TMA2 Shanghai Project

Background Information

Unit: Unit 2 – Treasury Applications

Date: 1 September 2016

IMM Pty and the industry

Your company, International Mining and Minerals Pty (IMM), is one of the six largest global players in the mining sector. The company's general strategy is twofold; first, to continue to seek out and develop access to new mineral resources globally wherever opportunities exist; second, to develop and maintain significant market shares of mineral processing activities in all major industrial markets worldwide.

IMM's primary activities therefore involve a) exploration, development, exploitation and transportation of mineral resources worldwide and b) primary processing of mineral resources into a wide range of products for the construction and related industries.

IMM is headquartered in Australia but reports in US Dollars. Its shares are quoted in Australian Dollars

Global economic situation

Despite continuing stresses in the world economy, including emerging protectionism, nationalism in Europe, ageing populations in many countries, commodity price volatility, competitive currency devaluations and government funding crises, the G20 continue a theme of finding a way forward for stability, growth and jobs worldwide. The four major areas to be advanced on are:

- Focus on growth and jobs
- Promote international co-ordination – key risk is concentration on national interests and de-globalisation
- Promote international trade and counter protectionism
- Growth must be sustainable – i.e. long term and "green" where possible.

China

International companies have been striving to gain access to all major sectors of the Chinese market since the 1990s. The phenomenal economic growth in the coastal area and the significant increase in demand for a wide range of industrial and construction products have in the past presented an attractive business case for processing imported mineral resources. Neither the Global Financial Crisis nor more recent softening in Chinese growth (and its accompanying commodity price crashes) is expected to dampen demand in the very long run and in any case, investments can take as long to build as a recession can last. IMM is particularly eager to develop a long-term market position in this region in view of its expanding mining and quarrying portfolio in Asia Pacific, especially Australia. It takes the

view that while many competitors are running scared from new projects, there remains a growth story in China (albeit less strong) which provide an ideal time to become “the supplier of choice”.

In late 2015 the Chinese government announced that an importation and processing project (the “Shanghai Project”) would be included in the next 5-year national development plan. In order to extract the best commercial terms, and extract most value along the value chain, the government decided to procure foreign participation.

China is keen to show that it can act as a major and responsible economic power. Both the Australian and Chinese governments recognise that the Shanghai Project meets all the criteria of the four major thrusts, and are thus keen to press ahead with the project and to be seen to be taking a lead. In mid-2016, the government re-iterated its support for the project and indicated that it might support the project in some undetermined way. It is most likely that this support would be that the government would guarantee any local borrowings required by the project, within reason, so that the project would not suffer for lack of finance. They might also exceptionally allow cross border financing of this project.

The bid

In the last 12 months IMM entered into a joint-venture consortium (the Alpha Consortium) together with "Constructor Inc" and "Big Distributor Company", both of Japan, to participate in the competitive bidding for the Shanghai Project and, if successful, would (as a jv) build and operate the plant. Effectively, the Chinese are looking for a dedicated long term supply of construction material for domestic use. The plant will import raw material, process it and sell it on to the Chinese domestic market. Thus the Chinese authorities are primarily looking for a competitive sales price for the product; which will have to be balanced against the return required by the consortium.

The Invitation for Tender for foreign Participation (‘ITP’) required the foreign parties to stipulate the rate of return requirement for their investment and the details of the sales pricing mechanisms.

The Alpha Consortium membership

The foreign parties have been invited to bid for 80% of the equity of the Shanghai Project, the remaining 20% to be shared between the Chinese investors. The Chinese investors are represented by the China National Resource Company (CNRC) as the major shareholder, plus several local companies as minority shareholders. Within the Alpha Consortium, it has been agreed that IMM will have a 40% stake while Constructor and Big Distributor will have 20% each. Should the bid be successful, a new Joint Venture company will be formed to implement the Government contract to design, build and operate the new plant.

IMM, being a global leader in the sector, is seeking to develop a strong position in the Chinese market and thereby increase utilisation of its natural resource reserves. The Shanghai Project is seen as an extremely important strategic milestone to build a platform for business development in China, leading to possible expansion and other import opportunities into China. Under the Alpha Consortium agreements IMM would supply the project with a minimum level of raw material and would operate the plant in China (with an IMM badge) when it is completed, thus fulfilling both aspects of IMM’s strategy.

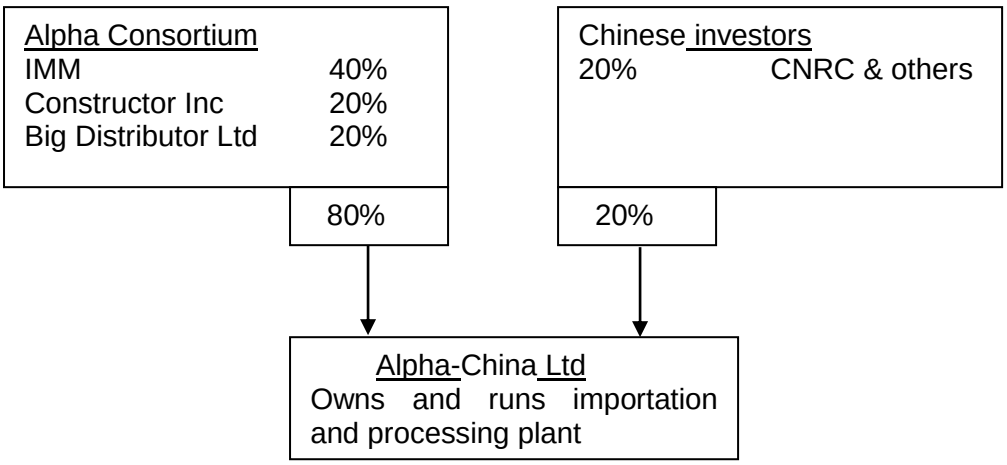
Big Distributor Company's core activity is the transportation of natural resource-based materials to construction and industrial customers throughout Asia Pacific and the Indian Ocean area. It is currently one of the largest single distributors of IMM's product in Asia Pacific and is also involved in ancillary activities. Big Distributor Company would be awarded an operating contract relating to the distribution and transportation of the bulk output from the plant.

Constructor Inc. is one of the largest contracting-based conglomerates in Japan and is involved in many infrastructure projects across the globe. It also has extensive experience in mineral commodity trading. Constructor would be awarded the construction contract for the plant and associated docking facilities.

CNRC is the major resource company in China and was chosen by the Chinese Government to execute the importation and processing scheme and effectively conduct the bid on behalf of the Government. As a shareholder in the Shanghai project itself, CNRC is also representing the interests of the group of smaller pre-selected Chinese shareholders.

Apart from its key motivation of developing the market in China, it is known that CNRC is also seeking to gain technological and commercial experience and eventually to participate in primary extraction and transportation activities as well as mineral processing.

Shanghai project: Organogram



Key project assumptions

The main assumptions used by the Alpha Consortium in the preparation of the bid are as follows:

Macroeconomic assumptions:

- Evaluation date is as at 1 January 2017. This is a datum for DCF evaluation purposes; the first cash flows (capex spend) do not take place until 2019.
- Inflation rate in China: 2.5% p.a.
- Inflation rate in U.S.A.: 2.5% p.a.
- Inflation rate in Australia: 1.5% p.a.

- Exchange rate in China: 6.90 Yuan per USD, assumed to vary in line with the theory of Purchasing Power Parity (PPP) but subject to the evolving foreign exchange control policy of the Chinese government. Clearly market forces will also influence the exchange rate.
- The business risk in the project is materially the same as that of IMM's core business.

Capital investment:

The bid involves the construction of the processing plant and related facilities.

- Total capital expenditure required for the plant: USD 500 million.
- Phasing of capital investment: 2019: 19.9%; 2020: 25.3%; 2021: 31.5%; 2022: 23.3%
- 75% of capex spend is in USD and this USD element can be assumed to be contracted at the outset and thus be fixed in nominal terms. The balance in CNY, being local expenditure, is subject to inflation.
- Depreciation of capital investment: 15 years, straight-line, to commence in the plant start-up year. Book and tax depreciation are assumed to be equivalent.
- Working capital investment is assumed to be negligible.

Operational assumptions:

NB. All volume-related values are stated per million metric tons (mmt).

- Construction start date 1 January 2019, Production start-up: 2022
- Production (million metric tonnes)
    - 2022: 0.39
    - 2023: 3.39
    - 2024 and beyond: 4.63
- End of operations: 2047
- Pricing: The product currently sells at a rate of 160 million Yuan / mmt (real terms 2017), having peaked in 2015 at 300 million Yuan / mmt. The Chinese are looking for the most competitive price.

    NB. This is an average price for a range of products, based on overall production tonnage. Actual revenues (and variable costs) will vary somewhat depending on the detailed product mix.
- Fixed operating costs: CNY 80 million per year (real terms 2017), but only at 50% of that in the first year of operation.
- Variable operating costs: CNY 4.88 million per mmt (real terms 2017).

Taxation:

- The current Chinese corporate tax rate applying to inward investment projects of this nature is 30%; the mainstream corporation tax rate is 25%. The higher rate reflects the approach to 'foreign' investments.
- The withholding tax rate on dividends is 5%.
- The withholding rate for cross border interest (where allowed) is 0%.
- The maximum local debt allowed under foreign exchange control regulation is 4 times the total of equity, reserves and shareholder's loans.
- The maximum non shareholder debt allowed under thin capitalisation rules is 3 times equity plus subordinated (shareholder) loans plus reserves.
- Assume that in Australia, dividends and interest income have the same tax treatment.

Initial Financing Assumptions (for feasibility testing):

- Total finance required; approx. CNY 4 billion, based on the anticipated money capex spend, with a 10% allowance for overheads or minor working capital amounts.
- Equity contribution % to be decided, but modelled initially at a nominal 50% of required capital.
- Equity to be introduced in two equal tranches in 2018 and 2019.
- USD Debt/Total Debt: 40%.
- CNY Debt/Total Debt 60%.
- Both CNY and USD debt to be drawn-down in two equal instalments, starting in 2020
- 1st year for repayment of principal: 2023.
- Number of equal instalments (straight line) for principal repayment: 8
- No interest holiday or roll up.
- The shareholders may make a loan in place of some equity. The loan would be subordinated to the bank debt and no repayments would be permitted until all of the bank debt is repaid. It would be made at the same time as the equity, i.e. over two years. Interest would be set at the same level as bank debt. Lenders have agreed that interest payments may be made while the bank loan is outstanding and the government have confirmed that loan repayments will be permitted under foreign exchange control regulations. The shareholders have agreed that the loan would be repaid in 8 instalments immediately following repayment of the bank debt. Initial discussions have set a value of CNY 500 million for this loan. The subordination of this shareholder loan is achieved both contractually and by offering the bank lenders full security to the extent permitted under Chinese law.
- The shareholders have agreed to make distributions set at the level of the lower of 80% of cash at prior year end and 100% of distributable reserves.
- Dividends are permitted under the terms of lending, but with restrictions while the loan is outstanding, namely that the dividend shall be restricted to 25% of the amount agreed as distributable by shareholders.
- An RCF may be available and if so, it will be provided by the same banking group as the tem loans. It would be available from the start of 2019.

Interest rates

- USD LIBOR for modelling: 1.1%
- Margin for USD debt for project: 5%
- Maximum margin for foreign debt for tax deductibility: 4%
    - i.e. max allowable rate is 5.10%
- CNY Base interest rate: 5.5%
- Margin for CNY debt for project (Term loan & RCF) 5%
- RCF undrawn fee 20% of margin
- Prime rate for CNY debt (for tax purposes) 14.5%
- Maximum margin for domestic debt for tax deductibility 2%
    - i.e. max allowable rate is 16.5%
- Assumed margin below CNY Base for deposits 2.25%
- CNY Risk free rate (10 year government bonds) 3.4%

If any other assumptions are required, they should be stated.

IMM Investment Appraisal Parameters

IMM have agreed with the other shareholders that a target rate of return for projects on an un-geared basis is 10.5% and that they would seek a return on the equity invested in the project of 11.5%. These agreed rates are higher than the real terms hurdle rates in typical use by the IMM Corporate Finance Department. However they do represent an allowance for a reversion of interest rates to the mean over the long term, bearing in mind the long project duration. The higher discount rates in use reflect an Australian risk free rate of 5.3%.

The following data are relevant to any further analysis that might be made on the project by IMM:

The number of shares in issue is 1,395.2 million.
IMM's beta has risen from 1.2 in 2014 to 1.8 now.
Australian 10 year government bonds yield 2.80% (1 March 2017)
USD 10 year treasuries yield 2.50% (1 March 2017)
The market premium is assumed to be 5% in Australia
The average cost of existing US debt to IMM is 5.0% and also represents its best estimate of a cost on refinancing.
The Australian tax rate is 35% and IMM has no brought forward tax losses.
The Chinese market risk premium can be assumed to be 8%

IRR, NPV and payback are used, to provide a range of appraisal measures.

Money amounts are originally defined in USD or CNY present value, then converted into CNY or USD as appropriate. Detailed profit and loss and cash flow projections are made in nominal (inflated) CNY terms, and then deflated for real-terms DCF analysis. The DCF analysis of shareholder returns is expressed in USD real terms for group-wide comparison purposes.

Company finance and treasury management

The over-arching objective of finance/treasury policy and management is to improve shareholder value. At the operational level this is expressed as a preference for substance over form and for long-term rather than short-term gains. There is also a presumption in favour of treasury centralisation, especially for funding, cash management and hedging, to the extent that local circumstances allow. Both the 'credit crunch' and this first foray into a project finance led joint venture has prompted IMM to review their treasury structure, policies and support for all operations worldwide.

Notes: Some background information in this TMA may not reflect actual commercial reality in China, the information having been adjusted to reflect the needs of the TMA. The TMA is meant to test the generic aspects of corporate finance and project finance rather than Chinese investment peculiarities.

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International Mining and Minerals Pty
Group income statement - Years ended 31 December

	2015 US$m	2014 US$m
Gross turnover (including share of jointly controlled entities and associates (a)	**20,742**	14,530
Consolidated turnover	**19,033**	12,954
Operating costs (excluding impairment reversals/(charges)	**(12,436)**	(10,249)
Net impairment reversals/(charges) (b)	**3**	(558)
Profit on disposal of interests in businesses (including investments) (c)	**322**	1,180
Operating profit	**6,922**	3,327
Share of profit after tax of jointly controlled entities and associates	**776**	523
Profit before finance items and taxation	**7,698**	3,850
Finance items		
Exchange (losses)/gains on external net debt and intragroup balances	**(128)**	204
(Losses)/gains on currency and interest rate derivatives not qualifying for hedge accounting	**(51)**	16
Interest receivable and similar income	**82**	28
Interest payable and similar charges	**(173)**	(148)
Amortisation of discount	**(116)**	(87)
	(386)	13
Profit before taxation	**7,312**	3,863
Taxation (b), (c)	**(1,814)**	(619)
Profit for the year	**5,498**	3,244
- attributable to outside equity shareholders (b), (c)	**283**	(53)
- attributable to equity shareholders of IMM (net earnings)	**5,215**	3,297
Basic earnings per ordinary share	**382.3c**	239.1c
Diluted earnings per ordinary share	**381.1c**	238.7c
For the purposes of calculating basic earnings per share, the weighted average number of IMM shares outstanding during the year was 1,364.1 million, being the average number		
Dividends per share: paid during the year	**83.5c**	66.0c
Final dividend per share: declared in the announcement of the results for the year	**41.5c**	45.0c
Special dividend per share: declared in the announcement of the results for the year	**110.0c**	-

(a) Gross turnover includes the turnover of jointly controlled entities and associates of US$1,709 million (2014: US$1,576 million) in addition to Consolidated turnover, which relates only to subsidiary companies

(b) No tax credits or charges across from impairment charges and reversals for the year ended 31 December 2015 (2014: credit of US$108 million), and the net charge attributable to outside equity shareholders was US$1 million (2014: US$129 million).

(c) The net tax charge resulting from the profit on disposal of interests in businesses (including investments) for the year ended 31 December 2015 was US$11 million (2014: US$9 million), and there was no amount attributable to outside equity shareholders (2014: charge of US$4 million).

International Mining and Minerals Pty

Summary balance sheet at 31 December	**2015 US$m**	2014 US$m
Non-current assets		
Goodwill	**1,020**	1,075
Intangible assets	**220**	189
Property, plant and equipment	**17,620**	16,721
Investments in jointly controlled entities and associates	**1,829**	2,016
Loans to jointly controlled entities	**159**	130
Inventories	**141**	68
Trade and other receivables	**703**	770
Deferred tax assets	**55**	52
Tax recoverable	**122**	125
Derivatives related to net debt	**254**	494
Other financial assets	**199**	156
	22,322	21,796
Current assets		
Inventories	**2,048**	1,952
Loans to jointly controlled entities	**-**	46
Trade and other receivables	**2,488**	1,832
Tax recoverable	**30**	29
Derivatives related to net debt	**62**	29
Other financial assets	**469**	218
Other liquid resources	**5**	14
Cash and cash equivalents	**2,379**	392
	7,481	4,512
Current Liabilities		
Bank overdrafts repayable on demand	**(12)**	(66)
Borrowings	**(1,190)**	(789)
Trade and other payables	**(2,190)**	(1,753)
Derivatives related to net debt	**(8)**	-
Other financial liabilities	**(78)**	-
Tax payable	**(987)**	(142)
Provisions	**(321)**	(193)
	(4,786)	(2,943)
Net current assets	**2,695**	1,569
Non-current liabilities		
Borrowings	**(2,783)**	(3,883)
Trade and other payables	**(269)**	(910)
Derivatives related to net debt	**(20)**	-
Other financial liabilities	**(93)**	-
Tax payable	**(51)**	(87)
Deferred tax liabilities	**(2,197)**	(2,135)
Provisions	**(3,865)**	(3,759)
	9,278)	(10,774)
Net assets	**15,739**	12,591
Equity attributable to IMM shareholders	**14,948**	11,877
Attributable to outside equity shareholders	**791**	714
Total equity	**15,739**	12,591

International Mining and Minerals Pty

Summary cash flow statement - Years ended 31 December	**2015 US$m**	2014 US$m
Cash flow from consolidated operations	**7,657**	3,974
Dividends from jointly controlled entities and associates	**600**	478
Cash flow from operations	**8,257**	4,452
Interest received	**51**	28
Interest paid	**(179)**	(170)
Dividends paid to outside shareholders	**(169)**	(56)
Tax paid	**(1,017)**	(865)
Cash flow from operating activities	**6,943**	3,380
Cash used in investing activities		
Disposals of subsidiaries, joint ventures & associates (see acquisitions)	**321**	1,507
Purchase of property, plant & equipment and intangible assets	**(2,552)**	(2,256)
Repayments from jointly controlled entities and associates	**17**	9
Exploration and evaluation expenditure	**(264)**	(190)
Proceeds from sale of property, plant & equipment and intangible assets	**36**	41
Sales of other investments	**133**	261
Purchases of other financial assets	**(231)**	(30)
Government grants received	**26**	-
Cash flows from non-hedge derivatives not related to net debt	**31**	77
Cash used in investing activities	**(2,483)**	(581)
Cash flow before financing activities	**4,460**	2,799
Financing activities		
Equity dividends paid to IMM shareholders	**(1,141)**	(906)
Own shares purchased from IMM shareholders	**(877)**	-
Proceeds from issue of ordinary shares in IMM	**100**	26
Proceeds from issue of ordinary shares in subsidiaries to outside shareholders	**4**	7
Cash flow relating to borrowings, liquid resources, derivatives related to net debt	**(497)**	(1,832)
Cash used in financing activities	**(2,411)**	(2,706)
Effects of exchanges rates on cash and cash equivalents	**(8)**	(9)
Net increase in cash and cash equivalents	**2,041**	85

Summary financial data in US dollars

	2015 US$m	2014 US$m
Gross turnover	**20,742**	14,530
Consolidated turnover	**19,033**	12,954
Profit before taxation	**7,312**	3,863
Profit for the year	**5,498**	3,244
Net earnings attributable to ordinary shareholders	**5,215**	3,297
Underlying earnings (a)	**4,955**	2,272
Basic earnings per ordinary share (b)	**382.3 cents**	239.1cents
Basic underlying earnings per ordinary share (a) (b)	**363.2 cents**	164.8cents
Dividends per share to IMM shareholders		
- paid	**83.5 cents**	66.0 cents
- proposed (including special dividend)	**151.5 cents**	45.0 cents
Cash flow before financing activities	**4,460**	2,799
Net debt	**(1,313)**	(3,809)
Equity attributable to IMM shareholders	**14,948**	11,877

(a) Underlying earnings exclude items totalling US$260 million (2014: US$1,025 million)

b) Basic earnings per ordinary share and basic underlying earnings per ordinary share do not recognise the dilution resulting from share options in issue.

International Mining and Minerals Pty

Share prices – AU cents per share

	2016 High	2016 Low	2015 High	2015 Low
1st quarter	**1,200**	**1,050**	**3,200**	**2,950**
2nd quarter	**1,450**	**1,175**	**3,560**	**3,100**
3rd quarter	**2,310**	**1,425**	**2,350**	**1,540**
4th quarter	**2,610**	**2,110**	**1,620**	**850**

	2014	2013	2012	2011
Year end (forecast)	2,550	**1,050**	**3,100**	**2,655**
High (forecast)	2,610	**3,560**	**3,250**	**2,657**
Low (forecast)	1,050	**850**	**2,450**	**1,472**

BIG DISTRIBUTOR CO
Consolidated Income Statement

Accounts date	**2014**	**2015**
Currency / units	**JPY Billion**	**JPY Billion**
Type	**audited**	**audited**
months	**12**	**12**
Sales Revenue	948	951
(Cost of Sales)	(502)	(497)
Gross Profit	**446**	**454**
(Total Overheads)	(360)	(362)
Other Operating Costs & Revenues		
(Cost of Materials, Other External Purchases)		
Value Added		
(Personnel Costs)		
(Depreciation)	(83)	(90)
(Amortisation of Intangibles)		
(Other Operating costs and revenues)		
Operating Profit	**86**	**92**
Non-operating Income & Expenditure		
Exceptionals etc.	(30)	(8)
(Amortisation of Goodwill)		
Financial Income		
Income from Investments, Participations etc		
Other Financial Income & Expenditure		
EBIT	**56**	**84**
Interest Received & Paid		
Interest Received	1	1
(Gross Interest Paid)	(6)	(7)
Profit before Tax	**51**	**78**
(Current tax)	(20)	(27)
(Deferred tax)	(1)	(4)
Profit after Tax	**30**	**47**
Extraordinaries, (amortisation of goodwill) etc		
Minority Interests		
(Preference Dividends)		
Net Income / Earnings for Ordinary Shareholders	**30**	**47**
(Ordinary Dividends)	(1)	(1)
Retained Profit for Year	**29**	**46**

BIG DISTRIBUTOR CO
Balance Sheet

Accounts date	**2014**	**2015**
Currency / units	**JPY Billion**	**JPY Billion**
Type	**audited**	**audited**
ASSETS		
Fixed Assets		
Intangible Fixed Assets	18	28
Tangible Fixed Assets		
Property, Land & Buildings - net		
Other Fixed Assets - net	822	796
Financial Fixed Assets (Long-term Investments)	153	172
Medium-term Trade-related Assets		
Total Fixed Assets	**993**	**996.0**
Current Assets		
Stocks, Inventories, Work in Progress	28	32
Debtors, Prepayments, Receivables etc.	83	87
Cash and Short-term Investments	30	20
Other Current Assets	77	65
Total Current Assets	**218**	**204**
Total Assets	**1,211**	**1,200**
LIABILITIES		
Current Liabilities (Creditors < 1 Year)		
Creditors, Accruals, Payables etc.	169	170
Short-term Debt	60	53
Corporation Tax Payable	18	30
Dividend Payable		
Other Current Liabilities		
Total Current Liabilities	**247**	**253**
Non-current Liabilities (Creditors > 1 Year)		
Medium & Long-term Debt	411	377
Medium-term Trade-related Liabilities	16	15
Deferred Tax, Pension & Other Long-term Provisions	76	51
Total Non-current Liabilities	**503**	**443**
Share Capital & Reserves		
Issued Share Capital	152	152
Share Premium Account / Paid-in Surplus	(21)	(41)
Revaluation Reserve		
Other Reserves	10	39
Retained Earnings / Profit and Loss	313	347
Total Capital and Reserves	**454**	**497**
Minority Interests	7	7
Total Shareholders' Funds	**461**	**504**
Balance Check	**-**	**-**

Accumulated depreciation	1,600	1,671

BIG DISTRIBUTOR CO
US-Style Cash Flow Statement

Accounts date *Currency / units*	**2014** **JPY** **billion**	**2015** **JPY** **billion**
CASH FLOW FROM OPERATIONS		
Net Income	**51.0**	**78.2**
Tangible Asset Depreciation	82.8	89.6
Amortisation & Other Non-cash Items	(11.6)	(28.6)
Inc(Dec) in Deferred or Accrued Tax	(31.3)	(14.6)
Inc(Dec) in Accrued or Deferred Interest		3.2
Other Income	1.3	1.2
Gross Operating Cash Flow	92.2	129.0
Net Working Assets		
Dec(Inc) in Stock / Inventories	4.6	(3.2)
Dec(Inc) in Debtors / Receivables	(4.0)	1.9
Inc(Dec) in Creditors / Payables	(0.2)	5.2
Dec(Inc) in Net Working Assets	**0.4**	**3.9**
Cash Flow from Operations	**92.6**	**132.9**
INVESTMENT CASH FLOWS		
(Purchase of Fixed Assets)	(67.8)	(68.1)
Sale of Fixed Assets	34.6	10.0
(Acquisitions & Purchase of Financial Assets)	(16.5)	(9.8)
Sale of Subsidiaries and Financial Assets		
Net Investments	**(49.7)**	**(67.9)**
Cash Flow before Funding	**42.9**	**65.0**
FUNDING & DIVIDEND FLOWS		
(Preference Dividends Paid)	(0.1)	(0.1)
(Common Stock Dividends Paid)	(14.2)	(13.7)
New Shares Issued	(21.1)	(20.3)
(Repurchase / Redemption of Shares)		
(Costs of Issuing / Redeeming Equity)		
Increase in Debt	5.3	(41.8)
(Decrease in Debt)		
Increase/(Decrease) in Cash & Liquid Funds	12.8	(10.9)
Balance check	-	-

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CONSTRUCTOR INC
Consolidated Income Statement

Accounts date *Currency / units* *Type* *months*	**2014** **JPY** **Billion** **audited** **12**	**2015** **JPY** **Billion** **audited** **12**
Sales Revenue	2,681	2,774
(Cost of Sales)	(2,257)	(2,365)
Gross Profit	**424**	**409**
(Total Overheads)	(351)	(331)
Other Operating Costs & Revenues		
(Cost of Materials, Other External Purchases)		
Value Added		
(Personnel Costs)		
(Depreciation)	(62)	(52)
(Amortisation of Intangibles)	(2)	(2)
(Other Operating costs and revenues)		
Operating Profit	**73**	**82**
Non-operating Income & Expenditure		
Exceptionals etc.	(20)	(4)
(Amortisation of Goodwill)		
Financial Income		
Income from Investments, Participations etc	7	7
Other Financial Income & Expenditure	**13**	14
EBIT	**73**	**99**
Interest Received & Paid		
Interest Received	27	20
(Gross Interest Paid)	(50)	(44)
Profit before Tax	**50**	**75**
(Current tax)	(17)	(21)
(Deferred tax)	1	(15)
Profit after Tax	**34**	**39**
Extraordinaries, (amortisation of goodwill) etc		
Minority Interests	(3)	(3)
(Preference Dividends)		
Net Income / Earnings for Ordinary Shareholders	**31**	**36**
(Ordinary Dividends)		
Retained Profit for Year	**31**	**36**

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CONSTRUCTOR INC
Balance Sheet

Accounts date *Currency / units* *Type*	**2014** **JPY** **Billion** **audited**	**2015** **JPY** **Billion** **audited**
ASSETS		
Fixed Assets		
Intangible Fixed Assets	66	79
Tangible Fixed Assets		
Property, Land & Buildings - net	460	485
Other Fixed Assets - net		
Financial Fixed Assets (Long-term Investments)	1,347	1,404
Medium-term Trade-related Assets	246	206
Total Fixed Assets	**2,119**	**2,174**
Current Assets		
Stocks, Inventories, Work in Progress	398	399
Debtors, Prepayments, Receivables etc.	1,276	1,154
Cash and Short-term Investments	494	495
Other Current Assets	35	33
Total Current Assets	**2,203**	**2,081**
Total Assets	**4,322**	**4,255**
LIABILITIES		
Current Liabilities (Creditors < 1 Year)		
Creditors, Accruals, Payables etc.	1,127	1,146
Short-term Debt	963	804
Corporation Tax Payable	16	16
Dividend Payable		
Other Current Liabilities		
Total Current Liabilities	**2,106**	**1,966**
Non-current Liabilities (Creditors > 1 Year)		
Medium & Long-term Debt	1,902	1,823
Medium-term Trade-related Liabilities		
Deferred Tax, Pension & Other Long-term Provisions	53	74
Total Non-current Liabilities	**1,955**	**1,897**
Share Capital & Reserves		
Issued Share Capital	282	357
Share Premium Account / Paid-in Surplus		
Revaluation Reserve		
Other Reserves		
Retained Earnings / Profit and Loss	(22)	35
Total Capital and Reserves	**260**	**392**
Minority Interests	1	
Total Shareholders' Funds	**261**	**392**
Balance Check	**-**	**-**
Accumulated depreciation	266	305

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CONSTRUCTOR INC
US-Style Cash Flow Statement

Accounts date *Currency / units*	**2014** **JPY billion**	**2015** **JPY billion**
CASH FLOW FROM OPERATIONS		
Net Income	**30**	**35**
Tangible Asset Depreciation	64	54
Amortisation & Other Non-cash Items	14	19
Inc(Dec) in Deferred or Accrued Tax	3	14
Inc(Dec) in Accrued or Deferred Interest		
Other Income	(6)	(1)
Gross Operating Cash Flow	105	**121**
Net Working Assets		
Dec(Inc) in Stock / Inventories	16	(1)
Dec(Inc) in Debtors / Receivables	68	65
Inc(Dec) in Creditors / Payables	5	16
Dec(Inc) in Net Working Assets	**89**	**80**
Cash Flow from Operations	**194**	**201**
INVESTMENT CASH FLOWS		
(Purchase of Fixed Assets)	(60)	(67)
Sale of Fixed Assets	48	15
(Acquisitions & Purchase of Financial Assets)	(148)	(153)
Sale of Subsidiaries and Financial Assets	274	238
Net Investments	**114**	**33**
Cash Flow before Funding	**308**	**234**
FUNDING & DIVIDEND FLOWS		
(Preference Dividends Paid)		
(Common Stock Dividends Paid)		(5)
New Shares Issued	0	75
(Repurchase / Redemption of Shares)		
(Costs of Issuing / Redeeming Equity)		
Increase in Debt	369	458
(Decrease in Debt)	(663)	(763)
Increase/(Decrease) in Cash & Liquid Funds	14	(1)
Balance check	-	-

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