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MORWELL FINANCIAL SERVICES PTY LTD

UK Registration No. FC 023832

A.C.N. 075 088 621

SPECIAL PURPOSE FINANCIAL REPORT

31 DECEMBER 2007

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MORWELL FINANCIAL SERVICES PTY LTD
FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2007

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**MORWELL FINANCIAL SERVICES PTY LTD
DIRECTORS REPORT
FOR THE YEAR ENDED 31 DECEMBER 2007**

The Directors submit their report, together with the financial report of Morwell Financial Services Pty Limited ("the Company") for the year ended 31 December 2007 and the auditor's report thereon.

Directors

The Directors who held office during the year were as follows:

A S J Ramsay
P G Cox
A P Concannon
S Riley

Principal activities

The principal activity of the Company during the year was investment. There was no significant change in the nature of this activity during the year.

Results and dividends

The profit of the Company for the year after income tax amounted to \$7,345 (31 December 2006: \$26,766).

No dividends have been paid or provided for during the year ended 31 December 2007 (31 December 2006: \$ nil).

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.

Events subsequent to the reporting date

There are no significant events after the balance sheet date to report.

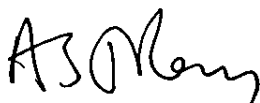
Future developments

The long term continuation of the Company is under review.

Lead auditor independence declaration

The lead auditor independence declaration is set out on page 11 and forms part of the directors' report for the financial year ended 31 December 2007.

On behalf of the Board



A S J Ramsay

Director

Date: 16 December 2008

London

MORWELL FINANCIAL SERVICES PTY LTD
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	31 December 2007 \$	31 December 2006 \$
(Loss)/profit on ordinary activities before interest and taxation		(16)	412
Financial income	3	<u>31,124</u>	<u>26,354</u>
Profit before tax		31,108	26,766
Income tax expense	4	<u>(23,763)</u>	<u>-</u>
Profit for the period		<u>7,345</u>	<u>26,766</u>

The income statement is to be read in conjunction with the notes to the financial statements.

MORWELL FINANCIAL SERVICES PTY LTD
BALANCE SHEET
AT 31 DECEMBER 2007

	Notes	31 December 2007 \$	31 December 2006 \$
Current assets			
Trade and other receivables	5	56,369	474,643
Cash and cash equivalents	6	<u>926,413</u>	<u>491,462</u>
Total current assets		982,782	966,105
Current liabilities			
Creditors: amounts falling due with in one year	7	<u>(9,332)</u>	<u>-</u>
Net assets		<u>973,450</u>	<u>966,105</u>
Equity			
Issued capital	8	100	100
Retained earnings		<u>973,350</u>	<u>966,005</u>
Total equity		<u>973,450</u>	<u>966,105</u>

The balance sheet is to be read in conjunction with the notes to the financial statements.

MORWELL FINANCIAL SERVICES PTY LTD
STATEMENT OF CHANGES IN EQUITY
AT 31 DECEMBER 2007

	Share capital	Retained earnings	Total
	\$	\$	\$
Balance as at 1 January 2006	100	939,239	939,339
Profit for the year	-	26,766	26,766
Balance as at 31 December 2006	100	966,005	966,105
Balance as at 1 January 2007	100	966,005	966,105
Profit for the year	-	7,345	7,345
Balance as at 31 December 2007	100	973,350	973,450

The statement of changes in equity is to be read in conjunction with the notes to the financial statements.

MORWELL FINANCIAL SERVICES PTY LTD
STATEMENT OF CASH FLOWS
AT 31 DECEMBER 2007

	Notes	31 December 2007 \$	31 December 2006 \$
Cash flows from operating activities			
Cash paid to suppliers		(16)	-
Interest received		25,122	30,315
Professional fees refund received		-	412
Net cash from operating activities	9	25,106	30,727
Financing			
Loan repayment from subsidiary		409,845	-
Net increase in cash and cash equivalents		434,951	30,727
Cash and cash equivalents at 1 January		491,462	460,735
Cash and cash equivalents at 31 December	6	926,413	491,462

The statement of cash flows is to be read in conjunction with the notes to the financial statements.

MORWELL FINANCIAL SERVICES PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

1. Basis of preparation of accounts

a) Basis of preparation

All figures are presented in Australian dollars, which is also the Company's functional currency.

The financial report has been prepared on the historical cost basis.

The financial report was authorised for issue by the directors on 2008.

In the Director's opinion, the Company is not a reporting entity because there are no users dependent on general purpose financial reports.

This is a special purpose financial report that has been prepared solely for distribution to the members, to fulfil the Director's 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, in the opinion of the Directors, are appropriate to meet the needs of the members.

The financial report has been prepared in accordance with AASB 101 *Presentation of Financial Statements*, AASB 107 *Cash Flow Statements*, AASB 108 *Accounting Policies, Changes in Accounting and Errors*, AASB 1031 *Materiality* and AASB 1048 *Interpretation and Application of Standards*, and other applicable Accounting Standards, with the exception of the disclosure requirements of the following:

AASB 7:	Financial Instruments: Disclosure
AASB 114:	Segment Reporting
AASB 124:	Related Party Disclosures
AASB 139:	Financial Instruments: Recognition and Measurement
AASB 127:	Consolidated and Separate Financial Statements

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

b) Statement of compliance

This special purpose financial report complies with Australian Accounting Standards (including Australian interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001, apart from the exceptions noted in Note 1(a) above.

The following standards and amendments were available for early adoption but have not been applied by the company in these financial statements:

- AASB 8 *Operating Segments* introduces the 'management approach' to segment reporting. AASB8 which becomes mandatory for the annual reporting periods beginning on or after 1 January 2009 will have no impact on the Company as it only has one segment.

MORWELL FINANCIAL SERVICES PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

1. Basis of preparation of accounts (continued)

- Revised AASB 101 *Presentation of financial statements* introduces as a financial statement the 'statement of comprehensive income'. The revised standard does not change the recognition, measurement or disclosure of transactions and events that are currently required. The revised standard is applicable for annual reporting periods beginning on or after 1 January 2009.

2. Summary of significant accounting policies

a) Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. Finance income comprises interest income on cash on deposit. Interest income is recognised as it accrues.

b) Income tax

Income tax on the profit or loss for the year comprises current tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

c) Auditor's remuneration

The audit fees for the year ended 31 December 2007 are \$9,182 (31 December 2006:\$14,079) and will be borne by International Power plc, the Company's ultimate holding company, on behalf of Morwell Financial Services Pty Limited.

d) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits.

e) Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately.

f) Trade and other receivables

Trade and other receivables are carried at amortised cost less any impairment losses recognised.

g) Capital management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns and maintain an optimal capital structure. There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

MORWELL FINANCIAL SERVICES PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

	31 December 2007 \$	31 December 2006 \$
3. Financial income		
Interest income– non related parties	31,124	26,354
Financial income	<u>31,124</u>	<u>26,354</u>
4. Income tax expense		
Current tax expense		
Current year	9,332	-
Prior year	14,431	-
	<u>23,763</u>	<u>-</u>
Numerical reconciliation between tax expense and pre-tax net profit		
Profit from ordinary activities before income tax expense	31,108	26,766
Income tax using the domestic corporation tax-rate of 30% (2006: 30%)	9,332	8,030
Group relief received	-	(8,030)
Prior year tax	14,431	-
Income tax expense	<u>23,763</u>	<u>-</u>
5. Trade and other receivables		
Amount due from group companies	49,486	459,331
Current tax asset	-	14,431
Other receivables	6,883	881
Trade and other receivables	<u>56,369</u>	<u>474,643</u>
The current tax asset represents the amount of income taxes recoverable in respect of prior periods that arises from the payment of tax in excess of amounts due to the relevant tax authorities.		
6. Cash and cash equivalents		
Bank balances	433,205	23,376
Short term deposits	493,208	468,086
Cash and cash equivalents	<u>926,413</u>	<u>491,462</u>
7. Creditors: amounts falling due within one year		
UK Corporation tax	9,332	-

MORWELL FINANCIAL SERVICES PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

	31 December 2007 \$	31 December 2006 \$
8. Share capital		
Issued and paid up capital		
100 Ordinary shares of \$1 each		
- Hazelwood Finance Limited Partnership	99	99
- Gippsland Ventures Pty Ltd	1	1
	<u>100</u>	<u>100</u>

9. Reconciliation of cash flows from operating activities

Profit for the year after income tax	7,345	26,766
Add/(less) non cash items:	-	-
Changes in assets and liabilities during the financial period:		
(Increase) / decrease in trade and other receivables	418,274	3,961
(Increase) / decrease in creditors	9,332	-
Net cash flow from operating activities	<u>434,951</u>	<u>30,727</u>

10. Events occurring after reporting date

No matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the operations, the results of the operations or the state of affairs of the Company.

**DIRECTORS' DECLARATION
FOR THE YEAR ENDED 31 DECEMBER 2007**

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 set out on pages 2 to 9 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 2007 and of its performance as represented by the results of its operations and cash flows for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards to the extent disclosed in note 1(a) and the 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

S Riley
Director



London 16 December 2008



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Morwell Financial Services Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2007 there have been:

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

KPMG

KPMG

A handwritten signature in black ink, appearing to be 'D Waters', written over the printed name 'Dean Waters'.

Dean Waters
Partner

Melbourne

16 December 2008



Independent audit report to the members of Morwell Financial Services Pty Ltd

Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of Morwell Financial Services Pty Ltd (the company), which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration set out on pages 2 to 10.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, are appropriate to meet the requirements of the Corporations Act 2001 and are appropriate to meet the needs of the members. The directors' responsibility also includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of members. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the basis of accounting described in Note 1 to the financial statements so as to present a view which is consistent with our understanding of the company's financial position, and of its performance.



The financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting obligations under the *Corporations Act 2001*. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

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

Auditor's opinion

In our opinion the financial report of Morwell Financial Services Pty Ltd is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's financial position as at 31 December 2007 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1;

(b) complying with Australian Accounting Standards to the extent described in Note 1 and the Corporations Regulations 2001; and

KPMG

KPMG

Dean Waters
Partner

Melbourne

16 December 2008