Mitsui & Co. (Australia) Ltd
ACN 004 349 795

# annual report 02
15 months ended 31 March 2002

## creating global partnerships

# financial report

## for the fifteen months ended 31 march 2002

Mitsui & Co. (Australia) Ltd
ACN 004 349 795

## INDEX

# message from chairman and managing director

Having taken the decision to revert to our financial year ending March instead of December, this financial report covers the 15-month period ending March 2002.

In last year's annual report we said 'the outlook for 2001 is less positive due to slowing of the US economy which will in turn result in reduced East Asian sales to the US and that will have an impact on Australian exports to the region'. Events of September 11, 2001, further impacted on that economic slow down.

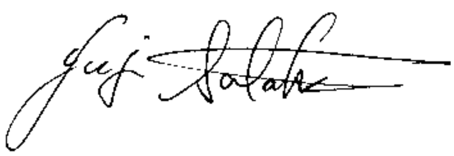
The US economy slowed & Japan's economic growth remained slightly negative over the 15-month period to March 2002. Despite the worlds two largest economies being slow, Australia's merchandise exports to Japan, Mitsui Australia's main market, increased by 7% in that period, while merchandise imports from Japan were steady over the same period. These impressive exports reflect an Australian economy that grew by 4.1% in calendar year 2001, the highest in the OECD, with strong growth continuing into 2002. Against that background I am pleased to report that Mitsui Australia's net profit after tax to March 2002 was up 8%, on a pro rata basis over the 12-months to December 2000.

The medium term outlook for Mitsui's trade and investment in Australia continues to be positive. Currently, three active areas in which Mitsui are equity partners include:-

- The North West Shelf LNG Project which has completed a A$2.6 billion investment in the fourth train, lifting capacity by 4.2 million tonnes per annum, mainly for export to Japan. Current negotiations with China will decide if that country will place an order for all or part of China's 3.0 million tonne per annual demand for imported LNG. The North West Shelf Project's competitors for the China order are Qatar and Indonesia.
- The Robe River Project's new iron ore mine in Western Australia, West Angelas, which is scheduled to begin shipments in July/August 2002 to Japanese Steel Mills and other foreign markets. Shipments from that new mine will increase from around 7 million tonnes per annum up to 20 million tonnes, over time.
- The synergy made in 2002 which involved Mitsui inviting Anglo Coal to take 51% equity in our Moura coal mine and to manage that operation. At the same time Anglo Coal invited Mitsui to take 49% equity in their neighbouring undeveloped deposit at Theodore and also at Dawson and Taroom, as well as 30% equity in their operating mine at German Creek.

Going forward, my strategy includes actively promoting trade and investment opportunities in Australia and also in Asia, including China, through alliances with leading Australian companies. Activities in Asia are to be carried out in cooperation with Mitsui Head Office in Japan and more than 50 Mitsui offices in Asia.

Overall, in today's world Mitsui Australia management and staff must demonstrate entrepreneurship and have the courage to try new directions. Management and companies that cannot move quickly will not survive in the 21st century.



YUJI SATAKE

CHAIRMAN AND MANAGING DIRECTOR

# directors' report



The directors of Mitsui & Co. (Australia) Ltd., submit herewith the financial report for the financial period ended 31 March 2002.

The company (parent entity) and its controlled entities changed their financial year end to 31 March from 31 December to align their year end with the ultimate parent entity, Mitsui & Co., Ltd. Pursuant to section 340 of the Corporations Act 2001 ("the Act"), the Australian Securities and Investments Commission granted relief from the requirements of paragraph 323D of the Act and thereby permitting the company and its controlled entities to change their financial year end and adopt a transitional fifteen month financial period of 1 January 2001 to 31 March 2002. Accordingly, the financial report presents the performance of the company and consolidated entity, as represented by the results of their operations and cashflows, for the 15 month period ended 31 March 2002 and comparative amounts for the year ended 31 December 2000.

## DIRECTORS

The names and particulars of the directors of the company during or since the end of the financial period are:

**Mr Y Satake**
Director since 22 June 2001. Joined Mitsui Group in 1969. Currently Managing Director, Mitsui & Co. (Australia) Ltd. Previously General Manager, Foodstuff Administration Division, Mitsui & Co., Ltd, Tokyo Office. Graduated from Kansei Gakuin University, majoring in Law. During the financial period he attended 10 of the 20 directors' meetings held.

**Mr F Kitahara**
Director since 8 October 1996 until his resignation from the Board on 22 June 2001. Joined Mitsui Group in 1965. Most recently Managing Director, Mitsui & Co. (Australia) Ltd. Previously Deputy Managing Director, Mitsui & Co. (Australia) Ltd. Graduated from Gakushuin University (Politics and Economics). During the financial period he attended 10 of the 20 directors' meetings held.

**Mr S Unno**
Director since 22 June 2001. Joined Mitsui Group in 1973. Currently Deputy Managing Director, Mitsui & Co. (Australia) Ltd and General Manager, Melbourne Office, Mitsui & Co. (Australia) Ltd. Previously, General Manager, Employee Relations Department/Human Resource Planning Department, Personnel Division, Mitsui & Co., Ltd, Tokyo Office. Graduated from Waseda University, Japan majoring in Politics and Economics. During the financial period he attended 2 of the 20 directors' meetings held.

**Mr W Tashiro**
Director since 1 March 1999 until his resignation from the Board on 22 June 2001. Joined Mitsui Group in 1969. Most recently Deputy Managing Director, Mitsui & Co. (Australia) Ltd and General Manager, Melbourne Office, Mitsui & Co. (Australia) Ltd. Previously, General Manager, Petroleum Marketing Division, Energy Group, Mitsui & Co., Ltd, Tokyo Office. Graduated from Waseda University, Japan majoring in Law. During the financial period he attended none of the directors' meetings held.

**Mr Y Hashimoto**
Director since 1 September 1998. Joined Mitsui Group in 1971. Currently General Manager of Perth Office, Mitsui & Co. (Australia) Ltd. Previously, Deputy General Manager of Mitsui & Co., Ltd, New Delhi Branch. Graduated from Osaka University, Japan majoring in Economics. During the financial period he attended 2 of the 20 directors' meetings held.

**Mr T Fujinaga**
Director since 11 December 2000 until his resignation from the Board on 14 May 2002. Joined Mitsui Group in 1972. Most recently General Manager, Corporate Planning Division, Mitsui & Co (Australia) Ltd. Previously General Manager, Energy Accounting Department, Energy and Chemicals, Accounting and Administration Division, Mitsui & Co., Ltd., Tokyo Office. Graduated from Yokohama National University Japan, majoring in Economics. During the financial period he attended 20 of the 20 directors' meetings held.

**Mr T Nitta**
Director since 11 December 2000. Joined Mitsui Group in 1977. Currently General Manager of Brisbane Office, Mitsui & Co., (Australia) Ltd. Previously Deputy General Manager of Thermal Coal Division, Iron & Steel Raw Materials Group, Mitsui & Co., Ltd Tokyo Office. Graduated from Tokyo Foreign Studies University, Japan majoring in Indo-Chinese Languages & International Relations. During the financial period he attended 2 of the 20 directors' meetings held.

**Mr Y Kohata**
Director since 14 May 2002. Joined Mitsui Group in 1978. Currently General Manager, Corporate Planning Division, Mitsui & Co. (Australia) Ltd. Previously Secretariat, Mitsui & Co., Ltd Tokyo Office. Graduated from Tokyo University, Japan majoring in Law. During the financial period he attended none of the directors' meetings held.

**Mr M Yoshioka**
Director since 14 May 2002. Joined Mitsui Group in 1978. Currently General Manager, Accounting, Treasury, & Information Systems Division, Mitsui & Co. (Australia) Ltd. Previously, Assistant General Manager, General Accounting Division, Corporate Accounting Department, Mitsui & Co., Ltd, Tokyo Office. Graduated from Keio University, Japan majoring in Economics. During the financial period he attended none of the 20 directors' meetings held.

# directors' report

## PRINCIPAL ACTIVITIES OF THE CONSOLIDATED ENTITY

The consolidated entity's principal activities in the course of the financial period were importing, exporting and the provision of finance to related bodies corporate. There was no significant change in the nature of these activities during the financial period.

## DIVIDENDS

The amounts paid or declared by way of dividend by the company since the start of the financial period were:

- In respect of the financial year ended 31 December 2000, as detailed in the directors' report of that financial year, an interim dividend amounting to $11,000,000 fully franked at 34% with $3,500,000 paid on 10 January 2001 and $7,500,000 paid on 30 March 2001.
- In respect of the financial year ended 31 December 2000, as detailed in the directors' report for that financial year, a final dividend amounting to $5,000,000 fully franked at 34% paid on 21 September 2001.
- In respect of the 15 months ended 31 March 2002, the directors approved an interim dividend amounting to $7,000,000 fully franked at 30% with $3,500,000 paid on 16 January 2002 and $3,500,000 paid on 28 June 2002.
- In respect of the 15 months ended 31 March 2002, the directors approved a final dividend amounting to $7,000,000 fully franked at 30% to be paid on 30 September 2002.

## RESULTS

A summary of consolidated results is set out below:

| | 15 months to 31 Mar. 2002 $'000 | 12 months to 31 Dec. 2000 $'000 |
|---|---|---|
| Trading Transactions | 13,471,398 | 12,401,726 |
| Total Revenue | 6,404,132 | 6,927,503 |
| Profit from ordinary activities before income tax expense | 23,746 | 16,994 |
| Income tax expense relating to ordinary activities | (2,889) | (1,590) |
| Net profit attributable to members of the parent entity | 20,857 | 15,404 |

## REVIEW OF OPERATIONS

Total revenue reduced mainly due to a decrease in turnover in respect of gold transactions. Net profit attributable to members of the parent entity for the 15 months when annualised, however, exceeded the result of the previous financial year, despite a reduction in revenue and some substantial provisions being made. This was due to a combination of increased dividend income and improved trading profits for most business departments.

# directors' report



## CHANGES IN STATE OF AFFAIRS

During the financial period there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

## SUBSEQUENT EVENTS

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

## FUTURE DEVELOPMENTS

The directors believe, on reasonable grounds, that to include in this report particular information regarding likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years would be likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been included in this report.

## ENVIRONMENTAL REGULATIONS

The consolidated entity is not subject to any particular or significant environmental regulations under a law of the Commonwealth or of a State or Territory.

## INDEMNIFICATION OF OFFICERS AND AUDITORS

During or since the financial period the company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor. In addition, the company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

## ROUNDING OFF OF AMOUNTS

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in this directors' report and in the financial report have been rounded off to the nearest thousand dollars.

Signed in accordance with a resolution of the directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Directors

M. Yoshioka

M Yoshioka
Director

Sydney, 26 July 2002

# independent audit report

Deloitte Touche Tohmatsu

## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MITSUI & CO. (AUSTRALIA) LTD

### Scope

We have audited the financial report of Mitsui & Co. (Australia) Ltd for the fifteen months ended 31 March 2002 as set out on pages 7 to 39. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the financial period. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

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

### Audit opinion

In our opinion, the financial report of Mitsui & Co. (Australia) Ltd is in accordance with:

(a) the Corporations Act 2001, including

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 March 2002 and of their performance for the 15 months ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

J H W Riddell
Partner
Chartered Accountants

Sydney, 26 July 2002

# directors' declaration



The directors declare that:

(a) the attached financial statements and notes thereto comply with Accounting Standards;

(b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the company and the consolidated entity;

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and

(d) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors

M. Yoshioka

M Yoshioka
Director

Sydney, 26 July 2002

# statement of financial performance

| | NOTE | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|---|
| | | 15 months to 31 Mar 2002 $'000 | 12 months to 31 Dec 2000 $'000 | 15 months to 31 Mar 2002 $'000 | 12 months to 31 Dec 2000 $'000 |
| Trading Transactions | 30 | 13,471,398 | 12,401,726 | 13,471,398 | 12,401,726 |
| Sales revenue (sales of goods and services) | 27 | 6,262,878 | 6,799,666 | 6,262,878 | 6,799,666 |
| Cost of goods and services sold | | (6,215,797) | (6,760,787) | (6,215,797) | (6,760,787) |
| Gross trading profit from ordinary activities | | 47,081 | 38,879 | 47,081 | 38,879 |
| Other revenue from ordinary activities | 27 | 141,254 | 127,837 | 135,087 | 122,800 |
| Selling, general and administrative expenses | | (40,624) | (34,014) | (39,670) | (33,497) |
| Borrowing costs | | (109,170) | (97,461) | (103,946) | (93,068) |
| Share of net losses of joint venture entities accounted for using the equity method | 26 | (146) | (13) | (146) | (13) |
| Other expenses from ordinary activities | | (14,649) | (18,234) | (14,862) | (18,349) |
| Profit from ordinary activities before income tax expense | 27 | 23,746 | 16,994 | 23,544 | 16,752 |
| Income tax expense relating to ordinary activities | 28 | (2,889) | (1,590) | (2,827) | (1,504) |
| Net profit attributable to members of the parent entity | | 20,857 | 15,404 | 20,717 | 15,248 |
| Adjustment to retained profits at the beginning of the financial year as a result of the early adoption of accounting standard AASB 1037 "Self-Generating and Regenerating Assets" | 1(i) | - | (234) | - | - |
| Total revenue, expense and valuation adjustments attributable to members of the parent entity recognised directly in equity | | - | (234) | - | - |
| Total changes in equity other than those resulting from transactions with owners as owners | | 20,857 | 15,170 | 20,717 | 15,248 |

Notes to the financial statements are included on pages 11 to 39

# statement of financial position



| | NOTE | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|---|
| | | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 |
| **CURRENT ASSETS** | | | | | |
| Cash assets | | 42,500 | 30,484 | 5,733 | 906 |
| Receivables | 2 | 354,352 | 401,220 | 283,529 | 296,543 |
| Inventories | 3 | 1,194 | 4,515 | 1,194 | 4,515 |
| Other financial assets | 4 | 12,526 | 13,002 | 12,526 | 13,002 |
| Other | 5 | 293 | 407 | 277 | 351 |
| TOTAL CURRENT ASSETS | | 410,865 | 449,628 | 303,259 | 315,317 |
| **NON-CURRENT ASSETS** | | | | | |
| Receivables | 6 | 82,576 | 73,303 | 116,905 | 102,533 |
| Property, plant and equipment | 7 | 12,513 | 13,280 | 11,920 | 12,945 |
| Deferred tax assets | 8 | 5,229 | 3,850 | 5,211 | 3,837 |
| Other financial assets | | | | | |
| Investments | 9 | 155,248 | 150,158 | 155,220 | 150,386 |
| Other | 10 | 30,293 | 15,865 | 30,293 | 15,865 |
| Other | 11 | 6,572 | 1,623 | 6,572 | 1,623 |
| TOTAL NON-CURRENT ASSETS | | 292,431 | 258,079 | 326,121 | 287,189 |
| TOTAL ASSETS | | 703,296 | 707,707 | 629,380 | 602,506 |
| **CURRENT LIABILITIES** | | | | | |
| Payables | 12 | 136,762 | 114,665 | 136,543 | 114,598 |
| Interest bearing liabilities | 13 | 199,885 | 259,043 | 79,331 | 121,921 |
| Current tax liabilities | 14 | 4,059 | 576 | 3,749 | 559 |
| Provisions | 15 | 11,242 | 22,141 | 11,217 | 22,122 |
| Other | 16 | 25,574 | 25,393 | 25,521 | 25,393 |
| TOTAL CURRENT LIABILITIES | | 377,522 | 421,818 | 256,361 | 284,593 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Payables | 17 | 46,811 | 18,017 | 46,811 | 18,015 |
| Interest bearing liabilities | 18 | 70,489 | 83,044 | 119,875 | 117,204 |
| Deferred tax liabilities | 19 | 2,171 | 2,358 | 1,981 | 2,024 |
| Provisions | 20 | 792 | 222 | 772 | 212 |
| Other | 21 | 34,459 | 18,053 | 34,458 | 18,053 |
| TOTAL NON-CURRENT LIABILITIES | | 154,722 | 121,694 | 203,897 | 155,508 |
| TOTAL LIABILITIES | | 532,244 | 543,512 | 460,258 | 440,101 |
| NET ASSETS | | 171,052 | 164,195 | 169,122 | 162,405 |
| **EQUITY** | | | | | |
| Contributed equity | 23 | 20,000 | 20,000 | 20,000 | 20,000 |
| Reserves | 24 | 84,939 | 84,939 | 84,939 | 84,939 |
| Retained profits | 25 | 66,113 | 59,256 | 64,183 | 57,466 |
| TOTAL EQUITY | | 171,052 | 164,195 | 169,122 | 162,405 |

Notes to the financial statements are included on pages 11 to 39

# statement of cash flows

| | NOTE | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|---|
| | | 15 months to 31 Mar 2002 $'000 | 12 months to 31 Dec 2000 $'000 | 15 months to 31 Mar 2002 $'000 | 12 months to 31 Dec 2000 $'000 |
| **Cash flows from operating activities** | | | | | |
| Receipts from customers | | 6,356,788 | 6,763,007 | 6,355,893 | 6,763,695 |
| Payments to suppliers and employees | | (6,276,192) | (6,794,504) | (6,274,278) | (6,793,052) |
| Dividends received | | 17,082 | 13,446 | 17,082 | 13,446 |
| Interest received | | 86,937 | 119,576 | 79,946 | 113,974 |
| Interest paid | | (91,538) | (127,037) | (86,181) | (121,945) |
| Income tax paid | | (4,244) | (3,753) | (4,610) | (3,678) |
| Consideration for tax losses transferred | | - | (1,409) | - | (1,353) |
| Net cash provided by/(used in) operating activities | 37(a) | 88,833 | (30,674) | 87,852 | (28,913) |
| **Cash flows from investing activities** | | | | | |
| (Increase)/decrease in short term deposits | | (4,944) | 14,119 | (4,944) | 14,119 |
| Decrease/(increase) in current loans receivable | | 6,373 | 18,128 | (26,851) | 73,229 |
| Decrease/(increase) in non-current loans receivable | | 19,063 | (7,109) | 13,964 | (5,186) |
| Payment for investments | | (12,622) | (5,899) | (12,366) | (5,594) |
| Proceeds from sale of investments | | 1,612 | 12,163 | 1,612 | 12,427 |
| Payment for property, plant and equipment | | (2,477) | (1,287) | (2,187) | (1,134) |
| Proceeds from sale of property, plant and equipment | | 2,327 | 19 | 2,300 | 18 |
| Receipts from joint venture entities | | 656 | 481 | 656 | 481 |
| Net cash provided by /(used in) investing activities | | 9,988 | 30,615 | (27,816) | 88,360 |
| **Cash flows from financing activities** | | | | | |
| Net repayment of short term borrowings | | (59,497) | (10,157) | (42,952) | (82,173) |
| Net proceeds from long term borrowings | | - | 5,851 | 11,086 | 25,330 |
| Net repayment of long term borrowings | | (4,140) | - | - | - |
| Dividends paid | | (19,500) | (7,500) | (19,500) | (7,500) |
| Net cash (used in)/ financing activities | | (83,137) | (11,806) | (51,366) | (64,343) |
| Net increase/(decrease) in cash held | | 15,684 | (11,865) | 8,670 | (4,896) |
| Cash at the beginning of the financial period | | 26,641 | 37,018 | (2,937) | 1,959 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | 175 | 1,488 | - | - |
| Cash at the end of the financial period | 37(b) | 42,500 | 26,641 | 5,733 | (2,937) |

Notes to the financial statements are included on pages 11 to 39

## 1. SUMMARY OF ACCOUNTING POLICIES

### FINANCIAL REPORTING FRAMEWORK

The financial report is a general-purpose financial report which has been prepared in accordance with the Corporations Act 2001, applicable Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

### SIGNIFICANT ACCOUNTING POLICIES

Accounting policies are selected and applied in a manner, which ensures that the resultant financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

#### (a) Principles of Consolidation

The consolidated financial statements have been prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its controlled entities as defined in accounting standard AASB1024 "Consolidated Accounts". A list of controlled entities appears in Note 39. Consistent accounting policies have been employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

#### (b) Investments

The Consolidated entity's interests in entities that are not controlled (other than joint venture entities) are brought to account at cost or directors' valuation, on the basis that the Consolidated entity does not exert significant influence. Therefore, these investments have not been accounted for under the equity method. Dividends are taken to income on a receivable basis.

Change in Accounting Policy

In accordance with Accounting Standard AASB 1041 “Revaluation of Non-Current Assets”, on 1 January 2001 the consolidated entity changed its policy for accounting for investments. In accordance with the new standard, the consolidated entity has reverted to the cost basis of measurement. The directors have deemed the carrying amount of investments as at 1 January 2001 to be cost for financial accounting purposes.

Accordingly, the change in accounting policy does not affect the carrying amount of investments recorded in the financial statements. However, the balances of the asset revaluation reserve recorded in the financial statements as at 1 January 2001 relating to the previous revaluation of investments, amounting to $84,939,000 is no longer available to absorb any future write down of investments.

### (c) Foreign Currency

All foreign currency transactions during the financial period have been brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at balance date are translated at the exchange rate existing at that date.

Exchange differences are brought to account in the statement of financial performance in the financial period in which they arise except that exchange differences on transactions entered into in order to hedge the purchase or sale of specific goods or services are deferred and included in the measurement of the purchase or sale.

### (d) Depreciation

Buildings, plant, motor vehicles and furniture are depreciated over their estimated useful economic lives using either the reducing balance method or prime cost method. The following estimated useful lives are used in the calculation of depreciation:

| | |
|---|---|
| • buildings | 25 years |
| • plant, motor vehicles and furniture | 3 – 8 years |

### (e) Inventories

Finished goods on hand and in transit are valued at the lower of cost and net realisable value. Costs are assigned to inventory by the method most appropriate to each particular class of inventory with the majority being valued on a specific identification basis.

### (f) Income Tax

Tax effect accounting principles have been adopted whereby income tax expense has been calculated on pre-tax accounting profits after adjustment for permanent differences. The tax effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is carried forward in the balance sheet as a provision for deferred income tax or a future income tax benefit at the income tax rates prevailing when the timing differences are expected to reverse.

### (g) Recoverable Amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their present value.

### (h) Joint Ventures

Joint Venture Operations
Interests in joint venture operations have been reported in the financial statements by including the consolidated entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to joint ventures and the share of any expenses incurred in relation to joint ventures in their respective classification categories.

Joint Venture Entities
Interest in joint venture entities, which are partnerships, have been accounted for under the equity method in the company and consolidated financial statements.

### (i) Regenerative Assets

Forest holdings are classified as a separate asset in accordance with accounting standard AASB 1037 "Self Generating and Regenerating Assets" (AASB1037) (SGARA's). AASB 1037 requires that where there is no active and liquid market from which to determine net market value, SGARA's are measured using the best indicator available. Accordingly, as the forest holdings are immature and there is no reliable market value available, cost is used as the best indicator of market value. Cost includes the costs of preparing the land, planting seedlings and other direct plantation expenses but excludes interest and other allocated indirect costs incurred which were capitalised prior to the adoption of AASB1037.

Change in Accounting Policy

On 1st January 2000 the company changed its policy of accounting for interests in regenerating assets to comply with accounting standard AASB 1037. The financial effect of the change in accounting policy for the previous financial year was to charge $130,800 against income. In accordance with the transitional provisions of the accounting standard an adjustment was made to the opening retained profits of $233,502. The adjustment reflects the decrease in the carrying amount of regenerating assets to the amount that would have been the carrying amount at the beginning of the financial year, had the requirements of the accounting standard applied from the date of acquisition of the assets.

### (j) Employee Entitlements

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave, long service leave, and other employee entitlements expected to be settled within 12 months, are measured at their nominal values.

Provisions made in respect of long service leave entitlements which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date.

### (k) Receivables

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts. Bills of exchange are recorded at amortised cost, with revenue recognised on a effective yield basis.

### (l) Accounts payable

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services. Included within trade creditors are gold borrowings.

### (m) Interest Bearing Liabilities

Short and long term loans are recorded at amounts equal to the net proceeds received. Interest expense is recognised on an accrual basis.

### (n) Derivative financial instruments

Derivative transactions including swaps and options on interest rates, exchange rates and commodities are entered into principally for hedging purposes. These transactions are accounted for under the principles of hedge accounting and income is recognised on the same basis as that of the underlying item being hedged. Further details of derivative financial instruments are disclosed in note 42 to the financial statements.

### (o) Interest Rate Swaps and Forward Rate Agreements

Interest payments and receipts under interest rate swap contracts and forward rate agreements are recognised on an accrual basis in the statement of financial performance as an adjustment to interest expense during the period.

### (p) Capital Gains Tax

No provision has been made for capital gains tax, which may arise in the event of sale of revalued assets as no decision has been made to sell any of these assets.

### (q) Borrowing Costs

Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing.

### (r) Revenue Recognition

Sale of Goods and Disposal of Assets
Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer.

Rendering of Services
Revenue from a contract to provide services is recognised by reference to the stage of completion of the contact.

### (s) Comparative Figures and Reclassification of Financial Information

The consolidated entity has adopted the presentation and disclosure requirements of Accounting Standards AASB 1018 “Statement of Financial Performance”, AASB 1034 “Financial Report Presentation and Disclosures” and AASB 1040 “Statement of Financial Position” for the first time in the preparation of its financial report. In accordance with the requirements of these new/revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format. The reclassification of comparative amounts has not resulted in a change to the aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities or equity, or the net profit/loss of the company or consolidated entity as reported in the prior year financial report.

### (t) Change in Financial Year End

The company and its controlled entities changed their financial year end to 31 March to align their year end with the ultimate parent company, Mitsui & Co., Ltd. Accordingly, the results of operations and cash flows are presented for a 15 month period ended 31 March 2002, with comparative amounts for the year ended 31 December 2000.

### (u) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

### (v) Acquisition of Assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

### (w) Leased Assets

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased asset are consumed.

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 |
| **2. CURRENT RECEIVABLES** | | | | |
| Trade debtors | 159,773 | 196,565 | 159,773 | 196,565 |
| Provision for doubtful debts | (11,077) | (6,372) | (11,077) | (6,372) |
| | 148,696 | 190,193 | 148,696 | 190,193 |
| Other debtors | 5,666 | 8,861 | 4,856 | 7,793 |
| Short term deposits | 21,394 | 16,450 | 21,394 | 16,450 |
| Loans to: | | | | |
| Controlled entities | - | - | 15,530 | 1,714 |
| Related bodies corporate – wholly owned group | 75,541 | 65,852 | 28,116 | 18,122 |
| Other related parties | 495 | 17,889 | - | 2,301 |
| Other parties | 102,872 | 101,936 | 65,249 | 59,931 |
| Provision for doubtful debt – other parties | (375) | - | (375) | - |
| Directors (Note 38c) | 63 | 39 | 63 | 39 |
| | 205,656 | 211,027 | 134,833 | 106,350 |
| | 354,352 | 401,220 | 283,529 | 296,543 |
| **3. CURRENT INVENTORIES** | | | | |
| Finished goods on hand and in transit: | | | | |
| – at cost | 1,194 | 4,515 | 1,194 | 4,515 |
| **4. OTHER CURRENT FINANCIAL ASSETS** | | | | |
| Advances paid on contracts | 12,526 | 13,002 | 12,526 | 13,002 |
| **5. OTHER CURRENT ASSETS** | | | | |
| Prepayments | 293 | 407 | 277 | 351 |
| **6. NON-CURRENT RECEIVABLES** | | | | |
| Long term loans to: | | | | |
| Other parties | 486 | 1,822 | 486 | 1,822 |
| Controlled entities | - | - | 50,000 | 50,000 |
| Related bodies corporate – wholly owned group | 36,390 | 54,116 | 20,719 | 33,346 |
| Directors (Note 38c) | 59 | 60 | 59 | 60 |
| | 36,935 | 55,998 | 71,264 | 85,228 |
| Trade debtors | 305 | 1,552 | 305 | 1,552 |
| Other debtors | 45,336 | 15,753 | 45,336 | 15,753 |
| | 82,576 | 73,303 | 116,905 | 102,533 |

## 7. PROPERTY, PLANT AND EQUIPMENT

| | CONSOLIDATED | | | | | |
|---|---|---|---|---|---|---|
| | Freehold Land $'000 | Buildings $'000 | Furniture & Fittings $'000 | Plant & Equipment $'000 | Motor Vehicles $'000 | Total $'000 |
| **Gross Carrying Amount** | | | | | | |
| Balance at 31 December 2000 | 3,627 | 9,527 | 2,350 | 3,129 | 273 | 18,906 |
| Additions | 229 | 1,155 | 864 | 229 | - | 2,477 |
| Disposals | (874) | (1,083) | (461) | (1,068) | - | (3,486) |
| Balance at 31 March 2002 | 2,982 | 9,599 | 2,753 | 2,290 | 273 | 17,897 |
| **Accumulated Depreciation** | | | | | | |
| Balance at 31 December 2000 | - | 1,298 | 1,564 | 2,677 | 87 | 5,626 |
| Depreciation expense | - | 771 | 349 | 230 | 47 | 1,397 |
| Disposals | - | (353) | (249) | (1,037) | - | (1,639) |
| Balance at 31 March 2002 | - | 1,716 | 1,664 | 1,870 | 134 | 5,384 |
| **Net Book Value** | | | | | | |
| As at 31 December 2000 | 3,627 | 8,229 | 786 | 452 | 186 | 13,280 |
| As at 31 March 2002 | 2,982 | 7,883 | 1,089 | 420 | 139 | 12,513 |

| | COMPANY | | | | | |
|---|---|---|---|---|---|---|
| | Freehold Land $'000 | Buildings $'000 | Furniture & Fittings $'000 | Plant & Equipment $'000 | Motor Vehicles $'000 | Total $'000 |
| **Gross Carrying Amount** | | | | | | |
| Balance at 31 December 2000 | 2,663 | 9,527 | 3,005 | 3,112 | 230 | 18,537 |
| Additions | 600 | 1,155 | 209 | 223 | - | 2,187 |
| Disposals | (850) | (1,083) | (461) | (1,067) | - | (3,461) |
| Balance at 31 March 2002 | 2,413 | 9,599 | 2,753 | 2,268 | 230 | 17,263 |
| **Accumulated Depreciation** | | | | | | |
| Balance at 31 December 2000 | - | 1,298 | 1,564 | 2,672 | 58 | 5,592 |
| Depreciation expense | - | 771 | 349 | 226 | 43 | 1,389 |
| Disposals | - | (353) | (249) | (1,036) | - | (1,638) |
| Balance at 31 March 2002 | - | 1,716 | 1,664 | 1,862 | 101 | 5,343 |
| **Net Book Value** | | | | | | |
| As at 31 December 2000 | 2,663 | 8,229 | 1,441 | 440 | 172 | 12,945 |
| As at 31 March 2002 | 2,413 | 7,883 | 1,089 | 406 | 129 | 11,920 |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 |
| **7. PROPERTY, PLANT AND EQUIPMENT (continued)** | | | | |
| (i) The aggregate current market values of land and buildings | 19,316 | 21,418 | 18,747 | 20,454 |

Current market values of land and buildings were assessed by the directors at 31 December 2000. The land and buildings are staff houses and the directors' assessment of current market value at 31 December 2000 is based on independent kerbside opinions of value at December 2000 by Richard R Links Valuation Services Pty Ltd, Raine & Horne, Ray White, Ockerby Real Estate & JLC Valuers.

Aggregate depreciation allocated as an expense during the year is disclosed in note 27(b) to the financial statements.

| | | | | |
|---|---|---|---|---|
| **8. DEFERRED TAX ASSETS** | | | | |
| Future income tax benefit attributable to timing differences | 5,229 | 3,850 | 5,211 | 3,837 |
| **9. NON-CURRENT INVESTMENTS** | | | | |
| **Non Quoted Investments** | | | | |
| Shares in controlled entities: | | | | |
| - at cost | - | - | 950 | 950 |
| Shares in related bodies corporate: | | | | |
| - at cost | 134,070 | 134,082 | 134,070 | 134,082 |
| Shares in other corporations: | | | | |
| - at cost | 28,384 | 17,618 | 28,384 | 17,618 |
| Less: provision for diminution in value | (8,414) | (2,640) | (8,414) | (2,640) |
| | 19,970 | 14,978 | 19,970 | 14,978 |
| Investment in regenerative forests | | | | |
| - at cost | 978 | 722 | - | - |
| Investment in joint venture entities | | | | |
| - equity accounted (Note 26) | 230 | 376 | 230 | 376 |
| | 155,248 | 150,158 | 155,220 | 150,386 |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 |
| **10. OTHER NON-CURRENT FINANCIAL ASSETS** | | | | |
| Advances paid on contracts | 30,293 | 15,865 | 30,293 | 15,865 |
| **11. OTHER NON-CURRENT ASSETS** | | | | |
| Deferred loss on gold contracts | 6,572 | 1,623 | 6,572 | 1,623 |
| **12. CURRENT PAYABLES** | | | | |
| Short term interest-free borrowing | 19,700 | 9,700 | 19,700 | 9,700 |
| Trade creditors - unsecured | 106,761 | 91,492 | 106,761 | 91,492 |
| Other creditors | 10,301 | 13,473 | 10,082 | 13,406 |
| | 136,762 | 114,665 | 136,543 | 114,598 |
| **13. CURRENT INTEREST BEARING LIABILITIES** | | | | |
| **Unsecured:** | | | | |
| Bank overdraft | - | 3,843 | - | 3,843 |
| Trade creditors | 9,594 | 3,827 | 9,594 | 3,827 |
| Short term borrowings: | | | | |
| Controlled entities | - | - | 38,624 | 48,665 |
| Ultimate parent entity | 8,415 | 8,422 | 8,415 | 8,422 |
| Related bodies corporate – wholly owned group | 49,858 | 739 | - | 326 |
| Other related parties | 48,478 | 70,491 | - | - |
| Other parties | 83,540 | 171,721 | 22,698 | 56,838 |
| | 199,885 | 259,043 | 79,331 | 121,921 |
| **14. CURRENT TAX LIABILITIES** | | | | |
| Income tax payable | 4,059 | 576 | 3,749 | 559 |
| **15. CURRENT PROVISIONS** | | | | |
| Guarantees and warranties | - | 4,780 | - | 4,780 |
| Dividends | 10,500 | 16,000 | 10,500 | 16,000 |
| Employee entitlements (Note 22) | 742 | 1,361 | 717 | 1,342 |
| | 11,242 | 22,141 | 11,217 | 22,122 |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 |
| **16. OTHER CURRENT LIABILITIES** | | | | |
| Advances received on contracts | 11,588 | 14,769 | 11,588 | 14,769 |
| Deferred revenue on gold contracts | 13,986 | 10,624 | 13,933 | 10,624 |
| | 25,574 | 25,393 | 25,521 | 25,393 |
| **17. NON-CURRENT PAYABLES** | | | | |
| Other creditors | 46,811 | 18,017 | 46,811 | 18,015 |
| **18. NON-CURRENT INTEREST BEARING LIABILITIES** | | | | |
| **Unsecured:** | | | | |
| Long term borrowings from: | | | | |
| Ultimate parent entity | 20,720 | 33,346 | 20,720 | 33,346 |
| Controlled entities | - | - | 49,386 | 34,160 |
| Other parties | 49,769 | 49,698 | 49,769 | 49,698 |
| | 70,489 | 83,044 | 119,875 | 117,204 |
| **19. DEFERRED TAX LIABILITIES** | | | | |
| Deferred income tax | 2,171 | 2,358 | 1,981 | 2,024 |
| **20. NON-CURRENT PROVISIONS** | | | | |
| Employee entitlements (Note 22) | 792 | 222 | 772 | 212 |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 |

## 21. OTHER NON-CURRENT LIABILITIES

| | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 |
|---|---|---|---|---|
| Advances received on contracts | 33,549 | 16,371 | 33,549 | 16,371 |
| Deferred revenue on gold contracts | 910 | 1,682 | 909 | 1,682 |
| | 34,459 | 18,053 | 34,458 | 18,053 |

## 22. EMPLOYEE ENTITLEMENTS

The aggregate employee entitlement liability recognised and included in the financial statements is as follows:

| | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 |
|---|---|---|---|---|
| **Provision for employee entitlements:** | | | | |
| Current (Note 15) | 742 | 1,361 | 717 | 1,342 |
| Non-current (Note 20) | 792 | 222 | 772 | 212 |
| | 1,534 | 1,583 | 1,489 | 1,554 |
| Accrual for bonus | - | 1,132 | - | 1,132 |
| | 1,534 | 2,715 | 1,489 | 2,686 |
| | No. | No. | No. | No. |
| Number of employees at end of financial period | 93.5 | 96.5 | 88 | 91 |

## 23. CONTRIBUTED EQUITY

| | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 |
|---|---|---|---|---|
| 10,000,000 ordinary shares fully paid (2000: 10,000,000) | 20,000 | 20,000 | 20,000 | 20,000 |

## 24. RESERVES

| | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 |
|---|---|---|---|---|
| Asset revaluation reserve (Note 1(b)) | 84,939 | 84,939 | 84,939 | 84,939 |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 15 months to 31 Mar 2002 $'000 | 12 months to 31 Dec 2000 $'000 | 15 months to 31 Mar 2002 $'000 | 12 months to 31 Dec 2000 $'000 |
| **25. RETAINED PROFITS** | | | | |
| Balance at beginning of financial period | 59,256 | 60,086 | 57,466 | 58,218 |
| Net profit | 20,857 | 15,404 | 20,717 | 15,248 |
| Adjustment to retained profits at the beginning of the financial period as a result of adoption of Accounting Standard AASB 1037 "Self-Generating and Regenerating Assets" | - | (234) | - | - |
| Dividends provided for or paid (Note 29) | (14,000) | (16,000) | (14,000) | (16,000) |
| Balance at end of financial period | 66,113 | 59,256 | 64,183 | 57,466 |

## 26. INVESTMENTS IN JOINT VENTURE ENTITIES

| NAME OF ENTITY | PRINCIPAL ACTIVITY | OWNERSHIP INTEREST | |
|---|---|---|---|
| | | 31 Mar 2002 % | 31 Dec 2000 % |
| Toyota Partnership | Provision of finance | 19.6 | 19.6 |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 |
| Equity accounted amount of investment at the beginning of the financial period | 376 | 389 | 376 | 389 |
| Share of operating (loss) after income tax | (146) | (13) | (146) | (13) |
| Equity accounted amount of investment at the end of the financial period | 230 | 376 | 230 | 376 |
| The following amounts represent the consolidated entity's share of the above joint venture entities: | | | | |
| Current assets | | | | |
| Other receivables | 950 | 480 | 950 | 480 |
| Non-current assets | | | | |
| Other receivables | - | 1,058 | - | 1,058 |
| Current liabilities | | | | |
| Unearned revenue | (11) | (22) | (11) | (22) |
| Non-current liabilities | | | | |
| Provision for deferred income tax | (709) | (1,140) | (709) | (1,140) |
| Net assets | 230 | 376 | 230 | 376 |

## 27. PROFIT FROM ORDINARY ACTIVITIES

Profit from ordinary activities before income tax includes the following items of revenue and expense:

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 15 months to 31 Mar 2002 $'000 | 12 months to 31 Dec 2000 $'000 | 15 months to 31 Mar 2002 $'000 | 12 months to 31 Dec 2000 $'000 |
| **(a) REVENUE** | | | | |
| **Operating Revenue** | | | | |
| Sales revenue: | | | | |
| Sale of goods | 6,215,640 | 6,769,186 | 6,215,640 | 6,769,186 |
| Rendering of services | 47,238 | 30,480 | 47,238 | 30,480 |
| | 6,262,878 | 6,799,666 | 6,262,878 | 6,799,666 |
| Dividends: | | | | |
| Related bodies corporate – wholly owned group | 15,524 | 10,384 | 15,524 | 10,384 |
| Other related parties | 26 | 386 | 26 | 386 |
| Other parties | 1,532 | 2,676 | 1,532 | 2,676 |
| **Non-operating revenue** | | | | |
| Proceeds on the disposal of: | | | | |
| Property, plant and equipment | 2,327 | 19 | 2,300 | 18 |
| Investments | 1,612 | 12,162 | 1,612 | 12,427 |
| Net transfers from provisions: | | | | |
| Employee entitlements | 49 | - | 65 | - |
| Guarantees and warranties | 4,780 | - | 4,780 | - |
| Foreign exchange gain | 729 | 382 | 729 | 382 |
| Interest revenue: | | | | |
| Ultimate parent entity | 3,915 | 6,370 | 3,915 | 6,370 |
| Controlled entity | - | - | 3,992 | 4,762 |
| Related bodies corporate – wholly owned group | 53,631 | 46,551 | 47,735 | 40,217 |
| Other related parties | 1,036 | - | 183 | - |
| Other parties | 53,267 | 47,032 | 49,598 | 43,149 |
| Management fees: | | | | |
| Ultimate parent entity | 940 | 67 | 940 | 67 |
| Controlled entities | - | - | 631 | 400 |
| Related bodies corporate – wholly owned group | 449 | 759 | 387 | 709 |
| Other related parties | 1,075 | 678 | 1,075 | 678 |
| Other parties | 180 | 371 | - | 175 |
| Other income | 182 | - | 63 | - |
| | 141,254 | 127,837 | 135,087 | 122,800 |
| TOTAL REVENUE | 6,404,132 | 6,927,503 | 6,397,965 | 6,922,466 |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 15 months to 31 Mar 2002 $'000 | 12 months to 31 Dec 2000 $'000 | 15 months to 31 Mar 2002 $'000 | 12 months to 31 Dec 2000 $'000 |

## 27. PROFIT FROM ORDINARY ACTIVITIES (continued)

Profit from ordinary activities before income tax includes the following items of revenue and expense (continued):

| | | | | |
|---|---|---|---|---|
| **(b) EXPENSES** | | | | |
| Interest: | | | | |
| Ultimate parent entity | 9,675 | 6,877 | 9,675 | 6,877 |
| Controlled entities | - | - | 6,990 | 7,779 |
| Related bodies corporate – wholly owned group | 22,056 | 7,945 | 21,112 | 7,813 |
| Other related parties | 4,336 | 3,992 | 1 | 2 |
| Other parties | 73,103 | 78,647 | 66,168 | 70,597 |
| Operating lease rental expense | 4,821 | 2,434 | 4,801 | 2,314 |
| Net transfers to provisions: | | | | |
| Employee entitlements | - | 347 | - | 318 |
| Doubtful debts – trade receivables | 5,080 | 2,923 | 5,080 | 2,923 |
| Guarantees and warranties | - | 4,780 | - | 4,780 |
| Depreciation of fixed assets: | | | | |
| Freehold land and buildings | 771 | 338 | 771 | 338 |
| Plant, motor vehicles and furniture | 626 | 594 | 618 | 574 |
| Diminution in value of investments | 5,774 | 1,000 | 5,774 | 1,000 |
| Foreign exchange loss | 792 | 153 | 736 | 8 |
| **(c) SALES OF NON-CURRENT ASSETS HAVE GIVEN RISE TO THE FOLLOWING PROFITS AND LOSSES:** | | | | |
| Profits: | | | | |
| Property, plant and equipment | 688 | 9 | 685 | 9 |
| Investments | - | 3,153 | - | 3,168 |
| Losses: | | | | |
| Property, plant and equipment | 208 | 74 | 208 | 74 |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 15 months to 31 Mar 2002 $'000 | 12 months to 31 Dec 2000 $'000 | 15 months to 31 Mar 2002 $'000 | 12 months to 31 Dec 2000 $'000 |

## 28. INCOME TAX

### (a) Income tax expense

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

| | | | | |
|---|---|---|---|---|
| Profit from ordinary activities: | 23,746 | 16,994 | 23,544 | 16,752 |
| Income tax expense calculated at 30% (2000: 34%) of profit from ordinary activities | 7,123 | 5,778 | 7,063 | 5,696 |
| **Permanent differences:** | | | | |
| Tax effect of permanent differences: | | | | |
| Rebatable dividends | (5,060) | (4,573) | (5,060) | (4,573) |
| Non assessable leveraged lease income | (19) | (2) | (19) | (2) |
| Non deductible entertainment and other items | 235 | 216 | 233 | 208 |
| Additional income tax expense arising under Advance Pricing Arrangement | 3,207 | - | 3,207 | - |
| Recovery of additional income tax expense arising under Advance Pricing Arrangement – Ultimate Parent entity | (3,207) | - | (3,207) | - |
| Tax losses transferred from related bodies corporate | - | (499) | - | (470) |
| Consideration for tax losses transferred | - | 499 | - | 470 |
| Under/(over) provision of income tax in prior year | 199 | (957) | 199 | (953) |
| Timing differences not brought to account as future income tax benefits | 1,941 | 1,965 | 1,941 | 1,965 |
| Future income tax benefits not previously recognised now brought to account | (1,530) | (1,058) | (1,530) | (1,058) |
| Effect on future income tax benefit and provision for deferred income tax due to the change in income tax rate from 34% to 30% | - | 221 | - | 221 |
| Income tax expense attributable to profit from ordinary activities | 2,889 | 1,590 | 2,827 | 1,504 |

### (b) Future income tax benefits not brought to account:

Potential future income tax benefits arising from certain tax losses and timing differences have not been recognised as an asset because recovery is not virtually certain or beyond reasonable doubt (as applicable):

| | | | | |
|---|---|---|---|---|
| Timing differences – on capital account | 2,376 | 1,965 | 2,376 | 1,965 |
| Tax losses – on capital account | 503 | 357 | 503 | 357 |
| | 2,879 | 2,322 | 2,879 | 2,322 |

## 28. INCOME TAX (continued)

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

(i) assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;

(ii) conditions for deductibility imposed by the law are complied with; and

(iii) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 15 months to 31 Mar 2002 $'000 | 12 months to 31 Dec 2000 $'000 | 15 months to 31 Mar 2002 $'000 | 12 months to 31 Dec 2000 $'000 |
| **29. DIVIDENDS** | | | | |
| Interim dividends paid, fully franked at 30% | 7,000 | - | 7,000 | - |
| Dividend proposed, fully franked at 30% (2000: 34%) | 7,000 | 16,000 | 7,000 | 16,000 |
| | 14,000 | 16,000 | 14,000 | 16,000 |
| Adjusted franking account balance | 26,504 | 2,169 | 26,174 | 2,169 |

## 30. TRADING TRANSACTIONS

Trading transactions represent the total value of merchandise transactions handled by the company and thus includes the value of transactions in which the company acts as a principal as well as the value of those transactions in which the company acts as an agent.

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 15 months to 31 Mar 2002 $'000 | 12 months to 31 Dec 2000 $'000 | 15 months to 31 Mar 2002 $'000 | 12 months to 31 Dec 2000 $'000 |

## 31. REMUNERATION OF DIRECTORS

The directors of Mitsui & Co. (Australia) Ltd during the period were:

Y Satake

F Kitahara

S Unno

W Tashiro

Y Hashimoto

T Fujinaga

T Nitta

| | | | | |
|---|---|---|---|---|
| The aggregate of income paid or payable, or otherwise made available, in respect of the financial period, to all directors of the company, directly or indirectly, by the company or by any related party | | | 2,242 | 1,851 |
| The aggregate of income paid or payable, or otherwise made available, in respect of the financial period, to all directors of each entity in the consolidated entity, directly or indirectly, by the entities in which they are directors or by any related party | 2,572 | 2,188 | | |

The number of directors of the company whose total income falls within the following bands of income.

| | No. | No. |
|---|---|---|
| $ 10,000 - $ 19,999 | - | 1 |
| $ 20,000 - $ 29,999 | - | 1 |
| $130,000 - $139,999 | 1 | - |
| $140,000 - $149,999 | - | 1 |
| $160,000 - $169,999 | 1 | - |
| $170,000 - $179,999 | 1 | - |
| $300,000 - $309,999 | - | 1 |
| $360,000 - $369,999 | - | 1 |
| $380,000 - $389,999 | 1 | - |
| $420,000 - $429,999 | 1 | - |
| $460,000 - $469,999 | 1 | 1 |
| $480,000 - $489,999 | 1 | - |
| $530,000 - $539,999 | - | 1 |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 15 months to 31 Mar 2002 $ | 12 months to 31 Dec 2000 $ | 15 months to 31 Mar 2002 $ | 12 months to 31 Dec 2000 $ |
| **32. REMUNERATION OF AUDITORS** | | | | |
| Auditing the financial report | 224,225 | 174,100 | 203,095 | 165,500 |
| Other services | 512,972 | 500,276 | 475,712 | 494,806 |
| | 737,197 | 674,376 | 678,807 | 660,306 |

## 33. JOINT VENTURE OPERATIONS

| Name of Entity | Principal Activity | 31 Mar 2002 % | 31 Dec 2000 % |
|---|---|---|---|
| Bunbury Treefarm Project Joint Venture | Afforestation | 3 | 3 |
| Victoria Treefarm Project Joint Venture | Afforestation | 6.67 | 6.67 |
| Green Triangle Treefarm Project Joint Venture | Afforestation | 10 | 10 |
| Portland Treefarm Project Joint Venture | Afforestation | 6.67 | 6.67 |

The following amounts represent the consolidated entity's share of the above joint venture operations. The amounts are included in the consolidated financial statements under their respective asset and liability categories:

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 |
| **Current assets** | | | | |
| Cash | 86 | 92 | - | - |
| Receivables | 6 | 40 | - | - |
| Other | 7 | - | - | - |
| **Non-current assets** | | | | |
| Property, plant and equipment | 1,420 | 974 | - | - |
| Investment in regenerative forests | 978 | 722 | - | - |
| **Current liabilities** | | | | |
| Accounts payable | (6) | (97) | - | - |
| Unearned revenue | (23) | - | - | - |
| **Non-current liabilities** | | | | |
| Other | (2) | - | - | - |
| **Net assets** | 2,466 | 1,731 | - | - |
| Share of joint venture costs included in operating result | 19 | 51 | - | - |

For details of capital expenditure commitments arising from the consolidated entity's interest in joint venture operations, refer to Note 34.

Non-cancellable operating lease commitments arising from the consolidated entity's interest in joint venture operations, amounting to $1,146,053 (2000: $1,337,000) are included in Note 34.

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 |
| **34. EXPENDITURE COMMITMENTS** | | | | |
| **(a) Lease Commitments** | | | | |
| Non cancellable operating leases: | | | | |
| Not later than one year | 3,724 | 3,373 | 3,659 | 3,297 |
| Later than one year but not later than five years | 6,550 | 7,876 | 6,307 | 7,645 |
| Later than five years | 1,298 | 1,881 | 447 | 817 |
| | 11,572 | 13,130 | 10,413 | 11,759 |
| **(b) Commodity Purchase Commitments** | | | | |
| Aggregate purchase commitments contracted for at balance date but not provided for in the financial statements: | | | | |
| Not later than one year | 1,296,261 | 681,452 | 1,296,261 | 681,452 |
| Later than one year but not later than five years | 539,449 | 347,492 | 539,449 | 347,492 |
| Later than five years | 23,331 | 17,801 | 23,331 | 17,801 |
| | 1,859,041 | 1,046,745 | 1,859,041 | 1,046,745 |
| **(c) Capital Expenditure Commitments** | | | | |
| Total capital expenditure contracted for at balance date but not provided for in the accounts related to Bunbury Tree Farm Project Joint Venture, and Portland Tree Farm Project Joint Venture payable not later than one year | 99 | 86 | - | - |
| **35. CONTINGENT LIABILITIES** | | | | |
| Contingent liabilities at the end of the financial period are: | | | | |
| (a) Guarantees given in respect of borrowings by controlled entities | - | - | 127,275 | 199,066 |
| (b) The company has given performance guarantees in respect of various contracts to other corporations | 3,783 | 7,518 | 3,783 | 7,518 |
| (c) Indemnity given in respect of loans and guarantees given by the ultimate parent company | - | 4,032 | - | 4,032 |

## 36. FINANCING ARRANGEMENTS

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 |
| **(a) Bank overdraft facility:** | | | | |
| amount used | - | 3,843 | - | 3,843 |
| amount unused | 24,406 | 20,182 | 24,406 | 20,182 |
| | 24,406 | 24,025 | 24,406 | 24,025 |
| **(b) Committed term loan facilities:** | | | | |
| amount used | 59,769 | 50,000 | 49,769 | 50,000 |
| amount unused | 85,231 | 130,000 | 65,231 | 100,000 |
| | 145,000 | 180,000 | 115,000 | 150,000 |
| **(c) Uncommitted term loan facilities** | | | | |
| amount used | 22,494 | 54,954 | 22,494 | 54,954 |
| amount unused | 400,723 | 610,551 | 300,723 | 400,551 |
| | 423,217 | 665,505 | 323,217 | 455,505 |
| **(d) Commercial paper:** | | | | |
| amount used | 51,000 | 116,000 | - | - |
| amount unused | 149,000 | 84,000 | - | - |
| | 200,000 | 200,000 | - | - |

## 37. NOTES TO STATEMENT OF CASH FLOWS

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 15 months to 31 Mar 2002 $ | 12 months to 31 Dec 2000 $ | 15 months to 31 Mar 2002 $ | 12 months to 31 Dec 2000 $ |
| **(a) Reconciliation of profit from ordinary activities after income tax to net cash flows from operating activities:** | | | | |
| Profit from ordinary activities after income tax | 20,857 | 15,404 | 20,717 | 15,248 |
| **Add/(less):** | | | | |
| (Profit) on disposal of property, plant & equipment | (687) | (9) | (685) | (9) |
| Loss on disposal of property, plant & equipment | 208 | 74 | 208 | 74 |
| Equity accounted share of joint venture entities loss | 146 | 13 | 146 | 13 |
| Depreciation and amortisation | 1,397 | 932 | 1,389 | 912 |
| Net unrealised exchange gains | (243) | (1,862) | - | (374) |
| (Profit) on disposal of investments | - | (3,153) | - | (3,168) |
| (Increase) in future income tax benefit | (1,379) | (1,305) | (1,374) | (1,298) |
| Increase/(decrease) in current income tax provision | 3,483 | (1,870) | 3,190 | (1,775) |
| (Decrease)/increase in provision for deferred income tax | (187) | 59 | (43) | (116) |
| Provision for diminution of investment | 5,774 | 1,000 | 5,774 | 1,000 |
| **Changes in assets and liabilities** | | | | |
| **(Increase)/decrease in assets:** | | | | |
| Trade receivables | 42,744 | (61,486) | 42,744 | (61,359) |
| Other receivables | (31,223) | 47,284 | (31,521) | 47,914 |
| Inventories | 3,321 | (1,991) | 3,321 | (1,991) |
| Advances paid on contracts | (13,952) | (16,958) | (13,952) | (16,958) |
| **Increase/(decrease) in liabilities:** | | | | |
| Accounts payable | 21,036 | (13,368) | 21,036 | (13,368) |
| Other payables | 28,370 | (16,354) | 27,750 | (16,545) |
| Other provisions | (4,829) | 5,126 | (4,845) | 5,097 |
| Advances received on contracts | 13,997 | 17,790 | 13,997 | 17,790 |
| Net cash provided by/(used in) operating activities | 88,833 | (30,674) | 87,852 | (28,913) |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 |

## 37. NOTES TO STATEMENT OF CASH FLOWS (continued)

### (b) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and money market investments readily convertible to cash within one working day, net of outstanding bank overdrafts.

Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

| | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 |
|---|---|---|---|---|
| Cash | 42,500 | 30,484 | 5,733 | 906 |
| Bank overdraft | - | (3,843) | - | (3,843) |
| | 42,500 | 26,641 | 5,733 | (2,937) |

## 38. RELATED PARTY DISCLOSURES

### (a) Controlling Entities

The ultimate parent entity is Mitsui & Co., Ltd, incorporated in Japan.

### (b) Transactions within the wholly-owned group

Details of dividend and interest revenue, management fees and interest expense are disclosed in Note 27.

Other transactions that occurred between entities in the wholly-owned group are:

- Commission on trading transactions, at rates agreed between the parties;
- Transfer of tax losses for full consideration; and
- Loan facilities are at normal commercial terms and conditions and in some cases, interest free.

### (c) Directors' Loans

The aggregate amount of loans advanced during the period to directors of the consolidated entity was $86,672 (2000: $86,071). The aggregate amount of loans repaid during the year by directors of the consolidated entity was $63,167 (2000: $34,026) and the directors concerned are Y Satake, S Unno, Y Hashimoto, T Fujinaga, W Tashiro and T Nitta. Interest paid during the year in respect of these loans amounted to $3,717 (2000: $2,703).

Directors' loans in existence as at the reporting date are disclosed in Notes 2 and 6.

### (d) Transactions with other related parties.

Details of interest revenue, interest expense and management fees received are disclosed in Note 27.

### (e) Outstanding balances with entities within the wholly owned group.

Loans receivable and payable are disclosed in Notes 2, 6, 13 and 18.

| Related Party | Transaction Type | 31 Mar. 2002 $'000 | 31 Dec. 2000 $'000 | Terms and Conditions |
|---|---|---|---|---|
| Ultimate Parent Company | Trade debtors | | | |
| | - Current | 73,056 | 106,461 | |
| | - Non-Current | 250 | - | Commercial terms and conditions |
| | Other debtors | | | |
| | - Current | 1,396 | 126 | Commercial terms and conditions |
| | Trade creditors | | | |
| | - Current | 20,331 | 23,195 | |
| | - Non-Current | 7,707 | 2,388 | Commercial terms and conditions |
| | Advances paid on contracts | | | |
| | - Current | - | 50 | |
| | - Non-Current | 153 | 153 | Commercial terms and conditions |
| | Other creditors | | | |
| | - Current | 130 | 1,566 | Commercial terms and conditions |
| Related Bodies Corporate Wholly-owned group | Trade debtors | | | |
| | - Current | 3,792 | 11,663 | Commercial terms and conditions |
| | Other debtors | | | |
| | - Current | 1,396 | 2,417 | |
| | - Non-Current | 319 | - | Commercial terms and conditions |
| | Advances paid on contracts | | | |
| | - Current | 3,621 | 2,759 | |
| | - Non-Current | 5,101 | 1,273 | Commercial terms and conditions |
| | Trade creditors | | | |
| | - Current | 16,414 | 2,045 | Commercial terms and conditions |
| | Advances received on contracts | | | |
| | - Current | 9,639 | 10,318 | |
| | - Non-Current | 29,252 | - | Commercial terms and conditions |
| | Other creditors | | | |
| | - Current | 49 | 1,264 | |
| | - Non-Current | - | 544 | Commercial terms and conditions |

### (f) Outstanding balances with other related parties

| | | | | |
|---|---|---|---|---|
| Bodies Corporate not 100% owned within wholly-owned group | Trade debtors | | | |
| | - Current | 1,192 | 8 | Commercial terms and conditions |
| | Other debtors | | | |
| | - Current | 219 | 176 | Commercial terms and conditions |
| | Trade creditors | | | |
| | - Current | 10,370 | - | Commercial terms and conditions |
| | Other creditors | | | |
| | - Current | 258 | 229 | Commercial terms and conditions |

# 39. DETAILS OF CONTROLLED ENTITIES

| | Country of Incorporation | Ownership Interest 31 Mar 2002 % | Ownership Interest 31 Dec 2000 % |
|---|---|---|---|
| **Parent Entity** | | | |
| Mitsui & Co. (Australia) Ltd. | Australia | | |
| **Controlled Entity** | | | |
| Mitsui & Co. Financial Services (Australia) Ltd | Australia | 100 | 100 |
| MCA Afforestation Pty Ltd | Australia | 100 | 100 |
| Mitsui Accounting Services (Australia) Pty Limited | Australia | 100 | 100 |

# 40. ECONOMIC DEPENDENCY

The group was dependent during the financial period upon its ultimate parent company, Mitsui & Co., Ltd, Japan, for a significant volume of its trading transactions.

# 41. FINANCIAL REPORTING BY SEGMENTS

The group operates predominantly in the import/export trading industry. The operations of the group are conducted from Australia.

# 42. FINANCIAL INSTRUMENTS

## (a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability, are disclosed in Note 1 to the accounts.

## (b) Objectives of Derivative Financial Instruments and Significant Terms and Conditions

The consolidated entity enters into various derivative financial instruments in the normal course of business. It does so to meet the needs of its customers for foreign exchange, interest rate and price protection, to earn trading and fee revenue, and to manage its own exposure to fluctuations in foreign exchange rates and commodity prices. The primary classes of derivatives used by the consolidated entity are foreign exchange contracts, cross currency swaps, interest rate swaps, and options.

Since most of the consolidated entities derivative transactions are related to hedges of underlying business exposures, market risk in those derivative instruments is basically offset by equal and opposite movements in the underlying exposure.

### Commodity Trading

The consolidated entity has entered into contracts to purchase and sell various commodities in the future. Since the consolidated entity has the discretion to either settle these transactions in cash or by physical delivery, these contracts are not considered financial instruments. Committed commodity purchases are disclosed in Note 34.

Gold Bullion Trading

The consolidated entity acts as principal and agent in the trading of gold bullion. In addition to spot purchases and sales of gold bullion, the consolidated entity also enters into contracts to purchase and sell gold bullion in the future. Interest rate swaps, cross currency swaps, forward foreign exchange contracts and options are utilised as part of this gold trading activity. As all gold transactions are matched on a back to back basis, usually with related entities, the consolidated entity has no exposure to market risks. Accordingly, disclosures in respect of financial instruments related to gold bullion trading are not considered meaningful and have therefore not been included in the disclosures below. The consolidated entity's only exposure in respect of gold bullion trading is in relation to credit risk, which is disclosed below.

### (c) Interest Rate Risk

The consolidated entity is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The following table details the consolidated entity's exposure to interest rate risk for recognised financial assets and liabilities as at the reporting date.

| | | | Fixed Interest Rate Maturity | | | | |
|---|---|---|---|---|---|---|---|
| **31 Mar. 2002** | **Average Interest Rate %** | **Variable Interest Rate $'000** | **Less than 1 Year $'000** | **1 to 5 Years $'000** | **More than 5 Years $'000** | **Non-Interest Bearing $'000** | **Total $'000** |
| Financial Assets | | | | | | | |
| Cash | 3.25 | 40,564 | - | - | - | 1,936 | 42,500 |
| Trade debtors | 2.32 | 2,661 | 39,809 | - | - | 117,608 | 160,078 |
| Other debtors | - | - | - | - | - | 51,002 | 51,002 |
| Short term deposits | 4.39 | 21,394 | - | - | - | - | 21,394 |
| Short term loans receivable | 6.45 | 126,820 | 32,451 | - | - | 19,700 | 178,971 |
| Long term loans receivable | 6.22 | - | - | 4,046 | 32,889 | - | 36,935 |
| Advances paid on contracts | - | - | - | - | - | 42,819 | 42,819 |
| Investments in leverage lease/partnership | 9.20 | - | 230 | - | - | - | 230 |
| Interest rate swaps | 4.29 | 16,200 | (13,200) | (3,000) | - | - | - |
| | 5.26 | 207,639 | 59,290 | 1,046 | 32,889 | 233,065 | 533,929 |
| Trade Creditors | 2.01 | - | 9,594 | - | - | 106,761 | 116,355 |
| Other Creditors | - | - | - | - | - | 57,112 | 57,112 |
| Short term borrowings | 2.86 | 164,058 | 26,233 | - | - | 19,700 | 209,991 |
| Long term borrowings | 6.12 | - | - | 49,770 | 20,719 | - | 70,489 |
| Advances received on contracts | - | - | - | - | - | 45,137 | 45,137 |
| Interest rate swaps | 6.06 | (95,415) | 42,850 | 38,375 | 14,190 | - | - |
| | 3.05 | 68,643 | 78,677 | 88,145 | 34,909 | 228,710 | 499,084 |
| **31 Dec. 2000** | | | | | | | |
| **Financial Assets** | 6.76 | 140,327 | 152,877 | 22,235 | 32,889 | 192,294 | 540,622 |
| **Financial Liabilities** | 6.52 | 196,297 | 63,996 | 60,055 | 21,739 | 159,979 | 502,066 |

## 42. FINANCIAL INSTRUMENTS (continued)

### (c) Interest Rate Risk (continued)

Interest Rate Swaps

The consolidated entity enters into interest rate swaps to hedge its interest rate exposures. Under interest rate swap contracts, the consolidated entity agrees to exchange the difference between fixed and floating rate interest calculated on agreed notional principal amounts.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date.

| Outstanding Contracts | Average Interest Rate | | Notional Principal Amount | |
|---|---|---|---|---|
| | 31 Mar 2002 % | 31 Dec 2000 % | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 |
| Less than 1 year | 5.73 | 6.01 | 62,733 | 29,039 |
| 1 to 2 years | 5.74 | 6.48 | 36,275 | 30,954 |
| 2 to 5 years | 5.61 | 6.41 | 31,100 | 63,048 |
| 5 years and more | 6.40 | 6.48 | 14,190 | 42,335 |
| | | | 144,298 | 165,376 |

The average interest rate is based on the outstanding balances at the start of the financial period.

### (d) Foreign Exchange Risk

The consolidated entity is exposed to various risks associated with the effects of fluctuations in the exchange rates of foreign currencies on its financial position and cash flows. The consolidated entity enters into forward foreign exchange contracts and cross currency swaps for the purpose of reducing its foreign exchange risk.

Forward Foreign Exchange Contracts

It is the policy of the consolidated entity to enter into forward foreign exchange contracts to hedge foreign currency receivables and payables. Under forward foreign exchange contracts, the consolidated entity agrees to exchange specified amounts of various currencies at an agreed future date at a specified exchange rate.

The following table details the forward foreign currency exchange outstanding as at the reporting date.

| Outstanding Contracts | Average Exchange Rate | | Principal Amount | |
|---|---|---|---|---|
| | 31 Mar 2002 | 31 Dec 2000 | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 |
| **Sell US Dollars** | | | | |
| Less than 3 months | 0.53 | 0.56 | 111,016 | 106,859 |
| 3 to 6 months | 0.53 | 0.59 | 17,632 | 16,276 |
| Longer than 6 months | 0.55 | 0.60 | 280,233 | 192,291 |
| **Buy US Dollars** | | | | |
| Less than 3 months | 0.51 | 0.61 | 48,065 | 6,175 |
| 3 to 6 months | 0.63 | 0.54 | 4,756 | 2,023 |
| Longer than 6 months | 0.62 | 0.69 | 4,866 | 15,345 |
| **Sell Japanese Yen** | | | | |
| Less than 3 months | 62.36 | 64.23 | 3,366 | 1,261 |
| 3 to 6 months | 56.56 | 58.23 | 1,825 | 1,767 |
| Longer than 6 months | 55.05 | 58.12 | 8,687 | 3,859 |
| **Buy Japanese Yen** | | | | |
| Less than 3 months | 66.55 | 57.63 | 1,920 | 555 |
| 3 to 6 months | - | 57.57 | 1,323 | 253 |
| **Sell US Dollars Buy Japanese Yen** | | | | |
| 3 to 6 months | 130.78 | - | 2,976 | - |
| **Buy US Dollars Sell Japanese Yen** | | | | |
| Less than 3 months | - | 105.67 | - | 1,444 |
| 3 to 6 months | - | 103.08 | - | 382 |
| Longer than 6 months | - | 101.45 | - | 2,038 |
| **Sell NZ Dollars Buy US Dollars** | | | | |
| Less than 3 months | 0.42 | - | 29,177 | - |
| **Buy NZ Dollars Sell US Dollars** | | | | |
| Less than 3 months | 0.42 | 0.43 | 97,096 | 5,041 |

## 42. FINANCIAL INSTRUMENTS (continued)

### Cross Currency Swaps

Under cross currency swap contracts, the consolidated entity agrees to exchange specified principal and interest foreign currency amounts at an agreed future date at a specified exchange rate. Such contracts enable the consolidated entity to mitigate the risk of adverse movements in foreign exchange rates.

The following table details the cross currency swaps outstanding as at the reporting date.

| Outstanding Contracts | Average Exchange Rate | | Principal Amount | |
|---|---|---|---|---|
| | 31 Mar 2002 | 31 Dec 2000 | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 |
| Buy US Dollar | | | | |
| Less than 1 year | 0.6885 | - | 8,415 | - |
| 2 to 5 years | - | 0.7110 | - | 13,117 |
| 5 years and more | 0.5384 | 0.6242 | 175,426 | 37,570 |
| | | | 183,841 | 50,687 |

### (e) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The variety of businesses within the consolidated entity have diverse customers and suppliers which inherently reduces the concentration of credit risk. The consolidated entity deals with selective international financial institutions to minimise the credit risk exposure of financial instruments with off-balance sheet risks. Management does not expect any losses as a result of counterparty default on financial instruments with off-balance sheet risk. Credit risk is managed through the credit line approval by management and by monitoring the counterparties periodically.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the consolidated entity's maximum exposure to credit risk in respect of those financial assets.

Credit risk in respect of derivatives arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity and is summarised as follows:

| | 31 Mar 2002 $'000 | 31 Dec 2000 $'000 |
|---|---|---|
| **Unrecognised Financial Assets** | | |
| Favourable interest rate swaps | - | 1,867 |
| Favourable cross-currency swaps | 4,729 | 8,476 |
| Favourable foreign exchange contracts | 5,620 | 5,916 |
| Favourable gold forward contracts | 109,970 | 436 |

### (f) Net Fair Value

Except as noted below the carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the accounts.

#### Fixed rate financial assets and financial liabilities

The consolidated entity has entered into fixed rate financial assets and financial liabilities as disclosed in note 42(c) on a back to back basis to facilitate its gold bullion trading operation. Accordingly, any net fair value increments would be offset by net fair value decrements such that individual net fair value disclosures are not considered meaningful and have not therefore been disclosed.

#### Non-interest bearing short term loans receivable and short term borrowings

Non-interest bearing short term loans receivable have been funded by equal and off-setting non-interest bearing short term borrowings. Accordingly, any net fair value increments would be offset by net fair value decrements such that individual net fair value disclosures are not considered meaningful and have not therefore been disclosed.

The net fair value of financial assets and financial liabilities have been determined as follows:

- The net fair value of the financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Where amounts are payable or receivable within 12 months, the carrying amount is taken to approximate the net fair value; and
- The net fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow theory.

## 43. ADDITIONAL COMPANY INFORMATION

Mitsui & Co. (Australia) Ltd is a company incorporated and operating in Australia.

| Principal Registered Office | Principal place of business |
|---|---|
| Level 46, Gateway | Level 46, Gateway |
| 1 Macquarie Place | 1 Macquarie Place |
| Sydney, NSW, 2000. | Sydney, NSW, 2000. |

# CONTACT DETAILS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