



FINANCIAL REPORT 2012

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012





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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Annual Financial Report for the Financial Year Ended 31 March 2012

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Message from the Chairman & Managing Director

Over the past year we have faced an uncertain business environment. The global economy suffered major set-backs, the European debt problem continues to cause concern, and economic growth remains uneven across regions. Emerging economies continue to lead the way, albeit at a slower pace of growth, while growth remains sluggish in advanced economies.

In the financial year ending March 2012, Mitsui Australia posted a consolidated after tax profit of \$561 million, representing a 12 per cent increase compared to the previous year. The strong result is attributed to increased sales prices, sales volumes, and profits from Mitsui Australia's associated companies in the iron ore and coal industries.

In the year ahead we expect the global rate of economic growth to slow. The International Monetary Fund has forecast global growth of 3.5 per cent in 2012.



Advanced economies are expected to expand by 1.5 per cent in 2012, while developing economies are expected to grow by 5.75 per cent. We also remain alert to downside risks including a further escalation in the euro area crisis, geopolitical instability, and latent risks such as disruptions to global bond and currency markets, as well as a rapid slowing of activity in some emerging economies.

Looking ahead to the longer term, we expect emerging economies to assume the mantle of driving global economic growth, and believe the broader trend is for the world economy to increase in size and affluence.

In May 2012, our parent company, Mitsui & Co. (of Japan) announced its new Medium-Term Management Plan, entitled *Challenge and Innovation 2014: Creating the Future through Dynamic Evolution*. The plan calls for accurately grasping major changes occurring in societies around the world and creating innovative next-generation business models responding to the current and future needs of society. We will place greater efforts on developing business at each stage of the value chain, seek to further exploit our comprehensive business engineering capabilities by engaging in integrated business that spans multiple industries and sectors, and create a well-balanced business portfolio.

In the period ahead Mitsui Australia will continue to expand existing projects and seek out new opportunities in mineral resources and energy, food, and infrastructure. Working with our network of offices throughout Asia we will work to expand and open new marketing channels for Australian commodities. We will also seek out opportunities in new breakthrough technologies being developed in Australia with a particular focus on environment related technology.

Guided by a global perspective and our company's values of flexibility, imagination, and rich creativity, we will work hard to create new business and new value, to meet the diverse and ever changing needs of the world.

A handwritten signature in black ink, appearing to read 'Da. Akita', written over a white background.

DAISABURO AKITA
CHAIRMAN AND MANAGING DIRECTOR
26 July 2012

Directors' Report

The directors of Mitsui & Co. (Australia) Ltd., submit herewith the annual report of the consolidated entity for the financial year ended 31 March 2012. 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 D Akita Director since 1 April 2010. Joined Mitsui Group in 1976. Currently Managing Director, Mitsui & Co. (Australia) Ltd. Previously Deputy Chief Operating Officer, Basic Chemicals Business Unit, Mitsui & Co., Ltd, Head Office, Japan. Graduated from Keio University, Japan, majoring in Law and Political Science.

Mr M Saito Director since 6 July 2011. Joined Mitsui Group in 1980. Currently Deputy Managing Director, Mitsui & Co. (Australia) Ltd and General Manager of Melbourne Office, Mitsui & Co. (Australia) Ltd. Previously General Manager, Nuclear Fuel Division, Energy Business Unit I, Mitsui & Co., Ltd, Head Office, Japan. Graduated from Hitotsubashi University, Japan, majoring in Economics.

Mr T Nakada Director since 15 June 2007 until his resignation on 6 July 2011. 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 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 K Ota Director since 10 June 2011. Joined Mitsui Group in 1987. Currently General Manager, Financial Management Division, Mitsui & Co. (Australia) Ltd. Previously, Deputy General Manager, Investment Management Department, Planning and Administration Division, Consumer Service Business Unit, Mitsui & Co., Ltd, Head Office, Japan. Graduated from Keio University, Japan, majoring in Economics.

Mr H Mukaeda Director since 6 June 2008 until his resignation on 10 June 2011. Joined Mitsui Group in 1982. Most recently 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.

Mr T Kubota Director since 27 January 2010. Joined Mitsui Group in 1987. Currently General Manager, Corporate Planning Division, Mitsui & Co. (Australia) Ltd. Previously, General Manager, Mineral and Metal Resources Business Unit, Non Ferrous Raw Materials First Division, Base Metals Marketing Department, Mitsui & Co. Ltd, Head Office, Japan. Graduated from Tokyo University, Japan, majoring in 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 2012, dividends amounting to \$262,000,000 fully franked to 100% at 30% corporate tax rate were paid on 31 October 2011 (\$130,000,000) and 30 March 2012 (\$132,000,000).

Results

A summary of consolidated results is set out below:

| | 2012 \$'000 | 2011 \$'000 |
|---|----------------|----------------|
| Total Revenue | 1,042,081 | 865,976 |
| Profit before income tax expense | 563,419 | 503,364 |
| Income tax expense | (2,039) | (2,364) |
| Net profit attributable to members of the parent entity | 561,380 | 501,000 |

Review of Operations

The consolidated entity recorded a 12.0% increase in profit after tax compared to the previous year. In particular, the consolidated entity's share of profits of associated entities was up by 12.0% from \$497.515 million last year to \$557.447 million this year due to increased sales prices, sales volumes, and profits of associated entities in the coal and iron ore Industries. The consolidated entity's sales revenue increased by 36.8% due to the increases in the sales volume from Steel and Energy's trading business and gross profit decreased by 9.6% compared to the previous year due to the change in the nature of agency business within gross profit to non-operating income.

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.

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 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 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 6 of the annual report.

Rounding Off of Amounts

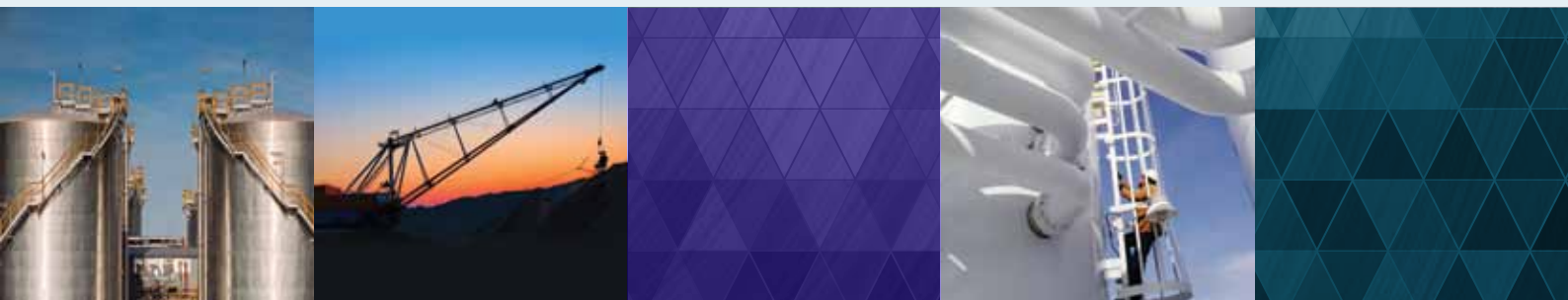
The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in this directors' report and in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

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



DAISABURO AKITA
DIRECTOR
Sydney, 26 July 2012



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

Deloitte.

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

26 July 2012

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 2012, 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



Margaret Dreyer
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited

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



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We have audited the accompanying financial report, being a special purpose financial report, of Mitsui & Co. (Australia) Ltd, which comprises the balance sheet as at 31 March 2012, and the statement of comprehensive income, the 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 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 10 to 39.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those 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 of the financial report that gives a true and fair view, 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.

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

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Mitsui & Co. (Australia) Ltd would be in the same terms if given to the directors as at the time of this auditor's report.

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 2012 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and the *Corporations Regulations 2001*.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.



DELOITTE TOUCHE TOHMATSU



Margaret Dreyer
Partner
Chartered Accountants

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 consolidated entity will be able to pay its debts as and when they become due and payable; and
- (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 company and 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



DAISABURO AKITA
DIRECTOR
26 July 2012

Statement of Comprehensive Income

for the Financial Year Ended 31 March 2012

| | Note | Consolidated | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 |
| Revenue | 2(a) | 875,674 | 640,323 | 875,674 | 640,323 |
| Cost of goods and services sold | | (859,596) | (622,530) | (859,596) | (622,530) |
| Gross profit | | 16,078 | 17,793 | 16,078 | 17,793 |
| Dividend income | 2(a) | – | – | 274,688 | 319,114 |
| Other revenue | 2(a) | 166,407 | 225,653 | 73,914 | 116,699 |
| Share of profits of associates | 9 | 557,447 | 497,515 | – | – |
| Selling, general and administrative expenses | | (36,956) | (33,798) | (36,616) | (33,461) |
| Borrowing costs | 2(b) | (139,226) | (203,154) | (54,420) | (98,372) |
| Other net expenses | | (331) | (645) | (141) | (533) |
| Profit before income tax expense | | 563,419 | 503,364 | 273,503 | 321,240 |
| Income tax (expense)/benefit | 3 | (2,039) | (2,364) | 1,487 | (818) |
| Profit attributable to members of the parent entity | | 561,380 | 501,000 | 274,990 | 320,422 |
| Other comprehensive income | | | | | |
| Share of associates (decrease)/increase in asset revaluation reserve net of tax | 27 | (499) | 275 | – | – |
| Transfer of available-for-sale reserve to profit and loss on sale of investment | 27 | – | (79) | – | (79) |
| Share of associates decrease in hedging reserve net of tax | 27 | (4,594) | (2,713) | – | – |
| Deferred exchange loss taken to equity | 27 | (35) | (547) | (35) | (547) |
| Value gain/(loss) on cash flow hedges taken to equity | 27 | 506 | (1,197) | 506 | (1,197) |
| Deferred income tax relating to components of comprehensive income | 27 | (340) | 484 | (340) | 484 |
| Other comprehensive (loss)/income for the year (net of tax) | | (4,962) | (3,777) | 131 | (1,339) |
| Total comprehensive income for the year | | 556,418 | 497,223 | 275,121 | 319,083 |

Notes to the financial statements are included on pages 14 to 39

Balance Sheet

as at 31 March 2012

| | Note | Consolidated | | Company | |
|---|-------|------------------|------------------|------------------|------------------|
| | | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 |
| Current assets | | | | | |
| Cash and cash equivalents | 33(b) | 949,938 | 741,086 | 518,759 | 329,258 |
| Trade and other receivables | 5 | 704,998 | 477,326 | 697,725 | 460,106 |
| Other financial assets | 6 | 572,729 | 731,146 | 260,691 | 136,810 |
| Inventories | 7 | 55,878 | 24,668 | 55,878 | 24,668 |
| Other | 8 | 1,010 | 1,032 | 781 | 1,019 |
| Total current assets | | 2,284,553 | 1,975,258 | 1,533,834 | 951,861 |
| Non-current assets | | | | | |
| Investments accounted for using the equity method | 9 | 1,611,421 | 1,333,754 | – | – |
| Other financial assets | 10 | 583,391 | 510,207 | 617,357 | 626,966 |
| Property, plant and equipment | 11 | 5,686 | 6,431 | 5,573 | 6,309 |
| Goodwill | 12 | 5,676 | 5,676 | – | – |
| Other intangible assets | 13 | 8,397 | 7,644 | – | – |
| Deferred tax assets | 14 | 11,598 | 20,059 | 9,389 | 18,768 |
| Total non-current assets | | 2,226,169 | 1,883,771 | 632,319 | 652,043 |
| Total assets | | 4,510,722 | 3,859,029 | 2,166,153 | 1,603,904 |
| Current liabilities | | | | | |
| Trade and other payables | 15 | 461,797 | 282,214 | 451,739 | 258,857 |
| Borrowings | 16 | 1,925,840 | 1,456,645 | 959,729 | 282,869 |
| Other financial liabilities | 17 | 12,564 | 38,031 | 3,350 | 29,882 |
| Current tax payable | 18 | 255,944 | 273,062 | 255,944 | 273,062 |
| Provisions | 19 | 337 | 858 | 337 | 858 |
| Other | 20 | 272 | 1,067 | 272 | 1,067 |
| Total current liabilities | | 2,656,754 | 2,051,877 | 1,671,371 | 846,595 |
| Non-current liabilities | | | | | |
| Borrowings | 21 | 86,780 | 317,206 | 88,602 | 344,175 |
| Other financial liabilities | 22 | 25,151 | 31,950 | 8,262 | 17,762 |
| Deferred tax liabilities | 23 | 8,236 | 18,676 | 4,417 | 15,055 |
| Provisions | 24 | 5,483 | 5,166 | 1,181 | 864 |
| Other | 25 | 737 | 991 | 737 | 991 |
| Total non-current liabilities | | 126,387 | 373,989 | 103,199 | 378,847 |
| Total liabilities | | 2,783,141 | 2,425,866 | 1,774,570 | 1,225,442 |
| Net assets | | 1,727,581 | 1,433,163 | 391,583 | 378,462 |
| Equity | | | | | |
| Issued capital | 26 | 20,000 | 20,000 | 20,000 | 20,000 |
| Reserves | 27 | (4,654) | 308 | 94,210 | 94,079 |
| Retained earnings | 28 | 1,712,235 | 1,412,855 | 277,373 | 264,383 |
| Total equity | | 1,727,581 | 1,433,163 | 391,583 | 378,462 |

Notes to the financial statements are included on pages 14 to 39

Statement of Changes in Equity

for the Financial Year Ended 31 March 2012

| | Share capital \$'000 | Asset revaluation reserve \$'000 | Available-for-sale reserve \$'000 | Hedging reserve \$'000 | Retained earnings \$'000 | Total \$'000 |
|---|-------------------------|-------------------------------------|--------------------------------------|---------------------------|-----------------------------|-----------------|
| Consolidated | | | | | | |
| Balance at 1 April 2010 | 20,000 | (2,290) | 63 | 6,312 | 1,171,855 | 1,195,940 |
| Profit for the year | – | – | – | – | 501,000 | 501,000 |
| Other comprehensive income for the year | – | 275 | (63) | (3,989) | – | (3,777) |
| Total comprehensive income for the year | – | 275 | (63) | (3,989) | 501,000 | 497,223 |
| Payment of dividends | – | – | – | – | (260,000) | (260,000) |
| Balance at 31 March 2011 | 20,000 | (2,015) | – | 2,323 | 1,412,855 | 1,433,163 |
| Balance at 1 April 2011 | 20,000 | (2,015) | – | 2,323 | 1,412,855 | 1,433,163 |
| Profit for the year | – | – | – | – | 561,380 | 561,380 |
| Other comprehensive income for the year | – | (499) | – | (4,463) | – | (4,962) |
| Total comprehensive income for the year | – | (499) | – | (4,463) | 561,380 | 556,418 |
| Payment of dividends | – | – | – | – | (262,000) | (262,000) |
| Balance at 31 March 2012 | 20,000 | (2,514) | – | (2,140) | 1,712,235 | 1,727,581 |
| Company | | | | | | |
| Balance at 1 April 2010 | 20,000 | 95,718 | 63 | (363) | 203,961 | 319,379 |
| Profit for the year | – | – | – | – | 320,422 | 320,422 |
| Other comprehensive income for the year | – | – | (63) | (1,276) | – | (1,339) |
| Total comprehensive income for the year | – | – | (63) | (1,276) | 320,422 | 319,083 |
| Payment of dividends | – | – | – | – | (260,000) | (260,000) |
| Balance at 31 March 2011 | 20,000 | 95,718 | – | (1,639) | 264,383 | 378,462 |
| Balance at 1 April 2011 | 20,000 | 95,718 | – | (1,639) | 264,383 | 378,462 |
| Profit for the year | – | – | – | – | 274,990 | 274,990 |
| Other comprehensive income for the year | – | – | – | 131 | – | 131 |
| Total comprehensive income for the year | – | – | – | 131 | 274,990 | 275,121 |
| Payment of dividends | – | – | – | – | (262,000) | (262,000) |
| Balance at 31 March 2012 | 20,000 | 95,718 | – | (1,508) | 277,373 | 391,583 |

Notes to the financial statements are included on pages 14 to 39

Cash Flow Statement

for the Financial Year Ended 31 March 2012

| | Note | Consolidated | | Company | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 |
| Cash flows from operating activities | | | | | |
| Receipts from customers | | 846,782 | 638,236 | 847,673 | 633,180 |
| Payments to suppliers and employees | | (699,347) | (629,764) | (698,595) | (629,292) |
| Dividends received | | 274,688 | 310,714 | 274,688 | 319,114 |
| Interest received | | 182,112 | 207,573 | 79,773 | 104,661 |
| Interest paid | | (175,035) | (187,102) | (72,393) | (100,804) |
| Net income tax (paid)/received | | (247,768) | 21,692 | (252,631) | 23,266 |
| Net cash provided by operating activities | 33(a) | 181,432 | 361,349 | 178,515 | 350,125 |
| Cash flows from investing activities | | | | | |
| Current loans receivable paid/(advanced) | | 134,717 | 359,475 | (148,282) | 289,970 |
| Non-current loans receivable (advanced)/repaid | | (83,224) | (3,575) | 67 | (57,294) |
| Payment for investments | | (36) | (53) | (36) | (4,553) |
| Proceeds from sale of investments | | – | 831 | – | 831 |
| Payment for intangible assets | | (753) | (1,573) | – | – |
| Payment for property, plant and equipment | | (60) | (61) | (50) | (60) |
| Proceeds from sale of property, plant and equipment | | – | 2 | – | 2 |
| Net cash provided by/(used in) investing activities | | 50,644 | 355,046 | (148,301) | 228,896 |
| Cash flows from financing activities | | | | | |
| Proceeds from/(Repayment of) short term borrowings | | 469,202 | (196,775) | 676,860 | (319,502) |
| Proceeds from/(Repayment of) long term borrowings | | (230,426) | 57,206 | (255,573) | 32,005 |
| Dividends paid | | (262,000) | (310,000) | (262,000) | (310,000) |
| Net cash (used in)/provided by financing activities | | (23,224) | (449,569) | 159,287 | (597,497) |
| Net increase/(decrease) in cash and cash equivalents | | 208,852 | 266,826 | 189,501 | (18,476) |
| Cash and cash equivalents at the beginning of the financial year | | 741,086 | 474,260 | 329,258 | 347,734 |
| Cash and cash equivalents at the end of the financial year | 33(b) | 949,938 | 741,086 | 518,759 | 329,258 |

Notes to the financial statements are included on pages 14 to 39

Notes to the Financial Statements

for the Financial Year Ended 31 March 2012

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', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' and AASB 127 'Consolidated and Separate Financial Statements'.

The financial statements were authorised for issue by the directors on 26 July 2012.

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 Class Order 98/0100, dated 10 July 1998, 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.

Notes to the Financial Statements

for the Financial Year Ended 31 March 2012

1. Summary of Accounting Policies (continued)

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 2011.

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.

| Standard | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|--|---|--|
| AASB 9 'Financial Instruments', AASB 2009–11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010–8 'Amendments to Australian Accounting Standards arising from AASB 9' (December 2010) | 1 January 2013 | 31 March 2014 |
| AASB 10 'Consolidated Financial Statements' | 1 January 2013 | 31 March 2014 |
| AASB 11 'Joint Arrangements' | 1 January 2013 | 31 March 2014 |
| AASB 12 'Disclosure of Interests in Other Entities' | 1 January 2013 | 31 March 2014 |
| AASB 127 'Separate Financial Statements' (2011) | 1 January 2013 | 31 March 2014 |
| AASB 128 'Investments in Associates and Joint Ventures' (2011) | 1 January 2013 | 31 March 2014 |
| AASB 13 'Fair Value Measurement' and AASB 2011–8 'Amendments to Australian Accounting Standards arising from AASB 13' | 1 January 2013 | 31 March 2014 |
| AASB 119 'Employee Benefits' (2011) and AASB 2011–10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)' | 1 January 2013 | 31 March 2014 |
| AASB 1054 'Australian Additional Disclosures', AASB 2011–1 'Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project' and AASB 2011–2 'Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements' | 1 July 2011 | 31 March 2013 |
| AASB 2010–8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets' | 1 January 2012 | 31 March 2013 |
| AASB 2011–4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements' | 1 July 2013 | 31 March 2015 |

Notes to the Financial Statements

for the Financial Year Ended 31 March 2012

1. Summary of Accounting Policies (continued)

| Standard | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|--|---|
| AASB 2011–7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards' | 1 January 2013 | 31 March 2014 |
| AASB 2011–9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income' | 1 July 2012 | 31 March 2014 |
| Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011–12 'Amendments to Australian Accounting Standards arising from Interpretation 20' | 1 January 2013 | 31 March 2014 |
| Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) | 1 January 2014 | 31 March 2015 |
| Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) | 1 January 2013 | 31 March 2014 |
| Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7) | 1 January 2015 | 31 March 2015 |

The impact of all other Standards or Interpretations issued but not yet effective is not expected to be material.

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 35 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.

Notes to the Financial Statements

for the Financial Year Ended 31 March 2012

1. Summary of Accounting Policies (continued)

(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

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

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

Fair value hedge

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

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The fair value 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 recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the 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 accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial 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 accumulated 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 accumulated 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.

Notes to the Financial Statements

for the Financial Year Ended 31 March 2012

1. Summary of Accounting Policies (continued)

(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).

(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.

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. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated 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 that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are recorded at amortised cost using the effective interest rate method less impairment. Interest is recognised by applying the effective interest rate.

Notes to the Financial Statements

for the Financial Year Ended 31 March 2012

1. Summary of Accounting Policies (continued)

(g) Financial assets (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available for sale equity securities, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

(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.

Notes to the Financial Statements

for the Financial Year Ended 31 March 2012

1. Summary of Accounting Policies (continued)

(i) Impairment of assets (continued)

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

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

(j) Income tax

Current tax

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

Deferred tax

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

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

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

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

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.

Notes to the Financial Statements

for the Financial Year Ended 31 March 2012

1. Summary of Accounting Policies (continued)

(j) Income tax (continued)

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.

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.

Notes to the Financial Statements

for the Financial Year Ended 31 March 2012

1. Summary of Accounting Policies (continued)

(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 or 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.

Notes to the Financial Statements

for the Financial Year Ended 31 March 2012

1. Summary of Accounting Policies (continued)

(p) Business combinations (continued)

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
- 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.

Notes to the Financial Statements

for the Financial Year Ended 31 March 2012

1. Summary of Accounting Policies (continued)

(r) Intangible assets (continued)

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.

(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

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.

Notes to the Financial Statements

for the Financial Year Ended 31 March 2012

| 2. Profit from operations | Consolidated | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 |
| Profit before income tax includes the following items of revenue and expense: | | | | |
| (a) Revenue | | | | |
| Sales revenue: | | | | |
| Sale of goods | 860,573 | 623,039 | 860,573 | 623,039 |
| Rendering of services | 15,101 | 17,284 | 15,101 | 17,284 |
| | 875,674 | 640,323 | 875,674 | 640,323 |
| Dividends: | | | | |
| Controlled entities | – | – | – | 8,400 |
| Associated entities | – | – | 274,688 | 310,714 |
| | – | – | 274,688 | 319,114 |
| Other revenue: | | | | |
| Profit on the disposal of: | | | | |
| Investments | – | 254 | – | 254 |
| Foreign exchange gain | 2,242 | 4,780 | 2,196 | 5,097 |
| Interest revenue: | | | | |
| Ultimate parent entity | 159 | 913 | 159 | 913 |
| Controlled entity | – | – | 13,874 | 14,884 |
| Related bodies corporate: | | | | |
| Wholly-owned group | 102,377 | 82,764 | 47,649 | 25,757 |
| Other parties | 52,512 | 130,435 | – | 62,368 |
| Management fees: | | | | |
| Ultimate parent entity | 5,033 | 3,865 | 5,033 | 3,865 |
| Controlled entities | – | – | 919 | 919 |
| Related bodies corporate: | | | | |
| Wholly-owned group | 3,511 | 2,394 | 3,511 | 2,394 |
| Other parties | 338 | 116 | 338 | 116 |
| Other income | 235 | 132 | 235 | 132 |
| | 166,407 | 225,653 | 73,914 | 116,699 |
| | 1,042,081 | 865,976 | 1,224,276 | 1,076,136 |

Notes to the Financial Statements

for the Financial Year Ended 31 March 2012

| | Consolidated | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 |
| 2. Profit from operations (continued) | | | | |
| (b) Expenses | | | | |
| Interest: | | | | |
| Controlled entities | – | – | 20,756 | 24,971 |
| Related bodies corporate: | | | | |
| Wholly-owned group | 86,630 | 133,479 | 12,763 | 42,807 |
| Other parties | 52,596 | 69,675 | 20,901 | 30,594 |
| Management fees: | | | | |
| Other related parties | 56 | 40 | – | – |
| Other | 125 | 168 | 56 | 40 |
| Operating lease rental expense | 4,025 | 3,537 | 4,007 | 3,509 |
| Net transfers (from)/to provisions: | | | | |
| Employee entitlements | (204) | 90 | (204) | 90 |
| Depreciation of property, plant and equipment | 799 | 803 | 780 | 783 |
| Net loss on disposal of property, plant and equipment | 6 | 5 | 6 | 5 |
| Loss on disposal of investment | – | – | – | 56 |
| Diminution in value of investments: | | | | |
| Other entities | 79 | 42 | 79 | 42 |
| 3. Income tax | | | | |
| 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 | 563,419 | 503,364 | 273,503 | 321,240 |
| Income tax expense calculated at 30% | 169,026 | 151,009 | 82,051 | 96,372 |
| Non-assessable dividends | – | – | (82,406) | (95,461) |
| Assessable dividends of associates | – | 273 | – | – |
| Share of profits of associates accounted for using the equity method | (167,234) | (149,255) | – | – |
| Non deductible entertainment and other items | 229 | 268 | 229 | 268 |
| Other | (1,888) | 671 | (3,268) | 248 |
| Under provision of income tax in prior year | 1,906 | (602) | 1,907 | (609) |
| Income tax expense/(benefit) attributable to profit from ordinary activities | 2,039 | 2,364 | (1,487) | 818 |

Notes to the Financial Statements

for the Financial Year Ended 31 March 2012

| | Consolidated | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 |
| 4. Remuneration of auditors | | | | |
| Auditor of the parent entity | | | | |
| Audit of the financial report | 508,750 | 524,500 | 450,000 | 437,500 |
| Other audit services | 232,564 | 80,000 | 191,269 | 50,000 |
| Taxation services | – | 112,954 | – | 112,954 |
| | 741,314 | 717,454 | 641,269 | 600,454 |
| 5. Trade and other receivables | | | | |
| <i>At amortised cost</i> | | | | |
| Trade receivables | 144,156 | 103,882 | 144,156 | 103,882 |
| Other receivables | 560,842 | 373,444 | 553,569 | 356,224 |
| | 704,998 | 477,326 | 697,725 | 460,106 |
| 6. Current other financial assets | | | | |
| <i>At amortised cost</i> | | | | |
| Loans to: | | | | |
| Controlled entities | – | – | – | 30,000 |
| Related bodies corporate: | | | | |
| Wholly owned group | 560,786 | 695,594 | 257,610 | 79,419 |
| Other parties | 535 | 423 | 535 | 423 |
| Directors | – | 21 | – | 21 |
| | 561,321 | 696,038 | 258,145 | 109,863 |
| <i>At fair value</i> | | | | |
| Foreign currency forward contracts | 11,408 | 10,887 | 2,546 | 2,850 |
| Interest rate swaps | – | 24,221 | – | 24,097 |
| | 572,729 | 731,146 | 260,691 | 136,810 |
| 7. Current inventories | | | | |
| Finished goods on hand and in transit: | | | | |
| At cost | 55,878 | 24,668 | 55,878 | 24,668 |
| 8. Other current assets | | | | |
| Prepayments | 1,010 | 1,032 | 781 | 1,019 |

Notes to the Financial Statements

for the Financial Year Ended 31 March 2012

| 9. Investments accounted for using the equity method | Consolidated | | Company | |
|--|---------------------------|----------------|----------------|----------------|
| | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 |
| Investments in associates: | | | | |
| Non-current | 1,611,421 | 1,333,754 | – | – |
| | Ownership interest | | | |
| Name of entity | Principal Activity | 2012 % | 2011 % | |
| Mitsui Coal Holdings Pty Limited | Coal | 30.0 | 30.0 | |
| Synlait Limited | Dairy | 9.0 | 9.0 | |
| Mitsui Iron Ore Development 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 | |
| Mitsui Power Investment Pty Ltd | Power generation | 10.0 | 10.0 | |
| BHP Mitsui Coal Pty Ltd | Coal | 6.7 | 6.7 | |
| Mittwell Energy Resources Pty Ltd | Oil | 5.0 | 5.0 | |
| Komatsu Australia Corporate Finance Pty Ltd | Finance | 4.0 | 4.0 | |
| Komatsu Marketing Support Australia Pty Ltd | Industrial machinery | 4.0 | 4.0 | |

Summarised financial information of associates:

| | Consolidated | | Company | |
|--|------------------|------------------|----------------|----------------|
| | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 |
| Current assets | 4,747,287 | 3,785,238 | – | – |
| Non-current assets | 7,781,657 | 6,339,305 | – | – |
| | 12,528,944 | 10,124,543 | – | – |
| Current liabilities | (2,164,686) | (1,725,230) | – | – |
| Non-current liabilities | (1,505,340) | (1,273,902) | – | – |
| | (3,670,026) | (2,999,132) | – | – |
| Net assets | 8,858,918 | 7,125,411 | – | – |
| Revenue | 8,830,888 | 7,863,593 | – | – |
| Net profit | 3,170,203 | 2,696,012 | – | – |
| Share of associates' profit or loss | | | | |
| Current year: | | | | |
| Share of profit before income tax | 719,307 | 672,764 | – | – |
| Income tax expense | (161,860) | (175,249) | – | – |
| Total share of associates' profit | 557,447 | 497,515 | – | – |

Dividends from associates

During the current year the consolidated entity received dividends from associates amounting to \$274,688 thousand (2011: \$310,714 thousand).

Notes to the Financial Statements

for the Financial Year Ended 31 March 2012

| 10. Non-current other financial assets | Consolidated | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 |
| Shares in controlled entities: | | | | |
| At cost | – | – | 8,849 | 8,849 |
| Provision for diminution in value | – | – | – | – |
| | – | – | 8,849 | 8,849 |
| Available-for-sale shares | | | | |
| Investments in associates (at cost) | – | – | 275,779 | 275,779 |
| Other | 1,223 | 1,267 | 1,223 | 1,267 |
| | 1,223 | 1,267 | 285,851 | 285,895 |
| At fair value: | | | | |
| Foreign currency forward contracts | 1,702 | 2,135 | 2 | – |
| Currency and interest rate swaps | 8,304 | 17,866 | 8,262 | 17,762 |
| At amortised cost: | | | | |
| Long term loans to: | | | | |
| Controlled entities | – | – | 316,780 | 317,167 |
| Related bodies corporate: | | | | |
| Wholly owned group | 565,701 | 482,797 | – | – |
| Other parties | 6,450 | 6,122 | 6,450 | 6,122 |
| Directors | 11 | 20 | 12 | 20 |
| | 583,391 | 510,207 | 617,357 | 626,966 |

Notes to the Financial Statements

for the Financial Year Ended 31 March 2012

11. Property, plant and equipment

| Consolidated | | | | | | |
|---------------------------------|------------------------------|--------------------------|-------------------------------------|----------------------------------|---------------------------------------|--------------|
| | Freehold land at cost \$'000 | Buildings at cost \$'000 | Furniture & fittings at cost \$'000 | Plant & equipment at cost \$'000 | Leasehold improvements at cost \$'000 | Total \$'000 |
| Gross carrying amount | | | | | | |
| Balance at 31 March 2011 | 1,420 | 8,058 | 2,202 | 1,476 | 1,900 | 15,056 |
| Additions | – | 15 | 6 | 38 | – | 59 |
| Disposals | – | – | (5) | (295) | – | (300) |
| Balance at 31 March 2012 | 1,420 | 8,073 | 2,203 | 1,219 | 1,900 | 14,815 |
| Accumulated depreciation | | | | | | |
| Balance at 31 March 2011 | – | 4,436 | 1,616 | 1,297 | 1,276 | 8,625 |
| Depreciation expense | – | 468 | 113 | 52 | 166 | 799 |
| Disposals | – | – | (3) | (292) | – | (295) |
| Balance at 31 March 2012 | – | 4,904 | 1,726 | 1,057 | 1,442 | 9,129 |
| Net book value | | | | | | |
| As at 31 March 2011 | 1,420 | 3,622 | 586 | 179 | 624 | 6,431 |
| As at 31 March 2012 | 1,420 | 3,169 | 477 | 162 | 458 | 5,686 |
| | | | | | | |
| Company | | | | | | |
| | Freehold land at cost \$'000 | Buildings at cost \$'000 | Furniture & fittings at cost \$'000 | Plant & equipment at cost \$'000 | Leasehold improvements at cost \$'000 | Total \$'000 |
| Gross carrying amount | | | | | | |
| Balance at 31 March 2011 | 1,420 | 8,058 | 2,170 | 1,333 | 1,900 | 14,881 |
| Additions | – | 15 | 6 | 28 | – | 49 |
| Disposals | – | – | (5) | (295) | – | (300) |
| Balance at 31 March 2012 | 1,420 | 8,073 | 2,171 | 1,066 | 1,900 | 14,630 |
| Accumulated depreciation | | | | | | |
| Balance at 31 March 2011 | – | 4,436 | 1,609 | 1,251 | 1,276 | 8,572 |
| Depreciation expense | – | 468 | 96 | 50 | 166 | 780 |
| Disposals | – | – | (3) | (292) | – | (295) |
| Balance at 31 March 2012 | – | 4,904 | 1,702 | 1,009 | 1,442 | 9,057 |
| Net book value | | | | | | |
| As at 31 March 2011 | 1,420 | 3,622 | 561 | 82 | 624 | 6,309 |
| As at 31 March 2012 | 1,420 | 3,169 | 469 | 57 | 458 | 5,573 |

Notes to the Financial Statements

for the Financial Year Ended 31 March 2012

| | Consolidated | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 |
| 12. Goodwill | | | | |
| Gross carrying amount on acquisition of Bald Hills Wind Farm Pty Ltd | 5,676 | 5,676 | – | – |
| Less: | | | | |
| Accumulated impairment losses | – | – | – | – |
| Net book value | 5,676 | 5,676 | – | – |
| 13. Other tangible assets | | | | |
| Gross carrying amount | 8,397 | 7,644 | – | – |
| Accumulated depreciation | – | – | – | – |
| Accumulated impairment | – | – | – | – |
| | 8,397 | 7,644 | – | – |

Other intangible assets represent development expenditure of Bald Hills Wind Farm Pty Ltd, which is currently in the final stages of the development phase. If management decides to move to the construction phase, construction is likely to begin in August 2012. Depreciation of these assets will begin after construction is completed and once the assets are available for use. At this preliminary stage the directors expect to amortise the capitalised development expenditure over 25 years. This period will be reassessed when construction is completed.

| | | | | |
|---|---------|---------|---------|---------|
| 15. Deferred tax assets | | | | |
| Deferred tax asset attributable to: | | | | |
| Temporary differences | 11,598 | 20,059 | 9,389 | 18,786 |
| | 11,598 | 20,059 | 9,389 | 18,768 |
| 16. Current trade and other payables | | | | |
| Trade creditors – unsecured | 352,228 | 113,881 | 352,228 | 113,787 |
| Other creditors | 109,561 | 168,333 | 99,511 | 145,070 |
| | 461,797 | 282,214 | 451,739 | 258,857 |

Notes to the Financial Statements

for the Financial Year Ended 31 March 2012

| | Consolidated | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 |
| 16. Current borrowings | | | | |
| <i>At amortised cost</i> | | | | |
| Unsecured: | | | | |
| Short term borrowings: | | | | |
| Controlled entities | – | – | 959,729 | 252,869 |
| Related bodies corporate: | | | | |
| Wholly-owned group | 1,923,670 | 1,375,045 | – | – |
| Other parties | 2,170 | 81,600 | – | 30,000 |
| | 1,925,840 | 1,456,645 | 959,729 | 282,869 |
| 17. Other current financial liabilities | | | | |
| <i>At fair value</i> | | | | |
| Foreign currency forward contracts | 12,294 | 13,822 | 3,350 | 5,785 |
| Interest rate swaps | 270 | 24,209 | – | 24,097 |
| | 12,564 | 38,031 | 3,350 | 29,882 |
| 18. Current tax payable | | | | |
| Income tax payable | 255,944 | 273,062 | 255,944 | 273,062 |
| 19. Current provisions | | | | |
| Employee entitlements | 337 | 858 | 337 | 858 |
| | 337 | 858 | 337 | 858 |
| 20. Other current liabilities | | | | |
| Lease incentives (refer note 31(a)) | 223 | 223 | 223 | 223 |
| Deferred revenue | 49 | 844 | 49 | 844 |
| | 272 | 1,067 | 272 | 1,067 |
| 21. Non-current borrowings | | | | |
| <i>At amortised cost</i> | | | | |
| Unsecured: | | | | |
| Long term borrowings from: | | | | |
| Controlled entities | – | – | 10,776 | 26,969 |
| Other parties | 86,780 | 317,206 | 77,826 | 317,206 |
| | 86,780 | 317,206 | 88,602 | 344,175 |

Notes to the Financial Statements

for the Financial Year Ended 31 March 2012

| | Consolidated | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 |
| 22. Other non-current financial liabilities | | | | |
| <i>At fair value</i> | | | | |
| Foreign currency forward contracts | 1,700 | 2,135 | – | – |
| Interest rate swaps | 23,451 | 29,815 | 8,262 | 17,762 |
| | 25,151 | 31,950 | 8,262 | 17,762 |
| 23. Deferred tax liabilities | | | | |
| Deferred income tax attributable to temporary differences | 8,236 | 18,676 | 4,417 | 15,055 |
| 24. Non-current provisions | | | | |
| Employee entitlements | 1,181 | 864 | 1,181 | 864 |
| Performance fee | 4,302 | 4,302 | – | – |
| | 5,483 | 5,166 | 1,181 | 864 |
| 25. Other non-current liabilities | | | | |
| Lease incentives (refer note 31(a)) | 737 | 991 | 737 | 991 |
| 26. Issued capital | | | | |
| 10,000,000 ordinary shares fully paid (2011: 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.

Notes to the Financial Statements

for the Financial Year Ended 31 March 2012

| | Consolidated | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 |
| 27. Reserves | | | | |
| Asset revaluation | (2,514) | (2,015) | 95,718 | 95,718 |
| Available-for-sale | – | – | – | – |
| Hedging | (2,140) | 2,323 | (1,508) | (1,639) |
| | (4,654) | 308 | 94,210 | 94,079 |
| Asset revaluation reserve | | | | |
| Balance at beginning of financial year | (2,015) | (2,290) | 95,718 | 95,718 |
| Share of associates (decrease)/increase in available-for-sale revaluation reserve net of tax | (499) | 275 | – | – |
| Balance at end of financial year | (2,514) | (2,015) | 95,718 | 95,718 |
| Available-for-sale reserve | | | | |
| Balance at beginning of financial year | – | 63 | – | 63 |
| Valuation gain (loss) recognised | – | – | – | – |
| Transfer to profit and loss on sale of investment | – | (79) | – | (79) |
| Deferred tax released on sale of investment | – | 16 | – | 16 |
| Balance at end of financial year | – | – | – | – |
| Hedging reserve | | | | |
| Balance at beginning of financial year | 2,323 | 6,312 | (1,639) | (363) |
| Profit/(loss) recognised on: | | | | |
| – Forward exchange contracts | (1,133) | (1,560) | (1,133) | (1,560) |
| Transferred from profit or loss | | | | |
| – Deferred foreign exchange loss | (35) | (547) | (35) | (547) |
| Transferred to profit or loss | | | | |
| – Forward exchange contracts | 1,639 | 363 | 1,639 | 363 |
| Deferred tax on hedges | (340) | 468 | (340) | 468 |
| Share of associates decrease in hedging reserve net of tax | (4,594) | (2,713) | – | – |
| Balance at end of financial year | (2,140) | 2,323 | (1,508) | (1,639) |

Notes to the Financial Statements

for the Financial Year Ended 31 March 2012

| | Consolidated | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 |
| 28. Retained earnings | | | | |
| Balance at beginning of financial year | 1,412,855 | 1,171,855 | 264,383 | 203,961 |
| Net profit attributable to members of the parent entity | 561,380 | 501,000 | 274,990 | 320,422 |
| Dividends paid or provided for | (262,000) | (260,000) | (262,000) | (260,000) |
| Balance at end of financial year | 1,712,235 | 1,412,855 | 277,373 | 264,383 |
| 29. Dividends | | | | |
| Interim dividends paid or provided for, fully franked at 30% | 262,000 | 260,000 | 262,000 | 260,000 |

30. 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. 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.

As at 31 March 2012, the current liabilities of the group exceed its current assets by \$372,201 thousand. 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 group to continue to provide corporate finance services through Mitsui & Co. Financial Services (Australia) Ltd requires the continued support of those entities.

Notes to the Financial Statements

for the Financial Year Ended 31 March 2012

| | Consolidated | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 |
| 31. Expenditure commitments | | | | |
| (a) Lease commitments | | | | |
| Non cancellable operating leases relating to office premises, office equipment, land and motor vehicles: | | | | |
| Not longer than one year | 3,512 | 3,530 | 3,512 | 3,530 |
| Longer than one year but not longer than five years | 8,409 | 8,016 | 8,409 | 8,016 |
| Longer than five years | – | – | – | – |
| | 11,921 | 11,546 | 11,921 | 11,546 |
| In respect of non-cancellable operating leases, the following liabilities have been recognised: | | | | |
| Current: | | | | |
| Lease incentives (refer note 20) | 223 | 223 | 223 | 223 |
| Non-current: | | | | |
| Lease incentives (refer note 25) | 737 | 991 | 737 | 991 |
| | 960 | 1,214 | 960 | 1,214 |
| (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 | 89,215 | 93,040 | 89,215 | 93,040 |
| (c) Development commitments | | | | |
| The company's subsidiary, Bald Hills Wind Farm Pty Ltd, has engaged various service providers and consultants for ongoing development (not construction) of the wind farm turbines. These agreements contain exit clauses and can be terminated by either party at any time. The construction contract has not been entered into as at 31 March 2012. | | | | |

Notes to the Financial Statements

for the Financial Year Ended 31 March 2012

| | Consolidated | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 |
| 32. Contingent liabilities | | | | |
| Contingent liabilities at the end of the financial year are: | | | | |
| (a) Guarantees given in respect of borrowings by controlled entities | – | – | 97,293 | 140,613 |
| (b) The company has given performance guarantees in respect of various contracts to other corporations | 54,382 | 15,749 | 54,382 | 15,749 |
| (c) Pursuant to a development agreement, the company's subsidiary, Bald Hills Wind Farm Pty Ltd, is required to pay a performance fee of about 3.34% of EBITDA over a period of 10 years to a developer if the wind farm construction commences before 31 December 2011 and EBITDA is above \$Nil. Under certain circumstances, if the construction of the wind farm is not completed, Bald Hills Wind Farm Pty Ltd may have to pay the developer an early termination fee of about \$7 million. | | | | |

Notes to the Financial Statements

for the Financial Year Ended 31 March 2012

| | Consolidated | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2012 \$'000 | 2011 \$'000 | 2012 \$'000 | 2011 \$'000 |
| 33. Notes to cash flow statement | | | | |
| (a) Reconciliation of profit for the year to net cash flows from operating activities: | | | | |
| Profit for the year | 561,380 | 501,000 | 274,990 | 320,422 |
| Add/(less): | | | | |
| Loss on disposal of property, plant & equipment | 6 | 5 | 6 | 5 |
| Profit on disposal of investment | – | (254) | – | (198) |
| Depreciation | 799 | 803 | 780 | 783 |
| Loss on fair value revaluation of financial assets through the profit or loss | 79 | 42 | 79 | 42 |
| Share of associates profits (less dividends) | (282,761) | (186,801) | – | – |
| Decrease in deferred tax asset | 8,461 | 13,855 | 9,379 | 8,943 |
| Increase/(Decrease) in current tax payable | (17,118) | 190,778 | (17,118) | 190,778 |
| Decrease in deferred tax liability | (10,440) | (4,398) | (10,638) | (5,890) |
| Increase/(Decrease) in hedge reserve | 131 | (1,276) | 131 | (1,276) |
| Changes in assets and liabilities | | | | |
| <u>(Increase)/decrease in assets:</u> | | | | |
| Trade and other receivables | (227,672) | (223,388) | (237,620) | (213,104) |
| Other financial assets | 33,695 | 16,491 | 33,901 | 20,676 |
| Inventories | (31,210) | 14,445 | (31,210) | 14,445 |
| Other | 22 | (685) | 238 | (728) |
| <u>Increase/(decrease) in liabilities:</u> | | | | |
| Trade and other payables | 179,579 | 47,940 | 192,882 | 32,908 |
| Other financial liabilities | (32,266) | (7,898) | (36,032) | (18,371) |
| Other provisions | (204) | 90 | (204) | 90 |
| Other | (1,049) | 600 | (1,049) | 600 |
| Net cash provided by operating activities | 181,432 | 361,349 | 178,515 | 350,125 |
| (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 | 949,938 | 741,086 | 518,759 | 329,258 |
| Bank overdraft | – | – | – | – |
| | 949,938 | 741,086 | 518,759 | 329,258 |

Notes to the Financial Statements

for the Financial Year Ended 31 March 2012

34. Parent entity

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

35. Details of controlled entities

| | Country of incorporation | Ownership interest | |
|---|--------------------------|--------------------|-----------|
| | | 2012 % | 2011 % |
| Parent entity | | | |
| Mitsui & Co. (Australia) Ltd. | Australia | | |
| Controlled entity | | | |
| Mitsui & Co. Financial Services (Australia) Ltd | Australia | 100 | 100 |
| Bald Hills Wind Farm Pty Ltd | Australia | 100 | 100 |

36. Additional Company Information

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

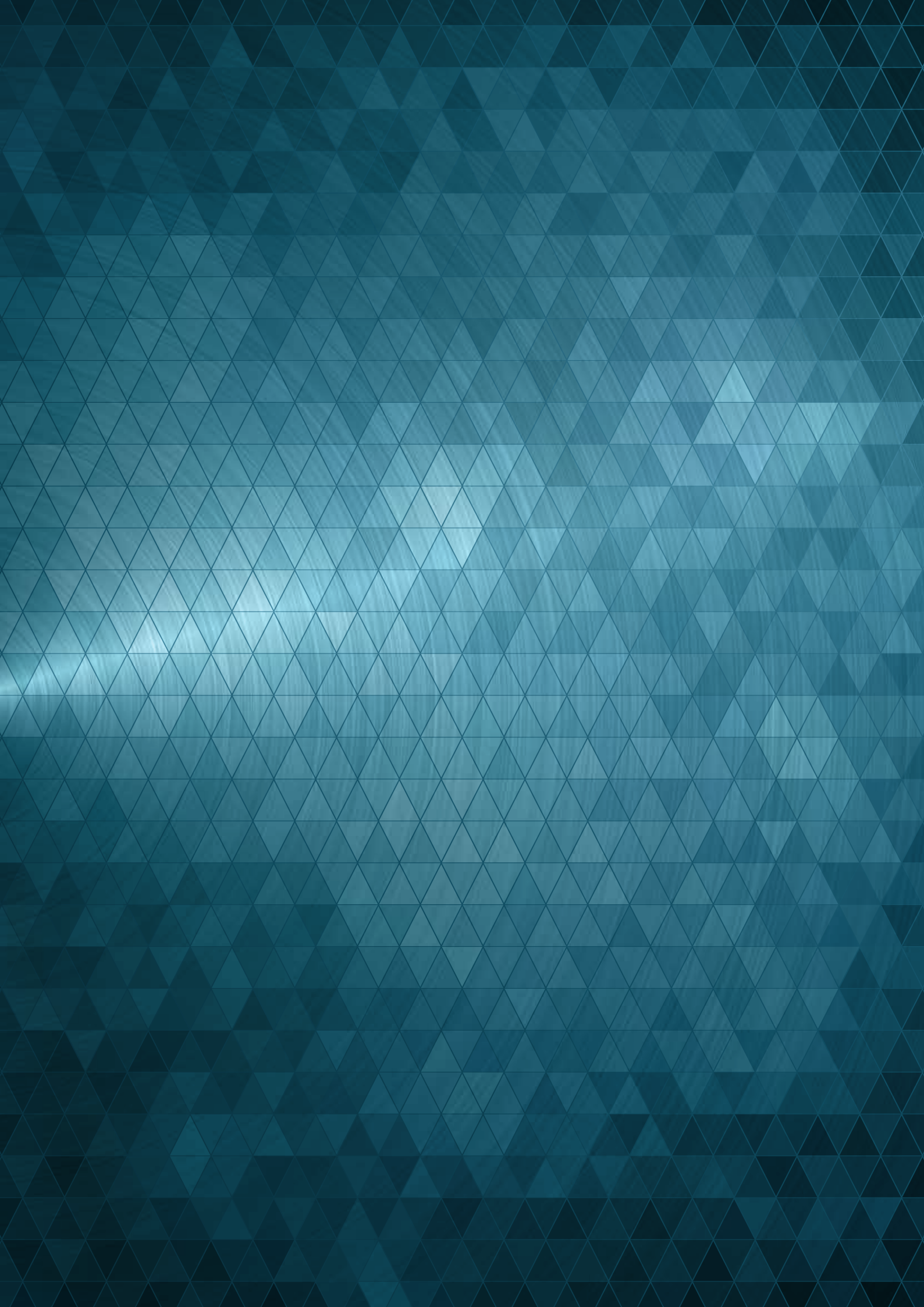
Principal Registered Office

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

Principal Place of Business

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

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MITSUMI & CO. (AUSTRALIA) LTD.

ACN 004 349 795

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