Annual Report

FINANCIAL REPORT FOR
MITSUI & CO. (AUSTRALIA) LTD
FINANCIAL YEAR ENDED
31 MARCH 2015

MITSUI & CO.

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.

Front cover photo: Mitsui's Bald Hills Wind Farm project in South Gippsland, Victoria

Contents

ANNUAL FINANCIAL REPORT – FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

Message from the Chairman & Chief Executive Officer

2015

In the year ending March 31, 2015, we saw moderate economic growth in the global economy. The United States economy achieved well-balanced growth, on the back of a recovery in the housing market and strong corporate earnings. Growth in Europe remained flat, but showed positive signs of recovery as quantitative easing measures by the European Central Bank took effect. In Japan the economy recovered moderately in the second half of the year, thanks to an improvement in the export sector due to a weaker yen and wages growth. In the Chinese economy, excess production capacity and a softer real estate market have led to a slow-down in the economic growth rate, which has become a significant cause of falling commodity prices in the global market.

In this operating environment the consolidated entity recorded a pre-tax profit of $257 million, representing a 10.97% decrease in pre-tax profits compared to the previous year. The result is attributed to a decrease in the consolidated entity's share of profits from associated entities. These profits decreased by 10.39% from $278 million last year to $249 million this year, owing to weaker performance by associated entities in the coal and iron ore industries. The consolidated entity recorded a 15.13% decrease in revenue, while gross profit margins remained relatively stable compared to the previous year as a result of strong contributions from steel and food trade.

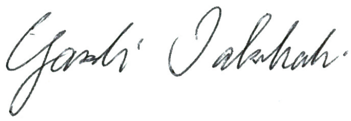
In the period ahead the global economy is expected to continue to recover moderately. There are expectations for continued recovery in the US economy, increased purchasing power by emerging economies due to the fall in commodities markets, and accommodative monetary policies continuing in advanced economies. Risk factors include a greater than expected slowing in the Chinese economy, capital outflows from emerging countries triggered by an interest rate hike in the United States, further sharp falls in commodity prices, and a worsening of Greece's debt crisis.

In the immediate term, Mitsui Australia will maintain and strengthen its position as a reliable exporter of Australia's key natural resources and agricultural commodities. In the mining sector we are drawing on our extensive expertise from a diverse range of industries, developing innovative technology-based solutions to enhance the cost competitiveness of our projects.

The growth of Asia's middle class is driving strong demand for Australia's agricultural commodities, and we expect further growth on the back of recently concluded EPA and FTA agreements with Korea, Japan, and China. We will stay committed to growing our grains accumulation business, while actively seeking new opportunities in beef exports.

Sustainability is an important part of our investment strategy. We have completed construction of our Bald Hills Wind Farm, a 106.6 Megawatt facility located in South Gippsland, Victoria. All 52 wind turbines are fully operational and generating renewable energy.

Our DNA is made up of people with every kind of talent, dynamically connecting every kind of business to meet every kind of needs. As a group we will collaborate across diversified business segments to create the kind of unique added value for all our stakeholders that only Mitsui can provide. This is the essence of 360° business innovation.



YASUSHI TAKAHASHI
CHAIRMAN & CHIEF EXECUTIVE OFFICER
24 July 2015

Directors' Report 2015

The directors of Mitsui & Co. (Australia) Ltd., submit herewith the annual report of the consolidated entity for the financial year ended 31 March 2015. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

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

Mr Y Takahashi
Director since 1 April 2013. Currently Chairman and CEO, Mitsui & Co. (Australia) Ltd and Managing Officer, Mitsui & Co. Ltd. Previously Managing Officer, Chief Operating Officer, Mineral & Metal Resources Business Unit, Mitsui & Co. Ltd. Graduated from Keio University, Japan, majoring in Law.

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

Mr S Koike
Director since 15 December, 2014. Joined Mitsui Group in 1982. Currently Director & Senior Vice President, General Manager of Perth Office, Mitsui & Co. (Australia) Ltd. Previously, Divisional General Manager, Steel Overseas Second Division, Mitsui & Co. Ltd, Head Office, Japan. Graduated from Keio University, Japan, majoring in Economics.

Mr S Yamada
Director since 23 April 2014. Joined Mitsui Group in 1985. Currently Director & CAO, General Manager, Corporate Planning Division, Mitsui & Co. (Australia) Ltd. Previously, Deputy General Manager, Food & Beverage Materials Division, Food Products & Services Business Unit, Mitsui & Co. Ltd, Head Office, Japan. Graduated from Nanzan University, Japan, majoring in Economics, and Kellogg School of Management, Northwestern University, USA, obtaining Master of Business Administration degree.

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

Mr 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. Mr T Kubota resigned from the company on 23 April 2014.

Mr M Sakimoto
Director since 13 September 2012. Joined Mitsui Group in 1995. Currently General Manager, Financial Management Division, Mitsui & Co. (Australia) Ltd. Previously, Manager, Energy, Logistics & Financial Investment Administration Department, Investment Administration Division, Mitsui & Co. Ltd, Head Office, Japan. Graduated from Keio University, Japan, majoring in Economics. Mr M Sakimoto resigned from the company on 11 June 2014.

Directors' Report 2015

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 2015, dividends amounting to $4,060,000 (2014: $162,000,000) fully franked to 100% at 30% corporate tax rate were paid on 21 November 2014.

Results

A summary of consolidated results is set out below:

	2015 $'000	2014 $'000
Total Revenue	635,461	750,016
Profit before income tax expense	256,823	288,474
Income tax expense	2,212	(26,396)
Net profit attributable to members of the parent entity	**259,035**	**262,078**

Review of Operations

In this operating environment the consolidated entity recorded a pre-tax profit of $257 million, representing a 10.97% decrease in pre-tax profits compared to the previous year. The result was largely driven by a decrease in the consolidated entity's share of profits from associated entities, which decreased by 10.39% from $278 million last year to $249 million this year, owing to weaker performance by associated entities in the coal and iron ore industries. The consolidated entity recorded a 15.13% decrease in revenue, while gross profit margins remained relatively stable compared to the previous year, owing to strong contributions from steel and food trade.

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 required to comply with the Environmental Protection and Biodiversity Conservation Act 1999. Various environmental obligations also exist under the Victorian Government Planning Permits 2003/563 and TRA/03/002 granted under Victorian Planning and Environment Regulations 2005.

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

Yasushi Takahashi

YASUSHI TAKAHASHI
DIRECTOR
Melbourne, 24 July 2015

Auditor's Independence Declaration to the members of Mitsui & Co. (Australia) Ltd 2015

Deloitte.

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

24 July 2015

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 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Dreyer

Margaret Dreyer
Partner
Chartered Accountants

Deloitte.

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

We have audited the accompanying financial report, being a special purpose financial report, of Mitsui & Co. (Australia) Ltd, which comprises the statement of financial position as at 31 March 2015, the statement of profit or loss and other 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 9 to 41.

Directors' Responsibility for the Financial Report

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

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 2015

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 and consolidated entity's financial position as at 31 March 2015 and of its 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

DELOITTE TOUCHE TOHMATSU

Dreyer

Margaret Dreyer
Partner
Chartered Accountants

Sydney, 24 July 2015

Directors' Declaration 2015

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

YASUSHI TAKAHASHI
DIRECTOR
Melbourne, 24 July 2015

Statement of Profit or Loss and Other Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

	Note	Consolidated 2015 $'000	Consolidated 2014 $'000	Company 2015 $'000	Company 2014 $'000
Revenue	2(a)	549,185	647,098	549,185	647,098
Cost of goods and services sold		(530,900)	(622,932)	(530,900)	(622,932)
Gross profit		18,285	24,166	18,285	24,166
Dividend income	2(a)	–	–	85,846	171,236
Other revenue	2(a)	86,276	102,918	17,363	41,967
Share of profits of associates	10	249,491	278,423	–	–
Selling, general and administrative expenses		(37,527)	(36,342)	(37,782)	(33,688)
Borrowing costs	2(b)	(57,363)	(77,442)	(2,114)	(18,723)
Other expenses		(2,339)	(3,249)	(3,788)	(2,909)
Profit before income tax expense		256,823	288,474	77,810	182,049
Income tax benefit/(expense)	3	2,212	(26,396)	2,140	(4,590)
Profit attributable to members of the parent entity		259,035	262,078	79,950	177,459
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Share of associates decrease in asset revaluation reserve net of tax	28	–	(1)	–	–
Share of associates decrease in hedging reserve net of tax	28	7,769	2,152	–	–
Items that will be reclassified subsequently to profit or loss:					
Fair value gain/(loss) on cash flow hedges taken to equity	28	(16,881)	(5,298)	2,809	(2,169)
Fair value gain on available-for-sale non-current financial asset	28	(2,946)	5,948	(2,946)	5,948
Income tax relating to components of comprehensive income	28	5,948	(142)	41	(1,081)
Other comprehensive income for the year (net of tax)		(6,110)	2,659	(96)	2,698
Total comprehensive income for the year		252,925	264,737	79,854	180,157

Notes to financial statements are included on pages 14 to 41

Statement of Financial Position

AS AT 31 MARCH 2015

		Consolidated		Company	
	Note	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Current assets					
Cash and cash equivalents	34(b)	275,935	241,294	10,347	13,064
Trade and other receivables	5	101,088	161,651	96,314	146,935
Other financial assets	6	1,993,252	885,311	8,546	6,962
Current tax receivable	7	41,005	91,894	41,005	91,894
Inventories	8	142,219	134,173	142,219	134,173
Other	9	28,306	5,641	28,002	4,959
Total current assets		2,581,805	1,519,964	326,433	397,987
Non-current assets					
Investments accounted for using the equity method	10	2,039,894	1,860,761	–	–
Other financial assets	11	903,214	791,849	385,502	334,313
Property, plant and equipment	12	253,131	70,397	6,762	7,640
Goodwill	13	6,665	6,665	–	–
Other intangible assets	14	14,559	14,559	–	–
Deferred tax assets	15	12,784	6,342	3,157	4,405
Other	16	500	838	–	–
Total non-current assets		3,230,747	2,751,411	395,421	346,358
Total assets		5,812,552	4,271,375	721,854	744,345
Current liabilities					
Trade and other payables	17	155,041	226,230	121,692	213,684
Borrowings	18	2,516,339	1,345,269	99,754	103,512
Other financial liabilities	19	25,320	34,921	1,173	2,870
Provisions	20	737	796	737	796
Other	21	–	649	–	649
Total current liabilities		2,697,437	1,607,865	223,356	321,511
Non-current liabilities					
Borrowings	22	723,297	622,546	–	–
Other financial liabilities	23	135,612	29,906	–	269
Deferred tax liabilities	24	24,597	28,599	3,200	3,346
Provisions	25	745	518	745	518
Other	26	396	338	396	338
Total non-current liabilities		884,647	681,907	4,341	4,471
Total liabilities		3,582,084	2,289,772	227,697	325,982
Net assets		2,230,468	1,981,603	494,157	418,363
Equity					
Issued capital	27	20,000	20,000	20,000	20,000
Reserves	28	(8,086)	(1,976)	98,145	98,241
Retained earnings	29	2,218,554	1,963,579	376,012	300,122
Total equity		2,230,468	1,981,603	494,157	418,363

Notes to financial statements are included on pages 14 to 41

Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

	Share capital $'000	Asset revaluation reserve $'000	Hedging reserve $'000	Retained earnings $'000	Total $'000
Consolidated					
Balance at 1 April 2013	20,000	(5,147)	512	1,863,501	1,878,866
Profit for the year	–	–	–	262,078	262,078
Other comprehensive income for the year	–	4,163	(1,504)	–	2,659
Total comprehensive income for the year	–	4,163	(1,504)	262,078	264,737
Payment of dividends	–	–	–	(162,000)	(162,000)
Balance at 31 March 2014	20,000	(984)	(992)	1,963,579	1,981,603
Balance at 1 April 2014	20,000	(984)	(992)	1,963,579	1,981,603
Profit for the year	–	–	–	259,035	259,035
Other comprehensive income for the year	–	(2,062)	(4,048)	–	(6,110)
Total comprehensive income for the year	–	(2,062)	(4,048)	259,035	252,925
Payment of dividends	–	–	–	(4,060)	(4,060)
Balance at 31 March 2015	20,000	(3,046)	(5,040)	2,218,554	2,230,468
Company					
Balance at 1 April 2013	20,000	95,718	(175)	284,663	400,206
Profit for the year	–	–	–	177,459	177,459
Other comprehensive income for the year	–	4,164	(1,466)	–	2,698
Total comprehensive income for the year	–	4,164	(1,466)	177,459	180,157
Payment of dividends	–	–	–	(162,000)	(162,000)
Balance at 31 March 2014	20,000	99,882	(1,641)	300,122	418,363
Balance at 1 April 2014	20,000	99,882	(1,641)	300,122	418,363
Profit for the year	–	–	–	79,950	79,950
Other comprehensive income for the year	–	(2,062)	1,966	–	(96)
Total comprehensive income for the year	–	(2,062)	1,966	79,950	79,854
Payment of dividends	–	–	–	(4,060)	(4,060)
Balance at 31 March 2015	20,000	97,820	325	376,012	494,157

Notes to financial statements are included on pages 14 to 41

Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

		Consolidated		Company	
	Note	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Cash flows from operating activities					
Receipts from customers		585,999	772,619	599,246	783,946
Payments to suppliers and employees		(613,715)	(831,274)	(623,591)	(778,006)
Dividends received		78,146	165,736	85,846	171,236
Interest received		89,116	86,626	2,335	22,335
Interest paid		(52,932)	(80,657)	(2,121)	(23,599)
Net income tax received		(5,005)	76,080	1,250	22,747
Net cash provided by operating activities	34(a)	81,609	189,130	62,965	198,659
Cash flows from investing activities					
Current loans receivable (advanced)/repaid		(1,097,541)	(115,735)	143	1,824
Non-current loans receivable (advanced)/repaid		(33,403)	(307,853)	(16,029)	285,828
Payment for investments		(19)	(3,247)	(41,840)	(43,867)
Proceeds from sale of investments		–	4,505	–	4,505
Payment for intangible assets		–	(2,963)	–	–
Payment for performance fee		–	(4,000)	–	–
Proceed for sale of property, plant and equipment		–	5	–	5
Payment for property, plant and equipment		(183,766)	(66,988)	(138)	(4,288)
Net cash (used in)/provided by investing activities		(1,314,729)	(496,276)	(57,864)	244,007
Cash flows from financing activities					
Net proceeds from/(repayment of) short term borrowings		1,171,070	(301,053)	(3,758)	(96,723)
Net proceeds from/(repayment of) long term borrowings		100,751	510,361	–	(200,000)
Dividends paid		(4,060)	(162,000)	(4,060)	(162,000)
Net cash provided by/(used in) financing activities		1,267,761	47,308	(7,818)	(458,723)
Net increase/(decrease) in cash and cash equivalents		34,641	(259,838)	(2,717)	(16,057)
Cash and cash equivalents at the beginning of the financial year		241,294	501,132	13,064	29,121
Cash and cash equivalents at the end of the financial year	34(b)	275,935	241,294	10,347	13,064

Notes to financial statements are included on pages 14 to 41

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

1. Summary of Accounting Policies

FINANCIAL REPORTING FRAMEWORK

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

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

STATEMENT OF COMPLIANCE

The financial 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', AASB 1054 'Australian Additional Disclosure', AASB 10 'Consolidated Financial Statements' and AASB 127 'Separate Financial Statements'.

The financial statements were authorised for issue by the directors on 24 July 2015.

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.

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 2015.

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

1. Summary of Accounting Policies (Continued)

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (CONT'D)

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

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	31 March 2019
• AASB 1055 'Budgetary Reporting' and AASB 2013–1 'Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements'	1 July 2014	31 March 2016
• AASB 1056 'Superannuation Entities'	1 July 2016	31 March 2018
• AASB 2014–1 'Amendments to Australian Accounting Standards'	1 July 2014	31 March 2016
– Part A: 'Annual Improvements 2010–2012 and 2011–2013 Cycles' – Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)' – Part C: 'Materiality'		
• AASB 2014–3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	31 March 2017
• AASB 2014–4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	31 March 2017
• AASB 15 'Revenue from Contracts with Customers' and AASB 2014–5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2017	31 March 2018
• AASB 2014–6 'Amendments to Australian Accounting Standards – Agriculture: Bearer Plants'	1 January 2016	31 March 2017
• AASB 2014–9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	31 March 2017
• AASB 2014–10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016	31 March 2017
• AASB 2015–1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle'	1 January 2016	31 March 2017
• AASB 2015–2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	31 March 2017
• AASB 2015–3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	31 March 2017
• AASB 2015–4 'Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent'	1 July 2015	31 March 2017
• AASB 2015–5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	31 March 2017

1. Summary of Accounting Policies (Continued)

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (CONT'D)

During the financial year, some associate companies have early adopted AASB 9 'Financial Instruments', the directors consider there has been no material impact on the group on the early adoption of AASB 9 by associate company.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Principles of consolidation

The consolidated financial statements have been prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its controlled entities as defined in Accounting Standard AASB 10 'Consolidated Financial Statements' and AASB 127 'Separate Financial Statements'. A list of controlled entities appears in Note 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 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.

1. Summary of Accounting Policies (Continued)

(d) Derivative financial instruments (continued)

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.

(e) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave, long service leave, and other employee entitlements expected to be settled within 12 months, are measured at their nominal values.

Provisions made in respect of annual leave and long service leave entitlements which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date.

(f) Foreign Currency

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

All foreign currency transactions during the financial period have been brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at balance date are translated at the exchange rate existing at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

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

1. Summary of Accounting Policies (Continued)

(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.

Impairment of financial assets

Financial asset 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.

1. Summary of Accounting Policies (Continued)

(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.

1. Summary of Accounting Policies (Continued)

(j) Income tax (Continued)

Deferred tax (continued)

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.

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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

1. Summary of Accounting Policies (Continued)

(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.

(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.

1. Summary of Accounting Policies (Continued)

(o) Property, plant and equipment

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

Depreciation is provided on property, plant, motor vehicles and furniture including freehold buildings, but excluding land, over their estimated useful economic lives using either the reducing balance method or prime cost method. The following estimated useful lives are used in the calculation of depreciation:

- Buildings 25 years
- Plant, motor vehicles and furniture 3–8 years

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

(p) Business combinations

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

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

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

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

1. Summary of Accounting Policies (Continued)

(q) Goodwill

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

(r) Intangible assets

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

Intangible assets acquired separately are initially recorded at cost.

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

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

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

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

(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.

1. Summary of Accounting Policies (Continued)

(u) Fair Value Application

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2. Profit from operations

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Profit before income tax includes the following items of revenue and expense:				
(a) Revenue				
Sales revenue:				
Sale of goods	545,754	636,855	545,754	636,855
Rendering of services	3,431	10,243	3,431	10,243
	549,185	647,098	549,185	647,098
Dividends:				
Controlled entities	–	–	7,700	5,500
Associated entities	–	–	78,146	165,736
	–	–	85,846	171,236
Other revenue:				
Interest revenue:				
Ultimate parent entity	236	–	236	–
Controlled entity	–	–	464	6,583
Related bodies corporate:				
Wholly-owned group	54,776	62,119	690	6,886
Other parties	17,897	21,950	936	4,020
Management fees:				
Ultimate parent entity	6,907	6,268	6,907	6,268
Controlled entities	–	–	2,152	5,629
Related bodies corporate:				
Wholly-owned group	4,468	3,868	4,528	3,868
Other parties	55	256	55	256
Gain on revaluation of financial asset	–	7,395	–	7,395
Other income	1,937	1,062	1,395	1,062
	86,276	102,918	17,363	41,967
	635,461	750,016	652,394	860,301

2. Profit from operations (Continued)

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
(b) Expenses				
Foreign exchange losses	1,668	23	538	2,704
Interest:				
Controlled entities	–	–	1,543	2,030
Related bodies corporate:				
Wholly-owned group	29,574	35,778	27	1,214
Other parties	27,789	41,664	544	15,479
Management fees:				
Ultimate parent entity	–	2,500	–	–
Operating lease rental expense	2,798	3,882	2,798	3,882
Net transfers (from)/to provisions:				
Employee entitlements	168	278	168	278
Depreciation of property, plant and equipment	1,031	955	1,015	929
Loss on disposal of property, plant and equipment	1	947	1	947
Diminution in value of investments:				
Other entities	14	169	14	169

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	256,823	288,474	77,810	182,049
Income tax expense calculated at 30%	77,047	86,542	23,343	54,615
Non-assessable dividends	–	–	(25,754)	(51,371)
Share of profits of associates accounted for using the equity method	(74,847)	(83,527)	–	–
Effect of previously unrecognised temporary differences now recognised as deferred tax liabilities	–	16,602	–	–
Effect of undistributed earning from associate companies	(3,755)	4,232	–	–
Non deductible entertainment and other items	175	550	175	550
Other	(651)	640	277	(561)
Over/under provision of income tax in prior year	(181)	1,357	(181)	1,357
Income tax (benefit)/expense attributable to profit from ordinary activities	(2,212)	26,396	(2,140)	4,590

4. Remuneration of auditors

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $
Deloitte Touche Tohmatsu Australian Firm				
Audit or review of financial statements	491,200	504,700	352,300	386,000
Other assurance services	182,000	211,800	146,600	174,300
	673,200	716,500	498,900	546,000

5. Trade and other receivables

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
At amortised cost				
Trade receivables	45,652	55,865	45,652	55,865
Other receivables	55,436	105,786	50,662	91,070
	101,088	161,651	96,314	146,935

6. Current other financial assets

At amortised cost				
Loans to:				
Related bodies corporate:				
Wholly owned group	1,963,449	865,585	6,685	6,505
Other parties	41	364	41	364
	1,963,490	865,949	6,726	6,869
At fair value				
Foreign currency forward contracts	29,762	19,362	1,820	93
	1,993,252	885,311	8,546	6,962

7. Current tax receivable

Current tax receivable	41,005	91,894	41,005	91,894

8. Current inventories

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Finished goods on hand and in transit:				
At cost	142,219	134,173	142,219	134,173

9. Other current assets

Prepayments	28,306	5,641	28,002	4,959

10. Investments accounted for using the equity method

Investments in associates:				
Non-current	2,039,894	1,860,761	–	–

		Ownership interest	
Name of entity	Principal Activity	2015 %	2014 %
Mitsui Coal Holdings Pty Limited	Coal	30.0	30.0
Mitsui Iron Ore Corporation Pty Ltd	Iron ore	20.0	20.0
Mitsui Iron Ore Development Pty Ltd	Iron ore	20.0	20.0
Mitsui Iron Ore Exploration and Mining Pty Ltd	Iron ore	20.0	20.0
Mitsui Itochu Iron Pty Ltd	Iron ore	14.0	14.0
Shark Bay Salt Pty Ltd	Salt	10.0	10.0
BHP Mitsui Coal Pty Ltd	Coal	6.7	6.7
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

10. Investments accounted for using the equity method (Continued)

	Consolidated		Company	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Summarised financial information of associates:				
Current assets	4,907,754	4,520,154	–	–
Non-current assets	10,897,591	10,225,645	–	–
Total assets	15,805,345	14,745,799	–	–
Current liabilities	(1,131,784)	(1,646,390)	–	–
Non-current liabilities	(2,969,996)	(2,336,134)	–	–
Total liabilities	(4,101,780)	(3,982,524)	–	–
Net assets	11,703,565	10,763,275	–	–
Revenue	6,832,913	7,938,952	–	–
Net profit	1,406,894	1,437,974	–	–
Share of associates' profit or loss				
Current year:				
Share of profit before income tax	346,347	372,381	–	–
Income tax expense	(96,856)	(93,958)	–	–
Total share of associates' profit	249,491	278,423	–	–

Dividends from associates

During the current year the consolidated entity received dividends from associates amounting to $78,146 thousand (2014: $165,736 thousand).

11. Non-current other financial assets

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Shares in controlled entities:				
At cost	–	–	87,838	49,469
	–	–	87,838	49,469
Available-for-sale shares				
Investments in associates (at cost)	–	–	266,004	265,985
Other	15,237	18,197	15,238	18,197
	15,237	18,197	369,080	333,651
At fair value:				
Foreign currency forward contracts	1,496	–	–	–
Currency and interest rate swaps	107,858	28,432	–	269
At amortised cost:				
Long term loans to:				
Controlled entities	–	–	15,904	–
Related bodies corporate:				
Wholly owned group	778,105	656,960	–	–
Other parties	518	88,256	518	389
Directors	–	4	–	4
	903,214	791,849	385,502	334,313

12. Property, plant and equipment

	Consolidated						
	Freehold land at cost $'000	Buildings at cost $'000	Furniture & fittings at cost $'000	Plant & equipment at cost $'000	Leasehold improvements at cost $'000	Construction in progress $'000	Total $'000
Gross carrying amount							
Balance at 31 March 2014	5,105	6,382	2,520	1,476	3,499	59,015	77,997
Additions	–	31	6	83	18	183,628	183,766
Disposals	–	–	(3)	(6)	(4)	–	(13)
Balance at 31 March 2015	5,105	6,413	2,523	1,553	3,513	242,643	261,750
Accumulated depreciation							
Balance at 31 March 2014	–	4,228	1,614	1,032	726	–	7,600
Depreciation expense	–	117	162	140	612	–	1,031
Disposals	–	–	(3)	(5)	(4)	–	(12)
Balance at 31 March 2015	–	4,345	1,773	1,167	1,334	–	8,619
Net book value							
As at 31 March 2014	5,105	2,154	906	444	2,773	59,015	70,397
As at 31 March 2015	5,105	2,068	750	386	2,179	242,643	253,131

	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 2014	1,420	6,382	2,504	1,331	3,499	15,136
Additions	–	31	6	83	18	138
Disposals	–	–	(3)	(6)	(4)	(13)
Balance at 31 March 2015	1,420	6,413	2,507	1,408	3,513	15,261
Accumulated depreciation						
Balance at 31 March 2014	–	4,228	1,607	935	726	7,496
Depreciation expense	–	117	161	125	612	1,015
Disposals	–	–	(3)	(5)	(4)	(12)
Balance at 31 March 2015	–	4,345	1,765	1,055	1,334	8,499
Net book value						
As at 31 March 2014	1,420	2,154	897	396	2,773	7,640
As at 31 March 2015	1,420	2,068	742	353	2,179	6,762

13. Goodwill

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Gross carrying amount on acquisition of Bald Hills Wind Farm Pty Ltd	6,665	6,665	–	–

14. Other intangible assets

Gross carrying amount	14,559	14,559	–	–

Other intangible assets represent development expenditure of Bald Hills Wind Farm Pty Ltd, which has achieved finance close and is now in construction phase. Amortisation of these assets will begin after construction is completed and 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	12,784	6,342	3,157	4,405

16. Other non-current assets

Prepayments	500	838	–	–

17. Current trade and other payables

Trade creditors – unsecured	50,460	35,766	27,165	35,766
Amount owing to related bodies corporate:				
Wholly owned group	76,123	161,258	80,282	161,258
Other creditors	28,458	29,206	14,245	16,660
	155,041	226,230	121,692	213,684

18. Current borrowings

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
At amortised cost				
Unsecured:				
Short term borrowings:				
Controlled entities	–	–	99,754	103,512
Related bodies corporate:				
Wholly-owned group	2,313,816	1,262,236	–	–
Other parties	202,523	83,033	–	–
	2,516,339	1,345,269	99,754	103,512

19. Other current financial liabilities

At fair value				
Foreign currency forward contracts	24,326	24,253	1,173	2,870
Interest rate swaps	994	10,668	–	–
	25,320	34,921	1,173	2,870

20. Current provisions

Employee entitlements	737	796	737	796

21. Other current liabilities

Lease incentives (refer note 32(a))	–	649	–	649

22. Non-current borrowings

At amortised cost				
Unsecured:				
Long term borrowings from other parties	723,297	622,546	–	–

23. Other non-current financial liabilities

	Consolidated		Company	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
At fair value				
Foreign currency forward contracts	1,496	–	–	–
Interest rate swaps	134,116	29,906	–	269
	135,612	29,906	–	269

24. Deferred tax liabilities

Deferred income tax attributable to temporary differences	24,597	28,599	3,200	3,346

25. Non-current provisions

Employee entitlements	745	518	745	518

26. Other non-current liabilities

Lease incentives (refer note 32(a))	396	338	396	338

27. Issued capital

10,000,000 ordinary shares fully paid (2014: 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.

28. Reserves

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Asset revaluation	(3,046)	(984)	97,820	99,882
Hedging	(5,040)	(992)	325	(1,641)
	(8,086)	(1,976)	98,145	98,241
Asset revaluation reserve				
Balance at beginning of financial year	(984)	(5,147)	99,882	95,718
Gain arising on revaluation of non-current available-for-sale financial asset	(2,946)	5,948	(2,946)	5,948
Income tax related to gain arising on revaluation of non-current available-for sale financial assets	884	(1,784)	884	(1,784)
Share of associates decrease in revaluation reserve net of tax	–	(1)	–	–
Balance at end of financial year	(3,046)	(984)	97,820	99,882
Hedging reserve				
Balance at beginning of financial year	(992)	512	(1,641)	(175)
Profit/(loss) recognised on:				
• Forward exchange contracts	(20,712)	(5,473)	1,168	(2,344)
Transferred to profit or loss				
• Forward exchange contracts	3,831	175	1,641	175
Income tax on hedges	5,064	1,642	(843)	703
Share of associates decrease in hedging reserve net of tax	7,769	2,152	–	–
Balance at end of financial year	(5,040)	(992)	325	(1,641)

29. Retained earnings

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Balance at beginning of financial year	1,963,579	1,863,501	300,122	284,663
Net profit attributable to members of the parent entity	259,035	262,078	79,950	177,459
Dividends paid or provided for	(4,060)	(162,000)	(4,060)	(162,000)
Balance at end of financial year	2,218,554	1,963,579	376,012	300,122

30. Dividends

Interim dividends paid or provided for, fully franked at 30%	4,060	162,000	4,060	162,000

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. 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 2015, the current liabilities of the group exceed its current assets by $115,632 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. To this effect, Mitsui & Co. Financial Services (Australia) Ltd has in place facilities to continue to provide corporate services to the Australian Mitsui group as well as the ultimate parent company has provided a letter of guarantee to Mitsui & Co. Financial Services (Australia) Ltd for providing comfort over the current assets.

32. Expenditure commitments

	Consolidated		Company	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
(a) Lease commitments				
Non cancellable operating leases relating to office premises, office equipment, land and motor vehicles:				
Not longer than one year	2,397	1,875	2,397	1,875
Longer than one year but not longer than five years	6,686	5,613	6,686	5,613
Longer than five years	–	–	–	–
	9,083	7,488	9,083	7,488
In respect of non-cancellable operating leases, the following liabilities have been recognised:				
Current:				
Lease incentives (refer note 21)	–	649	–	649
Non-current:				
Lease incentives (refer note 26)	396	338	396	338
	396	987	396	987
(b) Commodity purchase commitments				
Aggregate commodity purchase commitments contracted for at balance date but not provided for in the financial statements:				
No longer than one year	367,927	236,190	367,927	236,190
(c) Capital expenditure commitments				
Aggregate capital expenditure commitments contracted for at balance date but not provided for in the financial statements:				
Not longer than one year	61,856	167,858	–	–
Longer than one year but not longer than five years	–	30,617	–	–
Longer than five years	–	–	–	–
	61,856	198,475	–	–

33. Contingent liabilities

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Contingent liabilities at the end of the financial year are:				
(a) Guarantees given in respect of borrowings by controlled entities	–	–	449,336	384,661
(b) The company has given performance guarantees in respect of various contracts to other corporations	75,342	91,489	75,342	91,489

34. Notes to cash flow statement

	Consolidated 2015 $'000	Consolidated 2014 $'000	Company 2015 $'000	Company 2014 $'000
(a) Reconciliation of profit for the year to net cash flows from operating activities:				
Profit for the year	259,035	262,078	79,950	177,459
Add/(less):				
Loss on disposal of property, plant & equipment	1	947	1	947
Depreciation	1,031	955	1,015	929
(Gain)/loss on fair value revaluation of financial assets through the profit or loss	14	(7,226)	14	(7,225)
Share of associates profits (less dividends)	(171,345)	(112,687)	–	–
(Increase)/decrease in deferred tax asset	(6,442)	2,401	1,248	2,890
(Increase)/decrease in current tax receivable	51,772	(38,980)	51,772	(95,978)
Increase/(decrease) in deferred tax liability	(4,002)	19,045	(146)	(1,592)
Increase/(decrease) in hedge reserve	(11,817)	(3,655)	1,966	(1,466)
Changes in assets and liabilities				
(Increase)/decrease in assets:				
Trade and other receivables	60,563	51,195	50,621	87,228
Other financial assets	(91,322)	(29,886)	(1,458)	12,182
Inventories	(8,046)	5,272	(8,046)	5,272
Goodwill	–	(989)	–	–
Other	(22,327)	8,421	(19,591)	9,473
Increase/(decrease) in liabilities:				
Trade and other payables	(71,188)	(1,990)	(91,992)	17,837
Other financial liabilities	96,105	34,076	(1,966)	(9,859)
Other provisions	168	(24)	168	278
Other	(591)	177	(591)	284
Net cash provided by operating activities	81,609	189,130	62,965	198,659

34. Notes to the cash flow statement (Continued)

	Consolidated		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
(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	275,935	241,294	10,347	13,064

35. Parent entity

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

36. Details of controlled entities

		Ownership Interest	
	Country of Incorporation	2015 %	2014 %
PARENT ENTITY			
Mitsui & Co. (Australia) Ltd.	Australia	–	–
CONTROLLED ENTITY			
Mitsui & Co. Financial Services (Australia) Ltd	Australia	100	100
MIT Power Australia Pty Ltd	Australia	100	100

37. Additional Company Information

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

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