



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

2008

MITSUI ANNUAL REPORT

FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008

The following report has been printed on recycled paper

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Message from Chairman and Managing Director



Against strong global demand and high prices for mineral and energy commodities driven by sustained high economic growth in Asian economies led by China and India, the financial year ending March 2008 saw another year of strong financial performance.

This year we achieved a pleasing 9.9% increase in sales revenue and an 8.3% increase in gross profit compared to the previous year. Our overall consolidated after tax profit for the period was \$153.11 million. While this represents a small decline on the \$159.97 million recorded the previous year, we consider the result to be generally consistent with the strong results recorded in recent years.

While keeping in mind the uncertainties besetting the world's financial markets and economies, in particular the sub-prime mortgage problem and continuing high crude oil prices, we can expect continued rapid economic growth in emerging Asian economies, including China and India in the years to come.

We anticipate that the demand for commodities from Asian economies will continue to expand and further diversify. In recent years we have been addressing a growing demand for food ingredients, materials for papermaking, and salt for industrial and food processing applications. We will continue to expand business between Australia and Asia in these areas as new pillars of our business.

As mentioned in last year's annual report, in April 2007, Mitsui Australia integrated with Mitsui's Asia Pacific Business Unit, headquartered in Singapore. We are pleased that this region based approach is now starting to take shape and moving forward we expect this will create greater opportunities for pursuing business in the region.

Globally, Mitsui seeks to provide industrial solutions to environmental problems, and actively seeks involvement in the development of renewable energy projects. Recently we acquired 100% of the shares in Bald Hills Wind Farm Pty Ltd, a special purpose company holding the development rights for a new 104MW wind farm project in Victoria, which we expect to make a final investment decision on in the next 12 months.

With the Australian Government's recent ratification of the Kyoto Protocol, plans to implement an Emissions Trading Scheme by 2010, and pledge to increase the Renewable Energy Target to 20% by 2020, we believe there are excellent prospects for renewable energy projects and emissions trading in Australia. We will actively seek opportunities in these fields in the coming year.

Following in Mitsui's tradition of dynamically creating new business that leads the times, we will continue to further grow and develop in existing fields, while expanding into new fields, leveraging our strength and expertise in various industries. While doing so we will continue to make corporate social responsibility an integral part of our business, and strive towards generating value for society.

ATSUSHI OI
CHAIRMAN AND MANAGING DIRECTOR

14 July 2008

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/en/csr/report/detail/___icsFiles/afieldfile/2008/05/07/csr2007_e_1.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. To date we have been making investments in plantations, importing solar panels, and have made a forward purchase of emission rights from an Australian waste project, which will contribute to a reduction in greenhouse gas emissions. Recognising drought and the need to secure stable water supplies as a serious issue facing Australia, in recent years we have been

actively seeking opportunities in water recycling and management. Following recent policy developments in Australia, moving forward we will place growing emphasis on investment in renewable energy projects and emissions trading.

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 279 students have benefited from this unique experience.
- University of Western Australia — In partnership with Mitsui Iron Ore Development Pty Ltd, we donated A\$100,000 for a total joint donation of A\$150,000 towards the University of Western Australia's business school. The donation will help fund the construction of a new building and will contribute to the future funding of research and scholarships.
- Opera Australia — Our 28th year of support to this world class company.
- West Australian Symphony Orchestra — A three year sponsorship from 2008 as part of WASO's 'World Artist' program, provided jointly with Mitsui E&P Australia Pty Ltd.

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 a personnel system which we continually review to ensure that we maximise 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 2008. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

Mr A Oi

Director since 1 April 2008. Joined Mitsui Group in 2007. Currently Managing Director, Mitsui & Co. (Australia) Ltd. Previously Counsellor, Mitsui & Co., Ltd, Head Office, Japan. Graduated from Hitotsubashi University, Japan, majoring in Economics.

Mr Y Fukatsu

Director since 10 May 2004 until his resignation on 1 April 2008. Joined Mitsui Group in 1972. Most recently 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.

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.

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.

Mr A Yamamoto

Director since 26 April 2007. Joined Mitsui Group in 1974. Currently Managing 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.

Mr T Maeda

Director since 26 April 2007 until his resignation on 1 April 2008. 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.

Directors' Report continued

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.

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.

Mr H Mukaeda

Director since 6 June 2008. Joined Mitsui Group in 1982. Currently General Manager, Financial Management Division, Mitsui & Co. (Australia) Ltd. Previously, General Manager, Chemical Business Process Control Department/ Planning and Administration Department, Mitsui & Co., Ltd, Head Office, Japan. Graduated from Yokohama National University, Japan, majoring in Faculty of Business Administration.

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 2007, 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 2007.

In respect of the financial year ended 31 March 2008, the directors approved an interim dividend amounting to \$24,000,000 fully franked at 30% with \$12,000,000 paid on 31 March 2008 and \$12,000,000 to be paid on 30 June 2008.

Results

A summary of consolidated results is set out below:

	2008 \$'000	2007 \$'000
Trading Transactions	4,972,129	4,039,341
Total Revenue	1,467,214	1,292,259
Profit from ordinary activities before income tax expense	163,387	164,162
Income tax expense relating to ordinary activities	(10,279)	(4,188)
Net profit attributable to members of the parent entity	153,108	159,974

Directors' Report continued

Review of Operations

The consolidated entity achieved a pleasing 9.9% increase in sales revenue and an 8.3% increase in gross profit compared to the previous year. Despite these improvements, unfortunately the consolidated entity experienced a small decline in overall net profit as a result of numerous factors.

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



Atsushi Oi
Director

Sydney, 14 July 2008

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

14 July 2008

Dear Board Members

Mitsui & Co. (Australia) Ltd

In accordance with section 307C of the Corporations Act 2001, I 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 2008, 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



M Dreyer
Partner
Chartered Accountants

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

Deloitte.

We have audited the accompanying financial report, being a special purpose financial report, of Mitsui & Co. (Australia) Ltd ("the company") and the consolidated entity, which comprises the balance sheet as at 31 March 2008, and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 9 to 35.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, 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 establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the members. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

The financial report has been prepared for distribution to the 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 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.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's 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 2008 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 Australian Accounting Standards to the extent described in Note 1 and the Corporations Regulations 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

M Dreyer

M Dreyer
Partner

Chartered Accountants
Sydney, 14 July 2008

Directors' Declaration

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

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors



Atsushi Oi

Director

Sydney, 14 July 2008

Income Statement

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008

	Note	CONSOLIDATED		COMPANY	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trading transactions	2	4,972,129	4,039,341	4,969,673	4,038,177
Sales revenue	3(a)	1,357,016	1,234,419	1,354,560	1,233,195
Cost of goods and services sold		(1,322,472)	(1,202,530)	(1,320,713)	(1,201,372)
Gross profit		34,544	31,889	33,847	31,823
Dividend income	3(a)	134	1,677	38,510	49,311
Other revenue	3(a)	110,064	56,163	56,832	32,231
Share of profits of associates accounted for using the equity method	10	145,468	148,810	–	–
Selling, general and administrative expenses		(28,865)	(30,660)	(27,800)	(30,267)
Borrowing costs	3(b)	(88,224)	(42,573)	(41,872)	(21,509)
Other net expenses		(9,734)	(1,144)	(8,020)	(1,573)
Profit before income tax expense		163,387	164,162	51,497	60,016
Income tax expense	4	(10,279)	(4,188)	(8,547)	(3,061)
Profit attributable to members of the parent entity		153,108	159,974	42,950	56,955

Balance Sheet

AS AT 31 MARCH 2008

	Note	CONSOLIDATED		COMPANY	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets					
Cash and cash equivalents		42,169	24,437	7,115	2,325
Trade and other receivables	6	481,651	465,872	470,077	458,111
Investments accounted for using the equity method	10	4,567	–	–	–
Other financial assets	7	686,543	673,976	484,107	546,798
Inventories	8	38,880	9,015	38,880	9,015
Other	9	244	284	244	208
Total current assets		1,254,054	1,173,584	1,000,423	1,016,457
Non-current assets					
Investments accounted for using the equity method	10	641,467	466,669	–	–
Other financial assets	11	957,092	295,360	730,838	328,829
Property, plant and equipment	12	8,869	9,031	8,869	7,840
Agriculture assets	13	–	1,233	–	–
Deferred tax assets	14	36,997	28,990	36,997	28,988
Total non-current assets		1,644,425	801,283	776,704	365,657
Total assets		2,898,479	1,974,867	1,777,127	1,382,114
Current liabilities					
Trade and other payables	15	323,980	116,896	320,191	120,995
Borrowings	16	1,236,147	764,490	396,899	365,461
Other financial liabilities	17	14,765	55,505	14,765	55,505
Current tax payable	18	143,046	303,310	143,046	303,310
Provisions	19	12,949	15,952	12,949	15,952
Other	20	166	335	166	280
Total current liabilities		1,731,053	1,256,488	888,016	861,503
Non-current liabilities					
Borrowings	21	335,181	110,361	460,215	191,661
Other financial liabilities	22	103,412	34,558	103,412	34,558
Deferred tax liabilities	23	47,116	34,435	41,063	29,200
Provisions	24	753	709	753	709
Other	25	1,079	1,171	1,079	1,171
Total non-current liabilities		487,541	181,234	606,522	257,299
Total liabilities		2,218,594	1,437,722	1,494,538	1,118,802
Net assets		679,885	537,145	282,589	263,312
Equity					
Issued capital	26	20,000	20,000	20,000	20,000
Reserves	27	24,436	10,804	98,011	97,684
Retained earnings	28	635,449	506,341	164,578	145,628
Total equity		679,885	537,145	282,589	263,312

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 2008

	Note	CONSOLIDATED		COMPANY	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Available-for-sale investments:	27				
Valuation gain taken to equity		143	209	143	209
Deferred tax arising on revaluation gain		(70)	(59)	(70)	(59)
Share of associates valuation gain taken to equity		—	(532)	—	—
Share of associates valuation gain transferred to profit and loss		—	—	(39)	—
Cash flow hedges:	27				
Profit/(loss) taken to equity					
— Interest rate swaps		9,970	2,540	—	—
— Forward exchange contracts		(1,259)	(1,677)	(1,259)	(1,677)
Transferred to profit and loss:					
— Interest rate swaps		(336)	(41)	—	—
— Forward exchange contracts		1,174	125	1,174	126
Deferred tax on hedges		(2,943)	(112)	378	503
Share of increments/(decrements) in hedging reserves attributable to associates		6,953	12,083	—	—
Net income/(expense) recognised directly in equity		13,632	12,536	327	(898)
Profit for the period		153,108	159,974	42,950	56,955
Total recognised income and expense for the period		166,740	172,510	43,277	56,057

Cash Flow Statement

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008

	Note	CONSOLIDATED		COMPANY	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash flows from operating activities					
Receipts from customers		1,284,906	1,278,033	1,275,968	1,274,077
Payments to suppliers and employees		(1,308,314)	(1,231,477)	(1,305,215)	(1,230,201)
Dividends received		38,446	63,451	38,510	63,651
Interest received		84,375	37,828	43,536	21,845
Interest paid		(76,975)	(42,423)	(34,849)	(21,019)
Net income tax received/(paid)		28,320	(3,482)	26,283	(1,473)
Net cash provided by operating activities	34(a)	50,758	101,930	44,233	106,880
Cash flows from investing activities					
Current loans receivable (advanced)/repaid		(53,900)	(326,130)	25,396	(225,461)
Non-current loans receivable repaid		(581,764)	(154,618)	(267,980)	(67,056)
Payment for investments		(71,458)	(13,297)	(71,458)	(13,297)
Proceeds from sale of investments		3,364	9,325	3,666	9,325
Payments for agriculture assets		–	(33)	–	–
Proceeds from sale of agriculture assets		1,339	–	–	–
Payment for property, plant and equipment		(2,059)	(252)	(2,059)	(249)
Proceeds from sale of property, plant and equipment		1,975	30	–	3
Net cash (used in) investing activities		(702,503)	(484,975)	(312,435)	(296,735)
Cash flows from financing activities					
Proceeds from short term borrowings		472,418	379,603	32,199	51,253
Proceeds from long term borrowings		224,820	45,349	268,554	159,723
Dividends paid		(27,000)	(30,000)	(27,000)	(30,000)
Net cash provided by financing activities		670,238	394,952	273,753	180,976
Net increase/(decrease) in cash and cash equivalents		18,493	11,907	5,551	(8,879)
Cash and cash equivalents at the beginning of the financial year		23,587	11,680	1,475	10,354
Cash and cash equivalents at the end of the financial year	34(b)	42,080	23,587	7,026	1,475

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008

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 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 14 July 2008.

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 2007.

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, a number of Standards and Interpretations were issued but not effective.

Initial application of the following Standards is not expected to have a material impact on the group's report.

Standard	Effective for annual reporting periods beginning on or after:	Expected to be initially applied in the financial year ending:
AASB 101 "Presentation of Financial Statements" — revised standard	1 January 2009	31 March 2010
AASB 2007-7 "Amendments to Australian Accounting Standards"	1 July 2007	31 March 2009
AASB 2007-4 "Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments"	1 July 2007	31 March 2009
AASB 123 "Borrowing Costs" — revised standard	1 January 2009	31 March 2010

1. Summary of Accounting Policies (cont'd)

AASB 101 "Presentation of Financial Statements" (revised standard) will result in a number of changes in presentation of the financial statements, including:

- presenting all non-owner changes in equity ("comprehensive income") either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income may not be presented in the statement of changes in equity;
- presenting an additional statement of financial position (balance sheet) as at the beginning of the earliest comparative period when the entity applies an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in its financial statements (this would generally mean that three balance sheets are presented in these circumstances);
- disclosing income tax relating to each component of other comprehensive income; and
- disclose reclassification adjustments relating to components of other comprehensive income.

The directors' are currently in the process of considering the impact on the disclosures required in the financial statements as a result of the adoption of the above Standard.

AASB 2007-7 "Amendments to Australian Accounting Standards" makes a number of editorial changes to the six Standards and removes wording within AASB 107 "Cash Flow Statements" that encouraged the adoption of a particular format for the cash flow statement. The directors do not anticipate that the adoption of these amendments will result in a significant change to the group's financial statements.

AASB 2007-4 makes amendments to a number of Australian Accounting Standards to introduce various accounting policy options, delete various disclosures presently required and make a number of editorial amendments.

Whilst a large number of Accounting Standards are amended by AASB 2007-4, key accounting policy options introduced by AASB 2007-4 relate to:

- the measurement and presentation of government grants;
- the accounting for jointly controlled entities using the proportionate consolidation method; and
- the presentation of the cash flow statement.

At the date of preparation of this financial report the directors have not decided on which optional accounting treatments may be adopted on the initial application of AASB 2007-4. Accordingly, the directors are continuing to evaluate the potential financial impact of AASB 2007-4 on the financial statements. However, in the group's financial report for the financial year ending 31 March 2009, certain information may no longer be disclosed, or may be disclosed in an alternative manner, due to amendments made by AASB 2007-4 to the disclosure requirements of various Accounting Standards.

AASB 123 "Borrowing Costs" (revised standard) eliminates the current option of expensing certain borrowing costs relating to qualifying assets. The adoption of this revised standard will result in no changes the group's accounting policies.

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.

Notes to the Financial Statements continued

1. Summary of Accounting Policies (cont'd)

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.

1. Summary of Accounting Policies (cont'd)

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.

Notes to the Financial Statements continued

1. Summary of Accounting Policies (cont'd)

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

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

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.

1. Summary of Accounting Policies (cont'd)

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 contract.

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.

Notes to the Financial Statements continued

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
3. Profit from operations				
Profit before income tax includes the following items of revenue and expense:				
(a) Revenue				
Sales revenue:				
Sale of goods	1,292,842	1,196,483	1,290,386	1,195,259
Rendering of services	64,174	37,936	64,174	37,936
	1,357,016	1,234,419	1,354,560	1,233,195
Dividends:				
Controlled entities	—	—	64	200
Associated entities	—	—	38,312	47,434
Other related parties	86	1,533	86	1,533
Other parties	48	144	48	144
	134	1,677	38,510	49,311
Other revenue				
Profit/(loss) on the disposal of:				
Investments	(284)	2,351	616	3,241
Precious metals business release fee	594	1,927	594	1,927
Property, plant and equipment	786	—	(4)	—
Foreign exchange gain	—	464	—	366
Interest revenue:				
Ultimate parent entity	1,521	768	1,521	768
Controlled entity	—	—	38,062	10,670
Related bodies corporate:				
Wholly-owned group	91,066	38,094	7,414	7,052
Other parties	12,108	8,043	4,698	3,750
Management fees:				
Ultimate parent entity	944	1,103	944	1,103
Controlled entities	—	—	33	400
Related bodies corporate:				
Wholly-owned group	2,468	2,708	2,457	2,670
Other parties	264	359	260	115
Distributions from liquidation of investments	—	17	—	17
Net increment in net market value of agriculture assets	106	20	—	—
Other income	491	309	237	152
	110,064	56,163	56,832	32,231
	1,467,214	1,292,259	1,449,902	1,314,737

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
3. Profit from operations (cont'd)				
(b) Expenses				
Interest:				
Ultimate parent entity	1,161	118	1,161	118
Controlled entities	–	–	21,836	16,792
Related bodies corporate:				
Wholly-owned group	56,475	27,279	765	1,353
Other related parties	–	1,388	–	–
Other parties	30,588	13,788	18,110	3,246
Management fees:				
Controlled entities	–	–	–	53
Other related parties	212	319	212	302
Other	934	68	872	18
Operating lease rental expense	2,956	3,095	2,948	3,088
Net transfers (from)/to provisions:				
Employee entitlements	41	177	41	262
Doubtful debts	–	–	(1,056)	–
Depreciation of property, plant and equipment	1,032	1,224	1,026	1,215
Loss on disposal of property, plant and equipment	–	10	–	14
Change in fair value of investment classified as fair value through profit and loss	304	–	304	–
Diminution in value of investments:				
Associated entities	194	236	194	750
Controlled entities	–	–	(251)	–
Other entities	430	–	430	–
Loss on disposal of investment	–	426	–	426
Foreign exchange loss	7,106	–	6,914	–

Notes to the Financial Statements continued

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'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:				
Profit from operations	163,387	164,162	51,497	60,016
Income tax expense calculated at 30%	49,016	49,249	15,450	18,005
Non-assessable dividends	(40)	–	(7,731)	(14,243)
Assessable dividends of associates	3,822	–	–	–
Provision for doubtful debts (written-back)	–	–	(317)	–
Share of profits of associates accounted for using the equity method	(43,640)	(44,643)	–	–
Non deductible entertainment and other items	255	129	255	129
Non deductible investment provision	–	71	–	225
Fair value decrease of investments through profit or loss	278	–	203	–
Capital loss utilised	–	(845)	–	(845)
Other	(400)	(123)	(303)	(582)
Under provision of income tax in prior year	988	350	990	372
Income tax expense attributable to profit from ordinary activities	10,279	4,188	8,547	3,061
	\$	\$	\$	\$
5. Remuneration of auditors				
Auditor of the parent entity				
Audit of the financial report	331,108	390,658	304,816	352,255
Other audit services	59,680	51,500	11,413	51,500
Taxation services	73,480	233,440	73,480	218,820
	464,268	675,598	389,709	622,575
	\$'000	\$'000	\$'000	\$'000
6. Trade and other receivables				
<i>At amortised cost</i>				
Trade receivables	225,943	150,980	225,943	150,983
Other receivables	255,708	314,892	244,134	307,128
	481,651	465,872	470,077	458,111

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
7. Current other financial assets				
<i>At amortised cost</i>				
Investment in associated entity (refer note 10)	–	–	2,635	–
Loans to:				
Controlled entities	–	–	335,810	305,297
Allowance for doubtful debts	–	–	–	(1,056)
	–	–	338,445	304,241
Related bodies corporate:				
Wholly owned group	665,586	574,278	126,429	144,930
Other parties	6,325	43,745	6,325	43,745
Directors	25	13	25	13
	671,936	618,036	471,224	492,929
<i>At fair value</i>				
Foreign currency forward contracts	663	129	636	109
Interest rate swaps	13,944	55,811	12,247	53,760
	686,543	673,976	484,107	546,798
8. Current inventories				
Finished goods on hand and in transit:				
At cost	38,880	9,015	38,880	9,015
9. Other current assets				
Prepayments	244	284	244	208

Notes to the Financial Statements continued

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
10. Investments accounted for using the equity method				
Investments in associates:				
Current	4,567	–	–	–
Non-current	641,467	466,669	–	–
	646,034	466,669	–	–

Current investments in associates represents the company's investment in an associated company that will be subject to voluntary liquidation within the next 12 months.

NAME OF ENTITY	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST	
		2008 %	2007 %
Mitsui Coal Holdings Pty Limited	Coal	30.0	30.0
Green Triangle Woodchip Export Pty Ltd	Woodchip export	30.0	30.0
Yoshinoya Australia Pty Ltd	Fast food	–	25.0
Mitsui Iron Ore Development Pty Ltd	Iron ore	20.0	20.0
Mitsui Bussan Commodities (Australia) Pty Ltd	Commodity trading	–	20.0
Mitsui Itochu Iron Pty Ltd	Iron ore	14.0	14.0
Novus Nutrition Pty Ltd	Chemicals	–	11.0
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	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
Komatsu Australia Corporate Finance Pty Ltd	Finance	5.0	5.0
Komatsu Australia Pty Ltd	Industrial machinery	4.0	4.0

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
10. Investments accounted for using the equity method (cont'd)				
Summarised financial information of associates:				
Current assets	2,877,320	2,322,549	–	–
Non-current assets	4,006,947	3,533,389	–	–
	6,884,267	5,855,938	–	–
Current liabilities	(1,696,105)	(1,878,553)	–	–
Non-current liabilities	(1,399,255)	(1,109,517)	–	–
	(3,095,360)	(2,988,070)	–	–
Net assets	3,788,907	2,867,868	–	–
Revenue	4,967,760	4,280,544	–	–
Net profit	1,182,528	992,658	–	–
Share of associates' profit or loss				
Current year:				
Share of profit/(loss) before income tax	191,379	202,339	–	–
Income tax expense	(45,911)	(53,529)	–	–
Total share of associates' profit/(loss)	145,468	148,810	–	–

Dividends from associates

During the current year the consolidated entity received dividends from associates amounting to \$38,312,000 (2007: \$47,434,000).

Notes to the Financial Statements continued

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
11. Non current other financial assets				
Shares in controlled entities:				
At cost	–	–	650	950
Provision for diminution in value	–	–	(49)	(300)
	–	–	601	650
At fair value:				
Available-for-sale shares				
Investments in associates (at cost)	–	–	264,738	201,256
Other	10,874	8,828	10,874	8,828
	10,874	8,828	276,213	210,734
Other shares (i)	400	704	400	704
Currency and interest rate swaps	112,784	34,558	103,412	34,558
At amortised cost:				
Long term loans to:				
Controlled entities	–	–	330,000	72,067
Related bodies corporate:				
Wholly owned group	817,401	250,864	5,180	10,360
Other parties	15,628	395	15,628	395
Directors	5	11	5	11
	957,092	295,360	730,838	328,829

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

12. 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
CONSOLIDATED						
Gross carrying amount						
Balance at 31 March 2007	2,580	8,262	1,797	1,248	1,900	15,787
Additions	–	1,883	38	138	–	2,059
Disposals	(1,160)	–	(22)	(58)	–	(1,240)
Balance at 31 March 2008	1,420	10,145	1,813	1,328	1,900	16,606
Accumulated depreciation						
Balance at 31 March 2007	–	3,976	1,237	1,051	492	6,756
Depreciation expense	–	568	94	141	229	1,032
Disposals	–	–	(18)	(33)	–	(51)
Balance at 31 March 2008	–	4,544	1,313	1,159	721	7,737
Net book value						
As at 31 March 2007	2,580	4,286	560	197	1,408	9,031
As at 31 March 2008	1,420	5,601	500	169	1,179	8,869
COMPANY						
Gross carrying amount						
Balance at 31 March 2007	1,420	8,262	1,797	1,190	1,900	14,569
Additions	–	1,883	38	138	–	2,059
Disposals	–	–	(22)	–	–	(22)
Balance at 31 March 2008	1,420	10,145	1,813	1,328	1,900	16,606
Accumulated depreciation						
Balance at 31 March 2007	–	3,976	1,237	1,024	492	6,729
Depreciation expense	–	568	94	135	229	1,026
Disposals	–	–	(18)	–	–	(18)
Balance at 31 March 2008	–	4,544	1,313	1,159	721	7,737
Net book value						
As at 31 March 2007	1,420	4,286	560	166	1,408	7,840
As at 31 March 2008	1,420	5,601	500	169	1,179	8,869

Notes to the Financial Statements continued

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
13. Agriculture assets				
Forestry assets, at market value	–	1,233	–	–
14. Deferred tax assets				
Deferred tax asset attributable to:				
Temporary differences	36,997	28,990	36,997	28,988
15. Current trade and other payables				
Trade creditors - unsecured	203,950	105,719	203,950	105,862
Other creditors	120,030	11,177	116,241	15,133
	323,980	116,896	320,191	120,995
16. Current borrowings				
<i>At amortised cost</i>				
Unsecured:				
Bank overdraft	89	850	89	850
Short term borrowings:				
Controlled entities	–	–	231,284	219,772
Related bodies corporate:				
Ultimate parent entity	165,474	–	165,474	–
Wholly-owned group	838,992	332,008	52	34,839
Other related parties	114,703	14,237	–	–
Other parties	116,889	417,395	–	110,000
	1,236,147	764,490	396,899	365,461
17. Other current financial liabilities				
<i>At fair value</i>				
Foreign currency forward contracts	2,518	1,745	2,518	1,745
Interest rate swaps	12,247	53,760	12,247	53,760
	14,765	55,505	14,765	55,505

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
18. Current tax payable				
Income tax payable	143,046	303,310	143,046	303,310
19. Current provisions				
Dividends	12,000	15,000	12,000	15,000
Employee entitlements	949	952	949	952
	12,949	15,952	12,949	15,952
20. Other current liabilities				
Lease incentives (refer note 32(a))	166	240	166	240
Deferred revenue - other	–	95	–	40
	166	335	166	280
21. Non-current borrowings				
<i>At amortised cost</i>				
Unsecured:				
Long term borrowings from:				
Ultimate parent entity	5,181	10,361	5,181	10,361
Controlled entities	–	–	125,034	81,300
Other parties	330,000	100,000	330,000	100,000
	335,181	110,361	460,215	191,661
22. Other non-current financial liabilities				
<i>At fair value</i>				
Interest rate swaps	103,412	34,558	103,412	34,558
23. Deferred tax liabilities				
Deferred income tax attributable to temporary differences	47,116	34,435	41,063	29,200

Notes to the Financial Statements continued

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
24. Non-current provisions				
Employee entitlements	753	709	753	709
25. Other non-current liabilities				
Lease incentives (refer note 32(a))	1,079	1,171	1,079	1,171
26. Issued capital				
10,000,000 ordinary shares fully paid (2007: 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.				
27. Reserves				
Asset revaluation	–	–	96,513	96,552
Available-for-sale	2,605	2,532	2,379	2,306
Hedging	21,831	8,272	(881)	(1,174)
	24,436	10,804	98,011	97,684
Asset revaluation reserve				
Balance at beginning of financial year	–	–	96,552	96,552
Transfer to profit and loss for investment sold	–	–	(39)	–
Balance at end of financial year	–	–	96,513	96,552
Available-for-sale reserve				
Balance at beginning of financial year	2,532	2,914	2,306	2,156
Valuation gain recognised	143	209	143	209
Deferred tax arising on revaluation	(70)	(59)	(70)	(59)
Share of associates (decrease) in available-for-sale revaluation reserve net of tax	–	(532)	–	–
Balance at end of financial year	2,605	2,532	2,379	2,306

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
27. Reserves (cont'd)				
Hedging reserve				
Balance at beginning of financial year	8,272	(4,646)	(1,174)	(126)
Profit/(loss) recognised on:				
— Interest rate swaps	9,970	2,540	—	—
— Forward exchange contracts	(1,259)	(1,677)	(1,259)	(1,677)
Transferred to profit or loss				
— Interest rate swaps	(336)	(41)	—	—
— Forward exchange contracts	1,174	125	1,174	126
Deferred tax on hedges	(2,943)	(112)	378	503
Share of associates increase in hedging reserve net of tax	6,953	12,083	—	—
Balance at end of financial year	21,831	8,272	(881)	(1,174)
28. Retained earnings				
Balance at beginning of financial year	506,341	376,367	145,628	118,673
Net profit attributable to members of the parent entity	153,108	159,974	42,950	56,955
Dividends paid or provided for	(24,000)	(30,000)	(24,000)	(30,000)
Balance at end of financial year	635,449	506,341	164,578	145,628
29. Dividends				
Interim dividends paid, fully franked at 30%	24,000	30,000	24,000	30,000

Notes to the Financial Statements continued

30. Joint venture operations

NAME OF ENTITY	PRINCIPAL ACTIVITY	OUTPUT INTEREST	
		2008 %	2007 %
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

In March 2008 the consolidated entity sold all its interests in joint venture operations. 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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current Assets				
Cash and cash equivalents	—	47	—	—
Trade and other receivables	—	8	—	—
Other	—	76	—	—
Non-Current Assets				
Property, plant and equipment	—	1,161	—	—
Agriculture assets	—	1,233	—	—
Other	—	1	—	—
Current Liabilities				
Trade and other payables	—	(55)	—	—
Unearned revenue	—	(9)	—	—
Net Assets	—	2,462	—	—
Share of joint venture operating (loss)	(129)	(142)	—	—

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 \$Nil (2007: \$1,208,513) 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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
32. Expenditure commitments				
(a) Lease commitments				
Non cancellable operating leases relating to office premises, office equipment, land and motor vehicles:				
Not longer than one year	2,423	2,724	2,423	2,663
Longer than one year but not longer than five years	12,281	7,188	12,281	6,946
Longer than five years	5,464	5,097	5,464	4,191
	20,168	15,009	20,168	13,800
In respect of non-cancellable operating leases, the following liabilities have been recognised:				
Current:				
Lease incentives (refer note 20)	166	240	166	240
Non-current:				
Lease incentives (refer note 25)	1,079	1,171	1,079	1,171
	1,245	1,411	1,245	1,411
(b) Commodity purchase commitments				
Aggregate purchase commitments contracted for at balance date but not provided for in the financial statements:				
Not longer than one year	101,941	51,099	101,941	51,099
33. Contingent liabilities				
Contingent liabilities at the end of the financial year are:				
(a) Guarantees given in respect of borrowings by controlled entities	–	–	304,152	490,701
(b) The company has given performance guarantees in respect of various contracts to other corporations	2,987	2,994	2,987	2,994

Notes to the Financial Statements continued

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
34. Notes to cash flow statement				
(a) Reconciliation of profit for the year to net cash flows from operating activities:				
Profit for the year	153,108	159,974	42,950	56,955
Add/(less):				
(Profit)/loss on disposal of property, plant & equipment	(786)	10	4	14
(Profit)/loss on disposal of investment	284	(2,351)	(616)	(3,241)
Depreciation	1,032	1,224	1,026	1,215
Amortisation of lease liability	(166)	(237)	(166)	(237)
Loss on fair value revaluation of financial assets through the profit or loss	304	–	304	–
Provision for diminution in value of investment	624	236	373	750
Investment expensed to profit or loss	25	–	25	–
Share of associates profits (less dividends)	(107,155)	(101,376)	–	–
Net (increment) in market value of agriculture assets	(106)	(20)	–	–
Agricultural assets transferred to profit and loss	–	39	–	–
(Increase) in deferred tax asset	(8,007)	(17,373)	(8,009)	(19,790)
Increase/(decrease) in current tax payable	(160,264)	160,455	(160,264)	160,455
Increase in deferred tax liability	12,611	22,072	11,793	19,012
Increase in hedge reserve	6,607	–	293	–
Changes in assets and liabilities				
<i>(Increase)/decrease in assets:</i>				
Trade and other receivables	(15,779)	(99,864)	(11,966)	(92,414)
Other financial assets	(36,893)	(57,540)	(27,868)	(60,639)
Inventories	(29,865)	5,668	(29,865)	5,668
Other	40	34	(36)	98
<i>Increase/(decrease) in liabilities:</i>				
Trade and other payables	207,084	(26,391)	199,196	(22,417)
Other financial liabilities	28,114	57,115	28,114	61,166
Other provisions	41	177	(1,015)	262
Other	(95)	78	(40)	23
Net cash provided by operating activities	50,758	101,930	44,233	106,880

	CONSOLIDATED		COMPANY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
34. Notes to the cash flow statement (cont'd)				
(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:				
Cash and cash equivalents	42,169	24,437	7,115	2,325
Bank overdraft	(89)	(850)	(89)	(850)
	42,080	23,587	7,026	1,475

35. Parent entity

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

36. Details of controlled entities

	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
		2008 %	2007 %
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 (liquidated during the year)	Australia	–	100

37. Additional Company Information

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

PRINCIPAL REGISTERED OFFICE

Level 46, Gateway
1 Macquarie Place
Sydney, NSW, 2000.

PRINCIPAL PLACE OF BUSINESS

Level 46, Gateway
1 Macquarie Place
Sydney, NSW, 2000.

Additional Company Information

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008

CONTACT DETAILS

HEAD OFFICE

Level 46, Gateway
1 Macquarie Place
Sydney NSW 2000
Telephone: (02) 9256-9500
Fax: (02) 9251-1788

MELBOURNE OFFICE

Level 40, 120 Collins Street
Melbourne VIC 3000
Telephone: (03) 9605-8800
Fax: (03) 9605-8888

PERTH OFFICE

Level 16, Exchange Plaza
2 The Esplanade
Perth WA 6000
Telephone: (08) 9476-2333
Fax: (08) 9476 2351

BRISBANE OFFICE

Level 12
240 Queen Street
Brisbane QLD 4000
Telephone: (07) 3032-8800
Fax: (07) 3032-8888

Additional copies of this report and other information may be obtained by contacting:

Craig Savage
Deputy General Manager, Corporate Accounting
Financial Management Division
Mitsui & Co. (Australia) Ltd
Level 46, Gateway
1 Macquarie Place
SYDNEY NSW 2000
Telephone: (02) 9256-9584

WEB SITE: www.mitsui.com.au

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