Mitsui & Co. (Australia) Ltd
ACN 004 349 795
Annual Financial Report 2000

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Annual Financial Report

for the financial year ended
31 December 2000

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Japan continues to be the country we trade with most and despite its economy remaining subdued during 2000, Mitsui & Co. (Australia) Ltd enjoyed it's highest ever trading transactions for the year ending 31 December 2000, mainly due to increased sales of gold, oil and LNG. Trading transactions totalled $12.4 billion, up 35% on last year with an operating profit after tax, also a record, of $15.4 million, up 29% over the previous period.

Our results were against a background of Australia's exports of goods and services being up 25% over the previous year to a record $143 billion for the year 2000. This reflected a surge in petroleum exports that enjoyed OPEC-induced price rises, a slump of nearly 20% in the Australian dollar on a trade weighted basis, and a 20% increase in commodity prices. Australian exports to Japan of merchandise trade increased by 31% to $21.8 billion, while imports from Japan increased by 13% to $15.3 billion.

The outlook for 2001 is less positive due to a slowing of the US economy which will in turn result in reduced East Asian sales to the US and that will have an impact on Australian exports to that region.

Exports of minerals and energy, mainly to Japan, continue to be our main business and recently negotiated price increases for coal and iron ore will play a role in our next financial results. We have taken the decision to revert to our financial year ending in March instead of December, and so our next full financial report will be for a 15-month period ending March 2002.

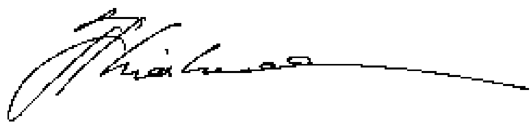
As I indicated last year, the medium term outlook for Mitsui's trade and investment in Australia is positive. As partners in the North West Shelf LNG project, the recently announced go-ahead for the fourth LNG train, lifting production by 4.2 million tonnes per annum by 2004, up from the current export level of 7.5 million tonnes per annum, is significant. It comes as the result of detailed negotiations by the North West Shelf Project over many years with Japanese buyers, and that marketing function is continuing with other potential buyers, in Japan and elsewhere.

My philosophy is to continue investing in commodities where Australia has global competitive strengths and abundant natural resources.

Mitsui Australia, like Mitsui Japan, adopted a policy of 'not carrying negative assets forward into the 21st century'. Consequently, we worked to maintain and improve the quality of our assets and were able to strengthen our financial position.

We are aiming to be an all-round solutions provider, which can draw on a comprehensive range of capabilities to offer service packages that meet the needs of the times and create new value added solutions for our many clients. Information technology and biotechnology are prospective emerging business areas where we will allocate resources in the coming years.

As part of our community service, Mitsui Education Foundation, wholly funded by Mitsui & Co. (Australia) Ltd, sent 8 Australian university students to Japan in 2000 for 2 weeks to improve and expand the level of understanding between Australia and Japan, especially in the fields of knowledge and friendship. This was the 29th consecutive year that MEF has sent Australian students to Japan.



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 2000. 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 is 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 15 of the 15 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 Fujinaga	Director since 11 December 2000. Joined Mitsui Group in 1972. Currently Director, Mitsui & Co. (Australia) Ltd. Previously, General Manager, Energy Accounting Department, Energy and Chemicals, Accounting and Administration Division, Mitsui and Co., Ltd, Tokyo Office. Graduated from Yokohama National University Japan, majoring in Economics. During the financial year he attended 2 of the 15 directors' meetings held.
Mr T Hatamoto	Director since 17 September 1998. Joined Mitsui Group in 1970. Director, Mitsui & Co. (Australia) Ltd until resigning on 11 December 2000. Previously, General Manager of Plant and 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 13 of the 15 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 T Nitta	Director since 11 December 2000. Joined Mitsui Group in 1977. Currently General Manager of Brisbane Office, Mitsui & Co. (Australia) Ltd. Previously, Deputy General Manager of Thermal Coal Division, Iron & Steel Raw Materials Group, Mitsui & Co., Ltd, Tokyo Office. Graduated from Tokyo Foreign Studies University, Japan majoring in Indo-Chinese Languages & International Relations. During the financial year he attended none of the directors' meetings held.

Mr K Ariki — Director since 1 January 1998. Joined Mitsui Group in 1973. General Manager of Brisbane Office, Mitsui & Co. (Australia) Ltd until resigning on 11 December 2000. 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.

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 1999, as detailed in the directors' report for that financial year, a final dividend of $7,500,000 fully franked at 36% with $3,500,000 paid on 30 June 2000 and $4,000,000 paid on 29 September 2000.
- In respect of the financial year ended 31 December 2000, the directors approved the payment of an interim dividend amounting to $11,000,000 fully franked at 34% with $3,500,000 paid on 10 January 2001 and $7,500,000 paid on 30 March 2001.
- In respect of the financial year ended 31 December 2000, the directors approved the payment of a final dividend amounting to $5,000,000 fully franked at 34% to be paid on 21 September 2001.

RESULTS

A summary of consolidated results is set out below:

	2000 $'000	1999 $'000
Trading Transactions	12,401,726	9,192,400
Total Revenue	6,927,503	6,197,740
Operating profit before abnormal items and income tax	18,661	15,345
Abnormal items before income tax	(1,667)	–
Operating profit before income tax	16,994	15,345
Income tax expense attributable to operating profit	(1,590)	(3,375)
Operating profit after income tax	15,404	11,970

REVIEW OF OPERATIONS

Total revenue increased by 12% mainly due to an increase in turnover in respect of gold, oil and LNG transactions. Operating profit after income tax increased by 29%, despite some substantial provisions being made, due to a combination of increased dividend income and improved trading profits for most business departments.

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

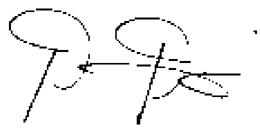
During or since the financial year the company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor. In addition, the company has not paid, or agreed to pay, a premium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

Sydney, 4 May, 2001

Deloitte Touche Tohmatsu

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 2000 as set out on pages 8 to 39. 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 2000 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

J H W Riddell
Partner
Chartered Accountants

Sydney, 8 May 2001

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 Fujinaga
Director

Sydney, 4 May 2001

	Note	Consolidated 2000 $'000	Consolidated 1999 $'000	Company 2000 $'000	Company 1999 $'000
Trading Transactions	25	12,401,726	9,192,400	12,401,726	9,192,400
Operating profit before abnormal items and income tax	21	18,661	15,345	18,419	14,763
Abnormal items before income tax	22	(1,667)	–	(1,667)	–
Operating profit before income tax		16,994	15,345	16,752	14,763
Income tax expense attributable to operating profit	23	(1,590)	(3,375)	(1,504)	(3,246)
OPERATING PROFIT AFTER INCOME TAX		15,404	11,970	15,248	11,517
Retained profits at the beginning of the financial year		60,086	62,616	58,218	61,201
Adjustment to retained profits at the beginning of the financial year as a result of the early adoption of accounting standard AASB 1037 "Self-Generating and Regenerating Assets"	1(i)	(234)	–	–	–
TOTAL AVAILABLE FOR APPROPRIATION		75,256	74,586	73,466	72,718
Dividends provided for or paid	24	(16,000)	(14,500)	(16,000)	(14,500)
RETAINED PROFITS AT THE END OF THE FINANCIAL YEAR		59,256	60,086	57,466	58,218

Notes to the financial statements are included on pages 12 to 39

	Note	Consolidated 2000 $'000	Consolidated 1999 $'000	Company 2000 $'000	Company 1999 $'000
CURRENT ASSETS					
Cash		30,484	37,701	906	2,642
Receivables	2	392,359	350,921	288,750	316,272
Inventories	3	4,515	2,524	4,515	2,524
Other	4	22,270	54,578	21,146	54,084
TOTAL CURRENT ASSETS		449,628	445,724	315,317	375,522
NON-CURRENT ASSETS					
Receivables	5	57,550	96,641	86,780	127,794
Investments	6	150,158	154,702	150,386	155,064
Property, plant and equipment	7	13,280	13,009	12,945	12,806
Other	8	37,091	34,285	37,078	34,279
TOTAL NON-CURRENT ASSETS		258,079	298,637	287,189	329,943
TOTAL ASSETS		707,707	744,361	602,506	705,465
CURRENT LIABILITIES					
Accounts payable	9	119,416	158,648	119,349	158,770
Borrowings	10	264,916	258,483	127,794	207,273
Provisions	11	22,717	10,527	22,681	10,415
Other	12	14,769	13,047	14,769	13,047
TOTAL CURRENT LIABILITIES		421,818	440,705	284,593	389,505
NON-CURRENT LIABILITIES					
Accounts payable	13	19,699	10,189	19,697	10,189
Borrowings	14	83,044	125,184	117,204	139,515
Provisions	15	2,580	2,955	2,236	2,796
Other	16	16,371	303	16,371	303
TOTAL NON-CURRENT LIABILITIES		121,694	138,631	155,508	152,803
TOTAL LIABILITIES		543,512	579,336	440,101	542,308
NET ASSETS		164,195	165,025	162,405	163,157
EQUITY					
Issued capital	18	20,000	20,000	20,000	20,000
Reserves	19	84,939	84,939	84,939	84,939
Retained profits		59,256	60,086	57,466	58,218
TOTAL EQUITY		164,195	165,025	162,405	163,157

Notes to the financial statements are included on pages 12 to 39

	Note	Consolidated 2000 $'000	Consolidated 1999 $'000	Company 2000 $'000	Company 1999 $'000
Cash flows from operating activities					
Receipts from customers		6,763,007	6,071,477	6,763,695	6,071,307
Payments to suppliers and employees		(6,794,504)	(6,063,947)	(6,793,052)	(6,062,794)
Dividends received		13,446	9,107	13,446	9,107
Interest received		119,576	80,527	113,974	78,645
Interest paid		(127,037)	(68,084)	(121,945)	(67,539)
Income tax paid		(3,753)	(3,325)	(3,678)	(3,195)
Consideration for tax losses transferred		(1,409)	–	(1,353)	–
Net cash provided by/(used in) operating activities	32(a)	(30,674)	25,755	(28,913)	25,531
Cash flows from investing activities					
Decrease/(increase) in short term deposits		14,119	(6,411)	14,119	(6,411)
Decrease in bills accepted or endorsed by banks		–	16,003	–	16,003
(Increase)/decrease in current loans receivable		18,128	(46,305)	73,229	(49,414)
(Increase) in non-current loans receivable		(7,109)	(2,475)	(5,186)	(1,506)
Payment for investments		(5,899)	(1,500)	(5,594)	(1,500)
Proceeds from sale of investments		12,163	1,996	12,427	1,996
Payment for property, plant and equipment		(1,287)	(2,405)	(1,134)	(2,048)
Proceeds from sale of property, plant and equipment		19	87	18	75
Distributions from investments in joint venture entities		481	308	481	308
Net cash (used in)/provided by investing activities		30,615	(40,702)	88,360	(42,497)
Cash flows from financing activities					
Net proceeds from short term borrowings		–	21,577	–	50,871
Net repayment of short term borrowings		(10,157)	–	(82,173)	–
Net proceeds from long term borrowings		5,851	805	25,330	–
Net repayment of long term borrowings		–	–	–	(18,395)
Dividends paid		(7,500)	(10,500)	(7,500)	(10,500)
Net cash (used in)/ provided by financing activities		(11,806)	11,882	(64,343)	21,976
Net (decrease)/increase in cash held		(11,865)	(3,065)	(4,896)	5,010
Cash at the beginning of the financial year		37,018	39,679	1,959	(3,051)
Effects of exchange rate changes on the balance of cash held in foreign currencies		1,488	404	–	–
Cash at the end of the financial year	32(b)	26,641	37,018	(2,937)	1,959

Notes to the financial statements are included on pages 12 to 39

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.

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.

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 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 AASB1024 "Consolidated Accounts". A list of controlled entities appears in Note 34. 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 that 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 financial 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 statement 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 25 years
- plant, motor vehicles and furniture 3 – 8 years

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(e) 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.

(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 at the income tax rates prevailing when the timing differences are expected to reverse.

(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) 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.

(i) Regenerative Assets

Forest holdings are classified as a separate asset in accordance with accounting standard AASB 1037 "Self Generating and Regenerating Assets" ("AASB1037") (SGARA's). The valuation of forest holdings in accordance with this standard is as follows. AASB 1037 requires that where there is no active and liquid market from which to determine net market value, SGARA's are measured using the best indicator available. Accordingly, as the forest holdings are immature and there is no reliable market value available, cost is used as the best indicator of market value. Cost includes the costs of preparing the land, planting seedlings and other direct plantation expenses but excludes interest and other allocated indirect costs incurred which were capitalised prior to the adoption of AASB1037.

Change in Accounting Policy

On 1 January 2000 the company changed its policy of accounting for interests in regenerating assets to comply with accounting standard AASB 1037. The financial effect of the change in accounting policy for the current financial year is to charge $130,800 against income. In accordance with the transitional provision of the accounting standard an adjustment has been made to the opening consolidated retained profits of $233,502. The adjustment reflects the decrease in the carrying amount of regenerating assets to the amount that would have been the carrying amount at the beginning of the financial year, had the requirements of the accounting standard applied from the date of acquisition of the assets.

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. Further details of derivative financial instruments are disclosed in Note 37 to the financial statements.

(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 statement 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 contract.

(s) Comparative Figures

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

(t) 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.

	Consolidated		Company	
	2000	**1999**	**2000**	**1999**
	$'000	**$'000**	**$'000**	**$'000**
2. CURRENT RECEIVABLES				
Trade debtors	196,565	133,223	196,565	133,350
Provision for doubtful debts	(6,372)	(3,449)	(6,372)	(3,449)
	190,193	129,774	190,193	129,901
Short term deposits	16,450	30,569	16,450	30,569
Loans to:				
Controlled entities	–	–	1,714	92,676
Related bodies corporate – wholly owned group	65,852	118,136	18,122	35,567
Other related parties	17,889	38,875	2,301	3,257
Other parties	101,936	33,533	59,931	24,268
Directors (Note 33c)	39	34	39	34
	202,166	221,147	98,557	186,371
	392,359	350,921	288,750	316,272
3. CURRENT INVENTORIES				
Finished goods on hand and in transit:				
– at cost	4,515	2,524	4,515	2,524
4. OTHER CURRENT ASSETS				
Other debtors and prepayments	9,268	42,969	8,144	42,475
Advances paid on contracts	13,002	11,609	13,002	11,609
	22,270	54,578	21,146	54,084
5. NON-CURRENT RECEIVABLES				
Long term loans to:				
Other parties	1,822	40,950	1,822	40,950
Controlled entities	–	–	50,000	48,000
Related bodies corporate – wholly owned group	54,116	55,194	33,346	38,347
Directors (Note 33c)	60	12	60	12
	55,998	96,156	85,228	127,309
Trade debtors	1,552	485	1,552	485
	57,550	96,641	86,780	127,794

	Consolidated		Company	
	2000	1999	2000	1999
	$'000	$'000	$'000	$'000
6. NON-CURRENT INVESTMENTS				
Non quoted investments				
Shares in controlled entities:				
– at cost	–	–	950	1,200
Shares in related bodies corporate:				
– at directors valuation – 1997 (i)	109,889	114,838	109,889	114,838
Less: provision for diminution in value	–	(1,410)	–	(1,410)
	109,889	113,428	109,889	113,428
– at cost	24,193	19,061	24,193	19,061
	134,082	132,489	134,082	132,489
Shares in other corporations:				
– at cost	17,618	22,626	17,618	22,626
Less: provision for diminution in value	(2,640)	(1,640)	(2,640)	(1,640)
	14,978	20,986	14,978	20,986
Investment in regenerative forests				
– at cost	722	838	–	–
Investment in joint venture entities				
– equity accounted (ii)	376	389	376	389
	150,158	154,702	150,386	155,064

(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) Refer Note 20.

	Consolidated		Company	
	2000	1999	2000	1999
	$'000	$'000	$'000	$'000
7. PROPERTY, PLANT AND EQUIPMENT				
Freehold land and buildings:				
– at cost (i)	13,154	12,172	12,190	11,527
Accumulated depreciation on buildings	(1,298)	(971)	(1,298)	(971)
	11,856	11,201	10,892	10,556
Plant, motor vehicles and furniture:				
– at cost	5,795	5,923	6,347	6,306
Accumulated depreciation	(4,371)	(4,115)	(4,294)	(4,056)
	1,424	1,808	2,053	2,250
	13,280	13,009	12,945	12,806
(i) The aggregate current market values of land and buildings	21,418	17,133	20,454	17,133

Current market values of land and buildings were assessed by the directors at 31 December 2000. The land and buildings are staff houses and the directors' assessment of current market value at 31 December 2000 is based on independent kerbside opinions of value at December 2000 by Richard R Links Valuation Services Pty Ltd, Raine & Horne, Ray White, Ockerby Real Estate and JLC Valuers.

Aggregate depreciation allocated as an expense during the year is disclosed in Note 21(a) to the financial statements.

8. OTHER NON-CURRENT ASSETS

	Consolidated 2000 $'000	Consolidated 1999 $'000	Company 2000 $'000	Company 1999 $'000
Future income tax benefits – timing differences	3,850	2,545	3,837	2,539
Advances paid on contracts	15,865	300	15,865	300
Other debtors	17,376	31,440	17,376	31,440
	37,091	34,285	37,078	34,279

9. CURRENT ACCOUNTS PAYABLE

	Consolidated 2000 $'000	Consolidated 1999 $'000	Company 2000 $'000	Company 1999 $'000
Trade creditors – unsecured	95,319	111,075	95,319	111,075
Other creditors and accrued expenses	24,097	47,573	24,030	47,695
	119,416	158,648	119,349	158,770

	Consolidated		Company	
	2000	1999	2000	1999
	$'000	$'000	$'000	$'000
10. CURRENT BORROWINGS				
Unsecured:				
Bank overdraft	3,843	683	3,843	683
Short term borrowings:				
Controlled entities	–	–	48,665	87,101
Ultimate parent entity	8,422	12,488	8,422	12,488
Related bodies corporate – wholly owned group	739	3,185	326	–
Other related parties	70,491	55,173	–	–
Other parties	181,421	186,954	66,538	107,001
	264,916	258,483	127,794	207,273
11. CURRENT PROVISIONS				
Guarantees and warranties	4,780	–	4,780	–
Dividends	16,000	7,500	16,000	7,500
Taxation	576	2,446	559	2,334
Employee entitlements (Note 17)	1,361	581	1,342	581
	22,717	10,527	22,681	10,415
12. OTHER CURRENT LIABILITIES				
Advances received on contracts	14,769	13,047	14,769	13,047
13. NON-CURRENT ACCOUNTS PAYABLE				
Trade creditors	2,388	–	2,388	–
Other creditors	17,311	10,189	17,309	10,189
	19,699	10,189	19,697	10,189
14. NON-CURRENT BORROWINGS				
Unsecured:				
Long term borrowings from:				
Ultimate parent entity	33,346	86,837	33,346	86,837
Controlled entities	–	–	34,160	14,331
Other parties	49,698	38,347	49,698	38,347
	83,044	125,184	117,204	139,515
15. NON-CURRENT PROVISIONS				
Employee entitlements (Note 17)	222	656	212	656
Deferred income tax	2,358	2,299	2,024	2,140
	2,580	2,955	2,236	2,796

	Consolidated		Company	
	2000	1999	2000	1999
	$'000	$'000	$'000	$'000

16. OTHER NON-CURRENT LIABILITIES

Advances received on contracts	16,371	303	16,371	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)	1,361	581	1,342	581
Non-current (Note 15)	222	656	212	656
	1,583	1,237	1,554	1,237
Accrual for bonus	1,132	307	1,132	307
	2,715	1,544	2,686	1,544

18. ISSUED CAPITAL

Issued capital

10,000,000 ordinary shares fully paid (1999: 10,000,000)	20,000	20,000	20,000	20,000

19. RESERVES

Asset revaluation reserve	84,939	84,939	84,939	84,939
Movement in asset revaluation:				
Balance at beginning of financial year	84,939	84,399	84,939	84,399
Revaluation of non-current assets	–	540	–	540
Balance at end of financial year	84,939	84,939	84,939	84,939

20. INVESTMENTS IN JOINT VENTURE ENTITIES

Name of Entity	Principal Activity	Ownership Interest 2000 %	1999 %
Toyota Partnership	Provision of finance	19.6	19.6

	Consolidated		Company	
	2000	**1999**	**2000**	**1999**
	$'000	**$'000**	**$'000**	**$'000**
20. INVESTMENTS IN JOINT VENTURE ENTITIES (CONTINUED)				
Equity accounted amount of investment at the beginning of the financial year	389	279	389	279
Share of operating (loss)/profit after income tax	(13)	110	(13)	110
Equity accounted amount of investment at the end of the financial year	376	389	376	389
The following amounts represent the consolidated entity's share of the above joint venture entities:				
Current assets				
Other receivables	480	459	480	459
Non-current assets				
Other receivables	1,058	1,693	1,058	1,693
Current liabilities				
Unearned revenue	(22)	(33)	(22)	(33)
Non-current liabilities				
Provision for deferred income tax	(1,140)	(1,730)	(1,140)	(1,730)
Net assets	376	389	376	389

21. OPERATING PROFIT

(a) Operating profit before income tax includes the following items of revenue and expense:

	Consolidated 2000 $'000	Consolidated 1999 $'000	Company 2000 $'000	Company 1999 $'000
REVENUE				
Operating Revenue				
Sales revenue:				
Sale of goods	6,769,186	6,080,028	6,769,186	6,080,028
Rendering of services	30,480	22,187	30,480	22,187
	6,799,666	6,102,215	6,799,666	6,102,215
Dividends:				
Related bodies corporate – wholly owned group	10,384	5,911	10,384	5,911
Other related parties	386	3,088	386	3,088
Other parties	2,676	108	2,676	108
Non-operating revenue				
Proceeds on the disposal of:				
Property, plant and equipment	18	87	18	75
Investments	12,162	1,996	12,427	1,996
Transfers from provisions:				
Contingency provision	–	500	–	500
Foreign exchange gain	382	10,387	382	3,223
Equity share of joint venture entities profit (Note 20)	–	110	–	110
Interest revenue:				
Ultimate parent entity	6,370	2,827	6,370	2,827
Controlled entity	–	–	4,762	6,461
Related bodies corporate – wholly owned group	46,551	14,069	40,217	7,620
Other related parties	–	998	–	412
Other parties	47,032	52,111	43,149	50,872
Management fees:				
Ultimate parent entity	67	1,265	67	1,265
Controlled entities	–	–	400	350
Related bodies corporate – wholly owned group	759	687	709	570
Other related parties	678	1,247	678	1,140
Other parties	372	70	175	–
Other income	–	64	–	2
	127,837	95,525	122,800	86,530
TOTAL REVENUE	6,927,503	6,197,740	6,922,466	6,188,745

	Consolidated		Company	
	2000	1999	2000	1999
	$'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	6,877	12,747	6,877	12,747
Controlled entities	–	–	7,779	6,196
Related bodies corporate – wholly owned group	7,945	8,943	7,813	8,813
Other related parties	3,992	2,528	2	170
Other parties	78,647	43,091	70,597	37,341
Operating lease rental expense	2,434	2,373	2,314	2,226
Transfers to provisions:				
Employee entitlements	347	110	318	110
Doubtful debts – trade receivable	2,923	1,949	2,923	1,949
Depreciation of fixed assets:				
Freehold land and buildings	338	332	338	332
Plant, motor vehicles and furniture	594	625	574	604
Diminution in value of investments	1,000	–	1,000	–
Foreign exchange loss	153	10,481	8	3,362
Equity share of joint venture entities losses (Note 20)	13	–	13	–
(b) Sales of non-current assets have given rise to the following profits and losses:				
Profits:				
Property, plant and equipment	9	6	9	6
Investments	3,153	543	3,168	543
Losses:				
Property, plant and equipment	74	10	74	10
Investments	–	121	–	121

	Consolidated		Company	
	2000	1999	2000	1999
	$'000	$'000	$'000	$'000

22. ABNORMAL ITEMS

Abnormal Gains				
Surplus on liquidation of related body corporate	3,113	–	3,113	–
Applicable income tax	–	–	–	–
	3,113	–	3,113	–
Abnormal Losses				
Provisions for guarantees and warranties	(4,780)	–	(4,780)	–
Applicable income tax	–	–	–	–
	(4,780)	–	(4,780)	–
Total abnormal items:				
Abnormal items before tax	(1,667)	–	(1,667)	–
Applicable income tax	–	–	–	–
	(1,667)	–	(1,667)	–

	Consolidated		Company	
	2000	**1999**	**2000**	**1999**
	$'000	**$'000**	**$'000**	**$'000**
23. INCOME TAX				
(a) Income tax expense				
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:				
Operating profit:	16,994	15,345	16,752	14,763
Income tax expense calculated at 34% (1999: 36%) of operating profit	5,778	5,524	5,696	5,315
Permanent differences:				
Tax effect of permanent differences:				
Rebatable dividends	(4,573)	(3,278)	(4,573)	(3,278)
Non assessable leveraged lease income	(2)	(3)	(2)	(3)
Non deductible entertainment and other items	216	251	208	251
Other	–	(17)	–	(10)
Tax losses transferred from related bodies corporate	(499)	(130)	(470)	–
Consideration for tax losses transferred	499	130	470	–
(Over)/under provision of income tax in prior year	(957)	631	(953)	631
Timing differences not brought to account as future income tax benefits	1,965	–	1,965	–
Future income tax benefits not previously recognised now brought to account	(1,058)	(75)	(1,058)	–
Effect on future income tax benefit and provision for deferred income tax due to the change in income tax rate from 34% to 30%	221	342	221	340
Income tax expense attributable to operating profit	1,590	3,375	1,504	3,246
(b) Future income tax benefits not brought to account				
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	1,965	27	1,965	–
Capital tax losses	357	149	357	149
Revenue tax losses	113	118	–	–
	2,435	294	2,322	149

	Consolidated		Company	
	2000	1999	2000	1999
	$'000	$'000	$'000	$'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:	113	145	–	–

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 2000 $'000	Consolidated 1999 $'000	Company 2000 $'000	Company 1999 $'000
Interim dividends paid, fully franked at 36%	–	7,000	–	7,000
Dividend proposed, fully franked at 34% (1999; 36%)	16,000	7,500	16,000	7,500
	16,000	14,500	16,000	14,500
Adjusted franking account balance	2,169	2,772	2,169	2,971

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
- W Tashiro
- Y Hashimoto
- T Fujinaga (appointed 11 December 2000)
- T Nitta (appointed 11 December 2000)
- T Hatamoto (resigned 11 December 2000)
- K Ariki (resigned 11 December 2000)

	Consolidated		Company	
	2000	1999	2000	1999
	$'000	$'000	$'000	$'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			1,851	1,420
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 consolidated entity, directly or indirectly, by the entities in which they are directors or by any related party			2,188	1,765
The number of directors of the company whose total income falls within the following bands of income.				
			No.	No.
$ 10,000 – $ 19,999			1	–
$ 20,000 – $ 29,999			1	–
$130,000 – $139,999			–	1
$140,000 – $149,999			1	–
$250,000 – $259,999			–	1
$300,000 – $309,999			1	–
$320,000 – $329,999			–	2
$340,000 – $349,999			–	1
$360,000 – $369,999			1	–
$460,000 – $469,999			1	–
$530,000 – $539,999			1	–

	Consolidated		Company	
	2000	1999	2000	1999
	$	$	$	$

27. REMUNERATION OF AUDITORS

	Consolidated 2000 $	Consolidated 1999 $	Company 2000 $	Company 1999 $
(a) Auditor of the Parent Entity:				
Auditing the financial report	174,100	166,100	165,500	152,900
Other services	500,276	336,147	494,806	330,847
	674,376	502,247	660,306	483,747
(b) Other Auditors:				
Auditing the financial report	–	10,000	–	–
	674,376	512,247	660,306	483,747

28. JOINT VENTURE OPERATIONS

Name of Entity	Principal Activity	Ownership Interest 2000 %	Ownership Interest 1999 %
Bunbury Treefarm Project Joint Venture	Afforestation	3	3
Victoria Treefarm Project Joint Venture	Afforestation	6.67	6.67
Green Triangle Treefarm Project Joint Venture	Afforestation	10	10
Portland Treefarm Project Joint Venture	Afforestation	6.67	–

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

	Consolidated 2000 $'000	Consolidated 1999 $'000	Company 2000 $'000	Company 1999 $'000
Current assets				
Cash	92	31	–	–
Debtors and prepayments	40	48	–	–
Non-current assets			–	–
Property, plant and equipment	974	822	–	–
Investment in regenerative forests	722	669	–	–
Current liabilities				
Other creditors and accrued expenses	(97)	(42)	–	–
Net assets	1,731	1,528	–	–
Share of joint venture costs included in operating result	(51)	(4)	–	–

For details of capital expenditure commitments arising from the consolidated entity's interest in joint venture operations, refer to Note 29.

Non-cancellable operating lease commitments arising from the consolidated entity's interest in joint venture operations, amounting to $1,337,000 (1999: $1,279,000) are included in Note 29.

	Consolidated		Company	
	2000	1999	2000	1999
	$'000	$'000	$'000	$'000
29. EXPENDITURE COMMITTMENTS				
(a) Lease Commitments				
Non cancellable operating leases:				
Not later than one year	3,373	3,738	3,297	3,679
Later than one year but not later than five years	7,876	9,345	7,645	9,156
Later than five years	1,881	2,538	817	1,508
	13,130	15,621	11,759	14,343
(b) Commodity Purchase Commitments				
Aggregate purchase commitments contracted for at balance date but not provided for in the financial statements:				
Not later than one year	681,452	501,247	681,452	501,247
Later than one year but not later than five years	347,492	58,921	347,492	58,921
Later than five years	17,801	6,244	17,801	6,244
	1,046,745	566,412	1,046,745	566,412
(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, and Portland Tree Farm Project Joint Venture payable not later than one year	86	83	–	–
30. CONTINGENT LIABILITIES				
Contingent liabilities at the end of the financial year are:				
(a) Guarantees given in respect of borrowings by controlled entities	–	–	199,066	108,172
(b) The company has given performance guarantees in respect of various contracts to other corporations	7,518	2,721	7,518	2,721
(c) Indemnity given in respect of loans and guarantees given by the ultimate parent company	4,032	6,700	4,032	6,700

31. FINANCING ARRANGEMENTS

	Consolidated 2000 $'000	Consolidated 1999 $'000	Company 2000 $'000	Company 1999 $'000
(a) Bank overdraft facility:				
amount used	3,843	683	3,843	683
amount unused	20,182	21,980	20,182	21,980
	24,025	22,663	24,025	22,663
(b) Committed term loan facilities:				
amount used	50,000	–	50,000	–
amount unused	130,000	140,000	100,000	110,000
	180,000	140,000	150,000	110,000
(c) Uncommitted term loan facilities				
amount used	54,954	67,160	54,954	67,160
amount unused	610,551	621,423	400,551	271,423
	665,505	688,583	455,505	338,583
(d) Commercial paper:				
amount used	116,000	53,000	–	–
amount unused	84,000	147,000	–	–
	200,000	200,000	–	–

	Consolidated		Company	
	2000	1999	2000	1999
	$'000	$'000	$'000	$'000
32. NOTES TO STATEMENT OF CASH FLOWS				
(a) Reconciliation of operating profit after income tax to net cash flows from operating activities:				
Operating profit after income tax	15,404	11,970	15,248	11,517
Add/(less):				
(Profit) on disposal of property, plant & equipment	(9)	(6)	(9)	(6)
Loss on disposal of property, plant & equipment	74	10	74	10
Equity accounted share of joint venture entities (profit)/loss	13	(110)	13	(110)
Depreciation and amortisation	932	957	912	936
Unrealised exchange gains	(1,870)	(3,786)	(382)	(3,223)
(Profit) on disposal of investments	(3,153)	(543)	(3,168)	(543)
Loss on disposal of investments	–	121	–	121
Unrealised exchange losses	8	3,362	8	3,362
(Increase)/decrease in future income tax benefit	(1,305)	84	(1,298)	5
(Decrease)/increase in current income tax provision	(1,870)	1,573	(1,775)	1,591
Increase/(decrease) in provision for deferred income tax	59	698	(116)	640
Provision for diminution of investment	1,000	–	1,000	–
Changes in assets and liabilities				
(Increase)/decrease in assets:				
Trade receivables	(61,486)	(4,730)	(61,359)	(4,834)
Other receivables	47,284	(1,666)	47,914	(2,071)
Inventories	(1,991)	1,050	(1,991)	1,050
Advances paid on contracts	(16,958)	4,417	(16,958)	4,417
Increase/(decrease) in liabilities:				
Accounts payable	(13,368)	26,180	(13,368)	26,093
Other payables	(16,354)	(11,275)	(16,545)	(10,786)
Other provisions	5,126	1,838	5,097	1,751
Advances received on contracts	17,790	(4,389)	17,790	(4,389)
Net cash provided by/(used in) operating activities	(30,674)	25,755	(28,913)	25,531

32. 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 2000 $'000	Consolidated 1999 $'000	Company 2000 $'000	Company 1999 $'000
Cash	30,484	37,701	906	2,642
Bank overdraft	(3,843)	(683)	(3,843)	(683)
	26,641	37,018	(2,937)	1,959

33. 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 33(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 full consideration; and
- Loan facilities are 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 $86,071 (1999: $NIL). The aggregate amount of loans repaid during the year by directors of the consolidated entity was $34,026 (1999: $50,875) and the directors concerned are F Kitahara, K Ariki, Y Hashimoto, T Fujinaga, W Tashiro and T Nitta. Interest paid during the year in respect of these loans amounted to $2,703 (1999: $4,700).

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

33. RELATED PARTY DISCLOSURES (CONTINUED)

(d) Transactions with other related parties

Details of interest revenue are disclosed in Note 21.

Related Party	Transaction Type	2000 $'000	1999 $'000	Terms and Conditions
Body Corporate not 100% owned within the wholly owned group	Fees paid by related parties for management services	678	1,247	Commercial terms and conditions

(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	2000 $'000	1999 $'000	Terms and Conditions
Ultimate Parent Company	Trade debtors			Commercial terms
	- Current	106,461	80,814	and conditions
	Other debtors			Commercial terms
	- Current	126	225	and conditions
	Trade creditors			Commercial terms
	- Current	23,195	15,684	and conditions
	- Non-Current	2,388	–	
	Advances paid on contracts			Commercial terms
	- Current	50	233	and conditions
	- Non-Current	153	153	
	Advances received on contracts			Commercial terms
	- Current	–	1,572	and conditions
	Other creditors			Commercial terms
	- Current	1,566	3,091	and conditions
	- Non-Current	–	4,182	
Related Bodies Corporate	Trade debtors			Commercial terms
	- Current	11,663	1,917	and conditions
Wholly-owned group	Other debtors			Commercial terms
	- Current	2,417	2,658	and conditions
	Advances paid on contracts			Commercial terms
	- Current	2,759	3,435	and conditions
	- Non-Current	1,273	147	
	Trade creditors			Commercial terms
	- Current	2,045	2,141	and conditions
	Advances received on contracts			Commercial terms
	- Current	10,318	7,063	and conditions
	Other creditors			Commercial terms
	- Current	1,264	6,571	and conditions
	- Non-Current	544	451	

(f) Outstanding balances with other related parties

Related Party	Transaction Type	2000 $'000	1999 $'000	Terms and Conditions
Bodies Corporate not	Trade debtors			Commercial terms
100% owned within	- Current	8	414	conditions
wholly-owned group	Other debtors			Commercial terms
	- Current	176	3,690	and conditions
	- Non-Current	–	15	
	Trade creditors			Commercial terms
	- Current	–	1,035	and conditions
	Other creditors			Commercial terms
	- Current	229	326	and conditions

34. DETAILS OF CONTROLLED ENTITIES

	Country of Incorporation	Ownership Interest 2000 %	Ownership Interest 1999 %
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

35. 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.

36. FINANCIAL REPORTING BY SEGMENTS

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

37. 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 29.

37. 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				
2000	**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	6.07	29,634				850	30,484
Trade debtors	7.02	10,031	60,352			127,734	198,117
Short term deposits	6.37	16,450					16,450
Short term loans receivable	6.84	84,212	91,275			10,229	185,716
Long term loans receivable	6.64		1,250	21,859	32,889		55,998
Advances paid on contracts	–					28,867	28,867
Investment in other Corporations	–					149,782	149,782
Investment in leverage leases	9.2			376			376
	6.76	140,327	152,877	22,235	32,889	317,462	665,790
Financial Liabilities							
Bank overdraft	7.36	3,843					3,843
Trade creditors	4.70		3,827			93,880	97,707
Short term borrowings	6.52	192,454	58,919			9,700	261,073
Long term borrowings	6.58		1,250	60,055	21,739		83,044
Advances received on contracts	–					31,140	31,140
	6.52	196,297	63,996	60,055	21,739	134,720	476,807
1999							
Financial Assets	5.79	140,600	93,480	53,002	43,543	322,748	653,373
Financial Liabilities	5.65	134,286	98,997	91,261	33,923	149,625	508,092

37. 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	**2000 %**	**1999 %**	**2000 %**	**1999 %**
Less than 1 year	6.01	6.27	29,039	13,255
1 to 2 years	6.48	–	30,954	–
2 to 5 years	6.41	6.63	63,048	33,552
5 years and more	6.48	5.20	42,335	17,397
			165,376	64,204

The average interest rate is based on the outstanding balances at the start of the financial year.

(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.

37. 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 Interest Rate 2000 %	Average Interest Rate 1999 %	Notional Principal Amount 2000 %	Notional Principal Amount 1999 %
Sell US Dollars				
Less than 3 months	0.56	0.64	106,859	135,260
3 to 6 months	0.59	0.64	16,276	22,548
Longer than 6 months	0.60	0.65	192,291	63,344
Buy US Dollars				
Less than 3 months	0.61	0.65	6,175	24,065
3 to 6 months	0.54	0.65	2,023	4,307
Longer than 6 months	0.69	0.70	15,345	22,203
Sell Japanese Yen				
Less than 3 months	64.23	68.51	1,261	1,927
3 to 6 months	58.23	66.49	1,767	1,954
Longer than 6 months	58.12	66.73	3,859	4,181
Buy Japanese Yen				
Less than 3 months	57.63	76.45	555	353
3 to 6 months	57.57	73.37	253	706
Sell US Dollars Buy Japanese Yen				
3 to 6 months	–	102.14	–	250
Buy US Dollars Sell Japanese Yen				
Less than 3 months	105.67	110.82	1,444	445
3 to 6 months	103.08	100.70	382	243
Longer than 6 months	101.45	98.45	2,038	607
Buy NZ Dollars				
Less than 3 months	–	1.25	–	25,079
Buy NZ Dollars Sell US Dollars				
Less than 3 months	0.43	–	5,041	–

37. 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.

	Average Interest Rate		Notional Principal Amount	
Outstanding Contracts	**2000 %**	**1999 %**	**2000 %**	**1999 %**
Buy US Dollar				
Less than 1 year	–	0.7184	–	9,000
2 to 5 years	0.7110	0.6885	13,117	29,471
5 years and more	0.6242	0.6226	37,570	17,397
			50,687	55,868

(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:

	2000 $'000	**1999 $'000**
Unrecognised Financial Assets		
Favourable interest rate swaps	1,867	1,216
Favourable cross-currency swaps	8,476	2,537
Favourable foreign exchange contracts	5,916	6,355
Favourable gold forward contracts	436	14,061

37. FINANCIAL INSTRUMENTS (CONTINUED)

(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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