mitsui annual report 2004

Financial Report for the Financial Year Ended 31 March 2004

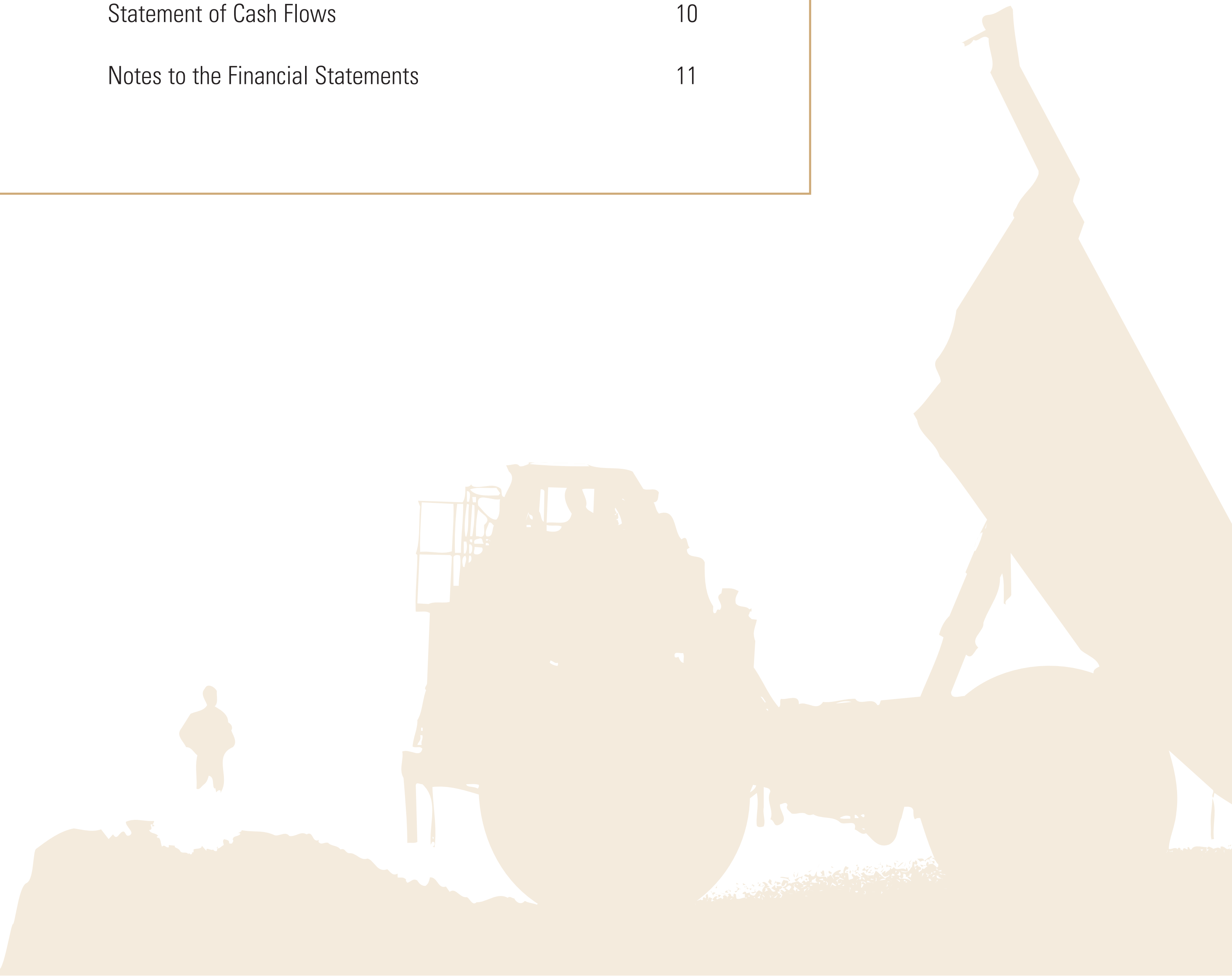
creating global partnerships

Mitsui & Co. (Australia) Ltd

ACN 004 349 795

annual financial report

for the Financial Year Ended 31 March 2004



message from chairman and managing director

The 12 months ending 31 March 2004 saw total consolidated revenue fall by 62% compared to the previous year mainly due to the absence of gold trading revenue in the current year compared to 5 months of gold trading revenue in the year to March 2003, following spin out of the majority of our precious metals business to another Mitsui Group company on 1 September 2002. Another factor contributing to the fall in consolidated revenue was the appreciation of the Australian dollar against other currencies, particularly the US Dollar, as our trading business is predominantly export.

Net profit after tax was a pleasing $30.9 million in the current year. Although this profit was below the record level received in the prior year, it was, in fact, substantially above consolidated profits traditionally achieved by Mitsui Australia. In the year to March 2003 operating profit was abnormally high mainly due to $34.1 million dividends being received in that year compared to $19.9 million in the current year. Mitsui Tokyo and Mitsui Australia received record dividends in that 12 months to March 2003 from various entities in Australia in which they both hold equity, particularly from the minerals and energy sector.

I assumed responsibility for Mitsui Australia from 1 April 2004 and very much look forward to working with all our stakeholders to further strengthen our company's position in many areas. This is my third assignment to Australia.

Historically, Mitsui's business has been described as "International trading", however it is more correct these days to refer to it as "international investment and trading" as dividends from our investments are the major contributor to our bottom line.
In Australia, Mitsui's prime investments are in resources and energy, beginning with coal in the 1960's, iron ore in the 70's and gas in the 80's. We seek to further invest in all these areas, building on Australia's competitive advantage. In the 90's the company added plantations to the investment mix and more recently we have sought investment opportunities in various new industry sectors. This

resulted in us entering 2 new areas in the current year, both are in the domestic services sector, namely Starfish Technology which is a venture capital fund focussing on Australian technology with global potential, predominantly in IT & C, life science, biotechnology and nanotechnology. The other is Yoshinoya Australia, a joint venture between Competitive Foods Australia & Mitsui Australia, who has signed a franchise agreement with Yoshinoya Japan for the operation of a beef bowl chain in Australia. The first shop is scheduled to be opened in Sydney in the second half of 2004.

Awareness of corporate responsibility has been heightened worldwide in recent years. We believe our various stakeholders can be better informed, not only of the company's financial results, but also of Mitsui Australia's overall corporate activities. With this in mind we will work towards better communicating our activities from 3 aspects of sustainability – economic, environmental and social.

AKIO IKEDA
CHAIRMAN AND MANAGING DIRECTOR

directors' report

The directors of Mitsui & Co. (Australia) Ltd., submit herewith the financial report of the consolidated entity for the financial year ended 31 March 2004. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

Mr A Ikeda
Director since 23 April 2004. Joined Mitsui Group in 1970. Currently Managing Director, Mitsui & Co. (Australia) Ltd. Previously Managing Officer, Mitsui & Co., Ltd, Head Office, Japan and Chief Operating Officer, General Merchandise Unit, Mitsui & Co., Ltd, Head Office, Japan. Graduated from Kansei Gakuin University, majoring in Commerce. During the financial year he attended none of the 10 directors' meetings held.

Mr Y Satake
Director since 22 June 2001 until his resignation from the Board on 23 April 2004. Joined Mitsui Group in 1969. Most recently Managing Director, Mitsui & Co. (Australia) Ltd. Previously General Manager, Foodstuff Administration Division, Mitsui & Co., Ltd, Head Office, Japan. Graduated from Kansei Gakuin University, majoring in Law. During the financial year he attended 10 of the 10 directors' meetings held.

Mr Y Fukatsu
Director since 10 May 2004. Joined Mitsui Group in 1972. Currently Deputy Managing Director, Mitsui & Co. (Australia) Ltd and General Manager, Corporate Planning Division, Mitsui & Co. (Australia) Ltd. Previously General Manager, Raw Materials Business Division, Iron & Steel Raw Materials Unit, Mitsui & Co., Ltd, Head Office, Japan. Graduated from Osaka University, Japan, majoring in Economics. During the financial year he attended none of the 10 directors' meetings held.

Mr F Kawashima
Director since 2 July 2003. Joined Mitsui Group in 1976. Currently Deputy Managing Director, Mitsui & Co. (Australia) Ltd and General Manager of Melbourne Office, Mitsui & Co. (Australia) Ltd. Previously Deputy General Manager, Natural Gas First Division, Mitsui & Co., Ltd, Head Office, Japan. Graduated from Hitotsubashi University, Japan, majoring in International Economics. During the financial year he attended 2 of the 10 directors' meetings held.

Mr S Unno
Director since 22 June 2001 until his resignation from the Board on 2 July 2003. Joined Mitsui Group in 1973. Most recently 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, Head Office, Japan. Graduated from Waseda University, Japan, majoring in Politics and Economics. During the financial year he attended none of the 10 directors' meetings held.

Mr M Tanaka
Director since 11 November 2002. Joined Mitsui Group in 1972. Currently General Manager, Perth Office, Mitsui & Co. (Australia) Ltd. Previously, Operating Officer, Iron & Steel Raw Materials Unit, Mitsui & Co., Ltd, Head Office, Japan. Graduated from Waseda University, Japan, majoring in Politics and Economics. During the financial year he attended 3 of the 10 directors' meetings held.

Mr T Nitta
Director since 11 December 2000 until his resignation from the Board on 23 April 2004. Joined Mitsui Group in 1977. Most recently General Manager of Brisbane Office, Mitsui & Co., (Australia) Ltd. Previously Deputy General Manager of Thermal Coal Division, Iron & Steel Raw Materials Unit, Mitsui & Co., Ltd, Head Office, Japan. Graduated from Tokyo Foreign Studies University, Japan, majoring in Indo-Chinese Languages & International Relations. During the financial year he attended 2 of the 10 directors' meetings held.

Mr Y Kohata
Director since 14 May 2002 until his resignation from the Board on 10 May 2004. Joined Mitsui Group in 1978. Most recently General Manager, Corporate Planning Division, Mitsui & Co. (Australia) Ltd. Previously Secretariat, Mitsui & Co., Ltd, Head Office, Japan. Graduated from Tokyo University, Japan, majoring in Law. During the financial year he attended 9 of the 10 directors' meetings held.

Mr M Furukawa
Director since 1 August 2003. Joined Mitsui Group in 1979. Currently General Manager, Accounting, Treasury & Information Systems Division, Mitsui & Co. (Australia) Ltd. Previously, Deputy General Manager, Planning & Administration Department, Finance Division, Mitsui & Co., Ltd, Head Office, Japan. Graduated from Hitotsubashi University, Japan, majoring in Commerce. During the financial year he attended 6 of the 10 directors' meetings held.

Mr M Yoshioka
Director since 14 May 2002 until his resignation from the Board on 1 August 2003. Joined Mitsui Group in 1978. Most recently General Manager, Accounting, Treasury & Information Systems Division, Mitsui & Co. (Australia) Ltd. Previously, Assistant General Manager, Corporate Accounting Department, General Accounting Division, Mitsui & Co., Ltd, Head Office, Japan. Graduated from Keio University, Japan, majoring in Economics. During the financial year he attended 3 of the 10 directors' meetings held.

Principal Activities of the Consolidated Entity

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

Dividends

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

In respect of the year ended 31 March 2003, as detailed in the directors' report for that financial year, a final dividend amounting to $31,000,000 fully franked at 30% paid $15,500,000 on 30 September 2003, and $15,500,000 on 15 December 2003.

In respect of the financial year ended 31 March 2004, the directors approved an interim dividend amounting to $22,000,000 fully franked at 30% with $11,000,000 paid on 31 March 2004 and $11,000,000 paid on 30 June 2004.

In respect of the financial year ended 31 March 2004, the directors approved a final dividend amounting to $10,000,000 fully franked at 30% to be paid $5,000,000 on 30 September 2004 and $5,000,000 on 22 December 2004.

Results

A summary of consolidated results is set out below:

	2004 $'000	2003 $'000
Trading Transactions	5,662,105	8,534,067
Total Revenue	1,387,021	3,655,411
Profit from ordinary activities before income tax expense	32,067	46,127
Income tax expense relating to ordinary activities	(1,184)	(4,908)
Net profit attributable to members of the parent entity	30,883	41,219

Review of Operations

Total revenue this year fell by 62% compared to total revenue of the prior year mainly due to the absence of gold trading revenue in the current year compared to 5 months of gold trading revenue in the prior year, as a result of disposal of the company's gold business on 1 September 2002. The consolidated entity recorded a reduction in profit after tax from $41.2 million last year to $30.9 million in the current year. A major cause of the reduction in profit was the reduction in dividend income from $34.1 million last year to $19.9 million this year. Record dividends were received in the prior year from various resource entities in Australia which are jointly held by Mitsui & Co., Ltd, Japan and Mitsui & Co. (Australia) Ltd.

Changes in State of Affairs

During the financial year, 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 year, 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 year 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 Furukawa
Director

Sydney, 27 July 2004

independent audit report

Independent Audit Report to the Members of Mitsui & Co. (Australia) Ltd

Deloitte.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cashflows, accompanying notes to the financial statements, and directors' declaration for both Mitsui & Co. (Australia) Ltd (the company) and the consolidated entity, for the financial year ended 31 March 2004 as set out on pages 7 to 39. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

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

Audit approach

We 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. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and the Accounting Standards and other mandatory professional reporting requirements in Australia 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.

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 made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

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 2004 and of their performance for the year 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, 27 July 2004

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 Furukawa
Director

Sydney, 27 July 2004

statement of financial performance

for the Financial Year Ended 31 March 2004

	NOTE	CONSOLIDATED		COMPANY	
		2004 $'000	2003 $'000	2004 $'000	2003 $'000
Trading Transactions	28	5,662,105	8,534,067	5,662,105	8,534,067
Sales revenue (sales of goods and services)	24	1,288,020	3,533,952	1,288,020	3,533,952
Cost of goods and services sold		(1,255,418)	(3,495,706)	(1,255,418)	(3,495,706)
Gross Trading Profit From Ordinary Activities		32,602	38,246	32,602	38,246
Other revenue from ordinary activities		99,001	121,459	96,272	117,568
Selling, general and administrative expenses		(29,278)	(32,860)	(28,559)	(32,158)
Borrowing costs		(66,451)	(70,106)	(64,920)	(67,150)
Share of net losses of joint venture entities accounted for using the equity method	23	-	(230)	-	(230)
Other expenses from ordinary activities		(3,807)	(10,382)	(3,985)	(10,667)
Profit From Ordinary Activities Before Income Tax Expense	24	32,067	46,127	31,410	45,609
Income tax expense relating to ordinary activities	26	(1,184)	(4,908)	(999)	(4,751)
Net Profit Attributable To Members Of The Parent Entity		30,883	41,219	30,411	40,858
Total Changes In Equity Other Than Those Resulting From Transactions With Owners As Owners		30,883	41,219	30,411	40,858

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

statement of financial position

as at 31 March 2004

	NOTE	CONSOLIDATED		COMPANY	
		2004 $'000	2003 $'000	2004 $'000	2003 $'000
Current Assets					
Cash assets		6,860	30,769	4,965	5,429
Receivables	2	425,592	355,831	334,520	359,378
Current tax asset	3	-	324	-	324
Inventories	4	10,189	3,689	10,189	3,689
Other	5	530	485	468	420
Total Current Assets		443,171	391,098	350,142	369,240
Non-Current Assets					
Receivables	6	77,400	113,637	108,211	116,556
Property, plant and equipment	7	9,994	11,645	9,458	11,060
Deferred tax assets	8	3,763	3,580	3,694	3,561
Other financial assets					
Investments	9	198,628	191,618	198,373	191,466
Total Non-Current Assets		289,785	320,480	319,736	322,643
Total Assets		732,956	711,578	669,878	691,883
Current Liabilities					
Payables	10	135,295	159,117	135,369	159,168
Interest bearing liabilities	11	271,113	222,389	140,762	153,567
Current tax liabilities	12	4,660	13	4,429	-
Provisions	13	21,940	31,786	21,641	31,762
Other	14	47	91	25	78
Total Current Liabilities		433,055	413,396	302,226	344,575
Non-Current Liabilities					
Payables	15	34,543	53,905	34,625	53,905
Interest bearing liabilities	16	87,545	61,976	158,255	113,805
Deferred tax liabilities	17	391	3,761	144	3,375
Provisions	18	768	769	737	743
Total Non-Current Liabilities		123,247	120,411	193,761	171,828
Total Liabilities		556,302	533,807	495,987	516,403
Net Assets		176,654	177,771	173,891	175,480
Equity					
Contributed equity	20	20,000	20,000	20,000	20,000
Reserves	21	84,939	84,939	84,939	84,939
Retained profits	22	71,715	72,832	68,952	70,541
Total Equity		176,654	177,771	173,891	175,480

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

statement of cash flows

for the Financial Year Ended 31 March 2004

	NOTE	CONSOLIDATED		COMPANY	
		2004 $'000	2003 $'000	2004 $'000	2003 $'000
Cash Flows From Operating Activities					
Receipts from customers		1,338,129	3,484,915	1,338,108	3,485,047
Payments to suppliers and employees		(1,336,346)	(3,544,192)	(1,336,080)	(3,543,645)
Dividends received		30,780	34,098	30,780	34,098
Interest received		55,812	51,191	53,850	46,547
Interest paid		(56,950)	(40,366)	(55,232)	(37,154)
Income tax (paid)/refunded		(245)	(6,592)	26	(6,182)
Consideration for tax losses transferred		(611)	(779)	(726)	(929)
Net cash provided by/(used in) operating activities	35(a)	30,569	(21,725)	30,726	(22,218)
Cash Flows From Investing Activities					
(Increase)/decrease in short term deposits		12,549	8,548	12,549	8,548
(Increase)/decrease in current loans receivable		(98,190)	40,499	(4,406)	(33,244)
Decrease/(increase) in non-current loans receivable		16,813	(22,716)	(11,079)	8,675
Payment for investments		(8,688)	(37,946)	(8,688)	(37,946)
Payments for investments in regenerative assets		(97)	(99)	-	-
Proceeds from sale of investments		76	455	76	455
Payment for property, plant and equipment		(524)	(422)	(524)	(399)
Proceeds from sale of property, plant and equipment		6,154	399	6,101	374
Proceeds from sale of gold division	35(c)	-	7,659	-	7,659
Receipts from joint venture entities		-	915	-	915
Net cash (used in) investing activities		(71,907)	(2,708)	(5,971)	(44,963)
Cash Flows From Financing Activities					
Net proceeds/(repayment) of short term borrowings		33,906	35,169	(27,623)	86,901
Net proceeds/(repayment) of long term borrowings		25,569	(8,513)	44,450	(6,070)
Dividends paid		(42,000)	(14,000)	(42,000)	(14,000)
Net cash provided by/(used in) financing activities		17,475	12,656	(25,173)	66,831
Net (Decrease) In Cash Held		(23,863)	(11,777)	(418)	(350)
Cash At The Beginning Of The Financial Year		30,723	42,500	5,383	5,733
Cash At The End Of The Financial Year	35(b)	6,860	30,723	4,965	5,383

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

notes to the financial statements

for the Financial Year Ended 31 March 2004

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 37 to the financial statements. 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.

(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.

1. Summary of Accounting Policies (Cont'd)

(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 SGARA's to be measured at net market value. Forest holdings consists solely of Eucalyptus trees. They are initially measured at cost until the trees are at least 6 years old and considered established. Once the trees are established, they are valued at net market value, on the basis of the net present value of the future cashflows as determined by the directors. Net market value has been determined in accordance with a director's valuation. It is derived from the net present value of cash flows expected to be generated by the SGARA's discounted at a rate which reflects the risks associated with the various cash flow streams.

(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 annual leave and 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.

(m) Interest Bearing Liabilities

Interest bearing liabilities, including commercial paper issued at a discount, are carried at the amount received. Interest, including the discount from face value of commercial paper, is recognised on an accruals 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 41 to the financial statements.

1. Summary of Accounting Policies (Cont'd)

(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 accruals 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) Tax Consolidation

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and to be treated as single entity for income tax purposes was substantially enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to the company. The impact of mandatory elements of the tax consolidation system on existing deferred tax balances of the economic entity and the parent entity has been reflected in the financial statements based on reasonable best estimates.

At the date of this report the directors have not assessed the financial effect, if any, that the implementation of the tax consolidation system may have on the company and the economic entity, and, accordingly, the directors have not made a decision whether or not to elect to be taxed as a single entity. The financial effects of the implementation of the tax consolidation system on the company and the consolidated entity has not been recognised in the financial statements.

(t) Comparative Amounts

Comparative amounts are, where appropriate, reclassified so as to be comparable with the amounts presented for the current financial year.

(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	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
2. Current Receivables				
Trade debtors	144,800	185,395	144,800	185,395
Provision for doubtful debts	(1,807)	(4,969)	(1,807)	(4,969)
	142,993	180,426	142,993	180,426
Other debtors	45,640	24,087	44,622	23,904
Short term deposits	297	12,846	297	12,846
Loans to:				
Controlled entities	-	-	84,858	54,130
Related bodies corporate:				
Wholly owned group (Note 36b)	206,395	78,328	31,483	27,928
Other parties	30,217	60,078	30,217	60,078
Directors (Note 36c)	50	66	50	66
	282,599	175,405	191,527	178,952
	425,592	355,831	334,520	359,378
3. Current Tax Asset				
Income tax paid in advance	-	324	-	324
4. Current Inventories				
Finished goods on hand and in transit:				
At cost	10,189	3,689	10,189	3,689
5. Other Current Asset				
Prepayments	530	485	468	420
6. Non-Current Receivables				
Long term loans to:				
Other parties	445	598	445	598
Controlled entities	-	-	55,000	41,231
Related bodies corporate:				
Wholly owned group (Note 36b)	42,299	59,013	18,129	20,720
Directors (Note 36c)	94	40	94	40
	42,838	59,651	73,668	62,589
Other debtors	34,562	53,986	34,543	53,967
	77,400	113,637	108,211	116,556

7. Property, Plant and Equipment

CONSOLIDATED

	Freehold Land at cost $'000	Buildings at cost $'000	Furniture & Fittings at cost $'000	Plant & Equipment at cost $'000	Motor Vehicles at cost $'000	Total $'000
Gross Carrying Amount						
Balance at 31 March 2003	2,948	9,425	2,772	1,563	276	16,984
Additions	1	113	191	221	-	526
Disposals	(269)	(1,010)	(351)	(23)	-	(1,653)
Balance at 31 March 2004	2,680	8,528	2,612	1,761	276	15,857
Accumulated Depreciation						
Balance at 31 March 2003	-	2,248	1,896	1,023	172	5,339
Depreciation expense	-	576	228	282	36	1,122
Disposals	-	(272)	(308)	(18)	-	(598)
Balance at 31 March 2004	-	2,552	1,816	1,287	208	5,863
Net Book Value						
As at 31 March 2003	2,948	7,177	876	540	104	11,645
As at 31 March 2004	2,680	5,976	796	474	68	9,994

COMPANY

	Freehold Land at cost $'000	Buildings at cost $'000	Furniture & Fittings at cost $'000	Plant & Equipment at cost $'000	Motor Vehicles at cost $'000	Total $'000
Gross Carrying Amount						
Balance at 31March 2003	2,382	9,425	2,772	1,544	230	16,353
Additions	-	113	191	221	-	525
Disposals	(227)	(1,010)	(351)	(12)	-	(1,600)
Balance at 31 March 2004	2,155	8,528	2,612	1,753	230	15,278
Accumulated Depreciation						
Balance at 31 March 2003	-	2,248	1,896	1,013	136	5,293
Depreciation expense	-	576	228	281	34	1,119
Disposals	-	(272)	(308)	(12)	-	(592)
Balance at 31 March 2004	-	2,552	1,816	1,282	170	5,820
Net Book Value						
As at 31 March 2003	2,382	7,177	876	531	94	11,060
As at 31 March 2004	2,155	5,976	796	471	60	9,458

	CONSOLIDATED		COMPANY	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
7. Property, Plant and Equipment (Cont'd)				
The aggregate current market values of land and buildings	18,110	19,658	18,110	18,437

Current market values of land and buildings were assessed by the directors at 31 March 2004. The land and buildings are staff houses and the directors' assessment of current market value at 31 March 2004 is based on independent kerbside opinions of value at March 2004 by L.J. Hooker, Hocking Stuart, Re Max, White Real Estate, and Ockerby Real Estate.

Aggregate depreciation allocated as an expense during the year is disclosed in note 24(c) to the financial statements.

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	COMPANY 2004 $'000	COMPANY 2003 $'000
8. Deferred Tax Assets				
Future income tax benefit attributable to timing differences	3,763	3,580	3,694	3,561
9. Non-Current Investments				
Non quoted investments				
Shares in controlled entities:				
At cost	-	-	950	950
Shares in related bodies corporate:				
At cost	179,454	171,191	179,454	171,191
Shares in other corporations:				
At cost	27,803	28,057	27,803	28,057
Provision for diminution in value	(9,834)	(8,732)	(9,834)	(8,732)
	17,969	19,325	17,969	19,325
Investment in regenerative forests:				
At cost	-	986	-	-
At valuation	1,205	116	-	-
	198,628	191,618	198,373	191,466
10. Current Payables				
Short term interest-free borrowing – other	19,488	27,928	19,488	27,928
Trade creditors – unsecured	61,197	103,712	61,197	103,712
Other creditors	54,610	27,477	54,684	27,528
	135,295	159,117	135,369	159,168

	CONSOLIDATED		COMPANY	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000

11. Current Interest-Bearing Liabilities

	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Unsecured:				
Bank overdraft	-	46	-	46
Trade creditors	11,535	5,111	11,535	5,111
Short term borrowings:				
Controlled entities	-	-	96,107	79,482
Ultimate parent entity	544	344	544	344
Related bodies corporate:				
Wholly-owned group	77,936	34,107	4,030	-
Other related parties	62,767	41,413	-	-
Other parties	118,331	141,368	28,546	68,584
	271,113	222,389	140,762	153,567

12. Current Tax Liabilities

	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Income tax payable	4,660	13	4,429	-

13. Current Provisions

	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Dividends	21,000	31,000	21,000	31,000
Employee entitlements (Note 19)	693	786	641	762
Exchange loss	247	-	-	-
	21,940	31,786	21,641	31,762

14. Other Current Liabilities

	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Deferred revenue – other	47	91	25	78

15. Non-Current Payables

	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Other creditors	34,543	53,905	34,625	53,905

16. Non-Current Interest-Bearing Liabilities

	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Unsecured:				
Long term borrowings from:				
Ultimate parent entity	17,586	20,375	17,586	20,375
Controlled entities	-	-	70,873	52,199
Related bodies corporate:				
Wholly-owned group	163	370	-	-
Other parties	69,796	41,231	69,796	41,231
	87,545	61,976	158,255	113,805

	CONSOLIDATED		COMPANY	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
17. Deferred Tax Liabilities				
Deferred income tax	391	3,761	144	3,375
18. Non-Current Provisions				
Employee entitlements (Note 19)	768	769	737	743
19. Employee Entitlements				
The aggregate employee entitlement liability recognised and included in the financial statements is as follows:				
Provision for employee entitlements:				
Current (Note 13)	693	786	641	762
Non-current (Note 18)	768	769	737	743
	1,461	1,555	1,378	1,505
Accrual for bonus	300	300	300	300
	1,761	1,855	1,678	1,805
	No.	No.	No.	No.
Number of employees at end of financial period	109.5	124.6	106.5	120.1

	CONSOLIDATED		COMPANY	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
20. Contributed Equity				
10,000,000 ordinary shares fully paid (2003: 10,000,000)	20,000	20,000	20,000	20,000
Fully paid ordinary shares carry one vote per share and carry the rights to dividends				
21. Reserves				
Asset revaluation reserve				
Balance at beginning of financial year	84,939	84,939	84,939	84,939
Movements	-	-	-	-
Balance at end of financial year	84,939	84,939	84,939	84,939

The asset revaluation reserve arose from revaluation of non-current investments in related bodies corporate in the year ended 31 December 1997

	CONSOLIDATED		COMPANY	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000

22. Retained Profits

	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Balance at beginning of financial year	72,832	66,113	70,541	64,183
Net profit	30,883	41,219	30,411	40,858
Dividends provided for or paid (Note 27)	(32,000)	(34,500)	(32,000)	(34,500)
Balance at end of financial year	71,715	72,832	68,952	70,541

23. Investments in Joint Venture Entities

Name of Entity	Principal Activity	Ownership Interest 2004 %	Ownership Interest 2003 %
Toyota Partnership	Provision of finance	-	19.6

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	COMPANY 2004 $'000	COMPANY 2003 $'000
Movements in Investments in Associates				
Equity accounted amount of investment at the beginning of the financial year	-	230	-	230
Share of operating (loss) after income tax	-	(230)	-	(230)
Equity accounted amount of investment at the end of the financial year	-	-	-	-

24. Profit from Ordinary Activities

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

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	COMPANY 2004 $'000	COMPANY 2003 $'000
(a) Operating Revenue				
Sales revenue:				
Sale of goods	1,253,140	3,472,928	1,253,140	3,472,928
Rendering of services	34,880	61,024	34,880	61,024
	1,288,020	3,533,952	1,288,020	3,533,952
Dividends:				
Related bodies corporate:				
Wholly-owned group	7,034	23,855	7,034	23,855
Other related parties	2,113	3,959	2,113	3,959
Other parties	10,718	6,284	10,718	6,284
	1,307,885	3,568,050	1,307,885	3,568,050

24. Profit from Ordinary Activities (Cont'd)

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	COMPANY 2004 $'000	COMPANY 2003 $'000
(b) Non-Operating Revenue				
Proceeds on the disposal of:				
Property, plant and equipment	6,154	399	6,101	374
Investments	76	455	76	455
Precious metals business	-	7,659	-	7,659
Precious metals business release fee	144	610	144	610
Net transfers from provisions:				
Employee entitlements	127	-	127	-
Doubtful debts	3,162	6,483	3,162	6,483
Foreign exchange gain	71	-	-	-
Interest revenue:				
Ultimate parent entity	1,375	1,333	1,375	1,333
Controlled entity	-	-	5,004	2,780
Related bodies corporate:				
Wholly-owned group	31,237	18,407	24,623	13,489
Other parties	34,061	49,801	32,871	47,923
Management fees:				
Ultimate parent entity	1,124	142	1,124	142
Controlled entities	-	-	475	490
Related bodies corporate:				
Wholly-owned group	654	362	554	282
Other related parties	585	1,311	585	1,231
Other parties	323	315	154	218
Net increment in net market value of SGARA's	6	25	-	-
Other income	37	59	32	1
	79,136	87,361	76,407	83,470
	1,387,021	3,655,411	1,384,292	3,651,520

24. Profit from Ordinary Activities (Cont'd)

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	COMPANY 2004 $'000	COMPANY 2003 $'000
(c) Expenses				
Interest:				
Ultimate parent entity	242	4,968	242	4,968
Controlled entities	-	-	6,865	6,011
Related bodies corporate:				
Wholly-owned group	28,693	35,967	27,742	35,329
Other related parties	2,563	2,447	-	-
Other parties	34,953	26,724	30,072	20,842
Management fees:				
Controlled entities	-	-	273	310
Other	594	771	546	731
Operating lease rental expense	3,957	4,584	3,951	4,578
Net transfers to provisions:				
Employee entitlements	33	21	-	16
Depreciation of fixed assets:				
Freehold land and buildings	576	595	576	595
Plant, motor vehicles and furniture	546	495	543	489
Diminution in value of investments	-	1,318	-	1,318
Foreign exchange loss	2,008	139	2,008	139

25. Sale of Assets

Sales of non-current assets have given rise to the following profits and losses:

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	COMPANY 2004 $'000	COMPANY 2003 $'000
Net Profits:				
Property, plant and equipment	5,129	230	5,122	230
Investments	76	303	76	303
Net Losses:				
Property, plant and equipment	28	31	28	31

	CONSOLIDATED		COMPANY	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000

26. Income Tax

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	COMPANY 2004 $'000	COMPANY 2003 $'000
(a) 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:	32,067	46,127	31,410	45,609
Income tax expense calculated at 30% of profit from ordinary activities	9,620	13,839	9,423	13,683
Permanent Differences:				
Rebateable dividends	(5,960)	(10,229)	(5,960)	(10,229)
Non assessable leveraged lease income	-	(31)	-	(31)
Non deductible entertainment and other items	197	204	197	203
Provision for deferred income tax no longer required	(1,500)	-	(1,500)	-
Excess of accounting profit over capital gain on disposal of non current assets	(1,433)	-	(1,433)	-
Additional income tax expense arising under Advance Pricing Arrangement	1,090	743	1,090	743
Recovery of additional income tax expense arising under Advance Pricing Arrangement:				
Ultimate parent entity	(1,090)	(743)	(1,090)	(743)
Under provision of income tax in prior year	260	243	272	243
Timing differences not brought to account as future income tax benefits	-	882	-	882
Income tax expense attributable to profit from ordinary activities	1,184	4,908	999	4,751
(b) Future Income Tax Benefits Not Brought To Account:				
Potential future income tax benefit 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:				
Timing differences:				
On capital account	5,383	3,220	5,383	3,220
Tax losses:				
On capital account	-	407	-	407
	5,383	3,627	5,383	3,627

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.

27. Dividends

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	COMPANY 2004 $'000	COMPANY 2003 $'000
Interim dividends paid, fully franked at 30%	22,000	3,500	22,000	3,500
Dividend proposed, fully franked at 30%	10,000	31,000	10,000	31,000
	32,000	34,500	32,000	34,500
Adjusted franking account balance	12,778	7,307	12,778	6,742

	CONSOLIDATED		COMPANY	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000

28. 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.

29. Remuneration of Directors

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

Y Satake
F Kawashima
S Unno
M Tanaka
T Nitta
Y Kohata
M Furukawa
M Yoshioka

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	COMPANY 2004 $'000	COMPANY 2003 $'000
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			2,017	2,298
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	2,289	2,486		

			COMPANY 2004 No.	COMPANY 2003 No.
The number of directors of the company whose total income falls within the following bands of income.				
$ 30,000 - $ 39,999			-	1
$ 70,000 - $ 79,999			1	1
$ 90,000 - $ 99,999			-	1
$120,000 - $129,999			1	-
$150,000 - $159,999			1	-
$200,000 - $209,999			1	-
$300,000 - $309,999			-	1
$330,000 - $339,999			2	-
$350,000 - $359,999			1	-
$360,000 - $369,999			-	1
$390,000 - $399,999			-	1
$420,000 - $429,999			1	-
$470,000 - $479,999			-	1
$550,000 - $559,999			-	1

	CONSOLIDATED		COMPANY	
	2004 $	2003 $	2004 $	2003 $

30. Remuneration Of Auditors

	2004 $	2003 $	2004 $	2003 $
Auditing the financial report	253,585	220,510	230,920	198,205
Other services	288,137	213,335	274,662	199,309
	541,722	433,845	505,582	397,514

31. Joint Venture Operations

Name of Entity	Principal Activity	Output Interest 2004 %	Output Interest 2003 %
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	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Current Assets				
Cash	75	39	-	-
Receivables	4	3	-	-
Other	47	42	-	-
Non-Current Assets				
Property, plant and equipment	1,184	1,231	-	-
Investment in regenerative forests	1,205	1,102	-	-
Receivables	19	19	-	-
Current Liabilities				
Accounts payable	(1)	(2)	-	-
Unearned revenue	(13)	(13)	-	-
Non-Current Liabilities				
Other	-	(1)	-	-
Net Assets	2,520	2,420	-	-
Share of joint venture operating costs	13	21	-	-

For details of capital expenditure commitments arising from the consolidated entity's interest in joint venture operations, refer to Note 32.

Non-cancellable operating lease commitments arising from the consolidated entity's interest in joint venture operations, amounting to $1,219,459 (2003: $1,212,057) are included in Note 32.

	CONSOLIDATED		COMPANY	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
32. Expenditure Commitments				
(a) Lease Commitments				
Non cancellable operating leases relating to office premises, office equipment, land and motor vehicles				
Not later than one year	2,569	4,267	2,514	4,214
Later than one year but not later than five years	3,192	2,278	2,970	2,065
Later than five years	942	2,706	-	1,760
	6,703	9,251	5,484	8,039
(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	257,315	198,335	257,315	198,335
Later than one year but not later than five years	8,700	-	8,700	-
	266,015	198,335	266,015	198,335
33. Contingent Liabilities				
Contingent liabilities at the end of the financial period are:				
(a) Guarantees given in respect of borrowings by controlled entities	-	-	206,956	140,089
(b) The company has given performance guarantees in respect of various contracts to other corporations	4,917	5,596	4,917	5,596
34. Financing Arrangements				
(a) Bank overdraft facility:				
amount used	-	46	-	46
amount unused	21,664	23,297	21,664	23,297
	21,664	23,343	21,664	23,343
(b) Committed term loan facilities:				
amount used	91,027	90,992	91,027	90,992
amount unused	95,000	85,000	65,000	65,000
	186,027	175,992	156,027	155,992
(c) Uncommitted term loan facilities				
amount used	166,096	115,216	196,455	171,223
amount unused	287,685	276,177	177,685	166,177
	453,781	391,393	374,140	337,400
(d) Commercial paper:				
amount used	90,000	73,000	-	-
amount unused	110,000	127,000	-	-
	200,000	200,000	-	-

35. Notes to Statement of Cash Flows

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	COMPANY 2004 $'000	COMPANY 2003 $'000
(a) Reconciliation Of Profit From Ordinary Activities After Income Tax To Net Cash Flows From Operating Activities:				
Profit from ordinary activities after income tax	30,883	41,219	30,411	40,858
Add/(less):				
(Profit) on disposal of property, plant & equipment	(5,129)	(230)	(5,122)	(230)
Loss on disposal of property, plant & equipment	28	31	28	31
Equity accounted share of joint venture entities loss	-	230	-	230
Depreciation and amortisation	1,122	1,090	1,119	1,084
Net unrealised exchange losses	247	-	-	-
(Profit) on disposal of precious metals business	-	(8,466)	-	(8,466)
(Profit) on disposal of investments	(76)	(303)	(76)	(303)
(Increase)/decrease in future income tax benefit	(183)	45	(133)	46
Increase/(decrease) in current income tax provision	4,971	(4,370)	4,753	(4,073)
(Decrease)/Increase in provision for deferred income tax	(3,370)	1,590	(3,231)	1,394
Provision for diminution of investment	-	1,318	-	1,318
Net increment in SGARA's market value	(6)	(25)	-	-
Changes in assets and liabilities				
(Increase)/decrease in assets:				
Trade receivables	40,595	(26,232)	40,595	(26,232)
Other receivables	(2,174)	(20,691)	(1,342)	(21,250)
Inventories	(6,500)	(2,495)	(6,500)	(2,495)
Advances paid on contracts	-	42,819	-	42,819
Increase/(decrease) in liabilities:				
Accounts payable	(26,539)	16,738	(26,434)	17,008
Other payables	(44)	(47,444)	(53)	(47,404)
Other provisions	(3,256)	(2,962)	(3,289)	(2,967)
Advances received on contracts	-	(12,498)	-	(12,497)
Changes in assets and liabilities from disposal of Precious Metals business				
Decrease in assets:				
Other receivables	-	(41,592)	-	(41,592)
Advances paid on contracts	-	(56,498)	-	(56,498)
Decrease in liabilities:				
Accounts payable	-	35,631	-	35,631
Other payables	-	2,325	-	2,325
Advances received on contracts	-	59,045	-	59,045
Net cash provided by/(used in) operating activities	30,569	(21,725)	30,726	(22,218)

	CONSOLIDATED		COMPANY	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000

35. Notes to Statement of Cash Flows (Cont'd)

(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:

	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Cash	6,860	30,769	4,965	5,429
Bank overdraft	-	(46)	-	(46)
	6,860	30,723	4,965	5,383

(c) Business Disposed

In the prior financial year the consolidated entity disposed of its precious metals business. Details of the disposal are as follows:

	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Consideration				
Cash	-	7,659	-	7,659
Book value of net liabilities sold				
Current assets				
Other receivables	-	38,692	-	38,692
Advances on contracts	-	12,526	-	12,526
Deferred loss	-	2,900	-	2,900
Non-current assets				
Advances on contracts	-	43,972	-	43,972
Future income tax benefit	-	1,604	-	1,604
Current liabilities				
Deferred revenue	-	(2,325)	-	(2,325)
Advances received on contracts	-	(11,588)	-	(11,588)
Business risk provision	-	(3,500)	-	(3,500)
Non-current liabilities				
Advances received on contracts	-	(47,457)	-	(47,457)
Other creditors	-	(35,631)	-	(35,631)
Net liabilities disposed	-	(807)	-	(807)
Gain on disposal	-	8,466	-	8,466
	-	7,659	-	7,659

36. 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 24.

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 $123,500 (2003: $75,000). The aggregate amount of loans repaid during the year by directors of the consolidated entity was $84,840 (2003: $100,971) and the directors concerned are Y Satake, S Unno, M Tanaka, M Furukawa, F Kawashima, M Yoshioka, Y Kohata and T Nitta. Interest paid during the year in respect of these loans amounted to $4,574 (2003: $4,342).

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 24.

(e) Outstanding Balances With Entities Within The Wholly Owned Group

Loans receivable and payable are disclosed in Notes 2, 6, 11 and 16.

Related Party	Transaction Type	2004 $'000	2003 $'000	Terms and Conditions
Ultimate Parent Company	Trade debtors			
	– Current	63,263	77,930	Commercial terms and conditions
	Other debtors			
	– Current	1,044	640	Commercial terms and conditions
	Trade creditors			
	– Current	26,475	20,791	Commercial terms and conditions
	Other creditors			
	– Current	22	-	Commercial terms and conditions

Related Party	Transaction Type	2004 $'000	2003 $'000	Terms and Conditions
Related Bodies Corporate Wholly-owned group	Trade debtors			
	– Current	17,262	22,718	Commercial terms and conditions
	Other debtors			
	– Current	12,280	12,393	Commercial terms and conditions
	– Non-Current	3,689	7,088	
	Trade creditors			
	– Current	2,302	1,310	Commercial terms and conditions
	Other creditors			
	– Current	31,291	9,666	Commercial terms and conditions
	– Non-Current	30,854	-	

36. Related Party Disclosures (Cont'd)

(f) Outstanding Balances With Other Related Parties

Related Party	Transaction Type	2004 $'000	2003 $'000	Terms and Conditions
Bodies Corporate not 100% owned within wholly-owned group	Trade debtors – Current	134	7,265	Commercial terms and conditions
	Other debtors – Current	443	271	Commercial terms and conditions
	Trade creditors – Current	71	6,097	Commercial terms and conditions
	Other creditors – Current	196	138	Commercial terms and conditions

37. Details of Controlled Entities

	Country of Incorporation	Ownership Interest 2004 %	Ownership Interest 2003 %
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

38. 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.

39. Financial Reporting by Segments

The operations of the group are conducted from Australia. For management purposes, the consolidated entity is organised into business divisions based on trading, investing and providing services for particular product lines as tabled below:

Segment Revenues

	External Sales		Inter-Segment Sales		Other		Total	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Steel	74,146	52,904	-	-	-	-	74,146	52,904
Iron ore	6,745	34,056	-	-	8,580	26,650	15,325	60,706
Coal	7,448	10,741	-	-	10,267	6,097	17,715	16,838
Metal	393,036	2,471,617	-	-	207	-	393,243	2,471,617
Machinery	26,339	17,960	-	-	175	121	26,514	18,081
Chemical	114,477	133,811	-	-	13	109	114,490	133,920
Energy	130,508	259,772	-	-	347	1,055	130,855	260,827
Food	356,899	382,101	-	-	276	66	357,175	382,167
General Merchandise	175,717	168,905	-	-	-	-	175,717	168,905
Other	2,705	2,085	-	-	-	-	2,705	2,085
Total of all segments	1,288,020	3,533,952	0	0	19,865	34,098	1,307,885	3,568,050
Eliminations							-	-
Unallocated							79,136	87,361
Consolidated							1,387,021	3,655,411

	2004 $'000	2003 $'000
Segment Results		
Steel	1,056	161
Iron ore	14,269	31,524
Coal	14,667	10,510
Metal	(267)	675
Machinery	(50)	140
Chemical	33	388
Energy	(642)	261
Food	1,847	2,415
General Merchandise	551	851
Finance & administration	(7,556)	(6,745)
Other	(794)	(792)
Total of all segments	23,114	39,388
Eliminations	75	90
Unallocated	8,878	6,649
Profit from ordinary activities before income tax	32,067	46,127
Income tax relating to ordinary activities	(1,184)	(4,908)
Profit from ordinary activities after related income tax	30,883	41,219

39. Financial Reporting by Segments (Cont'd)

Segment Assets and Liabilities

	ASSETS		LIABILITIES	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Steel	20,987	9,228	21,237	2,698
Iron ore	107,879	113,174	7,198	7,183
Coal	106,285	116,388	109,874	117,786
Metal	44,647	116,448	44,579	124,156
Machinery	19,436	11,042	20,967	9,571
Chemical	24,296	24,507	23,681	22,823
Energy	34,986	63,898	34,321	60,857
Food	17,666	28,762	17,643	24,511
General Merchandise	7,985	7,753	8,018	6,033
Finance	372,792	249,125	368,380	245,324
Finance and administration	285,711	200,683	208,469	140,785
Total of all segments	1,042,670	941,008	864,367	761,727
Eliminations	(313,037)	(232,605)	(311,432)	(231,000)
Unallocated	3,323	3,175	3,367	3,080
Consolidated	732,956	711,578	556,302	533,807

	2004 $'000	2003 $'000
Acquisition of Segment Assets		
Other	524	422
Depreciation of Segment Assets		
Other	1,122	1,090

Geographical Segments

The consolidated entity's operations are conducted from Australia. The consolidated entity's customers, however, are located in 3 principal geographic locations – Japan, Australia, and the United Kingdom. The products and services that the consolidated entity trades are not linked to specific geographic segments.

Details of geographic segments are as follows:

	External Sales		Segment Assets		Segment Assets Acquired	
Geographical Segments	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Japan	868,086	2,393,738	-	-	-	-
Australia	174,920	570,327	722,367	705,494	524	422
United Kingdom	190	196,203	3,202	3,202	-	-
Other	244,824	373,684	7,387	2,882	-	-
	1,288,020	3,533,952	732,956	711,578	524	422

40. Discontinuing Operations

Disposal of precious metals business:

On 1 September 2002 the company disposed of its precious metals business. The precious metals business engaged in buying, selling and leasing precious metals, mainly gold. The sale was consistent with the ultimate parent company's risk management policies to move such businesses out of trading subsidiaries. The consolidated entity recognised a profit before income tax amounting to $8,466,000 (related income tax expense $2,540,000) from the disposal, being the proceeds on sale plus the carrying amounts of the net liabilities of the business disposed.

In consideration for the company releasing the employees and delivering records to the acquirer, the acquirer has agreed to pay the company a release fee calculated as 10% of the before tax trading profit of the acquirer minus both expenses and bonuses to those employees for 5 years commencing on 1 September 2002. As the fee is contingent on the ability of the acquirer to make future profits, the potential release fee is not included in the profit on disposal of the business.

Details of the carrying amounts of net liabilities disposed are disclosed in note 35(c) to the financial statements.

Details of the financial performance and cash flows of the precious metals business for the period from 1 April 2002 to 1 September 2002 are as follows:

	CONSOLIDATED		COMPANY	
	2004 $'000	5 months to 1 September 2002 $'000	2004 $'000	5 months to 1 September 2002 $'000
Financial Performance				
Revenue from ordinary activities	-	1,980,898	-	1,980,898
Expenses from ordinary activities	-	(1,978,995)	-	(1,978,995)
Profit from ordinary activities before income tax expense	-	1,903	-	1,903
Income tax expense relating to ordinary activities	-	(571)	-	(571)
Net profit	-	1,332	-	1,332
Cash Flows				
Net cash flows from operating activities	-	(10,573)	-	(10,573)
Net cash flows from investing activities	-	18,181	-	18,181
Net cash flows from financing activities	-	(2,883)	-	(2,883)
	-	4,725	-	4,725

The financial performance and cash flow figures stated above form part of the results of the Metal Division segment results disclosed in note 39 to the financial statements.

41. 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.

The consolidated entity acts as an agent for an overseas related party, entering into interest rate swaps and cross-currency swaps on a back-to-back basis and has no exposure to market risks on these transactions. Accordingly, disclosures in respect of these financial instruments are not considered meaningful and have therefore not been included in the disclosures below.

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 32.

Gold Bullion Trading

Up to the date of sale of the gold business on 1 September 2002, the consolidated entity acted as a principal and agent in the trading of gold bullion. In addition to spot purchases and sales of gold bullion, the consolidated entity also entered into contracts to purchase and sell gold bullion in the future. Interest rate swaps, cross currency swaps, forwards foreign exchange contracts and options were utilised as part of this gold trading activity. As all gold transactions were matched on a back to back basis, usually with related entities, the consolidated entity had no exposure to market risks. Accordingly, disclosures in respect of financial instruments related to gold bullion activity 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 was in relation to credit risk, which is disclosed below in the prior period figures.

41. Financial Instruments (Cont'd)

(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				
2004	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	1.56	6,860	-	-	-	-	6,860
Trade debtors	2.99	1,070	35,187	-	-	108,543	144,800
Other debtors	-	-	-	-	-	80,202	80,202
Short term deposits	5.15	297	-	-	-	-	297
Short term loans receivable	6.01	169,186	47,988	-	-	19,488	236,662
Long term loans receivable	6.07	-	2,589	30,499	9,750	-	42,838
Interest rate swaps (i)	5.15	(136,230)	57,400	78,830	-	-	-
	5.56	**41,183**	**143,164**	**109,329**	**9,750**	**208,233**	**511,659**
Financial Liabilities							
Trade Creditors	2.00	-	11,535	-	-	61,197	72,732
Other Creditors	-	-	-	-	-	54,610	54,610
Short term borrowings	5.47	205,074	54,504	-	-	19,488	279,066
Long term borrowings	4.62	-	2,046	80,319	5,180	-	87,545
Interest rate swaps (ii)	7.07	(127,771)	16,000	(17,584)	129,355	-	-
	5.15	**77,303**	**84,085**	**62,735**	**134,535**	**135,295**	**493,953**

41. Financial Instruments (Cont'd)

2003	Average Interest Rate %	Variable Interest Rate $'000	Fixed Interest Rate Maturity Less than 1 Year $'000	Fixed Interest Rate Maturity 1 to 5 Years $'000	Fixed Interest Rate Maturity More than 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets							
Cash	3.67	30,226	-	-	-	543	30,769
Trade debtors	2.17	-	35,844	-	-	149,551	185,395
Other debtors	-	-	-	-	-	78,073	78,073
Short term deposits	3.62	-	12,846	-	-	-	12,846
Short term loans receivable	5.05	50,400	60,144	-	-	27,928	138,472
Long term loans receivable	6.16	-	33,061	5,870	20,720	-	59,651
Interest rate swaps (i)	5.07	8,500	(600)	(7,900)	-	-	-
	4.66	**89,126**	**141,295**	**(2,030)**	**20,720**	**256,095**	**505,206**
Financial Liabilities							
Trade Creditors	2.75	-	5,111	-	-	103,712	108,823
Other Creditors	-	-	-	-	-	27,477	27,477
Short term borrowings	4.35	133,726	49,761	33,791	-	27,928	245,206
Long term borrowings	2.02	-	-	41,601	20,375	-	61,976
Interest rate swaps (ii)	5.64	(190,343)	39,828	81,925	68,590	-	-
	3.82	**(56,617)**	**94,700**	**157,317**	**88,965**	**159,117**	**443,482**

(i) Comprises $147,230,000 (2003: $32,500,000) floating to fixed swaps offset by $11,000,000 (2003: $41,000,000) Fixed to floating swaps, and $214,867,000 (2003: $293,970,000) cross currency floating to floating swaps.
(ii) Comprises $201,119,000 (2003: $190,343,000) of floating to fixed swaps offset by $73,348,000 (2003: $Nil) fixed to floating swaps.

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 2004 %	Average Interest Rate 2003 %	Notional Principal Amount 2004 $'000	Notional Principal Amount 2003 $'000
Less than 1 year	5.34	5.67	94,631	45,228
1 to 2 years	5.43	5.05	130,450	68,631
2 to 5 years	5.67	5.15	105,812	102,625
5 years and more	6.30	5.14	316,671	341,329
			647,564	557,813

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

41. Financial Instruments (Cont'd)

(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.

	Average Exchange Rate		Principal Amount	
Outstanding Contracts	2004	2003	2004 $'000	2003 $'000
Sell US Dollars				
Less than 3 months	0.57	0.58	23,783	56,531
3 to 6 months	0.52	0.52	19,601	23,036
Longer than 6 months	0.55	0.55	109,686	208,543
Buy US Dollars				
Less than 3 months	0.74	0.58	5,474	9,205
3 to 6 months	0.75	0.59	64	1,912
Longer than 6 months	0.50	0.51	1,710	2,046
Sell Japanese Yen				
Less than 3 months	65.39	57.80	1,662	1,746
3 to 6 months	60.53	59.02	1,267	1,874
Longer than 6 months	56.55	56.25	2,193	2,986
Buy Japanese Yen				
Less than 3 months	79.00	67.80	639	1,300
3 to 6 months	80.04	68.46	169	2,510
Longer than 6 months	-	69.90	-	14
Buy US Dollars Sell Japanese Yen				
Less than 3 months	105.87	118.72	426	742
3 to 6 months	115.13	118.79	762	216
Sell NZ Dollars Buy US Dollars				
Less than 3 months	-	0.55	-	8,853
Buy NZ Dollars Sell US Dollars				
Less than 3 months	-	0.55	-	4,540

41. Financial Instruments (Cont'd)

(d) Foreign Exchange Risk (Cont'd)

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	
	2004	2003	2004 $'000	2003 $'000
Buy Japanese Yen				
Less than 1 year	70.65	-	21,231	-
1 to 2 years	-	70.65	-	21,231
Buy US Dollar				
2 to 5 years	0.6325	-	12,639	-
5 years and more	0.5415	0.5560	312,101	330,138
			345,971	351,369

The interest rate exposure pursuant to the cross currency swap contracts are included in the tables in note 41(c).

41. Financial Instruments (Cont'd)

(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:

	2004 $'000	2003 $'000
Unrecognised Financial Assets		
Favourable interest rate swaps	-	-
Favourable cross-currency swaps	-	-
Favourable foreign exchange contracts	24,039	7,932

41. Financial Instruments (Cont'd)

(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 41(c) on a back to back basis to facilitate its 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 therefore have not 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.

42. Additional Company Information

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

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ACN 004 349 795

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