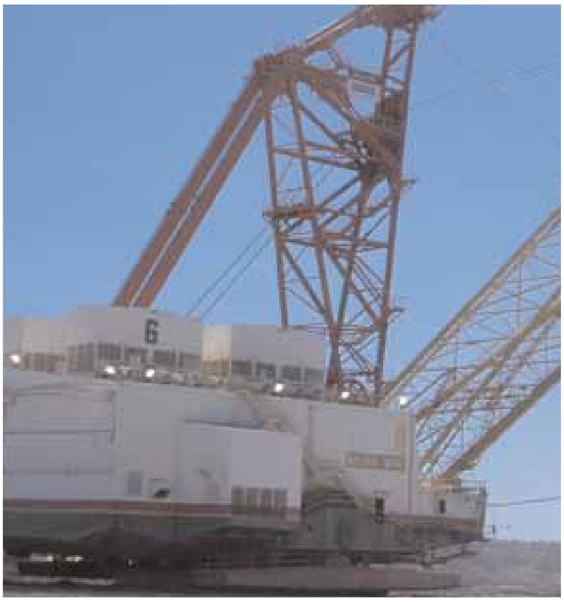
MITSUI ANNUAL REPORT 2007



creating global partnerships

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

Financial Report for the Financial Year Ended 31 March 2007

The following report has been printed on recycled paper

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Annual Financial Report
for the Financial Year Ended 31 March 2007

Message from the Chairman and Managing Director

The financial year ending 31 March 2007 saw continued strong growth in the Asian economies led by China and India, as well as a continuation of the steady recovery in the Japanese economy. The current economic climate continues to create a strong demand for minerals and energy resources. While coal prices slightly declined during the year, price increases in iron ore, oil, and gas were recorded over the previous financial year. The increased production and sale of minerals and energy resources as well as higher prices for these commodities continue to underpin the profits of our associated companies.

This financial year we achieved a consolidated after tax profit of $159.97 million. Although a decline on the previous year's figure of $329.76 million, this difference was due to the previous year's profit being inflated by a one off inclusion of $163.86 million in pre-April 1 2005 profits from associated companies, as a result of adopting equity accounting in respect of certain investee companies. Taking into account the underlying $148.81 million share of profits from associated companies for this financial year, the result is generally consistent with the strong results recorded the previous year.

While the expansion of Asian economies may include certain corrective adjustments, the underlying trend of economic growth is expected to continue in the years to come. It is expected that future increases in demand from Asia will not only be limited to minerals and energy resources, but will also apply to a wide range of areas including food ingredients, materials for papermaking and salt for industrial and food use. Mitsui is addressing this demand for materials and products, and is further expanding business between Australia and Asia in these areas. As of April 1, 2007, Mitsui & Co (Australia) Ltd integrated with the newly established Mitsui Asia Pacific Business Unit, headquartered in Singapore. Given Australia's abundant natural resources, and continuing growth in demand from Asia, we believe this initiative will allow us a wider scope to pursue business opportunities within the region.

We have engaged in business operations in Australia with a strong sense of Mitsui's Mission, Vision & Values (MVV). 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. More than 40 years on we are proud to be an active participant in these joint ventures today. Being mindful of corporate social responsibility, we strive to achieve "Good Work," while remaining conscious of how our company can benefit society.

YASUHIDE FUKATSU
CHAIRMAN AND MANAGING DIRECTOR

July 2007

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/2007/03/23/1_csr2006e.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. Mitsui is also placing increasing emphasis on water recycling and management, recognising the vital importance of water conservation.

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 271 students have benefited from this unique experience.
- Opera Australia – Our 27th 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 the "Beyond Fibres Exhibition" held in collaboration with the National Museum of Emerging Science and Innovation, Japan (Miraikan) and the University of Western Australia.

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 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 maximises 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.

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 2007. 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 6 of the 6 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 1 of the 1 directors' meetings held whilst he was a director.

Mr S Hashimoto

Director since 19 May 2005 until his resignation on 15 June 2007. Joined Mitsui Group in 1977. Most recently 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 5 of the 6 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 4 of the 4 directors' meetings held whilst he was a director.

Mr A Yamamoto

Director since 26 April 2007. Joined Mitsui Group in 1974. Currently Chief Operating Officer, Mitsui & Co., Ltd, Head Office, Japan and President, Mitsui & Co. (Thailand) Ltd. Previously Operating Officer of Plastics and Inorganic Chemicals Business Unit, Mitsui & Co., Ltd, Head Office, Japan. Graduated from Kyoto University, Japan, majoring in Economics. During the financial year he attended none of the 6 directors' meetings held, as he was not appointed as a director until after the year-end.

Mr T Maeda

Director since 26 April 2007. Joined Mitsui Group in 1977. Currently Chief Administrative Officer, Mitsui & Co. (Asia Pacific) Pte. Ltd. Previously General Manager, Planning and Administrative Division, Asia Business Unit, Mitsui & Co., Ltd, Head Office, Japan. Graduated from Tokyo University, Japan, majoring in Law. During the financial year he attended none of the 6 directors' meetings held, as he was not appointed as a director until after the year-end.

Mr M Nagata

Director since 26 April 2007. Joined Mitsui Group in 1979. Currently Chief Compliance Officer of Mitsui Asian Pacific Business Unit and General Manager of Legal Division, Mitsui & Co. (Asia Pacific) Pte. Ltd. Previously General Manager, First Legal Department, Legal Division, Mitsui & Co., Ltd, Head Office, Japan. Graduated from Tokyo University, Japan, majoring in Law. During the financial year he attended none of the 6 directors' meetings held, as he was not appointed as a director until after the year-end.

Mr T Nakada

Director since 15 June 2007. Joined Mitsui Group in 1977. Currently Deputy Managing Director, Mitsui & Co. (Australia) Ltd and General Manager of Melbourne Office, Mitsui & Co. (Australia) Ltd. Previously General Manager, Stainless Raw Materials & New Metals Division, Mineral & Metal Resources Business Unit, Mitsui & Co., Ltd, Head Office, Japan. Graduated from Hitotsubashi University, Japan, majoring in Law. During the financial year he attended none of the 6 directors' meetings held, as he was not appointed as a director until after the year-end.

Principal Activities of the Consolidated Entity

The consolidated entity's principal activities in the course of the financial year were exporting, importing, investing in resource entities, 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 financial year ended 31 March 2006, as detailed in the directors' report for that financial year, an interim dividend amounting to $15,000,000 fully franked at 30% paid on 30 June 2006.

In respect of the financial year ended 31 March 2007, the directors approved an interim dividend amounting to $30,000,000 fully franked at 30% with $15,000,000 paid on 31 March 2007 and $15,000,000 to be paid on 30 June 2007.

Results

A summary of consolidated results is set out below:

	2007	2006
	$'000	**$'000**
Trading Transactions	4,039,341	4,262,264
Total Revenue	1,292,259	1,373,586
Profit from ordinary activities before income tax expense	164,162	334,287
Income tax expense relating to ordinary activities	(4,188)	(4,526)
Net profit attributable to members of the parent entity	159,974	329,761

Review of Operations

Despite a 7.9% reduction in sales revenue, the consolidated entity achieved a reduction in gross profit of only 3.3% compared to the previous year through emphasis on trading in more profitable commodities and reducing trade in less profitable commodities.

Overall, net profit declined significantly as a result of the previous year being the first year of adoption of equity accounting. In the prior year, 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 the prior year result a share of profits of associates amounting to $320,267,000 comprising $156,403,000 in respect of the year ended 31 March 2006 and $163,864,000 catch-up in respect of pre–1 April 2005 profits of associates. In the current year the consolidated entity results included its share of only one year's profits of associates amounting to $148,810,000, which was slightly down on its share of profits in respect of the year ended 31 March 2006 excluding the catch-up.

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, 18 July 2007

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

18 July 2007

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 2007, 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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Dreyer

M Dreyer
Partner
Chartered Accountants

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 2007 as set out on pages 9 to 35. 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 2007 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

Dreyer

M Dreyer
Partner
Chartered Accountants

Sydney, 18 July 2007

Directors’ Declaration

Deloitte.

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, 18 July 2007

Income Statement

for the Financial Year Ended 31 March 2007

	NOTE	CONSOLIDATED		COMPANY	
		2007 $'000	2006 $'000	2007 $'000	2006 $'000
Trading transactions	2	4,039,341	4,262,264	4,038,177	4,262,242
Sales revenue	3(a)	1,234,419	1,340,834	1,233,195	1,340,812
Cost of goods and services sold		(1,202,530)	(1,307,862)	(1,201,372)	(1,307,880)
Gross profit		31,889	32,972	31,823	32,932
Dividend income	3(a)	1,677	263	49,311	69,534
Other revenue	3(a)	56,163	32,489	32,231	23,490
Share of profits of associates accounted for using the equity method					
- current year profits	10	148,810	156,403	-	-
- prior year profits	10	-	163,864	-	-
Selling, general and administrative expenses		(30,660)	(28,726)	(30,267)	(27,940)
Borrowing costs	3(b)	(42,573)	(24,157)	(21,509)	(17,855)
Other net (expenses)/income	3(b)	(1,144)	1,179	(1,573)	1,094
Profit before income tax expense		164,162	334,287	60,016	81,255
Income tax expense	4	(4,188)	(4,526)	(3,061)	(3,580)
Profit attributable to members of the parent entity		159,974	329,761	56,955	77,675

Notes to the financial statements are included on pages 14 to 35

Balance Sheet

as at 31 March 2007

	NOTE	CONSOLIDATED		COMPANY	
		2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Current assets					
Cash and cash equivalents		24,437	11,680	2,325	10,354
Trade and other receivables	6	465,872	366,008	458,111	365,697
Other financial assets	7	673,976	294,351	546,798	269,913
Inventories	8	9,015	14,683	9,015	14,683
Other	9	284	318	208	306
Total current assets		1,173,584	687,040	1,016,457	660,953
Non-current assets					
Investments accounted for using the equity method	10	466,669	350,798	-	-
Other financial assets	11	295,360	132,509	328,829	245,885
Property, plant and equipment	12	9,031	10,043	7,840	8,823
Agriculture assets	13	1,233	1,219	-	-
Deferred tax assets	14	28,990	11,617	28,988	9,198
Total non-current assets		801,283	506,186	365,657	263,906
Total assets		1,974,867	1,193,226	1,382,114	924,859
Current liabilities					
Trade and other payables	15	116,896	143,287	120,995	143,412
Borrowings	16	764,490	384,037	365,461	313,358
Other financial liabilities	17	55,505	3,270	55,505	2,506
Current tax payable	18	303,310	142,855	303,310	142,855
Provisions	19	15,952	15,834	15,952	15,820
Other	20	335	245	280	245
Total current liabilities		1,256,488	689,528	861,503	618,196
Non-current liabilities					
Borrowings	21	110,361	65,012	191,661	31,938
Other financial liabilities	22	34,558	29,678	34,558	25,343
Deferred tax liabilities	23	34,435	12,303	29,200	10,128
Provisions	24	709	650	709	579
Other	25	1,171	1,420	1,171	1,420
Total non-current liabilities		181,234	109,063	257,299	69,408
Total liabilities		1,437,722	798,591	1,118,802	687,604
Net assets		537,145	394,635	263,312	237,255
Equity					
Issued capital	26	20,000	20,000	20,000	20,000
Reserves	27	10,804	(1,732)	97,684	98,582
Retained earnings	28	506,341	376,367	145,628	118,673
Total equity		537,145	394,635	263,312	237,255

Notes to the financial statements are included on pages 14 to 35

Statement of Recognised Income and Expense

for the Financial Year Ended 31 March 2007

	NOTE	CONSOLIDATED		COMPANY	
		2007 $'000	2006 $'000	2007 $'000	2006 $'000
Available-for-sale investments:	27				
Valuation gain taken to equity		209	592	209	592
Deferred tax arising on revaluation gain		(59)	(151)	(59)	(151)
Share of associates valuation gain taken to equity					
- current year gain		(532)	667	-	-
- prior year gain		-	91	-	-
Cash flow hedges:	27				
Profit/(loss) taken to equity					
- Interest rate swaps		2,540	(952)	-	-
- Forward exchange contracts		(1,677)	(179)	(1,677)	(179)
Transferred to profit and loss:					
- Interest rate swaps		(41)	(105)	-	-
- Forward exchange contracts		125	(177)	126	(177)
Deferred tax on hedges		(112)	246	503	53
Share of increments/(decrements) in hedging reserves attributable to associates					
- current year increments/(decrements)		12,083	(6,520)	-	-
- prior year increments		-	2,448	-	-
Net income/(expense) recognised directly in equity		12,536	(4,040)	(898)	138
Profit for the period		159,974	329,761	56,955	77,675
Total recognised income and expense for the period		172,510	325,721	56,057	77,813

Notes to the financial statements are included on pages 14 to 35

Cash Flow Statement

for the Financial Year Ended 31 March 2007

	NOTE	CONSOLIDATED		COMPANY	
		2007 $'000	2006 $'000	2007 $'000	2006 $'000
Cash flows from operating activities					
Receipts from customers		1,278,033	1,351,464	1,274,077	1,352,397
Payments to suppliers and employees		(1,231,477)	(1,363,891)	(1,230,201)	(1,362,329)
Dividends received		63,451	54,894	63,651	55,194
Interest received		37,828	27,965	21,845	18,157
Interest paid		(42,423)	(25,690)	(21,019)	(19,388)
Net income tax paid		(3,482)	(2,068)	(1,473)	(1,126)
Net cash provided by operating activities	34(a)	101,930	42,674	106,880	42,905
Cash flows from investing activities					
Net current loans receivable (advanced)/repaid		(326,130)	(91,445)	(225,461)	(116,963)
Net non-current loans receivable (advanced)/repaid		(154,618)	20,066	(67,056)	52,347
Payment for investments		(13,297)	(238)	(13,297)	(238)
Proceeds from sale of investments		9,325	-	9,325	-
Payments for agriculture assets		(33)	(73)	-	-
Payment for property, plant and equipment		(252)	(1,450)	(249)	(1,450)
Proceeds from sale of property, plant and equipment		30	5	3	5
Net cash (used in) investing activities		(484,975)	(73,135)	(296,735)	(66,299)
Cash flows from financing activities					
Net proceeds from short term borrowings		379,603	66,106	51,253	140,186
Net proceeds from/(net repayment of) long term borrowings		45,349	4,422	159,723	(67,144)
Dividends paid		(30,000)	(55,000)	(30,000)	(55,000)
Net cash provided by financing activities		394,952	15,528	180,976	18,042
Net increase/(decrease) in cash and cash equivalents		11,907	(14,933)	(8,879)	(5,352)
Cash and cash equivalents at the beginning of the financial year		11,680	26,613	10,354	15,706
Cash and cash equivalents at the end of the financial year	34(b)	23,587	11,680	1,475	10,354

Notes to the financial statements are included on pages 14 to 35

Notes to the Financial Statements

for the Financial Year Ended 31 March 2007

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').

The financial statements were authorised for issue by the directors on 18 July 2007.

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.

Adoption of new and revised accounting Standards

In the current year, the group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 April 2006.

The directors consider there has been no material impact on the group on adoption of these revised Standards and Interpretations.

At the date of authorisation of the financial report, the following Standard was issued but not yet effective:

- AASB 101 "Presentation of Financial Statements" – revised Standard – Effective for annual reporting periods beginning on or after 1 January 2007.

The directors anticipate that the adoption of this Standard in future periods will have no material financial impact on the financial statements of the group.

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 36 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.

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.

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.

Notes continued

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.

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.

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.

3. Profit from operations

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

	CONSOLIDATED		COMPANY	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
(a) Revenue				
Sales revenue:				
Sale of goods	1,196,483	1,308,355	1,195,259	1,308,333
Rendering of services	37,936	32,479	37,936	32,479
	1,234,419	1,340,834	1,233,195	1,340,812
Dividends:				
Controlled entities	-	-	200	300
Associated entities	-	-	47,434	68,971
Other related parties	1,533	-	1,533	-
Other parties	144	263	144	263
	1,677	263	49,311	69,534
Other revenue				
Profit on the disposal of:				
Investments	2,351	-	3,241	-
Precious metals business release fee	1,927	1,971	1,927	1,971
Foreign exchange gain	464	-	366	-
Interest revenue:				
Ultimate parent entity	768	1,067	768	1,067
Controlled entity	-	-	10,670	7,892
Related bodies corporate:				
Wholly-owned group	38,094	16,021	7,052	2,106
Other parties	8,043	8,486	3,750	5,465

	CONSOLIDATED		COMPANY	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
3. Profit from operations (cont)				
Other revenue (cont)				
Management fees:				
Ultimate parent entity	1,103	1,065	1,103	1,065
Controlled entities	-	-	400	475
Related bodies corporate:				
Wholly-owned group	2,708	1,751	2,670	1,676
Other parties	359	381	115	283
Change in fair value of financial assets classified as fair value through profit and loss	-	704	-	704
Distributions from liquidation of investments	17	420	17	420
Net increment/(decrement) in net market value of agriculture assets	20	69	-	-
Other income	309	554	152	366
	56,163	32,489	32,231	23,490
	1,292,259	1,373,586	1,314,737	1,433,836
(b) Expenses				
Interest:				
Ultimate parent entity	118	257	118	257
Controlled entities	-	-	16,792	11,042
Related bodies corporate:				
Wholly-owned group	27,279	10,329	1,353	2,513
Other related parties	1,388	2,093	-	-
Other parties	13,788	11,478	3,246	4,043
Management fees:				
Controlled entities	-	-	53	214
Other related parties	319	-	302	-
Other	68	50	18	-
Operating lease rental expense	3,095	3,242	3,088	3,235
Net transfers (from)/to provisions:				
Employee entitlements	177	(224)	262	(211)
Doubtful debts	-	(1,718)	-	(1,718)
Depreciation of property, plant and equipment	1,224	1,172	1,215	1,160
Loss on disposal of property, plant and equipment	10	127	14	127
Change in fair value of investment classified as fair value through profit and loss	-	30	-	30
Diminution in value of investments -associated entity	236	-	750	-
Loss on disposal of investment	426	-	426	-
Foreign exchange loss	-	330	-	240

	CONSOLIDATED		COMPANY	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000

4. Income tax

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

	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Profit from operations	164,162	334,287	60,016	81,255
Income tax expense calculated at 30%	49,249	100,286	18,005	24,376
Non-assessable dividends	-	-	(14,243)	(20,860)
Share of profits of associates accounted for using the equity method	(44,643)	(96,081)	-	-
Non deductible entertainment and other items	129	146	129	124
Non deductible investment provision	71	-	225	-
Fair value (increase) of investments through profit or loss	-	(211)	-	(211)
Capital loss utilised	(845)	-	(845)	-
Other	(123)	(29)	(582)	(264)
Under provision of income tax in prior year	350	415	372	415
Income tax expense attributable to profit from ordinary activities	4,188	4,526	3,061	3,580

5. Remuneration of auditors

	$	$	$	$
Auditor of the parent entity				
Audit of the financial report	390,658	298,680	352,255	265,500
Other audit services	51,500	55,420	51,500	55,420
Taxation services	233,440	319,360	218,820	304,060
	675,598	673,460	622,575	624,980

6. Trade and other receivables

	$'000	$'000	$'000	$'000
At amortised cost				
Trade receivables	150,980	163,152	150,983	163,154
Other receivables	314,892	202,856	307,128	202,543
	465,872	366,008	458,111	365,697

	CONSOLIDATED		COMPANY	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
7. Current other financial assets				
At amortised cost				
Loans to:				
Controlled entities	-	-	305,297	139,678
Allowance for doubtful debts	-	-	(1,056)	(1,056)
	-	-	304,241	138,622
Related bodies corporate:				
Wholly owned group	574,278	230,636	144,930	106,427
Other parties	43,745	61,219	43,745	22,368
Directors	13	51	13	51
	618,036	291,906	492,929	267,468
At fair value				
Foreign currency forward contracts	129	378	109	378
Interest rate swaps	55,811	2,067	53,760	2,067
	673,976	294,351	546,798	269,913
8. Current inventories				
Finished goods on hand and in transit: At cost	9,015	14,683	9,015	14,683
9. Other current assets				
Prepayments	284	318	208	306

	CONSOLIDATED		COMPANY	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000

10. Investments accounted for using the equity method

	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Investments in associates	466,669	350,798	-	-

NAME OF ENTITY	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST 2007 %	OWNERSHIP INTEREST 2006 %
Mitsui Coal Holdings Pty Limited	Coal	30.0	30.0
Green Triangle Woodchip Export Pty Ltd	Woodchip export	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 Commodities (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
Shark Bay Salt Pty Ltd	Salt	10.0	10.0
Mitsui Power Investment Pty Ltd	Power generation	10.0	10.0
Salt Asia Holdings Pty Ltd	Salt	9.4	-
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

10. Investments accounted for using the equity method (cont'd)

	CONSOLIDATED		COMPANY	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Summarised financial information of associates:				
Current assets	2,322,549	6,499,631	-	-
Non-current assets	3,533,389	2,863,582	-	-
	5,855,938	9,363,213	-	-
Current liabilities	(1,878,553)	(6,208,546)	-	-
Non-current liabilities	(1,109,517)	(836,576)	-	-
	(2,988,070)	(7,045,122)	-	-
Net assets	2,867,868	2,318,091	-	-
Revenue	4,280,544	3,874,382	-	-
Net profit	992,658	1,002,064	-	-
Share of associates' profit or loss				
Current year:				
Share of profit/(loss) before income tax	202,339	211,491	-	-
Income tax expense	(53,529)	(55,088)	-	-
	148,810	156,403	-	-
Prior years:				
Share of associates' profit/(loss)	-	163,864	-	-
Total share of associates' profit/(loss)	148,810	320,267	-	-

Dividends from associates

During the current year the consolidated entity received dividends from associates amounting to $47,434,000 (2006: $68,971,000).

11. Non-current other financial assets

	CONSOLIDATED		COMPANY	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Shares in controlled entities:				
At cost	-	-	950	950
Provision for diminution in value	-	-	(300)	(300)
	-	-	650	650
At fair value:				
Available-for-sale shares				
Investments in associates (at cost)	-	-	201,256	197,936
Other	8,828	5,475	8,828	5,475
	8,828	5,475	210,734	204,061
Other shares[i]	704	704	704	704
Currency and interest rate swaps	34,558	29,678	34,558	25,343
At amortised cost:				
Long term loans to:				
Controlled entities	-	-	72,067	2,067
Related bodies corporate:				
Wholly owned group	250,864	95,891	10,360	12,949
Other parties	395	756	395	756
Directors	11	5	11	5
	295,360	132,509	328,829	245,885

[i] Designated as a financial asset at fair value through profit and loss from 1 April 2005.

12. 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 2006	2,598	8,120	1,837	1,664	1,915	16,134
Additions	-	142	70	40	-	252
Disposals	(18)	-	(110)	(456)	(15)	(599)
Balance at 31 March 2007	2,580	8,262	1,797	1,248	1,900	15,787
Accumulated depreciation						
Balance at 31 March 2006	-	3,273	1,246	1,307	265	6,091
Depreciation expense	-	703	98	194	229	1,224
Disposals	-	-	(107)	(450)	(2)	(559)
Balance at 31 March 2007	-	3,976	1,237	1,051	492	6,756
Net book value						
As at 31 March 2006	2,598	4,847	591	357	1,650	10,043
As at 31 March 2007	2,580	4,286	560	197	1,408	9,031

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 2006	1,420	8,120	1,837	1,604	1,915	14,896
Additions	-	142	70	37	-	249
Disposals	-	-	(110)	(451)	(15)	(576)
Balance at 31 March 2007	1,420	8,262	1,797	1,190	1,900	14,569
Accumulated depreciation						
Balance at 31 March 2006	-	3,273	1,246	1,289	265	6,073
Depreciation expense	-	703	98	185	229	1,215
Disposals	-	-	(107)	(450)	(2)	(559)
Balance at 31 March 2007	-	3,976	1,237	1,024	492	6,729
Net book value						
As at 31 March 2006	1,420	4,847	591	315	1,650	8,823
As at 31 March 2007	1,420	4,286	560	166	1,408	7,840

	CONSOLIDATED		COMPANY	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
13. Agriculture assets				
Forestry assets, at market value	1,233	1,219	-	-
14. Deferred tax assets				
Deferred tax asset attributable to:				
Temporary differences	28,990	11,617	28,988	9,198
15. Current trade and other payables				
Trade creditors - unsecured	105,719	92,263	105,862	92,281
Other creditors	11,177	51,024	15,133	51,131
	116,896	143,287	120,995	143,412
16. Current borrowings				
At amortised cost				
Unsecured:				
Bank overdraft	850	-	850	-
Short term borrowings:				
Controlled entities	-	-	219,772	247,181
Related bodies corporate:				
Wholly-owned group	332,008	230,369	34,839	16,386
Other related parties	14,237	38,485	-	-
Other parties	417,395	115,183	110,000	49,791
	764,490	384,037	365,461	313,358
17. Other current financial liabilities				
At fair value				
Foreign currency forward contracts	1,745	562	1,745	439
Interest rate swaps	53,760	2,708	53,760	2,067
	55,505	3,270	55,505	2,506
18. Current tax payable				
Income tax payable	303,310	142,855	303,310	142,855
19. Current provisions				
Dividends (refer note 29)	15,000	15,000	15,000	15,000
Employee entitlements	952	834	952	820
	15,952	15,834	15,952	15,820

	CONSOLIDATED		COMPANY	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
20. Other current liabilities				
Lease incentives (refer note 32(a))	240	228	240	228
Deferred revenue - other	95	17	40	17
	335	245	280	245
21. Non-current borrowings				
At amortised cost				
Unsecured:				
Long term borrowings from:				
Ultimate parent entity	10,361	12,952	10,361	12,952
Controlled entities	-	-	81,300	18,986
Related bodies corporate:				
Wholly-owned group	-	52,060	-	-
Other parties	100,000	-	100,000	-
	110,361	65,012	191,661	31,938
22. Other non-current financial liabilities				
At fair value				
Interest rate swaps	34,558	29,678	34,558	25,343
23. Deferred tax liabilities				
Deferred income tax attributable to temporary differences	34,435	12,303	29,200	10,128
24. Non-current provisions				
Employee entitlements	709	650	709	579
25. Other non-current liabilities				
Lease incentives (refer note 32(a))	1,171	1,420	1,171	1,420
26. Issued capital				
10,000,000 ordinary shares fully paid (2006: 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.

	CONSOLIDATED		COMPANY	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000

27. Reserves

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
Asset revaluation	-	-	96,552	96,552
Available-for-sale	2,532	2,914	2,306	2,156
Hedging	8,272	(4,646)	(1,174)	(126)
	10,804	(1,732)	97,684	98,582
Asset revaluation reserve				
Balance at beginning of financial year	-	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
Available-for-sale reserve				
Balance at beginning of financial year	2,914	1,715	2,156	1,715
Valuation gain recognised	209	592	209	592
Deferred tax arising on revaluation	(59)	(151)	(59)	(151)
Share of associates (decrease)/increase in available-for-sale revaluation reserve				
- current year	(532)	667	-	-
- prior years	-	91	-	-
Balance at end of financial year	2,532	2,914	2,306	2,156
Hedging reserve				
Balance at beginning of financial year	(4,646)	593	(126)	177
Profit/(loss) recognised on:				
- Interest rate swaps	2,540	(952)	-	-
- Forward exchange contracts	(1,677)	(179)	(1,677)	(179)
Transferred to profit or loss				
- Interest rate swaps	(41)	(105)	-	-
- Forward exchange contracts	125	(177)	126	(177)
Deferred tax on hedges	(112)	246	503	53
Share of associates increase/(decrease) in hedging reserve				
- current year	12,083	(6,520)	-	-
- prior years	-	2,448	-	-
Balance at end of financial year	8,272	(4,646)	(1,174)	(126)

	CONSOLIDATED		COMPANY	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
28. Retained earnings				
Balance at beginning of financial year	376,367	76,606	118,673	70,998
Net profit attributable to members of the parent entity	159,974	329,761	56,955	77,675
Dividends paid or provided for	(30,000)	(30,000)	(30,000)	(30,000)
Balance at end of financial year	506,341	376,367	145,628	118,673
29. Dividends				
Interim dividends paid, fully franked at 30%	30,000	30,000	30,000	30,000

30. Joint venture operations

NAME OF ENTITY	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST 2007 %	OWNERSHIP INTEREST 2006 %
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

30. Joint venture operations (cont)

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	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Current Assets				
Cash and cash equivalents	47	47	-	-
Trade and other receivables	8	2	-	-
Other	76	5	-	-
Non-Current Assets				
Property, plant and equipment	1,161	1,180	-	-
Agriculture assets	1,233	1,219	-	-
Other	1	1	-	-
Current Liabilities				
Trade and other payables	(55)	(5)	-	-
Unearned revenue	(9)	(13)	-	-
Net Assets	2,462	2,436	-	-
Share of joint venture operating (loss)/profit	(142)	39	-	-

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

Non-cancellable operating lease commitments arising from the consolidated entity's interest in joint venture operations, amounting to $1,208,513 (2006: $1,229,724) are included in Note 32.

31. 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	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**

32. Expenditure commitments

(a) Lease commitments

	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Non cancellable operating leases relating to office premises, office equipment, land and motor vehicles:				
Not longer than one year	2,724	2,854	2,663	2,795
Longer than one year but not longer than five years	7,188	7,691	6,946	7,457
Longer than five years	5,097	5,657	4,191	4,720
	15,009	16,202	13,800	14,972
In respect of non-cancellable operating leases, the following liabilities have been recognised:				
Current:				
Lease incentives (refer note 20)	240	228	240	228
Non-current:				
Lease incentives (refer note 25)	1,171	1,420	1,171	1,420
	1,411	1,648	1,411	1,648

(b) Commodity purchase commitments

	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Aggregate purchase commitments contracted for at balance date but not provided for in the financial statements:				
Not longer than one year	51,099	92,728	51,099	92,728

33. Contingent liabilities

Contingent liabilities at the end of the financial year are:

	2007 $'000	2006 $'000	2007 $'000	2006 $'000
(a) Guarantees given in respect of borrowings by controlled entities	-	-	490,701	111,505
(b) The company has given performance guarantees in respect of various contracts to other corporations	2,994	3,676	2,994	3,676

	CONSOLIDATED		COMPANY	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000

34. Notes to cash flow statement

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

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
Profit for the year	159,974	329,761	56,955	77,675
Add/(less):				
Loss on disposal of property, plant & equipment	10	127	14	127
Profit on disposal of investment	(2,351)	-	(3,241)	-
Depreciation	1,224	1,172	1,215	1,160
Amortisation of lease liability	(237)	54	(237)	54
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	236	-	750	-
Share of associates profits (less dividends)	(101,376)	(251,296)	-	-
Net (increment) in market value of agriculture assets	(20)	(69)	-	-
Agricultural assets transferred to profit and loss	39	-	-	-
(Increase)/decrease in deferred tax asset	(17,373)	(1,599)	(19,790)	541
Increase/(decrease) in current tax payable	160,455	142,855	160,455	142,855
Decrease in current tax assets	-	74,439	-	74,439
Increase in deferred tax liability	22,072	9,098	19,012	8,737
Changes in assets and liabilities				
(Increase)/decrease in assets:				
Trade and other receivables	(99,864)	(114,589)	(92,414)	(116,012)
Other financial assets	(57,540)	(32,867)	(60,639)	(27,891)
Inventories	5,668	(8,040)	5,668	(8,040)
Other	34	83	98	72
Increase/(decrease) in liabilities:				
Trade and other payables	(26,391)	(136,125)	(22,417)	(135,801)
Other financial liabilities	57,115	32,948	61,166	27,849
Other provisions	177	(2,406)	262	(2,016)
Other	78	(198)	23	(170)
Net cash provided by operating activities	101,930	42,674	106,880	42,905

	CONSOLIDATED		COMPANY	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000

34. Notes to cash flow statement (cont)

(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:

	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Cash and cash equivalents	24,437	11,680	2,325	10,354
Bank overdraft	(850)	-	(850)	-
	23,587	11,680	1,475	10,354

35. Parent entity

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

36. Details of controlled entities

	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2007 %	OWNERSHIP INTEREST 2006 %
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 (in liquidation)	Australia	100	100

37. Additional Company Information

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

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ACN 004 349 795