, in order to align the year end of the Company, with the shareholder Company, the director decided to change the financial year end from 31 March to 31 December. As a result, the comparative numbers in the financial report are for the nine month period ended 31 December 2001.

Cash

For the purpose of the statement of cashflows, cash includes cash on hand and in banks and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

Investments

Non-current investments are carried at the lower of cost and recoverable amount.

Comparative figures

Comparative information has been reclassified where appropriate to enhance comparability. This report is for the year ended 31 December 2001, however, the comparative numbers are for the nine months ended 31 December 2000. The comparative amounts disclosed in this financial report and related notes are not directly comparable due to the differing lengths of the reporting lengths.

MORWELL FINANCIAL SERVICES PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2001

	Year ended 31 December 2001 \$	9 months ended 31 December 2000 \$
2. OPERATING PROFIT		
Included in the operating profit are the following items of operating revenue:		
Interest revenue		
- other persons/corporations	17,701	8,935
- other related party loans	75,690,835	71,852,044
Other Income	<u>87,500</u>	<u>-</u>
Total operating revenue	<u>75,796,036</u>	<u>71,860,979</u>
3. INCOME TAX		
Prima facie tax on operating profit	22,738,811	21,558,294
Tax effect of permanent differences		
Group Tax loss transfer	<u>(22,738,811)</u>	<u>(21,558,294)</u>
Income Tax expense	<u>-</u>	<u>-</u>
4. RECEIVABLES (CURRENT)		
- Line fee due from Hazelwood Power Partnership	87,500	-
- Interest accrued from Hazelwood Power Partnership	3,239,104	4,763,543
- Amount due from Hazelwood Finance Limited Partnership	727,702,673	550,903,620
- Other receivable	<u>79,205</u>	<u>63,197</u>
	<u>731,108,482</u>	<u>555,730,360</u>
5. RECEIVABLES (NON-CURRENT)		
- loan to Hazelwood Power Partnership	<u>1,061,399,122</u>	<u>1,161,079,720</u>
	<u>1,061,399,122</u>	<u>1,161,079,720</u>

MORWELL FINANCIAL SERVICES PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2001

	Year ended 31 December 2001 \$	9 months ended 31 December 2000 \$
6. SHARE CAPITAL		
Issued and Paid Up Capital		
1,325,000,002 ordinary shares each fully paid.		
- Hazelwood Finance Limited Partnership	1,311,750,002	1,311,750,002
- Gippsland Ventures Pty Ltd	<u>13,250,000</u>	<u>13,250,000</u>
	<u>1,325,000,002</u>	<u>1,325,000,002</u>

7. SUBSEQUENT EVENTS

On 19 February 2002, the Hazelwood Power Partnership completed the loan refinancing agreements with lenders. As a result of this transaction Morwell Financial Services Pty Ltd ceased to provide finance to the Hazelwood Power Partnership.

During March 2002, the management and control of the company was transferred to the United Kingdom.

**DIRECTOR'S DECLARATION
AT 31 DECEMBER 2001**

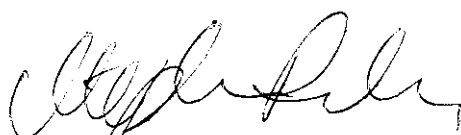
In accordance with a resolution of the directors of Morwell Financial Services Pty Ltd, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporation Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 31 December 2001 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporation Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Director



STEPHEN RILEY

London

30.06. 2005