MITSUI & CO. (AUSTRALIA) LTD FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

MITSUI & CO.

ACN 004 349 795

Corporate Mission, Vision and Values

Over a period of many years, Mitsui has developed a set of values including challenge and innovation, freedom and open-mindedness, and nurturing human resources – all of which have helped shape the Mitsui of today. In August of 2004, these concepts were redefined as Mitsui's Mission, Vision and Values (MVV). We strive to retain a strong awareness of our MVV at all levels of the Company and ensure these values are reflected in the activities of every person in the organisation.

Mission

Strive to contribute to the creation of a future where the aspirations of the people can be fulfilled.

Vision

Aim to become a global business enabler that can meet the needs of our customers throughout the world.

Values

Build trust with fairness and humility.

Aspire to set high standards and to contribute to society.

Embrace the challenge of continuous innovation.

Foster a culture of open-mindedness.

Strive to develop others and oneself to achieve full potential.

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Message from the Chairman & Chief Executive Officer

The global economy was a tale of two halves over the past year. Growing briskly at the start of 2018, then over the second half of the year growth reduced, influenced by a slowdown in the Chinese economy and a marked decline in international trade.

In this operating environment, the consolidated entity delivered a solid financial performance for the financial year ended 31 March 2019 recording a pre-tax profit of $477 million, representing a 9.74% increase in pre-tax profits. This result is attributed to the consolidated entity's share of profits from associate entities, which increased by 8.50% from $424 million to $460 million owing to a strong performance from associated companies in the iron ore and coal industries.

Looking ahead while the world economy remains in good shape, it confronts a range of geopolitical and economic risks, primarily the threat of an escalation of US China trade tensions. For China, the trade pressures come atop a lowering of the GDP growth target,while a consumption tax increase will weigh on Japanese growth by late 2019.

Mitsui has developed and financed a world-class portfolio of Australian mining and energy assets and we continue to be a key investor in the sector, supporting its growth and creating wealth for the nation. This growth continues off the back of Asia's rising population, urbanisation and the increasing appetite for technology driving demand for Australia's resources.

Further strengthening the company's earnings, in June Mitsui committed to the development of the South Flank iron ore project through the Mt. Goldsworthy Joint Venture with BHP. Set to commence operation in 2021 the mine will replace production from the neighbouring Yandi operation. With low operational costs and significant high-grade ore reserves, South Flank delivers cost competitiveness and long-term supply.

In October, Mitsui announced its investment in the development of new iron ore deposits in the Robe Valley and West Angelas mines as part of the Robe River Joint Venture with Rio Tinto. With first ore anticipated in 2021, these new deposits will ensure current rates of production are sustained.

The world is in an energy transition. It requires a balance between advancing tomorrow's energy technologies and reducing our exposure to carbon-intensive energy sources. In December we announced the sale of our 10% interest in the Bengalla Joint Venture thermal coal mine in the NSW Hunter Valley.

We continue to find and invest in opportunities to bring innovative services to market that enhance the way people live and work. In January, Mitsui finalised an investment in Position Partners, a premier provider of positioning and machine control solutions for surveying, civil works, mining, engineering and building activities throughout Australia, New Zealand and South East Asia.

Australia is undergoing generational change, bringing challenges and real opportunities. By 2030, close to 30 million people will call Australia home. We are working in collaboration with our partners to build the infrastructure that will enhance the nation's liveability and productivity and support a more sustainable and resilient economy.

Responding to the evolving consumer expectations of a rapidly growing Asia-Pacific region provides new prospects for Australian agriculture. We are joining with our local partners and regional offices to capture these opportunities and position us for success.

We are conscious of the economic, social and environmental impacts our actions have on the society. It is by focusing on delivering long-term sustainable value for our stakeholders that we can make the greatest positive impact.

Inspired by Mitsui's vision to be a global business enabler that meets the needs of our customers we will continue to leverage our global operating platform, consumer-relevant innovations and asset portfolio to generate earnings growth. Through vital commercial, trade and people-to-people links we look to furthering our legacy of long-term value creation.

NOBORU KATSU
Chairman & Chief Executive Officer

29 July 2019

Directors' Report

The directors of Mitsui & Co. (Australia) Ltd., submit herewith the annual report of Mitsui & Co. (Australia) Ltd (the "company") and its subsidiaries (the "consolidated entity") for the financial year ended 31 March 2019. 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 N Katsu

Director since 1 April 2018. Joined Mitsui Group in 1981. Currently Chairman and CEO, Mitsui & Co. (Australia) Ltd. and Executive Managing Officer, Mitsui & Co. Ltd., Head Office Japan. Previously Executive Managing Officer, Chief Operating Officer of Iron & Steel Products Business Unit. Graduated from International Christian University, Japan, majoring in Economics.

Mr Y Takebe

Director since 1 April 2016. Joined Mitsui Group in 1983. Former Chairman and CEO, Mitsui & Co. (Australia) Ltd. and Executive Managing Officer, Mitsui & Co. Ltd. Previously Managing Officer, Mitsui & Co. Ltd. and President & CEO of PT Mitsui Indonesia. Graduated from Tohoku University, Japan, majoring in Law. Mr Takebe resigned from the company on 1 April 2018.

Ms W Holdenson

Director since 16 June 2014. Joined Mitsui & Co. (Australia) Ltd. in 2014. Currently Director & Chief Operating Officer, Mitsui & Co. (Australia) Ltd. Previously State Director Western Australia/ South Australia/Northern Territory, Austrade. Graduated from Sophia University, Japan, obtaining a Bachelor of Arts degree, and University of New South Wales, obtaining a Master of Commerce degree.

Mr K Asano

Director since 3 March 2017. Joined Mitsui Group in 1986. Currently Director & Senior Vice President, General Manager of Perth Office, Mitsui & Co. (Australia) Ltd. Previously General Manager, Life Essentials Division, Mitsui & Co. Ltd, Head Office Japan. Graduated from Keio University, majoring in Economics.

Mr N Ishizawa

Director since 19 October 2015. Joined Mitsui Group in 1992. Former Director & Chief Administrative Officer, Mitsui & Co. (Australia) Ltd. Previously Deputy General Manager Food Products & Services Business Unit, Osaka Office, Mitsui & Co., Ltd. Graduated from Waseda University, Japan, majoring in Commerce. Mr Ishizawa resigned from the company on 01 January 2019.

Mr N Imai

Director since 11 June 2014. Joined Mitsui Group in 1994. Former Director & CFO, General Manager, Financial Management Division, Mitsui & Co. (Australia) Ltd. Previously General Manager, Planning & Administration Division, Human Resources & General Affairs Division, Mitsui Bussan Financial Management, Ltd. Graduated from Hitotsubashi University, Japan, majoring in Economics. Mr Imai resigned from the company on 01 November 2018.

Ms A Ansell

Director since 29 June 2018. Joined Mitsui & Co. (Australia) Ltd. in 2006. Currently Director & General Manager, Human Resources, Mitsui & Co. (Australia) Ltd. Previously Senior Manager, Steel Division, Mitsui & Co. (Australia) Ltd. Graduated from British Columbia University of Technology, Canada, majoring in Marketing and International Trade.

Mr K Tawada

Director since 01 November 2018. Joined Mitsui Group in 2008. Currently Director & CFO, General Manager, Financial Management Division, Mitsui & Co. (Australia) Ltd. Previously Deputy General Manager, Financial Management Division, Mitsui & Co. (Australia) Ltd. Graduated from Hitotsubashi University, Japan, majoring in Law.

Mr T Hara

Director since 01 January 2019. Joined Mitsui Group in 1995. Currently Director & Chief Administrative Officer, Mitsui & Co. (Australia) Ltd. Previously General Manager of Food Grain & Oilseeds Dept.,Grain & Feed Div., Mitsui & Co., Ltd. Graduated from Waseda University, Japan, majoring in Political Science and Economics.

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

In respect of the financial year ended 31 March 2019, dividends amounting to $137,100,000 (2018: $391,490,000) fully franked at 30% corporate tax rate were paid on 27 April 2019.

Results

A summary of consolidated results is set out below:

	2019	2018
	$'000	$'000
Total Revenue	**364,125**	286,394
Profit before income tax benefit	**477,492**	435,107
Income tax (expense)/benefit	**(3,001)**	3,734
Net profit attributable to members of the parent entity	**474,491**	438,841

Review of Operations

In this operating environment the consolidated entity recorded a pre-tax profit of $477 million, representing a 9.74% increase in pre-tax profits compared to the previous year. The result was attributable to the consolidated entity's share of profits from associate entities, which increased by 8.5% from $424 million last year to $460 million this year, owing to stronger performance by associated entities in the coal and iron ore industries. The consolidated entity recorded a 30.05% increase in total revenue, while gross profit margins remained relatively stable compared to the previous year, owing to increase of trading businesses.

Changes in State of Affairs

During the financial year, there was no significant change in the state of affairs of the consolidated entity.

Subsequent Events

There has not been any matter or circumstance, 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.

Indemnification of Officers and Auditors

During or since the end of the financial year the company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the consolidated entity or of any related body corporate against a liability incurred as such by 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 annual report.

Rounding Off of Amounts

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 1 April 2016, and in accordance with that Class Order, amounts in this directors' report and in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

The directors' report is signed in accordance with a resolution of directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors

KIYOSHI TAWADA
Director

Melbourne, 29 July 2019

Independence declaration to the directors of Mitsui & Co. (Australia) Ltd.

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
Australia

Tel: +61 3 9671 7000
www.deloitte.com.au

29 July 2019

The Board of Directors
Mitsui & Co. (Australia) Ltd
Level 15, 120 Collins Street
Melbourne VIC 3000

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 2019, 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

SHINJI TSUTSUI
Partner
Chartered Accountants

Independent Auditor's Report to the members of Mitsui & Co. (Australia) Ltd

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
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We have audited the accompanying financial report of Mitsui & Co. (Australia) Ltd (the "Company") and its subsidiaries (the "Consolidated Entity"), which comprises the consolidated statement of financial position as at 31 March 2019, the consolidated statement of profit of loss and other comprehensive income, the consolidated statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Consolidated Entity is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Consolidated Entity's financial position as at 31 March 2019 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards - Reduced Disclosure Regime and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Consolidated Entity, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report and the Message from the Chairman & Chief Executive Officer for the year ended 31 March 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Consolidated Entity are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the Corporations Act 2001 and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Consolidated Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

SHINJI TSUTSUI
Partner
Chartered Accountants

Melbourne, 29 July 2019

Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Australian Accounting Standards – Reduced Disclosure Requirements, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 31 March 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

KIYOSHI TAWADA
Director

Melbourne, 29 July 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Financial Year Ended 31 March 2019

	Note	2019 $'000	2018 $'000
Revenue	2(a)	**237,483**	182,610
Cost of goods and services sold		**(230,073)**	(174,037)
Gross profit		**7,410**	8,573
Other revenue	2(a)	**126,642**	103,784
Share of profits of associates	8	**460,392**	424,305
Selling, general and administrative expenses		**(30,638)**	(30,857)
Borrowing costs	2(b)	**(86,311)**	(63,040)
Other expenses		**(3)**	(7,658)
Profit before income tax expense		**477,492**	435,107
Income tax (expense)/benefit	3	**(3,001)**	3,733
Profit attributable to members of the parent entity		**474,491**	438,841
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss:			
Fair value gain on available-for-sale non-current financial asset (net of tax)	19	**7,148**	22,225
Share of associates increase in asset revaluation reserve (net of tax)	19	**34,607**	30,879
Fair value (loss)/gain on cash flow hedges taken to equity (net of tax)	19	**(304)**	244
Share of associates increase in hedging reserve (net of tax)	19	**(11)**	(245)
Other comprehensive income for the year (net of tax)		**41,440**	53,103
Total comprehensive income for the year		**515,931**	491,944

Consolidated Statement of Financial Position
as at 31 March 2019

	Note	2019 $'000	2018 $'000
Current assets			
Cash and cash equivalents	26	**1,103,936**	2,032,670
Trade and other receivables	4	**164,736**	268,459
Other financial assets	5	**2,613,624**	1,753,818
Inventories	6	**6,195**	5,744
Prepayments	7	**310**	355
Total current assets		**3,888,801**	4,061,046
Non-current assets			
Investments accounted for using the equity method	8	**2,205,943**	2,133,750
Other financial assets	9	**691,431**	451,554
Property, plant and equipment	10	**19,929**	21,289
Deferred tax assets	3	**5,098**	4,382
Other		**513**	-
Total non-current assets		**2,922,914**	2,610,975
Total assets		**6,811,715**	6,672,021
Current liabilities			
Trade and other payables	11	**172,419**	73,230
Borrowings	12	**3,557,051**	3,683,799
Other financial liabilities	13	**4,143**	7,556
Provisions	14	**873**	831
Current tax payable	3	**53,128**	255,264
Total current liabilities		**3,787,614**	4,020,680
Non-current liabilities			
Other financial liabilities	15	**1,131**	1,479
Deferred tax liabilities	3	**22,257**	28,209
Provisions	16	**1,189**	955
Other	17	**-**	5
Total non-current liabilities		**24,577**	30,648
Total liabilities		**3,812,191**	4,051,328
Net assets		**2,999,524**	2,620,693
Equity			
Issued capital	18	**20,000**	20,000
Reserves	19	**59,916**	44,535
Retained earnings	20	**2,919,608**	2,556,158
Total equity		**2,999,524**	2,620,693

Consolidated Statement of Changes in Equity
for the Financial Year Ended 31 March 2019

	Issued capital $'000	Asset revaluation reserve $'000	Hedging reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 April 2017	20,000	(4,209)	(4,359)	2,508,807	2,520,239
Profit for the year	-	-	-	438,841	438,841
Other comprehensive income for the year (net of tax)	-	53,104	(1)	-	53,103
Total comprehensive income for the year	-	53,104	(1)	438,841	491,944
Payment of dividends	-	-	-	(391,490)	(391,490)
Balance at 31 March 2018	20,000	48,895	(4,360)	2,556,158	2,620,693
Balance at 1 April 2018	**20,000**	**48,895**	**(4,360)**	**2,556,158**	**2,620,693**
Profit for the year	**-**	**-**	**-**	**474,491**	**474,491**
Other comprehensive income for the year (net of tax)	**-**	**41,755**	**(315)**	**-**	**41,440**
Total comprehensive income for the year	**-**	**41,755**	**(315)**	**474,491**	**515,931**
Payment of dividends	**-**	**-**	**-**	**(137,100)**	**(137,100)**
Disposal of investment	**-**	**(25,846)**	**(213)**	**26,059**	**-**
Balance at 31 March 2019	**20,000**	**64,804**	**(4,888)**	**2,919,608**	**2,999,524**

Consolidated Statement of Cash Flows
for the Financial Year Ended 31 March 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		**237,010**	212,860
Payments to suppliers and employees		**(259,163)**	(232,806)
Dividends received		**429,425**	350,710
Interest received		**115,136**	100,254
Interest paid		**(86,311)**	(73,509)
Net payment of loans to related parties		**(1,149,466)**	(833,176)
(Repayments of)/ proceeds from borrowings		**(126,748)**	547,246
Net income tax received from entities within the MEC group		**647,915**	418,417
Income tax paid to ATO		**(647,626)**	(441,618)
Net cash (used in)/provided by operating activities		**(839,828)**	48,378
Cash flows from investing activities			
Cash advances and loans		**(3,841)**	(27,659)
Payment for investments		**(6,630)**	-
Proceeds from sale of investments (Synlait)		**58,732**	10,095
Payment for property, plant and equipment		**(67)**	(4)
Proceeds from sale of property, plant and equipment		**-**	410
Net cash provided by/(used in) investing activities		**48,194**	(17,158)
Cash flows from financing activities			
Dividends paid		**(137,100)**	(391,490)
Net cash used in financing activities		**(137,100)**	(391,490)
Net decrease in cash and cash equivalents		**(928,734)**	(360,270)
Cash and cash equivalents at the beginning of the financial year	26	**2,032,670**	2,392,940
Cash and cash equivalents at the end of the financial year	26	**1,103,936**	2,032,670

Notes to the Financial Statements
for the Financial Year Ended 31 March 2019

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, these special purpose financial statements have been prepared to satisfy the directors' reporting requirements under the *Corporations Act 2001*.

For the purpose of preparing the financial statements, the company is a for-profit company.

Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards – Reduced Disclosure Regime, and comply with other requirements of the law.

The financial statements were authorised for issue by the directors on 29 July 2019.

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. Historical cost is based on fair values of the consideration given in exchange for assets. Unless otherwise indicated, all amounts are presented in Australian dollars.

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 1 April 2016, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, directors are 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 other factors that are considered to be relevant. Actual results may differ from estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the 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 the directors in the application of the company's accounting policies 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 consolidated entity has adopted all new and revised accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. Aside from the impact outlined below, the adoption of these new and revised accounting Standards did not have a material impact on the amounts recognised or disclosures presented within the financial statements of the consolidated entity.

AASB 15 Revenue from Contracts with Customers and related amending Standards

The consolidated entity has adopted AASB 15 Revenue from Contracts with Customers from 1 April 2018, which replaces AASB 118 Revenue. AASB 15 establishes a principles-based approach for revenue recognition whereby revenue is recognised when performance obligations are satisfied and the control of goods or services is transferred. The standard applies a five-step approach to the timing of revenue recognition and is applicable to all contracts with customers, except those in the scope of other standards, replacing the separate models for goods, services and construction contracts under the previous accounting standards. The consolidated entity's accounting policies for its revenue streams are disclosed in detail in note 1(t). The application of AASB 15 has not had a significant impact on the financial position and/or financial performance of the consolidated entity.

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective, however, the Directors anticipate that the initial application of the those Standards is not expected to have a material impact on the entity's financial statements. These include:

1. Summary of Accounting Policies (Cont'd)

At the date of authorisation of the financial report, a number of Standards and Interpretations were issued but not effective.

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 16 Leases will replace AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases – Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 April 2019	31 March 2020
IFRIC 23 Uncertainty over Income Tax Treatments	1 April 2019	31 March 2020

AASB 16 was issued in January 2016. It will result in almost all leases being recognised in the Statement of Financial Position, as the distinction between operating leases and finance leases is removed. The standard is mandatory for reporting periods beginning on or after 1 January 2019. The consolidated entity does not intend to adopt the standard before its mandatory effective date and is yet to finalise the assessment of its full impact.

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 10 'Consolidated Financial Statements' and AASB 127 'Separate Financial Statements'. A list of controlled entities appears in Note 28 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 statement of financial position.

(d) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The consolidated entity designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- hedges of a particular cash flow risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- hedges of a net investment in a foreign operation (net investment hedge).

1. Summary of Accounting Policies (Cont'd)

(d) Derivative financial instruments and hedging activities (cont'd)

The consolidated entity documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The consolidated entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the ineffective portion is recognised in the income statement within 'gains/(losses) on financial derivatives'. Changes in the fair value of the derivative attributable to hedged risk are recognised in the income statement within the respective income or expense line item (e.g. 'finance cost' if hedging interest rate risk; 'revenue' if hedging forecasted future sales).

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item is amortised to profit or loss over the period to maturity.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'gains/(losses) on financial derivatives'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'gains/(losses) on financial derivatives'.

(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

The financial statements for the consolidated entity are presented in the currency of the primary economic environment in which the consolidated entity operates (its functional currency). For the purpose of the financial statements, the results and financial position of the consolidated entity are expressed in Australian dollars ('$'), which is the functional currency of the consolidated entity and the presentation currency for the financial statements.

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).

1. Summary of Accounting Policies (Cont'd)

(g) Investments and Financial assets

Recognition and measurement

Purchases and sales of financial assets are recognised on trade date – the date on which the consolidated entity commits to purchase or sell the asset. Investments are initially measured at fair value.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

Financial assets are classified and subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, (except for financial assets that are irrevocably designated to be measured at fair value through profit or loss on initial recognition), on the basis of both:

- the entity's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

Financial assets at amortised cost

A financial asset is measured at amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost.

Financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss

A financial asset may be designated as at fair value through profit or loss if:

- It is held for trading; or
- Upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the consolidated entity manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Credit losses on trade and loan receivables

The consolidated entity has elected to apply the simplified approach for all trade receivables and general approach for all loan receivables to measuring expected credit losses, using the lifetime expected loss allowance for all trade receivables.

1. Summary of Accounting Policies (Cont'd)

(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.

1. Summary of Accounting Policies (Cont'd)

(j) Income tax (cont'd)

Deferred tax (cont'd)

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) Investments in associates

An associate is an entity over which the company has a significant influence and is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in associates are carried in the balance sheet at cost as adjusted for post-acquisition changes in the company's share of net assets of the associate, less any impairment in the value of individual investments.

Losses of an associate in excess of the company's interest in that associate (which includes any long-term interests that, in substance, form part of the company's net investment in the associate) are recognised only to the extent that the company has incurred legal or constructive obligations or made payments on behalf of the associate.

1. Summary of Accounting Policies (Cont'd)

(l) Investments in associates (cont'd)

Any excess of the cost of acquisition over the company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss.

(m) Leasing

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

The gain of loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in Profit and Loss.

(p) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the consolidated entity in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below).
All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the consolidated entity of an acquiree's share-based payment awards are measured in accordance with AASB 2 Share-based Payment; and

1. Summary of Accounting Policies (Cont'd)

(p) Business combinations (cont'd)

- assets (or disposal Groups) that are classified as held for sale in accordance with AASB 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the consolidated entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the consolidated entity obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(q) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition. Goodwill is subsequently measured at cost less any accumulated impairment losses. An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

(r) Intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

Intangible assets acquired separately are initially recorded at cost.

Subsequent to initial recognition, intangible assets acquired in a business combination and intangible assets acquired separately are recorded at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

Internally-generated intangible assets arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. If the recognition criteria are not met then the development expenditure is expensed. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Notes to the Financial Statements
for the Financial Year Ended 31 March 2019

1. Summary of Accounting Policies (Cont'd)

(s) 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.

(t) Revenue Recognition

The consolidated entity has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018, which replaces AASB 118 Revenue.

AASB 15 establishes a principles-based approach for revenue recognition whereby revenue is recognised when performance obligations are satisfied and the control of goods or services is transferred. The standard applies a five-step approach to the timing of revenue recognition and is applicable to all contracts with customers, except those in the scope of other standards, replacing the separate models for goods, services and construction contracts under the previous accounting standards.

The major source of the consolidated entity's revenue is from the sale of goods.

Sale of Goods

The adoption of AASB 15 has not impacted the timing of revenue recognition on the sale of goods.

In previous reporting periods, revenue from the sale of goods was recognised when the customer accepted the risks and rewards of ownership, which occurred when the goods were delivered. In applying AASB 15, revenue associated with the sale of goods is recognised when the performance obligation of the sale has been made and control of the goods has transferred to the customer, which is on the delivery of the goods.

Rendering of Services

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

2. Profit from operations

	2019 $'000	2018 $'000
Profit before income tax includes the following items of revenue and expense:		
(a) Revenue		
Sales revenue:		
Sale of goods	**233,589**	178,608
Rendering of services	**3,894**	4,002
	237,483	182,610
Other revenue:		
Interest revenue	**115,247**	88,589
Management fees	**7,945**	13,829
Gain on disposal of land	**-**	410
Foreign exchange gain	**2,654**	-
Other income	**796**	956
	126,642	103,784
	364,125	286,394
(b) Expenses		
Foreign exchange losses	**-**	1,982
Borrowing cost	**86,311**	63,040
Management fee	**-**	4,086
Operating lease expense	**2,471**	2,294
Depreciation of property, plant and equipment	**1,084**	1,461
Loss on disposal of investment	**3**	113

3. Income tax

		2019 $'000	2018 $'000
(a)	**Income tax recognized in profit or loss**		
	Current tax		
	In respect of the current year	**3,532**	(14,485)
	In respect of the prior year	**(4,402)**	(155)
	Deferred tax		
	In respect of the current year	**3,871**	10,907
	Total tax expense/(benefit) relating to continuing operatings	**3,001**	(3,733)
	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	**477,492**	435,107
	Income tax expense calculated at 30%	**143,248**	130,532
	Share of losses of associates accounted for using the equity method	**(138,118)**	(127,292)
	Effect of undistributed loss/(earning) from associates	**2,083**	(4,009)
	Non deductible entertainment and other items	**190**	104
	Income tax relating to other adjustments	**-**	(2,914)
	Prior year tax adjustment	**(4,402)**	(154)
	Income tax expense/(benefit) attributable to profit from ordinary activities	**3,001**	(3,733)
(b)	**Income tax recognized in other comprehensive income**		
	Arising on gains of asset revaluation	**(3,063)**	(9,525)
	Arising on losses/(gains) of hedging instruments in cash flow hedges transferred to the initial carrying amounts of hedged itmes	**130**	(105)
		(2,933)	(9,630)
(c)	**Current tax liability**		
	Current tax payable to ATO	**(53,128)**	(255,264)
(d)	**Unrecognised deferred tax assets**		
	Deferred tax assets not recognised at the reporting date:		
	Tax losses (capital in nature)	**-**	273
(e)	**Deferred tax balances**		
	Deferred tax asset	**5,098**	4,382
	Deferred tax liabilities	**(22,257)**	(28,209)
	Net deferred tax liabilities	**(17,159)**	(23,827)

3. Income tax (Cont'd)

2019	**Opening balance**	**Charged to Profit and Loss**	**Charged to Equity**	**Disposal of investment**	**Closing balance**
Deferred tax Liability in relation to:					
Provision	**1,737**	**(40)**	**-**	**-**	**1,697**
Property Plant and equipment	**1,469**	**104**	**-**	**-**	**1,573**
Foreign Currency Monetary Items	**(3,266)**	**(2,112)**	**-**	**-**	**(5,378)**
Cash Flow Hedge	**(102)**	**-**	**130**	**-**	**28**
Prepayments	**4**	**-**	**-**	**-**	**4**
Others	**(13,836)**	**(1,823)**	**-**	**-**	**(15,659)**
FVTOCI	**(9,833)**	**-**	**(3,063)**	**13,472**	**576**
Net deferred tax liabilities	**(23,827)**	**(3,871)**	**(2,933)**	**13,472**	**(17,159)**

2018	**Opening balance**	**Charged to Profit and Loss**	**Charged to Equity**	**Disposal of investment**	**Closing balance**
Deferred tax Liability in relation to:					
Provision	1,644	93	-	-	1,737
Property Plant and equipment	1,273	196	-	-	1,469
Foreign Currency Monetary Items	12,391	(15,657)	-	-	(3,266)
Cash Flow Hedge	2	-	(105)	-	(103)
Prepayments	4	-	-	-	4
Others	(18,296)	4,461	-	-	(13,835)
FVTOCI	(308)	-	(9,525)	-	(9,833)
Net deferred tax liabilities	(3,290)	(10,907)	(9,630)	-	(23,827)

4. Trade and other receivables

	2019 $'000	2018 $'000
At amortised cost		
Trade receivables	**50,424**	41,612
Income tax receivables from related parties	**105,324**	219,206
Other receivables	**8,988**	7,641
	164,736	268,459

5. Current other financial assets

	2019 $'000	2018 $'000
At amortised cost		
Loans	**2,607,215**	1,747,561
At fair value		
Foreign currency forward contracts	**6,088**	4,570
Interest swap	**321**	1,687
	2,613,624	1,753,818

6. Current inventories

	2019 $'000	2018 $'000
Finished goods on hand and in transit:		
At cost	**6,195**	5,744

The cost of inventories recognised as an expense during the period was $224,706 (2018: $169,397).

7. Prepayments

	2019 $'000	2018 $'000
Prepayments	**310**	355

8. Investments accounted for using the equity method

	2019 $'000	2018 $'000
Investments in associates:		
Non-current	**2,205,943**	2,133,750

		Ownership interest	
Name of entity	**Principal Activity**	**2019 %**	2018 %
Mitsui Coal Holdings Pty Limited	Coal	**30.0**	30.0
Mitsui Iron Ore Corporation Pty Ltd	Iron ore	**20.0**	20.0
Mitsui Iron Ore Development Pty Ltd	Iron ore	**20.0**	20.0
Mitsui Iron Ore Exploration and Mining Pty Ltd	Iron ore	**20.0**	20.0
Mitsui Itochu Iron Pty Ltd	Iron ore	**14.0**	14.0
Shark Bay Salt Pty Ltd	Salt	**10.0**	10.0
BHP Mitsui Coal Pty Ltd	Coal	**6.7**	6.7
Position Partners Pty Ltd	Industrial machinery	**8.0**	-
Komatsu Australia Corporate Finance Pty Ltd	Finance	**4.0**	4.0
Komatsu Marketing Support Australia Pty Ltd	Industrial machinery	**4.0**	4.0

8. Investments accounted for using the equity method (Cont'd)

Summarised financial information of associates:

	2019 $'000	2018 $'000
Current assets	**6,905,064**	6,553,937
Non-current assets	**10,357,259**	9,945,566
Total assets	**17,262,323**	16,499,503
Current liabilities	**(2,139,892)**	(1,913,856)
Non-current liabilities	**(2,751,894)**	(2,714,007)
Total liabilities	**(4,891,786)**	(4,627,863)
Net assets	**12,370,537**	11,871,640
Revenue	**9,186,824**	7,916,902
Net profit	**2,603,173**	2,274,300
Share of associates' profit or loss		
Current year:		
Share of profit before income tax	**621,577**	583,907
Income tax expense	**(161,185)**	(159,602)
Total share of associates' profit	**460,392**	424,305

Dividends from associates

During the current year the consolidated entity received dividends from associates amounting to $429,425 thousand (2018: $350,111 thousand).

9. Non current other financial assets

At cost:		
Shares in controlled entities	**-**	-
Investments in associates (at cost)	**-**	-
Other	**160**	48,454
At fair value:		
Currency and interest rate swaps	**-**	842
Foreign currency forward contracts	**-**	307
At amortised cost:		
Long term loans	**691,271**	401,951
	691,431	451,554

Notes to the Financial Statements
for the Financial Year Ended 31 March 2019

10 Property, plant and equipment

	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 2018	**6,350**	**14,831**	**2,632**	**2,391**	**4,164**	**30,368**
Additions	**-**	**-**	**28**	**39**	**-**	**67**
Transfer	**-**	**-**	**-**	**(343)**	**-**	**(343)**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 March 2019	**6,350**	**14,831**	**2,660**	**2,087**	**4,164**	**30,092**
Accumulated depreciation						
Balance at 31 March 2018	**-**	**2,023**	**1,661**	**1,629**	**3,766**	**9,079**
Depreciation expense	**-**	**371**	**173**	**233**	**307**	**1,084**
Transfer	**-**	**-**	**-**	**-**	**-**	**-**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 March 2019	**-**	**2,394**	**1,834**	**1,862**	**4,073**	**10,163**
Net book value						
As at 31 March 2018	6,350	12,808	971	762	398	21,289
As at 31 March 2019	**6,350**	**12,437**	**826**	**225**	**91**	**19,929**

11. Current trade and other payables

	2019 $'000	2018 $'000
Trade creditors	**31,494**	69,562
Other creditors	**140,925**	3,668
	172,419	73,230

12. Current borrowings

	2019 $'000	2018 $'000
At amortised cost		
Unsecured:		
Short term borrowings	**3,557,051**	3,683,799

13. Other current financial liabilities

At fair value		
Foreign currency forward contracts	**4,033**	7,556
Interest rate swaps	**110**	-
	4,143	7,556

14. Current provisions

Employee entitlements	**873**	831

15. Other non-current financial liabilities

At fair value		
Foreign currency forward contracts	**9**	306
Interest rate swaps	**1,122**	1,173
	1,131	1,479

16. Non-current provisions

Employee entitlements	**1,189**	955

17. Other non-current liabilities

Lease incentives (refer note 23(a))	**-**	5

18. Issued capital

	No.	$
Fully paid ordinary shares		
Balance at 31 March 2017	**10,000,000**	20,000,000
Issue of shares	**-**	-
Balance at 31 March 2018	**10,000,000**	20,000,000
Issue of shares	**-**	-
Balance at 31 March 2019	**10,000,000**	20,000,000

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.

19. Reserves

	2019 $'000	2018 $'000
Asset revaluation reserve	**64,804**	48,895
Hedging reserve	**(4,888)**	(4,360)
	59,916	44,535
Asset revaluation reserve		
Balance at the beginning of the financial year	**48,895**	(4,209)
• Gain arising on revaluation of non-current available-for-sale financial asset net of tax	**7,148**	22,225
• Share of associates increse in Asset revaluation reserve net of tax	**34,607**	30,879
• Sale of investment (transfer from reserve to retained earrings)	**(25,846)**	-
Balance at the end of the financial year	**64,804**	48,895
Hedging reserve		
Balance at the beginning of the financial year	**(4,360)**	(4,359)
• Profit recognised on forward exchange contracts	**-**	341
• Transferred to profit or loss from forward exchange contracts net of tax	**(304)**	(97)
• Share of associates decrease in hedging reserve net of tax	**(11)**	(245)
• Sale of investment (transfer from reserve to retained earrings)	**(213)**	-
Balance at the end of the financial year	**(4,888)**	(4,360)

20. Retained earnings

Balance at the beginning of the financial year	**2,556,158**	2,508,807
Net profit attributable to members of the parent entity	**474,491**	438,841
Dividends paid or provided for	**(137,100)**	(391,490)
Disposal of investment	**26,059**	-
Balance at the end of the financial year	**2,919,608**	2,556,158

21. Dividends

Interim dividends paid or provided for, fully franked at 30%	**137,100**	391,490

22. Economic dependency

The consolidated entity was dependent during the financial year upon its ultimate parent company, Mitsui & Co., Ltd, incorporated in Japan, for a significant volume of its trading transactions. A subsidiary company, Mitsui & Co. Financial Services (Australia) Ltd, had a significant volume of its transactions, in its capacity as a provider of corporate finance services to the Australian Mitsui group, with fellow subsidiary entities of the ultimate parent entity, Mitsui & Co. Ltd.

The majority of the current borrowings are through Mitsui & Co. Financial Services (Australia) Ltd, in its capacity as a provider of corporate finance services to the Australian Mitsui group. Therefore the ability of the consolidated entity to continue to provide corporate finance services through Mitsui & Co. Financial Services (Australia) Ltd requires the continued support of those entities. To this effect, Mitsui & Co. Financial Services (Australia) Ltd has in place facilities to continue to provide corporate services to the Australian Mitsui group as well as the ultimate parent company has provided a letter of guarantee to Mitsui & Co. Financial Services (Australia) Ltd for providing comfort over the current assets.

23. Expenditure commitments

		2019 $'000	2018 $'000
(a)	**Lease commitments**		
	Non cancellable operating leases relating to the parent company's office premises, office equipment, land and motor vehicles:		
	Not longer than one year	**2,031**	1,605
	Longer than one year but not longer than five years	**3,621**	-
	Longer than five years	**-**	-
		5,652	1,605
	In respect of non-cancellable operating leases, the following liabilities have been recognised:		
	Current:		
	Lease incentives	**-**	-
	Non-current:		
	Lease incentives (refer note 17)	**-**	5
		-	5
(b)	**Commodity purchase commitments**		
	Aggregate commodity purchase commitments contracted for at balance date but not provided for in the financial statements:		
	No longer than one year	**26,274**	37,796

24. Contingent liabilities

Contingent liabilities not provided for in the financial statements at the end of the financial year are:			
(a)	The company has given performance guarantees in respect of various contracts to other corporations	**50**	78,842
(b)	The company has given performance guarantees in respect of various contracts to ultimate parent company	**245,937**	248,087

25. Related party transactions

	2019 $'000	2018 $'000
(a) Key Management personnel compensation		
The remuneration of directors and other members of key management personnel during the year was as follows:	**3,521**	2,840

(b) Transactions with other related parties

During the year, The consolidated entity entered into the following transactions with other related parties that are not members of the consolidated entity:

	Parent entity[1]	Group companies[2]	Other related parties[3]
2019			
Sales of goods	**80,531**	**34,841**	**958**
Purchases of goods	**(45,302)**	**(28,811)**	**(20,728)**
Interest received	**15,630**	**54,786**	**1,164**
Interest paid	**-**	**(76,404)**	**(5,631)**
Other income	**8,484**	**30**	**78**
2018			
Sales of goods	70,556	13,168	767
Purchases of goods	(64,686)	(21,438)	-
Interest received	462	33,231	555
Interest paid	-	(54,585)	(2,895)
Other income	9,299	5,130	230
Other expense	(36)	(4,191)	-

25. Related party transactions (Cont'd)

(b) Transactions with other related parties (cont'd)

The following balances were outstanding at the end of the reporting period:

	Parent Entity[1]	Group companies[2]	Other related parties[3]	KMP[4]
2019				
Account receivables	**7,330**	**2,411**	**19,551**	**-**
Account payables	**(1,639)**	**(3,674)**	**-**	**-**
Other receivables	**3,408**	**2,667**	**4**	**-**
Other payables	**-**	**(16,839)**	**(320)**	**-**
Loans receivable	**643,604**	**2,591,884**	**61,294**	**10**
Loans payable	**-**	**(3,319,516)**	**(237,535)**	**-**
Income tax receivables[5]	**-**	**105,324**	**-**	**-**
Income tax payables[5]	**-**	**(117,094)**	**-**	**-**
2018				
Account receivables	7,007	905	-	-
Account payables	(25,750)	(7,596)	-	-
Other receivables	3,469	1,729	599	-
Other payables	-	(13,372)	(235)	-
Loans receivable	20,060	2,063,256	57,453	26
Loans payable	-	(3,301,112)	(214,390)	-
Income tax receivables[5]	-	219,206	-	-
Income tax payables[5]	-	(15,659)	-	-

(1) Parent entity in note 25 (b) refers to Mitsui & Co., Ltd. which is the ultimate parent of the consolidated entity.

(2) Group companies in note 25 (b) refer to the subsidiaries of Mitsui & Co., Ltd.

(3) Other related parties in note 25 (b) refer to the associates of Mitsui & Co., Ltd.

(4) Key management personnel ("KMP") include directors and other members of key management personnel per company's determination.

(5) Tax receivables/(payables) from the members under the tax consolidated group which Mitsui & Co. (Australia) Ltd. is the head entity in line with Note 1 (j).

26. Cash and cash equivalents

Reconciliation to cash at the end of the year

For the purpose of the statement of cash flows, 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 statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2019 **$'000**	2018 $'000
Cash and cash equivalents	**1,103,936**	2,032,670

27. Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases for measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liabilities and equity instrument are disclosed in note 1.

(b) Categories of financial instruments

Current and non-current financial assets:		
Cash and bank balances	**1,103,936**	2,032,670
Trade and other receivables	**164,736**	268,459
Short-term and long-term loans	**3,298,486**	2,149,512
Interest rate swaps(1)	**321**	2,529
Foreign currency forward contracts(2)	**6,088**	4,877
	4,573,567	4,458,047
Current and non-current financial liabilities:		
Short-term borrowings	**3,557,051**	3,683,799
Interest rate swaps(1)	**1,232**	1,173
Foreign currency forward contracts(2)	**4,042**	7,862
	3,562,325	3,692,834

(1) Interest rate swaps

Interest rate swaps contracts are designated and effective as hedging instruments carried at fair value. Under the contracts, the consolidated entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the consolidated entity to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed in Note 27(b).

(2) Foreign currency forward contracts

Foreign currency forward contracts are designated and effective as hedging instruments carried at fair value. The fair value of the foreign currency forward contracts at the end of the reporting period is determined by discounting the future cash flows which are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. The fair value of the foreign currency forward contracts have been disclosed in Note 27(b).

(c) Financing facilities

Unsecured bank overdraft facility:		
amount used	**-**	130,463
amount unused	**664,098**	653,990
Secured bank overdraft facility:		
amount used	**-**	37,834
amount unused	**60,050**	60,050

28. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements except as set out below. See Note 1 for a summary of the significant accounting policy relating to the consolidated entity.

	2019 $'000	2018 $'000
Financial position		
Assets		
Current assets	**984,464**	736,875
Non-current assets	**294,227**	335,956
Total assets	**1,278,691**	1,072,831
Liabilities		
Current liabilities	**211,824**	328,384
Non-current liabilities	**1,708**	11,688
Total liabilities	**213,532**	340,072
Equity		
Issued capital	**20,000**	20,000
Retained earrings	**950,188**	593,638
Reserves	**94,970**	119,121
Total equity	**1,065,158**	732,759
Financial performance		
Profit for the year before income tax expense	**463,640**	356,028
Income tax (expense)/benefit	**(984)**	1,211
Profit for the year after income tax expense	**462,656**	357,239
Other comprehensive income	**6,844**	22,469
Total comprehensive income for the year	**469,500**	379,708
Contingent liabilities of the parent entity		
Contingent liabilities of the parent entity	**311,606**	395,422

		Ownership Interest	
	Country of Incorporation	**2019 %**	2018 %
Parent entity			
Mitsui & Co. (Australia) Ltd.	Australia		
Controlled entity			
Mitsui & Co. Financial Services (Australia) Ltd	Australia	**100**	100
MIT Power Australia Pty Ltd	Australia	**100**	100

29. 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 company, the results of those operations, or the state of affairs of the company in future financial years.

30. Additional Company Information

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

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