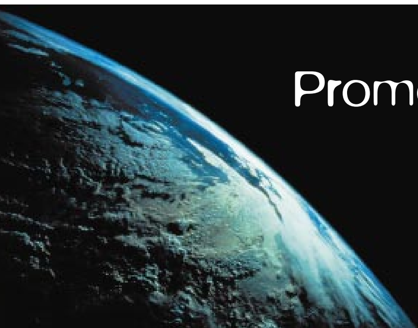
MITSUI & CO.
(AUSTRALIA) LTD. ACN 004 349 795



Promoting human progress through global trade

# 1999 Annual Report

MITSUI & CO.
(AUSTRALIA) LTD. ACN 004 349 795

# Annual Financial Report
for the financial year ended 31 December 1999

## Index

# Message from the Chairman and Managing Director

Trading transactions grew by 22% compared with the previous year to a total of $9.1 billion, mainly due to an increase in turnover of gold transactions. Our operating profit after tax was down by 3% to $11.9 million, which reminds us we operate in an increasingly competitive environment.

The Australian economy has grown at an average of 4% per annum for the past 8 years and is forecast to exceed that figure in this current year. Strong consumer demand is the key reason for that positive growth in Australia. While official figures are not yet available, it is expected the Japanese economy will have grown at around a positive 0.6% for the year ended March 2000 which is in line with the Japanese government's forecast. It is hoped this indicates the Japanese economy has bottomed out and will steadily strengthen over coming years as deregulation occurs and consumer confidence returns.

Our main business continues to be exports of minerals and energy, mainly to Japan, and accordingly we are mindful of the state of the Japanese economy. Our exports of coal, LNG, iron ore, meat, aluminium, woodchips, copper and oil were well presented in Australia's top 10 exports to Japan in 1999. Overall Australia's exports to Japan dropped by 3.9% in calender year 1999 to $16.7 billion while imports from Japan increased by 1.9% to $13.5 billion, reflecting that strong consumer demand in Australia.

In cooperation with Japanese & Australian partners we again met with success in being awarded the Tarong electric power project in Queensland, having won the Callied electric power project in 1998 in the same state, both on a lump sum turnkey basis.

We see the medium term outlook for Mitsui's trade and investment in Australia being positive based on further expansion of our main areas of investment here. Broadly speaking we started to invest in coal in the 1960's, iron ore in the 1970's, gas in the 1980's and plantations in the 1990's and all those investments are likely to be expanded. For example, Mitsui has a one third equity in the recent announced West Angelas iron ore mine in Western Australia, and, as partners in the North West Shelf LNG project we are hopeful the needs of overseas markets will result in increased production in the foreseeable future. 1999 saw Mitsui increase its equity in the Moura coal project and the Kestrel coal project, both in Queensland while the first shipment was made from Bengalla coal mine in NSW in which we have equity. Plantations are another area where investors, particularly Japanese, are expected to focus having regard to the environmental considerations related to the greenhouse issue.

Since the establishment of our Company, we have played important roles in creating new business transactions and providing ongoing support to help businesses evolve. Such fundamental roles can be expected to become even more important in the years to come, and we will move with agility to take up the challenges of today's fast-moving business conditions.

We must make Mitsui & Co. (Australia) Ltd. the company that clients select as a partner, and I believe we are well positioned to do that.

Fuyuki Kitahara
Chairman and Managing Director

The directors of Mitsui & Co. (Australia) Ltd, submit herewith the annual financial report for the financial year ended 31 December 1999. In order to comply with the provisions of the Corporations Law, the directors report as follows:

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

### Mr F Kitahara

Director since 8 October 1996. Joined Mitsui Group in 1965. Appointed Managing Director, Mitsui & Co. (Australia) Ltd on 2 June 1997. Previously Deputy Managing Director, Mitsui & Co. (Australia) Ltd. Graduated from Gakushuin University (Politics and Economics). During the financial year he attended 26 of the 26 directors' meetings held.

### Mr W Tashiro

Director since 1 March 1999. Joined Mitsui Group in 1969. Currently Deputy Managing Director, Mitsui & Co. (Australia) Ltd and General Manager, Melbourne Office, Mitsui & Co. (Australia) Ltd. Previously, General Manager, Petroleum Marketing Division, Energy Group, Mitsui & Co., Ltd, Tokyo Office. Graduated from Waseda University, Japan majoring in Law. During the financial year he attended none of the directors' meetings held.

### Mr T Koide

Director from 2 February 1995 until his resignation from the Board on 1 March 1999. Joined Mitsui Group in 1966. Most recently Deputy Managing Director and General Manager of Melbourne office, Mitsui & Co. (Australia) Ltd. Previously Deputy General Manager of Foods Group, Mitsui & Co., Ltd, Tokyo Office. Graduated from Nagoya University (Economics). During the financial year he attended none of the directors' meetings held.

### Mr T Hatamoto

Director since 17 September 1998. Joined Mitsui Group in 1970. Currently Director, Mitsui & Co. (Australia) Ltd. Previously, General Manager of Plant & Project Accounting Department, Machinery and Information Industries Accounting Division, Mitsui & Co., Ltd, Tokyo Office. Graduated from Kobe University, Japan majoring in Law. During the financial year he attended 26 of the 26 directors' meetings held.

### Mr Y Hashimoto

Director since 1 September 1998. Joined Mitsui Group in 1971. Currently General Manager of Perth Office, Mitsui & Co. (Australia) Ltd. Previously Deputy General Manager of Mitsui & Co., Ltd, New Delhi Branch. Graduated from Osaka University majoring in Economics. During the financial year he attended none of directors' meetings held.

### Mr K Ariki

Director since 1 January 1998. Joined Mitsui Group in 1973. Currently General Manager of Brisbane Office, Mitsui & Co. (Australia) Ltd. Previously Assistant General Manager, Thermal Coal Group, Coal Division, Mitsui & Co., Ltd Tokyo Office. Graduated from Waseda University (Commercial Sciences). During the year he attended none of the directors' meetings held.

# Directors' Report

## Principal Activities of the Consolidated Entity

The consolidated entity's principal activities in the course of the financial year were importing, exporting and the provision of finance to related bodies corporate. There was no significant change in the nature of these activities during the financial year.

## Dividends

The amounts paid or declared by way of dividend by the company since the start of the financial year were:

- In respect of the financial year ended 31 December 1998, as detailed in the directors' report for that financial year, a final dividend of $3,500,000 fully franked at 36% was paid on 30 June 1999.
- During the financial year ended 31 December 1999 an interim dividend of $3,500,000 fully franked at 36% was paid on 17 April 1999 and a further interim dividend of $3,500,000 fully franked at 36% was paid on 15 December 1999.
- In respect of the financial year ended 31 December 1999, the directors recommend the payment of a final dividend amounting to $7,500,000 fully franked at 36% with $3,500,000 to be paid on 30 June 2000 and $4,000,000 to be paid on 29 September, 2000.

## Review of Operations

A summary of consolidated results is set out below:

| | **1999 $'000** | **1998 $'000** |
|---|---|---|
| Trading Transactions | 9,192,400 | 7,527,689 |
| Total Revenue | 6,197,740 | 4,820,832 |
| Operating profit before income tax | 15,345 | 10,904 |
| Income tax (expense)/benefit attributable to operating profit | (3,375) | 2,828 |
| Operating profit after income tax | 11,970 | 13,732 |
| Outside equity interests in operating profit after income tax | – | (1,371) |
| Operating profit after income tax attributable to members of the chief entity | 11,970 | 12,361 |

## Review of Operations

Total revenue increased by 29% mainly due to an increase in turnover in respect of gold transactions.

## Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

## Subsequent Events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

## Future Developments

The directors believe, on reasonable grounds, that to include in this report particular information regarding likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years would be likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been included in this report.

## Environmental Regulations

The consolidated entity is not subject to any particular or significant environmental regulations under a law of the Commonwealth or of a State or Territory.

## Indemnification of Officers and Auditors

During or since the financial year the company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor. In addition, the company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

## Rounding off of Amounts

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

Signed in accordance with a resolution of the directors made pursuant to section 298(2) of the Corporations Law.

On behalf of the Directors

T Hatamoto

Director

Sydney, 28 April 2000

Deloitte Touche Tohmatsu

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# Independent Audit Report

To The Members Of Mitsui & Co. (Australia) Ltd

## Scope

We have audited the financial report of Mitsui & Co. (Australia) Ltd for the financial year ended 31 December 1999 as set out on pages 7 to 35. The financial report includes the consolidated financial statements 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. The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

## Audit opinion

In our opinion, the financial report of Mitsui & Co. (Australia) Ltd is in accordance with:

(a) the Corporations Law, including

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 1999 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards and the Corporations Regulations; and

(b) other mandatory professional reporting requirements.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G Couttas

G Couttas
Partner
Chartered Accountants

Sydney, 28 April 2000

# Directors' Declaration

The directors declare that:

(a) the attached financial statements and notes thereto comply with accounting standards;

(b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the company and the consolidated entity;

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Law; and

(d) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

T Hatamoto
Director

Sydney, 28 April 2000

# Profit And Loss Statement for the year ended 31 December 1999

| | Note | Consolidated 1999 $'000 | Consolidated 1998 $'000 | Company 1999 $'000 | Company 1998 $'000 |
|---|---|---|---|---|---|
| Trading Transactions | 25 | 9,192,400 | 7,527,689 | 9,192,400 | 7,527,689 |
| Operating profit before abnormal items and income tax | 21 | 15,345 | 10,904 | 14,763 | 10,368 |
| Abnormal items before income tax | 22 | – | – | – | 1,565 |
| Operating profit before income tax | | 15,345 | 10,904 | 14,763 | 11,933 |
| Income tax (expense)/benefit attributable to operating profit | 23 | (3,375) | 2,828 | (3,246) | 895 |
| **OPERATING PROFIT AFTER INCOME TAX** | | 11,970 | 13,732 | 11,517 | 12,828 |
| Outside equity interests in operating profit after income tax | | – | (1,371) | – | – |
| **OPERATING PROFIT AFTER INCOME TAX ATTRIBUTABLE TO MEMBERS OF THE CHIEF ENTITY** | | 11,970 | 12,361 | 11,517 | 12,828 |
| Retained profits at the beginning of the financial year | | 62,616 | 57,255 | 61,201 | 55,373 |
| **TOTAL AVAILABLE FOR APPROPRIATION** | | 74,586 | 69,616 | 72,718 | 68,201 |
| Dividends provided for or paid | 24 | (14,500) | (7,000) | (14,500) | (7,000) |
| Retained profits at the end of the financial year | | 60,086 | 62,616 | 58,218 | 61,201 |

Notes to and forming part of the financial report are included on pages 11 to 35.

# Balance Sheet as at 31 December 1999

| | Note | Consolidated 1999 $'000 | Consolidated 1998 $'000 | Company 1999 $'000 | Company 1998 $'000 |
|---|---|---|---|---|---|
| **CURRENT ASSETS** | | | | | |
| Cash | | 37,701 | 45,457 | 2,642 | 2,727 |
| Receivables | 2 | 350,921 | 314,324 | 316,272 | 273,231 |
| Inventories | 3 | 2,524 | 3,574 | 2,524 | 3,574 |
| Other | 4 | 54,578 | 73,085 | 54,084 | 72,217 |
| **TOTAL CURRENT ASSETS** | | 445,724 | 436,440 | 375,522 | 351,749 |
| **NON-CURRENT ASSETS** | | | | | |
| Receivables | 5 | 96,641 | 97,958 | 127,794 | 130,080 |
| Investments | 6 | 154,702 | 153,825 | 155,064 | 154,488 |
| Property, plant and equipment | 7 | 13,009 | 11,948 | 12,806 | 11,773 |
| Other | 8 | 34,285 | 18,583 | 34,279 | 18,497 |
| **TOTAL NON-CURRENT ASSETS** | | 298,637 | 282,314 | 329,943 | 314,838 |
| **TOTAL ASSETS** | | 744,361 | 718,754 | 705,465 | 666,587 |
| **CURRENT LIABILITIES** | | | | | |
| Accounts payable | 9 | 158,648 | 151,276 | 158,770 | 151,026 |
| Borrowings | 10 | 258,483 | 245,679 | 207,273 | 161,790 |
| Provisions | 11 | 10,527 | 4,856 | 10,415 | 4,725 |
| Other | 12 | 13,047 | 17,738 | 13,047 | 17,738 |
| **TOTAL CURRENT LIABILITIES** | | 440,705 | 419,549 | 389,505 | 335,279 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Accounts payable | 13 | 10,189 | 2,626 | 10,189 | 2,626 |
| Borrowings | 14 | 125,184 | 127,406 | 139,515 | 160,937 |
| Provisions | 15 | 2,955 | 2,158 | 2,796 | 2,145 |
| Other | 16 | 303 | – | 303 | – |
| **TOTAL NON-CURRENT LIABILITIES** | | 138,631 | 132,190 | 152,803 | 165,708 |
| **TOTAL LIABILITIES** | | 579,336 | 551,739 | 542,308 | 500,987 |
| **NET ASSETS** | | 165,025 | 167,015 | 163,157 | 165,600 |
| **EQUITY** | | | | | |
| Share capital | 18 | 20,000 | 20,000 | 20,000 | 20,000 |
| Reserves | 19 | 84,939 | 84,399 | 84,939 | 84,399 |
| Retained profits | | 60,086 | 62,616 | 58,218 | 61,201 |
| **TOTAL SHAREHOLDERS' EQUITY** | | 165,025 | 167,015 | 163,157 | 165,600 |

Notes to and forming part of the financial report are included on pages 11 to 35.

# Statement of Cash Flows for the year ended 31 December 1999

| | Note | Consolidated | | Company | |
|---|---|---|---|---|---|
| | | 1999 | 1998 | 1999 | 1998 |
| | | $'000 | $'000 | $'000 | $'000 |
| **Cash flows from operating activities** | | | | | |
| Receipts from customers | | 6,050,725 | 4,824,613 | 6,071,307 | 4,715,691 |
| Payments to suppliers and employees | | (6,058,964) | (4,919,043) | (6,062,794) | (4,852,868) |
| Dividends received | | 9,107 | 9,853 | 9,107 | 9,853 |
| Interest received | | 80,527 | 56,178 | 78,645 | 46,871 |
| Interest paid | | (68,084) | (53,259) | (67,539) | (44,276) |
| Income tax paid | | (3,325) | (1,530) | (3,195) | (1,480) |
| **Net cash provided by/(used in) operating activities** | 31(a) | 9,986 | (83,188) | 25,531 | (126,209) |
| **Cash flows from investing activities** | | | | | |
| (Increase)/decrease in short term deposits | | (6,411) | 33,388 | (6,411) | 33,388 |
| Decrease in bills accepted or endorsed by banks | | 16,003 | 108,368 | 16,003 | 108,368 |
| (Increase)/decrease in current loans receivable | | (22,922) | 70,437 | (49,414) | 49,109 |
| (Increase) in non-current loans receivable | | (5,106) | (9,959) | (1,506) | (65,828) |
| Payment for investment securities | | (1,500) | (23,945) | (1,500) | (24,045) |
| Proceeds from sale of investment securities | | 1,996 | 275 | 1,996 | 1,440 |
| Distribution to minority shareholders on liquidation of controlled entity | | – | (875) | – | – |
| Payment for property, plant and equipment | | (2,405) | (1,854) | (2,048) | (1,387) |
| Proceeds from sale of property, plant and equipment | | 87 | 2,536 | 75 | 2,413 |
| Distributions from investments in joint venture entities | | 308 | 4,782 | 308 | 4,782 |
| **Net cash (used in)/provided by investing activities** | | (19,950) | 183,153 | (42,497) | 108,240 |
| **Cash flows from financing activities** | | | | | |
| Net proceeds from short term borrowings | | 16,594 | – | 50,871 | – |
| Net repayment of short term borrowings | | – | (65,831) | – | (44,777) |
| Net proceeds from long term borrowings | | 805 | 12,669 | – | 67,720 |
| Net repayment of long term borrowings | | – | – | (18,395) | – |
| Dividends paid | | (10,500) | (7,000) | (10,500) | (7,000) |
| **Net cash provided by/(used in) financing activities** | | 6,899 | (60,162) | 21,976 | 15,943 |
| **Net (decrease)/increase in cash held** | | (3,065) | 39,803 | 5,010 | (2,026) |
| **Cash at the beginning of the financial year** | | 39,679 | (124) | (3,051) | (1,025) |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | 404 | – | – | – |
| **Cash at the end of the financial year** | 31(b) | 37,018 | 39,679 | 1,959 | (3,051) |

Notes to and forming part of the financial report are included on pages 11 to 35.

## 1. SUMMARY OF ACCOUNTING POLICIES

### Financial Reporting Framework

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Law, applicable Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

### Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resultant financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and other events is reported.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

In addition to the accounting policies prescribed by applicable Accounting Standards and Urgent Issues Group Consensus Views, 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 chief entity) and its controlled entities as defined in AASB1024 “Consolidated Accounts”. A list of controlled entities appears in Note 33. 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) Investments

The consolidated entity’s interests in entities which are not controlled are brought to account at cost or directors’ valuation, on the basis that the consolidated entity does not exert significant influence. Therefore, these investments have not been accounted for under the equity method. Dividends are taken to income on a receivable basis.

### (c) Foreign Currency

All foreign currency transactions during the year 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.

Exchange differences are brought to account in the profit and loss account in the financial period in which they arise except that exchange differences on transactions entered into in order to hedge the purchase or sale of specific goods or services are deferred and included in the measurement of the purchase or sale.

### (d) Depreciation

Buildings, plant, motor vehicles and furniture are depreciated 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 — 14 or 40 years
- plant, motor vehicles and furniture — 3 – 50 years

## 1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### (e) Inventories

Merchandise on hand and in transit is 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.

### (f) Income Tax

Tax effect accounting principles have been adopted whereby income tax expense has been calculated on pre-tax accounting profits after adjustment for permanent differences. The tax effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is carried forward in the balance sheet as a provision for deferred income tax or a future income tax benefit, as applicable.

### (g) Recoverable Amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their present value.

### (h) Leased Assets

Leased assets classified as finance leases are capitalised as fixed assets. The amount initially brought to account is the present value of minimum lease payments.

A finance lease is one which effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property.

Capitalised leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments are charged as an expense in the period in which they are incurred.

### (i) Joint Ventures

**Joint Venture Operations**

Interests in joint venture operations have been reported in the financial statements by including the consolidated entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to joint ventures and the share of any expenses incurred in relation to joint ventures in their respective classification categories.

**Joint Venture Entities**

Interest in joint venture entities which are partnerships have been accounted for under the equity method in the company and consolidated financial statements.

## 1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### (j) Employee Entitlements

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 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.

### (k) Receivables

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts. Bills of exchange are recorded at amortised cost, with revenue recognised on a effective yield basis.

### (l) Accounts payable

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. Included within trade creditors are gold borrowings.

### (m) Borrowings

Short and long term loans are recorded at amounts equal to the net proceeds received. Interest expense is recognised on an accrual basis.

### (n) Derivative financial instruments

Derivative transactions including swaps and options on interest rates, exchange rates and commodities are entered into principally for hedging purposes. These transactions are accounted for under the principles of hedge accounting and income is recognised on the same basis as that of the underlying item being hedged.

### (o) Interest Rate Swaps and Forward Rate Agreements

Interest payments and receipts under interest rate swap contracts and forward rate agreements are recognised on an accrual basis in the profit and loss account as an adjustment to interest expense during the period.

### (p) Capital Gains Tax

No provision has been made for capital gains tax which may arise in the event of sale of revalued assets as no decision has been made to sell any of these assets.

### (q) Borrowing Costs

Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(r) Revenue Recognition

**Sale of Goods and Disposal of Assets**

Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer.

**Rendering of Services**

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

(s) Comparative Figures

Comparative figures are, where appropriate, reclassified so as to be comparable with the figures presented for the current financial year.

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **1999** | **1998** | **1999** | **1998** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **2. CURRENT RECEIVABLES** | | | | |
| Trade debtors | 133,223 | 127,729 | 133,350 | 127,750 |
| Provision for doubtful debts | (3,449) | (1,500) | (3,449) | (1,500) |
| | 129,774 | 126,229 | 129,901 | 126,250 |
| Short term deposits | 30,569 | 24,158 | 30,569 | 24,158 |
| Bills accepted or endorsed by banks | – | 16,100 | – | 16,100 |
| Loans to: | | | | |
| Controlled entities | – | – | 92,676 | 66,700 |
| Related bodies corporate – wholly owned group | 118,136 | 102,272 | 35,567 | 24,977 |
| Other related parties | 38,875 | 35,374 | 3,257 | 4,915 |
| Other parties | 33,533 | 10,152 | 24,268 | 10,092 |
| Directors (Note 32c) | 34 | 39 | 34 | 39 |
| | 221,147 | 188,095 | 186,371 | 146,981 |
| | 350,921 | 314,324 | 316,272 | 273,231 |
| **3. CURRENT INVENTORIES** | | | | |
| Finished goods on hand and in transit: | | | | |
| At cost | 2,524 | 3,574 | 2,524 | 3,574 |
| **4. OTHER CURRENT ASSETS** | | | | |
| Other debtors and prepayments | 42,969 | 57,734 | 42,475 | 56,866 |
| Advances paid on contracts | 11,609 | 15,351 | 11,609 | 15,351 |
| | 54,578 | 73,085 | 54,084 | 72,217 |
| **5. NON-CURRENT RECEIVABLES** | | | | |
| Long term loans to: | | | | |
| Other parties | 40,950 | 41,201 | 40,950 | 41,201 |
| Controlled entities | – | – | 48,000 | 51,600 |
| Related bodies corporate – wholly owned group | 55,194 | 55,449 | 38,347 | 35,971 |
| Directors (Note 32c) | 12 | 58 | 12 | 58 |
| | 96,156 | 96,708 | 127,309 | 128,830 |
| Trade debtors | 485 | 1,250 | 485 | 1,250 |
| | 96,641 | 97,958 | 127,794 | 130,080 |

| | Consolidated 1999 $'000 | Consolidated 1998 $'000 | Company 1999 $'000 | Company 1998 $'000 |
|---|---|---|---|---|
| **6. NON-CURRENT INVESTMENTS** | | | | |
| Non quoted investments | | | | |
| Shares in controlled entities: | | | | |
| – at cost | – | – | 1,200 | 1,200 |
| Shares in related bodies corporate: | | | | |
| – at directors valuation – 1997 (i) | 114,838 | 114,838 | 114,838 | 114,838 |
| Less: provision for diminution in value | (1,410) | (1,950) | (1,410) | (1,950) |
| | 113,428 | 112,888 | 113,428 | 112,888 |
| – at cost | 19,061 | 17,561 | 19,061 | 17,561 |
| | 132,489 | 130,449 | 132,489 | 130,449 |
| Shares in other corporations: | | | | |
| – at cost | 22,626 | 23,348 | 22,626 | 23,348 |
| Less: provision for diminution in value | (1,640) | (2,200) | (1,640) | (2,200) |
| | 20,986 | 21,148 | 20,986 | 21,148 |
| Quoted investments | | | | |
| Shares: | | | | |
| – at cost (ii) | – | 2,000 | – | 2,000 |
| Less: provision for diminution in value | – | (588) | – | (588) |
| | – | 1,412 | – | 1,412 |
| Investment in regenerative forests | | | | |
| – at cost | 838 | 537 | – | – |
| Investment in joint venture entities | | | | |
| – equity accounted (iii) | 389 | 279 | 389 | 279 |
| | 154,702 | 153,825 | 155,064 | 154,488 |

(i) Shares in related bodies corporate were revalued by the directors in 1997. The valuation was performed on the basis of current market values. The valuation was not made in accordance with a regular policy of revaluation.

(ii) Quoted market value was $1,423,000 in 1998.

(iii) Refer Note 20.

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| | $'000 | $'000 | $'000 | $'000 |
| **7. PROPERTY, PLANT AND EQUIPMENT** | | | | |
| Freehold land and buildings: | | | | |
| – at cost (i) | 12,172 | 10,693 | 11,527 | 10,011 |
| Accumulated depreciation on buildings | (971) | (670) | (971) | (670) |
| | 11,201 | 10,023 | 10,556 | 9,341 |
| Plant, motor vehicles and furniture: | | | | |
| – at cost | 5,923 | 5,792 | 6,306 | 6,260 |
| Accumulated depreciation | (4,115) | (3,867) | (4,056) | (3,828) |
| | 1,808 | 1,925 | 2,250 | 2,432 |
| | 13,009 | 11,948 | 12,806 | 11,773 |
| (i) The aggregate current market values of land and buildings | 17,133 | 17,133 | 17,133 | 17,133 |

Current market values of land and buildings were assessed by the directors at 31 December 1997. The land and buildings are staff houses and the directors' assessment of current market value at 31 December 1997 is based on independent kerbside opinions of value at January 1998 by Raine & Horne, LJ Hooker, Ray White, and Hocking Stuart Pty Ltd.

| | Consolidated 1999 $'000 | Consolidated 1998 $'000 | Company 1999 $'000 | Company 1998 $'000 |
|---|---|---|---|---|
| **8. OTHER NON-CURRENT ASSETS** | | | | |
| Future income tax benefits – timing differences | 2,545 | 2,630 | 2,539 | 2,544 |
| Advances paid on contracts | 300 | 975 | 300 | 975 |
| Other debtors | 31,440 | 14,978 | 31,440 | 14,978 |
| | 34,285 | 18,583 | 34,279 | 18,497 |
| **9. CURRENT ACCOUNTS PAYABLE** | | | | |
| Trade creditors – unsecured | 111,075 | 68,554 | 111,075 | 68,703 |
| Trade creditors – secured (i) | – | 16,279 | – | 16,279 |
| Other creditors and accrued expenses | 47,573 | 66,443 | 47,695 | 66,044 |
| | 158,648 | 151,276 | 158,770 | 151,026 |

(i) Secured by a charge over the parent company's bank accepted bills

| | Consolidated 1999 $'000 | Consolidated 1998 $'000 | Company 1999 $'000 | Company 1998 $'000 |
|---|---|---|---|---|
| **10. CURRENT BORROWINGS** | | | | |
| Unsecured: | | | | |
| Bank overdraft | 683 | 5,778 | 683 | 5,778 |
| Short term borrowings to: | | | | |
| Controlled entities | – | – | 87,101 | 52,824 |
| Ultimate parent entity | 12,488 | 9,581 | 12,488 | 9,581 |
| Related bodies corporate – wholly owned group | 3,185 | 1,946 | – | – |
| Other related parties | 55,173 | 57,823 | – | – |
| Other parties | 186,954 | 170,551 | 107,001 | 93,607 |
| | 258,483 | 245,679 | 207,273 | 161,790 |
| **11. CURRENT PROVISIONS** | | | | |
| Dividends | 7,500 | 3,500 | 7,500 | 3,500 |
| Taxation | 2,446 | 874 | 2,334 | 743 |
| Employee entitlements (Note 17) | 581 | 482 | 581 | 482 |
| | 10,527 | 4,856 | 10,415 | 4,725 |
| **12. OTHER CURRENT LIABILITIES** | | | | |
| Advances received on contracts | 13,047 | 17,738 | 13,047 | 17,738 |
| **13. NON-CURRENT ACCOUNTS PAYABLE** | | | | |
| Other creditors | 10,189 | 2,626 | 10,189 | 2,626 |
| **14. NON-CURRENT BORROWINGS** | | | | |
| Unsecured: | | | | |
| Long term borrowings from: | | | | |
| Ultimate parent entity | 86,837 | 91,435 | 86,837 | 91,435 |
| Controlled entities | – | – | 14,331 | 33,531 |
| Other parties | 38,347 | 35,971 | 38,347 | 35,971 |
| | 125,184 | 127,406 | 139,515 | 160,937 |
| **15. NON-CURRENT PROVISIONS** | | | | |
| Employee entitlements (Note 17) | 656 | 645 | 656 | 645 |
| Deferred income tax | 2,299 | 1,513 | 2,140 | 1,500 |
| | 2,955 | 2,158 | 2,796 | 2,145 |

| | Consolidated 1999 $'000 | Consolidated 1998 $'000 | Company 1999 $'000 | Company 1998 $'000 |
|---|---|---|---|---|
| **16. OTHER NON-CURRENT LIABILITIES** | | | | |
| Advances received on contracts | 303 | – | 303 | – |
| **17. EMPLOYEE ENTITLEMENTS** | | | | |
| The aggregate employee entitlement liability recognised and included in the financial statements is as follows: | | | | |
| Provision for employee entitlements: | | | | |
| Current (Note 11) | 581 | 482 | 581 | 482 |
| Non-current (Note 15) | 656 | 645 | 656 | 645 |
| | 1,237 | 1,127 | 1,237 | 1,127 |
| Accrual for bonus | 307 | – | 307 | – |
| | 1,544 | 1,127 | 1,544 | 1,127 |
| **18. SHARE CAPITAL** | | | | |
| Issued share capital | | | | |
| 10,000,000 ordinary shares fully paid | 20,000 | 20,000 | 20,000 | 20,000 |
| **19. RESERVES** | | | | |
| Asset revaluation reserve | 84,939 | 84,399 | 84,939 | 84,399 |
| Movement in asset revaluation: | | | | |
| Balance at beginning of financial year | 84,399 | 86,349 | 84,399 | 86,349 |
| Revaluation of non-current assets | 540 | (1,950) | 540 | (1,950) |
| Balance at end of financial year | 84,939 | 84,399 | 84,939 | 84,399 |

## 20. INVESTMENTS IN JOINT VENTURE ENTITIES

| Name of Entity | Principal Activity | Ownership Interest 1999 % | Ownership Interest 1998 % |
|---|---|---|---|
| Toyota Partnership | Provision of finance | 19.6 | 19.6 |
| Qantas Blackall Partnership | Provision of finance | – | 12.6 |

## 20. INVESTMENTS IN JOINT VENTURE ENTITIES (CONTINUED)

| | Consolidated 1999 $'000 | Consolidated 1998 $'000 | Company 1999 $'000 | Company 1998 $'000 |
|---|---|---|---|---|
| Equity accounted amount of investment at the beginning of the financial year | 279 | 1,918 | 279 | 1,918 |
| Share of operating profit/(loss) after income tax | 110 | (1,639) | 110 | (1,639) |
| Equity accounted amount of investment at the end of the financial year | 389 | 279 | 389 | 279 |
| The following amounts represent the consolidated entity's share of the above joint venture entities: | | | | |
| Current assets | | | | |
| Other receivables | 459 | 308 | 459 | 308 |
| Non-current assets | | | | |
| Other receivables | 1,693 | 2,436 | 1,693 | 2,436 |
| Current liabilities | | | | |
| Unearned revenue | (33) | (47) | (33) | (47) |
| Non current liabilities | | | | |
| Provision for deferred income tax | (1,730) | (2,418) | (1,730) | (2,418) |
| Net assets | 389 | 279 | 389 | 279 |

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| | $'000 | $'000 | $'000 | $'000 |
| **21. OPERATING PROFIT** | | | | |
| (a) Operating profit before income tax includes the following items of revenue and expense: | | | | |
| REVENUE | | | | |
| **Operating Revenue** | | | | |
| Sales revenue: | | | | |
| Sale of goods | 6,080,028 | 4,724,165 | 6,080,028 | 4,683,672 |
| Rendering of services | 22,187 | 20,357 | 22,187 | 20,357 |
| | 6,102,215 | 4,744,522 | 6,102,215 | 4,704,029 |
| Dividends: | | | | |
| Related bodies corporate – wholly owned group | 5,911 | 6,852 | 5,911 | 6,852 |
| Other related parties | 3,088 | 2,656 | 3,088 | 2,656 |
| Other parties | 108 | 345 | 108 | 345 |
| **Non-operating revenue** | | | | |
| Proceeds on the disposal of: | | | | |
| Property, plant and equipment | 87 | 2,536 | 75 | 2,413 |
| Investments | 1,996 | 1,210 | 1,996 | 1,210 |
| Export market development grant | – | 60 | – | 60 |
| Transfers from provisions: | | | | |
| Doubtful debts | – | 261 | – | – |
| Inventories | – | 1,049 | – | – |
| Contract exit costs | – | 2,052 | – | – |
| Other | – | 541 | – | – |
| Contingency provision | 500 | – | 500 | – |
| Foreign exchange gain | 10,387 | 5,931 | 3,223 | 3,911 |
| Equity share of joint venture entities profit (Note 20) | 110 | – | 110 | – |
| Interest revenue: | | | | |
| Ultimate parent entity | 2,827 | 1,100 | 2,827 | 1,100 |
| Controlled entity | – | – | 6,461 | 3,291 |
| Related bodies corporate – wholly owned group | 14,069 | 13,964 | 7,620 | 7,259 |
| Other related parties | 998 | 2,547 | 412 | 364 |
| Other parties | 52,111 | 32,832 | 50,872 | 30,557 |
| Management fees: | | | | |
| Ultimate parent entity | 1,265 | 604 | 1,265 | 604 |
| Controlled entities | – | – | 350 | 272 |
| Related bodies corporate – wholly owned group | 687 | 416 | 570 | 381 |
| Other related parties | 1,247 | 1,104 | 1,140 | 1,054 |
| Other parties | 70 | 94 | – | 91 |
| Other income | 64 | 156 | 2 | 166 |
| | 95,525 | 76,310 | 86,530 | 62,586 |
| TOTAL REVENUE | 6,197,740 | 4,820,832 | 6,188,745 | 4,766,615 |

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| | $'000 | $'000 | $'000 | $'000 |
| **21. OPERATING PROFIT (CONTINUED)** | | | | |
| (a) Operating profit before income tax includes the following items of revenue and expense (continued): | | | | |
| EXPENSES | | | | |
| Interest: | | | | |
| Ultimate parent entity | 12,747 | 18,669 | 12,747 | 18,669 |
| Controlled entities | – | – | 6,196 | 3,796 |
| Related bodies corporate – wholly owned group | 8,943 | 11,907 | 8,813 | 11,838 |
| Other related parties | 2,528 | 756 | 170 | 88 |
| Other parties | 43,091 | 18,879 | 37,341 | 8,050 |
| Operating lease rental expense | 2,373 | 2,621 | 2,226 | 2,150 |
| Transfers to/(from) provisions: | | | | |
| Employee entitlements | 110 | (25) | 110 | (25) |
| Doubtful debts – trade receivable | 1,949 | 1,197 | 1,949 | 1,500 |
| Contingency provision | (500) | 500 | (500) | 500 |
| Depreciation of fixed assets: | | | | |
| Property, plant & equipment | 957 | 1,228 | 936 | 1,198 |
| Bad debts written off | – | 11 | – | 11 |
| Diminution in value of investments | – | 425 | – | 425 |
| Foreign exchange loss | 10,481 | 5,718 | 3,362 | 3,784 |
| Equity share of joint venture entities losses (Note 20) | – | 1,639 | – | 1,639 |
| Auditors remuneration paid or provided for: | | | | |
| Parent entity auditors: | | | | |
| Auditing the accounts | 166 | 161 | 153 | 147 |
| Other services | 337 | 467 | 331 | 465 |
| Other auditors: | | | | |
| Auditing the accounts | 10 | 56 | – | – |
| Other services | 4 | 3 | – | – |
| (b) Sales of non-current assets have given rise to the following profits and losses: | | | | |
| Profits: | | | | |
| Property, plant and equipment | 6 | 368 | 6 | 368 |
| Investments | 543 | 1,609 | 543 | 1,609 |
| Losses: | | | | |
| Property, plant and equipment | 10 | 227 | 10 | 151 |
| Investments | 121 | 920 | 121 | 290 |
| **22. ABNORMAL ITEMS** | | | | |
| Surplus on liquidation of controlled entity | – | – | – | 1,565 |
| Applicable income tax | – | – | – | – |
| | – | – | – | 1,565 |

## 23. INCOME TAX

### (a) Income tax expense/(benefit)

| | Consolidated 1999 $'000 | Consolidated 1998 $'000 | Company 1999 $'000 | Company 1998 $'000 |
|---|---|---|---|---|
| The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense/(benefit) in the accounts as follows: | | | | |
| Operating Profit: | 15,345 | 10,904 | 14,763 | 11,933 |
| Income tax expense calculated at 36% of operating profit | 5,524 | 3,926 | 5,315 | 4,296 |
| Permanent Differences: | | | | |
| Tax effect of permanent differences: | | | | |
| Rebatable dividends | (3,278) | (3,547) | (3,278) | (3,547) |
| Non assessable leveraged lease income | (3) | (13) | (3) | (13) |
| Non deductible entertainment and other items | 251 | 336 | 251 | 358 |
| Non deductible provisions (written back) | – | (381) | – | – |
| Surplus on liquidation of controlled entity | – | – | – | (564) |
| Other | (17) | 406 | (10) | 180 |
| Tax losses transferred from related bodies corporate | (130) | (6,991) | – | (6,886) |
| Consideration for tax losses transferred | 130 | 3,495 | – | 3,443 |
| Under provision of income tax in prior year | 631 | 1,839 | 631 | 1,838 |
| Future income tax benefit not previously recognised now brought to account | (75) | (1,927) | – | – |
| Future income tax benefit not brought to account | – | 29 | – | – |
| Effect on future income tax benefit and provision for deferred income tax due to the change in income tax rate from 36% to 34% and 30% | 342 | – | 340 | – |
| Income tax expense/(benefit) attributable to operating profit | 3,375 | (2,828) | 3,246 | (895) |

### (b) Future income tax benefits not brought to account

| | Consolidated 1999 $'000 | Consolidated 1998 $'000 | Company 1999 $'000 | Company 1998 $'000 |
|---|---|---|---|---|
| Potential future income tax benefit arising from certain tax losses and timing differences have not been recognised as an asset because recovery is not virtually certain: | | | | |
| Timing differences | 27 | – | – | – |
| Capital tax losses | 149 | 71 | 149 | 71 |
| Revenue tax losses | 118 | 205 | – | – |
| | 294 | 276 | 149 | 71 |

| | Consolidated 1999 $'000 | Consolidated 1998 $'000 | Company 1999 $'000 | Company 1998 $'000 |
|---|---|---|---|---|

## 23. INCOME TAX (CONTINUED)

(c) It should be noted that the future income tax benefit not brought to account detailed above has been offset against the provision for deferred income tax to the extent of:

| | Consolidated 1999 $'000 | Consolidated 1998 $'000 | Company 1999 $'000 | Company 1998 $'000 |
|---|---|---|---|---|
| | 145 | 173 | – | – |

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

(i) assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;

(ii) conditions for deductibility imposed by the law are complied with; and

(iii) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

## 24. DIVIDENDS

| | Consolidated 1999 $'000 | Consolidated 1998 $'000 | Company 1999 $'000 | Company 1998 $'000 |
|---|---|---|---|---|
| Interim dividends paid, fully franked at 36% | 7,000 | 3,500 | 7,000 | 3,500 |
| Dividend proposed, fully franked at 36% | 7,500 | 3,500 | 7,500 | 3,500 |
| | 14,500 | 7,000 | 14,500 | 7,000 |
| Adjusted franking account balance | 2,772 | 5,569 | 2,971 | 5,336 |

## 25. TRADING TRANSACTIONS

Trading transactions represent the total value of merchandise transactions handled by the company and thus includes the value of transactions in which the company acts as a principal as well as the value of those transactions in which the company acts as an agent.

## 26. REMUNERATION OF DIRECTORS

The directors of Mitsui & Co. (Australia) Ltd during the year were:

F Kitahara

T Koide (resigned 1 March 1999)

T Hatamoto

K Ariki

Y Hashimoto

W Tashiro (appointed 1 March 1999)

| | Consolidated 1999 $'000 | Consolidated 1998 $'000 | Company 1999 $'000 | Company 1998 $'000 |
|---|---|---|---|---|
| The aggregate of income paid or payable, or otherwise made available, in respect of the financial year, to all directors of the company, directly or indirectly, by the company or by any related party | | | 1,420 | 1,700 |
| The aggregate of income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the economic entity, directly or indirectly, by the entities in which they are directors or by any related party | 1,765 | 2,518 | | |

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| | $'000 | $'000 | $'000 | $'000 |

## 26. REMUNERATION OF DIRECTORS (CONTINUED)

The number of directors of the company whose total income falls within the following bands of income.

| | No | No |
|---|---|---|
| $30,000 – $39,999 | 1 | – |
| $50,000 – $59,999 | – | 1 |
| $80,000 – $89,999 | – | 1 |
| $110,000 – $119,999 | – | 1 |
| $130,000 – $139,999 | 1 | – |
| $210,000 – $219,999 | – | 1 |
| $250,000 – $259,999 | 1 | – |
| $320,000 – $329,999 | 2 | – |
| $340,000 – $349,999 | 1 | 1 |
| $420,000 – $429,999 | – | 1 |
| $450,000 – $459,999 | – | 1 |

## 27. JOINT VENTURE OPERATIONS

| Name of Entity | Principal Activity | Ownership Interest 1999 % | Ownership Interest 1998 % |
|---|---|---|---|
| Bunbury Treefarm Project Joint Venture | Afforestation | 3 | 3 |
| Victoria Treefarm Project Joint Venture | Afforestation | 6.67 | 6.67 |
| Green Triangle Treefarm Project Joint Venture | Afforestation | 10 | 10 |

The following amounts represent the economic entity's interest share of the above joint venture operations. The amounts are included in the consolidated financial statements under their respective asset categories:

| | Consolidated 1999 $'000 | Consolidated 1998 $'000 | Company 1999 $'000 | Company 1998 $'000 |
|---|---|---|---|---|
| Current assets | | | | |
| Cash | 31 | 33 | – | – |
| Debtors and prepayments | 48 | 18 | – | – |
| Non-current assets | | | | |
| Property, plant and equipment | 822 | 688 | – | – |
| Investment in regenerative forests | 669 | 457 | – | – |
| Current liabilities | | | | |
| Other creditors and accrued expenses | (42) | (18) | – | – |
| Net assets | 1,528 | 1,178 | – | – |
| Share of joint venture costs included in operating result | (4) | (4) | – | – |

For details of capital expenditure commitments arising from the economic entity's interest in joint venture operations, refer to Note 28.

Non-cancellable operating lease commitments arising from the economic entity's interest in joint venture operations, amounting to $1,279,000 (1998: $999,000) are included in Note 28.

| | Consolidated 1999 $'000 | Consolidated 1998 $'000 | Company 1999 $'000 | Company 1998 $'000 |
|---|---|---|---|---|
| **28. EXPENDITURE COMMITTMENTS** | | | | |
| (a) Lease Commitments | | | | |
| Non cancellable operating leases: | | | | |
| Not later than one year | 3,738 | 3,366 | 3,679 | 3,256 |
| Later than one year but not later than five years | 9,345 | 7,223 | 9,156 | 7,087 |
| Later than five years | 2,538 | 2,083 | 1,508 | 1,252 |
| | 15,621 | 12,672 | 14,343 | 11,595 |
| (b) Commodity Purchase Commitments | | | | |
| Aggregate purchase commitments contracted for at balance date but not provided for in the accounts: | | | | |
| Not later than one year | 501,247 | 1,011,667 | 501,247 | 1,011,667 |
| Later than one year but not later than five years | 58,921 | 227,677 | 58,921 | 227,677 |
| Later than five years | 6,244 | 8,198 | 6,244 | 8,198 |
| | 566,412 | 1,247,542 | 566,412 | 1,247,542 |
| (c) Capital Expenditure Commitments | | | | |
| Total capital expenditure contracted for at balance date but not provided for in the accounts related to Bunbury Tree Farm Project Joint Venture, payable not later than one year | 83 | 130 | – | – |
| **29. CONTINGENT LIABILITIES** | | | | |
| Contingent liabilities at year end are: | | | | |
| (a) Guarantees given in respect of borrowings by controlled entities | – | – | 108,172 | 76,944 |
| (b) The company has given performance guarantees in respect of various contracts to other corporations | 2,721 | 3,757 | 2,721 | 3,757 |
| (c) Indemnity given in respect of loans and guarantees given by the ultimate parent company: | 6,700 | 6,496 | 6,700 | 6,496 |

## 30. FINANCING ARRANGEMENTS

| | Consolidated 1999 $'000 | Consolidated 1998 $'000 | Company 1999 $'000 | Company 1998 $'000 |
|---|---|---|---|---|
| (a) Bank overdraft facility: | | | | |
| amount used | 683 | 5,778 | 683 | 5,778 |
| amount unused | 21,980 | 9,647 | 21,980 | 9,647 |
| | 22,663 | 15,425 | 22,663 | 15,425 |
| (b) Committed term loan facilities: | | | | |
| amount used | – | – | – | – |
| amount unused | 140,000 | 30,000 | 110,000 | – |
| | 140,000 | 30,000 | 110,000 | – |
| (c) Uncommitted term loan facilities | | | | |
| amount used | 67,160 | 115,790 | 67,160 | 73,230 |
| amount unused | 621,423 | 626,584 | 271,423 | 356,286 |
| | 688,583 | 742,374 | 338,583 | 429,516 |
| (d) Commercial paper: | | | | |
| amount used | 53,000 | 35,500 | – | – |
| amount unused | 147,000 | 164,500 | – | – |
| | 200,000 | 200,000 | – | – |

| | Consolidated 1999 $'000 | Consolidated 1998 $'000 | Company 1999 $'000 | Company 1998 $'000 |
|---|---|---|---|---|
| **31. NOTES TO STATEMENT OF CASH FLOWS** | | | | |
| (a) Reconciliation of net cash provided by/(used in) operating activities to operating profit after income tax. | | | | |
| Operating profit after income tax | 11,970 | 13,732 | 11,517 | 12,828 |
| Add/(less): | | | | |
| (Profit) on disposal of property, plant & equipment | (6) | (368) | (6) | (368) |
| Loss on disposal of property, plant & equipment | 10 | 227 | 10 | 151 |
| Equity accounted share of joint venture entities (profit)/loss | (110) | 1,639 | (110) | 1,639 |
| Depreciation and amortisation | 957 | 1,228 | 936 | 1,198 |
| Unrealised exchange gain | (3,631) | (3,911) | (3,223) | (3,911) |
| Surplus on liquidation of controlled entity | – | – | – | (1,565) |
| (Profit) on disposal of investments | (543) | – | (543) | – |
| Loss on disposal of investments | 121 | 920 | 121 | 290 |
| Loan receivable forgiven | – | 11 | – | 11 |
| Unrealised exchange loss | 3,362 | 3,784 | 3,362 | 3,784 |
| Decrease in future income tax benefit | 84 | 924 | 5 | 1,003 |
| (Decrease)/increase in current income tax provision | 1,573 | (3,752) | 1,591 | (3,780) |
| Increase in provision for deferred income tax | 698 | 1,496 | 640 | 1,500 |
| Changes in assets and liabilities | | | | |
| **(Increase)/decrease in assets:** | | | | |
| Trade receivables | (4,730) | 32,786 | (4,834) | 24,912 |
| Other receivables | (1,666) | (11,333) | (2,071) | (10,670) |
| Loans receivable | (17,008) | 59,475 | – | – |
| Inventories | 1,050 | 4,073 | 1,050 | 328 |
| Advances payable on contracts | 4,417 | 4,480 | 4,417 | 4,480 |
| **Increase/(decrease) in liabilities:** | | | | |
| Accounts payable | 26,180 | (141,265) | 26,093 | (131,044) |
| Other payables | (11,275) | – | – | – |
| Loans payable | 1,084 | (17,319) | (10,786) | – |
| Other provisions | 1,838 | (5,402) | 1,751 | (2,382) |
| Advances receivable on contracts | (4,389) | (24,613) | (4,389) | (24,613) |
| **Net cash provided by/(used in) operating activities** | 9,986 | (83,188) | 25,531 | (126,209) |

## 31. NOTES TO STATEMENT OF CASH FLOWS (CONTINUED)

### (b) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and money market investments readily convertible to cash within one working day, net of outstanding bank overdrafts.

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

| | Consolidated 1999 $'000 | Consolidated 1998 $'000 | Company 1999 $'000 | Company 1998 $'000 |
|---|---|---|---|---|
| Cash | 37,701 | 45,457 | 2,642 | 2,727 |
| Bank overdraft | (683) | (5,778) | (683) | (5,778) |
| | 37,018 | 39,679 | 1,959 | (3,051) |

## 32. RELATED PARTY DISCLOSURES

### (a) Controlling Entities

The ultimate parent entity within the wholly-owned group is Mitsui & Co., Ltd, incorporated in Japan.

### (b) Transactions within the wholly-owned group

Details of dividend and interest revenue, management fees and interest expense are disclosed in Note 21.

Amounts receivable from and payable to wholly-owned group entities are disclosed in Notes 2, 5, 10, 14 and 32(e).

Other transactions that occurred between entities in the wholly-owned group are:

- Commission on trading transactions, at rates agreed between the parties;
- Transfer of tax losses for partial consideration; and
- Loan facilities at normal commercial terms and conditions and in some cases, interest free.

### (c) Directors' Loans

The aggregate amount of loans advanced during the year to directors of the consolidated entity was Nil (1998: $62,000). The aggregate amount of loans repaid during the year by directors of the consolidated entity was $50,875 (1998: $55,000) and the directors concerned are F Kitahara, K Ariki, Y Hashimoto and T Koide. Interest paid during the year in respect of these loans amounted to $4,700 (1998: $6,000).

Directors' loans in existence as at the reporting date are disclosed in Notes 2 and 5.

### (d) Transactions with other related parties.

Details of interest revenue are disclosed in Note 21.

| Related Party | Transaction Type | 1999 $'000 | 1998 $'000 | Terms and Conditions |
|---|---|---|---|---|
| Body Corporate not 100% owned within the wholly owned group | Fees paid by related parties for management services | 1,247 | 1,104 | Commercial terms and conditions |

## 32. RELATED PARTY DISCLOSURES (CONTINUED)

### (e) Outstanding balances with entities within the wholly-owned group.

Loans receivable and payable are disclosed in Notes 2, 5, 10 and 14.

| Related Party | Transaction Type | 1999 $'000 | 1998 $'000 | Terms and Conditions |
|---|---|---|---|---|
| Ultimate Parent Company | Trade debtors | | | Commercial terms and conditions |
| | – Current | 80,814 | 69,106 | |
| | – Non current | – | 1,250 | |
| | Other debtors | | | Commercial terms and conditions |
| | – Current | 225 | 85 | |
| | Trade creditors | | | Commercial terms and conditions |
| | – Current | 15,684 | 31,619 | |
| | Advances paid on contracts | | | Commercial terms and conditions |
| | – Current | 233 | 4,335 | |
| | – Non current | 153 | 100 | |
| | Advances received on contracts | | | Commercial terms and conditions |
| | – Current | 1,572 | 8,111 | |
| | Other creditors | | | Commercial terms and conditions |
| | – Current | 3,091 | 9,817 | |
| | – Non-Current | 4,182 | 1 | |
| Related Bodies Corporate | Trade debtors | | | Commercial terms and conditions |
| | – Current | 1,917 | 12,014 | |
| Wholly-owned group | Other debtors | | | Commercial terms and conditions |
| | – Current | 2,658 | 2,681 | |
| | Advances paid on contracts | | | Commercial terms and conditions |
| | – Current | 3,435 | 64 | |
| | – Non-current | 147 | 147 | |
| | Trade creditors | | | Commercial terms and conditions |
| | – Current | 2,141 | 948 | |
| | Advances received on contracts | | | Commercial terms and conditions |
| | – Current | 7,063 | 211 | |
| | Other creditors | | | Commercial terms and conditions |
| | – Current | 6,571 | 3,409 | |
| | – Non-current | 451 | | |

### (f) Outstanding balances with other related parties

Loans receivable are disclosed in Note 2.

| | | | | |
|---|---|---|---|---|
| Bodies Corporate not 100% owned within wholly-owned group | Trade debtors | | | Commercial terms and conditions |
| | – Current | 414 | 88 | |
| | Other debtors | | | Commercial terms and conditions |
| | – Current | 3,690 | 563 | |
| | – Non-current | 15 | – | |
| | Trade creditors | | | Commercial terms and conditions |
| | – Current | 1,035 | 1 | |
| | Other creditors | | | Commercial terms and conditions |
| | – Current | 326 | 251 | |

## 33. DETAILS OF CONTROLLED ENTITIES

| Country of Incorporation | Ownership Interest | Ownership Interest 1999 % | Ownership Interest 1998 % |
|---|---|---|---|
| **Parent Entity** | | | |
| Mitsui & Co. (Australia) Ltd. | Australia | | |
| **Controlled Entity** | | | |
| Mitsui & Co. Financial Services (Australia) Ltd | Australia | 100 | 100 |
| MCA Afforestation Pty Ltd | Australia | 100 | 100 |
| Mitsui Accounting Services (Australia) Pty Limited | Australia | 100 | 100 |
| Mitsui Management Services (Australia) Pty Limited | Australia | 100 | 100 |

## 34. 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.

## 35. FINANCIAL REPORTING BY SEGMENTS

The group operates predominantly in the import/export trading industry. The operations of the group are conducted from Australia.

## 36. FINANCIAL INSTRUMENTS

### (a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability, are disclosed in Note 1 to the accounts.

### (b) Objectives of Derivative Financial Instruments and Significant Terms and Conditions

The consolidated entity enters into various derivative financial instruments in the normal course of business. It does so to meet the needs of its customers for foreign exchange, interest rate and price protection, to earn trading and fee revenue, and to manage its own exposure to fluctuations in foreign exchange rates and commodity prices. The primary classes of derivatives used by the consolidated entity are foreign exchange contracts, cross currency swaps, interest rate swaps, and options.

Since most of the consolidated entities derivative transactions are related to hedges of underlying business exposures, market risk in those derivative instruments is basically offset by equal and opposite movements in the underlying exposure.

#### Commodity Trading

The consolidated entity has entered into contracts to purchase and sell various commodities in the future. Since the consolidated entity has the discretion to either settle these transactions in cash or by physical delivery, these contracts are not considered financial instruments. Committed commodity purchases are disclosed in Note 28.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Objectives of Derivative Financial Instruments and Significant Terms and Conditions (continued)

**Gold Bullion Trading**

The consolidated entity acts as principal and agent in the trading of gold bullion. In addition to spot purchases and sales of gold bullion, the consolidated entity also enters into contracts to purchase and sell gold bullion in the future. Interest rate swaps, cross currency swaps, forward foreign exchange contracts and options are utilised as part of this gold trading activity. As all gold transactions are matched on a back to back basis, usually with related entities, the consolidated entity has no exposure to market risks. Accordingly, disclosures in respect of financial instruments related to gold bullion trading are not considered meaningful and have therefore not been included in the disclosures below. The consolidated entity's only exposure in respect of gold bullion trading is in relation to credit risk, which is disclosed below.

(c) Interest Rate Risk

The consolidated entity is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The following table details the consolidated entity's exposure to interest rate risk for recognised financial assets and liabilities as at the reporting date.

| | | | Fixed Interest Rate Maturity | | | | |
|---|---|---|---|---|---|---|---|
| **1999** | **Average Interest Rate %** | **Variable Interest Rate $'000** | **Less than 1 Year $'000** | **1 to 5 Years $'000** | **More than 5 Years $'000** | **Non-Interest Bearing $'000** | **Total $'000** |
| Financial Assets | | | | | | | |
| Cash | 5.42 | 36,358 | – | – | – | 1,343 | 37,701 |
| Trade debtors | 9.92 | 1,775 | – | – | – | 131,933 | 133,708 |
| Short term deposits | 5.23 | 14,046 | 16,523 | – | – | – | 30,569 |
| Short term loans receivable | 5.90 | 88,421 | 76,957 | – | – | 25,200 | 190,578 |
| Long term loans receivable | 5.84 | – | – | 52,613 | 43,543 | – | 96,156 |
| Advances paid on contracts | – | – | – | – | – | 11,909 | 11,909 |
| Investment in other Corporations | – | – | – | – | – | 152,363 | 152,363 |
| Investment in leverage leases | 9.20 | – | – | 389 | – | – | 389 |
| | 5.79 | 140,600 | 93,480 | 53,002 | 43,543 | 322,748 | 653,373 |
| Financial Liabilities | | | | | | | |
| Bank overdraft | 4.75 | 683 | – | – | – | – | 683 |
| Trade creditors | – | – | – | – | – | 111,075 | 111,075 |
| Short term borrowings | 5.64 | 133,603 | 98,997 | – | – | 25,200 | 257,800 |
| Long term borrowings | 5.68 | – | – | 91,261 | 33,923 | – | 125,184 |
| Advances received on contracts | – | – | – | – | – | 13,350 | 13,350 |
| | 5.65 | 134,286 | 98,997 | 91,261 | 33,923 | 149,625 | 508,092 |
| 1998 | | | | | | | |
| **FINANCIAL ASSETS** | 5.75 | 161,596 | 60,703 | 88,667 | 8,320 | 310,104 | 629,390 |
| **FINANCIAL LIABILITIES** | 5.55 | 137,028 | 98,951 | 127,406 | – | 112,271 | 475,656 |

36. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest Rate Risk (continued)

**Interest Rate Swaps**

The consolidated entity enters into interest rate swaps to hedge its interest rate exposures. Under interest rate swap contracts, the consolidated entity agrees to exchange the difference between fixed and floating rate interest calculated on agreed notional principal amounts.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date.

| | Average Interest Rate | | Notional Principal Amount | |
|---|---|---|---|---|
| **Outstanding Contracts** | **1999 %** | **1998 %** | **1999 $'000** | **1998 $'000** |
| Less than 1 year | 6.27 | – | 13,255 | – |
| 2 to 5 years | 6.63 | 6.57 | 33,552 | 56,707 |
| 5 years and more | 5.20 | 5.15 | 17,397 | 6,499 |
| | | | 64,204 | 63,206 |

(d) Foreign Exchange Risk

The consolidated entity is exposed to various risks associated with the effects of fluctuations in the exchange rates of foreign currencies on its financial position and cash flows. The consolidated entity enters into forward foreign exchange contracts and cross currency swaps for the purpose of reducing its foreign exchange risk.

**Forward Foreign Exchange Contracts**

It is the policy of the consolidated entity to enter into forward foreign exchange contracts to hedge foreign currency receivables and payables. Under forward foreign exchange contracts, the consolidated entity agrees to exchange specified amounts of various currencies at an agreed future date at a specified exchange rate.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Foreign Exchange Risk (continued)

**Forward Foreign Exchange Contracts (continued)**

The following table details the forward foreign currency exchange outstanding as at the reporting date.

| Outstanding Contracts | Average Exchange Rate 1999 | Average Exchange Rate 1998 | Principal Amount 1999 $'000 | Principal Amount 1998 $'000 |
|---|---|---|---|---|
| Sell US Dollars | | | | |
| Less than 3 months | 0.64 | 0.63 | 135,260 | 15,717 |
| 3 to 6 months | 0.64 | 0.61 | 22,548 | 1,416 |
| Longer than 6 months | 0.65 | 0.66 | 63,344 | 23,425 |
| Buy US Dollars | | | | |
| Less than 3 months | 0.65 | 0.63 | 24,065 | 17,356 |
| 3 to 6 months | 0.65 | 0.62 | 4,307 | 2,645 |
| Longer than 6 months | 0.70 | 0.71 | 22,203 | 24,060 |
| Sell Japanese Yen | | | | |
| Less than 3 months | 68.51 | 73.47 | 1,927 | 936 |
| 3 to 6 months | 66.49 | 73.37 | 1,954 | 1,166 |
| Longer than 6 months | 66.73 | 73.25 | 4,181 | 2,826 |
| Buy Japanese Yen | | | | |
| Less than 3 months | 76.45 | 79.58 | 353 | 556 |
| 3 to 6 months | 73.37 | 76.24 | 706 | 16,991 |
| Longer than 6 months | – | 78.36 | – | 606 |
| Buy US Dollars Sell Japanese Yen | | | | |
| Less than 3 months | 110.82 | 136.90 | 445 | 576 |
| 3 to 6 months | 100.70 | 119.24 | 243 | 1,317 |
| Longer than 6 months | 98.45 | 117.40 | 607 | 1,143 |
| Buy NZ Dollars | | | | |
| Less than 3 months | 1.25 | – | 25,079 | – |
| Sell US Dollars Buy Japanese Yen | | | | |
| 3 to 6 months | 102.14 | – | 250 | – |

36. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Foreign Exchange Risk (continued)

**Cross Currency Swaps**

Under cross currency swap contracts, the consolidated entity agrees to exchange specified principal and interest foreign currency amounts at an agreed future date at a specified exchange rate. Such contracts enable the consolidated entity to mitigate the risk of adverse movements in foreign exchange rates.

The following table details the cross currency swaps outstanding as at the reporting date.

| Outstanding Contracts | Average Interest Rate 1999 | Average Interest Rate 1998 | Principal Amount 1999 $'000 | Principal Amount 1998 $'000 |
|---|---|---|---|---|
| Buy US Dollar | | | | |
| Less than 1 year | 0.7184 | – | 9,000 | – |
| 2 to 5 years | 0.6885 | 0.6770 | 29,471 | 48,090 |
| 5 years and more | 0.6226 | 0.5935 | 17,397 | 6,499 |
| | | | 55,868 | 54,589 |

(e) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The variety of businesses within the consolidated entity have diverse customers and suppliers which inherently reduces the concentration of credit risk. The consolidated entity deals with selective international financial institutions to minimise the credit risk exposure of financial instruments with off-balance sheet risks. Management does not expect any losses as a result of counterparty default on financial instruments with off-balance sheet risk. Credit risk is managed through the credit line approval by management and by monitoring the counterparties periodically.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the consolidated entity's maximum exposure to credit risk in respect of those financial assets.

Credit risk in respect of derivatives arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity and is summarised as follows:

| | 1999 $'000 | 1998 $'000 |
|---|---|---|
| Favourable interest rate swaps | 1,216 | 644 |
| Favourable cross-currency swaps | 2,537 | 5,570 |
| Favourable foreign exchange contracts | 6,355 | 3,073 |
| Favourable gold forward contracts | 14,061 | 977 |

(f) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the accounts.

The net fair value of financial assets and financial liabilities have been determined as follows:

- The net fair value of the financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Where amounts are payable or receivable within 12 months, the carrying amount is taken to approximate the net fair value; and
- The net fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow theory.

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