

Mitsubishi International Corporation and Subsidiaries

(A Wholly Owned Subsidiary of
Mitsubishi Corporation (Americas))

Consolidated Financial Statements as of and
for the Years Ended March 31, 2016 and 2015, and
Independent Auditors' Report

MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES
(A Wholly Owned Subsidiary of Mitsubishi Corporation (Americas))

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Mitsubishi International Corporation
New York, New York

We have audited the accompanying consolidated financial statements of Mitsubishi International Corporation and subsidiaries (the "Company") (a wholly owned subsidiary of Mitsubishi Corporation (Americas)), which comprise the consolidated statements of financial position as of March 31, 2016 and 2015, the related consolidated statements of profit and loss, comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2016 and 2015, and the results of its operations and cash flows for the years then ended, in accordance with International Financial Reporting Standards as issued by International Accounting Standards Board.

Deloitte & Touche LLP

July 21, 2016

MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES
(A Wholly Owned Subsidiary of Mitsubishi Corporation (Americas))

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2016 AND 2015
(In thousands US dollars, except for share data)

	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 12)	\$ 161,179	\$ 454,069
Certificate of deposit (Note 12)	-	100,000
Notes and loans receivable (Notes 8, 12, and 17):		
Parent and affiliated companies	886,809	784,713
Customers	27,694	2,878
Trade and other receivables (Notes 8, 12, 17, and 18):		
Customers (after allowance for uncollectible accounts of \$2 in 2016, \$34 in 2015)	265,233	388,025
Parent and affiliated companies	162,219	262,339
Other	62,282	123,904
Income tax receivable (Note 13)	26,991	22,123
Merchandise inventories (Notes 5 and 12)	602,318	722,673
Leased inventories (Notes 5 and 12)	1,402,215	1,348,423
Advance payments to suppliers	220,525	326,266
Other financial assets (Note 12)	65,828	27,892
Other current assets	2,805	6,130
	<u>3,886,098</u>	<u>4,569,435</u>
Total current assets		
NONCURRENT ASSETS:		
Noncurrent loans receivable from Parent and affiliated companies (Notes 8, 12, and 17)	380,145	414,521
Other receivable (Notes 8, 12, and 18)	23,287	53,256
Investments accounted for using the equity method (Note 1)	8,016	12,159
Other investments (Note 12)	17,873	20,438
Property and equipment (Note 6)	387,355	410,192
Intangible assets (Note 7)	2,644	3,037
Deferred tax assets (Note 13)	38,418	32,775
	<u>857,738</u>	<u>946,378</u>
Total noncurrent assets		
TOTAL ASSETS	<u><u>\$4,743,836</u></u>	<u><u>\$5,515,813</u></u>

(Continued)

MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES
(A Wholly Owned Subsidiary of Mitsubishi Corporation (Americas))

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2016 AND 2015
(In thousands US dollars, except for share data)

	2016	2015
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current borrowings (Notes 9 and 12):		
Parent and affiliated companies	\$ 66,110	\$ 468,613
Other	494,000	628,000
Current maturities of noncurrent borrowings (Notes 9 and 12)	252,000	360,000
Notes payable		
Trade and other payables and accrued expenses (Notes 12 and 17):		
Parent and affiliated companies	616,152	592,575
Trade creditors	178,686	214,915
Income tax payables (Note 13)	-	5,093
Advances from customers	64,571	182,436
Commodity financing arrangement	241,673	193,100
Other financial liabilities (Note 12)	24,113	9,608
Lease liabilities and other (Notes 8, 10, and 12)	63,278	113,659
	<u>2,000,583</u>	<u>2,767,999</u>
Total current liabilities		
NONCURRENT LIABILITIES:		
Noncurrent borrowings (Notes 9 and 12)	1,340,000	1,282,000
Decommissioning provisions (Note 11)	16,072	15,975
Other noncurrent liabilities (Notes 8, 10, and 12)	65,454	53,669
	<u>1,421,526</u>	<u>1,351,644</u>
Total noncurrent liabilities		
EQUITY:		
Stockholder's equity:		
Common stock without par value (authorized—750,000 shares; issued and outstanding—710,719 shares)	931,940	931,940
Retained earnings	392,317	462,365
Accumulated other comprehensive (loss) income:		
Other investments designated as FVTOCI (Note 12)	3,380	6,429
Exchange differences on translating foreign affiliates (Note 16)	(5,910)	(4,564)
Total accumulated other comprehensive (loss) income	(2,530)	1,865
Total stockholder's equity	<u>1,321,727</u>	<u>1,396,170</u>
TOTAL LIABILITIES AND EQUITY	<u>\$4,743,836</u>	<u>\$5,515,813</u>

See notes to the consolidated financial statements.

(Concluded)

MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES
(A Wholly Owned Subsidiary of Mitsubishi Corporation (Americas))

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015
(In thousands US dollars)

	2016	2015
REVENUES:		
Revenues from operating activities	\$ 1,460,130	\$ 1,919,595
Margins and commissions on operating transactions	<u>79,526</u>	<u>56,787</u>
Total revenues	1,539,656	1,976,382
COST OF REVENUES FROM OPERATING ACTIVITIES (Note 5 and 12)	<u>1,453,800</u>	<u>1,847,770</u>
GROSS PROFIT	85,856	128,612
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE (Notes 10, 14, and 18)	(65,370)	(65,815)
INTEREST INCOME	18,831	19,073
INTEREST EXPENSE	(19,409)	(19,466)
GAIN ON INVESTMENTS (Note 12)	5,508	7,120
IMPAIRMENT LOSS ON PROPERTY AND EQUIPMENT (Note 6)	(58,518)	-
SUNDRY INCOME (Net of expense of \$4,516 in 2016 and \$18,230 in 2015) (Notes 8, 12 and 15)	<u>407</u>	<u>846</u>
(LOSS) INCOME BEFORE INCOME TAXES, AND INCOME FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	(32,695)	70,370
INCOME TAXES (Note 13)	<u>(12,576)</u>	<u>23,944</u>
(LOSS) INCOME BEFORE INCOME FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	(20,119)	46,426
INCOME FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	<u>637</u>	<u>2,181</u>
NET (LOSS) PROFIT	<u>\$ (19,482)</u>	<u>\$ 48,607</u>

See notes to the consolidated financial statements.

MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES
(A Wholly Owned Subsidiary of Mitsubishi Corporation (Americas))

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015
(In thousands US dollars)

	2016	2015
NET (LOSS) PROFIT	\$ (19,482)	\$ 48,607
OTHER COMPREHENSIVE (LOSS) INCOME—Net of tax (Note 16)		
Items that will not be reclassified to net profit:		
(Losses)/gains on other investments designated as FVTOCI	(3,049)	2,177
Remeasurement of defined benefit pension plans	<u>(1,959)</u>	<u>(12,053)</u>
Total	<u>(5,008)</u>	<u>(9,876)</u>
Items that may be reclassified to net loss:		
Exchange differences on translating foreign affiliates	<u>(1,346)</u>	<u>(3,480)</u>
Total	<u>(1,346)</u>	<u>(3,480)</u>
Total other comprehensive loss—net of tax	<u>(6,354)</u>	<u>(13,356)</u>
COMPREHENSIVE (LOSS) INCOME	<u>\$ (25,836)</u>	<u>\$ 35,251</u>

See notes to the consolidated financial statements.

MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES
(A Wholly Owned Subsidiary of Mitsubishi Corporation (Americas))

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015
(In thousands US dollars)

	2016	2015
COMMON STOCK:		
Balances—beginning and end of year	\$ <u>931,940</u>	\$ <u>931,940</u>
RETAINED EARNINGS:		
Balances—beginning of year	462,365	488,664
Net (loss) profit attributable to Mitsubishi International Corporation	(19,482)	48,607
Cash dividends paid to Parent	(48,607)	(62,491)
Transfer from other components of equity	<u>(1,959)</u>	<u>(12,415)</u>
Balances—end of year	<u>392,317</u>	<u>462,365</u>
ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME:		
Balances—beginning of year	1,865	2,806
(Losses)/gains on other investments designated as FVTOCI—net of tax	(3,049)	2,177
Exchange differences on translating foreign affiliates	(1,346)	(3,480)
Remeasurement of defined benefit pension plans—net of tax	(1,959)	(12,053)
Transfer to retained earnings	<u>1,959</u>	<u>12,415</u>
Balances—end of year	<u>(2,530)</u>	<u>1,865</u>
NON-CONTROLLING INTEREST:		
Balances—beginning of year	-	(492)
Equity transactions with non-controlling interest	<u>-</u>	<u>492</u>
Balances—end of year	<u>-</u>	<u>-</u>
TOTAL MITSUBISHI INTERNATIONAL CORPORATION'S EQUITY	<u>\$1,321,727</u>	<u>\$1,396,170</u>

See notes to the consolidated financial statements.

MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES
(A Wholly Owned Subsidiary of Mitsubishi Corporation (Americas))

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015
(In thousands US dollars)

	2016	2015
OPERATING ACTIVITIES:		
Net (loss) profit	\$ (19,482)	\$ 48,607
Adjustments to reconcile net (loss) profit to net cash provided by operating activities:		
Depreciation and amortization	16,101	17,315
Realized gain on other investments—net	-	(2,465)
Unrealized gain on other investments—net	(5,508)	(4,655)
Inventory write-down	4,035	-
Impairment of property and equipment	58,518	-
Dry-hole expenses	-	4,133
Provision for doubtful accounts	1,235	-
Provision for accrued pension liabilities	1,908	(947)
Income taxes	(12,576)	23,944
Interest income	(18,831)	(19,073)
Interest expense	19,409	19,466
Dividends income	(38)	(210)
Equity in earnings of affiliates	(637)	(2,181)
Unrealized (gain) loss and foreign exchange (gain) loss on derivatives	(1,098)	113,954
Changes in operating assets and liabilities:		
Notes receivable	(24,816)	9,517
Trade and other receivables	363,123	67,472
Merchandise inventories and precious metal inventory	43,545	32,651
Advance payments to suppliers	106,393	148,705
Other financial and current assets	(35,190)	40,043
Noncurrent receivables and other assets	17,892	10,446
Commodity financing arrangement	48,573	(1,680)
Trade and other payables and accrued expenses	(45,005)	(174,506)
Advances from customers	(117,865)	(93,416)
Other financial and current liabilities	(79,258)	(988)
Other noncurrent liabilities	(1,621)	(6,432)
	<u>318,807</u>	<u>229,700</u>
Cash generated from operating activities:		
Interest received	16,515	17,291
Interest paid	(18,738)	(21,379)
Income tax paid	(5,887)	(4,112)
Dividends received	490	1,262
	<u>311,187</u>	<u>222,762</u>

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MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES
(A Wholly Owned Subsidiary of Mitsubishi Corporation (Americas))

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015
(In thousands US dollars)

	2016	2015
INVESTING ACTIVITIES:		
Proceeds from sales of other investments	\$ 7,958	\$ 8,469
Purchases of other investments	(240)	(564)
Proceeds from sales of property and equipment	2	8
Purchases of property and equipment	(47,929)	(26,968)
Purchases of intangible assets	(810)	(464)
Proceeds from sales of affiliated companies	1	11,357
Proceeds from dissolution of subsidiaries—net of cash transferred	-	1,546
Collection of loans receivable from affiliated companies	600,622	649,244
Increase in loans receivable to affiliated companies	(687,070)	(877,614)
Purchase of certificate of deposit	-	(120,000)
Proceeds on redemption of certificate of deposit	<u>100,000</u>	<u>100,000</u>
Net cash used in investing activities	<u>(27,466)</u>	<u>(254,986)</u>
FINANCING ACTIVITIES:		
Proceeds from issuance of current borrowings	858,411	942,984
Repayment of current borrowings	(1,385,022)	(1,167,222)
Proceeds from issuance of noncurrent borrowings	210,000	252,000
Repayment of noncurrent borrowings	<u>(260,000)</u>	<u>(170,000)</u>
Net cash used in financing activities	<u>(576,611)</u>	<u>(142,238)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(292,890)	(174,462)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>454,069</u>	<u>628,531</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 161,179</u>	<u>\$ 454,069</u>
NON-CASH ITEMS IN INVESTING AND FINANCING ACTIVITIES:		
Capital expenditures included in trade and other payables and accrued expenses	<u>\$ 5,084</u>	<u>\$ -</u>
Additions and changes in estimates to decommissioning provision	<u>\$ (651)</u>	<u>\$ 1,983</u>
Increase in loans receivable from the Parent in exchange for investments transferred to the Parent	<u>\$ -</u>	<u>\$ 12,808</u>
Reduction of loans receivable from the Parent in lieu of dividends payment to the Parent	<u>\$ (48,607)</u>	<u>\$ (62,491)</u>
Settlement of loans receivable from the Parent and affiliated company in exchange for current borrowings	<u>\$ (10,000)</u>	<u>\$ (17,000)</u>
Refinancing noncurrent borrowings from current	<u>\$ 100,000</u>	<u>\$ -</u>

See notes to the consolidated financial statements.

(Concluded)

MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES

(A Wholly Owned Subsidiary of Mitsubishi Corporation (Americas))

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

(In thousand US dollars, except as noted)

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Mitsubishi International Corporation and subsidiaries (collectively, the “Company” or MIC) is incorporated in the United States. It is a wholly owned subsidiary of Mitsubishi Corporation (Americas) (MCA), which in turn is a wholly owned subsidiary of Mitsubishi Corporation (MC), Tokyo, Japan (collectively, the “Parent”). The Parent is the ultimate controlling party. The address of its registered office and principal place of business are 655 Third Avenue, New York.

The Company is engaged in various business activities, such as trading activities, financing for customers and suppliers relating to such trading activities, and organizing and coordinating industrial projects through its business networks. The Company’s operations are principally in the following areas: industrial finance, logistics and development, energy, metals, machinery, chemicals, and living essentials, each having a diverse customer base.

The Company manages its capital to ensure that the Company will be able to continue as going concerns while maximizing the return to the Parent through dividends. The Company’s overall strategy remains unchanged over the reported years. The capital structure of the Company consists of net debt (borrowings as detailed in notes 9 offset by cash and bank balances) and equity of the Company (comprising issued capital and retained earnings).

On April 1, 2012, MC established MCA as a wholly owned subsidiary, and transferred MIC’s stock held by MC to MCA. MCA has been established to strengthen regional coordination and to consolidate management of group companies in North America.

On April 1, 2014, the Company completed liquidation of Red Diamond Capital Partners, LP (“RDC LP”), a subsidiary. The Company did not present the liquidation as discontinued operations as RDC LP was not material to the Company’s consolidated statement of profit and loss.

On December 31, 2014, the Company sold its equity interest in CIMA Energy, Ltd, an equity method investment, to MC Global Gas Corporation, a wholly owned subsidiary of MCA in cash. The carrying value as of December 31, 2014, and the cash received was \$11,357 and no gains or losses were recorded for this transaction. For the period from April 1, 2014, to December 31, 2014, \$1,740 has been included in income from investments accounted for using the equity method related to CIMA Energy, Ltd.

On November 25, 2015, the Company completed liquidation of Diamond Energy, LLC (“DELLC”), a wholly owned subsidiary. The Company did not present the liquidation as discontinued operations as DELLC was not material to the Company’s consolidated statement of profit and loss.

2. BASIS OF PREPARATION

- 2.1 Compliance with International Financial Reporting Standards**—These consolidated financial statements have been prepared on an accrual basis in accordance with the International Financial Reporting Standards, International Accounting Standards, and IFRIC Interpretations (collectively IFRS) as issued by the International Accounting Standards Board (IASB).
- 2.2 Basis of Measurement**—The consolidated financial statements have been prepared on the historical cost basis except for certain assets and liabilities that are measured at their fair values at the end of each reporting period, as stated in Note 3, “Significant accounting policies.”
- 2.3 Significant Accounting Judgments, Estimates, and Assumptions**—In preparing the consolidated financial statements, management is required to make judgments, estimates, and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods that are affected.

Significant judgment and estimates are required in the determination of the allowances against trade receivables (Note 3.5), deferred tax assets (Note 3.16), assumptions used in the calculation of pension and other long-term employee benefit accruals (Note 3.12), legal and other accruals for contingent liabilities (Note 3.13), the determination of the carrying value of long-lived assets (Note 3.11), and fair value measurement of financial instruments and inventories (Note 3.17).

- 2.4 Functional Currency and Presentation Currency**—Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Company operates (“the functional currency”). The consolidated financial statements are presented in thousands of US dollars unless otherwise stated, which is the Company’s presentational currency.

3. SIGNIFICANT ACCOUNTING POLICIES

- 3.1 Basis of Consolidation**—The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect the amount of return.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control listed above. Changes in ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Company’s interest and non-controlling interest is adjusted to reflect changes in their relative interest in the subsidiaries. Any difference between the amount of non-controlling interest and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Company. If control over a subsidiary is lost, the

difference between (a) the sum of the fair value of consideration received and the fair value of remaining interest and (b) assets, liabilities and the previous carrying amount of non-controlling interest of the subsidiary, is recognized in net profit. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, *Financial Instruments*.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All intercompany accounts and transactions have been eliminated. Consolidation of an entity is assessed pursuant to the IFRS 10, *Consolidated Financial Statements*.

3.2 Affiliated Companies—The equity method of accounting is used for investments in affiliated companies. An affiliated company is an entity which is not controlled by the Company but for which the Company is able to exert significant influence over the decisions on financial and operating or business policies. If the Company has 20% but no more than 50% of the voting rights of another entity, the Company is presumed to have significant influence over the entity. However, one of the entities in which the Company holds less than 20% has been accounted for on the equity method due to significant influence achieved by combined interests held by MC or other affiliates. The Company applies equity method of accounting for the investment in Mitsubishi do Brasil S.A. which the Company holds 12.57% interest.

Under the equity method, the investment in an affiliated company is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the net assets of an affiliated company after the date of acquisition. The Company's share of the net income (loss) of an affiliated company is recognized in the Company's net profit. The Company's share of the other comprehensive income or loss of the affiliated company is recognized in the Company's other comprehensive income (loss). When the Company's share of losses of an affiliated company equals or exceeds its interest in the affiliated company, the Company discontinues recognizing its share of further losses. After the Company's interest, including any long-term interests that, in substance, form part of the Company's net investment in the affiliated company is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the affiliated company. All significant intercompany profits have been eliminated in proportion to interests in affiliated companies.

An affiliated company is accounted for using the equity method from the date they become an affiliated company. On initial recognition, the amount of investment in excess of interests with respect to the net fair value of assets, liabilities, and contingent liabilities of affiliated companies is recognized as the amount corresponding to goodwill, and is included in the carrying amount of investments.

In cases where equity method investments are disposed of and significant influence is lost, remaining investments are measured at fair value at the disposal date, and are accounted for as financial assets in accordance with IFRS 9, *Financial Instruments*. The difference between the previous carrying amount and fair value of the remaining investments is recognized in "Gain on Investments" in the consolidated statements of profit and loss. The amount previously recognized as other comprehensive income by affiliated companies is accounted for by determining whether or not they should be reclassified into net profit as if related assets or liabilities had been directly disposed of.

The following table presents aggregate information of the affiliated companies for the year ended March 31, 2016, and 2015.

	2016	2015
The Company's share of profit from continuing operations	\$ 637	\$ 2,181
The Company's share of other comprehensive loss	<u>(4,220)</u>	<u>(1,486)</u>
The Company's share of total comprehensive (loss) income	<u>\$ (3,583)</u>	<u>\$ 695</u>

3.3 Reporting Date—Most of the Company's subsidiaries and affiliated companies maintain their fiscal year end at March 31, while one subsidiary maintains its fiscal year end at December 31. It is impracticable to unify the fiscal year end for this subsidiary, and it is also impracticable for this entity to provide the provisional settlement of accounts at the end of the reporting period of MIC due to characteristics of the business, operations or other practical factors. Adjustments will be made to the consolidated financial statements of the Company for the effects of transactions or events that occurred between the end of the reporting period of this subsidiary and that of the consolidated financial statements if those transactions or events are deemed significant.

3.4 Foreign Currency Translation—Items in the consolidated financial statements denominated in foreign currencies are recorded at the exchange rate in effect at the transaction date, and monetary items are retranslated at the exchange rate as at the fiscal year end. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Gains or losses from foreign currency transactions, such as those resulting from the settlement of foreign receivables or payables during the period, are recognized in "Sundry income—net" in the consolidated statements of profit and loss in such period. The difference arising from the retranslation of monetary items is generally recognized in "Sundry income—net" in the consolidated statements of profit and loss.

Net assets of foreign affiliated companies have been translated at current exchange rates at the statement of financial position date. Cumulative translation adjustments are included as a component of accumulated other comprehensive (loss) income in the consolidated statements of changes in equity. In the event of partial disposal of foreign affiliated companies, the amount proportionate to the disposal of the cumulative amount of exchange difference is reclassified into net profit and loss.

3.5 Financial Instruments

The Company applies IFRS 9, *Financial Instruments* (revised in November 2013), to the accounting treatment of financial instruments.

i) Nonderivative Financial Assets—The Company recognizes trade and other receivables on the date they arise. The Company recognizes all other financial assets at the transaction date on which the Company became a party to the contract concerning such financial instruments.

The Company recognizes financial assets at its fair value. Financial assets not recorded at fair value through profit or loss, also includes transaction costs that are directly attributable to the acquisition of the financial assets. After initial recognition, financial assets are measured either at amortized cost or at fair value.

ii) *Financial Assets Measured at Amortized Cost*—Financial assets are measured at amortized cost using the effective interest method if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The effective interest rate is the rate that discounts estimated future cash receipts (including all fees paid or received, transaction costs, and other premium/discounts) through the expected life of financial asset, or where appropriate, a shorter period to the net carrying amount on initial recognition.

iii) *Impairment of Financial Assets Measured at Amortized Cost*—The Company assesses evidence of impairment of financial assets measured at amortized cost individually. For assets, the contractual cash flows of which are unlikely to be recovered in full, impairment is assessed on an individual basis. Investment rating, contractual nature of the investments, underlying collateral, rights to and advantages of the investment's cash flows, and the condition of the issuers are assessed comprehensively when recognizing and measuring the impairment. When impairment is recognized, the carrying amount of the financial asset shall be reduced either directly or through the use of an allowance account.

To assess the adequacy of the allowance for financing receivables, the Company performs a quarterly analysis of the financing receivables using credit quality indicators: performing financial receivables and nonperforming financial receivables. Receivables that meet one of the following conditions are classified as nonperforming financial receivables: counterparties who have filed a petition for liquidation, adjustments, rehabilitation or reorganization under bankruptcy codes; counterparties whose debts have not been collected for more than one year since the original due date; and counterparties experiencing suspension or discontinuance of business, as well as those whose ability to fulfill their obligations is doubtful based on the Company's internal review of their financial conditions.

Trade and other receivables are reported net of an allowance for doubtful accounts. In determining such an allowance, management considers historical losses and existing economic conditions, as well as the credit quality of each debtor.

iv) *Financial Assets Measured at Fair Value*—Financial assets other than those measured at amortized cost are measured at fair value, and changes in their fair value are recognized as profit or loss ("FVTPL"). However, the Company elects to designate some equity instruments as changes in their fair value are recognized as other comprehensive income ("FVTOCI") if the investments are not held for trading. A financial asset is classified as held for trading if:

- (a) It has been acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- (b) On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or

- (c) It is a derivative (except for derivatives that are financial guarantee contracts or designated and effective hedging instruments).

Changes in the fair value of financial assets measured at FVTOCI are directly transferred from other comprehensive income to retained earnings in the event of derecognition of such assets, and are not recognized in net profit or loss. Dividend income from financial assets measured at FVTOCI is recognized in “Sundry income—net” in the consolidated statements of profit and loss at the time when the right to receive payment of the dividend is established.

- v) *Derecognition of Financial Assets*—The Company derecognizes financial assets when the contractual rights to the cash flows from the financial assets expire, or when the financial assets and substantially all the risks and rewards of ownership are transferred.
- vi) *Cash and Cash Equivalents*—Cash and cash equivalents are short-term (original maturities of three months or less), highly liquid investments, including certificate of deposit that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- vii) *Nonderivative Financial Liabilities*—The Company initially recognizes debt securities issued by the Company on the issue date. All other financial liabilities are recognized on the transaction date on which the Company becomes a party to the contract concerning the financial instruments.

The Company derecognizes financial liabilities when the obligation specified in the contract is discharged or cancelled or expires.

Financial liabilities are initially recognized at fair value, net of direct transaction costs. After initial recognition, financial liabilities are measured at amortized cost using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments (including all fees paid, transaction costs, and other premium/discounts) through the expected life of the financial liability, or a shorter period (where appropriate) to the net carrying amount on initial recognition.

- viii) *Equity—Comprehensive (Loss) Income*—In accordance with IASB International Accounting Standards (IAS) 1, *Presentation of Financial Statements*, the Company has included amounts for comprehensive (loss) income (which consists of net profit or loss and other comprehensive income or loss) in the consolidated statements of changes in equity and the consolidated statements of comprehensive (loss) income. Other comprehensive (loss) income consists of all changes to stockholder’s equity other than those resulting from net profit or loss and shareholder transactions. For the Company, other comprehensive (loss) income consists of exchange differences on translating foreign affiliates, defined benefit plans, and unrealized losses on investments designated as FVTOCI, on a net of tax basis, where applicable. Accumulated other comprehensive (loss) income, which is primarily the cumulative amount of other comprehensive (loss) income, is a separate component of total stockholder’s equity.
- ix) *Derivatives Instruments*—The Company uses derivative instruments to manage exposures to foreign currency and interest rate risks. Interest rate swaps are utilized to hedge interest rate exposures. Cross-currency interest rate swaps are utilized to hedge both currency and interest rate exposure related to loans made in foreign currencies.

In addition, the Company has foreign exchange forward contracts that have been entered into principally to manage exposure to transaction and translation risk associated with certain assets, obligations and commitments denominated in foreign currencies. Such contracts have not been designated as fair value hedges for accounting purposes and are marked to market with changes in fair value recognized in “Sundry income—net” in the consolidated statements of profit and loss.

In the normal course of business, the Company enters into commodity forward and futures contracts to reduce its exposures to price fluctuations on certain of its long-term commitments and inventory positions in such commodities (principally aluminum, coffee and cocoa, each of which is traded on a terminal market). Such contracts have not been designated as fair value hedges for accounting purposes and are marked to market with changes in fair value recognized in “Cost of revenues from operating activities” in the consolidated statements of profit and loss.

- x) *Offsetting of Financial Assets and Liabilities*—If the Company currently has a legally enforceable right to set off the recognized amount of financial assets against the recognized amount of financial liabilities and has the intention either to settle on a net basis or to realize assets and settle liabilities simultaneously, the Company offsets financial assets against financial liabilities and presents the net amount in the consolidated statements of financial position.

3.6 Inventories—In accordance with IAS 2.3, *Inventories*, the Company applies “broker-trader” principles for certain of its merchandise, such as precious metals and aluminum, and leased inventories, which have been measured at fair value, less cost to sell. The rest of the inventories are recognized at the lower of cost or net realizable value on the moving average method. Net realizable value is presented in the amount of estimated selling price of inventories in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The Company presents in the consolidated statements of financial position assets and liabilities related to its leased precious metal positions. The balances are recorded in “Leased inventories”, “Trade and other payables and accrued expenses: Parent and affiliated companies”, and “Lease liabilities and other”.

Commodity financing arrangements are recognized in the consolidated statements of financial position as assets and liabilities. The balances are recorded in “Merchandise inventories “and “Commodity financing arrangement”.

3.7 Property and Equipment

Recognition and Measurement—Property and equipment are recorded at cost, net of accumulated depreciation.

Cost includes the expenses directly attributable to the acquisition of the assets, the costs of dismantling and removing the items and restoring the site on which they are located. If the useful life of property and equipment varies from component to component, each component is recognized as a separate item of property and equipment.

Depreciation—Depreciation is calculated based on the depreciable amount. The depreciable amount is calculated by deducting the residual value from the cost of the asset or the amount equivalent to the cost. Depreciation is determined principally on a straight-line basis over the estimated useful lives of the property, other than for oil and gas properties. Leasehold improvements are amortized on the straight-line basis over the estimated useful life of the property or the life of the lease, whichever is shorter. Proved oil and gas properties are depreciated over a 10 to 20-year period using the unit of production method based on the proved reserves.

The useful lives used in computing depreciation are based on the Company’s estimate of the service life of the classes of property are as follows:

	Years
Leasehold improvements	2–17
Building, structures, and rail car	10–35
Machinery and equipment	5
Furniture, fixtures, and vehicles	3–7

The above depreciation method was adopted as it most closely reflects the pattern in which the asset’s future economic benefits are expected to be consumed. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Maintenance and repair costs are expensed as incurred.

Derecognition—The carrying amount of an item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property and equipment is included in “Sundry income—net” in the consolidated statements of profit and loss when the item is derecognized.

3.8 Intangible Assets

The Company capitalizes purchased software. The useful life used in computing amortization is based on the Company’s estimate of the service life of the classes of intangible assets as follows:

	Years
Capitalized software costs	5

3.9 Leases—Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Leases other than finance leases are classified as operating leases.

Company as a Lessor—Amounts due from lessees under finance leases are recognized as “Trade and other receivables—Other” and “Other receivable” at the amount of net investment in the leases, and unearned income is allocated over the lease term at a constant periodic rate of return on the net investments and recognized in the fiscal year to which is attributed.

Company as a Lessee—Operating lease payments are recognized as an expense by the straight-line basis over the lease term.

Sub lease income is recognized over the term of underlying leases on a straight-line basis.

3.10 Oil and Gas Exploration, Evaluation and Development Expenditures—Oil and gas exploration and evaluation expenditures are accounted for using the successful efforts method of accounting. Costs are accumulated on a field-by-field basis. Geological and geophysical costs are expensed as incurred. Costs directly associated with an exploration drilling and with acquisition rights to conduct geological exploration, prospecting, surveying and production of hydrocarbons are capitalized until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs (dry-hole expense) are recognized in “Cost of revenues from operating activities” in the consolidated statements of profit and loss at the point at which this determination is made. Capitalization of exploration and evaluation expenditures is made within oil and gas properties. Depreciation, depletion and amortization is not recognized during the exploration and evaluation process as the assets are not yet in use. If no future activity is planned, the carrying value of the acquisition costs are expensed.

All exploration and evaluation expenditures are subject to technical, commercial and management review, and are reviewed for indicators of impairment.

Once commercial reserves are found, and development is sanctioned by management, exploration and evaluation assets are tested for impairment and transferred to development assets. Expenditures for construction, installation or completion of infrastructure facilities such as pipelines and the drilling of commercially proven development wells, is capitalized within proved oil and gas properties. When development is completed on a specific field, it is transferred to production assets. Extraction assets are segregated with exploration and evaluation tangible assets, and development expenditures associated with the production of proved reserves.

The following table presents the amounts of expenses and cash flows arising from oil and gas exploration and evaluation for the years ended March 31, 2016, and 2015:

	2016	2015
Expenses arising from oil and gas exploration and evaluation	\$ (36)	\$ (4,226)
Net cash used in operating activities arising from oil and gas exploration and evaluation	(36)	(93)
Net cash used in investing activities arising from oil and gas exploration and evaluation	(1,272)	(5,842)

3.11 Impairment of Nonfinancial Assets—If there are any events or changes in circumstances indicating that the carrying amount of the Company’s nonfinancial assets, excluding inventories and deferred tax assets may not be recoverable, the recoverable amount of such assets are estimated by assuming that there are indications of impairment.

Assessment for impairment is performed with respect to each asset, cash-generating unit, or group of cash-generating units at the end of each reporting period. If the carrying amount of the asset, cash-generating unit, or group of cash-generating units exceeds its recoverable amount, an impairment loss is recognized in net profit or loss.

The recoverable amount of the asset, cash-generating unit, or group of cash-generating units is the higher of the value in use or the fair value, less costs to sell. Value in use is calculated by discounting the estimated future cash flows to the present value using the pretax discount rate reflecting the risks specific to the asset or the cash-generating unit. In cases where cash flows are generated by multiple assets, the smallest unit that generates cash flows more or less independently from cash flows of other assets or group of assets is referred to as a cash-generating unit.

An impairment recognized in the past is reversed if there are indications of reversal of impairment and changes in the estimates used to determine the asset's recoverable amount. Reversal of impairment loss is recognized up to the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

3.12 Postemployment Benefits

Defined Benefit Plans—Obligations related to defined benefit plans are recognized in the amount of benefit obligations under such plans, net of the fair value of pension assets, in the consolidated statements of financial position. Benefit obligations are calculated at the discounted present value of the amount of estimated future benefits corresponding to the consideration for services already provided by employees with respect to each plan. The Company remeasures benefit obligations using information provided by qualified actuaries in each period.

Increase/decrease in benefit obligations for employees' past services due to the revision of the pension plan is recognized in "Selling, general, and administrative expense" in the consolidated statements of profit and loss.

The Company recognizes the increase/decrease in obligations due to the remeasurement of benefit obligations and pension assets of defined benefit plans in other comprehensive (loss) income and is accumulated in "Other components of equity" and immediately reclassifies them to "Retained earnings."

Defined Contribution Plans—Defined contribution plans are postemployment benefit plans in which the employer makes a certain amount of contributions to fund postemployment benefits and does not bear more obligations than the amount contributed. The obligations to make contributions under defined contribution plans are recognized in "Selling, general, and administrative expense" in the consolidated statements of profit and loss in the period during which services are provided by employees.

3.13 Provisions—Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligations, and is discounted when the time value of money is material.

Provisions for Decommissioning Costs—The Company records the fair value of a liability for decommissioning obligation in the period in which it is incurred when the fair value is reasonably estimable. When a liability is initially recorded, the Company capitalizes the related costs by increasing the carrying amount of the long-lived asset. Over time, the liability is accreted to its present value, which is the discounted expected cash flow associated with the obligation, each period and the capitalized cost is depreciated over the useful life of the related assets. At least annually, the Company reassesses the obligation to determine whether a change in the estimated obligation is necessary.

3.14 Current assets and liabilities not expected to be realized or settled within twelve months—

Assets and liabilities are classified as current even when they are not expected to be realized or settled within twelve months after the reporting period, as long as they are expected to be realized or settled in the normal operating cycle of the Company's business.

Advance payments to suppliers and advances from customers primary are attributable to long-term contracts in progress engaged by the Company's machinery business for which the related operating cycles are longer than one year. The Company also engages in long-term precious metal lease contracts to generate profit from fluctuation in prices, earn margins from physical transaction, and / or earn lease fee from leasing opportunities.

The balances of the assets and liabilities expected to be realized or settled more than twelve months after March 31, 2016 and 2015 are as follows:

	March 31,	
	2016	2015
Current assets comprised of:		
Trade and other receivables—Other	\$ 718	\$ 1,375
Leased inventories	88,465	115,902
Advance payments to suppliers	89,564	88,930
Current liabilities comprised of:		
Trade and other payables and accrued expenses:		
Parent and affiliated companies	\$ 60,820	\$ 52,712
Advances from customers	28,744	36,218

3.15 Revenues

Revenues are measured at the fair value of consideration received or receivable.

Revenues from Operating Activities—Revenues from operating activities include revenues related to various trading transactions in which the Company acts as a principal, carries commodity inventory, and makes a profit or loss on the spread between bid and asked prices for commodities. These revenues include sales of non-ferrous metals, oil and gas, chemicals, food products and general consumer merchandise.

Margins and Commissions on Operating Transactions—Margins and commissions on operating transactions include revenues from various trading transactions in which the Company acts as a principal or an agent. Through its trading activities, the Company facilitates its customers' purchases and sales of commodities and other products and charges a commission for this service. The Company also facilitates conclusion of the contracts between manufacturers and customers and deliveries of the products between suppliers and customers. Revenues from such transactions are recognized when the contracted services are rendered to third-party customers pursuant to the agreements.

Revenues from the sale of goods, including products and commodities are recognized when all the following conditions are satisfied:

- Significant risks and rewards of ownership of the goods have been transferred to the buyer;
- Neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold is retained;
- The amount of revenue can be measured reliably;

- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

If there are any trade discounts and volume rebates, with respect to revenues from the sale of products and commodities, they are deducted from revenues.

Revenues from the rendering of services are recognized when all of the following conditions are met, by reference to the stage of completion of the transaction at the end of the fiscal year:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company;
- The stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

(i) *Various Streams of Revenue*

- (a) *Sale of Products and Commodities*—The Company acts as a principal in various trading transactions where the Company carries commodity inventory and generates a profit or loss on the spread between the bids and ask prices for commodities.
- (b) *Rendering of Services*—The Company performs other service related activities. Service-related activities include performance of various services such as financial and logistics services, information and communications, and technical support.

(ii) *Transactions Performed as an Agent*—The Company acts as an agent and records revenues earned from margins and commissions related to various trading transactions in which it acts as an agent. Through these trading activities, the Company facilitates its customers' purchases and sales of commodities and other products, and earns a commission for this service. The trading margins and commissions are recognized when all other revenue recognition criteria have been met.

(iii) *Gross and Net Presentation of Revenues*—The Company presents revenues on a gross basis in the consolidated statements of profit and loss for transactions traded in which the Company is the primary obligor in the sale of products and commodities with general inventory risk before customer orders and in services as principal.

For the sale of goods and the rendering of services traded in which the Company acts as an agent, the revenues are presented in the consolidated statements of profit and loss on a net basis.

3.16 Income Taxes—Income tax expenses consist of current and deferred taxes. They are recognized in net profit or loss, excluding items recognized directly in other comprehensive (loss) income.

Deferred taxes are recognized for temporary differences between the consolidated financial statement and income tax bases of assets and liabilities.

For taxable temporary differences concerning subsidiaries and affiliated companies deferred tax liabilities are recognized. However, deferred tax liabilities are not recognized in cases where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences concerning subsidiaries and affiliated companies are recognized only to the extent that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized only with respect to unused tax losses, unused tax credits, and deductible temporary differences where it is probable to reduce future taxable income. The recoverability of deferred tax assets is reviewed at the end of each period and the Company reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

3.17 Fair Value Measurements—Certain assets and liabilities are required to be recognized at fair value. The estimated fair values of those assets and liabilities have been determined using market information, such as quoted market price and valuation methodologies, such as market approach, income approach, and cost approach. There are three levels of inputs that may be used to measure fair value.

- (i) *Level 1*—Quoted prices (unadjusted) in active markets in which transactions take place with sufficient frequency and volume on an ongoing basis for identical assets or liabilities that the Company can access at the measurement date.
- (ii) *Level 2*—Quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- (iii) *Level 3*—Unobservable inputs for the assets or liabilities which reflect the assumptions that market participants would use when pricing the assets or liabilities. The Company develops unobservable inputs using the best information available in the circumstances, which might include the Company's own data.

4. NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

The Company is currently assessing the possible impacts of the application of the following new and revised IFRSs that have been issued, but are not yet effective:

Standards and Interpretations	Title	Date of Mandatory Application (Fiscal Year of Commencement Thereafter)	Effective for Annual Periods Beginning on or After
IFRS 9 (Revised in July 2014)	<i>Financial Instruments</i>	January 1, 2018	March 31, 2018
IFRS 15	<i>Revenue from Contracts with Customers</i>	January 1, 2018	March 31, 2018
IFRS 16	<i>Leases</i>	January 1, 2019	March 31, 2019
IAS 7	<i>Statement of Cash Flows—Amendments as result of the Disclosure initiative</i>	January 1, 2017	March 31, 2017

IFRS 9, *Financial Instruments* (revised in July 2014)

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, to replace IAS 39, *Financial Instruments: Recognition and Measurement*. This version adds a new expected loss impairment model and limited amendments to classification and measurement for financial assets. IFRS 9 revised in July 2014 is effective for periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is currently assessing the potential impacts, if any, the adoption of this guidance may have on the consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18, *Revenue*, IAS 11, *Construction Contracts* and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Furthermore, extensive disclosures are required by IFRS 15. Originally, the effective date of IFRS 15 was for periods beginning on or after January 1, 2017, but it is subsequently deferred to January 1, 2018. Early adoption is permitted. The Company is currently assessing the potential impacts, if any, the adoption of this guidance may have on the consolidated financial statements.

IFRS 16, *Leases*

In January 2016, the IASB issued IFRS 16 which specifies how an entity should recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17, *Leases*. IFRS 16 is effective for periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 has also been applied. The Company is currently assessing the potential impacts, if any, the adoption of this guidance may have on the consolidated financial statements.

IAS 7, Statement of Cash Flows—Amendments as result of the Disclosure initiative

In January 2016, the IASB amended IAS 7 to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. The amendment is effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The Company is currently assessing the potential impacts, if any, the adoption of this guidance may have on the consolidated financial statements.

5. INVENTORIES

The breakdown of Merchandise inventories as of March 31, 2016 and 2015 was as follows:

	2016	2015
Measured at fair value, less cost to sell	\$ 521,321	\$ 643,856
Measured at lower of cost or net realizable value	<u>80,997</u>	<u>78,817</u>
	<u>\$ 602,318</u>	<u>\$ 722,673</u>

The amount of inventories recognized as “Cost of revenues from operating activities” for the years ended March 31, 2016 and 2015, was \$1,471,366 and \$1,541,918, respectively.

The amount of write-down of inventories recognized as expenses for the years ended March 31, 2016 and 2015, was \$4,035 and \$307, respectively.

The breakdown of Leased inventories as of March 31, 2016 and 2015 was as follows:

	2016	2015
Measured at fair value	\$ 1,391,454	\$ 1,334,973
Measured at lower of cost or net realizable value	<u>10,761</u>	<u>13,450</u>
	<u>\$ 1,402,215</u>	<u>\$ 1,348,423</u>

Assets arising from commodity financing arrangements recorded in “Merchandise inventories” are \$246,796 and \$177,528 as of March 31, 2016 and 2015, respectively.

6. PROPERTY AND EQUIPMENT

The following is a breakdown of gross carrying amount, accumulated depreciation and accumulated impairment losses, and carrying amounts of property and equipment as of each consolidated statement of financial position.

Cost	Leasehold Improvements	Building Structures and Railcar	Machinery and Equipment	Furniture Fixtures and Vehicles	Exploration and Evaluation Assets	Proved Oil and Gas Properties	Total
Balances—April 1, 2014	\$ 8,711	\$ 6,046	\$ 1,919	\$ 7,253	\$153,054	\$ 371,782	\$ 548,765
Acquisition	425	-	24	562	5,842	22,465	29,318
Retirement	(14)	-	(49)	(744)	-	-	(807)
Dry-hole expense	-	-	-	-	(4,133)	-	(4,133)
Change in decommissioning provisions	-	-	-	-	-	576	576
Balances—March 31, 2015	9,122	6,046	1,894	7,071	154,763	394,823	573,719
Acquisition	3,345	-	80	276	1,272	47,193	52,166
Sales	-	-	-	(4)	-	-	(4)
Retirement	(38)	-	-	(152)	-	-	(190)
Change in decommissioning provisions	-	-	-	-	-	(1,583)	(1,583)
Transfer	-	-	-	-	(2,987)	2,987	-
Balances—March 31, 2016	<u>\$12,429</u>	<u>\$ 6,046</u>	<u>\$ 1,974</u>	<u>\$ 7,191</u>	<u>\$153,048</u>	<u>\$ 443,420</u>	<u>\$ 624,108</u>
Accumulated Depreciation	Leasehold Improvements	Building Structures and Railcar	Machinery and Equipment	Furniture Fixtures and Vehicles	Exploration and Evaluation Assets	Proved Oil and Gas Properties	Total
Balances—April 1, 2014	\$ (3,846)	\$(1,215)	\$(1,584)	\$(5,811)	\$ -	\$(135,598)	\$(148,054)
Depreciation expense	(801)	(249)	(81)	(723)	-	(14,389)	(16,243)
Retirement	14	-	49	707	-	-	770
Balances—March 31, 2015	(4,633)	(1,464)	(1,616)	(5,827)	-	(149,987)	(163,527)
Depreciation expense	(1,094)	(249)	(82)	(579)	-	(12,894)	(14,898)
Sales	-	-	-	2	-	-	2
Retirement	38	-	-	150	-	-	188
Impairment	-	-	-	-	-	(58,518)	(58,518)
Balances—March 31, 2016	<u>\$ (5,689)</u>	<u>\$(1,713)</u>	<u>\$(1,698)</u>	<u>\$(6,254)</u>	<u>\$ -</u>	<u>\$(221,399)</u>	<u>\$(236,753)</u>
Net book value:							
As of March 31, 2015	<u>\$ 4,489</u>	<u>\$ 4,582</u>	<u>\$ 278</u>	<u>\$ 1,244</u>	<u>\$154,763</u>	<u>\$ 244,836</u>	<u>\$ 410,192</u>
As of March 31, 2016	<u>\$ 6,740</u>	<u>\$ 4,333</u>	<u>\$ 276</u>	<u>\$ 937</u>	<u>\$153,048</u>	<u>\$ 222,021</u>	<u>\$ 387,355</u>

At the end of each reporting period, the Company carries out a review of the recoverable amounts of all oil and gas properties. The key assumptions to which the calculation of the value-in-use is most sensitive includes the discount rate, oil and gas prices and differentials, estimates of oil and gas reserves including risk adjustment factors, and the production profiles. The pre-tax discount rate used in measuring value-in-use was 10% per annum.

For the year ended March 31, 2016, the Company recognized impairments of \$58,518 related to oil and gas properties in the Gulf of Mexico that was impaired primarily due to lower forecasted oil and natural-gas prices. For the year ended March 31, 2015, an impairment was not assessed and recorded.

7. INTANGIBLE ASSETS

The following is a breakdown of gross carrying amount, accumulated amortization, and carrying amount of intangible assets as of each consolidated statement of financial position.

Cost	Capitalized Software Costs
Balances—April 1, 2014	\$ 13,836
Acquisition	464
Retirement	<u>(8)</u>
Balances—March 31, 2015	14,292
Acquisition	<u>810</u>
Balances—March 31, 2016	<u>\$ 15,102</u>
Accumulated Amortization	Capitalized Software Cost
Balances—April 1, 2014	\$ (10,191)
Amortization expense	(1,072)
Retirement	<u>8</u>
Balances—March 31, 2015	(11,255)
Amortization expense	<u>(1,203)</u>
Balances—March 31, 2016	<u>\$ (12,458)</u>
Net book value:	
As of March 31, 2015	<u>\$ 3,037</u>
As of March 31, 2016	<u>\$ 2,644</u>

8. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

In the normal course of business, the Company is exposed to market risk from changes in interest rates, foreign exchange rates, and commodity prices. To manage the exposure to those risks, the Company generally identifies its net exposure and takes advantage of natural offsets. Additionally, the Company enters into various derivative transactions pursuant to the Company's risk management policies in response to counterparty exposure and to hedge specific risks. The types of derivatives used by the Company are primarily interest rate swaps, cross currency interest rate swaps, and commodity forward and futures contracts.

Commodity Forward and Futures—The Company is exposed to price fluctuations of various commodities used in its trading activities. The Company enters into commodity forward and futures contracts to reduce its exposures to price fluctuations on certain of its long-term commitments and inventory positions in such commodities.

Financial Swaps—The Company’s financing, investing, and cash management activities are exposed to market risk from changes in interest rates and currency exchange rates. The Company enters into cross currency interest rate swaps in order to convert certain floating rate assets denominated in Canadian dollar to US dollar floating-rate basis. The Company designated interest rate swaps used to convert certain fixed-rate assets to floating-rate assets as fair value hedge to hedge changes in U.S. Libor interest rates, and the changes in the fair value of these swaps are included in “Sundry income—net” in the accompanying consolidated statements of profit and loss.

For all derivatives designated as fair value hedges, the Company documents the relationship between the hedging instrument and the hedged item, as well as the risk management objective and strategy for using the hedging instrument. Whenever practical, the Company designates specific exposures to qualify for hedge accounting. In these circumstances, the Company assesses, both at the inception of the hedge and on an ongoing basis, whether the hedging derivatives are highly effective in offsetting changes in fair value of the hedged items.

Impact of Hedging Activities on the Consolidated Statements of Financial Position—The following are the fair values (on a gross basis) of derivative instruments designated as hedge as of March 31, 2016 and 2015.

Derivative Designated as Fair Value Hedge	Account in the Consolidated Statements of Financial Position	March 31,	
		2016	2015
Interest rate swap	Trade and other receivables—Other	\$ 2	\$ -
	Other receivable	780	705
	Other noncurrent liabilities	1,084	280
	Change in fair value	(727)	(41)
	Notional amounts	88,563	87,792
Hedge Item	Account in the Consolidated Statements of Financial Position	March 31,	
		2016	2015
Loans receivable	Notes and loans receivable—Parent and affiliated companies	\$ 998	\$ -
	Noncurrent loans receivable from Parent and affiliated companies	87,291	86,844
	Accumulated amount of fair value hedge adjustments included in carrying amount	(274)	(948)
	Change in value	674	(71)

Impact of Hedging Activities on the Consolidated Statements of Profit and Loss—The following are the gains or losses related to hedging activities for the years ended March 31, 2016 and 2015.

Derivative Designated as Fair Value Hedge	Account in the Consolidated Statements of Profit and Loss	2016	2015
		Interest rate swap	\$ (53)

9. BORROWINGS

Borrowings (current liabilities) as of March 31, 2016 and 2015 consisted of the following:

	Interest Rate	2016	2015
Loans from Parent and affiliated companies	0.4 %	\$ 66,110	\$ 468,613
Commercial paper	0.6	<u>494,000</u>	<u>628,000</u>
Total short-term borrowings		<u>\$ 560,110</u>	<u>\$ 1,096,613</u>

The interest rates on current borrowings represent weighted-average floating rates on outstanding balances as of March 31, 2016.

As of March 31, 2016 and 2015, noncurrent borrowings bore interest at fixed and floating rates. Borrowings (noncurrent liabilities) as of March 31, 2016 and 2015 is composed of the following:

	2016	2015
Financial institutions—maturing through 2026—at fixed or floating rates, principally 0.68% to 1.35%	<u>\$ 1,592,000</u>	<u>\$ 1,642,000</u>
Total noncurrent liabilities	1,592,000	1,642,000
Less current maturities	<u>(252,000)</u>	<u>(360,000)</u>
Noncurrent borrowings, less current maturities	<u>\$ 1,340,000</u>	<u>\$ 1,282,000</u>

Noncurrent borrowings mature during the following years ending March 31 as follows:

	2016	2015
2016	\$ -	\$ 360,000
2017	252,000	252,000
2018	500,000	500,000
2019	130,000	130,000
2020	150,000	150,000
2021	350,000	200,000
Thereafter	<u>210,000</u>	<u>50,000</u>
Total noncurrent borrowings	<u>\$ 1,592,000</u>	<u>\$ 1,642,000</u>

The Company has certain financial debt covenants which have been complied with as of March 31, 2016 and 2015.

The Company and MC entered into a keepwell agreement dated January 27, 2003, which is governed by the laws of the State of New York. The following is a summary of certain terms of the Company's keepwell agreement:

- a. MC has agreed to make cash payments to the Company in amounts sufficient, together with other revenues of the Company, to cause the consolidated tangible net worth of the Company to be positive at all times.
- b. MC will maintain direct or indirect ownership of all the voting capital stock of the Company and will not pledge or grant any security interest in, or encumber, any such capital stock.
- c. MC will cause the Company to maintain sufficient liquidity to punctually meet the debt obligations issued by the Company in order to facilitate the raising of funds.

MC has indicated that due to its superior creditworthiness, it is committed, and will continue, to fulfill obligations under the keepwell agreement until at least the fiscal year ending March 31, 2017.

The Company is a party to a joint revolving credit agreement together with MC in the amount of 1 Billion US Dollars, of which 200 Million US Dollars shall be dedicated and specifically available to the Company on a same day basis. There were no amounts outstanding as of March 31, 2016 and 2015.

10. EMPLOYEE BENEFITS

The Company sponsors a defined benefit pension plan that covers substantially all of their employees. The benefit for this plan is based upon years of service, compensation at the time of severance and other factors. The plan is non-contributory and is designed to comply with the requirement of the Employee Retirement Income Security Act of 1974 ("ERISA"). The plan is administered by the Retirement Plan Committee, which is appointed by the Board of Directors of the Company and primarily responsible for making investment policy. Participation to the defined benefit pension plan has been frozen since April 1, 2014. During the fiscal year ended March 31, 2015, the Company offered a lump sum payment to certain participants of its defined benefit pension plan. As a result of the settlement, the Company recorded a settlement gain of \$2,387 during the year ended March 31, 2015. The settlement gain is recognized in "Selling, general, and administrative expense" in the consolidated statements of profit and loss. The Company also provides postretirement medical benefits for eligible retired employees. Additionally, the Company provides certain nonqualified supplemental executive defined benefit pension plans to provide supplemental retirement benefit primarily to certain high-level employees. The Company used a March 31 year-end measurement date for the plans.

The following table provides key information pertaining to the Company's defined benefit pension and other postretirement benefit plans as at March 31, 2016:

	Defined Benefit Pension Plans	Other Postretirement Benefits Plans
Change in projected benefit obligation:		
Projected benefit obligation—beginning of year	\$ 91,806	\$ 19,042
Service cost	-	115
Interest cost	3,599	743
Experience loss	689	243
Actuarial gain arising from change in demographic assumptions	(1,416)	(620)
Actuarial (gain)/loss arising from change in financial assumptions	(617)	1,097
Benefits paid	(3,519)	(780)
Other	<u>-</u>	<u>68</u>
Projected benefit obligation—end of year	<u>90,542</u>	<u>19,908</u>
Change in plan assets:		
Fair value of plan assets—beginning of year	65,493	-
Interest income	2,549	-
Net return on plan assets in excess of interest income	(3,783)	-
Contributions by employer	70	-
Benefits paid	<u>(3,519)</u>	<u>-</u>
Fair value of plan assets—end of year	<u>60,810</u>	<u>-</u>
Reconciliation of funded status—end of year—funded status	<u>\$ (29,732)</u>	<u>\$ (19,908)</u>

The following table provides key information pertaining to the Company's and its subsidiary's defined benefit pension and other postretirement benefit plans as at March 31, 2015:

	Defined Benefit Pension Plans	Other Postretirement Benefits Plans
Change in projected benefit obligation:		
Projected benefit obligation—beginning of year	\$ 89,733	\$ 16,646
Service cost	-	96
Interest cost	3,698	736
Experience loss/(gain)	662	(963)
Actuarial loss arising from change in demographic assumptions	9,596	2,209
Actuarial loss arising from change in financial assumptions	8,827	953
Benefits paid	(3,417)	(768)
Plan amendment	(2,387)	-
Settlements paid	(7,546)	-
Divestiture	(7,360)	-
Other	-	133
	<u>91,806</u>	<u>19,042</u>
Projected benefit obligation—end of year		
Change in plan assets:		
Fair value of plan assets—beginning of year	76,758	-
Interest income	3,090	-
Net return on plan assets in excess of interest income	1,844	-
Contributions by employer	1,267	-
Benefits paid	(3,417)	-
Settlements paid	(7,546)	-
Divestiture	(6,503)	-
	<u>65,493</u>	<u>-</u>
Fair value of plan assets—end of year		
Reconciliation of funded status—end of year—funded status	<u>\$ (26,313)</u>	<u>\$ (19,042)</u>

The amount of employee benefits expense included in the consolidated statements of profit and loss was \$1,908 and \$(947) for the year ended March 31, 2016 and 2015, respectively.

Amounts recognized in the consolidated statements of financial position as of March 31, 2016 and 2015 consist of the following:

	2016		2015	
	Defined Benefit Pension Plans	Other Postretirement Benefits Plans	Defined Benefit Pension Plans	Other Postretirement Benefits Plans
Lease liabilities and other	\$ (70)	\$ (979)	\$ (70)	\$ (925)
Other noncurrent liabilities	<u>(29,662)</u>	<u>(18,929)</u>	<u>(26,243)</u>	<u>(18,117)</u>
Total accrued pension liability	<u>\$ (29,732)</u>	<u>\$ (19,908)</u>	<u>\$ (26,313)</u>	<u>\$ (19,042)</u>

Investment Policy—Plan Assets—The Company’s investment policy for its defined benefit pension plans is to procure an adequate return to provide future payments of pension benefits over the long term by optimizing risk tolerance and formulating a well-diversified portfolio, including investments, such as equity instruments, debt securities, and alternative assets. Considering the funded status of the pension plans and surrounding economic environment for investments, the Company’s investment strategy may be revised as needed. Moreover, the Company continuously monitors and pays extra attention to the diversification strategies for the purpose of risk control and thereby pursues efficient risk management.

The equity securities are selected primarily from stocks that are listed on the securities exchanges. Prior to investing, the Company has investigated the business condition of the investee companies and appropriately diversified investments by type of industry and other relevant factors. The debt securities are selected primarily from government bonds, public debt instruments, and corporate bonds. Prior to investing, the Company has investigated the quality of the issue, including rating, interest rate, and repayment dates, and has appropriately diversified the investments. As for investments in life insurance company general accounts, the contracts with the insurance companies include a guaranteed interest rate and return of capital. The Company’s policy is to allocate pension plan funds within a range of percentages for each major asset category as follows:

	Percentage Range
Equity securities	50–70%
Debt securities/fixed income	30–50%

The Company may direct the transfer of assets between investment managers in order to rebalance the portfolio in accordance with the asset allocation ranges above to accomplish the investment objectives for the pension plan assets.

Fair Value of Plan Assets by Type—A breakdown of the Company’s pension plan assets as of March 31, 2016 and 2015 are as follows:

	2016	2015
Plan assets that have a quoted market price in an active market—		
Debt instruments—US bonds	<u>\$ 13,182</u>	<u>\$ 13,121</u>
Total	<u>13,182</u>	<u>13,121</u>
Plan assets that do not have a quoted market price in an active market:		
Equity instruments:		
US stocks	\$ 30,733	\$ 32,270
International stocks	6,127	6,468
Life insurance company general accounts	<u>10,768</u>	<u>13,634</u>
Total	<u>47,628</u>	<u>52,372</u>
Total plan assets	<u>\$ 60,810</u>	<u>\$ 65,493</u>

The life insurance company general accounts consist of investments such as privately placed debt securities, mortgage loans and real estate.

Equity instruments above are included in commingled funds. Bonds are estimated based on dealer quotes of similar characteristics, pricing models or discounted cash flows. Equity commingled funds and bonds commingled funds are valued using the net asset value (“NAV”). Life insurance company general accounts are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

Significant Actuarial Assumptions—The following weighted-average assumptions were used to determine benefit obligations for the defined benefit pension plans and the other postretirement benefit plans at March 31, 2016 and 2015:

	2016		2015	
	Defined Benefit Pension Plans	Other Postretirement Benefits Plans	Defined Benefit Pension Plans	Other Postretirement Benefits Plans
Discount rate	3.90%–4.05%	4.00 %	3.85%–4.00%	4.00 %
Initial health care cost trend rate		4.75%–7.65%		5.50%–7.50%
Ultimate health care cost trend rate		4.75 %		4.50 %
Year in which ultimate rate is reached		2016–2023		2022

Analysis of Sensitivity to Significant Actuarial Assumptions—The discount rate was determined by projecting the plan’s expected future benefit payments as defined for the defined benefit obligation, discounting those expected payments using a theoretical zero-coupon spot yield curve derived from a universe of high-quality bonds as of the measurement date, and solving for the single equivalent discount rate that resulted in the same defined benefit obligation. An one-percentage-point change in the discount rate would have the following effects:

	2016		2015	
	One-Percentage Point Increase	One-Percentage Point Decrease	One-Percentage Point Increase	One-Percentage Point Decrease
Effect on defined benefit obligation	\$11,000 decrease	\$13,000 increase	\$12,000 decrease	\$14,000 increase

This analysis assumes that all other variables remain fixed, however, in fact, the discount rate does not always change independently.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. An one-percentage-point change in assumed health care cost trend rates would have the following effects:

	2016		2015	
	One-Percentage Point Increase	One-Percentage Point Decrease	One-Percentage Point Increase	One-Percentage Point Decrease
Effect on other postretirement benefit obligation	\$2,771 increase	\$2,251 decrease	\$2,546 increase	\$2,066 decrease

This analysis assumes that all other variables remain fixed, however, in fact, the health care cost trend rate does not always change independently.

Contributions—The Company’s funding policy is to contribute to provide not only for benefits attributable to service to date, but also for those expected to be earned in the future. The Company expects to make no contribution to its defined benefit pension plans during the year ending March 31, 2017.

Estimated Future Benefit Payments—Benefit payments for the defined benefit pension plans and other postretirement benefits plans for the next 10 years are expected to be as follows:

	Defined Benefit Pension Plans	Other Postretirement Benefits Plans
2017	\$ 3,660	\$ 979
2018	3,905	1,013
2019	4,187	1,023
2020	4,412	1,032
2021	4,578	1,032
2022–2026	24,609	5,302

The weighted average duration of the benefit obligation for Defined Benefit Pension Plans and Other Postretirement Benefit Plans as of March 31, 2016 are 13.81 years and 13.59 years, respectively.

Defined Contribution Plan—The Company has a defined contribution plan. The expense related to the defined contribution plan was \$1,189 and \$1,186 for the year ended March 31, 2016 and 2015, respectively, and recognized in “Selling, general, and administrative expense” in the consolidated statements of profit and loss.

11. DECOMMISSIONING PROVISIONS

The changes to Company’s decommissioning provisions related to the oil and gas properties for the years ended March 31, 2016 and 2015, are as follows:

Balance—April 1, 2014	\$ 13,279
Additions	1,407
Accretion expense	713
Changes in estimates	<u>576</u>
Balance—March 31, 2015	15,975
Additions	932
Accretion expense	748
Changes in estimates	<u>(1,583)</u>
Balance—March 31, 2016	<u>\$ 16,072</u>

12. FAIR VALUE MEASUREMENTS

Under IFRS 7.21, *Financial Instrument Disclosures*, financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The following table presents the Company's fair value hierarchy for assets and liabilities measured at fair value on a recurring basis as of March 31, 2016 and 2015.

March 31, 2016	Level 1	Level 2	Level 3	Netting	Total
Assets:					
Financial assets measured at FVTPL	\$ -	\$ -	\$ 13,505	\$ -	\$ 13,505
Financial assets measured at FVTOCI	743	-	3,625	-	4,368
Merchandise inventories	-	521,321	-	-	521,321
Leased inventories	-	1,391,454	-	-	1,391,454
Commodity derivatives receivable	50,280	80,953	-	(25,921)	105,312
Currency and interest rate swap	-	789	-	-	789
	<u>\$ 51,023</u>	<u>\$ 1,994,517</u>	<u>\$ 17,130</u>	<u>\$ (25,921)</u>	<u>\$ 2,036,749</u>
Liabilities:					
Lease liabilities	\$ -	\$ 27,339	\$ -	\$ -	\$ 27,339
Commodity derivatives payable	42,314	43,890	-	(25,921)	60,283
Currency and interest rate swap	-	1,279	-	-	1,279
	<u>\$ 42,314</u>	<u>\$ 72,508</u>	<u>\$ -</u>	<u>\$ (25,921)</u>	<u>\$ 88,901</u>
March 31, 2015					
	Level 1	Level 2	Level 3	Netting	Total
Assets:					
Financial assets measured at FVTPL	\$ -	\$ -	\$ 15,783	\$ -	\$ 15,783
Financial assets measured at FVTOCI	738	-	3,917	-	4,655
Merchandise inventories	-	643,856	-	-	643,856
Leased inventories	-	1,334,973	-	-	1,334,973
Commodity derivatives receivable	86,148	96,909	-	(21,116)	161,941
Currency and interest rate swap	-	37,302	-	-	37,302
	<u>\$ 86,886</u>	<u>\$ 2,113,040</u>	<u>\$ 19,700</u>	<u>\$ (21,116)</u>	<u>\$ 2,198,510</u>
Liabilities:					
Lease liabilities	\$ -	\$ 334,988	\$ -	\$ -	\$ 334,988
Commodity derivatives payable	10,800	10,936	-	(21,116)	620
Currency and interest rate swap	-	307	-	-	307
	<u>\$ 10,800</u>	<u>\$ 346,231</u>	<u>\$ -</u>	<u>\$ (21,116)</u>	<u>\$ 335,915</u>

Assets and liabilities are classified in their entirety based on the lowest level of input that is a significant component of the fair value measurement. There were no transfers between different levels during the years presented.

“Derivatives” are recognized in “Trade and other receivables”, “Other receivable”, “Trade and other payables and accrued expenses”, “Lease liabilities and other” or “Other noncurrent liabilities” in the consolidated statements of financial position.

Gain (loss) on derivatives not designated as hedging instruments for the years ended March 31, 2016 and 2015 are as follows. Please refer to Note 8 for gains and losses on hedges.

Derivatives not Designated as Hedging Instruments	Statement of Profit and Loss Location	2016	2015
Commodity—Nonferrous metal	Cost of revenues from operating activities	\$42,255	\$ 26,747
Commodity—Precious metal	Cost of revenues from operating activities	90,100	250,904
Derivatives not Designated as Hedging Instruments	Statement of Profit and Loss Location	2016	2015
Foreign exchange forward	Sundry income—net	\$ 4,642	\$ 36,597
Interest rate swap	Sundry income—net	(155)	-

The following table presents the changes in Level 3 assets and liabilities that are measured at fair value on a recurring basis for the years ended March 31, 2016 and 2015.

	Balance— Beginning of Year	Realized and Unrealized Included in Earnings	Realized and Unrealized Included in OCI	Increase Due to Purchases and Other	Decrease Due to Sales and Other	Balance— End of Year	Net Change in Unrealized Gains (Losses) Still Held at End of Year
Year Ended March 31, 2016							
Financial assets measured at FVTPL	\$15,783	\$5,508	\$ -	\$ 240	\$ (8,026)	\$13,505	\$5,508
Financial assets measured at FVTOCI	<u>3,917</u>	<u>-</u>	<u>(289)</u>	<u>-</u>	<u>(3)</u>	<u>3,625</u>	<u>-</u>
	<u>\$19,700</u>	<u>\$5,508</u>	<u>\$ (289)</u>	<u>\$ 240</u>	<u>\$ (8,029)</u>	<u>\$17,130</u>	<u>\$5,508</u>
	Balance— Beginning of Year	Realized and Unrealized Included in Earnings	Realized and Unrealized Included in OCI	Increase Due to Purchases and Other	Decrease Due to Sales and Other	Balance— End of Year	Net Change in Unrealized Gains (Losses) Still Held at End of Year
Year Ended March 31, 2015							
Financial assets measured at FVTPL	\$19,079	\$4,659	\$ -	\$ 564	\$ (8,519)	\$15,783	\$4,655
Financial assets measured at FVTOCI	<u>17,058</u>	<u>-</u>	<u>(299)</u>	<u>-</u>	<u>(12,842)</u>	<u>3,917</u>	<u>-</u>
	<u>\$36,137</u>	<u>\$4,659</u>	<u>\$ (299)</u>	<u>\$ 564</u>	<u>\$ (21,361)</u>	<u>\$19,700</u>	<u>\$4,655</u>

Gain (loss) on other investments included in net income is recognized in “Gain on investments” in the consolidated statements of profit and loss. The net gains or net losses on items at fair value through profit or loss include dividend income. The amount recognized as other comprehensive (loss) income for other investments measured at FVTOCI is included in “Gains on other investments designated as FVTOCI” in the consolidated statements of comprehensive (loss) income.

The following table represents the amounts recorded for the year ended March 31, 2016 and 2015:

	2016	2015
Gains on investments:		
Financial assets measured at FVTPL	\$5,508	\$4,659
Others	<u>-</u>	<u>2,461</u>
Total gains on investments	<u>\$5,508</u>	<u>\$7,120</u>

Financial Assets—Financial assets classified in Level 1 are marketable equity securities valued at the quoted market price in an active market and Level 3 are non-marketable equity securities primarily valued by net asset value per share of investees. The fair values of other investments classified in Level 3 are processed by personnel in the accounting department of the Company, with information on the net asset value per share of the investees, information on the future cash flows of the investees, or independent third party appraisals, depending on the accessibility to the information.

Merchandise Inventories—Merchandise inventories are precious metals and nonferrous metals held for trading purposes, and are classified in Level 2 as they are valued by pricing models using observable inputs such as commodity prices. The fair values of these inventories include costs to sell, which are immaterial.

Leased inventories and Lease liabilities—Leased inventories and Lease liabilities are related to precious metals lease and are classified in Level 2 as they are valued by pricing models using observable inputs such as commodity prices.

Derivatives—Derivatives classified in Level 1 are comprised principally of commodity derivative contracts traded on exchanges market, which are valued using quoted prices. Derivatives classified in Level 2 are comprised principally of financial swaps and commodity derivative contracts traded in over-the-counter markets, which are valued by pricing models using observable market inputs such as interest rates, foreign exchange rates and commodity prices. Credit risks are adjusted in the net balance of derivative assets and liabilities.

The estimated fair values of the Company’s financial instruments measured at amortized cost are summarized as follows:

The carrying amounts of cash and cash equivalents (including time deposits), certificates of deposit, current notes and loans receivables, trade and other receivables, other financial assets, noncurrent loans receivable from parent and affiliated companies, current borrowings (including commercial paper and current maturities of non-current borrowings), short-term notes and trade and other payables, and other financial liabilities approximate fair value because of their short-term maturities. Other financial assets are primarily guarantee deposits. The carrying amounts of guarantee deposits are \$65,828 and \$27,890 as of March 31, 2016 and 2015, respectively.

For noncurrent borrowing, the fair values are based on current rates at which the Company could borrow funds with similar remaining maturities. The carrying value of long-term debt approximates fair value due to the variable rates of these liabilities. The carrying value of long-term receivables approximates fair value as the interest rates of these assets are based on current rates.

Other Investments—The following is a breakdown of the carrying amounts of other investments as of March 31, 2016 and 2015.

	2016	2015
FVTPL	\$ 13,505	\$ 15,783
FVTOCI	<u>4,368</u>	<u>4,655</u>
Total	<u>\$ 17,873</u>	<u>\$ 20,438</u>

The following is a breakdown of the fair values of other investments measured at FVTOCI as of March 31, 2016 and 2015.

	2016	2015
Marketable	\$ 743	\$ 738
Nonmarketable	<u>3,625</u>	<u>3,917</u>
Total	<u>\$ 4,368</u>	<u>\$ 4,655</u>

Marketable security consisted of the investment in Intercontinental Exchange, Inc.

Nonmarketable securities consisted of the following:

Security Name	2016	2015
Jamco America, Inc.	\$ 2,776	\$ 3,065
Other	<u>849</u>	<u>852</u>
	<u>\$ 3,625</u>	<u>\$ 3,917</u>

The amount of dividend income from other investments measured at FVTOCI held at March 31, 2016 and 2015 that are recognized for the years ended March 31, 2016 and 2015 are \$38 and \$20, respectively.

With respect to other investments measured at FVTOCI derecognized as a result of sale, the fair value at the time of derecognition for the years ended March 31, 2016 and 2015 is as follows.

	2016	2015
Fair value at the time of derecognition	<u>\$ -</u>	<u>\$ 12,842</u>

Offsetting Financial Assets and Financial Liabilities—The amount of financial assets and financial liabilities for which the Company has a legal right and the intent to settle on a net basis as of March 31, 2016 and 2015 are as follows:

March 31, 2016

	Gross Amount of Assets (Before Offset)	Offset amount		Amount Presented in the Consolidated Statement of Financial Position	Amount not offset in the Consolidated Statement of Financial Position		Net Amount
		Financial Instruments	Cash Collateral Payables		Financial Instruments	Cash Collateral Payables	
Financial Assets							
Derivatives	\$ 132,022	\$(25,921)	\$ -	\$ 106,101	\$ (15,467)	\$ (21,723)	\$ 68,911
Total	<u>\$ 132,022</u>	<u>\$(25,921)</u>	<u>\$ -</u>	<u>\$ 106,101</u>	<u>\$ (15,467)</u>	<u>\$ (21,723)</u>	<u>\$ 68,911</u>

The “Derivatives” above comprises of \$32,400 of Trade and other receivables-Parent and affiliated companies, \$53,049 of Trade and other receivables-other, and \$20,652 of Other receivable in the consolidated statement of financial position.

	Gross Amount of Assets (Before Offset)	Offset amount		Amount Presented in the Consolidated Statement of Financial Position	Amount not offset in the Consolidated Statement of Financial Position		Net Amount
		Financial Instruments	Cash Collateral Payables		Financial Instruments	Cash Collateral Payables	
Financial Liabilities							
Derivatives	\$87,483	\$(25,921)	\$ -	\$61,562	\$(15,467)	\$(24,111)	\$21,984
Total	\$87,483	\$(25,921)	\$ -	\$61,562	\$(15,467)	\$(24,111)	\$21,984

The “Derivatives” above comprises of \$4,396 of Trade and other payables and accrued expenses-Parent and affiliated companies, \$46,613 of Lease liabilities and other, and \$10,553 of Other noncurrent liabilities in the consolidated statement of financial position.

March 31, 2015

	Gross Amount of Assets (Before Offset)	Offset amount		Amount Presented in the Consolidated Statement of Financial Position	Amount not offset in the Consolidated Statement of Financial Position		Net Amount
		Financial Instruments	Cash Collateral Payables		Financial Instruments	Cash Collateral Payables	
Financial Assets							
Derivatives	\$220,359	\$(21,116)	\$ -	\$199,243	\$(4,336)	\$ -	\$194,907
Total	\$220,359	\$(21,116)	\$ -	\$199,243	\$(4,336)	\$ -	\$194,907

The “Derivatives” above comprises of \$37,596 of Trade and other receivables—Parent and affiliated companies, \$111,465 of Trade and other receivables—other, and \$50,182 of Other receivable in the consolidated statement of financial position.

	Gross Amount of Assets (Before Offset)	Offset amount		Amount Presented in the Consolidated Statement of Financial Position	Amount not offset in the Consolidated Statement of Financial Position		Net Amount
		Financial Instruments	Cash Collateral Payables		Financial Instruments	Cash Collateral Payables	
Financial Liabilities							
Derivatives	\$53,593	\$(21,116)	\$ -	\$32,477	\$(4,336)	\$ -	\$28,141
Total	\$53,593	\$(21,116)	\$ -	\$32,477	\$(4,336)	\$ -	\$28,141

The “Derivatives” above comprises of \$9,768 of Trade and other payables and accrued expenses-Parent and affiliated companies, \$20,229 of Lease liabilities and other, and \$2,480 of Other noncurrent liabilities in the consolidated statement of financial position.

The Company has derivative transactions subject to an enforceable master netting agreement or similar agreement with counterparties. In general, the terms of the agreements provide that in the event of an early termination the counter parties have the right to offset amounts owed or owing under that and any other agreement with the same counter party.

Risk Management Related to Financial Instruments

Interest Rate Risk Management—The Company's financing, investing and cash management activities are exposed to risks associated with changes in interest rates. In order to manage these exposures, the Company enters into interest rate swap contracts. Interest rate swaps are used to convert fixed-rate assets to floating-rate assets.

The Company had gross interest-bearing liabilities of \$2,152,110 and \$2,738,613 as of March 31, 2016 and 2015, respectively. Because almost all of these liabilities bear floating interest rates, there is a risk of an increase in interest expenses caused by a rise in interest rates.

The majority of these interest-bearing liabilities correspond to trade receivables, loan receivable and other operating assets that are positively affected by changes in interest rates. Because a rise in interest rates produces an increase in income from these assets, while there is a time lag, interest rate risk is mitigated. For the remaining interest-bearing liabilities exposed to interest rate risk without such offsets, commensurate asset holdings such as investment securities, property and equipment generate trading income and other income streams, such as dividends, that are strongly correlated with economic cycles. Accordingly, even if interest rates increase through economic improvement, leading to higher interest expenses, the Company believes that these expenses would be offset by an increase in income from the corresponding asset holdings.

However, the Company's operating results may be negatively impacted temporarily if there is a rapid rise in interest rates because increased income from commensurate asset holdings would fail to offset the effects of a preceding increase in interest expenses.

Assuming that the interest rate increased/decreased by 1% as of March 31, 2016 and 2015, their impacts on net income and total equity would not be material.

Commodity Price Risk Management—The Company is exposed to fluctuations in commodity prices associated with various commodities used in its trading and other operating activities. The Company enters into commodity futures, forwards, options and swap contracts to hedge the variability in commodity prices in accordance with its risk management procedures. Although these contracts are not designated as hedging instruments, the Company believes that such contracts effectively hedge the impact of the variability in commodity prices.

As of March 31, 2016 and 2015, the Company did not perform commodity derivative transactions other than those for hedging purposes as a general rule. Therefore, the risk exposure pertaining to the net position of derivative transactions and transactions being hedged, and the impact of commodity price fluctuations on net income and total equity were immaterial.

Credit Risk Management—The Company has exposure to credit risk arising from extending credit terms to its customers in various business transactions with them. In case of deterioration in the credit of or bankruptcy of customers, the risk exposure causes the Company credit losses. To manage the credit risk, the Company has maintained credit and transaction limits for each customer with an internal rating system. According to the internal rules corresponding to the internal ratings and the amount of credit, the Company also requires collateral or a guarantee depending on the credit profile of the counterparty.

In spite of the various engagements in various businesses and industries, the Company has assessed the nature and characteristics of the credit risk based on a single consistent method, and has managed its credit risk without classification corresponding to the business types or the industries of the customers. The Company has considered the customers' financial position could offer the relevant and sufficient information on the assessment of the Company's credit risk because the Company has estimated its credit risk has been insignificant relatively, compared to its market risk.

The Company has no exposure to credit risks that are over-concentrated in a single counterparty or a group to which the counterparty belongs.

Liquidity Risk Management—The Company's basic policy concerning the procurement of funds to support business activities is to procure fund in a stable and cost-effective manner. For funding purposes, the Company selects and utilizes, as needed, both direct financing, such as commercial paper, and indirect financing, including bank loans. The Company seeks to use the most advantageous means, according to market conditions at the time. The Company has a strong reputation in capital markets and with regard to indirect financing, the Company maintains good relationship with a broad range of financial institutions. This diversity allows the Company to procure funds on terms that are cost competitive.

The breakdown of financial liabilities by due date as of March 31, 2016 and 2015 are as follows:

	Due In 1 Year or Less	Due After 1 Year Through 5 Years	Due After 5 Years	Total
March 31, 2016				
Borrowings	\$ 812,110	\$ 1,130,000	\$ 210,000	\$ 2,152,110
Other financial liabilities (derivatives)	51,009	10,477	76	61,562
Lease liabilities	376,408	-	-	376,408
March 31, 2015				
Borrowings	\$ 1,456,613	\$ 1,032,000	\$ 250,000	\$ 2,738,613
Other financial liabilities (derivatives)	29,997	2,367	113	32,477
Lease liabilities	334,988	-	-	334,988

The Company is a party to a joint revolving credit agreement together with the Parent, as detailed in Note 9.

13. INCOME TAXES

The (benefit) provision for income taxes for the years ended March 31, 2016 and 2015 relating to continuing operations, consists of the following:

	2016	2015
Current:		
In respect of the current year	\$ (3,204)	\$ 6,983
In respect of prior years	<u>(5,158)</u>	<u>(973)</u>
Total current	<u>(8,362)</u>	<u>6,010</u>
Deferred:		
In respect of the current year	(8,951)	20,180
In respect of prior years	4,676	(220)
Write-downs (reversals of previous write-downs) of deferred tax assets	<u>61</u>	<u>(2,026)</u>
Total deferred	<u>(4,214)</u>	<u>17,934</u>
Total tax (benefit) provision	<u><u>\$ (12,576)</u></u>	<u><u>\$ 23,944</u></u>

Total income taxes include the effects of tax expense of \$10 and income of \$20 on equity in earnings of affiliates for the years ended March 31, 2016 and 2015, respectively.

The difference between the actual income tax expense and income tax expense computed by applying the US federal statutory rate to pretax income (which includes equity in earnings of affiliates) for the years ended March 31, 2016 and 2015, is explained as follows

	2016	2015
US federal statutory rate	35.00 %	35.00 %
Change in valuation allowance	(0.19)	(2.79)
State taxes (net of Federal tax benefit)	3.77	2.22
Book and tax basis difference of investments in affiliates	(0.07)	(0.83)
Expenses not deductible for income tax purposes	(0.85)	0.42
Refund of tax credit from MCA	0.72	(1.36)
Others	<u>0.09</u>	<u>0.34</u>
Average effective tax rate	<u>38.47 %</u>	<u>33.00 %</u>

Deferred tax assets and liabilities as of March 31, 2016 and 2015 are as follows:

	2016	2015
Deferred income tax assets	\$ 51,063	\$ 51,693
Deferred tax liabilities	<u>(12,645)</u>	<u>(18,918)</u>
Total net deferred tax assets	<u><u>\$ 38,418</u></u>	<u><u>\$ 32,775</u></u>

The following table presents the changes in deferred tax for the years ended March 31, 2016 and 2015.

Year Ended March 31, 2016	Balance— Beginning of Year	Recognized in Earnings	Recognized in OCI	Balance— End of Year
Deferred tax in relation to:				
Pension	\$ 17,235	\$ 428	\$ 1,201	\$ 18,864
Bad debt write-off	5	(4)	-	1
Office sublease loss write-off	2,620	(198)	-	2,422
Net operating loss carryforward and alternative minimum tax credit carryforwards	3,004	(2,831)	-	173
Depreciation, amortization, and depletion	15,359	5,444	-	20,803
Investments	(3,202)	132	228	(2,842)
Undistributed retained earnings from affiliated companies	(743)	114	-	(629)
Foreign exchange gain/loss	(5,294)	1,452	-	(3,842)
Other	<u>3,791</u>	<u>(323)</u>	<u>-</u>	<u>3,468</u>
	<u>\$ 32,775</u>	<u>\$ 4,214</u>	<u>\$ 1,429</u>	<u>\$ 38,418</u>
Year Ended March 31, 2015	Balance— Beginning of Year	Recognized in Earnings	Recognized in OCI	Balance— End of Year
Deferred tax in relation to:				
Pension	\$ 10,930	\$ (1,083)	\$ 7,388	\$ 17,235
Bad debt write-off	1	4	-	5
Office sublease loss write-off	2,885	(265)	-	2,620
Net operating loss carryforward and alternative minimum tax credit carryforwards	6,622	(3,618)	-	3,004
Depreciation, amortization, and depletion	25,054	(9,695)	-	15,359
Investments	(4,824)	1,648	(26)	(3,202)
Undistributed retained earnings from affiliated companies	(763)	20	-	(743)
Foreign exchange gain/loss	(2,057)	(3,237)	-	(5,294)
Other	<u>5,499</u>	<u>(1,708)</u>	<u>-</u>	<u>3,791</u>
	<u>\$ 43,347</u>	<u>\$ (17,934)</u>	<u>\$ 7,362</u>	<u>\$ 32,775</u>

As required by IAS 12, *Income Taxes*, the Company periodically evaluates the likelihood of the realization of deferred tax assets and reduces the carrying amount of these deferred tax assets to the extent that the Company believes a portion will not be realized. The Company considers many factors when assessing the likelihood of future realization of the deferred tax assets, including its recent cumulative earnings experience, expectations of future income, the carryforward periods available for tax reporting periods, and other relevant factors.

In assessing the realizability of the deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will not be realized. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Company recognized deferred tax assets for deductible temporary differences, tax losses and tax credits where it is probable that future taxable profit will allow the deferred tax asset to be recovered. The underlying assumptions used in forecasting future taxable income require significant judgment and take into account the Company's recent performance.

The amount of deductible temporary differences in domestic jurisdictions regarding unrealized capital loss of certain investments for which no deferred tax asset realized was \$2,064 and \$1,960 as of March 31, 2016 and 2015, respectively. The Company's capital losses are only deductible against capital gains and the Company does not anticipate having the ability to generate sufficient capital gains in the future to realize such capital losses. The deductible temporary differences have no expiration date.

Deferred tax assets have not been recognized for the Company's US state NOL carryforwards of \$6,253 and \$5,841 expiring in the periods beginning in 2017 through 2031 as of March 31, 2016 and 2015, respectively, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

As of March 31, 2016 and 2015, taxable (deductible) temporary differences in relation to investments in associates for which deferred tax liabilities (assets) have not been recognized are (\$5,910) and (\$4,564), respectively.

The Company did not have any unrecognized tax benefits in the accompanying consolidated statement of financial position as of March 31, 2016 and 2015.

The Company files income tax returns in the various states, and Canada jurisdiction. The Company believes it is filing in all jurisdictions deemed necessary and appropriate.

From a federal tax return perspective, the Company is a member of the consolidated tax returns filed through MCA from April 1, 2012. Under the tax allocation agreement with MCA, the Company is required to pay to MCA as its share of the federal income tax liability, as computed without regard to Alternative Minimum Tax (AMT), of the MCA Consolidated Group, an amount equal to the federal income tax liability that would have been payable by the Company for such year if it had filed a separate income tax return for such year. Such payment shall be reduced by foreign tax and general business credits generated by the Company within such tax year.

MCA and its US subsidiaries file income tax returns in the US federal jurisdiction and various states and foreign jurisdictions. The Company and its current and former US subsidiaries are under income tax examination by the Internal Revenue Service for the fiscal years ended March 31, 2011, 2012 and 2014. The Company is no longer subject to the US federal and local income tax examinations by tax authorities for years before December 31, 2006. The Company is subject to examinations as a member of the consolidated tax returns filed by MCA beginning in the 2012 fiscal year.

The Company does not expect any significant changes to the estimated amount of unrecognized tax benefits through the next 12 months.

14. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses are recorded according to their functions due to different economic activities and businesses of the Company. The nature of Selling, general and administrative expenses for the years ended March 31, 2016 and 2015, are as follows:

	2016	2015
Personnel expenses	\$ (34,130)	\$ (32,833)
Facilities expenses	(7,651)	(6,980)
Information and communication expenses	(7,807)	(7,949)
Transportation and entertainment expenses	(5,935)	(6,486)
Miscellaneous expenses	<u>(9,847)</u>	<u>(11,567)</u>
Total	<u>\$ (65,370)</u>	<u>\$ (65,815)</u>

The amount of depreciation and amortization expenses included in Facilities expenses for the years ended March 31, 2016 and 2015, was \$(3,207) and \$(2,926), respectively.

15. SUNDRY INCOME—NET

Sundry income—net for the years ended March 31, 2016 and 2015, consisted of the following:

	2016	2015
Foreign exchange loss—net	\$ (3,657)	\$ (17,309)
Gain from financial derivative	4,434	16,980
Other—net	<u>(370)</u>	<u>1,175</u>
Total	<u>\$ 407</u>	<u>\$ 846</u>

16. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

The components of accumulated other comprehensive (loss) income for the years ended March 31, 2016 and 2015, are as follows:

2016	Before Tax	Tax	After Tax
Other investments designated as FVTOCI:			
Balances—beginning of year	<u>\$ 7,124</u>	<u>\$ (695)</u>	<u>\$ 6,429</u>
Other comprehensive income (loss)	<u>(3,277)</u>	<u>228</u>	<u>(3,049)</u>
Net current period other comprehensive income (loss)	<u>(3,277)</u>	<u>228</u>	<u>(3,049)</u>
Balances—end of year	<u>\$ 3,847</u>	<u>\$ (467)</u>	<u>\$ 3,380</u>
Remeasurement of defined benefit pension plans:			
Balances—beginning of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other comprehensive income (loss)	<u>(3,160)</u>	<u>1,201</u>	<u>(1,959)</u>
Transfer to retained earnings	<u>3,160</u>	<u>(1,201)</u>	<u>1,959</u>
Net current period other comprehensive income (loss)	<u>-</u>	<u>-</u>	<u>-</u>
Balances—end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Exchange differences on translating foreign affiliates:			
Balances—beginning of year	<u>\$ (4,564)</u>	<u>\$ -</u>	<u>\$ (4,564)</u>
Other comprehensive income	<u>(1,346)</u>	<u>-</u>	<u>(1,346)</u>
Net current period other comprehensive income (loss)	<u>(1,346)</u>	<u>-</u>	<u>(1,346)</u>
Balances—end of year	<u>\$ (5,910)</u>	<u>\$ -</u>	<u>\$ (5,910)</u>

2015	Before Tax	Tax	After Tax
Other investments designated as FVTOCI:			
Balances—beginning of year	<u>\$ 4,337</u>	<u>\$ (447)</u>	<u>\$ 3,890</u>
Other comprehensive income	2,203	(26)	2,177
Transfer to retained earnings	<u>584</u>	<u>(222)</u>	<u>362</u>
Net current period other comprehensive income	<u>2,787</u>	<u>(248)</u>	<u>2,539</u>
Balances—end of year	<u>\$ 7,124</u>	<u>\$ (695)</u>	<u>\$ 6,429</u>
Remeasurement of defined benefit pension plans:			
Balances—beginning of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other comprehensive income	(19,441)	7,388	(12,053)
Transfer to retained earnings	19,441	(7,388)	12,053
Net current period other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>
Balances—end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Exchange differences on translating foreign affiliates:			
Balances—beginning of year	\$ (1,084)	\$ -	\$ (1,084)
Other comprehensive income	<u>(3,480)</u>	<u>-</u>	<u>(3,480)</u>
Net current period other comprehensive income	<u>(3,480)</u>	<u>-</u>	<u>(3,480)</u>
Balances—end of year	<u>\$ (4,564)</u>	<u>\$ -</u>	<u>\$ (4,564)</u>

The components of other comprehensive income (loss) for the years ended March 31, 2016 and 2015 are as follows:

	Before Tax	Tax	After Tax
2016			
Items that will not be reclassified to net income			
Losses on other investments designated as FVTOCI			
Losses during the year	\$ (3,277)	\$ 228	\$ (3,049)
Remeasurement of defined benefit pension plans			
Losses during the year	(3,160)	1,201	(1,959)
Items that may be reclassified to net income			
Exchange differences on translating foreign affiliates			
Translation adjustments during the year	(1,346)	-	(1,346)
2015			
Items that will not be reclassified to net income			
Gains on other investments designated as FVTOCI			
Gains during the year	\$ 2,203	\$ (26)	\$ 2,177
Remeasurement of defined benefit pension plans			
Losses during the year	(19,441)	7,388	(12,053)
Items that may be reclassified to net income			
Exchange differences on translating foreign affiliates			
Translation adjustments during the year	(3,480)	-	(3,480)

17. TRANSACTIONS WITH RELATED PARTIES

Revenues and goods purchased/services received from Parent and affiliated companies

	2016	2015
Revenues:		
Revenues from operating activities—Parent	\$ 58,760	\$ 74,357
Margins and commissions on operating transactions:		
Parent	34,290	22,999
Affiliated companies	1,850	1,017
Goods purchased/services received—Parent	5,194,894	8,187,239

The Company received a significant portion of interest income from the Parent. For the years ended March 31, 2016 and 2015, interest income from the Parent was \$12,805 and \$14,172, respectively.

Assets and liabilities of the Company to Parent and affiliated companies

	<u>March 31,</u>	
	<u>2016</u>	<u>2015</u>
Assets:		
Trade and other receivables:		
Parent	\$ 142,357	\$ 243,734
Affiliated companies	19,862	18,605
Notes and loans receivables—Parent	1,266,954	1,199,234
Liabilities:		
Trade and other payables:		
Parent	615,963	592,535
Affiliated companies	189	40
Borrowings—Parent	66,110	468,613

Under the Company’s by-laws, from time to time, dividends will be declared with the sole discretion of the Company’s Board of Directors, and will pay up to the Company’s prior year net income. Such decision will depend upon earnings, market prospects, and future investment opportunities. For the years end March 31, 2016 and 2015, the Company declared cash dividends to the Parent of \$48,607 and \$62,491, respectively.

18. LEASES

Lessor—The Company is engaged as a lessor in direct financing leases involving primarily machinery and equipment for producing milk products. The Company’s net investment in its direct financing leases at March 31, 2016 and 2015, is included in “Trade and other receivable—Customers” and “Other receivable” in the accompanying consolidated statements of financial position.

	<u>2016</u>		<u>2015</u>	
	<u>Current</u>	<u>Noncurrent</u>	<u>Current</u>	<u>Noncurrent</u>
Minimum lease payments receivable	\$ 1,037	\$ 221	\$ 616	\$ 925
Less unearned income	<u>(81)</u>	<u>(6)</u>	<u>(117)</u>	<u>(62)</u>
Total	<u>\$ 956</u>	<u>\$ 215</u>	<u>\$ 499</u>	<u>\$ 863</u>

Future minimum lease payments to be received by year and in aggregate from direct financing leases with initial or remaining terms of one year or more during future periods ending March 31, 2016 are as follows:

	Future Minimum Lease Payments	Present Value of Future Minimum Lease Payments
Less than 1 year	\$ 1,037	\$ 1,032
1 year to 5 year	<u>221</u>	<u>217</u>
Total minimum payments	<u>\$ 1,258</u>	<u>\$ 1,249</u>

Lessee—The Company has operating leases for office space and equipment under noncancelable operating leases expiring through 2022 and provide for renewal options under various conditions. The lease term is calculated from the date the Company first takes possession of the office space and equipment. Rent increases vary for each lease agreement and the average annual increase is in the range of 1% to 3% over a five-year period. The annual rent payments reflect scheduled rent increases over the lease terms with any allowance or reimbursement provided by the lessor.

Future minimum payments, by year and in the aggregate, under operating leases in which the Company is a lessee, with initial or remaining terms of one year or more during the year ending March 31 are as follows:

Less than 1 year	\$ 4,102
1 year to 5 year	20,257
After 5 year	<u>5,461</u>
Total minimum payments required ^(a)	<u>\$ 29,820</u>

^(a) Minimum payments have been reduced by minimum sublease rentals. The sublease rental amounts are \$1,854, \$1,904, \$2,006, \$2,018 and \$1,972 for each of the next five fiscal years ending 2021 and \$2,274 thereafter under operating leases due in the future under noncancelable leases.

Total rent expense (net of subleases), was \$4,467 and \$4,241 for the years ended March 31, 2016 and 2015, respectively. The amount of rental income from subleases for the years ended March 31, 2016 and 2015 was \$3,308 and \$3,548, respectively.

19. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

Guarantees—Guarantees arise during the ordinary course of business from relationships with customers and equity affiliates when the Company undertakes an obligation to guarantee the performance of others if specified triggering events occur. Nonperformance under a contract by the guaranteed party triggers the obligation of the Company. Such nonperformance usually relates to loans. The Company has directly guaranteed various debt obligations under agreements with third parties related to equity affiliates and other unaffiliated companies. The Company did not have outstanding guarantee obligations at March 31, 2016 and 2015.

Legal Matters—The Company and its subsidiaries are parties to litigation and other unasserted claims arising in the ordinary course of business. Although some of the matters are still in preliminary stages and definitive conclusions cannot be made as to those matters, the Company is of the opinion that, based on information presently available, none of the litigation or claims will have a material adverse effect on the consolidated financial statements of the Company.

20. SUBSEQUENT EVENTS

The Company has evaluated all events or transactions that occurred after March 31, 2016, up through July 21, 2016, the date that the consolidated financial statements were available to be issued and it has been determined that there were no subsequent events requiring adjustment to or disclosure in the consolidated financial statements.

21. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's president and authorized for issue on July 21, 2016.

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