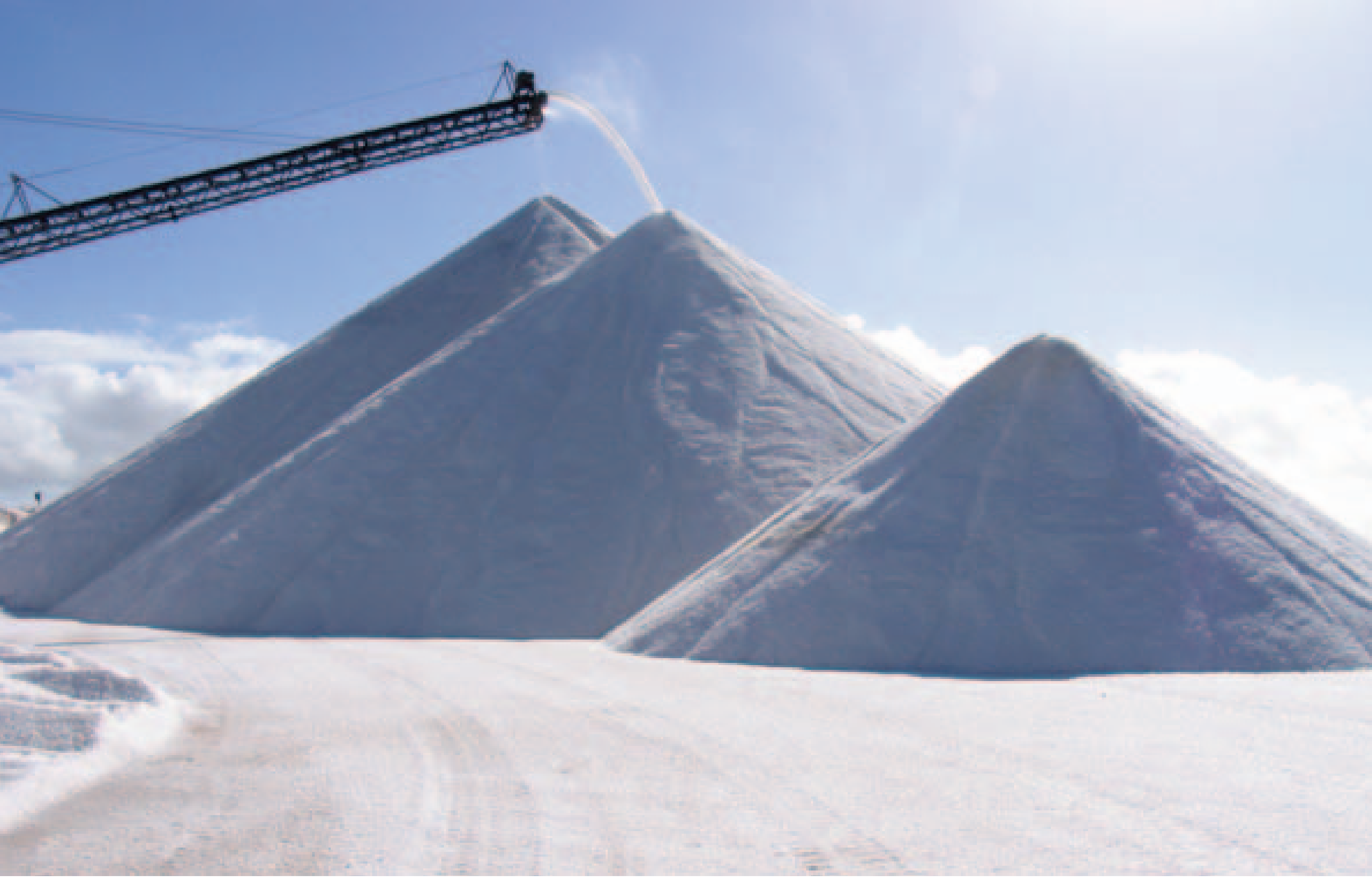
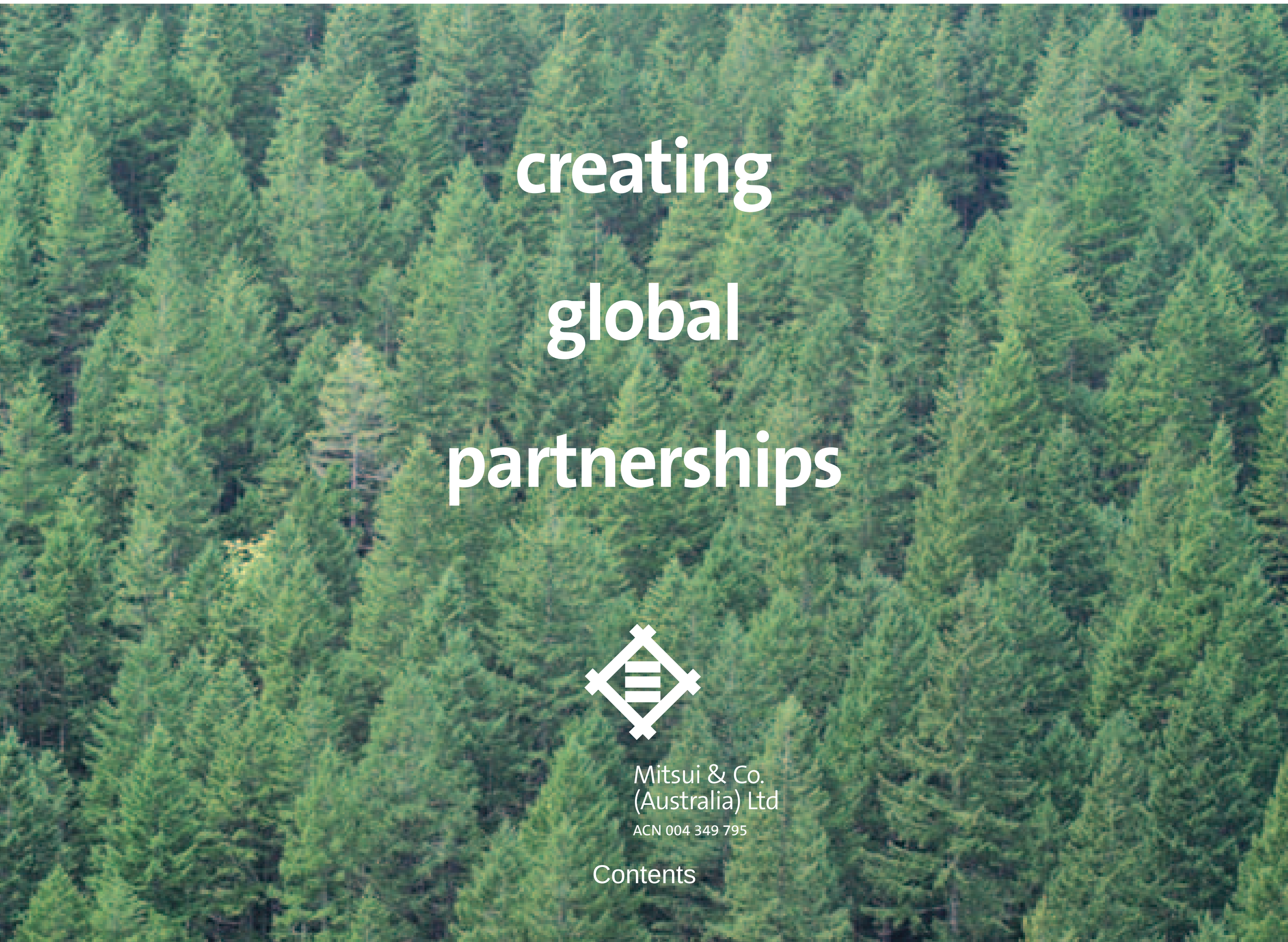


MITSUI & CO. (AUSTRALIA) LTD Financial Report for the Financial Year Ended 31 March 2006



creating global partnerships

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

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The following report has been printed on recycled paper.

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Annual Financial Report
for the Financial Year Ended 31 March 2006

Message from the Chairman and Managing Director

The financial year ending 31 March 2006 saw continued high growth from last financial year in the Asian economies lead by China and India, and a steady and gradual recovery in the Japanese economy. This economic climate witnessed a remarkable increase in demand for iron ore and coal with price rises for both compared to the previous financial year. As a result of a change to equity accounting in respect of certain investee companies from this financial year we achieved a consolidated after tax profit of $329.8 million. The prominent increase in the production and sales of the iron ore and coal businesses and marked price rises for these greatly contributed to achieving those investee companies profits.

While this rapid expansion of the Asian economies may include certain corrective adjustments, this underlying trend is expected to continue in the years to come. It is expected that future increases in demand from Asia will not only apply to mineral resources such as iron ore and coal or to energy resources such as oil and gas, but also apply to a wide range of areas including food ingredients, papermaking materials and salt for industrial and food use. Mitsui & Co. (Australia) Ltd. has addressed such a demand for various materials and products from Asia, and has engaged in the further expansion of business between Australia and Asia as a priority issue to be tackled this year.

Currently, Australia's resources and energy industries have expanded new developments and operations in response to increased demand principally from Asia. Consequently, the insufficient supply of materials and machinery such as mining equipment and tyres is becoming a serious issue. Further, it has become clear that we lack the human resources such as skilled engineers to support such operations and developments. This situation has caused delays in development and expansion, increased capital costs that exceed budget and led to substantial increases in operational costs. We need to promote businesses related to resources, the energy industry and other relevant areas while amply monitoring the situation.

Based upon the Mission, Vision & Values (MVV) of Mitsui, we have engaged in our business operations in Australia. Our company was a founding member of the first international coal mining and export joint venture in Australia, which started production in 1962, followed by the first international iron ore joint venture in 1965. These joint venture projects supported the development of the iron and steel industry which was essential to Japan's economic growth at the time while contributing to the development of Australia's resources industry. We are proud to still be an active member in these joint ventures more than 40 years on. We plan on continuing to strive for "Good Work", while all of us remain conscious of how our company can benefit society and mindful of corporate social responsibility.

YASUHIDE FUKATSU
CHAIRMAN AND MANAGING DIRECTOR

December 2006

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Corporate Social Responsibility at Mitsui

Mitsui's Approach to Corporate Social Responsibility:

Mitsui treats CSR as a critical management initiative. The global expansion of Mitsui's distinctive businesses should make long-term, sustainable contributions to the resolution of the challenges humanity faces, including resource supply, energy, food and the building of much-needed infrastructure.

Realising that maximising shareholder returns and corporate value requires that a company address not only the interests of economic stakeholders but also the concerns of social, environmental, and other stakeholders, Mitsui considers corporate social responsibility a means of contributing to society through our business.

Mitsui's Global CSR Policy:

1 We will fulfil our role in the economy and continually strive to improve our corporate value by engaging in conscientious activities giving full consideration to the social significance of Mitsui & Co's presence and a strong awareness of our ties with the environment.

2 We will raise the awareness of each employee with regard to CSR and solidify our management base for practising CSR through strengthening corporate governance and fully reinforcing internal control. We will also make efforts towards actively contributing to society.

3 We will place importance on interactive communication with our stakeholders. We will fulfil our accountability with respect to CSR and continually work to improve our CSR activities based on the responses of our stakeholders.

Mitsui's Global CSR report can be viewed at:
http://www.mitsui.co.jp/ICSFiles/afieldfile/2006/06/17/csr2005e.pdf

Mitsui Australia's Basic CSR policy:

Considering Mitsui's global CSR policy, we aim to add further value to our company's activities in Australia by

(a) working directly to help solve environmental and infrastructure issues through our business activities.

(b) creating a robust CSR program through our employee-led CSR Committee.

Environmental and Infrastructure Initiatives:

Mitsui is engaged in various businesses where we work to resolve environmental issues, in line with our company's environmental action guidelines.

Examples of our activities are the purchase of emission rights from an Australian waste project, and investments in plantations. We are also pursuing investments in alternative energy sources including fuel cells, wind power and ethanol. Mitsui is placing increasing emphasis on water recycling and management, recognising the vital importance of water conservation.

Corporate Social Responsibility at Mitsui continued

Support for the Community:

We have long recognised the importance of contributing positively to community activities in Australia. Mitsui's contribution to the community via partnerships and sponsorship has real value in terms of those that we assist, and enhances relations with internal and external stakeholders.

Our social contribution activities include:

- Mitsui Educational Foundation – MEF aims to strengthen ties and promote mutual understanding between Japan and Australia by introducing Australian university students to various aspects of Japanese culture on an annual company-sponsored tour of Japan. Since 1972 a total of 263 students have benefited from this unique experience.
- Opera Australia – Our 26th year of support to this world class company.
- West Australian Symphony Orchestra – A 3 year sponsorship from 2005 as part of WASO's 'World Artist' program.
- Support for various community activities as part of the 2006 Australia-Japan Year of Exchange.

Strengthening employee relations:

The strength of Mitsui lies in its people. As people are Mitsui's most valuable asset, their contribution must be encouraged and their capability developed to ensure maximum performance over the longer term. Mitsui aims to build a strong and maintain a strong work environment that encourages high performance.

In recognition of our obligation as a company to provide opportunities for individual employees to reach their full potential and contribute to society, we have adopted and continually review to ensure that we have a personnel system that maximizes the value of our human resources.

Economic Performance:

Mitsui recognises that the pursuit of higher earnings, a strong management foundation and sustainable growth are essential in contributing to society. We seek to reward the trust placed in us by customers and society by reinforcing our business foundation as to realise our aspirations for new growth whilst aiming to ensure this foundation is transparent and sound. We are expecting another solid result for the current financial year.

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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 2006. 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 Y Fukatsu

Director since 10 May 2004. Joined Mitsui Group in 1972. Currently Managing Director, Mitsui & Co. (Australia) Ltd. Previously Deputy Managing Director, Mitsui & Co. (Australia) Ltd and General Manager, Corporate Planning Division, Mitsui & Co. (Australia) Ltd. Graduated from Osaka University, Japan, majoring in Economics. During the financial year he attended 3 of the 4 directors' meetings held whilst he was a director.

Mr A Ikeda

Director since 23 April 2004 until his resignation on 1 April 2006. Joined Mitsui Group in 1970. Most recently 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 4 of the 4 directors' meetings held whilst he was a director.

Mr S Hashimoto

Director since 19 May 2005. Joined Mitsui Group in 1977. Currently Deputy Managing Director, Mitsui & Co. (Australia) Ltd and General Manager of Melbourne Office, Mitsui & Co. (Australia) Ltd. Previously Executive Vice President & Chief Operating Officer Mitsui Coal Holdings Pty Ltd. Graduated from Tokyo University, Japan, majoring in Law. During the financial year he attended 3 of the 3 directors' meetings held whilst he was a director.

Mr K Irie

Director since 3 April 2006. Joined Mitsui Group in 1975. Currently General Manager, Corporate Planning Division, Mitsui & Co. (Australia) Ltd. Previously, President, Mitsui Aluminium Co. Ltd. Graduated from Keio University, Japan, majoring in Law. During the financial year he attended none of the 5 directors' meetings held, as he was not appointed as a director until after the year-end.

Mr F Kawashima

Director since 2 July 2003 until his resignation from the Board on 19 May 2005. Joined Mitsui Group in 1976. Most recently 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 1 of the 1 directors' meetings held whilst he was a director.

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 2005, as detailed in the directors' report for that financial year, an interim dividend amounting to $20,000,000 fully franked at 30% paid on 28 April 2005, and a final dividend amounting to $20,000,000 fully franked at 30% paid on 30 September 2005.

In respect of the financial year ended 31 March 2006, the directors approved an interim dividend amounting to $30,000,000 fully franked at 30% with $15,000,000 paid on 31 March 2006 and $15,000,000 to be paid on 30 June 2006.

Directors' Report continued

Results

A summary of consolidated results is set out below:

	2006 $'000	2005 $'000
Trading Transactions	4,262,264	6,443,366
Total Revenue	1,373,586	1,540,479
Profit from ordinary activities before income tax expense	334,287	58,234
Income tax expense relating to ordinary activities	(4,526)	(1,414)
Net profit attributable to members of the parent entity	329,761	56,820

Review of Operations

Despite reductions in sales revenue, the consolidated entity achieved a 21% improvement in gross profit over the previous year through emphasis on trading in more profitable commodities and reducing trade in less profitable commodities.

The major reason for the large increase in profit, however, is that effective 1 April 2005, the directors determined that the parent company had the power to participate in the financial and operating policy decisions of certain investee companies and accordingly the consolidated entity adopted equity accounting in respect of those companies. This resulted in the consolidated entity including in its result a share of profits of associates amounting to $320,267,000 for the current year (2005: $Nil), compared to $68,971,000 dividend income from associates that would have been included in the consolidated entity result had equity accounting not been adopted.

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

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is 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.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 7 of the financial report.

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, unless otherwise indicated.

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

Y Fukatsu
Director

Sydney, 20 December 2006

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Independence Declaration to the Directors of Mitsui & Co. (Australia) Ltd

Deloitte.

The Board of Directors
Mitsui & Co. (Australia) Ltd
Level 46, Gateway
1 Macquarie Place
Sydney NSW 2000

20 December 2006

Dear Board Members

Mitsui & Co. (Australia) Ltd

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Mitsui & Co. (Australia) Ltd.

As lead audit partner for the audit of the financial statements of Mitsui & Co. (Australia) Ltd for the financial year ended 31 March 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

S C Gustafson
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

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

Deloitte.

Scope

The financial report and directors' responsibility

The financial report, being a special purpose financial report, comprises the balance sheet, income statement, cash flow statement, statement of recognised income and expense, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Mitsui & Co. (Australia) Ltd (the company) and the consolidated entity, for the financial year ended 31 March 2006 as set out on pages 9 to 43. 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 and have determined that the accounting policies used and described in Note 1 to the financial statements are appropriate to meet the requirements of the Corporations Act 2001 and are appropriate to meet the needs of the members. The directors' responsibility also includes 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. No opinion is expressed as to whether the accounting policies used, and described in Note 1, are appropriate to the needs of the members.

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 accounting policies described in Note 1 to the financial statements 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, their changes in equity and their cash flows. These policies do not require the application of all Accounting Standards in Australia.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of significant accounting estimates 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 financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting requirements under the Corporations Act 2001. We disclaim any assumption of responsibility for any reliance on this audit report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

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 the Corporations Act 2001, including:

(a) giving a true and fair view of the company's and consolidated entity's financial position as at 31 March 2006 and of their performance for the year ended on that date in accordance with the accounting policies described in Note 1; and

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

S C Gustafson
Partner
Chartered Accountants

Sydney, 20 December 2006

Directors’ Declaration

As detailed in Note 1 to the financial statements, the company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this “special purpose financial report’ has been prepared to satisfy the directors’ reporting requirements under the Corporations Act 2001.

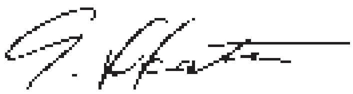
The directors declare that:

(a) 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;

(b) in the directors’ opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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



Y Fukatsu

Director

Sydney, 20 December 2006

Income Statement

for the Financial Year Ended 31 March 2006

	NOTE	CONSOLIDATED		COMPANY	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000
Trading transactions	2	4,262,264	6,443,366	4,262,242	6,443,310
Sales revenue	3(a)	1,340,834	1,406,104	1,340,812	1,406,048
Cost of goods and services sold		(1,307,862)	(1,378,857)	(1,307,880)	(1,378,801)
Gross profit		32,972	27,247	32,932	27,247
Dividend income	3(a)	263	53,740	69,534	53,740
Other revenue	3(a)	32,489	80,635	23,490	70,139
Share of profits of associates accounted for using the equity method					
– current year profits	12	156,403	-	-	-
– prior year profits	12	163,864	-	-	-
Selling, general and administrative expenses		(28,726)	(27,599)	(27,940)	(26,813)
Borrowing costs		(24,157)	(75,496)	(17,855)	(67,572)
Other net income/(expenses)	3(b)	1,179	(293)	1,094	(1,843)
Profit before income tax expense		334,287	58,234	81,255	54,898
Income tax expense	4	(4,526)	(1,414)	(3,580)	(923)
Profit attributable to members of the parent entity		329,761	56,820	77,675	53,975

Notes to the financial statements are included on pages 14 to 43

Balance Sheet

as at 31 March 2006

	NOTE	CONSOLIDATED		COMPANY	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000
Current assets					
Cash and cash equivalents		11,680	26,613	10,354	15,706
Trade and other receivables	6	366,008	215,251	365,697	213,517
Other financial assets	7	294,351	200,461	269,913	150,505
Inventories	8	14,683	6,643	14,683	6,643
Current tax assets	9	-	74,439	-	74,439
Other	10	318	401	306	378
Total current assets		687,040	523,808	660,953	461,188
Non-current assets					
Trade and other receivables	11	-	34,363	-	34,363
Investments accounted for using the equity method	12	350,798	-	-	-
Other financial assets	13	132,509	316,903	245,885	268,959
Property, plant and equipment	14	10,043	9,897	8,823	8,665
Agriculture assets	15	1,219	1,077	-	-
Deferred tax assets	16	11,617	10,018	9,198	9,739
Total non-current assets		506,186	372,258	263,906	321,726
Total assets		1,193,226	896,066	924,859	782,914
Current liabilities					
Trade and other payables	17	143,287	245,048	143,412	244,849
Borrowings	18	384,037	317,931	313,358	173,172
Other financial liabilities	19	3,270	-	2,506	-
Current tax payable	20	142,855	-	142,855	-
Provisions	21	15,834	41,263	15,820	40,831
Other	22	245	374	245	346
Total current liabilities		689,528	604,616	618,196	459,198
Non-current liabilities					
Trade and other payables	23	-	34,364	-	34,364
Borrowings	24	65,012	60,590	31,938	99,082
Other financial liabilities	25	29,678	-	25,343	-
Deferred tax liabilities	26	12,303	1,946	10,128	1,371
Provisions	27	650	822	579	779
Other	28	1,420	1,435	1,420	1,435
Total non-current liabilities		109,063	99,157	69,408	137,031
Total liabilities		798,591	703,773	687,604	596,229
Net assets		394,635	192,293	237,255	186,685
Equity					
Issued capital	29	20,000	20,000	20,000	20,000
Reserves	30	(1,732)	96,552	98,582	96,552
Retained earnings	31	376,367	75,741	118,673	70,133
Total equity		394,635	192,293	237,255	186,685

Notes to the financial statements are included on pages 14 to 43

Statement of Recognised Income and Expense

for the Financial Year Ended 31 March 2006

	NOTE	CONSOLIDATED		COMPANY	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000
Available-for-sale investments:	30				
Valuation gain taken to equity		592	-	592	-
Deferred tax arising on revaluation gain		(151)	-	(151)	-
Share of associates valuation gain taken to equity					
– current year gain		667	-	-	-
– prior year gain		91	-	-	-
Cash flow hedges:	30				
Loss taken to equity					
– Interest rate swaps		(952)	-	-	-
– Forward exchange contracts		(179)	-	(179)	-
Transferred to profit and loss:					
– Interest rate swaps		(105)	-	-	-
– Forward exchange contracts		(177)	-	(177)	-
Deferred tax on hedges		246	-	53	-
Share of (decrements)/increments in hedging reserves attributable to associates					
– current year decrements		(6,520)	-	-	-
– prior year increments		2,448	-	-	-
Net (expense)/income recognised directly in equity		(4,040)	-	138	-
Profit for the period		329,761	56,820	77,675	53,975
Total recognised income and expense for the period		325,721	56,820	77,813	53,975

Notes to the financial statements are included on pages 14 to 43

Cash Flow Statement

for the Financial Year Ended 31 March 2006

	NOTE	CONSOLIDATED		COMPANY	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000
Cash flows from operating activities					
Receipts from customers		1,351,464	1,409,137	1,352,397	1,409,559
Payments to suppliers and employees		(1,363,891)	(1,392,365)	(1,362,329)	(1,391,630)
Dividends received		54,894	53,880	55,194	53,880
Interest received		27,965	102,374	18,157	93,283
Interest paid		(25,690)	(101,922)	(19,388)	(95,119)
Income tax paid		(2,068)	(3,320)	(1,126)	(2,918)
Consideration for tax losses transferred		-	(614)	-	(706)
Net cash provided by operating activities	37(a)	42,674	67,170	42,905	66,349
Cash flows from investing activities					
Net current loans receivable (advanced)/repaid		(91,445)	36,201	(116,963)	(4,953)
Net non-current loans receivable repaid/(advanced)		20,066	(73,880)	52,347	5,544
Payment for investments		(238)	(2,592)	(238)	(2,762)
Payments for agriculture assets		(73)	(122)	-	-
Payment for property, plant and equipment		(1,450)	(825)	(1,450)	(603)
Proceeds from sale of property, plant and equipment		5	2,594	5	2,585
Net cash (used in) investing activities		(73,135)	(38,624)	(66,299)	(189)
Cash flows from financing activities					
Net proceeds from short term borrowings		66,106	38,865	140,186	24,457
Net proceeds/(net repayment of) from long term borrowings		4,422	(26,955)	(67,144)	(59,173)
Dividends paid		(55,000)	(21,000)	(55,000)	(21,000)
Net cash provided by/(used in) financing activities		15,528	(9,090)	18,042	(55,716)
Net (decrease)/increase in cash and cash equivalents		(14,933)	19,456	(5,352)	10,444
Cash and cash equivalents at the beginning of the financial year		26,613	7,157	15,706	5,262
Cash and cash equivalents at the end of the financial year	37(b)	11,680	26,613	10,354	15,706

Notes to the financial statements are included on pages 14 to 43

Notes to the Financial Statements

for the Financial Year Ended 31 March 2006

1. Summary of Accounting Policies

Financial reporting framework

The company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this is a 'special purpose financial report' and has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

Statement of compliance

The financial report has been prepared in accordance with the Corporations Act 2001, the basis of accounting specified by all Accounting Standards and Urgent Issues Group Interpretations, and the disclosure requirements of Accounting Standards AASB 101 'Presentation of Financial Statements', AASB 107 'Cash Flow Statements' and AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'. Accounting Standards include Australian equivalents of International Financial Reporting Standards ('A-IFRS').

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for revaluation of certain non-current assets and financial instruments. Cost is based on fair values of the consideration given in exchange for assets. Unless otherwise indicated, all amounts are presented in Australian dollars.

In the application of A-IFRS management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making judgements. Actual results may differ from these estimates.

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

Judgements made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

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

The company changed its accounting policies on 1 April 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 April 2004 as the date of transition.

The directors have also elected under s.334(5) of the Corporations Act 2001 to apply Accounting Standard 119 'Employee Benefits' (December 2004), even though the Standard is not required to be applied until annual reporting periods beginning on or after 1 January 2006.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 March 2006, the comparative information presented in these financial statements for the year ended 31 March 2005, and in the preparation of the opening A-IFRS balance sheet at 1 April 2004 (as disclosed in note 40), the company's date of transition, except for the accounting policies in respect of financial instruments. The company has not restated comparative information for financial instruments, including derivatives, as permitted under the first-time adoption transitional provisions. The accounting policies for financial instruments applicable to the comparative information and the impact of changes in these policies on 1 April 2005, the date of transition for financial instruments, is discussed further in note 1(s).

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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 AASB 127 "Consolidated and Separate Financial Statements". A list of controlled entities appears in Note 39 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) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(d) Derivative financial instruments

The company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including interest rate swaps and forward foreign exchange contracts.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in the profit or loss depends on the nature of the hedge relationship. The company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), or hedges of highly probable forecast transactions (cash flow hedges).

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in equity are recycled in profit or loss in the periods in which the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

1. Summary of Accounting Policies (cont'd)

Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

Embedded derivatives
Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

(e) Employee benefits

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.

(f) 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. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are brought to account in the profit or loss in the financial period in which they arise except that exchange differences on transactions entered into in order to hedge certain foreign currency risks are treated in accordance with note 1(d).

(g) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of the initial recognition.

Financial assets at fair value through profit or loss
The consolidated entity has classified certain shares as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Available-for-sale financial assets
Certain shares held by the consolidated entity are classified as being available-for-sale and are stated at their fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in the profit or loss for the period.

Loans and receivables
Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

(h) 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.

Contents

Cash flows are included in the cash flow statement 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.

(i) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(j) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantially enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as the result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interest are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

1. Summary of Accounting Policies (cont'd)

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The company, its controlled wholly owned Australian resident entities, and certain wholly owned Australian resident entities of the ultimate Japanese parent entity are part of a tax consolidated group under Australian taxation law. Mitsui & Co. (Australia) Ltd is the head entity of the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within a group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

The members of the tax-consolidated group have entered into a tax funding arrangement which sets out the funding obligations of the members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements generally require payments to/from the head entity equal to the current tax liability/asset assumed by the head entity and any tax loss or tax credit deferred tax asset assumed by the head entity.

The members of the tax-consolidated group have also entered into a valid tax sharing agreement under the tax consolidation legislation which sets out the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations and the treatment of entities leaving the tax-consolidated group.

(k) 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 (first in first out basis).

(l) 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

Interests in joint venture entities, which are partnerships, have been accounted for under the equity method in the consolidated financial statements and the cost method in the controlled entity in which the joint venture entities are held.

(m) Leased Assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance lease are initially brought to account at an amount equal to the present value of the minimum lease payments, and are amortised on a straight line basis over the estimated useful life of the asset. Finance lease payments are allocated between interest expense and a reduction of lease liability over the term of the lease.

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.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction in rental expense on a straight line basis.

(n) Payables

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.

(o) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant, motor vehicles and furniture including freehold buildings, but excluding land, 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

(p) Agriculture assets

Forest holdings are classified as a separate asset in accordance with AASB 141 'Agriculture'. The Standard requires the agriculture assets 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 present value of the future cash flows 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 assets discounted at the rate that reflects the risks associated with the various cash flow streams. Increments and decrements in net market value are recognised through the income statement in the period in which they occur.

(q) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be reliably measured.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(r) Revenue Recognition

Sale of Goods

Revenue from the sale of goods is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods or other assets.

Rendering of Services

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

Notes continued

1. Summary of Accounting Policies (cont'd)

(s) Comparative information – financial instruments

The consolidated entity has elected not to restate comparative information for financial instruments within the scope of Accounting Standards AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial instruments: Recognition and Measurement', as permitted on the first-time adoption of A-IFRS.

The accounting policies applied to accounting for financial instruments in the current financial year are detailed in notes 1(a) to (r). The following accounting policies were applied to accounting for financial instruments in the comparative financial year:

(a) 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.

(b) Derivative financial instruments

The company is exposed to changes in interest and foreign currency rates from its activities. The company uses interest rate and foreign currency swaps to hedge its exposure.

Derivative financial instruments designated as hedges are accounted for on the same basis as the underlying exposure. Where the hedge transaction is terminated early and the anticipated transaction is still expected to occur, the gains and losses that arose on the hedge prior to its termination are deferred and included in the measurement of the transaction when it occurs. Where a hedge is terminated early because the anticipated transaction is no longer expected to occur, gains or losses that arose on the hedge prior to the termination are included in the profit or loss for that period.

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 profit and loss account as an adjustment to interest expense during the period.

Foreign currency forward contracts

Forward contracts are valued at the appropriate market rates at balance date and are included in the measurement of the underlying asset or liability.

(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. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the date when the value was determined.

Exchange differences are brought to account in the profit or loss in the financial period in which they arise except that exchange differences on transactions entered into in order to hedge certain foreign currency risks are treated in accordance with note (s)(b).

(d) Borrowings

Borrowings are carried at the amount received. Interest is recognised on an accruals basis.

(e) Investments

Investments other than investments in subsidiaries, associates and joint ventures are recorded at cost.

Dividend revenue is recognised on a receivables basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(f) Receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

1. Summary of Accounting Policies (cont'd)

Effect of changing the accounting policies for financial instruments

The effect of changes in the accounting policies for financial instruments on the balance sheet as at 1 April 2005 is shown as below:

	CONSOLIDATED			COMPANY		
	31 Mar 2005 $'000	Effect of Adoption $'000	1 Apr 2005 $'000	31 Mar 2005 $'000	Effect of Adoption $'000	1 Apr 2005 $'000
Current assets						
Cash and cash equivalents	26,613	-	26,613	15,706	-	15,706
Trade and other receivables	215,251	-	215,251	213,517	-	213,517
Other financial assets	200,461	9,297	209,758	150,505	8,703	159,208
Inventories	6,643	-	6,643	6,643	-	6,643
Current tax assets	74,439	-	74,439	74,439	-	74,439
Other	401	-	401	378	-	378
Total current assets	523,808	9,297	533,105	461,188	8,703	469,891
Non-current assets						
Trade and other receivables	34,363	-	34,363	34,363	-	34,363
Other financial assets	316,903	51,265	368,168	268,959	51,265	320,224
Property, plant and equipment	9,897	-	9,897	8,665	-	8,665
Agriculture assets	1,077	-	1,077	-	-	-
Deferred tax assets	10,018	16,804	26,822	9,739	16,804	26,543
Total non-current assets	372,258	68,069	440,327	321,726	68,069	389,795
Total assets	896,066	77,366	973,432	782,914	76,772	859,686
Current liabilities						
Trade and other payables	245,048	-	245,048	244,849	-	244,849
Borrowings	317,931	-	317,931	173,172	-	173,172
Other financial liabilities	-	4,750	4,750	-	4,750	4,750
Current tax payable	-	-	-	-	-	-
Provisions	41,263	-	41,263	40,831	-	40,831
Other	215	-	215	187	-	187
Total current liabilities	604,457	4,750	609,207	459,039	4,750	463,789
Non-current liabilities						
Trade and other payables	34,364	-	34,364	34,364	-	34,364
Borrowings	60,590	-	60,590	99,082	-	99,082
Other financial liabilities	-	51,265	51,265	-	51,265	51,265
Deferred tax liabilities	1,946	18,178	20,124	1,371	18,000	19,371
Provisions	822	-	822	779	-	779
Other	1,594	-	1,594	1,594	-	1,594
Total non-current liabilities	99,316	69,443	168,759	137,190	69,265	206,455
Total liabilities	703,773	74,193	777,966	596,229	74,015	670,244
Net assets	192,293	3,173	195,466	186,685	2,757	189,442
Equity						
Issued capital	20,000	-	20,000	20,000	-	20,000
Reserves	96,552	2,308	98,860	96,552	1,892	98,444
Retained earnings	75,741	865	76,606	70,133	865	70,998
Total equity	192,293	3,173	195,466	186,685	2,757	189,442

1. Summary of Accounting Policies (cont'd)

(s) Comparative information – financial instruments (cont'd)

The following transitional provisions have effect on future periods:

(i) the effectiveness of hedging relationships are assessed from 1 April 2005; no adjustment is made in relation to hedges under the superseded policies which were not highly effective before 1 April 2005.

The main adjustments necessary that would make the comparative financial statements comply with AASB 132 and AASB 139 are listed below. Similar adjustments were made at 1 April 2005 to restate the opening financial position of the company to a position consistent with the accounting policies specified in note 1(a) to (r):

(i) the measurement of financial assets designated as held to maturity and loans and receivables at amortised cost, rather than at cost or fair value in accordance with the superseded policy.

(ii) the measurement of financial assets designated as fair value through profit or loss or available-for-sale at fair value, with changes in the fair value recognised in the profit or loss or equity as appropriate, rather than at cost in accordance with the superseded policy.

(iii) the measurement of financial liabilities at amortised cost, rather than at cost in accordance with the superseded policy.

(iv) the recognition and measurement of all derivatives (including any embedded derivatives) at fair value.

(v) the recognition in profit or loss of the movement in the fair value of derivatives that did not qualify for hedge accounting or were not designated as hedging instruments.

(vi) the deferral in equity of the effective portion of the movement in the fair value derivatives accounted for as a cash flow hedge.

(vii) the recognition in the profit or loss of the ineffective portion of the movement in fair value derivatives accounted as a fair value hedge and the fair valuing of hedged items.

(viii) the recognition of any current or deferred taxes in relation to the adjustments described above.

(t) Impact of equity accounting for certain investments

Many changes recently have resulted in the company becoming more involved in the management of certain investee companies, which are subsidiaries or associates of the ultimate parent company in Japan. As a result, the directors determined, effective 1 April 2005, that the company had the power to participate in the financial and operating policy decisions of these companies, which are listed in note 12, and applied equity accounting in respect of these companies.

The financial impact of applying equity accounting on 1 April 2005 was that in the current year the consolidated entity's income statement showed a share of profits of associates amounting to $320,267,000 instead of dividend income amounting to $68,971,000 that would have been shown in the consolidated results had equity accounting not been applied. This is split between $156,403,000 in respect of the consolidated entity's share of profits from associates for the year ended 31 March 2006, and $163,864,000 in relation to the catch up effect of the share of post acquisition profits from the original acquisition dates to 31 March 2005. In the consolidated balance sheet the carrying amount of investments was increased by $152,861,000, the asset revaluation reserve was reduced by $96,552,000, and other small adjustments were made to reserves.

2. 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	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**

3. Profit from operations

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

	2006 $'000	2005 $'000	2006 $'000	2005 $'000
(a) Revenue				
Sales revenue:				
Sale of goods	1,308,355	1,370,921	1,308,333	1,370,865
Rendering of services	32,479	35,183	32,479	35,183
	1,340,834	1,406,104	1,340,812	1,406,048
Dividends:				
Controlled entities	-	-	300	-
Associates	-	-	68,971	-
Other related parties	-	46,818	-	46,818
Other parties	263	6,922	263	6,922
	263	53,740	69,534	53,740
Other revenue				
Profit on the disposal of:				
Property, plant and equipment	-	1,009	-	522
Precious metals business release fee	1,971	734	1,971	734
Foreign exchange gain	-	173	-	128
Interest revenue:				
Ultimate parent entity	1,067	1,557	1,067	1,557
Controlled entity	-	-	7,892	6,946
Related bodies corporate:				
Wholly-owned group	16,021	49,110	2,106	34,955
Other parties	8,486	24,983	5,465	22,073
Management fees:				
Ultimate parent entity	1,065	1,069	1,065	1,069
Controlled entities	-	-	475	475
Related bodies corporate:				
Wholly-owned group	1,751	1,482	1,676	1,394
Other parties	381	347	283	195

Notes continued

	CONSOLIDATED		COMPANY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
3. Profit from operations (cont'd)				
Other revenue (cont'd)				
Change in fair value of financial assets classified as fair value through profit and loss	704	-	704	-
Distributions from liquidation of investments	420	-	420	-
Net increment/(decrement) in net market value of agriculture assets	69	(80)	-	-
Other income	554	251	366	91
	32,489	80,635	23,490	70,139
	1,373,586	1,540,479	1,433,836	1,529,927
(b) Expenses				
Interest:				
Ultimate parent entity	257	453	257	453
Controlled entities	-	-	11,042	8,824
Related bodies corporate:				
Wholly-owned group	10,329	13,114	2,513	7,735
Other related parties	2,093	3,363	-	-
Other parties	11,478	58,566	4,043	50,560
Management fees:				
Controlled entities	-	-	214	243
Other	50	163	-	154
Operating lease rental expense	3,242	3,595	3,235	3,588
Net transfers (from)/to provisions:				
Employee entitlements	(224)	247	(211)	232
Doubtful debts	(1,718)	(2)	(1,718)	1,054
Depreciation of property, plant and equipment	1,172	1,025	1,160	1,021
Loss on disposal of property, plant and equipment	127	-	127	-
Change in fair value of investment classified as fair value through profit and loss	30	-	30	-
Diminution in value of investments -controlled entity	-	-	-	300
Foreign exchange loss	330	-	240	-

4. Income tax

	CONSOLIDATED		COMPANY	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'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 operations	334,287	58,234	81,255	54,898
Income tax expense calculated at 30%	100,286	17,470	24,376	16,469
Non-assessable dividends	-	(16,122)	(20,860)	(16,122)
Share of profits of associates accounted for using the equity method	(96,081)	-	-	-
Non deductible entertainment and other items	146	189	124	188
Non deductible investment provision	-	-	-	90
Non deductible loan provision	-	-	-	317
Fair value (increase)/decrease of agriculture assets through profit or loss	(20)	24	-	-
Fair value (increase) of investments through profit or loss	(211)	-	(211)	-
Excess of accounting profit over capital gain on disposal of non current assets	-	(164)	-	(19)
Capital loss utilised	-	(199)	-	(199)
Additional (reduced) income tax arising under Advance Pricing Arrangement	-	968	-	968
(Recovery of additional income tax)/payment of reduced income tax arising under Advance Pricing Arrangement:				
Ultimate parent entity	-	(968)	-	(968)
Other	(9)	(7)	(264)	(7)
Under provision of income tax in prior year	415	223	415	206
Income tax expense attributable to profit from ordinary activities	4,526	1,414	3,580	923

	CONSOLIDATED 2006 $	CONSOLIDATED 2005 $	COMPANY 2006 $	COMPANY 2005 $
5. Remuneration of auditors				
Auditor of the parent entity				
Audit of the financial report	298,680	245,355	265,500	221,400
Other audit services	55,420	11,080	55,420	11,080
Taxation services	319,360	289,729	304,060	277,329
	673,460	546,164	624,980	509,809

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
6. Trade and other receivables				
At amortised cost (2005: cost)				
Trade receivables	163,152	159,300	163,154	159,304
Allowance for doubtful debts	-	(1,805)	-	(1,805)
	163,152	157,495	163,154	157,499
Other receivables	202,856	57,756	202,543	56,018
	366,008	215,251	365,697	213,517
7. Current other financial assets				
At amortised cost (2005: cost)				
Loans to:				
Controlled entities	-	-	139,678	84,629
Allowance for doubtful debts	-	-	(1,056)	(1,056)
	-	-	138,622	83,573
Related bodies corporate:				
Wholly owned group	230,636	155,575	106,427	22,046
Other parties	61,219	44,840	22,368	44,840
Directors	51	46	51	46
	291,906	200,461	267,468	150,505
At fair value				
Foreign currency forward contracts	378	-	378	-
Interest rate swaps	2,067	-	2,067	-
	294,351	200,461	269,913	150,505

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
8. Current inventories				
Finished goods on hand and in transit:				
At cost	14,683	6,643	14,683	6,643
9. Current tax asset				
Income tax paid in advance	-	74,439	-	74,439
10. Other current assets				
Prepayments	318	401	306	378
11. Non-current trade and other receivables				
Other receivables	-	34,363	-	34,363
12. Investments accounted for using the equity method				
Investments in associates	350,798	-	-	-

Many changes recently have resulted in the company becoming more involved in the management of certain investee companies which are subsidiaries or associates of the ultimate holding company in Japan. As a result, the directors determined that, effective 1 April 2005, the company had the power to participate in the financial and operating policy decisions of the below-listed investee companies. Accordingly, the company applied equity accounting for these investments commencing 1 April 2005 (refer note 1(t))

Name of entity	Principal Activity	Ownership interest 2006 %	Ownership interest 2005 %
Mitsui Coal Holdings Pty Limited	Coal	30.0	30.0
Yoshinoya Australia Pty Ltd	Fast food	25.0	25.0
Mitsui Iron Ore Development Pty Ltd	Iron ore	20.0	20.0
Mitsui Bussan Commoditities (Australia) Pty Ltd	Commodity trading	20.0	20.0
Mitsui Itochu Iron Pty Ltd	Iron ore	14.0	14.0
Novus Nutrition Pty Ltd	Chemicals	11.0	11.0
Mitsui Energy Risk Management Pty Ltd	Commodity trading	10.0	10.0
Shark Bay Salt Pty Ltd	Salt	10.0	10.0
Mitsui Power Investment Pty Ltd	Power generation	10.0	10.0
BHP Mitsui Coal Pty Ltd	Coal	6.7	6.7
Wandoo Petroleum Pty Ltd	Oil	5.0	5.0
Mittwell Energy Resources Pty Ltd	Oil	5.0	5.0
Mitsui & Co. Precious Metals Inc.	Commodity trading	5.0	5.0
Komatsu Australia Corporate Finance Pty Ltd	Finance	5.0	5.0
Komatsu Australia Pty Ltd	Industrial machinery	4.0	4.0

	CONSOLIDATED		COMPANY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
12. Investments accounted for using the equity method (cont'd)				
Summarised financial information of associates:				
Current assets	6,499,631	-	-	-
Non-current assets	2,863,582	-	-	-
	9,363,213	-	-	-
Current liabilities	(6,208,546)	-	-	-
Non-current liabilities	(836,576)	-	-	-
	(7,045,122)	-	-	-
Net assets	2,318,091	-	-	-
Revenue	3,874,382	-	-	-
Net profit	1,002,064	-	-	-
Share of associates' profit or loss				
Current year:				
Share of profit/(loss) before income tax	211,491	-	-	-
Income tax expense	(55,088)	-	-	-
	156,403	-	-	-
Prior years:				
Share of associates' profit/(loss)	163,864	-	-	-
Total share of associates' profit/(loss)	320,267	-	-	-

Dividends from associates

During the current year the consolidated entity received dividends from associates amounting to $68,971,000.

13. Non-current other financial assets

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
Shares in controlled entities:				
At cost	-	-	950	950
Provision for diminution in value	-	-	(300)	(300)
	-	-	650	650
At fair value (2005: at cost or deemed cost):				
Available-for-sale shares				
Determined to be associates from 1 April 2005	-	197,936	197,936	197,936
Other	5,475	2,249	5,475	2,249
	5,475	200,185	204,061	200,835
Other shares (i)	704	-	704	-
Currency and interest rate swaps	29,678	-	25,343	-
At amortised cost (2005: cost):				
Long term loans to:				
Controlled entities	-	-	2,067	51,848
Related bodies corporate:				
Wholly owned group	95,891	115,982	12,949	15,540
Other parties	756	695	756	695
Directors	5	41	5	41
	132,509	316,903	245,885	268,959

(i) Designated as a financial asset at fair value through profit and loss from 1 April 2005

14. Property, plant and equipment

CONSOLIDATED

	Freehold land at cost $'000	Buildings at cost $'000	Furniture & fittings at cost $'000	Plant & equipment at cost $'000	Leasehold improvements at cost $'000	Total $'000
Gross carrying amount						
Balance at 31 March 2005	2,598	7,394	2,199	1,599	1,688	15,478
Additions	-	726	182	300	242	1,450
Disposals	-	-	(544)	(235)	(15)	(794)
Balance at 31 March 2006	2,598	8,120	1,837	1,664	1,915	16,134
Accumulated depreciation						
Balance at 31 March 2005	-	2,749	1,597	1,235	-	5,581
Depreciation expense	-	524	113	268	267	1,172
Disposals	-	-	(464)	(196)	(2)	(662)
Balance at 31 March 2006	-	3,273	1,246	1,307	265	6,091
Net book value						
As at 31 March 2005	2,598	4,645	602	364	1,688	9,897
As at 31 March 2006	2,598	4,847	591	357	1,650	10,043

COMPANY

	Freehold land at cost $'000	Buildings at cost $'000	Furniture & fittings at cost $'000	Plant & equipment at cost $'000	Leasehold improvements at cost $'000	Total $'000
Gross carrying amount						
Balance at 31March 2005	1,420	7,394	2,199	1,537	1,688	14,238
Additions	-	726	182	300	242	1,450
Disposals	-	-	(544)	(233)	(15)	(792)
Balance at 31 March 2006	1,420	8,120	1,837	1,604	1,915	14,896
Accumulated depreciation						
Balance at 31 March 2005	-	2,749	1,597	1,227	-	5,573
Depreciation expense	-	524	113	256	267	1,160
Disposals	-	-	(464)	(194)	(2)	(660)
Balance at 31 March 2006	-	3,273	1,246	1,289	265	6,073
Net book value						
As at 31 March 2005	1,420	4,645	602	310	1,688	8,665
As at 31 March 2006	1,420	4,847	591	315	1,650	8,823

	CONSOLIDATED		COMPANY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
14. Property, plant and equipment (cont'd)				
The aggregate current market values of land and buildings	16,678	16,678	15,500	15,500

Current market values of land and buildings were assessed by the directors at 31 March 2006. The land and buildings are staff houses and land held for forestry activities. The directors' assessment of current market value at 31 March 2005 and 2006 of staff houses 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.

15. Agriculture assets

Forestry assets, at market value	1,219	1,077	-	-

16. Deferred tax assets

Deferred tax asset attributable to:				
Tax losses	-	7,500	-	7,500
Temporary differences	11,617	2,518	9,198	2,239
	11,617	10,018	9,198	9,739

17. Current trade and other payables

Trade creditors – unsecured	92,263	98,764	92,281	98,830
Other creditors	51,024	146,284	51,131	146,019
	143,287	245,048	143,412	244,849

18. Current borrowings

At amortised cost (2005: cost)				
Unsecured:				
Short term borrowings:				
Controlled entities	-	-	247,181	134,232
Related bodies corporate:				
Wholly-owned group	230,369	101,750	16,386	4,159
Other related parties	38,485	46,384	-	-
Other parties	115,183	169,797	49,791	34,781
	384,037	317,931	313,358	173,172

Notes continued

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
19. Other current financial liabilities				
At fair value				
Foreign currency forward contracts	562	-	439	-
Interest rate swaps	2,708	-	2,067	-
	3,270	-	2,506	-
20. Current tax payable				
Income tax payable	142,855	-	142,855	-
21. Current provisions				
Dividends (refer note 32)	15,000	40,000	15,000	40,000
Employee entitlements	834	887	820	831
Other	-	376	-	-
	15,834	41,263	15,820	40,831
22. Other current liabilities				
Lease incentives (refer note 35(a))	228	159	228	159
Deferred revenue – other	17	215	17	187
	245	374	245	346
23. Non-current trade and other payables				
Other creditors	-	34,364	-	34,364
24. Non-current borrowings				
At amortised cost (2005: cost)				
Unsecured:				
Long term borrowings from:				
Ultimate parent entity	12,952	15,541	12,952	15,541
Controlled entities	-	-	18,986	48,541
Related bodies corporate:				
Wholly-owned group	52,060	10,049	-	-
Other parties	-	35,000	-	35,000
	65,012	60,590	31,938	99,082

	CONSOLIDATED		COMPANY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
25. Other non-current financial liabilities				
At fair value				
Interest rate swaps	29,678	-	25,343	-
26. Deferred tax liabilities				
Deferred income tax attributable to temporary differences	12,303	1,946	10,128	1,371
27. Non-current provisions				
Employee entitlements	650	822	579	779
28. Other non-current liabilities				
Lease incentives (refer note 35(a))	1,420	1,435	1,420	1,435
29. Issued capital				
10,000,000 ordinary shares fully paid (2005: 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.

Changes in the Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore the company does not have a limited amount of authorised capital and issued shares do not have a par value.

30. Reserves

Asset revaluation	-	96,552	96,552	96,552
Available-for-sale	2,914	-	2,156	-
Hedging	(4,646)	-	(126)	-
	(1,732)	96,552	98,582	96,552
Asset revaluation reserve				
Balance at beginning of financial year	96,552	84,939	96,552	84,939
Transfer to retained earnings of decrements on available-for-sale assets on adoption of A-IFRS	-	11,613	-	11,613
Restated balance at the beginning of the financial year	96,552	96,552	96,552	96,552
Reversal of asset revaluation reserve on investments to which equity accounting has been applied	(96,552)	-	-	-
Balance at end of financial year	-	96,552	96,552	96,552

Notes continued

	CONSOLIDATED		COMPANY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
30. Reserves (cont'd)				
Available-for-sale reserve				
Balance at beginning of financial year	-	-	-	-
Adjustment on adoption of accounting policies specified by AASB 132 and AASB 139 (refer note 1(s))	1,715	-	1,715	-
Restated balance at the beginning of the financial year	1,715	-	1,715	-
Valuation gain recognised	592	-	592	-
Deferred tax arising on revaluation	(151)	-	(151)	-
Share of associates increase in available-for-sale revaluation reserve				
- current year	667	-	-	-
- prior years	91	-	-	-
Balance at end of financial year	2,914	-	2,156	-
Hedging reserve				
Balance at beginning of financial year	-	-	-	-
Adjustment on adoption of accounting policies specified by AASB 132 and AASB 139 (refer note 1(s))	593	-	177	-
Restated balance at the beginning of the financial year	593	-	177	-
Loss recognised on:				
- Interest rate swaps	(952)	-	-	-
- Forward exchange contracts	(179)	-	(179)	-
Transferred to profit or loss				
- Interest rate swaps	(105)	-	-	-
- Forward exchange contracts	(177)	-	(177)	-
Deferred tax on hedges	246	-	53	-
Share of associates (decrease)/increase in hedging reserve				
- current year	(6,520)	-	-	-
- prior years	2,448	-	-	-
Balance at end of financial year	(4,646)	-	(126)	-

	CONSOLIDATED		COMPANY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
31. Retained earnings				
Balance at beginning of financial year	75,741	70,534	70,133	67,771
Adjustment on adoption of accounting policies specified by AASB 132 and AASB 139 (refer note 1(s))	865	-	865	-
Transfer from asset revaluation reserve of decrements on available-for-sale assets on adoption of A-IFRS	-	(11,613)	-	(11,613)
Restated balance at beginning of financial year	76,606	58,921	70,998	56,158
Net profit attributable to members of the parent entity	329,761	56,820	77,675	53,975
Dividends paid or provided for	(30,000)	(40,000)	(30,000)	(40,000)
Balance at end of financial year	376,367	75,741	118,673	70,133
32. Dividends				
Interim dividends paid, fully franked at 30%	15,000	-	15,000	-
Dividend proposed, fully franked at 30%	15,000	40,000	15,000	40,000
	30,000	40,000	30,000	40,000

33. Joint venture operations

Name of Entity	Principal Activity	Ownership interest 2006 %	Ownership interest 2005 %
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	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Current Assets				
Cash and cash equivalents	47	48	-	-
Trade and other receivables	2	5	-	-
Other	5	6	-	-
Non-Current Assets				
Property, plant and equipment	1,180	1,181	-	-
Agriculture assets	1,390	1,247	-	-
Other	1	-	-	-
Current Liabilities				
Trade and other payables	(5)	-	-	-
Unearned revenue	(13)	(16)	-	-
Net Assets	2,607	2,471	-	-
Share of joint venture operating profit/(loss)	39	(77)	-	-

For details of capital expenditure commitments arising from the consolidated entity's interest in joint venture operations, refer to Note 35. Non-cancellable operating lease commitments arising from the consolidated entity's interest in joint venture operations, amounting to $1,229,724 (2005: $1,177,743) are included in Note 35.

34. Economic dependency

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

	CONSOLIDATED		COMPANY	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**
35. Expenditure commitments				
(a) Lease commitments				
Non cancellable operating leases relating to office premises, office equipment, land and motor vehicles:				
Not longer than one year	2,854	3,683	2,795	3,627
Longer than one year but not longer than five years	7,691	8,425	7,457	8,201
Longer than five years	5,657	5,774	4,720	4,877
	16,202	17,882	14,972	16,705
In respect of non-cancellable operating leases, the following liabilities have been recognised:				
Current:				
Lease incentives (refer note 22)	228	159	228	159
Non-current:				
Lease incentives (refer note 28)	1,420	1,435	1,420	1,435
	1,648	1,594	1,648	1,594
(b) Commodity purchase commitments				
Aggregate purchase commitments contracted for at balance date but not provided for in the financial statements:				
Not longer than one year	92,728	201,938	92,728	201,938
Longer than one year but not longer than five years	-	-	-	-
	92,728	201,938	92,728	201,938
36. Contingent liabilities				
Contingent liabilities at the end of the financial year are:				
(a) Guarantees given in respect of borrowings by controlled entities	-	-	111,505	236,376
(b) The company has given performance guarantees in respect of various contracts to other corporations	3,676	3,466	3,676	3,466

37. Notes to cash flow statement

(a) Reconciliation of profit for the year to net cash flows from operating activities:

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
Profit for the year	329,761	56,820	77,675	53,975
Add/(less):				
Loss/(profit) on disposal of property, plant & equipment	127	(1,009)	127	(522)
Depreciation	1,172	1,025	1,160	1,021
Net unrealised exchange losses	-	129	-	-
Amortisation of lease liability	54	(94)	54	(94)
Gain on fair value revaluation of financial assets through the profit or loss	(704)	-	(704)	-
Loss on fair value revaluation of financial assets through the profit or loss	30	-	30	-
Provision for diminution in value of investment	-	-	-	300
Share of associates profits (less dividends)	(251,296)	-	-	-
Net (increment)/decrement in market value of agriculture assets	(69)	80	-	-
(Increase)/decrease in deferred tax asset	(1,599)	(28,628)	541	(28,697)
Increase/(decrease) in current tax payable	142,855	(4,660)	142,855	(4,429)
Decrease/(increase) in current tax assets	74,439	(74,439)	74,439	(74,439)
(Decrease)/Increase in deferred tax liability	9,098	210,412	8,737	210,659
Changes in assets and liabilities				
(Increase)/decrease in assets:				
Trade and other receivables	(114,589)	(99,516)	(116,012)	(99,146)
Other financial assets	(32,867)	-	(27,891)	-
Inventories	(8,040)	3,546	(8,040)	3,546
Other	83	129	72	90
Increase/(decrease) in liabilities:				
Trade and other payables	(136,125)	2,961	(135,801)	2,637
Other financial liabilities	32,948	-	27,849	-
Other provisions	(2,406)	246	(2,016)	1,286
Other	(198)	168	(170)	162
Net cash provided by operating activities	42,674	67,170	42,905	66,349

(b) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	COMPANY 2006 $'000	COMPANY 2005 $'000
Cash and cash equivalents	11,680	26,613	10,354	15,706

38. Parent entity

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

39. Details of controlled entities

	Country of incorporation	Ownership interest 2006 %	Ownership interest 2005 %
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. Impacts of adoption of Australian equivalents of International Financial Reporting Standards

The consolidated entity changed its accounting policies on 1 April 2005 to comply with Australian equivalents of International Financial Reporting Standards ('A-IFRS'). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 April 2004 as the transition date, except for financial instruments, including derivatives, where the transition date is 1 April 2005.

An explanation of how the transition from superceded policies to A-IFRS has affected the company and the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and notes that accompany the tables.

40. Impacts of adoption of Australian equivalents of International Financial Reporting Standards (cont'd)

Effect of A-IFRS on the balance sheet at 1 April 2004

	CONSOLIDATED			COMPANY		
	Superseded policies* $'000	Effect of transition to A-IFRS $'000	A-IFRS $'000	Superseded policies* $'000	Effect of transition to A-IFRS $'000	A-IFRS $'000
Current assets						
Cash and cash equivalents	6,860	297	7,157	4,965	297	5,262
Trade and other receivables	425,592	(236,959)	188,633	334,520	(146,905)	187,615
Other financial assets	-	236,662	236,662	-	146,608	146,608
Inventories	10,189	-	10,189	10,189	-	10,189
Other	530	-	530	468	-	468
Total current assets	443,171	-	443,171	350,142	-	350,142
Non-current assets						
Trade and other receivables	77,400	(42,838)	34,562	108,211	(73,668)	34,543
Other financial assets	198,628	41,633	240,261	198,373	73,668	272,041
Property, plant and equipment	9,994	-	9,994	9,458	-	9,458
Agriculture assets	-	1,205	1,205	-	-	-
Deferred tax assets	3,763	109	3,872	3,694	-	3,694
Total non-current assets	289,785	109	289,894	319,736	-	319,736
Total assets	732,956	109	733,065	669,878	-	669,878
Current liabilities						
Trade and other payables	135,295	(7,953)	127,342	135,369	(7,953)	127,416
Borrowings	271,113	7,953	279,066	140,762	7,953	148,715
Other financial liabilities	-	-	-	-	-	-
Current tax payable	4,660	-	4,660	4,429	-	4,429
Provisions	21,940	-	21,940	21,641	-	21,641
Other	47	-	47	25	-	25
Total current liabilities	433,055	-	433,055	302,226	-	302,226
Non-current liabilities						
Trade and other payables	34,543	-	34,543	34,625	-	34,625
Borrowings	87,545	-	87,545	158,255	-	158,255
Deferred tax liabilities	391	1,290	1,681	144	1,181	1,325
Provisions	768	-	768	737	-	737
Total non-current liabilities	123,247	1,290	124,537	193,761	1,181	194,942
Total liabilities	556,302	1,290	557,592	495,987	1,181	497,168
Net assets	176,654	(1,181)	175,473	173,891	(1,181)	172,710
Equity						
Issued capital	20,000	-	20,000	20,000	-	20,000
Reserves	84,939	11,613	96,552	84,939	11,613	96,552
Retained earnings	71,715	(12,794)	58,921	68,952	(12,794)	56,158
Total equity	176,654	(1,181)	175,473	173,891	(1,181)	172,710

* Reported financial position for the financial year ended 31 March 2004.

40. Impacts of adoption of Australian equivalents of International Financial Reporting Standards (cont'd)

Effect of A-IFRS on the income statement for the financial year ended 31 March 2005

	CONSOLIDATED			COMPANY		
	Superseded policies* $'000	Effect of transition to A-IFRS $'000	A-IFRS $'000	Superseded policies* $'000	Effect of transition to A-IFRS $'000	A-IFRS $'000
Trading transactions	6,443,366	-	6,443,366	6,443,310	-	6,443,310
Sales revenue	1,406,104	-	1,406,104	1,406,048	-	1,406,048
Cost of goods and services sold	(1,378,857)	-	(1,378,857)	(1,378,801)	-	(1,378,801)
Gross profit	27,247	-	27,247	27,247	-	27,247
Other revenue	134,594	-	134,594	124,098	-	124,098
Selling, general and administrative expenses	(27,599)	-	(27,599)	(26,813)	-	(26,813)
Borrowing costs	(75,496)	-	(75,496)	(67,572)	-	(67,572)
Other expenses	(512)	-	(512)	(2,062)	-	(2,062)
Profit before income tax expense	58,234	-	58,234	54,898	-	54,898
Income tax expense	(1,421)	7	(1,414)	(930)	7	(923)
Profit attributable to members of the parent entity	56,813	7	56,820	53,968	7	53,975

* Reported financial results for the year ended 31 March 2005.

40. Impacts of adoption of Australian equivalents of International Financial Reporting Standards (cont'd)

Effect of A-IFRS on the balance sheet at 31 March 2005

	CONSOLIDATED			COMPANY		
	Superseded policies* $'000	Effect of transition to A-IFRS $'000	A-IFRS $'000	Superseded policies* $'000	Effect of transition to A-IFRS $'000	A-IFRS $'000
Current assets						
Cash and cash equivalents	22,414	4,199	26,613	11,507	4,199	15,706
Trade and other receivables	493,010	(277,759)	215,251	441,647	(228,130)	213,517
Other financial assets	-	200,461	200,461	-	150,505	150,505
Inventories	6,643	-	6,643	6,643	-	6,643
Current tax assets	74,439	-	74,439	74,439	-	74,439
Other	401	-	401	378	-	378
Total current assets	596,907	(73,099)	523,808	534,614	(73,426)	461,188
Non-current assets						
Trade and other receivables	151,081	(116,718)	34,363	102,487	(68,124)	34,363
Other financial assets	201,262	115,641	316,903	200,835	68,124	268,959
Property, plant and equipment	9,897	-	9,897	8,665	-	8,665
Agriculture assets	-	1,077	1,077	-	-	-
Deferred tax assets	32,391	(22,373)	10,018	32,391	(22,652)	9,739
Total non-current assets	394,631	(22,373)	372,258	344,378	(22,652)	321,726
Total assets	991,538	(95,472)	896,066	878,992	(96,078)	782,914
Current liabilities						
Trade and other payables	117,122	127,926	245,048	116,954	127,895	244,849
Borrowings	331,291	(13,360)	317,931	186,532	(13,360)	173,172
Provisions	41,263	-	41,263	40,831	-	40,831
Other	215	-	215	187	-	187
Total current liabilities	489,891	114,566	604,457	344,504	114,535	459,039
Non-current liabilities						
Trade and other payables	34,364	-	34,364	34,364	-	34,364
Borrowings	60,590	-	60,590	99,082	-	99,082
Deferred tax liabilities	210,810	(208,864)	1,946	210,810	(209,439)	1,371
Provisions	822	-	822	779	-	779
Other	1,594	-	1,594	1,594	-	1,594
Total non-current liabilities	308,180	(208,864)	99,316	346,629	(209,439)	137,190
Total liabilities	798,071	(94,298)	703,773	691,133	(94,904)	596,229
Net assets	193,467	(1,174)	192,293	187,859	(1,174)	186,685
Equity						
Issued capital	20,000	-	20,000	20,000	-	20,000
Reserves	84,939	11,613	96,552	84,939	11,613	96,552
Retained earnings	88,528	(12,787)	75,741	82,920	(12,787)	70,133
Total equity	193,467	(1,174)	192,293	187,859	(1,174)	186,685

* Reported financial position for the financial year ended 31 March 2005.

40. Impacts of adoption of Australian equivalents of International Financial Reporting Standards (cont.)

Effect of A-IFRS on the cash flow statement for the financial year ended 31 March 2005

There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under superceded policies.

Cash and cash equivalents

Under superseded policies short term deposits with banks were included in current receivables. Under A-IFRS cash and cash equivalents includes investments in money market instruments. Accordingly, the short term deposits have been reclassified into cash and cash equivalents.

Receivables and payables

Following adoption of A-IFRS, the company reviewed the classification of certain assets and liabilities and as a result a number of these balances were reclassified between 'receivables' and 'other financial assets', and between 'payables' and 'borrowings'.

Asset revaluation reserve and retained earnings

Under superceded policies the company and consolidated entity offset decrements against increments in the asset revaluation reserve when revaluing a class of assets. Under A-IFRS decrements/impairment losses on individual assets are required to be recognised in the profit an loss. Accordingly, on adoption of A-IFRS decrements amounting to $11,613,000 recorded in the asset revaluation reserve in 1998 have been reclassified to retained earnings.

Income tax

Under superceded policies, the consolidated entity adopted tax-effect accounting principles whereby income tax expense was calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items were included or allowed for income tax purposes in a period different to that for accounting were recognised at current taxation rates as deferred tax assets and deferred tax liabilities, as applicable.

Under A-IFRS, deferred tax is determined using the balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases. Adoption of AASB 112 'Income taxes' has resulted in the consolidated and company entities recognising an additional deferred tax liability in respect of an investment. The impact of this has been to decrease retained earnings by $1,174,000 (2004: $1,181,000).

Also, under superseded policies, Mitsui & Co (Australia) Ltd, as head entity of a tax consolidation group, included all current and deferred tax balances of the tax consolidation group in its balance sheet with a corresponding inter-company debtor/creditor with each group company. However, following the adoption of A-IFRS, the tax consolidation rules were updated. As a result, deferred tax balances were transferred back into the respective tax consolidated entities, and only current tax balances are now reflected in the head entity.

41. Additional Company Information

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

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