

FC 23832

MORWELL FINANCIAL SERVICES PTY LTD

UK Registration No. FC 023832

A.C.N. 075 088 621

FINANCIAL REPORT

31 DECEMBER 2006

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MORWELL FINANCIAL SERVICES PTY LTD
FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006

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**MORWELL FINANCIAL SERVICES PTY LTD
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006**

The Directors submit their report, together with the financial report of Morwell Financial Services Pty Limited ("the Company") for the year ended 31 December 2006 and the auditor's report thereon

Directors

The Directors who held office during the year were as follows

A S J Ramsay	(appointed 17/04/2002)
P G Cox	(appointed 17/04/2002)
A P Concannon	(appointed 31/07/2003)
S Riley	(appointed 22/06/2005)

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 operating profit of the Company for the year after allowing for income tax amounted to \$26,766 (31 December 2005 \$23,098).

No dividends have been paid or provided for during the year ended 31 December 2006 (31 December 2005 \$ 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 2006.

On behalf of the Board



A S J Ramsay

Director

Date 23 June 2008

London

MORWELL FINANCIAL SERVICES PTY LTD
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	31 December 2006 \$	31 December 2005 \$
Profit/loss from operating activities		412	(550)
Financial income	3	<u>26,354</u>	<u>23,648</u>
Profit before tax		26,766	23,098
Income tax expense	4	<u>-</u>	<u>-</u>
Profit for the period		<u>26,766</u>	<u>23,098</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 2006

	Notes	31 December 2006 \$	31 December 2005 \$
Current assets			
Trade and other receivables	5	474,643	478,604
Cash and cash equivalents	6	<u>491,462</u>	<u>460,735</u>
Total current assets		<u>966,105</u>	<u>939,339</u>
Net assets		<u>966,105</u>	<u>939,339</u>
Equity			
Issued capital	7	100	100
Retained earnings		<u>966,005</u>	<u>939,239</u>
Total equity		<u>959,105</u>	<u>939,339</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 2006

	Share capital	Retained earnings	Total
	\$	\$	\$
Balance as at 1 January 2006	100	939,239	939,339
Profit for the period	-	26,766	26,766
Balance as at 31 December 2006	100	966,005	966,105
Balance as at 1 January 2005	100	916,141	916,241
Profit for the period	-	23,098	23,098
Balance as at 31 December 2005	100	939,239	939,339

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 2006

	Notes	31 December 2006 \$	31 December 2005 \$
Cash flows from operating activities			
Cash paid to suppliers		-	(550)
Interest received		30,315	23,184
Professional Fees refund received		<u>412</u>	<u>-</u>
Net cash from operating activities	8	<u>30,727</u>	<u>22,634</u>
Net increase in cash and cash equivalents		30,727	22,634
Cash and cash equivalents at 1 January		<u>460,735</u>	<u>438,101</u>
Cash and cash equivalents at 31 December	6	<u>491,462</u>	<u>460,735</u>

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 2006

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 23 June 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 114	Segment Reporting
AASB 124	Related Party Disclosures
AASB 132	Financial Instruments Disclosure and Presentation
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 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 7 *Financial instruments Disclosure* (August 2005) replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007

MORWELL FINANCIAL SERVICES PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

1. Basis of preparation of accounts (continued)

- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments Disclosures and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments Recognition and Measurement*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.

The Company plans to adopt AASB 7 and AASB 2005-10 in the 2007 year end. The initial application of these standards and amendments is not expected to have material effect on the financial position of the financial performance of the Company as they relate to disclosure only.

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. The Company has no tax liability for the year as it benefits from losses surrendered by other group companies.

c) Auditor's remuneration

The audit fees for the year ended 31 December 2006 are \$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.

MORWELL FINANCIAL SERVICES PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

	31 December 2006 \$	31 December 2005 \$
3. Financial income		
Interest income– non related parties	26,354	23,648
Financial income	<u>26,354</u>	<u>23,648</u>
4. Income tax expense		
Current tax expense		
Current year	<u>-</u>	<u>-</u>
Numerical reconciliation between tax expense and pre-tax net profit		
Profit from ordinary activities before income tax expense	<u>26,766</u>	<u>23,098</u>
Income tax using the domestic corporation tax rate of 30% (2005 30%)	8,030	6,929
Group relief received	<u>(8,030)</u>	<u>(6,929)</u>
Income tax expense	<u>-</u>	<u>-</u>
5. Trade and other receivables		
Amount due from group companies	459,331	459,331
Current tax asset	14,431	14,431
Other receivables	<u>881</u>	<u>4,842</u>
Trade and other receivables	<u>474,643</u>	<u>478,604</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	23,376	22,964
Short term deposits	<u>468,086</u>	<u>437,771</u>
Cash and cash equivalents	<u>491,462</u>	<u>460,735</u>

MORWELL FINANCIAL SERVICES PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

	31 December 2006 \$	31 December 2005 \$
7. 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>

8. Reconciliation of cash flows from operating activities

Profit for the year after income tax	26,766	23,098
Add/(less) non cash items	-	-
Changes in assets and liabilities during the financial period		
(Increase) / decrease in trade and other receivables	3,961	(464)
Net cash flow from operating activities	<u>30,727</u>	<u>22,634</u>

9. 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 2006**

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 2006 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 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 23 June 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 2006 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


M Bray
Partner

Melbourne

23 June 2008



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

Scope

We have audited the financial report of Morwell Financial Services Pty Ltd ("the Company") for the financial year ended 31 December 2006 being a special purpose financial report consisting of the income statement, statement of changes in equity, balance sheet, statement of cash flows and accompanying notes set out on pages 2 to 9. The Company's directors are responsible for the financial report. The directors have determined that the accounting policies used and described in Note 2 to the financial statements are appropriate to meet the needs of the members. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company. No opinion is expressed as to whether the accounting policies used, and described in Note 2, are appropriate to the needs of the members.

The financial report has been prepared for distribution to members. 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.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of significant accounting estimates. 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 Entity's financial position and performance, as represented by the results of its operations and its cash flows. These policies do not require the application of all Australian Accounting Standards nor other mandatory professional reporting requirements in Australia.

The audit opinion expressed in this report has been formed on the above basis.

Audit 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 2006 and of its performance for the year ended on that date in accordance with the accounting policies described in Notes 1 and 2,
- (b) complying with Australian Accounting Standards to the extent described in Notes 1 and 2 and the Corporations Regulations 2001.

KPMG

M Bray

Partner

Melbourne

23 June 2008